PNB

99 GOING ON 100:
TRANSFORMING TO SERVE YOU FIRST

2015 ANNUAL REPORT

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ABOUT THE COVER

The PNB 2015 Annual Report cover design is inspired by the Bank's 99th year logotype which is interlaced within the 100th year logo. Textured in platinum and masked with various photos of Filipinos, PNB employees and clients, the design symbolizes PNB's step towards the challenges of the coming century. Utilizing the new PNB colors of blue and aquamarine, the broad strokes that make up the logo is a visual representation of the Bank's unending zeal to redefine banking in the country. The inclusion of the Philippine sun provides guidance for each and every PNB employee to always put the needs of the Filipino first.

CONSOLIDATED FINANCIAL HIGHLIGHTS

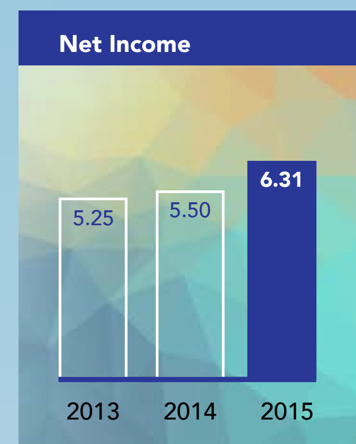
(In Thousand Pesos, Except Per Share Amounts)

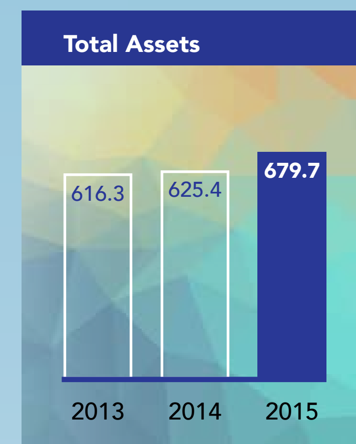
	December 31 2015	2014 (As Restated)
RESULTS OF OPERATIONS		
Gross Income	**32,010,584**	30,480,358
Total Expenses	**25,698,989**	24,985,313
Net Income	**6,311,595**	5,495,045
FINANCIAL CONDITION		
Total Assets	**679,687,737**	625,445,832
Loans and Receivables	**365,725,146**	316,253,021
Total Liabilities	**574,931,876**	526,384,950
Deposit Liabilities	**485,937,181**	447,643,757
Total Equity	**104,755,861**	99,060,882
Per Share[1/]		
Basic/Diluted Earnings Per Share	**4.89**	4.60
Book Value Per Share	**79.16**	74.77

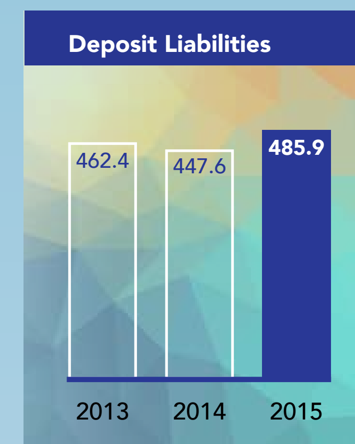
[1/] attributable to equity holders of the Parent Company

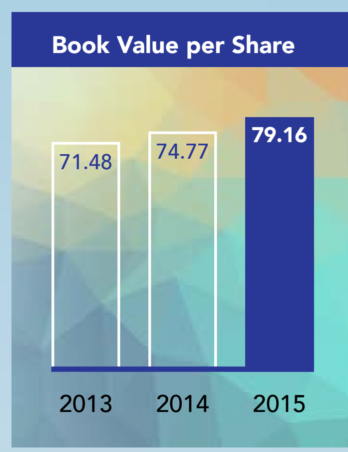
KEY FINANCIAL HIGHLIGHTS

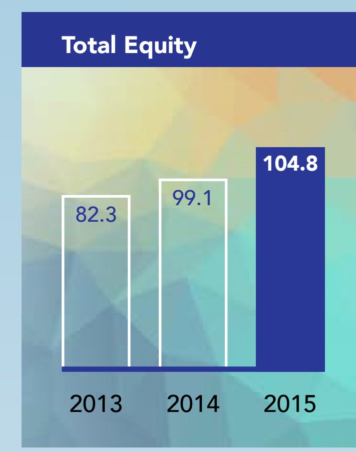
(Amounts in Billion Pesos)

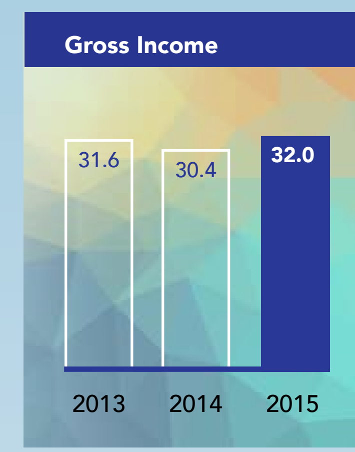












CORPORATE OBJECTIVE

By continually providing the best customer experience to generations of Filipinos here and abroad, PNB aims to be among the top 3 in the various markets that it chooses to compete in.

MISSION STATEMENT

We are a leading, dynamic Filipino financial services group with a global presence committed to delivering a whole range of quality products and services that will create value and enrich the lives of our customers, employees, shareholders and the communities we serve.

VISION 2010 AND BEYOND

To be the most admired financial services organization in the country in terms of:

- Financial performance – rank #1 or #2 in its businesses in terms of return on equity
- Innovativeness – in products, services, distribution and the use of cutting-edge technology
- Customer perception
    - The preferred financial services provider
    - The customer-centered organization with a passion for service excellence
- Social responsibility – the employer of choice, a good corporate citizen and partner in nation-building
- Long-term vision – developing competitive advantage on a sustained basis by anticipating changes in customer's preferences and in the manner of doing business

MESSAGE TO SHAREHOLDERS

ECONOMIC OVERVIEW

Despite the challenging global environment, the Philippine economy remained resilient as it registered a 5.8% growth in real Gross Domestic Product (GDP) in 2015, still one of Asia's top performers. The economic expansion was propelled by sustained household consumption, strong capital formation, and accelerated government spending amid export growth slowdown. On the supply side, the growth was boosted by a substantial gain in the services sector and a modest increase in the industry sector.

The lack of supply-side pressure, aided by low oil prices, tempered inflation to an average of 1.4% in 2015, the lowest since the BSP adopted the inflation targeting framework in 2002. Interest rates were on a gradual uptrend amid uncertainties on the timing of the normalization of US monetary policy. The US Federal Reserve raised its policy rates in December 2015, its first interest-rate-raising cycle since 2008. Meanwhile, fiscal prudence resulted in a steady decline in the country's debt-to-GDP ratio, further reducing reliance on external financing.

The Philippine banking industry remained sound and stable, supported by a resolute implementation of banking reforms and regulations. The Banks' balance sheets showed sustained growth with aggregate resources increasing by 7.6% to P12.1 trillion and deposits rising by 8.3% to P9.2 trillion.

The country's balance of payments position improved to a surplus of US$2.6 billion as of end-2015, reversing the US$2.9 billion deficit posted a year ago. The surplus is attributed to sustained overseas Filipinos' remittances, a growing BPO industry, and net inflows of foreign direct investments. This allowed the Philippines to maintain gross international reserves at above US$80-billion level, sufficient to finance 10.3 months' worth of imports of goods services. Despite the country's strong external accounts, the peso depreciated against the US dollar by 5.4% year-on-year with the exchange rate settling at P47.17 to a US dollar at the close of 2015. The weakness of the peso was sentiment-driven, arising from uncertainties in the global market: on the timing and effect of US monetary policy on global liquidity, geopolitical tensions, and divergent economic growth across different markets.

The Philippine banking industry remained sound and stable, supported by a resolute implementation of banking reforms and regulations. The Banks' balance sheets showed sustained growth with aggregate resources increasing by 7.6% to P12.1 trillion and deposits rising by 8.3% to P9.2 trillion.

Total Banks' loan portfolio expanded by 11.9% against previous year's level, thus continuing the industry's double-digit pace in the last 4 years. Asset quality continued to improve as gross non-performing loan (NPL) ratio decreased to 2.1% from 2.3%as of the end of December 2015. Total Industry's gross NPL ratio was kept below the pre-Asian crisis level of 3.5% as banks adopted initiatives to improve their asset quality coupled with prudent lending regulations. The NPL coverage ratio reached 118.4%, signifying that banks had adequate buffers against potential credit losses.

The capital adequacy ratio of universal and commercial banks remained high at 15.6% on a solo basis and 16.4% on a consolidated basis as of September 2015, far above the BSP-prescribed minimum ratio of 10%. The profitable operations of banks as well as the issuance of new shares of stock and the capital infusion of foreign banks contributed to the increase in capital ratios.

DELIVERING A STRONGER FRANCHISE

In 2015, the Philippine National Bank (PNB) started to see the fruits of the PNB and Allied Banking Corporation (ABC) merger. Maximizing the synergies from this integration the Bank started to deliver greatly improved business and financial results. Strong gains were achieved in the Bank's core business as it continues to show robust loan growth and record income performance.

The Group's consolidated Capital Adequacy Ratio (CAR) of 19.24% and a Common Equity Tier 1 (CET1) ratio of 16.23% are well above the minimum 10% and 6% required by BSP, respectively.

PNB concluded the year with a net income of P6.3 billion, 15% higher than the previous year's level, even as the average income growth for the industry contracted. This translates to a return on equity of 6.2%.

During the year, PNB's net interest income, comprising 67% of the total operating income, improved by 7% to P17.7 billion. Despite the squeeze in margins, interest income on loans and receivables grew by 13% to P17.1 billion. Strong lending volumes from the corporate and commercial/SME sector propelled this growth.

The loan-to-deposit ratio rose to 74%, driven by the expansion of the Bank's loans, which grew by 18%, and outpacing the industry's average growth of 13%. At the same time, the increase in interest expense on deposits was contained at 7% to P3.0 billion despite a 9% growth in deposits. A greater proportion of this increase came from low cost funds. PNB's interest expense on borrowings rose by 20% to P1.0 billion as the Bank successfully closed and signed a USD150 million 3-year syndicated term loan facility with a large group of international and regional banks in April 2015. This marks PNB's return to the syndicated loan market after more than a decade, the last being in 1998. The loan facility was 1.5 times oversubscribed, indicating the Bank's credit strength and the enhanced confidence of international creditors.

With synergies from the merger being realized and with reduced provisioning, operating expenses were lower this year at P18.9 billion compared to P19.2 billion during the previous year.

Net service fees and commissions increased by 25% to P3.6 billion, principally generated from underwriting and credit-related transactions. The improvements in core revenues compensated for the reduced trading gains that declined by 55% ending at P574 million due to challenging conditions in both the local and international financial markets. Operating income was augmented by gains from the sale of PNB's foreclosed assets, which improved by 10% to P1.6 billion.

As of the end of 2015, PNB's total consolidated resources stood at P679.7 billion, up P54.2 billion or 9% from year-ago level. Loans and receivables reached P365.7 billion, posting a significant growth of 15.7%. Asset quality significantly improved as non-performing loans were reduced to P9.0 billion by the end of 2015. Non-performing loan (NPL) ratios decreased to 0.25% (net of valuation reserves) and 2.61% (at gross) from 0.92% and 3.42%, respectively, a year ago. NPL coverage improved to 125.57% from 99.19% end of 2014. The Bank's real and other properties acquired (ROPA) declined by P7.0 billion due to sustained disposal off foreclosed properties. Hence, ratio of non-performing assets to total assets declined to 2.1% in 2015 from 3.7% a year-ago.

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As validation of PNB's efforts at fortifying its business and in recognition of the Bank's drive toward its long-term corporate goals of high profitability and a strong balance sheet, two credit rating agencies upgraded its outlook on PNB. Last May 2015, Moody's Investors Service upgraded PNB's long-term and short term rating by two levels to reach investment grade, from Ba2/NP to Baa3/P-3. In October 2015, Fitch Ratings Agency gave the Bank a higher credit rating of "BB" with a stable outlook, reflecting the Bank's strong franchise and high capital ratios.

ADDRESSING NEEDS

The year saw the execution of key retail banking initiatives with the goal of establishing the retail segment as one of the Bank's major business pillars. Recognizing the needs of our modern-day customers and complementing the Bank's strengths in the corporate, commercial and financial market businesses, we underwent a rebranding program. We renovated our retail branches and enhanced the overall banking experience. We transformed our branches to feature the new retail branch design, which offers a more comfortable banking atmosphere with improved amenities and efficient customer service. With a combined total of 740 domestic, overseas offices and representatives in its network, PNB continues to be one of the banks with the broadest geographical reach in the industry.

In order to address the customers' evolving needs, PNB continues to listen and provide products that serve their diverse requirements. In partnership with the Social Security System (SSS), PNB launched the PNB SSS Pension Loan Program for SSS pensioners. This loan product provides a faster turnaround time at more affordable rates with value-added benefits such as Credit Insurance and ATMSafe - a pioneering product in the country which ensures the safety of ATM cardholders and their accounts. Over one million PNB clients enjoy the benefits of this revolutionary product, along with the Healthy Ka Pinoy (HKP) Emergency Medical Card. HKP provides emergency hospital care for accidents and sicknesses at a very minimal cost.

While PNB's branches continued to be the primary platform for sales and services, the Bank expanded and fortified other cost-efficient distribution channels. Out of the 1,000 ATMs ordered in 2014, 665 units were delivered in 2015. In addition, a total of 394 ATMs were upgraded with units that have: more user-friendly features, improved operating systems, and anti-skimming

Overall, our corporate segment's loan portfolio grew significantly by 22% year-on-year. For the fourth consecutive year, PNB's Institutional Banking Group (IBG) has shown a double-digit increase in its lending portfolio driven mainly by growth in its key corporate, middle market and commercial accounts.

solutions. These ATMs are Europay/MasterCard/Visa (EMV) compliant. As of year-end, total ATMs reached 900.

Trust Assets Under Management (AUM) grew by 20%. The Bank's roster of trust products includes retail Unit Investment Trust Funds (UITF), two of which have delivered top performances in 2015 – the Peso Money Market Fund and the Dollar Long Term Bond Fund. The Trust Banking Group also launched another first in the industry: UITF placements via ATMs. This facility will make investing more convenient and accessible for the retail market, broadening PNB's market reach and UITF availability.

2015 likewise marked the first full year of operations of PNB Savings Bank (PNBSB), formed through the consolidation of Allied Savings Bank and PNB Consumer Finance Group. This strategic initiative achieved considerable success by turning its consumer loan business around and growing its total loan portfolio. At the end of 2015, total loan portfolio stood at P19.1 billion, more than double the P9.0 billion level posted in 2014. This growth was achieved through effective partnerships with dealers and developers as well as through aggressive marketing strategies and promotions throughout the year. PNB Savings Bank ended the year with 36 branches.

For the Global market, PNB provided more value-adding services to the Overseas Filipino Workers (OFWs). Together with its remittance services, PNB's overseas branches offered HKP and ATMSafe to the remittance beneficiaries. By partnering with more real estate developers, we provided more options to the Own a Philippine Home Loan (OPHL) program. Likewise, the Bank's Overseas Bills Payment System (OBPS) was further improved with the acquisition of new billers. As of year-end, the Bank recorded 223 total partnerships and affiliated remittance agents. The Bank forged tie-ups with non-traditional channels such as M Lhuillier and Cebuana Lhuillier to provide more convenient ways for beneficiaries to receive their funds. In recognition of its exemplary efforts, PNB was given the Excellence in Retail Financial Services award under the "Best Remittance Business in the Philippines" category by the international publication, The Asian Banker.

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To support the country's economic growth, PNB continued its roles as a major lender to priority infrastructure programs. PNB and its subsidiary, PNB Capital Investment Corporation, actively led the financing of a number of Public-Private Partnership (PPP) projects: the Energy Development Corporation (EDC) Burgos Wind, Metro Manila Skyway Stage 3, Pagbilao Energy Corporation, Mactan Cebu International Airport, and San Buenaventura Power. These five landmark deals amounted to a total of P144.1 billion.

EXEMPLIFYING FILIPINO BANKING EXCELLENCE

For its market leadership and product enhancements, PNB won numerous awards and recognitions from international award-giving bodies such as The Asset Triple A Asia Infrastructure Awards, Global Banking Finance and Review, and the Asian Banking and Finance Retail Banking Awards.

Most notable are the four awards given by The Asset Triple A Asia Infrastructure Awards for the following deals: a) Best Project Finance Deal of the Year and b) Best Transport Deal, both for the P31 billion project finance syndicated term loan facility for Metro Manila Skyway Stage 3 Project; c) Best Transport Deal, Highly Commended for the P23.3 billion financing facility for GMR Megawide Cebu Airport Corporation Project; and d) Best Power Deal for the P33.3 billion financing facility for Pagbilao Energy Corporation Project.

In every aspect of the Bank's operations, we are inspired to pursue excellence. PNB was honored with a Silver Anvil for its 2014 Annual Report during the Public Relations Society of the Philippines' (PRSP) 51st Anvil Awards. The Anvil is the symbol of excellence in public relations in the Philippines, awarded by a distinguished jury for outstanding public relations programs and tools.

TRANSFORMING TO SERVE YOU FIRST

PNB opened its doors to the public in 1916 in an event that was hailed as "the beginning of a new financial life in the country." Ninety-nine years later, PNB's promise to be of service to Filipinos around the world remains steadfast, innovative, and evolving. Following our successful merger with Allied Banking Corporation in 2013 and a redesigned brand look, we continue to transform as we anticipate and serve our customer's needs first and foremost. We adapt as necessary, with the aim of providing them with service that is not only effective, but also caring and sincere. You can count on us to provide better financial solutions that will make every banking transaction convenient and intuitive.

The Bank's operations were likewise managed through well-established organizational structures and strong policies embodied in manuals approved and periodically reviewed by the management and the Board. PNB maintains a high level of integrity, accountability, and transparency in the conduct of its business. For its sound corporate governance, the Philippine Stock Exchange (PSE) recognized the Bank as one of the Top Ten Bell Awardees.

As we celebrate our 99th year, we are mindful of our responsibility to the community and the country. In 2015, we engaged in Corporate Social Responsibility (CSR) initiatives that empowered the youth through education & the promotion of financial literacy and philanthropic activities to help uplift the lives of the Filipinos.

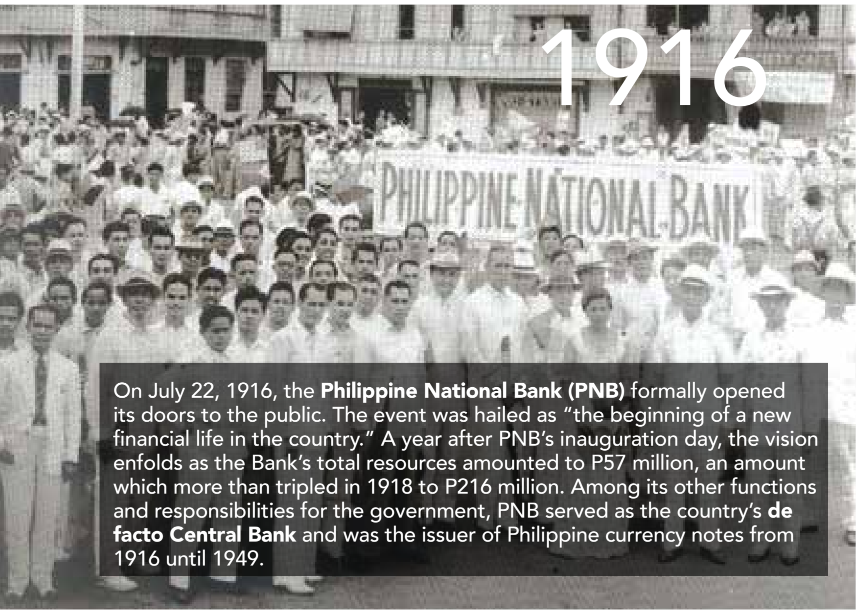
On behalf of the Board of Directors, we offer our deep gratitude to our loyal customers and business partners. We thank our employees for the dedication and hard work that have contributed to the Bank's effort in achieving its goals. We are also grateful to our Board of Directors for their valuable guidance and support.

As we mark our 100th year in 2016, our commitment remains: to be the bank that customers can lean on. At PNB, we look forward to serving You First.

FLORENCIA G. TARRIELA
Chairman

REYNALDO A. MACLANG
President and CEO

99 YEARS MILESTONES



1916

On July 22, 1916, the **Philippine National Bank (PNB)** formally opened its doors to the public. The event was hailed as "the beginning of a new financial life in the country." A year after PNB's inauguration day, the vision enfolds as the Bank's total resources amounted to P57 million, an amount which more than tripled in 1918 to P216 million. Among its other functions and responsibilities for the government, PNB served as the country's **de facto Central Bank** and was the issuer of Philippine currency notes from 1916 until 1949.

1948

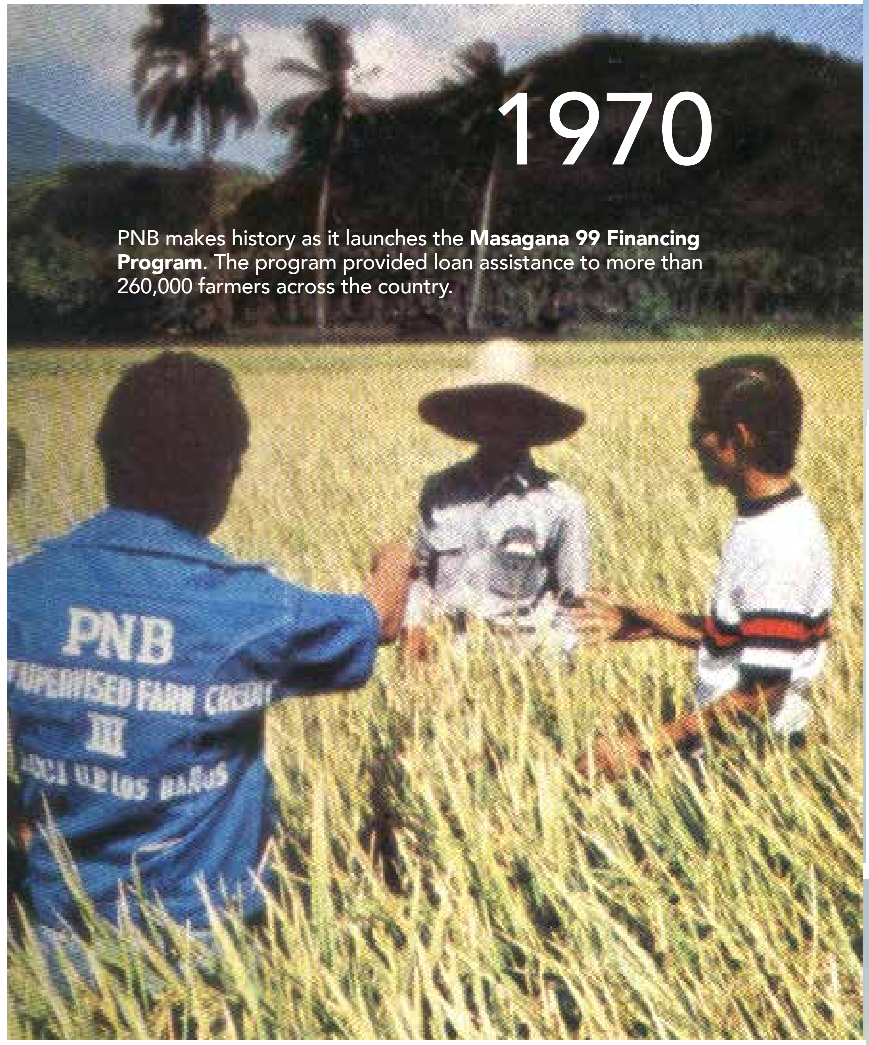
The Central Bank was established on June 15, 1948, welcoming an era of a managed currency system in the Philippines. PNB continued to have a role in central banking through its membership in the Monetary Board which was charged with the responsibility of carrying the monetary policy decisions and the general supervision of Central Bank operations.

1966

On the commemoration of **PNB's Golden Anniversary**, the Bank took on great strides to expand its business operations. At the end of 1966, PNB expanded its gross earnings to P160 million, translating to a high P17.7 million in net operating profit. It was also this year that PNB unveiled its modernized headquarters along Escolta, Manila. Another milestone for the Bank was the installation of the Online Electronic Data Processing System, a first in the entire Far East that launched the long awaited computerization of key functions of the Bank.

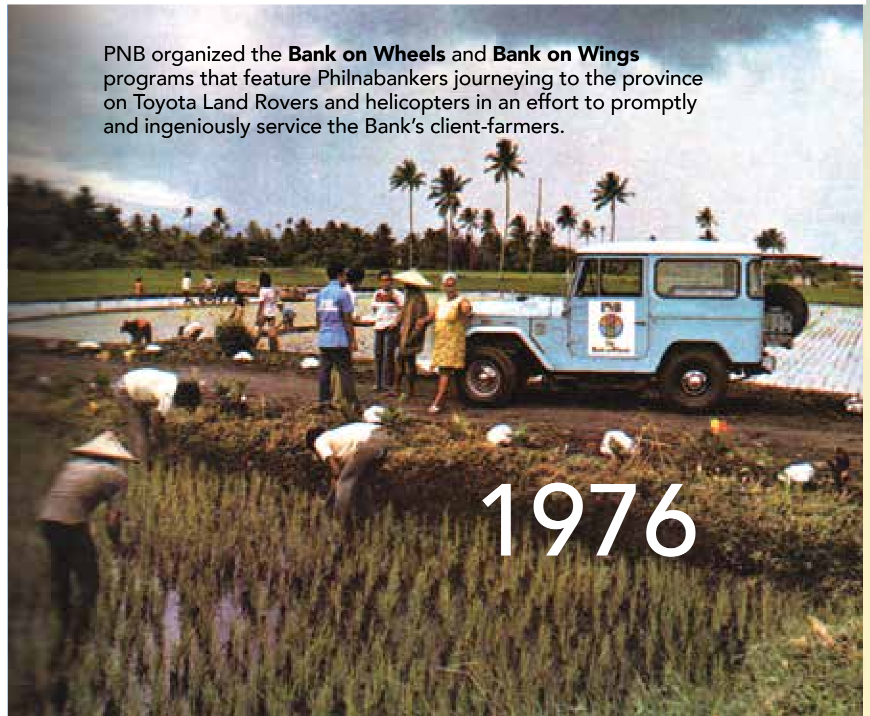
1968

PNB's global presence and performance grew further with the introduction of its **Dollar Remittance Program** which was designed to channel the earnings of Overseas Filipino Workers to the country's foreign exchange reserves.



1970

PNB makes history as it launches the **Masagana 99 Financing Program**. The program provided loan assistance to more than 260,000 farmers across the country.

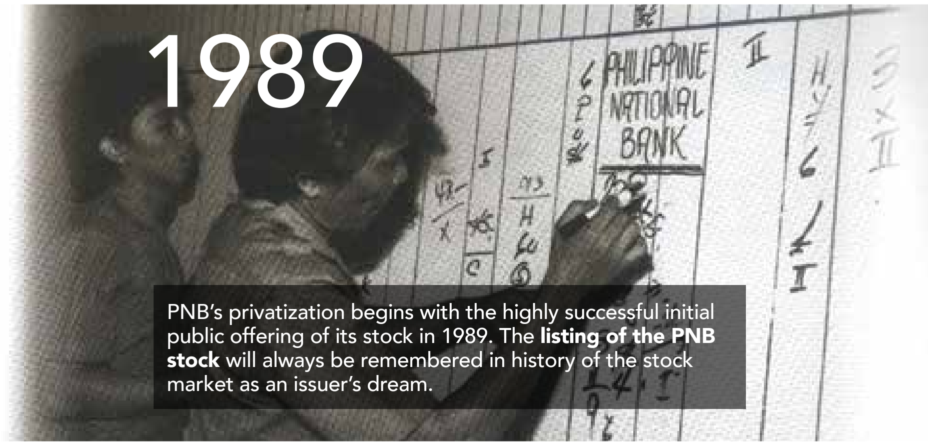


1976

PNB organized the **Bank on Wheels** and **Bank on Wings** programs that feature Philnabankers journeying to the province on Toyota Land Rovers and helicopters in an effort to promptly and ingeniously service the Bank's client-farmers.

1980

In 1980, PNB became the **first universal bank** in the country. PNB also launched the **first Automated Teller Machine (ATM),** confirming the Bank's thrust in continuously developing innovative products and services. PNB also embarked on a marketing campaign that highlighted its pledge of being "the Bank that every Filipino can lean on". The tagline, **"Sa PNB, Para Kang Nakasandal Sa Pader!"**, as reflected by the ad was used to deliver the message.



1989

PNB's privatization begins with the highly successful initial public offering of its stock in 1989. The **listing of the PNB stock** will always be remembered in history of the stock market as an issuer's dream.

1992

PNB became the **first Philippine bank to have reached the P100 billion mark in total resources**.

P100 Billion

1999

Dr. Lucio C. Tan started buying PNB shares through the stock market in 1999. The agreement between the Lucio Tan Group and the government signed in May 2002 paved the way for PNB's rehabilitation.

HALF A CENTURY OF UNPARALLELED BANKING

99 YEARS MILESTONES

2000

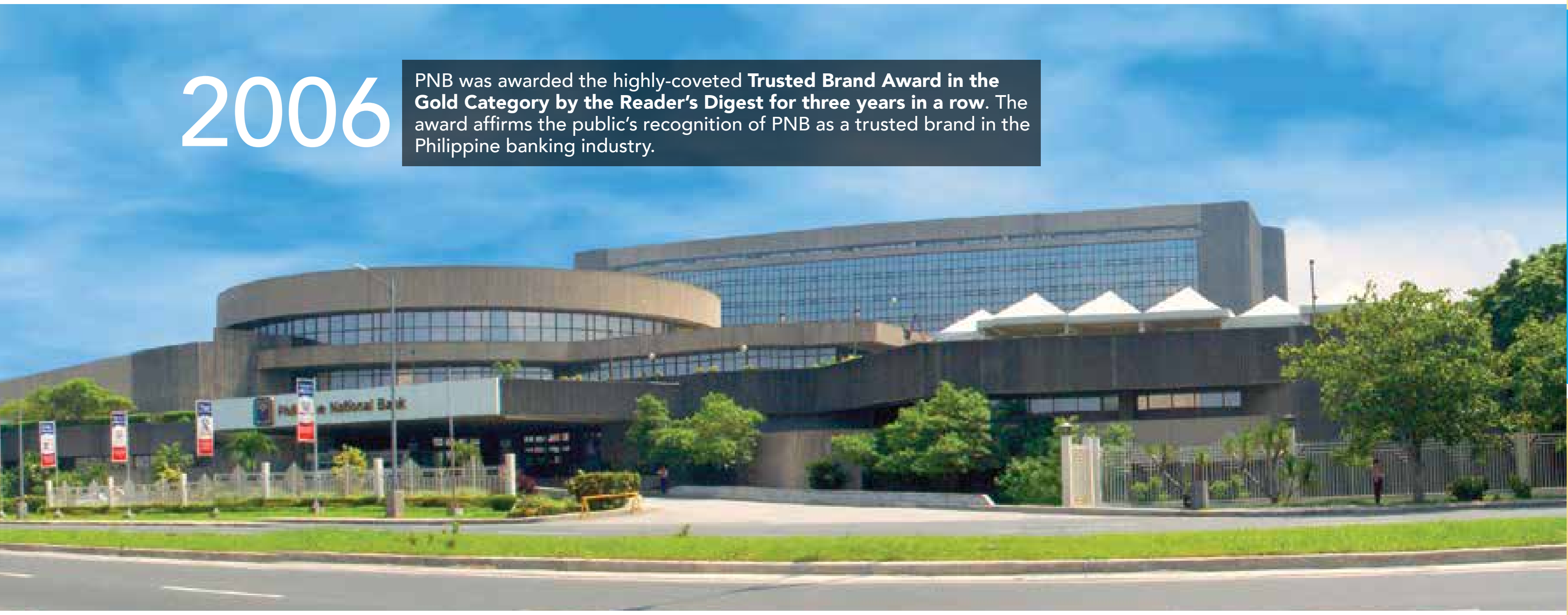
From 2000 to 2005, PNB underwent **a 5-year Rehabilitation Program**. In late 2000, the Bank suffered a liquidity crisis and the National Government stepped in to support the Bank by implementing a capital restructuring and injecting P25 billion in liquidity assistance.

2002

In May 2002, the Government and the Lucio Tan Group, together with investors and associates representing the group of private stockholders, sealed the Memorandum of Agreement that embodied the provisions that would help turn the Bank around.

2005

In August 2005, the Government, as part of its privatization program, sold down its 32.45% stake in the Bank via an auction. The private stockholders represented by the Lucio Tan Group exercised their right of first refusal, reducing the Government's share to 12.5%, and raising the Lucio Tan Group's total share to 77.43%.



2006

PNB was awarded the highly-coveted **Trusted Brand Award in the Gold Category by the Reader's Digest for three years in a row**. The award affirms the public's recognition of PNB as a trusted brand in the Philippine banking industry.

2007

The complete divestment of the Government's remaining 12% stake in PNB ushered the **Bank's transition into a fully private bank**. PNB's growth performance in 2007 affirmed its objective of strengthening the Bank's core businesses and increasing its profitability.

2010

An integral part of PNB's transformation program in 2010 is its **rebranding** initiative. The Bank committed significant resources to upgrade its image and improve overall customer experience. PNB's rejuvenated logo was introduced in the new bank signage which sports a fresh color palette that retains the original blue corporate color side by side with the new colors: silver and aquamarine.

2011

PNB was given the **Silver Award for Good Corporate Governance** from the Institute of Corporate Directors (ICD). This is in recognition of the Bank's corporate directors and senior management who are committed to the professional practice of corporate dictatorship in line with the global principles of modern corporate governance.

2013

PNB merged with Allied Banking Corporation on February 9, 2013 and became the fourth largest private domestic bank in terms of total resources.

2012

PNB was recognized by the Bangko Sentral ng Pilipinas (BSP) as the T**op Commercial Bank in Generating Remittances from Overseas Filipinos.** BSP likewise elevated PNB as a Hall of Fame Awardee as Best Commercial Bank Respondent for Overseas Filipino Remittances for having won the award for three straight years.

2015

On July 22, 2015, **PNB celebrated its 99th Anniversary** with a series of activities that served as a springboard to the countdown of the Bank's much-anticipated Centennial Celebration in 2016.

MOVING TOWARDS THE CENTURY

Transforming to Serve You First

A journey of a hundred years is not without change or challenge. With a century of evolution and innovation as its foundation, it is with zeal and stability that PNB takes a step forward in transforming itself to put the customer first.

OPERATIONAL HIGHLIGHTS
RETAIL BANKING GROUP

In 2015, RBG implemented a broad-based customer acquisition strategy to grow both big and small retail clients. To help customers attain their financial objectives, a complete line-up of product and service offerings were made available and easier to access at various customer contact points. Intensified cross-selling of consumer and business loans, cash management solutions, life and non-life insurance, unit investment trust funds, debit, and credit cards were achieved in the branches. In addition, electronic banking channels were enhanced to boost sales of various product lines; and make banking with PNB more convenient and secure.

Moreover, in the last quarter of 2015, the Group was reorganized to further build up its unique franchise in the retail market. A new Vision and Mission Statements were articulated by the Group to provide a clear anchor to its medium-term strategic plans and initiatives. Employee engagement towards the Group's goals and objectives were attained through town hall meetings nationwide and in-branch huddles.

To realize its business objectives, RBG focused on delivering competent, delightful, and caring service to its clientele. As customers become more discerning towards their choice of banks amidst fast technological advancements and improved income levels, their expectations have likewise evolved. RBG addressed these demands by providing:

RETAIL BANKING GROUP PERFORMANCE 2015

630 TOTAL DOMESTIC BRANCHES

50 UNITS ADDED TO PNB'S ATM NETWORK

- Personalized and Enhanced Customer Service

The customer lies at the heart of PNB's services. To provide clients with quick and personalized service that they deserve, RBG continued to strengthen capabilities of its branch personnel to deliver the highest standards of customer service on a consistent basis. This was made possible by extensive training interventions, coaching, close performance tracking, mystery shopping, and institutionalized customer feedback mechanisms. Moreover, many processes were further enhanced to align them to the customer's needs.

The year also saw 65 more branches sporting the refreshed branch design of the Bank under its rebranding program. This brought the total branches providing customers with modern amenities, thus greater comfort and convenience, to almost 40% of the Bank's total branches. During the year, 29 branches were also relocated to provide better accessibility and convenience to our clientele. As of year-end 2015, PNB domestic branches and extension offices totalled 630.

- Easier access to the Bank's products and services anytime and anywhere

While the branches continued to be the primary platform for sales and service, the Bank expanded other cost-efficient distribution channels. Fifty (50) new Automated Teller Machines (ATMs) were deployed in various locations nationwide, bringing the total ATM to 900 by year-end. As part of advanced compliance with BSP-mandated Europay/MasterCard/Visa (EMV) standards, 394 ATMs were either replaced or upgraded during the year with more user-friendly features, improved operating system, and anti-skimming solutions. PNB also launched the enrolment of Unit Investment Trust Funds (UITF) via ATMs in the last quarter of 2015, making it the first and only bank that offers UITF investments via this channel. Full program implementation is scheduled in 2016. ATMSafe, PNB's pioneering insurance product against ATM robbery or machine tampering, was cited internationally as the Most Innovative Banking Product by the Global Banking and Finance Awards. To date, over 1 million PNB ATM clients are enjoying the benefits of this revolutionary program.

During the year, the Bank launched an all-new Bank on Wheels equipped with one ATM, one Cash Accepting Machine, one touch screen laptop for internet banking and a booth for cross-selling. These facilities will cater to the client's banking needs such as cash withdrawal, cash deposit, bills payment, fund transfer, UITF placement, ATMSafe enrolment, and internet banking transactions. PNB plans to introduce more banking "firsts" to benefit accountholders, specifically in the field of digital banking.

In support of the Bangko Sentral ng Pilipinas' (BSP) financial inclusiveness agenda, PNB introduced the Healthy Ka Pinoy (HKP) Emergency Medical Card. Launched in 2014, the HKP is the only low-cost insurance in the country which provides emergency hospital care for accident and sickness as well as death and burial benefits. Take-up rate in 2015 was 13% higher than the previous year.

Above initiatives resulted in improved business results in 2015. Total deposits for the year grew by 9% to close the year at P485.9 billion. Cross-selling by the branches of consumer loans, bancassurance, and investment products further improved by 29% year-on-year. In a constantly changing financial landscape, PNB's Retail Banking Group will continue to build a strong and sustainable business while placing the highest priority on the needs of its customers.

OPERATIONAL HIGHLIGHTS
CONSUMER FINANCE GROUP/PNB SAVINGS BANK

CONSUMER FINANCE GROUP/ PNB SAVINGS BANK PERFORMANCE 2015

LOAN PORTFOLIO GREW TO **P19.1 BILLION**

52% YEAR-ON-YEAR INCREASE IN NET INCOME

2015 was the first full year of operations of PNB Savings Bank (PNBSB), formed through the consolidation of Allied Savings Bank and PNB Consumer Finance Group in 2014. The union paved the way for PNBSB to be a major market player in consumer lending with a focus on increasing the reach of the Bank across different industries and provinces. As of year-end 2015, loan portfolio grew to P19.1 billion, more than double the P9.0 billion level posted in 2014.

PNBSB posted a 52% year-on-year increase in net income at P167.0 million in 2015.

The strong network of partner developers and dealers of PNBSB proved to be instrumental in the growth of housing loan referrals in 2015. The network of PNB and PNBSB branches served as the second major source of growth for both housing and auto loans. This channel also makes housing and auto loans easily available to customers even in far-flung areas. In 2015, a total of 27 partnerships with real estate organizations were forged, bringing the total developer network of PNBSB to 138, thus further augmenting its presence in the real estate industry.

PNBSB closed 2015 with total resources of P22.7 billion, up 8% from the previous year. Total deposits reached P11.1 billion, consisting mostly of high-cost funds maintained in Angat Savings, a special savings account, and Power Earner 5+1, a long-term deposit account. These products continue to attract new customers and fresh funds given their competitive pricing compared with other banks' equivalent product lines. PNBSB also offers Cash Card for those segments of the market demanding a no maintaining balance account for bank services such as payroll, transfer of funds for allowances, and remittances.

In the last quarter of 2015, PNBSB successfully launched its Smart Home and Smart Auto Loan products which are available in both PNB and PNBSB branches. Smart Home Loan is a Step-Up payment scheme which offers a very low monthly amortization for the first two years and increases for the remaining term as value of real property and source of income increases. On the other hand, Smart Auto Loan is a Step-Down payment scheme which decreases the amortization as the value of automobile depreciates allowing the customers to set aside for maintenance and for the acquisition of new unit. A multi-purpose SSS loan for the pensioners was likewise introduced which can be processed and released in the branch in two hours. In addition, PNBSB benefited from a steady stream of applications for its other loan products: Home Loan, Home-Flexi Loan, Motor Vehicle, CTS Financing, and Multi-Purpose Loans.

During the year, a number of marketing campaigns aimed at generating business and increasing product awareness were initiated. Among them were: the Smart Home Loan, Smart Auto Loan, SSS Loan, Party on Us, the Book-A-Loan, Bag-A-Gift, all of which are geared towards maximizing the cross-selling potential of the Bank's network.

PNBSB ended the year with a network of 36 branches strategically located across Metro Manila, Southern & Northern Tagalog Regions, Bicol, Western Visayas and Northern Mindanao. PNBSB plans to expand its network of branches in 2016 to cater to more clients nationwide.

OPERATIONAL HIGHLIGHTS
CREDIT CARD GROUP

The Credit Card Group recorded another gainful year in 2015 with growth in all of the Group's key performance indicators, most notably a 7% increase in billings and a 21% increase in credit card receivables.

To increase business volume, the Group implemented major installment promos with competitive rates, fostered new merchant tie-ups and launched usage campaigns. Moreover, the Group launched a re-branding campaign which showcased new card designs for all PNB Credit Cards including the PNB-PAL Mabuhay Miles MasterCard. The said new cards now carry the EMV Chip & contactless technology. New features for PNB-PAL Mabuhay Miles MasterCard were also introduced on the cards such as, Priority Check-in at PAL business class counters (NAIA), Free Welcome Gift of 2,000 PAL Mabuhay Miles upon card activation and additional free 10,000 PAL Mabuhay Miles upon reaching P100,000 usages at Philippine Airlines within first year from issuance of card.

The Group expanded its cardholder base to the provinces through the launch of the PNB-Visa Alturas card, the first provincial merchant co-branded credit card in the country. The Alturas Group of Companies is a forerunner in the development of Bohol's vibrant economy, from retail to agriculture business. The card offers exclusive benefits such as free membership to A1 Alturas Loyalty Card and discounts & giveaways in select Alturas establishments.

Acquisition efforts were also intensified through other channels and this led to an increase in overall profitability and growth in billings. Automated credit limit increase was implemented for cardholders with satisfactory account handling and various effective usage promotional campaigns were also intensified.

The Group will ride the momentum from these relaunched services and will develop new products that anticipate and recognize the needs of current and new cardholders. The strong base of cardholder programs makes the Group well-equipped to put the needs of customers first and differentiate the Bank as a service provider first and foremost.

CREDIT CARD GROUP PERFORMANCE 2015

FEE-BASED INCOME
24% GROWTH

INTEREST INCOME
17% GROWTH

TOTAL GROSS INCOME
20% GROWTH

OPERATIONAL HIGHLIGHTS
GLOBAL FILIPINO BANKING GROUP

In 2015, PNB continued to capitalize on its strong international presence, having the widest global reach among Philippine banks with 75 branches and offices strategically located in the United States, Canada, Europe, the Middle East and Asia.

The Bank, through its Global Filipino Banking Group (GFBG), further enhanced its relevance to and value proposition for its OFW market and their families by introducing more campaigns and programs that addressed their needs. A global rollout of the Healthy Ka Pinoy was successfully conducted with partner medical institutions across the country to provide free emergency hospitalization benefits to OFW beneficiaries. This gave OFW customers the comfort and the peace of mind that in cases of medical emergency, their loved ones back home will be taken cared of. Through an institutional partnership with Philippine Airlines, over 100 flight tickets were also awarded to remitters. This raffle promo was much appreciated by the Bank's remitting customers since every OFW looks forward to going back home to the Philippines. To assist OFW customers attain their dream of owning a house in their home country, the Bank likewise successfully launched a campaign for its Own A Philippine Home Loan (OPHL) program that was supported by joint marketing roadshows with key real estate developers. The loan program, which is available in PNB's New York, Los Angeles, Tokyo, and Singapore Branches, offers customers the option to pay for the loan using the currency of their host country.

PNB expanded its reach even further into non-traditional contact channels in the form of partner agent arrangements. The Bank forged tie-ups with M Lhuillier and Cebuana Lhuillier, providing more convenient ways for remitters to send money to their loved ones in the Philippines. These partnerships enable Filipinos working abroad to remit money in select PNB overseas offices and tie-ups for pick-up in any of the 1,700 branches of M Lhuillier and 1,800 branches of Cebuana Lhuillier.

PNB also had a total of 223 partnerships and affiliated remittance agents by year-end 2015, further extending its scope and reach to the OFW market beyond its brick and mortar overseas offices.

GFBG also intensified its efforts to acquire new billers for its Overseas Bills Payment System (OBPS) such as POEA / Dragonpay for OFW OEC payments, ABS-CBN Foundation for donations, and major real estate developers for real estate payments. Through OBPS, OFWs are able to make direct payments to billers back home and thus are assured that their hard-earned money are allotted for their intended expenses.

As testament to its efforts in improving the lives of OFWs, PNB had received various accolades in 2015 that recognized its contributions and excellence in the remittance business. These include a recent special citation from the Home Development Mutual Fund or Pag-IBIG Fund, recognizing the Bank for equipping Pag-IBIG with electronic collection and disbursement solutions that made fund transfer transactions easier to process and more convenient.

The Bank was also recognized by The Asian Banker with the 2015 Excellence in Retail Financial Services Award under the Best Remittance Product category. This is an affirmation of PNB's commitment to continuously provide the needs of Global Filipinos and their loved ones through innovative products and programs and excellent service.

GLOBAL FILIPINO BANKING GROUP PERFORMANCE 2015

75 BRANCHES AND OFFICES
based in strategic locations convenient for Overseas Filipino Workers

223 PARTNERSHIPS
and affiliated remittance agents as of year-end

OPERATIONAL HIGHLIGHTS

INSTITUTIONAL BANKING GROUP

The Institutional Banking Group recorded its 4th straight year of double-digit growth, having successfully ended 2015 with a total loan portfolio of P298.3 billion , 20% higher than 2014.

In 2015, the Group served as the Lead or Joint Arranger for a number of high-impact Public-Private Partnership (PPP) projects. The Group closed the year with a diversified portfolio garnering awards from Global Rating Agencies:

PROJECT	LOAN AMOUNT	AWARDS	AWARDING BODY
EDC Burgos Wind	P14.4 billion	Best Renewable Energy Project Deal of the Year	The Asset
		Best Transport Deal	The Asset
Metro Manila Skyway Stage 3	P31.0 billion	Triple A Awards – Project Finance Deal of the Year	The Asset
		Triple A Awards – Best Transport Deal	The Asset
Pagbilao Energy Corporation	P33.3 billion	Triple A Awards – Best Power Deal, Philippines	The Asset
Mactan Cebu International Airport	P23.3 billion	Triple A Awards – Best Transport Deal	The Asset
		Asia – Pacific Transport Deal of the Year	Project Finance International Awards
San Buenaventura Power	P42.15 billion	Asia – Pacific Power Deal of the Year	Project Finance International Awards

Given the Group's focus on financing key accounts, corporate loans became a major driver of loan growth in 2015, recording a 24% increase as of year-end.

Maintaining the momentum of middle market lending was also a crucial factor to the Group's exceptional performance. Commercial banking recorded an 18% growth in its loan portfolio, which was underscored by a 30% year-end growth from countryside lending notably, large contributions from Southern Luzon and Mindanao customers.

Finally, organizational improvements and talent acquisition proved to be important pillars in providing better customer value and ensuring sustainability of the Group's growing portfolio. The Deal Execution Team (DET) was formed in order to enhance Middle Market structuring capabilities. Since its inception, the DET has contributed P13.5 billion in approved facilities to the portfolio of provincial commercial banking, majority of which will be availed in 2016. Furthermore, a team of new relationship managers will also support the positive momentum of the group's loan portfolio.

In 2016, the Group will continue to fortify the loan portfolio it has built by identifying more strategic corporate clients, and increasing focus on small and medium enterprise lending. Along this line, the Group will start with the development of various credit product programs, which dovetails nicely with the corporate brand's revitalized tagline "You First".

INSTITUTIONAL BANKING GROUP PERFORMANCE 2015

TOTAL LOAN PORTFOLIO OF

P298.3

BILLION

OPERATIONAL HIGHLIGHTS

TRUST BANKING GROUP

The Trust Banking Group (TBG) ended the year on a positive note with a 20% growth in total Assets Under Management (AUM) to reach P78.71 billion. Corresponding income likewise grew by 11% for a total of P256.20 million.

The remarkable performance could be attributed to a combination of TBG's capability to carry on its long-term strategies and achieve major objectives set for the year, namely: increase the membership base of its High Net Worth Individual (HNWI) clients, solicit big-ticket corporate fund management accounts, and sustain repeat fiduciary business from large Philippine conglomerates.

The growth for the PNB Pinnacle Club, the HNWI segment, was due to a steady increase in membership combined with active participation in the securities markets. Membership base increased by 19% from the previous year. Pinnacle Club members snapped up corporate primary issuances and secondary USD-denominated issuances which added to the rise in their aggregate Trust volume by 75% from year-ago level.

TRUST BANKING GROUP PERFORMANCE 2015

GROWTH IN TOTAL (AUM)
20%
AMOUNTING TO P78.71 BILLION

GROWTH IN INCOME
11%
AMOUNTING TO P256.20 MILLION

The Corporate and Fiduciary business likewise registered impressive growth from year-ago figures. Income from corporate accounts increased by 75% as volume rose year-on-year by 16%. Revenues came primarily from fund management activities especially for the PNB Life Peso Optimized Dividend Equity Fund (PODEF) and Peso Multi-Sector Equity Fund (PMSEF). Strong relationships with large corporate clients on the other hand, provided a recurring income stream for the fiduciary business which showed a 25% increase in income.

PNB Unit Investment Trust Funds (UITFs) continued to deliver good returns on investment for the year. Total income contribution by the 12 variants grew by 15% year-on-year.

The TBG Cash Incentive program for the Retail Banking Sector likewise supported the increase in total AUM. In place since 2006, the program has consistently encouraged branches to cross-sell and refer Trust Banking products to match their clients' investment and other fiduciary requirements. Branch bookings for UITFs, investment management accounts, living trust accounts and escrow accounts that qualified for the incentive program helped generate an additional P2.26 billion in AUM.

To make the UITFs even more accessible to its retail clients, TBG launched the UITF ATM facility in November 2015. The facility gave PNB the distinction of being the first and only Philippine bank to offer UITF investments through its network of ATMs. The UITF ATM facility aims to further expand the distribution channel of the PNB UITFs, thus enhancing TBG's competitive position in the industry. The launch was publicized through social media and internal communication channels with a full campaign rollout slated in 2016.

PNB Trust Banking Group shall continue to grow the business through its diversified base of products while leveraging on market-leading innovation and its track record and expertise in the fiduciary, fund management, and retail and HNWI business.

OPERATIONAL HIGHLIGHTS
TREASURY GROUP

Treasury Group, primarily as the Bank's liquidity manager, ensured that asset growth was met with the funding that either improved or stabilized the Net Interest Margins. Interest rates from deposits were positioned in the lower tier of market funding sources. Lower cost of deposit liabilities on term money contributed to the Bank's stable Net Interest Margins amid a challenging environment.

The Group continued to lengthen the duration of its liabilities and reduce funding gap in the balance sheet. The move was in line with regulatory developments that prescribed a more stable base of longer term funding sources. This was also supported by the view that a rebalancing of funds from emerging markets back to more developed countries will continue once international economic activities, led by the USA, improve.

In anticipation of its asset growth and the objective of increasing duration of its liabilities, PNB issued a three-year US Dollar 150 million syndicated loan. This was the first time that the Bank went back to the international capital markets after more than ten years. The oversubscription by various international financial institutions from Asia to the Middle East is a reflection of investors' trust and confidence in the long-term credit outlook of the Bank.

As risk position taker and investment portfolio manager, the Treasury Group built up its investment books that contributed substantially to the increase in interest income of the Bank. The investment books were increased to mitigate the impact of the decline in the contribution of trading profits due to lesser opportunities provided for by the financial markets. It is noteworthy that there was no material increase in the overall duration of the investment portfolio.

PNB also took advantage of the wide branch network to distribute primarily to retail investors USD and PhP denominated fixed income bonds. Furthermore, the Bank remained competitive in the conversion of foreign exchange requirements of clients of the domestic and overseas branches, subsidiaries and offices. The transactional fees derived from such activities improved further fee-based income which was a positive development considering that it was part of the core earnings of the Bank.

OPERATIONAL HIGHLIGHTS
SPECIAL ASSETS MANAGEMENT GROUP

In 2015, the Special Assets Management Group successfully disposed 2,628 properties, earning a net profit of P1.89 billion.

Overall, the Group realized a total gross income of P3.00 billion from its sale of assets, installment sale interest income, rental income, and miscellaneous income, among others.

The booming property market allowed the Group to dispose its big-ticket items when they reached optimum value.

Several campaigns were undertaken by the Group to achieve its targets for the year. The revival of the "Pabahay Bonanza Program" facilitated ROPA disposal because of attractive terms to intended buyers. The Group generated a net profit of P317.90 million for the disposal of 1,124 properties and chattels with selling price of P5.00 million and below. The Bank also entered into a Memorandum of Understanding (MOU) with the Social Housing Finance Co. (SHFC) providing the opportunity for informal settlers to purchase their own houses through SHFC's Community Mortgage Program.

Finally, the Group continued to conduct various biddings nationwide for the disposal of small to medium value items.

SPECIAL ASSETS MANAGEMENT GROUP PERFORMANCE 2015

NET PROFIT
P1.89
BILLION

OPERATIONAL HIGHLIGHTS
HUMAN RESOURCES GROUP

In 2015, the Bank's Human Resource Group (HRG) intensified efforts to sustain the momentum generated by the successful integration of PNB and the former Allied Banking Corporation by focusing on three major goals: talent optimization, employee engagement, and culture building.

Key strategies were outlined by HRG together with key stakeholders to ensure strategic alignment of all human capital management and development initiatives. The first was to institutionalize a competency-based focus in talent attraction and selection, succession planning, talent development, and retention. Moreover, the Bank shifted to a competency-based performance management system aimed to fast-track competency fit of the Bank's human capital. HRG heightened efforts to build a merit-based culture that enables employees to maximize their contributions to the Bank's business goals

HUMAN RESOURCES GROUP PERFORMANCE 2015

346 EMPLOYEES were admitted to management development programs

14% of bank employees were promoted in rank while achieving professional and personal aspirations. The HRG infrastructure was also reorganized as part of efforts to proactively deliver key HR services to PNB's growing workforce while cascading the values of trust, commitment and collaboration within the organization.

In 2015, PNB conducted 594 runs of 51 core programs that addressed the growth needs of employees. Average training man-hours for employees reached almost five days with the Bank running an average of 10 training programs per day. A total of 346 employees were admitted to the Bank's three management development programs including 61 new Junior Executive Development Institute trainees of high potential who were honor graduates from reputable schools nationwide. To further fortify the Bank's leadership pipeline, a Talent Review Board was organized to oversee the implementation of the Bank's succession management program. PNB's aggressive efforts to attract talent into the organization resulted in above industry fill-in rate of 88%, further validating the value of the Bank's employment brand.

Collaborative relationships with the Bank's unions were sustained through regular Labor-Management Council meetings and proactive partnerships in various employee welfare and development committees. Towards the end of the year, the Bank was on its way to replicating on a nationwide scale a feat it had previously achieved for all Metro Manila branches – being the first local bank to be certified as fully compliant with the labor laws and compliance system of the Department of Labor and Employment.

The Bank continued to conceptualize and implement various organizational development programs not only to nurture synergy among employees but also to create a more customer-centric workforce. HRG also conducted regular Pulong Ng Bayan town hall meetings where employees were recognized for Service Excellence and key corporate updates were announced to employees. For the year, 230 employees were lauded for their commitment to good service and 14% of bank employees were promoted in rank exhibiting concretely the Bank's commitment to the career growth of all team members.

OPERATIONAL HIGHLIGHTS
CREDIT MANAGEMENT GROUP

In 2015, the Credit Management Group (CMG) reinforced its role both as guardian of credit quality and a partner in business growth. The Group initiated further refinements in the Bank's credit risk management system to align with BSP Circular 855 and provide timely support to the lending groups via enhancements in credit policies and processes while preserving asset quality.

CMG, in partnership with the Risk Management Group, formed a task force to determine the Bank's compliance vis-à-vis the recently released BSP Circular 855, which aims to strengthen the Bank's credit risk management in line with global best practices and Basel Core Principles for effective bank supervision. A full review of credit policies and practices was initiated by the Task Force in order to identify gaps and determine action plans to be fully compliant with the said circular by November 2016.

To support business growth, CMG pursued revisions to credit policies, approving limits and authorities as well as credit processes to enable the Bank to enhance its credit activities and delivery of loan services for both business and consumer clients. Credit process improvements were in the areas of (a) financial spreading & risk rating tools, (b) property appraisal methodology and reports, and (c) credit investigation processes.

Furthermore, CMG, in coordination with Controllership Group, closely monitors loan loss provisioning levels to ensure adequacy of coverage and adherence to regulatory requirements.

OPERATIONAL HIGHLIGHTS
REMEDIAL MANAGEMENT GROUP

In 2015, Remedial Management Group (RMG) focused on enhancing its early detection and preventive intervention processes for loan accounts showing signs of credit distress. In cooperation with Institutional Banking Group, Consumer Finance Group and Credit Management Group, RMG implemented a group-wide focus on early remedial intervention for the timely resolution of credit problems before business complications escalate.

Two proven and tested tactics reinforced the collection strategy of the Group: (1) business solutions were employed for accounts experiencing temporary cash flow difficulties; and (2) compromise settlements were obtained for loans in long-standing litigation.

For the year, the sustained economic growth of the country and sound market fundamentals limited the number of distressed loan accounts, except for those accounts affected by natural calamities.

The Group significantly reduced its current and non-performing loans (NPL) through negotiated settlements and other collection initiatives. Consequently, net NPL ratio improved substantially from 0.92% the previous year to 0.25% as of end-2015. NPL coverage increased to 125.57% from 99.19% in 2014.

REMEDIAL MANAGEMENT GROUP PERFORMANCE 2015

NON-PERFORMING LOANS RATIO
0.25% ↓
DOWN FROM 0.92% PREVIOUS YEAR

NON-PERFORMING LOANS COVERAGE
125.57% ↑
UP FROM 99.19% PREVIOUS YEAR

CORPORATE SOCIAL RESPONSIBILITY

Philippine National Bank (PNB) continues to pursue its fervent corporate social responsibility (CSR) initiatives by empowering the youth and providing meaningful contributions to nation-building. As the Bank moves closer to reaching one hundred years, PNB aspires to give back to the community and create value for all stakeholders.

Creating Shared Value through Youth Empowerment

In line with the Bangko Sentral ng Pilipinas' (BSP) aim to promote financial discipline and involve the banking industry in instilling basic financial knowledge, PNB and ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI) have jointly engaged in a financial literacy program titled, "Young and Empowered Students for the Philippines" or YESPh. The YESPh Financial Literacy Program seeks to educate the youth and instill the importance of savings, budgeting, and good money management.

PNB and ALKFI officially launched YESPh in a three-day financial literacy training program, from November 26 to November 28, 2015. The participants were comprised of student leaders, teachers, and PNB branch managers from different parts of the country. Held at the Hive Hotel in Quezon City, participants were engaged in leadership workshops and learned different

tips and strategies on saving money, budgeting expenses, and investing. The participants also engaged in training to become ambassadors in their respective schools and communities in echoing lessons on good money management. By teaching students the value of saving and proper spending, it is the hope of PNB and ALKFI that foundations are laid for a financially stable community.

As part of the Bank's Centennial celebration, PNB also hosted an on-the-spot Centennial Stamp Design Contest catered to students from grade school to high school. With the theme, "PNB: Isandaang Taon ng Pagkalinga," the contest aimed to promote awareness among the youth on the significance of celebrating the

100-year legacy of PNB through the creative art of postage design. The project also advocates creativity and innovation among the Filipino youth. About 250 students from public and private schools in the National Capital Region participated in the competition. Artworks of two winners shall be featured in a special Limited Stamp commemorating PNB's Centennial Year which will be issued by the Philippine Postal Corporation.

PNB likewise continued its mission to bring inspiration and provide hope for a brighter future to students nationwide through the Books Across The Seas (BATS) Project. The ongoing program aims to provide tools for learning through book donations to public schools and libraries.

Giving back to Society

The Bank continued to encourage employee volunteerism through the Pagtutulungan Ng Bayan, a CSR-inspired initiative of PNB employees to raise funds for indigents, victims of calamities and other emergencies, and to support various employee-driven CSR projects. In 2015, close to 100 individuals received financial assistance from the employee fund for medical and other related emergencies. In addition, the fund supported various community projects such as a livelihood training program for victims of the super typhoon Yolanda in Leyte and the construction of a public school library in Davao City.

At the same time, our branches nationwide actively participated in various CSR activities by providing support and giving donations to

partner charities, communities, and schools for various projects on infrastructure improvement and social development including assistance in times of disasters. One such project, institutionalized by the Branch Banking Group (BBG) and financially-supported by the employees of BBG is the "Piso-Piso Cada Linggo", a pure voluntary fund drive to support the Sisters of Mary Banneux in Cavite. Over the last couple of years, through the generous hearts of the employees, hundreds of scholars coming from the poorest of the poor families have benefitted from this project.

PNB AWARDS AND RECOGNITION

2015

Most Innovative Banking Product for the PNB ATMSafe

The PNB ATMSafe was cited internationally as the Most Innovative Banking Product by the Global Banking and Finance Review Awards. A renowned London-based publication, Global Finance and Review honors companies in the global financial community that stood out in specific areas of expertise.

It is noteworthy to mention that the legislature is considering the universal adoption of this unique product to counter the rising occurrence of ATM theft.

Moody's and Fitch Ratings Agency Upgrade Credit Rating of PNB

Moody's Investors Service has upgraded the rating of PNB to investment grade, reflecting the consistent improvement in the Bank's credit profile. PNB's long-term and short-term ratings were raised two levels up from Ba2/NP to Baa3/P-3. Likewise, the ratings agency raised PNB's baseline credit assessment (BCA) and Adjusted BCA to ba1 from ba3. The ratings upgrade serves as validation of PNB's efforts at fortifying its business. This recognizes PNB's drive toward its long-term corporate goals of high profitability supported by a strong balance sheet. Likewise, Fitch Ratings Agency gave PNB a higher credit rating of "BB" with a stable outlook reflecting the Bank's strong franchise and high capital ratios.

Best Website for 2015

The Asian Banking and Finance Retail Banking Awards granted PNB the highly-esteemed award of Best Website for 2015 for the Philippines. This honor validates PNB's concerted

PNB bagged the Bell Awards for Corporate Governance at the Philippine Stock Exchange (PSE) Bell Awards in recognition of the Bank's commitment in upholding principles and best practices in governance.

efforts to address the ever-evolving needs of its clients.

Revamped last August 2014, the PNB website is a fluent interpretation of the Bank's dedication to meet the diverse digital needs of its customers. It aims to enhance the online banking experience through its ability to adapt to different device displays for ease of access. With a more dynamic look and feel, the website gives clients a hassle-free means to access PNB's products and services.

Best Paying Commercial Bank

PNB was cited as the Best Paying Commercial Bank in the 2015 Social Security System (SSS) Balikat ng Bayan Awards. The Bank was lauded for its consistent delivery of services to SSS pensioners and employers, as well as for its wide network of branches that disburse SSS benefit.

Best Remittance Business in the Philippines

PNB was recognized as the Best Remittance Business in the Philippines by the international publication, Asian Banker, during the Asian Banker Philippine Country Awards 2015.

The prestigious award recognizes PNB's continued efforts in providing service excellence to Filipinos around the world. To date, PNB has 75 overseas branches, representative offices, remittance centers, and subsidiaries in key cities in the United States, Canada, Europe, the Middle East, and Asia.

The Asset Triple A Asia Infrastructure Awards

PNB and its wholly owned subsidiary, PNB Capital and Investment Corporation, were likewise recognized internationally when they won four awards from The Asset Triple A Asia Infrastructure Awards in Hong Kong: a) Best Project Finance Deal of the Year and Best Transport Deal, both for the P31 billion project finance syndicated term loan facility for Metro Manila Skyway Stage 3 Project; b) Best Transport Deal, Highly Commended for the P23.3 billion financing facility for GMR Megawide Cebu Airport Corporation Project; and c) Best Power Deal for the P33.3 billion financing facility for Pagbilao Energy Corporation Project. These awards clearly demonstrate the Bank's commitment in offering competitive financing structures to clients while contributing to economic development and nation building.

Top Ten Bell Awardees

The Philippine Stock Exchange (PSE) recognized PNB as one of the Top Ten Bell Awardees in the 2015 PSE Bell

Awarded as the Best Paying Commercial Bank, PNB's consistent service delivery was recognized during the 2015 Social Security System (SSS) Balikat ng Bayan Awards.

PNB earned recognition as the Best Remittance Business in the Philippines during the Asian Banker Philippine Country Awards 2015.

PNB bagged a Silver Anvil for its 2014 Annual Report, "Exemplifying Filipino Banking Excellence", during the Public Relations Society of the Philippines' 51st Anvil Awards.

Awards. The award is in recognition of the Bank's professional practice of good corporate governance. The PSE Bell Awards commend listed companies and trading participants that practice the highest standards of corporate governance in the country.

Silver Anvil for the 2014 PNB Annual Report

PNB was honored with a Silver Anvil for its 2014 PNB Annual Report during the Public Relations Society of the Philippines' (PRSP) 51st Anvil Awards. With the theme, "Exemplifying Filipino Banking Excellence", the 2014 PNB Annual Report showcased the improved business and financial results brought about by an enhanced customer focus, improved profitability, higher asset quality, and a maximization of synergy between PNB and the former Allied Banking Corporation in its second year of merger.

2014

Excellence in Business Model Innovation for the Healthy Ka Pinoy Emergency Medical Card

The Healthy Ka Pinoy (HKP) Emergency Medical Card won the Excellence in Business Model Innovation in the 2014 Retail Banker International Asia Trailblazer Awards in Singapore. The award giving body recognized Asian banking institutions and credit the outstanding financial institutions that have exhibited a high degree of innovation and enterprise in product development, service delivery and process improvement.

As one of PNB's programs which support the financial inclusiveness agenda of the Bangko Sentral ng Pilipinas (BSP), the HKP Emergency Medical Card is the only low-cost health care insurance in the country which provides emergency hospital health care for accident and sickness as well as death and burial benefits.

PNB Gets Better Ratings from S&P and Moody's

Standard & Poor's Ratings Services hiked its outlook on PNB from "stable" to "positive", citing the gradual improvement in its asset quality following the merger with Allied Bank. The positive outlook on PNB also reflects expectations that the Bank's asset quality could keep improving, given the efforts to better its underwriting standard.

In addition, Moody's Investors Service has also raised PNB's credit rating outlook from "stable" to "positive". Moody's has also affirmed PNB's Ba2/NP local and foreign currency deposit ratings which reflect ongoing improvements in the credit profile of the Bank. Likewise, the ratings agency has raised PNB's financial strength rating (BFSR) / baseline credit assessment (BCA) to D-/ba3 from E+/b1, reflecting the improvement in the Bank's financial profile, following the merger with Allied Banking Corporation in 2013. In addition, the outlook on PNB's BFSR is maintained as "positive".

Outstanding PhilPass REMIT Participant

PNB was recognized as the Outstanding PhilPass REMIT Participant during the Bangko Sentral ng Pilipinas' (BSP) 2014 Awards Ceremony and Appreciation Lunch for BSP Stakeholders. BSP recognized PNB's exceptional performance in terms of remittance volume sent via BSP's Philippine Payments and Settlement System (PhilPass) for processing and settlement. The PhilPass is a settlement arm for overseas Filipino remittances in order to ensure safe and immediate transfer and settlement of remittance funds.

Sapphire Honorary Membership

PNB was recognized as a Sapphire Honorary member by the Chamber of Commerce of the Philippine Islands (CCPI) for historically operating for 75 years and for the Bank's contribution to the growth of the Philippine economy. CCPI was founded as Camara de Comercio de las Islas Filipinas in 1886 to promote commerce and industry in the country.

PNB VALUES

Our Shared Values bind everyone in PNB together, providing the basis for trusting one another and helping enable the Bank to achieve its mission and vision.

Mapaglingkod 服務態度
(Service Orientation)
We are committed to deliver the best possible service to our customers, proactively responding to their needs and exceeding expectations as manifestation of the value and respect that the Bank holds for every single one of them.

Mapagkakatiwalaan 誠信度
(Trustworthiness)
We hold sacred the consistent adherence to a strict moral and ethical code manifested through honesty, professionalism, fairness, prudence and respect for the law.

Mapang-akma 應變能力
(Adaptive to Change)
We nurture within each one of us a positive attitude towards change and innovation, promoting flexibility and celebrating creativity as drivers of our quest for continuous improvement and operational excellence.

Mapagkapwa 团队合作
(Team Orientation)
We are committed to work together as a family united in pursuit of common goals and aspirations, valuing meritocracy in promoting the common good.

Mapagmalasakit 委託事項
(Commitment)
As stewards not only of the Bank's business, but of its proud name and enduring heritage, we manifest genuine concern and affection for the Bank, its business, and its core constituents.

Mapagmalaki 驕傲
(Pride)
We take pride in working with the Bank, of being a Philnabanker, in whatever tasks we undertake. This will be reflected in all our actions, in the passion of how we get things done.

MESSAGE FROM THE CORPORATE GOVERNANCE CHAIRMAN

FELIX ENRICO R. ALFILER
VICE-CHAIRMAN / DIRECTOR

CORPORATE GOVERNANCE

The Bank has set up corporate governance standards cognizant of Philippine and international best practices. The Bank believes that corporate governance remains to be a dynamic concept with a framework of rules, systems and processes adopted by the organization. The Bank looks at national and international agencies, regulatory bodies as well as the private sector in the process of developing good corporate governance policies. The Bank's existing corporate governance framework governs the responsibilities and duties of the Board and Management to the stockholders and other stakeholders toward the promotion of a strong corporate governance culture. The Bank continuously strives to raise corporate governance standards to a level that is at par with global standards and ultimately contributes to the development of Philippine capital markets.

The PNB Board of Directors and Management commit themselves to adhere to the highest principles of good corporate governance as embodied in the Bank's Amended Articles of Incorporation, Amended By-Laws, Code of Conduct and the Revised Corporate Governance Manual. The Bank subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business; dealing fairly with its clients, investors, stockholders, the communities and various publics affected by its activities. The Bank espouses professionalism among its Board of Directors, executives and employees in managing the Bank, its subsidiaries and affiliates; and respect for the laws and regulations of the countries affecting its businesses. The Bank practices a philosophy of rational check and balances and adopts a structured approach to its business operations.

The Corporate Governance Committee is created pursuant and in compliance to SEC Memorandum Circular No. 6, Series of 2009, Revised Code of Corporate Governance; BSP Circular 456 dated October 4, 2004, Constitute Board Committees; and BSP Circular No. 749 dated February 27, 2012, Strengthening Corporate Governance. This is to align with existing regulations with international standards and best practices that promote good corporate governance such as the "Principles for Enhancing Corporate Governance", to assist the Board of Directors in fulfilling its corporate governance responsibilities; and ensure the Board's effectiveness and due observance of corporate governance principles and guidelines.

The Corporate Governance Committee is comprised of seven members of the Board of Directors - the President, three non-executive directors and three independent directors.

The Chairman of the Corporate Governance Committee is an independent director.

The Committee has the power and control in the Board by informing shareholders of its larger role in establishing strategic objectives and a set of corporate values that are communicated throughout the institution; setting and enforcing clear lines of responsibility and accountability throughout the Bank; ensuring that Board members are qualified for their positions, have a clear understanding of their role in corporate governance and are not subject to undue influence from Management or outside concerns; effectively utilizing the work conducted by internal and external auditors, in recognition of the important control function they provide; ensuring that compensation approaches are consistent with the Bank's ethical values, objectives, strategy and control environment; and conducting corporate governance in a transparent manner.

The Board and Management believe that corporate governance is a critical component of sound strategic business management and will, therefore, undertake every effort necessary to create awareness within the organization to ensure that the principles of fairness, accountability and transparency are indispensable in conducting the day-to-day business of the Bank, its subsidiaries and affiliates.

The Bank's operations are managed through properly established organizational structure and adequate policies and procedures embodied in the manuals approved by the management committees, board committees and the board. These manuals are subject to periodic reviews and updates to align and ensure consistency with new laws and regulations and generally conform to evolving global and regional standards and best practices. The Corporate Governance Manual describes the role and responsibilities as well as the scope of activities of the principal parties that directly or indirectly influence the corporate governance practices of the Bank enterprise-wide, primarily the Members of the Board, the Chief Compliance Officer, the Chief Risk Officer, the Corporate Secretary, the Trust Officer, Internal and External Auditors, as well as constituting at a minimum, the Board Audit & Compliance, Risk Oversight and Corporate Governance/Nomination/Remuneration Committees, as well as the newly created Board Oversight RPT Committee, that is directly engaged in monitoring and controlling business risks.

To further strengthen good corporate governance, the Board of Directors appointed the Chief Compliance Officer as the Corporate Governance Executive tasked to assist the Board and Corporate Governance/Nomination/Remuneration Committee in the discharge of their corporate governance oversight functions.

There are eight (8) Board Committees that have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates. These committees are the Board Policy Committee; Executive Committee; Board Oversight RPT Committee; Board Audit and Compliance Committee; Risk Oversight Committee; Trust Committee; Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries; and Board IT Governance Committee.

In 2015, the Philippine Stock Exchange recognized PNB as one of the Top Ten Bell Awardees among all publicly listed companies. The award commends listed companies and trading participants that practice the highest standards of corporate governance in the country. The Bank was a recipient of the Silver Award for good corporate governance from the Institute of Corporate Directors (ICD) for two consecutive years (2011-2012). This is in recognition of the institution's existing organization composed of dedicated corporate directors and senior management committed to the professional corporate directorship in line with global principles of modern corporate governance.

The PNB Board approved the Revised Corporate Governance Manual in accordance with the provisions of the SEC Revised Code of Corporate Governance, in compliance with the SEC Memorandum Circular No. 9 dated May 6, 2014.

The corporate governance framework is integral in the Bank's Compliance Awareness Training Program conducted regularly by the Global Compliance Group to sustain awareness among bank employees on corporate governance policy guidelines. As such, PNB corporate governance framework is effectively adopted and implemented enterprise-wide and conforms to evolving global standards and best practices.

FELIX ENRICO R. ALFILER
Corporate Governance Chairman

The Bank acknowledges that corporate governance is a dynamic concept and is a framework of rules, systems and processes in the organization. It governs the performance of the Board of Directors and Management, of their respective duties and responsibilities to the stockholders and other stakeholders. It provides direction for the promotion of a strong corporate governance culture and recognizes current best practices. It also strives to raise corporate governance standards to a level that is at par with global standards and ultimately contributes to the development of Philippine capital markets.

The Bank adheres to the highest principles of good corporate governance as embodied in its Amended By-Laws and Articles of Incorporation, Code of Conduct and Corporate Governance Manual. It subscribes to the philosophy of rational checks and balances, fairness, integrity, accountability and transparency in its manner of doing business; dealing fairly with its clients, investors, stockholders, the communities affected by the Bank's activities and its various publics. The Bank espouses professionalism among its Board of Directors, executives and employees, its subsidiaries and affiliates and respect for laws and regulations.

The Bank's operations are managed through an established organizational structure with adequate policies and procedures embodied in manuals approved by management, board committees and the Board. These manuals are subjected to periodic review and are updated to be consistent with the new laws and regulations and to conform with international standards and best practices. The Bank has adopted the Revised Corporate Governance Manual to align its internal policies with recently issued regulatory guidelines and new reportorial disclosures for significant transactions among related parties.

The Bank was a recipient of the Silver Award for good corporate governance from the Institute of Corporate Directors (ICD) for two consecutive years, in 2011and 2012. This is in recognition of the Bank's existing organization composed of dedicated corporate directors and senior management committed to the professional corporate directorship in line with global principles of modern corporate governance.

In 2015, PNB was recognized among all publicly listed companies in the country by the PSE as one of the Top Ten Bell Awardees. The awards commend listed companies and trading participants that practice the highest standards of corporate governance in the country.

BOARD OF DIRECTORS

PNB is led by its Board of Directors, which is composed of fifteen members including five independent directors and the Chairperson. The members of the Board are elected annually by the stockholders. The Board is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance, and corporate values.

The Board represents a combination of highly qualified business professionals, former bank presidents, and former senior officials affiliated with regulatory bodies and international organizations such as International Monetary Fund and the World Bank; individuals with distinct finance, audit and legal competencies; and collectively holds a broad range of expertise and related banking experience that provide value to the strengthening and upholding of good corporate governance practices in the Bank.

The Board of Directors, the key officers of the Bank and its subsidiaries undergo continuing training in corporate governance. The most recent seminar was conducted by the ICD in December 2015. There are two directors inducted "fellow" by the Philippine ICD and one director certified as a "fellow" by the Australian ICD. This is in recognition of their distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility.

INDEPENDENT DIRECTORS

In carrying out their responsibilities, the directors must act in a prudent manner and exercise independent judgment while encouraging transparency and accountability. The Bank has five (5) independent directors representing 33% of the members of the Board, beyond the 20% requirement of the SEC. The appointment of the 5 independent directors composed of the Board Chairperson Florencia G. Tarriela, and Messrs. Felix Enrico R. Alfiler, Deogracias N. Vistan, Cecilio K. Pedro and Federico C. Pascual, were approved and confirmed by the appropriate regulatory bodies.

The independent directors, act as Chairman of the Board, Board Policy Committee, Corporate Governance/Nomination/ Remuneration Committee,Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries, Board Audit and Compliance Committee, Board Oversight Related Party Transaction (RPT) Committee, and Risk Oversight Committee.The independent directors are also members of the Trust Committee.

CHAIRPERSON OF THE BOARD

The Chairperson of the Board is Florencia G. Tarriela who has been serving in this role since 2005. Chairperson Florencia G. Tarriela has extensive background and experience in the banking industry and is an active member of numerous banking and non-profit institutions. She is currently a Life Sustaining Member of BAIPHIL and FINEX and a Trustee of TSPI Development Corporation. Her prior appointments include Undersecretary of Finance; Alternate Board Member of the Monetary Board of Bangko Sentral ng Pilipinas; Alternate Board Member of Land Bank and PDIC; and Managing Partner & the first Filipina Vice President of Citibank N.A., Philippines. As an Independent Director, Chairperson Florencia G. Tarriela sits as Chairman of Risk Management Committee and member of the three (3) Board Committees.

The Chairperson of the Board and the President and Chief Executive Officer are complimentary. This relationship provides appropriate balance of power, increased accountability, and independent decision making by the Board with management having the responsibility to execute strategic plans of the Bank.

BOARD COMMITTEES

The following nine (9) board committees have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates, Board Policy Committee; Board Audit and Compliance Committee; Risk Oversight Committee; Trust Committee; Corporate Governance/Nomination/ Remuneration Committee; Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries; Board IT Governance Committee; Board Oversight RPT Committee; and Executive Committee.

The authority, duties and responsibilities, as well as the frequency of the board committee meetings are stated in their respective charters. Meetings are generally held on a monthly basis which may include special board committee meetings when necessary. The board committee secretariats are responsible for ensuring that the regular agenda of the meetings and resource persons are communicated prior to meetings and that discussions and attendance of the members are properly recorded and endorsed to the Board for confirmation.

The oversight control committees such as Corporate Governance/ Nomination/Remuneration Committee; Board Audit and Compliance Committee; Risk Oversight Committee; and Board Oversight RPT Committee are chaired by Independent Directors.

In 2015, the Bank focused more on the strengthening and enhancement of the existing RPT policies and procedures in order to be more comprehensive and to align its provisions with the recently issued BSP guidelines on RPTs, with the principles of the Annual Corporate Governance Report (ACGR); ASEAN Corporate Governance Scorecard (ACGS); and with Basel III guidelines on good corporate governance.

Among the areas affected by the expanded and comprehensive implementation of RPT policies and procedures are the strengthened oversight functions of the Board, Board Oversight RPT Committee (BORC), and Senior Management; embedded RPT policies and procedures in the Operations Manuals of the respective business units; expanded implementation across business entities; developed RPT database system; and independent reviews of the Internal Audit and Global Compliance Groups; external auditors and examination by regulatory bodies.

In order to prevent abuses arising from exposures to related parties on the covered transactions; and to address conflict of interest, the Bank has a board approved enterprise-wide policy framework in place. The BORC was created to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest, ensure that exposures to related parties are made on an arm's length basis; and are effectively monitored; appropriate steps are taken to control or mitigate the risks; and write-offs of such exposures are made according to standard policies and processes. The RPT policy guidelines cover a broader spectrum of transactions not only those that give rise to credit and/or counterparty risks but also those that could pose material risk or potential abuse to the bank, and its stakeholders. The Bank ensures that individual and aggregate exposures to related parties are within prudent levels consistent with the existing prudential limits and internal limits; through independent reviews by Internal Audit and Global Compliance Groups; disclosures and/or reporting requirements; as well as compliance awareness training program on RPT. The members of the Board, shareholders, and management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matters affecting the Bank. Directors and officers involved in possible conflict of interests shall disassociate from participating in the decision making process and abstain in the discussion, approval and management of such transactions or matters affecting the Bank. The BORC may inform the Corporate Governance/Nomination/Remuneration Committee of the directors/officers' actual/potential conflicts of interest with the Bank, as necessary.

Factors to be considered in evaluating RPTS include (i) related party's relationship to the bank and interest in the transaction; (ii) material facts of the proposed RPT, including the proposed aggregate value of such transaction; (iii) benefits to the Bank of the proposed RPT; (iv) availability of other sources of comparable products or services; and (v) an assessment as to whether the terms of the RPT are comparable to generally available to similarly-situated non-related parties.

BOARD OVERSIGHT RPT COMMITTEE (BORC)

The BORC was created in September 2013. The authorities and responsibilities of the BORC are governed by a Charter to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of shareholders, board members, management, and other stakeholders of PNB Group. The Committee is composed of at least five (5) regular members, including the three (3) Independent Directors (IDs); and the two (2) non-voting members, the Chief Audit Executive (CAE), and the Chief Compliance Officer (CCO). The CCO is designated as Secretariat of the Committee.

The BORC has the authority to evaluate material RPTs. These should be conducted in the regular course of business on an arm's length basis; and not undertaken on more favorable economic terms (e.g. price, commission, interest rates, fees tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances. No corporate or business resources of the Bank are to be misappropriated or misapplied and sound judgment is to be exercised for the best interest of the Bank. Material RPTs are to be reviewed and endorsed to the Board for approval/notation.

The duties and responsibilities of the BORC include: (i) reviewing and approving RPT policy guidelines; (ii) evaluating on an ongoing basis existing relations between and among businesses and counterparties; (iii) assessing all material RPTs; (iv) ensuring that appropriate disclosures are made; (v) reporting to the Board the status and aggregate exposures to related parties; (vi) ensuring that RPTs, including write-off of exposures are subject to independent reviews; and (vii) overseeing implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.

The RPT policy has been formulated and adopted in accordance with the provisions of the SEC Code of Corporate Governance; and BSP Circular No. 749 and 895, including the Code of Conduct and Business Ethics which the Bank consistently adopts. These are as follows:

- Code of Conduct – it prescribes the moral code for PNB Group employees that instills discipline and yields higher productivity at the workplace; and enhances and safeguards the corporate image of the Bank. Its overall intent is more for the prevention of the infraction rather than the administration of disciplinary measures. It also defines and provides the standards of conduct expected of all employees and enumerates the actions or omissions prejudicial to the interest of the Bank.

- Whistleblower Policy – this policy encourages the Bank employees to report internally any suspected or actual commission of theft/fraud, violation of ethical standard, law, rule or regulation and/or any misconduct by its directors, officers or staff in accordance with the Whistleblower Policy. It protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation.

- Soliciting and/or Receiving Gifts Policy - all employees are expected to observe, discretion and prudence in receiving gifts or donations whether in cash or in kind and other form of hospitality. Soliciting gifts/donations/sponsorship from clients, suppliers, and other business related parties is strictly prohibited. However, employees may be allowed to receive gifts/donations/sponsorship/financial assistance from clients, suppliers, and other business related parties, provided that gifts/donations/sponsorships worth P2,000.00 and above must be reported to the Human Resource Group (HRG), declaring the value, the giver and action taken, i.e., kept for personal use, donated to charity. On the other hand, gifts with estimated value of more than P5,000.00 shall likewise be reported and turned-over to HRG for donation to any legitimate charitable institution preferred by the concerned employee.

- Personal Investment Policy – set forth prudent standards of behavior for all employees when conducting their personal investment transactions. It provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. The employees may make investments for their personal accounts as long as these transactions are consistent with laws and regulations, and the personal investment policy of the bank. These investments should not appear to involve a conflict of interest with the activities of the bank or its customers. Employee investment decisions must be based solely on publicly available information, and should be oriented toward long term investment rather than short term speculation. As a general policy, all employees are prohibited from purchasing or selling any PNB securities if they possess material nonpublic information about PNB that if known by the public might influence the price of PNB securities. Employees may not purchase or sell PNB options or execute a short sale of PNB security unless the transaction is effected as a bona-fide hedge.

The Corporate Governance and RPT frameworks are integral in the Bank's Compliance Awareness Training Program conducted regularly by the Global Compliance Group to sustain awareness of group-wide personnel, as well as other stakeholders on good corporate governance and RPT compliance. Corporate governance and RPT trainings support the Bank's commitment of continuing awareness among the Board of Directors, senior management, employees, and other stakeholders of PNB Group.

OPERATIONS MANAGEMENT

The responsibility of managing the day-to-day operations of the Bank and implementing the major business plans rests on the President and Chief Executive Officer. Critical issues, policies and guidelines are deliberated in the pertinent management committees: Senior Management Committee, Operations Committee, Asset and Liability Committee, Senior Management Credit Committee, IT Evaluation Committee, Acquired Assets Disposal Committee, Non-Performing Assets Committee, Assets/Records Disposal Committee, Promotions Committee, Product Committee, Bids and Awards Committee, Senior Management ICAAP Steering Committee, AML Review Committee , Administrative Investigation Committee, Branch Site Selection Committee, Selection Committee for Expatriate Personnel, Accreditation of Overseas Remittance Agent, and Committee on Decorum and Investigation. Committee meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.

The business plans, significant issues and its resolutions are escalated to the level of the Board as part of a strong culture of accountability and transparency embedded in the entire organization. Most of the management committees have the President as the Chairman with the members comprised of senior management of the Bank and key officers of the various business segments, the Risk Management Group, Office of the Chief Legal Counsel, Internal Audit Group and Global Compliance Group. The composition and appointment of senior officers in the different management committees are assessed periodically and reorganized as necessary in line with the business priorities.

COMPLIANCE SYSTEM

The Bank actively promotes the safety and soundness of its operations through a compliance system that fully adheres to banking laws, rules and regulations and to maintain an environment that is governed by high standards and best practices of good corporate governance. This is achieved primarily through the formulation of policies and procedures, an organizational structure and an effective compliance program that will support the Bank's compliance system.

The Chief Compliance Officer (CCO), head of the Global Compliance Group reports directly to the Board Audit and Compliance Committee. The CCO has direct responsibility for the effective implementation and management of the enterprise compliance system covering the Parent Bank, its subsidiaries and affiliates. The CCO is also primarily responsible for promoting compliance with the laws and regulations of the different jurisdictions, corporate policies and procedures and international standards and best practices. The Board of Directors appointed the CCO as the Corporate Governance Executive tasked to assist the Board and the Corporate Governance/Nomination/Remuneration Committee in the discharge of their corporate governance oversight functions.

Global Compliance Group continues to evolve the Bank's Compliance System with the complement of five major divisions, namely: Global AML Compliance Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division, Compliance Testing Review Division and Corporate Governance Monitoring Division that provides support to the Corporate Governance/Nomination/Remuneration Committee and the Board Oversight Related Party Transaction Committee.

The Bank's existing Compliance Program defines the seven (7) key elements of an effective compliance framework, with proactive Board and executive level oversight, effective compliance organizational structure, standardized policies and procedures across all businesses, periodic monitoring and assessment, robust

MIS and compliance reporting, comprehensive compliance and AML awareness training and independent compliance testing reviews. The Compliance Program also incorporates the new policies, laws and regulations and enhancements to corporate standards of which PNB, including its local and foreign subsidiaries/ affiliates, is required to be fully aware of. The Compliance Program has been implemented consistently in the PNB Group.

The Bank's AML/CFT Policy Guidelines and Money Laundering and Terrorist Financing Prevention Manuals with FATCA compliance guidelines, are two major manuals approved by the Board. The Bank is fully committed to adhere to existing and new AML/CFT and FATCA laws, rules, regulations, and implementing guidelines issued by both Philippine and foreign regulators.

The Bank has updated policies and procedures embracing the compliance framework, the corporate governance guidelines and the AML Risk Rating System issued by BSP and foreign regulators on AML/CFT as well as FATCA laws and regulations.

With a comprehensive compliance system effectively implemented enterprise-wide, there has not been material deviation noted by

AS OF JANUARY 29, 2016

BOARD OF DIRECTORS
Ms. Florencia G. Tarriela*
Mr. Felix Enrico R. Alfiler*
Mr. Florido P. Casuela
Mr. Leonilo G. Coronel
Mr. Reynaldo A. Maclang
Mr. Estelito P. Mendoza
Mr. Christopher J. Nelson
Mr. Federico C. Pascual*
Mr. Cecilio K. Pedro*
Mr. Washington Z. Sycip
Mr. Harry C. Tan
Mr. Lucio C. Tan
Mr. Lucio K. Tan, Jr.
Mr. Michael G. Tan
Mr. Deogracias N. Vistan*

BOARD COMMITTEES

CORPORATE GOVERNANCE COMMITTEE

NAME	POSITION
Felix Enrico R. Alfiler*	- Chairman
Reynaldo A. Maclang	- Member
Christopher J. Nelson	- Member
Lucio K. Tan, Jr.	- Member
Michael G. Tan	- Member
Florencia G. Tarriela*	- Member
Deogracias N. Vistan*	- Member

BOARD AUDIT AND COMPLIANCE COMMITTEE

NAME	POSITION
Deogracias N. Vistan	- Chairman
Felix Enrico R. Alfiler	- Member
Florido P. Casuela	- Member
Christopher J. Nelson	- Member
Harry C. Tan	- Member

RISK OVERSIGHT COMMITTEE

NAME	POSITION
Florencia G. Tarriela*	- Chairman
Florido P. Casuela	- Member
Leonilo G. Coronel	- Member
Christopher J. Nelson	- Member
Harry C. Tan	- Member

BOARD OVERSIGHT COMMITTEE – DOMESTIC AND FOREIGN OFFICES/SUBSIDIARIES

NAME	POSITION
Deogracias N. Vistan*	- Chairman
Felix Enrico R. Alfiler*	- Member
Leonilo G. Coronel	- Member
Christopher J. Nelson	- Member
Federico C. Pascual*	- Member
Cecilio K. Pedro*	- Member
Florencia G. Tarriela*	- Member

BOARD OVERSIGHT RPT COMMITTEE

NAME	POSITION
Federico C. Pascual*	- Chairman
Felix Enrico R. Alfiler*	- Member
Deogracias N. Vistan*	- Member
Alice Z. Cordero	- Non-Voting Member
Dioscoro Teodorico L. Lim	- Non-Voting Member

BOARD POLICY COMMITTEE

NAME	POSITION
Felix Enrico R. Alfiler*	- Chairman
Florido P. Casuela	- Member
Leonilo G. Coronel	- Member
Reynaldo A. Maclang	- Member
Christopher J. Nelson	- Member
Federico C. Pascual*	- Member
Harry C. Tan	- Member
Michael G. Tan	- Member
Florencia G. Tarriela*	- Member
Deogracias N. Vistan*	- Member

EXECUTIVE COMMITTEE

NAME	POSITION
Florido P. Casuela	- Chairman
Leonilo G. Coronel	- Member
Reynaldo A. Maclang	- Member
Christopher J. Nelson	- Member
Harry C. Tan	- Member
Lucio C. Tan	- Member
Lucio K. Tan, Jr.	- Member
Michael G. Tan	- Member
Felix Enrico R. Alfiler*	- Non-Voting Member
Federico C. Pascual*	- Non-Voting Member
Florencia G. Tarriela*	- Non-Voting Member
Deogracias N. Vistan*	- Non-Voting Member

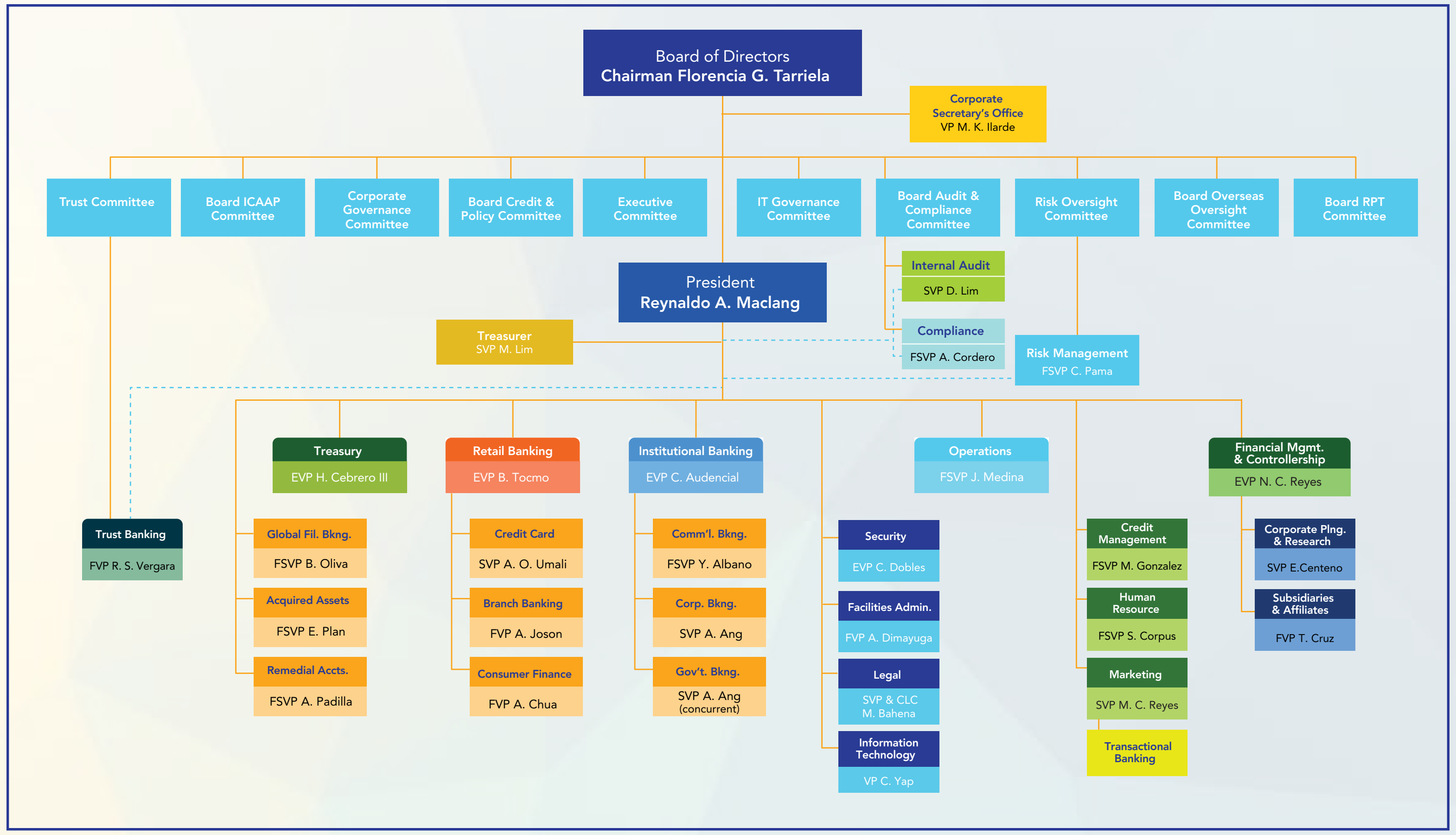
TRUST COMMITTEE

NAME	POSITION
Leonilo G. Coronel	- Chairman
Federico C. Pascual*	- Member
Cecilio K. Pedro*	- Member
Reynaldo A. Maclang	- Member (Ex-Officio)
Roberto S. Vergara	- Member (Ex-Officio)

BOARD IT GOVERNANCE COMMITTEE

NAME	POSITION
Leonilo G. Coronel	- Chairman
Florido P. Casuela	- Member
Christopher J. Nelson	- Member
Lucio K. Tan, Jr.	- Member
Michael G. Tan	- Member

*Independent Director



MESSAGE FROM THE BOARD OVERSIGHT RPT COMMITTEE CHAIRMAN

FEDERICO C. PASCUAL
DIRECTOR

RELATED PARTY TRANSACTION

The PNB Group commits to adopt and adhere with the Policy Guidelines on Related Party Transactions (RPTs). These guidelines were formulated in accordance with the requirements of the SEC Revised Code of Corporate Governance; BSP Guidelines on Related Party Transactions; Basel Core Principles for Effective Banking Supervision No. 20 and other related laws and regulations.

The Bank recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire PNB Group. Related Party Transactions (RPTs) are allowed provided that these are done on an arm's length basis and in accordance with the board approved RPT policy guidelines. As such, RPTs shall be entered in the normal course of business and upon terms not less favorable to the bank than those terms and services offered to others or any unrelated third party or non-affiliate.

The Board, through the Board Oversight RPT Committee (BORC), exercises appropriate oversight in the implementation of the control systems for managing RPT exposures as these may potentially lead to abuses that are disadvantageous to the bank and its depositors, creditors, fiduciary clients and other stakeholders. The Board of Directors shall have the overall responsibility for ensuring that transactions with related parties are handled in a sound and prudent manner with a high degree of integrity for exercising sound and objective judgment; and for compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders of the Bank.

Since 2013, PNB had the Board Oversight RPT Committee, governed by a charter, to assist the Board in performing its oversight functions for monitoring and managing potential conflicts of interest involving shareholders, board members, management and other stakeholders of PNB Group. The Committee is composed of at least five members of the board of director, three of whom shall be independent directors, including the chairperson, and two non-voting members, the Chief Compliance Officer and the Chief Audit Executive, as resource persons.

The Board Oversight RPT Committee's authority is to oversee the evaluation of material Related Party Transactions that will be endorsed to the Board, to ensure that these are conducted in the normal course of business; not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances; and that no corporate or business resources of the bank are misappropriated or misapplied. The Committee reviews/approves RPT policy guidelines; ensure that laws, rules and regulations, accounting standards and global practices are complied with; and effectively implement the Bank's RPT policy guidelines. Directors that may be involved in potential conflict shall disassociate from participating in any decision related thereto.

The Board approved RPT Policy Framework contains the Board and Senior Management Oversight; Policies and Procedures; Training Program, MIS & Reporting; and Assessment & Monitoring. This has been disseminated to all employees of the bank and posted at the I-Comply web-page of the Bank's intranet made available and accessible 24/7 to all employees of PNB Group for guidance

In 2015, the PNB RPT Policy Framework was revised to strengthen critical areas:

- Expanded the Board Oversight RPT Committee oversight functions over the Bank's subsidiaries and affiliates, covering the review of their RPTs already approved by their respective boards.

- Redefined the materiality threshold for credit facility and non-credit RPTs based on the ICAAP materiality threshold level and 2-year historical data on the normal transactional amount of RPTs, respectively.

- Rationalized the process limiting the covered officers to the rank of at least Vice President and its relatives up to 4th degree level, considering their level of authority to influence management decision.

- Ensured assessment and monitoring of reporting and internal controls on the transparency of RPTs are conducted by independent groups, Internal Audit and Global Compliance Groups, who directly report to the Board thru the Board Audit and Compliance Committee.

- Developed the RPT database system as a reservoir of RPTs already approved and endorsed by the Board Oversight RPT Committee to the Board translated to the convenience of generating RPT reports for periodic reporting to the Board and regulators.

- Embedded RPT Compliance Awareness Training Program organized by the Global Compliance Group among officers and employees of the Bank and its subsidiaries/affiliates. The Bank has engaged the Institute of Corporate Directors to conduct a workshop providing recent developments in Corporate Governance and RPT global practices. The workshop was participated in by the Board of Directors and Key Officers of parent bank PNB and its subsidiaries/affiliates.

The robust RPT Framework of the Bank is demonstrated by the full support from the Board of Directors and the employees of PNB Group that are committed to adhere and comply with international best practices.

FEDERICO C. PASCUAL
Board Oversight RPT Committee Chairman

MESSAGE FROM THE BOARD ICAAP STEERING COMMITTEE CHAIRMAN

MICHAEL G. TAN
DIRECTOR

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

PNB's ICAAP (Internal Capital Adequacy Assessment Plan) has come a long way from its inception in 2009 in compliance to Bangko Sentral's issuance of Circular 639. PNB has always maintained a policy of "beyond compliance" and has embedded the capital adequacy requirement with its long term strategic objectives. With the annual submission of the bank's ICAAP document, the approach and processes have continually improved over the years.

The annual strategic planning exercise becomes an interactive process among the Bank's various business and support groups, including subsidiaries that culminated with the crafting of the 3-year Business Plan aimed at achieving the corporate goal of becoming a BIGGER, BETTER and STRONGER bank.

On the other hand, the risk assessment implementation which already includes all business and support units, as well as the subsidiaries, was cascaded down to the branch and unit levels in the Bank's desire to appreciate and understand the ICAAP at the grassroots level. Impact to the Bank's Capital Adequacy Ratio (CAR) is now a standard computation for all major risk exposure which the various business units of the bank propose to embark. Terms such as Quantified Potential Loss (QPL) and Risk-weighted Assets (RWA) are common points of discussion for major policy decisions. The bank's journey to go 'beyond compliance" is apparent in the objectives set to ensure capital allocation will be the end goal for the ICAAP.

Further, to adapt to the changing business and regulatory environment and to ensure continued high standards of board oversight for the bank, board level committees were refined for a more robust governance structure. One of which, the Board ICAAP Steering Committee (BISC) functions has been subsumed into the Board Policy Committee (BPC) to ensure regular reporting on the capital assessment and planning policies and procedures. The revised charter for the BPC includes review and endorses and/or approves the bank's strategic plan, risk appetite and set limits on risk taking activities; policies, procedures and manuals of products and services to be offered to the Bank's domestic and overseas market. In addition to this, the Capital Management Sub-Committee of the Asset/Liability Committee (ALCO) was created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The risks that the banks are facing today are far more complex than that of years ago with emerging risks such as technology and cyber security. With these, Basel III remains at the forefront with guidelines to strengthen global capital, liquidity and risk management rules to ensure a more resilient banking sector. Just recently, BSP released respective Circulars on: (1) guidelines on Sound Credit Risk Management; (2) guidelines on Operational Risk Management; (3) Leverage Ratio Framework; (4) additional capital buffer for Domestic Systemically Important Banks (DSIB); (5) Liquidity Coverage Ratio (LCR) and; (6) Recovery Plan of a DSIB, which are to be considered and incorporated in the ICAAP Document.

The Bank's capital fund stood at P97.6 billion as of end-December 2015, up by 4% from year-ago level of P94.2 billion which was boosted by a Stock Rights offering of 162,931,262 common shares in 2014, equivalent to an offer size of P11.568 billion. The Bank's Capital Adequacy Ratio (CAR) on consolidated basis remained solid at 19.2%, well above the minimum 10% required by the BSP. The Bank's CET1 ratio of 16.2% was almost twice the BSP minimum Core ratio of 8. 5%.

The Bank's ICAAP challenge is to continue to improve on the process towards fulfilling a wish list of actions and blueprint for the future, and to ensure that this is done consciously and involves the whole enterprise. It is only with the use of planning and risk management, as strategic tools and embedding these with operations that will bring effective results.

MICHAEL G. TAN
Board ICAAP Steering Committee Chairman

CAPITAL STRUCTURE AND ADEQUACY

PNB CAPITAL MANAGEMENT AND RISK MANAGEMENT DISCLOSURES

PNB is committed to maintaining public transparency with regard to its business, financial performance and risks. Extensive information is provided in financial reports, including in this PNB's Annual Report, quarterly reports to the SEC and the discussions with investors, third parties. In this report – Capital Adequacy and Risk Management Report (under the Pillar 3 Framework) – PNB provides additional detailed information on its risk management and capital adequacy.

ABOUT PILLAR 3

The aim of Pillar 3 is to allow for market discipline to supplement the regulation of banks. The Basel Committee on Banking Supervision (BCBS) set out, in its Basel II framework (2004), a concept of three pillars for banking regulation:

Pillar 1 – Minimum capital requirements to meet credit, market and operational risk;

Pillar 2 – Supervisory review process, and the bank's internal process for assessing overall capital and liquidity adequacy in accordance with its risks; and

Pillar 3 – Market discipline enabled by disclosures.

Pillar 3 entails extended disclosures by banks with regard to capital adequacy and risk management, in order to allow investors and other market participants to understand the risk profiles of individual banks.

BASIS FOR PILLAR 3 DISCLOSURES

The Capital & Risk Management Disclosure Sections incorporate regulatory disclosure requirements enforced by Compliance and Appendix 63b of the MORB-Disclosures in the Annual Reports and Published Statement of Condition, Risk Exposures and Assessments (for each separate risk area – credit, market, operational, interest rate risk in the banking book) and additional disclosure requirements for specific types of risks (namely: Credit, Market, Operational and Interest Rate risks in the banking books)

In June 2006, BSP approved major revisions to the risk-based capital adequacy framework. Together with the revised guidelines on minimum capital requirements, BSP also outlined changes in the list of items that banks need to disclose in their Annual Reports and in their quarterly published statement of condition. The BSP further laid down the groundwork for the implementation of Basel III through the issuance of Circular No. 709, Circular No. 716 in 2011, and M-2012-002.

The expanded disclosure requirements relate to banks' (a) capital structure and adequacy, and (b) risk management policies and processes and risk exposures, specifically on credit risk, market risk, operational risk, and interest rate risk in the banking book.

PILLAR 3 DISCLOSURES

For assessment of the appropriateness of its disclosures, the following units / stakeholders are involved:

- Board of Directors & its delegated Board Sub-Committees – approve the information on adequacy and stakeholders' interests;
- Chief Financial Officer / Financial Accounting Division – prepare the financial reporting;
- Risk Management Group – prepare information following from its role of managing the risks associated with the banking operations;
- Internal Audit Group – check on reliability and consistency with financial statements;
- Compliance – check on compliancy with applicable regulations.

The Pillar 3 – Capital Adequacy & Risk Management Sections complement the Annual Report with additional information. Corporate Governance in PNB and Related Party Transactions are included in separate sections of the Annual Report.

Pillar 3 Disclosures on Capital Adequacy & Risk Management provide comprehensive information related to capital adequacy, capital management and risk management. This is composed of the following chapters:

A. Capital Structure & Capital Adequacy: Provides disclosure information pertaining to the bank's solo and consolidated capital structure and capital adequacy. Further, this chapter also discusses the bank's compliance to the BSP implementation of Basel Committee on Banking Supervision (BCBS) guidelines on Basel III.

B. Risk Management: Provides extensive information of the bank's risk management framework, continuing improvement in the implementation of the said framework to include specific highlights on the 2015 risk management activities.

Capital Structure and Adequacy

The Basel Committee on Banking Supervision (BCBS) issued in 2010 the Basel III guidelines which introduced a complex package of reforms designed to improve the ability of banks to absorb losses, extend the coverage of financial risks and have stronger firewalls against periods of stress. They include measures which aim to strengthen micro-prudential regulation and introduce macro-prudential tools. The emphasis of the reforms is the strengthening of the capital adequacy requirements, in terms of both the quantity of capital which must be held by banks to absorb losses and its quality (the capacity of capital to actually absorb losses).

Under the Basel III accord, banks are likewise required to maintain a mandatory capital conservation buffer of 2.5% to be implemented gradually and have a counter-cyclical buffer of 0%-2.5% according to national circumstances.

In November 2011, BCBS set out another capital framework for global systemically important banks (GSIBs) requiring additional loss absorbency requirements ranging from 1% to 2.5% Common Equity Tier 1 depending on the Bank's systemic importance. GSIBs are categorized based on the following factors: size, interconnectedness, lack of readily available substitutes or financial institution infrastructure, global (cross-jurisdictional) activity and complexity.

In October 2012, the GSIB framework was extended to domestic systemically important banks (DSIBs) as a complementary perspective to focus on the impact of banks' failures on the domestic financial system and economy.

In the Philippines, the BSP decided to implement the Basel III framework in stages. The first component adopted is the capital standards as contained in BSP Circular No. 781 dated January 15, 2013. In this Circular, the BSP generally aligned its capital requirements with the Basel III global standards and even set higher benchmarks on some aspects of its capital requirements either by design or because they were already being practiced in the Philippine banking industry.

The BSP implemented its new capital requirements starting January 1, 2014. These include the following:

1. Compliance of capital instruments with the new eligibility criteria;
2. Deduction approach on regulatory adjustments:
3. Treatment of equity investments in non-financial and non-allied undertakings and;
4. Revision in the classification of capital ratios and the new minimum capital requirements:

While the minimum CAR is maintained at 10%, the BSP adopted a minimum Common Equity Tier 1 (CET1) ratio of 6% and a minimum Tier 1 ratio of 7.5%, and introduced a capital conservation buffer of 2.5% composed of CET1 capital on top of the minimum CET1 requirement, to wit:

Capital Requirement	Basel III Framework (Global Standards)		BSP Guidelines (Philippine standards)		
	Minimum ratios	With conservation buffer*	Existing minimum ratios	Minimum ratios	Minimum with conservation buffer
CET1 ratio	4.5%	7.0%	None	6.0%	8.5%
Tier 1 ratio	6.0%	8.5%	5.0% (6.0% as trigger for PCA)	7.5%	7.5%
CAR	8.0%	10.5%	10.0%	10.0%	10.0%

** Phased-in implementation until 2019*

On the other hand, BSP Circular No. 856 dated 29 October 2014 outlined the implementing guidelines on the framework for dealing with domestic systemically important banks in accordance with the Basel III standards. The additional 1.5% to 3.5% common equity, depending on the bank's category, shall have a phased-in implementation starting 2017 and with full compliance by 2019.

Further, to strengthen the micro-prudential supervision under credit exposures, the BSP also issued Circular No. 839 in June 2014. It provides for the adoption of a Real Estate Stress Test (REST) Limit based on aggregate real estate exposures. It combines a macro-prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response.

Under its ICAAP Policy, the Bank will maintain buffers on top of the minimum regulatory requirements for capital adequacy ratios as follows:

	2016-2018	
	BSP	PNB-ICAAP
CET1 ratio, including conservation buffer of 2.5%	8.5%	10.0%
Total CAR	10.0%	11.5%

Figure 1: Regulatory & Internal Limits

PNB Compliance to Basel II & III

The Bank's capital fund stood at P97.6 billion as of end-December 2015, up by 4% from year-ago level of P94.2 billion which was boosted by a Stock Rights offering of 162,931,262 common shares in 2014, equivalent to an offer size of P11.568 billion. The Bank's Capital Adequacy Ratio (CAR) on consolidated basis remained solid at 19.2%, well above the minimum 10% required by the BSP. The Bank's CET1 ratio of 16.2% was almost twice the BSP minimum Core ratio of 8.5%.

After infusing additional P10 billion equity in PNB Savings Bank and investing directly in PNB General Insurers Company, Inc. (PNB Gen) by subscribing to the additional authorized capital stock of PNB Gen in the amount of P600 million in 2014, the Bank pursued its plan to increase its equity investment in Allied Commercial Bank (ACB) in 2015. The Bank purchased the equity holdings of natural person investors in ACB in line with the regulation of the Chinese Banking Regulatory Commission (CBRC) that foreign banks applying for a Chinese Yuan (CNY) license to be wholly-owned by financial institutions. With this acquisition, PNB now holds 99.04% equity in ACB. On the other hand, the dissolution of Allied Leasing and Finance Corp., where the Bank has a 57.21% stake, was approved by its stockholders effective December 31, 2015 in the November 25, 2015 Special Stockholders' meeting. The company is now in the process of winding down its operation.

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014 & 2015) and BSP Circular No. 538 (for 2013) were 19.2%, 20.6%, and 19.7% as of December 31, 2015, 2014, and 2013 respectively, which are well above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2015, 2014, and 2013 (amounts in billions):

Amounts in (Ph 000,000)	Consolidated			Solo		
	2015	2014	2013	2015	2014	2013
Tier 1 (core) Capital / CET1 under BASEL III	**97,272**	**93,899**	**81,927**	**94,044**	**90,783**	**79,101**
Common stock	49,966	49,966	43,448	49,966	49,966	43,448
Additional Paid In Capital	31,331	31,331	26,500	31,331	31,331	26,500
Retained Earnings	18,278	13,369	9,568	17,799	12,690	9,002
Other comprehensive income	(4,721)	(3,470)		(5,052)	(3,204)	
Cumulative Foreign Currency Translation			(210)			150
Undivided profits	-	-	-		-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,419	2,703	2,620	-	-	-
Deductions from Tier 1 Capital / CET1 under BASEL III	**22,978**	**22,392**	**19,715**	**47,596**	**45,931**	**19,385**
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	2	2	54	2	2	54
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	1,959	1,575		1,879	1,575	
Deferred income tax	3,479	3,811	3,897	3,257	3,567	3,567
Goodwill	13,516	13,516	15,764	13,516	13,516	15,764
Other intangible assets	1,670	2,033		1,574	1,939	
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	-		25,141	24,066	

	Consolidated			Solo		
	2015	2014	2013	2015	2014	2013
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	2,351	1,453		2,226	1,264	
Other equity investments in non-financial allied undertakings and non-allied undertakings	2	2		2	2	
Reciprocal investments in common stock of other banks/ quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	0	0		0	0	
Gross Tier 1 Capital / CET1 Capital under BASEL III	**74,294**	**71,508**	**62,212**	**46,448**	**44,851**	**59,715**

Additional Tier i Capital (AT1) under BASEL III

TOTAL TIER 1 CAPITAL	**74,294**	**71,508**		**46,448**	**44,851**	
Upper Tier 2 Capital (BASEL II)			**2,903**			**2,792**
Appraisal Increment Reserve, Bank Premises auth. By MB	292	292	292	292	292	292
General loan loss provision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)	3,485	2,778	2,612	3,139	2,572	2,501
Lower Tier 2 Capital (limited to 50% of Tier 1 Capital) (BASEL II)			**9,954**			**9,954**
Unsecured Subordinated Debt	**9,986**	9,970	9,954	9,986	9,970	9,954
Total Tier 2 Capital	**13,763**	**13,040**	**12,857**	**13,417**	**12,833**	**12,746**
Deductions from Qualifying Capital (BASEL II)			**623**			**14,736**
Gross Tier 2 Capital (limited to 100% of Tier 1 Capital) under BASEL II / TOTAL TEIR 2 CAPITAL Under BASEL III	**13,763**	**13,040**	**12,857**	**13,417**	**12,833**	**12,746**
TOTAL QUALIFYING CAPITAL	**88,057**	**84,548**	**74,446**	**59,865**	**57,684**	**57,726**

The risk-weighted assets of the Group and Parent as of December 31, 2015, 2014 and 2013 are as follows:

	Consolidated			Solo		
	2015	2014	2013	2015	2014	2013
On-Balance sheet assets:	**405,219**	**359,882**	**319,475**	**366,858**	**329,029**	**292,665**
20%	7,359	3,948	3,366	6,677	3,846	2,439
50%	16,841	15,558	13,964	15,459	13,799	12,821
75%	16,120	14,282	15,493	14,063	13,705	15,029
100%	345,522	297,727	249,166	312,533	270,611	225,934
150%	19,377	28,367	37,487	18,125	27,068	36,442
Off-Balance sheet assets:	**7,669**	**5,914**	**7,835**	**7,555**	**5,751**	**7,224**
20%	127	64	34	127.8	128	34
50%	4,578	1,672	2,331	4,577.9	4,578	2,331
75%	345	443	520	344.8	345	520
100%	2,619	3,736	4,950	2,504.0	2,504	4,339
150%	-	-	-	-	-	-

	Consolidated			Solo		
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	1,305	1,497	600	1,305	1,497	600
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	499	276	10	472	254	-
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]		-	-		-	-
Total Credit Risk Weighted Assets	414,693	367,569	327,920	376,189	336,532	300,489
Market Risk Weighted Assets	3,428	4,532	9,337	3,068	4,234	3,829
Operational Risk-Weighted Assets	39,542	38,235	40,939	35,792	34,261	36,178
Total Risk Weighted Assets	**457,663**	**410,336**	**378,196**	**415,049**	**375,026**	**340,496**

	Consolidated			Solo		
Capital Ratios	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
CET1 Capital (BASEL III)	16.23%	**17.43%**		**11.19%**	**11.96%**	
Capital Conversion Buffer (BASEL III)	10.23%	**11.43%**		**5.19%**	**5.96%**	
Tier 1 capital ratio	16.23%	**17.43%**	**16.37%**	**11.19%**	**11.96%**	**15.37%**
Tier 2 capital ratio (not disclosed under BASEL III)			**3.32%**			**1.58%**
Capital Adequacy Ratio	**19.24%**	**20.60%**	**19.68%**	**14.42%**	**15.38%**	**16.95%**

ICAAP & Capital Adequacy Ratio Report

The Bank's consolidated Qualifying Capital (QC) as of December 31, 2015 stood at P88,057 million with a corresponding Capital Adequacy Ratio (CAR) of 19.2%. The Bank's quarterly CAR for 2015 under the BSP Basel III framework is shown in the chart below. The consolidated QC still provided a good and sufficient margin above the minimum regulatory capital requirement of 10% of Total Risk Weighted Assets.

PNB - Consolidated (in P Million)	As of date indicated			
	Mar-15	Jun-15	Sep-15	Dec-15
Total Qualifying Capital	86,399.46	86,378.34	88,118.10	88,057.03
CAR	21.32%	19.59%	20.26%	19.24%
CET 1/Tier 1 Ratio	18.09%	16.58%	17.15%	16.23%
Total RWA – Pillar 1	405,285.27	440,979.05	434,934.77	457,662.61

Figure 2: PNB Consolidated CAR 2015

Similarly, under SOLO basis, the Bank's QC of P59,865 million, equivalent to a CAR of 14.42%, is way above the minimum regulatory requirement of P41,405M to cover the P415,049 million in Risk Weighted Assets (RWA) as of December 31, 2015.

PNB - Solo (in P Million)	As of date indicated			
	Mar-15	Jun-15	Sep-15	Dec-15
Total Qualifying Capital	59,269.02	59,023.18	60,102.78	59,864.87
CAR	15.81%	14.42%	15.12%	14.42%
CET 1/Tier 1 Ratio	12.37%	11.24%	11.81%	11.19%
Total RWA - Pillar 1	374,978.09	409,202.63	397,486.70	415,048.57

Figure 3: PNB Solo CAR 2015

With the Bank's earnest endeavor to continually improve on its ICAAP Framework and expand its implementation on an enterprise-wide basis, the ICAAP Risk Assessment process was further enhanced to reach this objective. The implementation which already includes all business and support units, as well as the subsidiaries, was cascaded down to the branches (at area level) with each unit being represented to carry out required ICAAP activities, moreover, to learn to appreciate the ICAAP at the grassroots level.

The following salient points are considered in the bank's ICAAP Implementation:

Part 1 ICAAP RCSA Template:

- Enhancement of the ICAAP RCSA to incorporate the assessment of individual threats being performed for Business Continuity Plan activities.
- Enhancement of the ICAAP RCSA to incorporate the assessment of project implementations with reference to the Core banking implementation.
- Enhancement of the ICAAP RCSA to incorporate insurance-related risks in coordination with PNB Gen and IAG.
- Introduced a drill-down assessment of specific risks while simultaneously building up the Risk Taxonomy.

Risk Assessments:

The Risk Assessment is performed at two levels:

a. Part 1 Risk Assessment entails the down-the-line identification and assessment of risks. All Groups are required to complete the assessment for all the 14 material risks (determined in 2014) with their corresponding sub-risks, which are relevant to them. The assessment may go as far as to the unit level depending on the discretion of the Group Head/Head of Office.

b. Part 2 ICAAP Quantification encompasses all the assessments emanating from the respective Key Risk Indicators (KRIs) of all the Groups. The KRIs are aggregated to determine the Bank's material risks through the use of three (3) approaches, namely: (a) highest consolidated estimated loss, (b) highest risk level and, (c) highest number of groups which considered the risk as KRI. Based on these, the Primary Risk Owners shall evaluate the assessments, validate the assumptions used and perform the Bankwide quantification of potential loss and estimated risk-weighted assets.

Risk Tolerance Level to determine Significance of Risks

The Corporate Planning Group (Corplan) determines the tolerance level, taking into consideration the Bank's projected levels for Qualifying Capital, Risk Weighted Assets, and CAR for the three-year period.

The SMT and Board have approved a preset level of 0.20% impact on CAR, i.e., an increase of P8 billion in RWA or a decline of P1billion in Qualifying Capital will result in a 20 basis point downward movement in CAR.

Trigger Levels to activate Capital Contingency Plan

Trigger levels to initiate Capital Contingency Plan is determined by the Capital Management Sub-Committee of ALCO and approved by the Board.

The Bank will maintain a Pillar 2 buffer for CET1 ratio and CAR in addition to the conservation buffer of 2.5% as prescribed by BSP for Pillar 1 under Basel III.

Stress Testing

In line with the Bank's ICAAP Policy, the Capital Management Sub-Committee of ALCO crafts the stress scenarios that may be used in the ICAAP exercise to determine if the Bank will have adequate buffer on its capital to withstand severe but plausible downside risks.

The Bank shall adopt any of the following methodologies in stress testing whenever applicable:

- **Macroeconomic Stress Test:** The Bank usually looks into international developments that may have significant impact on the global economy and financial market.
- **Event Driven Stress Test:** The Bank develops scenarios around a particular risk event to test Bank-specific vulnerabilities and assess the impact on capital position.
- **Ad-hoc Stress Test:** Hypothetical shock events are considered to assess the robustness of the Bank's capital. Since the Bank's credit risks comprise the bulk of its total risks, ad-hoc stress tests are performed on the Bank's credit portfolio, among others.

The above-mentioned stress tests are applied to Pillar 1 and Pillar 2 risks and corresponding RCSA is accomplished under the stressed scenarios.

Additional scenarios are deliberated by the risk owners for individual risks in case the above three types of stress test models are not applicable.

Implementation to Subsidiaries

The 3-year risk assessment is employed to the subsidiaries- both domestic and foreign, as well. Each of the subsidiaries is encouraged to perform stress testing relevant to their respective business condition and environment.

Through the Bank's ICAAP document, the Bank advances its efforts to integrate the Bank's risk management culture in all its activities. Further, it is intended that the ICAAP document be a live document and will be continually amended / revised as the business sees fit. It is the intention that capital allocation among the Bank's risk-taking units are based on the risk weighted exposures that these units take.

Beyond Basel III

Basel III introduces several new or enhanced rules, including the introduction of a new and stricter definition of capital – designed to increase quality, consistency and transparency of the capital base – and the introduction of a global liquidity standard. While the implementing guidelines for the two new liquidity ratios – the short-term Liquidity Coverage Ratio (LCR) and the longer-term Net Stable Funding Ratio (NSFR) are yet to be defined by BSP, the Bank's foreign branches are getting ready to activate necessary processes to determine the appropriate level of capital and liquid assets to comply with emerging regulations. In particular, these mentions the need for banks to increase their high-quality liquid assets and obtain more stable sources of funding, while requiring they adhere to sound principles of liquidity risk management. Looking forward, liquidity risk of the bank will require additional scrutiny to include compliance with host country regulations.

The new regulations will increase capital requirements and drive up capital as well as liquidity costs and thus increase pressure on banks' profitability.

The Bank has already completed two LCR Quantitative Impact Studies (QIS) as required by the BSP thru the Bankers' Association of the Philippines. Both QIS generated ratios which are above the BSP minimum requirement as indicated in its exposure draft. However, the challenge lies on the accuracy of the data generated and the correctness of the assumptions used. Further, as it is designed to be monitored on a daily basis and on a per currency basis, the absence of a system which will automatically produce the required granular data and reports is a major hurdle to overcome.

The Bank's ICAAP challenge is to continue to improve on the process towards fulfilling a wish list of actions and blueprint for the future, and to ensure that this is done consciously and involves the whole enterprise. It is only with the use of planning and risk management, as strategic tools and embedding these with operations that will bring effective results.

MESSAGE FROM THE RISK OVERSIGHT COMMITTEE CHAIRMAN

FLORIDO P. CASUELA
DIRECTOR

The current regulatory and economic environment continues to prove challenging to our business, however, we are comfortable that we have robust risk management processes and systems in place which provide a strong foundation to manage and mitigate risks within our risk appetite tolerance framework.

Our shareholders and stakeholders require expertise to identify issues and find creative solutions to resolve these issues and challenges. They require creative solutions and broader, more up-to-date financial services across the bank's global network. They require professional and operational expertise to set up solutions to the changing economic capital markets environment and ensure that they work. They require quality communication skills to ensure that operations are kept tight, that controls are in place and that no opportunities are lost. The mission of Risk Management is to maintain a tight rein on the increasing risks as a consequence of these new solutions, products and services.

It is worth mentioning that emerging trends on risks have been a topic of numerous discussions at the Committee meetings. The onset of cybersecurity risks raises new challenges as new policies have to be drafted and risk mitigation tools need to be identified and implemented. The risks have gone from a physical one to the digital world. The Philippine financial service industry is not immune to the global risks as advanced threats of hacking, phishing, and the wide range of cyber fraud has cost the industry millions of pesos. The year 2015 is characterized by increased diligence in identifying risks, changing regulatory environment and emerging of cyber security as a primary focus of awareness and risk mitigation.

As risk management continues to be embedded within the lines of business, it is expected that a continued proactive stance be in place and that the implementation of a consistent and comprehensive risk management framework is at par with international standards and best practices. The bank's risk management team remains to be in the forefront of the Bank programs to support its mission, vision and objectives of optimal use of the Bank's domestic and international footprint to deliver innovative products and services to all our stakeholders/clients.

FLORIDO P. CASUELA
Risk Management Chairman

RISK MANAGEMENT DISCLOSURE

The board Risk Oversight Committee (comprising of 5 directors) meets once a month and discusses the bank's risk exposures from the identified material risks against the overall bank's strategy. Together with the other designated board level sub-committees, a comprehensive risk management process is put in place vis a vis the bank's risk appetite. The PNB Board of Directors approves the bank's risk appetite and sets broad parameters relating to the board's expectations around performance, business stability and risk management. The board ensures that there are appropriate resources to manage the risk arising from running our businesses.

Our enterprise risk management process involve identifying, quantifying, managing and mitigating the risks associated with each the lines of business of the parent bank, as well as those of its subsidiaries. Risk awareness, control and compliance are embedded in all our day-to-day activities. We seek to achieve an appropriate balance between risk and reward, mindful of our stakeholders' interests. A strong risk and capital management culture is embedded into our values.

INTRODUCTION

The Bank places a high priority on risk management and has taken concrete steps to refine its framework for risk management, including the identification and control of the risks associated with its operational activities.

A sound, robust and effective enterprise risk management system coupled with global best practices were recognized as a necessity and are the prime responsibility of the Board 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 PNB Group to manage the changing regulatory environment in an effective and efficient manner.

Strong independent oversight has been established at all levels within the group. The bank's Board of Directors has delegated specific responsibilities to various board committees which are integral to the 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.

The Board and its Risk Oversight Committee operate as the highest level of PNB's risk governance. Risk governance is undertaken by a structured hierarchy of committees (both at board level and at the executive / management level) each with specified accountabilities. The continuous flow of information between the board and board-level committees and the corresponding management committees; allow for consistent evaluation of the risks inherent in the business, raise the alarms, if any, and manage the business effectively with strong adherence to process management guidelines and controls. Figure 1 below provides a list of the board level committees and management committees. Their corresponding functions, roles and responsibilities are highlighted in the Corporate Governance discussion in this annual report.

Members of the senior management team play a pivotal role in the day-to-day running of the bank. Executive officers are assigned to various management committees that provide the leadership and execution of the vision and policies approved by the bank's board of directors. The bank's business objectives are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees as follows (see Figure 1):

BOARD OF DIRECTORS

- Corporate Governance Committee
- Board Audit and Compliance Committee
- Risk Oversight Committee
- Board Oversight Committee - Domestic and Foreign Offices/Subsidiaries
- Board Oversight RPT Committee
- Board Policy Committee
- Executive Committee
- Trust Committee
- Board Information Technology Governance Committee

PRESIDENT & CEO

- Senior Management Credit Committee
- Senior Management Team Committee
- Acquired Assets Disposal Committee
- Operations Committee
- Administrative Investigation Committee
- Bids and Awards Committee
- IT Evaluation Committee
- Asset Liability Committee (with sub committee on Capital Management)
- Anti-Money Laundering Review Committee
- IT Management Committee
- Product Committee
- PNB Retirement Fund Board
- Promotions Committee
- Branch Site Selection Committees
- Asset Disposal Committee
- Selection Committee for Expatriate Personnel
- Committee on Accreditation of Overseas Remittance Agent (CAORA)
- Committee on Decorum and Investigation

Figure 1: Board & Management Committees

ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERM)

The Bank's philosophy is that responsibility for risk management resides at all levels within the Bank and therefore uses the three lines of defense model:

- The *first line of defense* rests with business units that are responsible for risk management. Assessment, evaluation and measurement of risk are ongoing processes and are integrated in the day to day activities of the business units. The process includes the setting up of a proper system of internal control, identifying issues and taking remedial actions where required.
- The *second line of defense* comes from the risk management function of the Bank, which is independent of business operations. The risk management unit implements the risk management framework, provides independent oversight over specific board directives and is responsible for regular reporting to the Risk Oversight Committee
- The *third line of defense* is the internal audit function & the compliance testing function which provides an independent assessment(s) of the adequacy and effectiveness of the overall risk management framework and governance structures. The internal audit function & compliance testing function report directly to the Board Audit Committee & Compliance Committee.

The PNB Board 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 risk management policy includes:

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

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 responsible for the monitoring of bank's overall risk management functions to ensure that a robust risk-oriented organization is maintained. The Risk Management Group (RMG) is independent from the business lines and is organized in 7 divisions: Credit Risk Division, ICAAP & BASEL Implementation Division, Market & ALM Division, Operational Risk Division, Information Security and Technology Risk Division, Trust Risk Division and Business Intelligence & Data Warehouse Division.

Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. RMG also functions as the Secretariat to the Risk Oversight Committee which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the bank in its ICAAP document. Further, each risk division engages with all levels of the organization among its business and support groups, including domestic/overseas branches and domestic/foreign subsidiaries. This ensures that the risk management and monitoring is embedded at the moment of origination.

THE BANK'S RISK APPETITE, THRESHOLD & TOLERANCE

The Bank's principle on risk appetite is expressed as Risk Threshold (as defined in the bank's ICAAP document), and is embedded in the business units. Risk Threshold emphasizes that "***the risk appetite should not go beyond the Bank's capacity to manage risk, thus risk management is the responsibility of everybody"***.

The bank expressed its overall **risk appetite** through the quantitative statement on materiality defined as our **Risk Threshold**. This is the guiding principle behind the execution of our business objectives and is closely monitored alongside the set limits by the various revenue generating groups.

Risk tolerance is expressed in limits (internal & regulatory) for each of the determined material risks, which are more conservative than regulatory limits to provide cushion/buffer.

The following major limits (among others) are set:

1. Earnings At Risk
2. Value At Risk
3. Capital Adequacy Ratio Threshold Level
4. Credit Concentration Limits
5. Single Borrower's Limit

The Board of Directors and Senior Management are responsible in ensuring that the Group maintains at all times the desired level and quality of capital commensurate with the inherent risks (credit, market and operational risks) and with the material risks such as Legal, Compliance, Information Technology/ Security, Strategic Business, Customer Franchise/Reputational that the Group is exposed to.

The Board Risk Oversight Committee (ROC), as delegated by the Board, supported by Risk Management Group, oversees the risk profile and approves the risk management framework of PNB and its related allied subsidiaries.

The Board Policy Committee (BPC) reviews, evaluates, approves and/or endorses for Board approval policies, procedures and manuals of products and services to be offered to the Bank's domestic and overseas market, as well as, Annual Strategic Forecasts, Plans and Budget. They are also responsible in determining the Bank's risk appetite and set limits on risk taking activities and the periodic review of the Bank's ICAAP program.

The Executive Committee (ExCom) reviews, discusses, notes, endorses and/or approves management proposals on credit facilities; investment in financial assets; and borrowings and capital raising, updates and reports on credit, transactional, administrative and other matters.

The Capital Management Sub-Committee of the Asset/Liability Committee (ALCO) is tasked to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The Senior Management Team and the Business Units agree on the target risk profiles defined by the Bank's strategic plan, and allocate capital based on the risk/return profile. Corporate Planning Group (CorPlan) and RMG monitor this jointly.

RISK CATEGORIES AND DEFINITIONS

Under the Bank's ERM framework, all the risk taking Business Units of the Bank, including its domestic and foreign subsidiaries, shall perform comprehensive assessment of all material risks.

The identification of risks revolves around the monitoring of the risk categories as defined by BSP for supervision purposes. These key risks, namely, credit, market, interest rate, liquidity, operational, compliance, strategic, and reputational risks, are not only monitored under their separate and distinct components, but also monitored across all interrelated business risks. In addition, the various business units identify, measure, monitor and control additional risk categories that may be relevant to their specific areas and correspondingly identify the priorities in the roll up of the bank's Risk & Control Self-Assessment (RCSA) Process.

During the Bank's conduct of the Risk Assessment and Quantification for the last semester of 2015, all risk taking business units undertook to identify and assess the risks applicable to them. The assessments made are based on three (3) factors, namely; (a) probability, (b) control effectiveness and, (c) significance.

The risk owners provided a quantitative assessment of the identified risks by means of computing for estimated loss, which can be based on foregone income, opportunity loss, portfolio size, transaction amount, historical loss, additional cost and others.

Further, stress tests were employed to capture potential losses under extreme scenarios.

Material Risks

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Bank's capital position to drop below its desired level; resulting in either an P8 billion increase in risk weighted assets or a P1 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 bps.

On the other hand, risks not significant enough to impact the CAR by 20 bps will also be considered "material" by the Group if they fall under the following:

- Pillar 1 risks i.e. Credit, Market, and Operational Risks;
- Other risks under BSP Circular no. 510 i.e. Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Reputational Risk and Strategic Risk;
- Information Technology Risk (BSP Cir. No. 808);
- Other risks identified by the Senior Management, i.e. Credit Concentration Risk, New Regulations Risk;
- Any top significant risk defined as "Material" based on group-wide consolidated ICAAP RCSA results

Resulting from the assessments based on the premise identified above, the Bank agrees and reviews on a regular basis the material risks that need particular focus from all 3 lines of defense. For 2015, these are based on the following ten (10) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the 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. Information Technology Risk (includes Information Security risk)
10. New Regulations Risk

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 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.	▪ Loan Portfolio Analysis ▪ Credit Dashboards	▪ 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
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.	▪ Value at Risk 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 ▪ 30-day AFS Holding Period ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI's inability to meet its obligations when they come due.	▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ MCO ▪ Liquid Gap Analysis	▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider Analysis ▪ Contingency Planning
Interest Rate Risk in the Banking Books (IRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. 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 510, dated 03 Feb 2006)	▪ Interest Rate Gap Analysis ▪ Earnings at Risk Measurement ▪ Duration based Economic Value of Equity	▪ EAR Limits ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Duration based Economic Value of Equity ▪ 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 financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs.	▪ 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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Included in the Operational Risks:			
Customer Franchise & Reputational Risk	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. Customer franchise risk is defined 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.	▪ 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 Major Factors considered: ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators)	▪ Account Closures Report ▪ Service Desk Customer Issues Report/Customer Complaints Monitoring Report ▪ Mystery Caller/Shopper ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Public Relations Campaign ▪ Review of Stock Price performance ▪ Fraud Management Program
Strategic 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.		▪ Management Profitability Reports ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting
Information Technology and Information Security Risk (includes Core Banking Implementation Risk)	Information Technology Risk is a business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank (ISACA Risk IT Framework). IT Risk results to Information Security Risk since the risk would somehow result to non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset (NIST IR 7298 Revision 2). Technology Integration risk is another aspect and is defined as the negative impact on the organization for the possible delay or failure of the institution to integrate its various systems application, such as the Core Banking implementation. It also includes the risk of delay in appropriate servicing of clients requirements to maintain competitiveness in the market.		▪ Risk Asset Register ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Project Management Framework ▪ Risk Assessment ▪ Project Progress Reporting ▪ Approvals for major scope changes ▪ Risk Assessment for new/upgrade of information / automated systems ▪ Harmonization Timeline Tracking
New Regulations Risk	New Regulations Risk is the current and prospective risk to earnings or capital arising from highly regulated jurisdiction and when rules and regulations are constantly changing. It is an important qualitative risk which must be monitored and managed, as regulatory sanctions from non-compliance, especially in extreme cases, may involve not just mere loss of reputation or financial penalties, but in extreme cases, a revocation of the banking charter or franchise (BAP Risk Manual, P103).		▪ Risk Asset Register ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Project Management Framework ▪ Risk Assessment ▪ Project Progress Reporting ▪ Approvals for major scope changes ▪ Risk Assessment for new/upgrade of information / automated systems ▪ Harmonization Timeline Tracking

Risks with Increased Focus

Amongst the emerging risks, that the bank faces - are those revolving around information security & outsourcing:

1. Cyber Attacks - Cyber security experts have raised the alarm on their top security risks involving the use of identify-theft mechanisms and corporate hacking attacks. They have raised the highest alarms on the increasing incidences of malware attacks; "internet of things" (IoT) vulnerabilities – where the increased in devices connected to the internet have grown by leaps and bounds; cyber-corporate espionage. Still the weakest link would be people as the cyber threats involving use of social engineering can lead to vulnerabilities that will result to negative financial impact to both client and the bank. As more activity moves to digital platforms, the risk only increases.

   PNB has institutionalized various risk mitigating tools and activities to minimize, if not, totally eliminate the said cyber threats – installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet), logs review thru Security Information & Event Management (SIEM). The Bank has also implemented segmentation to control access within a given segment. Policy on regular change of password is implemented to prevent password guessing or unauthorized access. Policy on password tries is limited to prevent brute-force attack. Continuous education / InfoSec Awareness are also conducted thru classroom orientation, email blast and posters.

2. ATM Skimming - where the bank's clients are exposed to threats of financial losses due to compromise of ATM machines. PNB and other banks' machines are installed with devices to cloning of ATM card which illegally copies account details. Fraudsters use the details to create a fake or 'cloned' card and proceed to withdraw money from ATM Machines.

   PNB has institutionalized alert mechanism to immediately inform the clients of probable compromise and block the accounts for immediate client protection. The clients are then requested to confirm with their PNB branch of account to re-issue "cleaned" cards. Further, the bank has implemented the ATM SAFE product which provides insurance protection to clients for cases like these, among others. The same ATM SAFE product has been recognized by government authorities & regulators as innovative product for the client protection.

   A very useful monitoring tool implemented by the bank is the OTP (one-time-password) for clients who access their accounts via the bank's ***Internet Banking*** facilities. The tool has significantly reduced the risk of account takeover and unauthorized transactions.

3. Credit Card Skimming - where bank credit card holders are exposed to threats of financial losses due to theft of credit card details to create fake and "cloned" credit cards. Fraudsters then use these fake cards to purchase items which will be charged d to the legitimate credit card holder. Skimming occurs most frequently at retail outlets that process credit card payments -particularly bars, restaurants and gas stations.

   A similar mode of card details' theft occurs in *Credit Card Not Present* – where bank credit card holders are exposed to threats of financial losses due to theft of credit cards details which are used by perpetrators / fraudsters for unauthorized bulk purchase goods online which will be charged to the legitimate credit card holder. Theft of card details usually occurs in retail outlets – particularly bars, restaurants, gas stations, etc.

   PNB's Credit Card Division continues to provide awareness memoranda, via various media channels (e.g., including information security advisory thru SOA, website, email, etc.) to increase client awareness to protect their identity for credit cards. The bank has institutionalized an SMS alert to clients to inform them of their use of said cards and enjoining clients to immediately report untoward activities. The bank has also implemented the OTP (one-time-password) application where online purchases are allowed after the legitimate card holder keys in an OTP – received via SMS to their mobile number on record from the bank.

   Further the bank has embarked on the EMV project where identity chips will replace the outdated magnetic strips. This is expected to go-live by late 2016.

4. Outsourcing / Vendor Management – As more services are continually slated for outsourcing – from the traditional (i.e. armored car services) to the new trends (i.e. IT outsourced services, mobile platform providers, customer care, business processes)

banks are growing skeptical that that providers will be able deliver the same type of quality as does the business owners. Further, there also runs the risk the vendor provider of the outsourced service would not be a continually viable and consistent provider as the outsourced business expands. PNB has instituted a working Vendor Management Policy to ensure regular assessment, review and accreditation process is performed according to the Service Level Agreements. Providers are also run through tight background checks and contracts are thoroughly scrutinized by the bank's legal counsel.

2015 Risk Management Highlights:

Market & Liquidity Management

The Market and Asset Liability Management (MALM) Division of the Risk Management Group supports the Asset and Liability Committee (ALCO) and Risk Oversight Committee (ROC) with the independent assessment and reporting of the market risk profile as well as the liquidity profile of the Bank. The market risk as well as the liquidity risks framework comprise of governance structure, risk policies and generally accepted practices and control structure with the appropriate delegation of authority through the risk limits.

Highlights for the risk management activities for 2015 under Market & ALM Division are as follows:

Trading Market Risk/Price Risk

- Enhanced and tightened control the Parametric VaR model calculation by automating the input of volatilities of instrument as well as the calculation of the VaR per instrument. This resulted in accelerated turn-around time, savings in man hours and mitigated spreadsheet risk in the daily VaR reporting.
- Refined the backtesting parameters for all trading instruments to ensure that reasonable conclusion as to the predictability of the models are deduced from the backtesting results.
- Prepared the daily Value at Risk Report (VAR) and Monitoring of Stop loss report of different instrument for distribution to the Treasury Group, overseas branches and subsidiaries and monitored compliance to respective VaR limit and Stop Loss limit.
- Prepared the monthly market risk dashboards for reporting to the ALCO and ROC.
- Revised and updated the Board-approved Market Risk Management Manual to incorporate new policies, new procedures, new limits as well as the enhanced technical documentation of VaR models.
- Performed monthly validation of the Market Risk Weighted Exposures of the Capital Adequacy Report which is an input to the Capital Adequacy Ratio (CAR) report.
- Prepared the Market Risk Template (FX) Risk under the BSP Uniform Stress Testing requirement.
- Provided inputs in the annual review of Treasury product manuals and setting of VaR and stop loss limits.
- Updated and enhanced the methodology for credit risk factors (CRF) for FX forward and Fixed Income and sought Board approvals of revised CRFs

For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk as a primary risk measurement tool. It adopts both the Parametric Value-at-Risk (VaR) methodology and Historical Simulation Methodology (with 99% 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. Details of the use and program of activities for the use of the VaR Methodology are found in the Note 4 to Financial Statements.

Structural Market Risk – Interest Rate Risk in the Banking Books

- Full Implemented the Economic Value of Equity calculation as a complementary to the Earnings at Risk to monitor the exposure to adverse change in interest rate in the long-term.
- Prepared the monthly interest rate risk in the Banking Book Dashboard for reporting to the ALCO and ROC.
- Revised and updated the Board-approved Interest Rate Risk in the Banking Manual to incorporate new policies, new procedures, new limits as well as the enhanced technical documentation of Earnings at Risk (EAR) and the Duration approach Economic Value of Equity (EVE) models.
- Developed a backtesting methodology for the Earnings at Risk model.
- Submitted to the BSP Market Risk Template (Trading Book and Banking Book) under the BSP Uniform Stress Testing requirement.
- Prepared the monthly Long-Term Gap reports with inputs from Institutional and Consumer Banking Group, Retail Banking Group and Treasury Group.
- Provided inputs in the annual review of EAR limits of the Bank proper, overseas branches and subsidiaries.

The Parent Company 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. Note 4 to the Financial Statements provide further discussion on the approaches and management of the bank's structural market risks – repricing.

Liquidity Risk

- Prepared and produced the monthly liquidity risk Dashboard for reporting to the ALCO and ROC.
- Revised and updated the Board-approved Liquidity Risk Management Manual to incorporate new policies, new procedures, new limits as well as the enhanced technical documentation of Maximum Cumulative Outflow (MCO) model.
- Developed a backtesting methodology of the Volatile deposit model.
- Conducted risk awareness lectures on liquidity risk management to various training programs of the Bank.
- Actively gave inputs in the annual review of MCO limits of the Bank proper, overseas branches and subsidiaries.
- Participated and provided inputs in the drafting of the business requirements for an Asset and Liability System as part of the working team of the planned Integrated MIS and ALM project.
- Provided inputs as part of the Working Team on BSP Liquidity Coverage Ratio (LCR) consultative documents.

Other risk areas assigned to the Division

- Submitted the monthly sworn certification as to compliance to trade to fulfill the requirement of PDEX, a Self-Regulatory Organization for Fixed Income Trading from the Bank's Associated Person
- Prepared and produced the Transfer Pool Rate (TPR) on a weekly basis for reporting to ALCO.
- Production of Long Term Gap Report on a monthly basis
- Supported the traders in the quarterly impairment assessment of the investment securities by providing relevant information needed in the assessment
- Provided validation of the regulatory BASEL III Leverage Ratio prior to signature of the Chief Risk Officer.

Credit Risk Management

The Credit Risk Management Division (CRMD) of the Risk Management Group (RMG) supports the implementation of the risk management framework for Asset Quality Exposures. The bank's asset quality rating reflects the quantity of existing and potential credit risk associated with the loan and investment portfolios, other real estate owned, and other assets, as well as off-balance sheet transactions.

The ability of management to identify, measure, monitor, and control credit risk is also reflected here. The evaluation of asset quality should consider the adequacy of the allowance for loan and lease losses and weigh the exposure to counterparty, issuer, or borrower default under actual or implied contractual agreements

Credit risk is the potential risk that a bank borrower will fail to meet its obligations in accordance with agreed terms thus subjecting the Bank to financial loss. BCBS (Basel Committee on Banking Supervision defines credit risk as the probability of the loss of principal or loss of a value as a result of a borrower's failure to repay a loan or otherwise meet a contractual obligation.

Credit risk is found in all activities where success depends on counterparty, issuer, or borrower's performance. It arises any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off balance sheet.

The Bank's Credit Risk Management Processes are performed coherently and collaboratively at three levels, namely:

1. Strategic Level: Where the Board of Directors sets the annual revenue goals, target market, risk acceptance criteria; define strategic plans and credit risk philosophy and credit risk culture. Through its designated sub-committees (Board Policy Committee – BPC, Board Credit Committee – BCC, Executive Committee), credit applications are approved after thorough discussions related to the bank's strategic plan and corresponding targets and budgets. Accordingly, credit policies are presented, discussed and approved at this level.
2. Transactional level: Where the Risk-Taking Personnel (RTP) (e.g. Account Officers, approving committees, etc.) determine opportunities and take risks. The risk taking activities at the this level is congruent with the goals, target market, RAACs, strategies and risk philosophy set by the policy making body. Analysis of credit risk on the transactional level is focused on its potential adverse effect on the Bank's entire portfolio.

3. Portfolio level: Where the portfolio/total exposure are captured and evaluated by independent third party, other than risk taking personnel (i.e. RMG, IAG, and Compliance Office). The credit risk management of the entire loan portfolio is under the direct oversight of the Risk Oversight Committee (ROC).

Highlights for the risk management activities for 2015 under Credit Risk are as follows:

- Performed gap analysis on the requirements of the BSP 855 on the Guidelines on Sound Credit Risk Management Practices; Amendments to the Manual of Regulations for Banks and Non-Bank Financial Institutions. Worked towards the full compliance of the identified gaps before the set deadline on November 19, 2016.
- Conducted scenario analysis and stress testing thru Rapid Loan Portfolio Review of the possible impact of Decreasing Trend in Oil, Chinese Yuan Devaluation and effect of typhoon "Lando" to the Bank's non-performing loans and capital. Also performed hypothetical stress testing on large exposures, industries, consumer portfolio and effect of catastrophic/adverse events to few borrowers to assess their vulnerabilities and at which point will those exposures have an impact to the Bank.
- Stringent monitoring of the Expanded Real Estate Exposure and compliance to the Real Estate Stress Test. Computed the leeway in granting/investing in Real Estate and ensured that it was properly communicated to the business units.
- Robust monitoring of the large exposures and concentration risk and was involved in the review of existing limits. Identified, linked and started monitoring the large connected and economic interdependent accounts with the end view identifying contagion risk. The importance of monitoring concentration risks are evident in the BSP mandated monitoring of Real Estate Exposures. Further to this, concentration risk monitoring is also done for other industries, large individual and conglomerate exposures, migration of accounts along the CRR verticals, as well as RAC (risk asset classification) and Portfolio at Risk.
- Improved monitoring of the country risk exposures to ensure daily compliance with the limits and be able to quantify exposures to a particular country in cases of uncertainties, economic, social and political conditions.
- Worked on the necessary technical, legal, system and all other logistical requirements of R.A. 9510 or otherwise known as Credit Information System Act.
- Updated the credit risk manual and procedural guidelines to align with the latest regulatory and internal policies.
- Actively participated in the formulation/revision of credit policies, procedures, product manuals of the Bank as well as those from overseas branches and subsidiaries.
- Continued to conduct credit risk management seminars via the Bank's training programs and on the job training of risk officers from subsidiaries.
- Closely coordinated with the Business Intelligence Division for the completion of the single source data in the Enterprise Data Warehouse.

Trust Risk Management

Trust Banking Risk Management Process

The process of managing Trust Banking Group's (TBG) risks cuts across all types of risks. There are various types of risks that would impact its operations. Some risks are borne by the client while others are owned by TBG. Regardless of risk ownership, TBG designs risk management practices to ensure that exposures are well within its capacity to manage and risks taken are consistent with respective risk tolerances, whether from the perspective of TBG or of its clients. The objective of risk management is to promote efficiency in the administration and operation of the trust banking group; ensure adherence and conformity with the terms of the instrument or contract; and maintain absolute separation of property free from any conflict of interest.

Each trust transaction or activity is underpinned by the most basic fiduciary principle of fidelity to the client. Even if the risks are borne by the client, it is incumbent upon TBG to manage risks in their behalf as well to manage their own risks
Highlights for the risk management activities for 2015 in Transaction Banking Group Risk Management are as follows:

- Development of another strategic equity fund investment model l for one of the group's major clients, using years of historical data to continuously back test and simulate performance results, and present variations thereof. The fund was launched in July 2015. As of December 2015, total equity Assets under Management (AUM) for the specific model comprised 15% of the groups total common stock equities portfolio.
- Continued to service similar requirements for the strategic equity fund investment model launched in 2014 whose equity AUM increased by 155% at the end of the year.
- Together the AUM of the 2 strategic equity fund investment models makes up 48% of the group's total equity AUM of Php7.1 Billion. The group considers the growth coming from these 2 model funds as a major contributor to its total AUM and revenue increase for the year.
- Review and monitoring of existing strategic equity fund models with the objective of improving investment returns for TBG clients
- Coordination with concerned Trust Banking Group divisions and assisted them in the preparation/ conduct/ implementation of RCSA, Loss Event Reporting, Business Continuity Testing, Fire and Earthquake drills participation, Information Asset Register, Data Loss Prevention program, Portable Device registration, Information Security checks, among others
- Coordination with various units of the bank on initiatives that have impact on the group's compliance to new regulations and participation in consolidated reporting
- Active significant participation in the review of Trust Banking Group policies, procedural and product/ service manuals
- Conduct of fiduciary risk awareness trainings for new hires and management trainees of the bank, as well as fiduciary products training to colleagues outside of the business group
- Participation in the group's project team handling the implementation of a new system for TBG
- Initiation of process improvement initiatives within the group as a result of the analysis of the year's Loss Event Reports
- Improvement of risk reporting dynamics to the Risk Oversight Committee

Operational Risk Management

The main goals of Operational Risk Management are as follows:

- To develop a risk culture and increase risk awareness which facilitate an effective internal control process and continuously monitor its effectiveness.
- To create an organizational culture that places high priority on effective operational risk management and adherence to sound operating controls.
- To promote high ethical and integrity standards, and establish a culture within the organization that emphasizes and demonstrates to all levels of personnel the importance of risk awareness and internal control.

The bank adheres to the mandated definition of the Bangko Sentral ng Pilipinas (BSP) for operational risk under **BSP Cir. No. 900 dated December 18, 2015 on Supervision by 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 financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs."

Operational risk is made up of a broad range of heterogeneous risks such as among others, fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches as well as employee health and safety hazards. It may result in both direct and indirect financial losses (e.g. loss of business and market share) due to reputational damage.
The following primary areas of operational risks are the focus for risk management strategies under the ORM Framework: People, Process, System, and Products. It is under these areas that the monitoring tools and risk identification and assessments are organized.

Highlights of the risk management accomplishments and activities for the year 2015 under the Operational Risk Management are as follows:

- Enhanced the Operational Risk Management (ORM) Framework with the introduction of the following salient updates to the tools and processes:
    - One Risk and Control Self-Assessment (RCSA) for the Bank – rolled out a new RCSA template consolidating the assessment form for ICAAP, Operational Risk, Technology and Business Continuity into one big template to streamline the bank wide process in accomplishing the RCSA.
    - Revised the RCSA rating scale for Probability, Control Adequacy, Severity and Risk Level to align with BSP's 4-rating scale model.
    - Updated the LER Processes with the automation of the LER Reports consolidation via electronic upload as opposed to the previous manual data entry done

- o Incorporated the automation of the LER Reports and Analytics in the Enterprise Data Warehouse (EDW) System which greatly improved the quality of the reports presented to the ROC, enhanced the monitoring and control of the risk events, timeliness and availability of reports and improved resource productivity and efficiency.
- o Defined the oversight function of ORMD on Outsourcing Services as mandated by the Bangko Sentral ng Pilipinas.
- o Updated the reporting frequency of Legal Risks and Customer Care to the Risk Oversight Committee (ROC).

- Updated the Operational Risk Management Manual to reflect the important changes/updates in the ORM Framework.
- Successfully implemented the Operational Risks Tools such as the LER and RCSA under the merged bank.
- Enhanced the Loss Events Reporting Dashboards, Analytics and Reports for a more effective monitoring, analysis and reporting of risk events and its root causes. Developed an Inquiry Screen for Risk Officers to facilitate current and historical analysis and reporting of incidences by geographical area, by branch, by loss event type or by specific risk event type.
- Improved reporting and analytics presented to the Risk Oversight Committee and the Management via comparative analysis, historical trend analysis, specific activity analysis, etc.
- Continuously identify High Risk Areas for more efficient monitoring and control of critical risks across the organization.
- Recommended policies, solutions, improvements in procedures and action plans to mitigate impact of identified risks.
- Conducted Risk Education and Awareness Program (REAP) to New Hires and in the trainings conducted for would be bank officers.
- Updated the Procedural Manual of Operational Risk Management - Procedures/Processes
- Closely monitor the status of Open LERs and ensure that regular updates are done on the reported risk event until closure.
- Institutionalized the frequency (semi-annual) of reporting and updates on Legal Risks and Customer Care matters to the ROC.
- Achieved a 100% submission rate of reporting units for Loss Event Reports (LERs) for the year reflecting an increased appreciation and awareness of operational risks and the importance of properly identifying, measuring, reporting, monitoring and controlling risk events.

Information Technology and Information Security Risk Management (to include Business Continuity Program)

The efficient use of technology and the upstream and downstream tools has been a consistent quest of financial institutions. This is driven primarily on the objective to improve efficiency or effectiveness of business processes in the delivery of bank products and services. As customers demand for fast, efficient delivery of these products, the demographics of the banks' customers have also changed. Gone are the days when clients would go to the bank and would physically transact their banking needs. Clients these days (to include Gen-X, Gen-Y and Millennials) prefer to transact via their laptops, mobile phones without the need to go to the bank. This results in demand for new technologies which also result into new sets of risks. But that is not to say that your risks from the use of traditional technologies go away.

Further, with the increased use of technology, the information may now reside in various forms – be it on servers located on premises or on the cloud. This has evolved into information security risks due to possible compromise of confidentiality, integrity and availability of information and systems. Information Security risk is however not limited to use of technology.

Because of the underlying information technology and security risks, the use of IT/S Risk Management Framework becomes essential to ensure that both Information Technology and Security Risks are properly identified, measured, managed/controlled, monitored and reported.

1. **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. *(The ISACA Risk IT Framework and BSP Circular 808)* It consists of IT-related events that could potentially impact the business. IT Risk results to Information Security Risk since the risk would somehow result to non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset.
2. **Information Security Risk** is the risk to organizational operations (including mission, functions, image, reputation), organizational assets, individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA) *(NIST: Information Security Handbook, BSP Circular 808,* . This covers data or information being processed, in storage or in transit. Risk from the operation and use of organizational information systems including the processes, procedures, and structures within organizations that influence or affect the design, development, implementation, and ongoing operation of those systems.
3. **Business Continuity Risk** is the risk to the bank's operations due to the disruption and failure of critical functions of the organization impacting the continued operation of the business. The bank's Business Continuity Plan defines the procedures to be followed to recover critical functions on a limited basis in the event of abnormal or emergency conditions and other crisis in order to:
   - Ensure safety and security of all personnel, customers and vital Bank records.
   - Ensure that there will be minimal disruption in operations.
   - Minimize financial loss through lost business opportunities or assets deterioration; and
   - Ensure a timely resumption to normal operation.

Highlights of risk management activities for IS/IT (including BCP) for 2015:

The year 2015 saw the completion and issuance of the last sub-policy for the Enterprise Information Security Policy which is the **Organization of Information Security**. The policies of the eleven (11) domains under the Information Security Management System (ISMS) issued are as follows:

1. Information Security Policy
2. Information Asset Management
3. Information Security Incident Management
4. Human Resources
5. Physical and Environmental Security
6. Access Control
7. Business Continuity Management
8. Information Security Compliance
9. Information Systems Acquisition, Development and Maintenance
10. Communications and Operations Security Management
11. Organization of Information Security

The Information Security and Technology Risk Division is also tasked to implement risk assessments, conduct technology project health checks and is the lead administration unit for the enterprise's business continuity program. Among the milestones for 2015 are as follows:

- Implemented the use of IT Project Risk Assessment to provide reasonable assurance that the risks related to certain projects are identified and monitored
- Conducted Project Health Checks on identified critical systems to provide reasonable assurance that the required process and project documentation are observed
- Monitored the implementation of email DLP and control of external device (USB) to control data leakage
- Monitored the information security related incidents to ensure that related Information Security policies are reviewed to prevent recurrence of incident/s
- Coordinated with concerned business units and assisted ITG in the preparation of RCSA, ICAAP and Risk Map.
- Active involvement in the review and enhancement of bank policies & procedures where IT/IS risk is involved.
- Performed the compliance checking / implementation of security patches due to system vulnerabilities.
- Performed the regular classroom orientation for newly hired employees, regular employees and subsidiaries, weekly email blasts/advisories, issuance of posters, website and email advisory to educate employees and clients.
- Ensured that regulatory requirements (e.g., EMV, 3DES migration, BSP Cir 808, etc.) are monitored and complied with.
- Engagement of third party to perform external Vulnerability Assessment and Penetration Testing (VAPT) for the merged Bank
- Implemented the use of Information Asset Register to identify all the information assets, their CIA value, the asset owner, custodian and location to ensure that appropriate controls are implemented based on the value of assets.
- Completed the Business Impact Analysis, Call Tree and BCP Simulation Exercise for the Bank and its subsidiaries to provide assurance that the Bank / subsidiaries will continue to operate in case of disaster.
- Implementation of the Business Information Security Officer for the Head Office Units, Domestic, Overseas and Subsidiaries to facilitate implementation and monitoring of information security policies / programs as mandated by Bangko Sentral ng Pilipinas.
- Continuing bank wide conduct of orientation and awareness to the importance of business continuity to ensure preparedness is embraced by all.

Business Intelligence Analytics and Enterprise Data Warehouse Initiatives
The Business Intelligence and Data Warehouse Division (BIDWD) under the Risk Management Group is tasked to manage the design and implementation of the EDW Programs (stream of concurrent projects) as defined in the BI roadmap.

The Enterprise Data Warehouse (EDW) and Business Intelligence (BI) System has been in Production for almost four (4) years now and is continually being enhanced to provide more relevant reports and analytics to the various business units of the Bank. To date, there are more than 73 Dashboards and over 700 reports/analytics available in the EDW-BI system covering the following major subject areas:

- **Customer Insight/View:** The Bank users are able to view the total business relationship (e.g. total loans and deposits) at the conglomerate or group of companies with the ability to drill down to the details of the portfolio of the member companies. The Bangko Sentral ng Pilipinas (BSP) has mandated all Banks to monitor the total credit exposure at the conglomerate level.
- **Customer Information Data Quality Monitoring System:** The bank's Customer Information File (CIF) Data Quality/Exceptions Monitoring system managed by the CIF unit under Global Operations Group, to monitor on a regular basis, data exceptions pertaining to CIF. With the system in place, data quality on customer information has significantly improved thru the regular reporting and monitoring of progress on data exceptions.
- **Deposit Information and Analytics:** Decision support analytics on deposit clients to enable Performance Monitoring by region, branch, product, etc.; Profiling of Customers, Branches, Products, Interest Rates; Monitor Deposit Levels and Movements/ Changes (by Area, Region, Branch, Product Type, Product Class)
- **Loan Portfolio Reports and Analytics:** Decision support analytics on loan clients to provide information on loan levels and historical trends, performance monitoring by geographical location centers, product, industry, customer type and account status (particularly on past due and NPL accounts)
- **Credit Risk Rating and Migration Reports and Analytics:** Decision support analytics on Report on Rated Accounts by Industry, by Customer Type; Analysis of Account Migration including the Reasons for the Change; Analysis on the Effectiveness of the Credit Rating Model used by the Bank
- **Compliance to Regulatory Reporting Requirements:** Enable the bank to provide quick information for regulatory and internal reports on Expanded Real Estate Exposure (EREE), Capital Adequacy Ratio (CAR), Value at Risk (VaR) Calculations, Maximum Cumulative Output (MCO) Reports
- **Credit Facility/Loan Collateral Reports and Analysis:** Support for the monthly credit dashboard via Monitoring of Approved Facility vs. Loan Utilizations, Tracking maturity dates and renewals of each facility/line, Actionable Information (e.g. Excess Utilization, Due for Renewal, Un-renewed Facility, Track Collateral by Pool and Facility and Report Data Exceptions, Monitor Collateral Cover against Total Outstanding Portfolio)
- **Loss Events Reporting (LER) for Operational Risk Management:** Automation of the data entry and reports creation for LER (from collation of reports from the 500+ branches), with realized savings of around 15 to 18 man-days per month with the automation of the data entry and reports creation
- **Executive Dashboards, Analytics and Reports:** Key Executives were provided with their respective dashboards showing various analytics and reports thus, allowing them to effectively manage and monitor their respective portfolio as to balances, levels, profile, account movements, latest account status, concentration risks, performance level by business unit/branch (top gainers/top losers), performance of account officers against budget and the likes. Current and historical trend analysis is readily available online. The following business & support groups have been provided with dashboards:
  a. Institutional Banking Group
  b. Remedial and Credit Management Group
  c. Retail Banking Group
  d. Consumer Finance Group
  e. Risk Management Group
  f. Treasury Group
  g. Treasury Operations Division
- **Maximum Cumulative Outflow Report (Liquidity Management):** The Bank was able to automate the more than 60 manual reports including the summary report coming from various source systems and files thereby improving the efficiency in reports preparation, accuracy and quality of reported data, and the availability of the current and historical reports online. With the automation of these reports, the Bank is able to save 15-mandays of manual reports preparation every month.
- **Earnings at Risks and Value at Risk Dashboards:** The various manually prepared reports for earnings at risk (on equity investments, demand deposits, due from banks, fixed assets, ROPA, loans and receivables unamortized income, etc.) and value at risk (on fixed income securities, treasury bills, equities, warrants), were automated resulting to a more accurate and timely reporting, improved speed of reports delivery and increased efficiency and productivity of resources.
- **Treasury Dashboard, Analytics and Reports:** To date, almost a hundred (100) analytics and reports for Treasury related transactions entered in OPICS are available in the dashboards. The reports are used by the Treasury Executives, Front Desk Officers, Treasury Operations, Risk Management Group, Credit and Control Department and other business units as needed. The subject areas covered are as follows: Fixed Income Portfolio, Equities, Bonds, SWAPS, Values at Risk Calculations, Back-testing Reports, Historical Volatilities, Liquidity Management, Limits Monitoring
- **Enhancements to Existing Dashboards, Analytics and Reports:** The enterprise business intelligence data model, analytics and reports have been enhanced to be able to address the additional and changing business requirements for management and regulatory reporting.
- **Regulatory Reports on Credit Risk Management:** To improve the monitoring and reporting process for Credit Risk Management Division (CRMD) and Financial Accounting Division, reports relating to the **Expanded Real Estate Exposure (EREE) and Capital Adequacy Ratio (CAR)** were automated for a more accurate and timely reporting and easy validation and checking of supporting details as provided in the dashboards for CRMD.

With the EDW & BI System in place for Loans, Deposits, GL, Treasury, Credit Facility, Collateral and other source systems, the following benefits continue to be gained:

- Single Source of Truth/Single Point of Access to Information;
- Improved Data Quality and Accuracy;
- Improved availability of Consistent Data;
- Empowered End-Users; Improved Productivity and Operational Efficiency;
- Timely Answers to Business Questions/New Insights;
- Improved Speed of Reports Delivery;
- Strengthened Portfolio Management & Performance Monitoring;
- More Informed and Strategic Decision Making;
- Facilitated Compliance to BSP Requirements and Audit Findings;
- Data Foundation for Decision Support Systems.

While data sourcing remains to be a challenge in the light of the bank's dependence on 2 distinct corebanking systems, the increased knowledge of the data structure for these systems have provided for ease of complete data collection, albeit still on a manual basis for some areas. The Board Risk Oversight Committee meets monthly to discuss the material risks outlined in the bank's ICAAP document. The various risk taking units respond to questions and complies with various directives of the ROC to ensure the elements of the bank's ERM Policies are implemented.

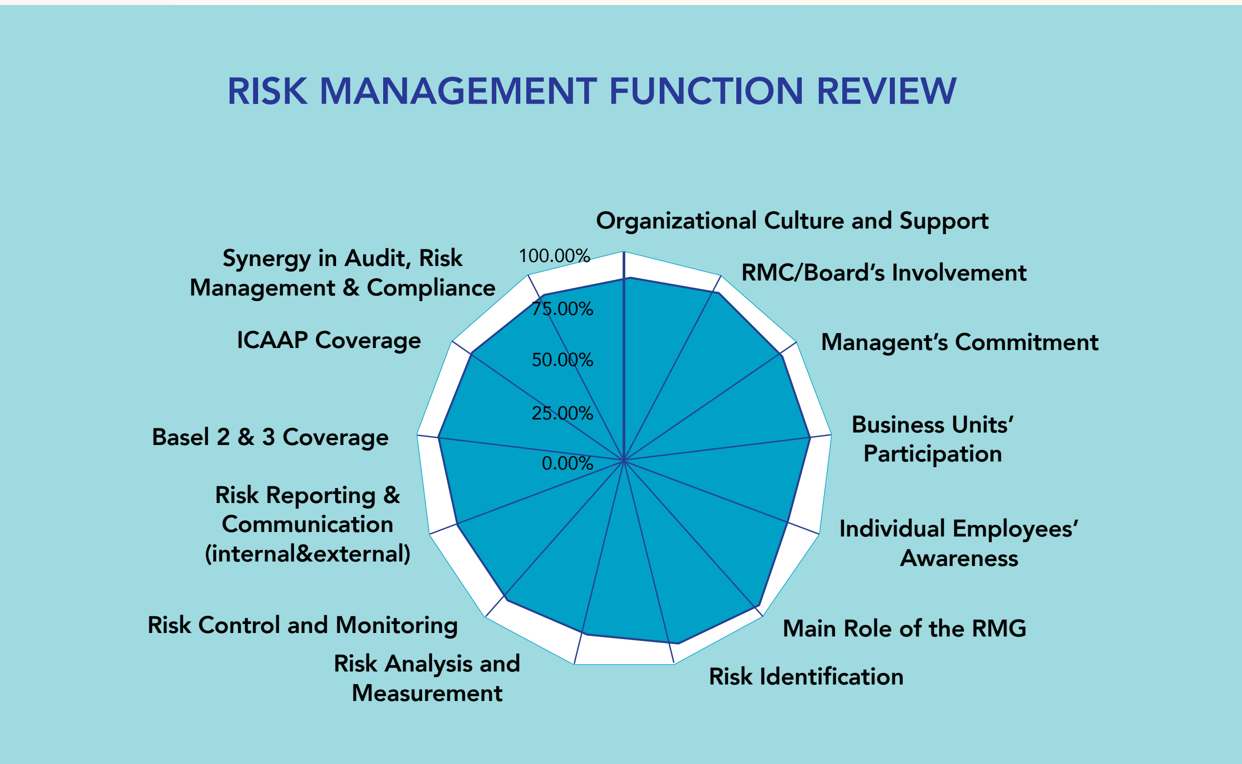
In 2015, the bank submitted its annual ICAAP (Internal Capital Adequacy Assessment Process) document, for the years covered 2015-2017, in Feb 25, 2015 ahead of the BSP revised date of submission of March 31, 2015. In the same manner, the bank submitted its ICAAP (Internal Capital Adequacy Assessment Process) document for the years covered 2016-2018, in March 10, 2016, weeks ahead of BSP required submission date.

EVALUATION OF THE RISK MANAGEMENT FUNCTION

Regular review and assessment of the bank's Enterprise Risk Management Function is completed by both the senior management team (including 1-downs) and the Risk Oversight Committee members. The evaluation is conducted annually and covers topics encompassing the policy, implementation and oversight of the Risk Management Function of the bank, namely:

1. Organizational Culture and Support
2. RMC/Board's Involvement
3. Management's Commitment
4. Business Units' Participation
5. Individual Employees' Awareness
6. Main Role of the RMG
7. Risk Identification
8. Risk Analysis and Measurement
9. Risk Control and Monitoring
10. Risk Reporting & Communication (internal & external)
11. Basel 2 & 3 Coverage
12. ICAAP Coverage
13. Synergy in Audit, Risk Management & Compliance

The chart below provides a summary of such evaluation for the year 2015.



REGULATORY CAPITAL REQUIREMENTS UNDER BASEL II – PILLAR 1

The Bank's total regulatory requirements as of December 31, 2015 are as follows:

Consolidated (Amounts in P0.000 million)	Weighted Exposures
Total Credit risk-weighted assets	414,692.7
Total Market risk-weighted assets	3,428.0
Total Operational risk-weighted assets	39,541.9
Total Risk-Weighted Asset	457,662.6
Common Equity Tier 1 Ratio	16.233%
Capital Conservation Buffer	10.233%
Tier 1 Capital Ratio	16.233%
Total Capital Adequacy Ratio	19.241%

In the subsequent sections, figures shown are the group consolidated risk exposures specifically under Pillar 1 risks:

Credit Risk –Weighted Assets

The Bank still 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:

As of Dec 31, 2015 P 000,000	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	13,744		13,744	13,400	344				
Due from BSP	81,320		81,320	81,320					
Due from Other Banks	22,621		22,621		10,404	5,114		7,103	
Financial Asset at FVPL	17		17					17	
Available for Sale	69,356	10,335	59,021	17,327	3,268	8,763	0	29,663	0
Held to Maturity (HTM)	23,732	6,042	17,690	6,855	0	10,583	0	252	0
Unquoted Debt Securities	522	0	522					522	
Loans & Receivables	357,498	23,446	334,052	3,160	22,779	9,223	21,493	276,613	784
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	14,567		14,567	14,567					
Sales Contracts Receivable	4,332		4,332					3,327	1,005
Real & Other Properties Acquired	11,130		11,130						11,130
Other Assets									
Total On-Balance Sheet Asset	598,839	39,823	559,016	136,629	36,795	33,683	21,493	317,497	12,919

As of Dec 31, 2015 P 000,000	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Risk Weighted Asset - On-Balance Sheet				0	7,359	16,841	16,120	345,522	19,377
Total Risk Weighted Off-Balance Sheet Asset				0	127	4,578	345	2,619	0
Counterparty Risk Weighted Asset in Banking Book				0	89	1,216	0	0	0
Counterparty Risk Weighted Asset in Trading Book				0	25	44	431	0	0

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

Market Risk-Weighted Assets as of December 31, 2015

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 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 are charged 8% for both specific and general market risk while FX exposures are charged 8% for general market risks only.

Capital Requirements by Market Risk Type under Standardized Approach:

(Amounts in P0.000Million)	Capital Charge	Adjusted Capital Charge	Market Risk Weighted Exposures
Interest Rate Exposures	192.5	240.6	2,406
Equity Exposures	31.9	39.9	399
Foreign Exchange Exposures	49.8	62.2	622
Total	274.2	342.8	3,428

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

Interest Rate Exposures

Specific Risk

Specific Risk from the held for trading (HFT) portfolio is P24million. Peso government securities represents 83% of the portfolio with zero risk weight while dollar denominated securities issued by the Republic of the Philippines (ROP) compose 11% of the portfolio with applicable risk weight ranging from 0.25% and 1.6% depending on the tenor of the securities. On the other hand, the Bank's holdings of all other debt securities/derivatives that are issued by other entities and rated between AAA and BBB- are 1% of the portfolio and with applicable risk weight of 1.60%. Also included in the inventory are those rated below BBB- and with applicable 8.00% risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK as of Dec 31, 2015 (Amounts in P0.000 million)	Positions	Risk Weight					
		0.00%	0.25%	1.0%	1.60%	8.00%	Total
PHP-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	3,591.2					
	Short	160.1					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		31.3		439.5		
	Short						
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long				32.9		
	Short						
All other debt securities/derivatives that are below BBB- and unrated	Long					204.6	
	Short					-	
Subtotal	Long	3,591.2	31.3		472.4	204.6	
	Short	160.1					
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	0.1		7.6	16.4	24.0
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		-	0.1	-	7.69	16.4	24.0

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is P130.2 million. In terms of weighted position, the greater portion of the Bank's capital charge comes from the Over 7 to 10 year-time bucket at P 30.2million as well as Over 15 years to 20 years bucket at P 30.3 million or a combined capital charge of P60.5million. This is closely followed by the inventory under Over 5 years to 7 years bucket at P27.4million. The Bank's portfolio also includes exposures under the Over 20 years' time band with applicable 6% risk weight or capital charge of P15.4 million.

Currency: PESO (as of Dec 31, 2015)								
PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)								
Zone	**Times Bands**		**Debt Securities & Debt Derivatives/Interest Rate Derivatives**		**Risk Weight**	**Weighted Positions**		
	Coupon 3% or more	**Coupon less than 3%**	**Total Individual Positions**					
			Long	**Short**		**Long**	**Short**	
	1 month or less	1 month or less	11,476.1	710.5	0.00%	-	-	
	Over 1 month to 3 months	Over 1 month to 3 months	2,047.9	-	0.20%	-	-	
	Over 3 months to 6 months	Over 3 months to 6 months	5.4	0.1	0.40%	4.1	-	
1	Over 6 months to 12 months	Over 6 months to 12 months	7.6	-	0.70%	0.0	0.0	
	Over 1 year to 2 years	Over 1.0 year to 1.9 years	158.7	-	1.25%	2.0	-	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	3.7	-	1.75%	0.1	-	
2	Over 3 years to 4 years	Over 2.8 years to 3.6 years	460.9	160.0	2.25%	10.4	3.6	
	Over 4 years to 5 years	Over 3.6 years to 4.3 years	433.5	-	2.75%	11.9	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	842.7	-	3.25%	27.4	-	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	804.7	-	3.75%	30.2	-	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	36.3	-	4.50%	1.6	-	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	577.2	-	5.25%	30.3	-	
	Over 20 years	Over 10.6 years to 12 years	256.4	-	6.00%	15.4	-	
		Over 12 years to 20 years	-	-	8.00%	-	-	
3		Over 20 years	-	-	12.50%	-	-	
Total			17,110.94	870.6		133.4	3.6	
Overall Net Open Position								129.8
Vertical Disallowance								0.4
Horizontal Disallowance								-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE								130.2

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is P34.2 million. The exposures is concentrated under the Over 10 to 15 years buckets with risk weight of 4.5% and corresponding capital charge of at P16.5 million. The balance is distributed across the other time buckets up to Over 20 years with capital charge ranging from P0.6million to P2.8million

Currency: USD								
PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)								
Zone	Times Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		
	Coupon 3% or more	Coupon less than 3%	Total Individual Positions					
			Long	Short		Long	Short	
	1 month or less	1 month or less	2,991.5	11,968.2	0.00%	-	-	
	Over 1 month to 3 months	Over 1 month to 3 months	3,448.6	4,866.0	0.20%	6.9	9.7	
	Over 3 months to 6 months	Over 3 months to 6 months	517.7	-	0.40%	2.1	-	
1	Over 6 months to 12 months	Over 6 months to 12 months	94.1	-	0.70%	0.7	-	
	Over 1 year to 2 years	Over 1.0 year to 1.9 years	49.0	-	1.25%	0.6	-	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	-	-	1.75%	-	-	
2	Over 3 years to 4 years	Over 2.8 years to 3.6 years	33.1	-	2.25%	0.7	-	
	Over 4 years to 5 years	Over 3.6 years to 4.3 years	2,761.5	2,706.9	2.75%	75.9	74.4	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	48.0	-	3.25%	1.6	-	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	39.3	-	3.75%	1.5	-	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	367.8	-	4.50%	16.5	-	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	18.6	-	5.25%	1.0	-	
	Over 20 years	Over 10.6 years to 12 years	24.2	-	6.00%	1.5	-	
		Over 12 years to 20 years	-	-	8.00%	-	-	
3		Over 20 years	-	-	12.50%	-	-	
Total		10,393.5	10,393.5	19,541.1		108.9	84.2	
Overall Net Open Position								24.8
Vertical Disallowance								8.1
Horizontal Disallowance								1.2
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							-	34.2

General Market Risk – Third currencies

The Bank is likewise exposed to general market risks interest rate of various third currencies in Japanese Yen (JPY), Singapore Dollar (SGD) and Hong Kong Dollar (HK). Market Risk capital charge under these currencies range from P0.04million to P3.4million or combined capita charge of P4.01million.

PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)							as of Dec 31, 2015			
Currency	Time Bands	Total Debt Securities & Debt Derivatives/ Interest Rate Derivatives			Weighted Positions		Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market risk capital charge
		Long	Short	Risk Weight	Long	Short				
JPY	1 month or less	-	18.1	0.00%	-	-		-	-	-
	Over 1 months to 3 months	-	236.7	0.20%	-	0.47	0.47	-	-	
			254.8							0.47
SGD	1 month or less	-	28.4	0.00%	-	-		-	-	
	Over 1 months to 3 months	-	189.2	0.20%	-	0.4	0.4	-	-	
			217.55							0.04
HKD	1 month or less	494.73	1,869.78	0.00%	-	-				
	Over 1 months to 3 months	-	329.35	0.20%	-	0.7				
	Over 3 months to 6 months	-	517.49	0.40%	-	2.1				
	Over 6 months to 12 months	-	94.04	0.70%	-	0.7				
		494.7	2,810.7							3.5
Total										4.01

Equity Exposures as of December 31, 2015

The Bank's holdings are in the form of common 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 P39.9million or total risk-weighted equity exposures of P399.3million

Item	Nature of Item	Positions	Stock Markets Philippines
A.1	Common Stocks	Long	199.6
A.10	TOTAL	Long	199.6
		Short	-
B.	Gross (long plus short) positions (A.10)		199.6
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		16.0
E.	Net long or short positions		299.6
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		16.0
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		31.90
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		39.9
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		399.3

Foreign Exchange Exposures as of December 31, 2015

The Bank's exposure to Foreign Exchange (FX) Risk carries a capital charge of P49.8 million based on an 8% risk weight. This would translate to risk-weighted FX exposure of P622.1million. Majority of the exposure comes from FX assets and FX liabilities in USD/PHP. The Bank also holds third currencies in JPY, CHF, GBP, EUR, CAD, AUD, SGD and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2015)						
	Closing Rate USD/PHP:					**47.118**
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
A. Currency						
A.1 U.S. Dollar	USD	4.8	6.6		11.3	533.7
A.2 Japanese Yen	JPY	0.5			0.5	22.1
A.3 Swiss Franc	CHF	0.3			0.3	12.3
A.4 Pound Sterling	GBP	-1.3			-1.3	-59.7
A.5 Euro	EUR	0.0			0.0	1.4
A.6 Canadian Dollar	CAD	0.1			0.1	6.6
A.7 Australian Dollar	AUD	0.2			0.2	7.5
A.8 Singapore Dollar	SGD	0.2			0.2	7.6
A.9 Foreign currencies not separately specified above		0.7			0.7	30.9

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2015)						
	Closing Rate USD/PHP:					**47.118**
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
A.10 Sum of net long positions						622.1
A.11 Sum of net short positions						-59.7
B. Overall net open positions						622.1
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						49.8
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						62.2
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						622.1
G. Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (Part IV.3a, Item F)						-
H. Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						622.1
Note: Overall net open position shall be the greater of the absolute value of the sum of the net long position or the sum of net short position.						

Operational Risk – Weighted Assets

The Bank adopts the Basic Indicator Approach in quantifying the risk weighted asset 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 P0.000 Million) As of 12/31/2015	Gross Income	Capital Requirement (15% x Gross Income)
2012	23,033.73	3,455.06
2013	18,172.06	2,725.81
2014	22,061.31	3,309.20
Average for 3 years		3,163.36
Adjusted Capital Charge	Ave x 125%	3,954.19
Total Operational Risk Weighted Asset (ORWA)		39,541.94

MESSAGE FROM THE BOARD AUDIT AND COMPLIANCE COMMITTEE CHAIRMAN

DEOGRACIAS N. VISTAN
DIRECTOR

BOARD AUDIT AND COMPLIANCE

The Board Audit and Compliance Committee (Committee) of the Philippine National Bank (PNB) is a standing Committee of the Board of Directors. The purpose of the Committee is to:

- Assist the Board of Directors 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;
- Provide oversight functions over internal and external auditors and ensure that the internal and external auditors act independently from each other;
- Provide oversight over compliance functions and/or oversee the compliance program;
- Review the quarterly, semi-annual, annual and any periodic financial statement signed by the CEO and CFO prior to submission to the Board, focusing particularly on: a) Any change/s in accounting policies and practices; b) Major judgmental areas; c) Significant adjustments resulting from the audit; d) Going concern assumptions; e) Compliance with accounting standards; and f) Compliance with tax, legal, regulatory and stock exchange requirements;
- Monitor the annual independent audit of PNB's financial statements, the engagement of the External Auditors and the evaluation of the External Auditor's qualifications, independence and performance;
- Monitor the compliance by PNB with legal and regulatory requirements, including PNB's disclosure controls and procedures

The Committee operates under a written Charter adopted by the Board of Directors. The Charter empowers the Committee to:

- Have explicit authority to investigate any matter within its terms and reference, full access to and cooperation by Management and full discretion to invite any Director or Executive Officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.
- Have the sole authority to select, evaluate, appoint, and replace the External Auditors (subject to stockholder ratification) and shall approve in advance all audit engagement fees and terms and all audit related, and tax compliance engagements with the External Auditors. It may recommend to the Board of Directors to grant the President authority to negotiate and finalize the terms and conditions of the audit engagement as well as the audit fees, and sign, execute and deliver the corresponding contract and all non-audit engagement with the External Auditors subject to the confirmation/approval of the Committee members.
- Have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Committee. The Bank shall provide funding, as determined by the Committee, for payment of compensation to the External Auditors and to any advisors employed by the Board Audit and Compliance Committee.
- Form and delegate authority to subcommittees, comprised of one or more members of the Committee, as necessary or appropriate. Each subcommittee shall have the full power and authority of the Committee.
- Ensure that a review of the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.
- Establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

The Committee shall review and assess the adequacy of its Charter annually and recommend any proposed changes for approval of the Board of Directors. The latest revision of the Committee Charter was in November 2015.

The Committee is composed of five (5) members consisting of three (3) Non-Executive Directors (NED) and two (2) Independent Directors (ID). The Committee Chairman is an Independent Director. The Committee members are highly qualified business professionals with excellent educational credentials. In December 2015, the Committee members attended a seminar on Corporate Governance as part of continuing training. The Committee members collectively hold a broad range of expertise and related banking experiences that provide value to the strengthening and upholding good governance practices in the Bank.

Activities for the calendar year 2015

The Committee held 17 meetings during the year. Accomplishments and action plans are monitored to ensure the full discharge of all its functions. For the calendar year 2015, the Committee:

- Reviewed and discussed the unaudited consolidated quarterly financial statements and the audited consolidated annual financial statements of the Bank, including management's significant judgments and estimates. While the Committee has the responsibilities and powers as set forth in this Charter, it is not the duty of the Committee to determine that PNB's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Management and the External Auditors;

- Assessed the independence and effectiveness of the external auditors, tax preparers and consulting companies, and endorsed them to the Board of Directors;

- Reviewed the scope of work and fees of the external auditors, tax preparers and consulting companies, assessed their independence and effectiveness, and endorsed them to the Board of Directors;

- Reviewed the performance of the Internal Audit Group and Global Compliance Group. In the last quarter of 2015, the Internal Audit Group was subjected to an internal quality assessment. An independent validation of the internal quality assessment was performed by Sycip Gorres and Velayo & Co. (SGV) and confirmed that the Internal Audit activity "Generally Conforms" with the international Standards, the highest rating to be given to an internal audit activity.

- Reviewed and approved the annual plans and programs of the Internal Audit Group and Global Compliance Group for 2015, and the audit plan of the external auditors for the consolidated financial statements of the Bank for the period ending December 31, 2015;

- Reviewed the results of audits and recommendations of the internal and external auditors and their assessment of the Company's internal controls and the overall quality of the financial reporting process;

- Reviewed the monthly reports of the Internal Audit Group and Global Compliance Group, ensuring that management takes timely and appropriate corrective actions, including those involving internal control and compliance issues;

- Reviewed the enhancements on anti-money laundering controls and processes. Approved major projects launched by the Internal Audit Group which automated the Internal Audit Group's end-to-end processes, promoting greater effectiveness and productivity. Internal Audit Group and Global Compliance Group are focused to support the Bank's cybercrime prevention and cybersecurity preparedness programs, through attendance in several cybercrime prevention trainings and seminars.

- Performed self-assessments and reviewed the overall effectiveness of the Committee as against its Charter, following the guidelines set by the Securities and Exchange Commission;

- Enhanced the Committee Charter by adopting leading good governance practices.

- Reviewed and approved the Revised Internal Audit Group Manual, which covered enhancements in the Internal Audit Group and the Committee Charters to align with regulatory requirements, Risk Assessment Methodology, and significant enhancements on various audit procedures.

- Reviewed significant updates in the Compliance Programs of PNB Parent Bank, its Subsidiaries and Affiliates including foreign branches.

Based on the stated responsibilities, authority and activities, the Board Audit and Compliance Committee recommended to the Board of Directors the approval of the Audited Consolidated Financial Statement of the Bank for the year ended December 31, 2015 and their consequent filing with the Securities and Exchange Commission and other regulatory bodies.

Based on the activities performed by the Internal Audit Group, the Chief Audit Executive rendered a reasonable assurance to the Committee, the Board of Directors and the Senior Management that the Bank's overall risk management system, internal control systems and compliance with policies, procedures and relevant laws and regulations is Satisfactory. Furthermore, the results of the internal control review and evaluation on operations of the bank units, lending units, domestic and foreign branches and subsidiaries audited and information systems disclosed that the internal control environment of the Bank is considered effective as the units' ratings profile remained concentrated at Very Low to Low Risk. This is supported with the comprehensive compliance systems effectively implemented enterprise-wide wherein there were no material deviations noted by the Chief Compliance Officer.

The Committee is confident that under the strong governance of the Board and with the support of Senior Management to oversee the establishment, administration, and assessment of the Bank's system of risk management and control processes, Philippine National Bank internal control environment will remain effective and dynamic, hence ensures the attainment of its business objectives with reasonable assurance.

DEOGRACIAS N. VISTAN
Board Audit and Compliance Committee Chairman

MESSAGE FROM THE BOARD IT GOVERNANCE COMMITTEE CHAIRMAN

LEONILO G. CORONEL
DIRECTOR

BOARD IT GOVERNANCE

The Board IT Governance Committee (BITGC) was created by the Board of Directors on April 10, 2014. BITGC's mission is to assist the Board in performing its oversight functions in reviewing, approving and monitoring the IT Risk Management Framework and IT Strategic Plan of the PNB Group.

The Committee is composed of five (5) regular members of the Board of Directors. The Chairman is a Non-Executive Director appointed by the Board, while Senior Management Heads from Business and Support Groups are invited to provide management reports and clarify information on relevant IT matter.

The primary functions of the BITGC are, but not limited to, the following:

- Oversee the Enterprise IT Risk Management System
- Review and endorse for Board approval the Enterprise IT Strategic Plans of the Parent Bank, its subsidiaries and affiliates
- Evaluate and endorse for approval of the Board the IT Organizational Structure of the PNB Parent Bank and related entities
- Review and inform the Board the status of critical IT Projects in a timely manner
- Approve or endorse to the Board the required IT budget and expenses to support business plans and priorities
- Review and endorse for approval of the Board the IT policies and guidelines based on adherence to existing laws, rules and regulations, and global best practices
- Ensure that IT project proposals are consistent with the overall IT Strategic Plans
- Monitor the IT Group's performance, IT projects, and the in-sourcing and outsourcing activities of IT functions and services provided to related entities
- Review and monitor significant IT concerns and corrective actions arising from regulatory examinations, internal audits and external reviews

The BITGC conducts monthly meetings or whenever necessary to properly discharge its oversight functions.

LEONILO G. CORONEL
Board IT Governance Committee Chairman

PNB

PROFILES OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS

WILLIAM T. LIM
Advisor

JOSEPH T. CHUA
Advisor

MANUEL T. GONZALES
Advisor

MAILA KATRINA Y. ILARDE
Corporate Secretary

LEONILO G. CORONEL
Director

CECILIO K. PEDRO
Director

MICHAEL G.TAN
Director

WASHINGTON Z. SYCIP
Director

REYNALDO A. MACLANG
President

FLORENCIA G. TARRIELA
Chairman

FELIX ENRICO R. ALFILER
Vice-Chairman

LUCIO C. TAN
Director

ESTELITO P. MENDOZA
Director

FLORIDO P. CASUELA
Director

FEDERICO C. PASCUAL
Director

HARRY C. TAN
Director

LUCIO K. TAN, JR.
Director

CHRISTOPHER J. NELSON
Director

DEOGRACIAS N. VISTAN
Director

Name	FLORENCIA G. TARRIELA
Age	68
Nationality	Filipino
Education	• Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines • Master in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination
Current Position in the Bank	Chairman of the Board/Independent Director
Date of First Appointment	• May 29, 2001 (as Director) • May 24, 2005 (as Chairman of the Board) • May 30, 2006 (as Independent Director)
Directorship in Other Listed Companies	Independent Director of LT Group, Inc.
Other Current Positions	• Independent Director of PNB Capital and Investment Corporation, PNB Life Insurance, Inc., PNB International Investments Corporation, and LT Group, Inc. • Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World • Life Sustaining Member of the Bankers Institute of the Philippines and FINEX, where she is also a Director • Trustee of TSPI Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc.
Other Achievements	• Co-author of several inspirational books - "Coincidence or Miracle? Books I, II, III ("Blessings in Disguise"), IV ("Against All Odds"), and V ("Beyond All Barriers"), and gardening books - "Oops-Don't Throw Those Weeds Away!" and "The Secret is in the Soil" • Avid environmentalist and passionate gardener
Other Previous Positions	• Former Undersecretary of Finance • Alternate Board Member of the Monetary Board of the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation • Former Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N. A.
Awards/Citations	• 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement • Distinguished Lady Banker by Baiphil • UP Prep Outstanding Alumnae

Name	FELIX ENRICO R. ALFILER
Age	66
Nationality	Filipino
Education	Bachelor of Science and Master in Statistics from the University of the Philippines
Current Position in the Bank	Vice Chairman/Independent Director
Date of First Appointment	January 1, 2012
Other Current Positions	• Chairman/Independent Director of PNB RCI Holdings Co., Ltd. • Independent Director of PNB-IBJL Leasing and Finance Corporation, PNB Savings Bank and PNB International Investments Corp.
Other Previous Positions	• 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 Bangko Sentral ng Pilipinas • 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 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	REYNALDO A. MACLANG
Age	77
Nationality	Filipino
Education	Bachelor of Laws from the Ateneo de Manila University
Current Position in the Bank	President of the Bank
Date of First Appointment	• February 9, 2013 (as Director) • May 27, 2014 (as President)
Other Current Positions	• Chairman of PNB (Europe) Plc. • Director of Allied Leasing & Finance Corporation, PNB Savings Bank, PNB Global Remittance and Financial Co., HK, Ltd., Bulawan Mining Corporation, PNB Management & Development Corporation and PNB Forex, Inc. • Director of the Bankers Association of the Philippines, Asian Bankers Association, and Bancnet, Inc., where he is also a Treasurer.
Other Previous Positions	• President of Allied Savings Bank from 1986 to 2001 • President of Allied Banking Corporation (ABC) from 2001 to 2009 • Director of ABC, PNB Life Insurance, Inc., PNB Italy SpA, PNB International Investments Corporation, PNB Holdings Corporation, PNB Securities, Inc., PNB Forex, Inc., and Eton Properties Philippines, Inc.

Name	FLORIDO P. CASUELA
Age	74
Nationality	Filipino
Education	• Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines • Master 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
Government Civil Service Eligibilities	Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	Director
Date of First Appointment	May 30, 2006
Other Current Positions	• Chairman of PNB Securities, Inc. • Director of PNB Savings Bank, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., PNB Life Insurance, Inc., and Surigao Micro Credit Corporation • Senior Adviser of the Bank of Makati, Inc.
Other Previous Positions	• Former President of Land Bank of the Philippines, Maybank Philippines, and Surigao Micro Credit Corporation • Vice-Chairman. of Land Bank of the Philippines, and Maybank Philippines • Director of 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. • Audit Staff of Joaquin Cunanan, CPAs
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 LEONILO G. CORONEL

Age 69

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 Director

Date of First Appointment May 28, 2013

Directorship in Other Listed Companies Independent Director of Megawide Construction Corporation

Other Current Positions
- Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation
- Independent Director of DBP-Daiwa Capital Markets Phil.
- Director of Software Ventures International

Other Previous Positions Positions
- Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation
- Director/Treasurer of Philippine Depository and Trust Corporation
- Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council
- Managing Director of BAP-Credit Bureau
- President of Cebu Bankers Association
- Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation
- Worked with Citibank, Manila for twenty (20) years, occupying various positions.

Awards/Citations
- Fellow of the Australian Institute of Company Directors in 2002

Name ESTELITO P. MENDOZA

Age 85

Nationality Filipino

Education
- Bachelor of Laws (cum laude) from the University of the Philippines
- Master of Laws from the Harvard University

Current Position in the Bank Director

Date of First Appointment January 1, 2009

Directorship in Other Listed Companies
- Director of Petron Corporation
- Director of Philippine Airlines, Inc.
- Director of San Miguel 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 (South 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 CHRISTOPHER J. NELSON

Age 56

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 Director

Date of First Appointment March 21, 2013 (Director)
May 27, 2014 (Board Advisor)
May 26, 2015 (Director)

Other Current Positions
- Director of PNB Holdings Corporation.
- Chairman of Lux Et Sal Corporation
- Director of the Philippine Band of Mercy, the Federation of Philippine Industries, Bellagio 3 Condominium Association, Inc., and Greenlands Community
- Member of the Board of Trustees of the American Chamber Foundation Philippines, Inc., and British Chamber of Commerce of the Philippines, where he is also the Chairman
- Member of the Society of Fellows of the Institute of Corporate Directors.

Other Previous Positions
- Trustee of Tan Yan Kee Foundation
- Director of the American Chamber of Commerce of the Philippines, Inc.
- President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years
- Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name FEDERICO C. PASCUAL

Age 73

Nationality Filipino

Education
- Bachelor of Arts, Ateneo de Manila University
- Bachelor of Laws (Member, Law Honors Society), University of the Philippines
- Master of Laws in Columbia University

Current Position in the Bank Independent Director

Date of First Appointment May 27, 2014

Other Current Positions
- Chairman/Independent Director of PNB General Insurers Co., Inc.
- Independent Director of PNB International Investments Corporation and PNB Holdings Corporation
- President/Director of Tala Properties, Inc. and Woldingham Realty, Inc.
- Director of Global Energy Growth System and Apo Reef World Resort
- Proprietor of Green Grower Farm
- Partner of the University of Nueva Caceres in Bataan

Other Previous Positions
- President and General Manager of Government Service Insurance System
- President and CEO of Allied Banking Corporation
- Various positions with PNB for twenty (20) years, including as Acting President, CEO and Vice-Chairman
- President and Director of Philippine Chamber of Commerce and Industry
- Chairman of National Reinsurance Corporation and PNOC-AFC
- 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, Philippine National Oil Corporation and Certified Data Centre Professional

Name	CECILIO K. PEDRO
Age	62
Nationality	Filipino
Education	• Bachelor of Science in Business Management from the Ateneo de Manila University • Honorary Doctorate of Philosophy in Technological Management from the Technological University of the Philippines
Current Position in the Bank	Independent Director
Date of First Appointment	February 28, 2014
Other Current Positions	• Chief Executive Officer (CEO)/President of Lamoiyan Corporation • Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc. • Director of CATS Motors, Manila Doctors Hospital and Philippine Business for Social Progress • Independent Director of PNB Savings Bank • Chairman of the Deaf Evangelistic Alliance Foundation, Inc. • Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. • Chairman of Asian Theological Seminary
Other Previous Positions	• CEO/President of Aluminum Container, Inc. • Director of DBS Philippines, Inc. (formerly Bank of Southeast Asia, Inc.) • Chairman of the Board of Hope Christian High School
Awards/Citations	• Recipient of the Ten Outstanding Young Men in the field of Business Entrepreneurship, Aurelio Periquet Award on Business Leadership, Ateneo Sports Hall of Fame, CEO Excel Award, Ozanam Award for Service, Entrepreneur of the Year for Social Responsibility, Ten Outstanding Manileños, and PLDT SME Nation and Go Negosyo's Grand MVP Bossing Award • Recognized by the House of Representative for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012

Name	WASHINGTON Z. SYCIP
Age	94
Nationality	Filipino-American
Education	• Bachelor of Science in Commerce from the University of Sto. Tomas • Master in Commerce from the University of Sto. Tomas and Columbia University
Current Position in the Bank	Director
Date of First Appointment	December 8, 1999
Directorship in Other Listed Companies	• Chairman of Cityland Development Corporation • Independent Director of Belle Corporation, First Philippine Holdings Corporation • Lopez Holdings Corporation, and Metro Pacific Investments Corporation • Director of LT Group, Inc. and MacroAsia Corporation
Other Current Positions	• Founder of SGV Group • One of the founders and Chairman Emeritus of the Asian Institute of Management • Member of the Board of Overseers of the Graduate School of Business at Columbia University • Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France • Honorary Life Trustee of The Asia Society • Member of the Board of Directors of a number of other major corporations in the Philippines and other parts of the world
Other Previous Positions	• President of the International Federation of Accountants • Member of the International Advisory Board of the Council on Foreign Relations • Vice Chairman of the Board of Trustees of The Conference Board • Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange • Served in the international boards of the American International Group, AT&T, Australia & New Zealand Bank, Caterpillar, Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others. • Board of Trustees of the Ramon Magsaysay Award Foundation and Eisenhower Exchange Fellowship
Awards/Citations	• Order of Lakandula, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011 • Lifetime Achievement Award given by Columbia Business School and Asia Society • Ramon Magsaysay Award for International Understanding • Management Man of the Year given by the Management Association of the Philippines • Officer's Cross of the Order of Merit given by the Federal Republic of Germany • Star of the Order of Merit Conferred by the Republic of Australia • Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden

Name	HARRY C. TAN
Age	69
Nationality	Filipino
Education	Bachelor of Science in Chemical Engineering, Mapua Institute of Technology
Current Position in the Bank	Director
Date of First Appointment	February 9, 2013
Directorship in Other Listed Companies	Director of LT Group, Inc.
Other Current Positions	• Chairman of Bulawan Mining Corporation and PNB Global Remittance and Financial Company (HK) Limited • Director of PNB Management Development Corporation and PNB Savings Bank • Chairman for the Tobacco Board of Fortune Tobacco International Corporation • President of Landcom Realty Corporation and Century Park Hotel • Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc. • Managing Director/Vice Chairman of The Charter House Inc. • Director of various private firms which include Asia Brewery, Inc., Dominium Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Basic Holdings Corporation, Asian Alcohol Corporation, Pan Asia Securities Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Absolut Distillers, Inc., Tanduay Brands International Inc., Allied Bankers Insurance Corp., Allied Banking Corporation (Hong Kong) Limited, Phillip Morris Fortune Tobacco Corporation, Inc., and Allied Commercial Bank
Other Previous Positions	• Director of Allied Banking Corporation • Director of MacroAsia Corporation • Director of Philippine Airlines

Name	LUCIO C. TAN
Age	82
Nationality	Filipino
Education	Bachelor of Science in Chemical Engineering degree from Far Eastern University and later from the University of Sto. Tomas 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: LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation
Other Current Positions	• Chairman and CEO of Philippine Airlines, Inc. • Chairman/President: Tangent Holdings Corporation and Lucky Travel Corporation • Chairman: Eton Properties Philippines, Inc., Asia Brewery, Inc., Tanduay Distillers, Inc., Fortune Tobacco Corporation, PNB Life Insurance, Inc., Allied Leasing and Finance Corporation, Allied Commercial Bank, PNB Savings Bank, and Allied Banking Corporation (HK) Ltd. • President: 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: Allied Banking Corporation
Awards/Citations	• Various honorary degrees for his outstanding achievements and leadership in the Philippines and other parts of the world

Name: LUCIO K. TAN, JR.

Age: 49

Nationality: Filipino

Education:
- Bachelor of Science degree in Civil Engineering (Minors in classical Chinese Mandarin and Mathematics), University of California Davis, U.S.A.
- Executive Masters in Business Administration, Hong Kong University of Science and Technology (Business School) and J.L. Kellogg School of Management of Northwestern University, Hong Kong
- Courses in Basic and Intermediate Japanese Language, Languages International, Makati and Asia Center for Foreign Languages, Ortigas

Current Position in the Bank: Director

Date of First Appointment: September 28, 2007

Directorship in Other Listed Companies:
- Director of MacroAsia Corporation, LT Group, Inc., PAL Holdings, Inc. and Victorias Milling Company, Inc.

Other Current Positions:
- President/Director of Tanduay Distillers, Inc. and Eton Properties Philippines, Inc.
- Director of Bulawan Mining Corporation, PNB Capital and Investment Corporation, PNB Forex, Inc., PNB Management and Development Corporation, PNB Savings Bank, Allied Leasing and Finance Corporation, PNB Global Remittance and Financial Company (HK) Ltd., and Allied Banking Corporation (HK) Limited
- Director of PMFTC, Inc., Philippine Airlines, Inc., Air Philippines Corporation, Allied Bankers Insurance Corporation, Foremost Farms, Inc., Manufacturing Services & Trade Corp., Grandspan Development Corporation, Absolut Distillers, Inc., Asia Brewery, Inc., Eton City, Inc., Asian Alcohol Corporation, Lucky Travel Corporation, Progressive Farms, Inc., Tanduay Brands International, Inc., The Charter House, Incorporated, Himmel Industries, Incorporated
- EVP and Director of Fortune Tobacco Corporation

Other Previous Positions:
- President and Chief Executive Officer of MacroAsia Corporation
- Director of Tanduay Distillers, Inc.
- Executive Vice President of Fortune Tobacco Corporation

Name: MICHAEL G. TAN

Age: 49

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 and President of LT Group, Inc.
- Director of PAL Holdings, Inc. and Victorias Milling Company, Inc.

Other Current Positions:
- Chairman of PNB Holdings Corporation and PNB Management and Development Corporation
- Director of PNB Forex, Inc., Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited
- Chief Operating Officer of Asia Brewery, Inc.
- Director of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Grandway Konstruct, Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Allied bankers Insurance Corporation

Other Previous Positions:
- Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013

Name: DEOGRACIAS N. VISTAN

Age: 71

Nationality: Filipino

Education:
- Bachelor of Arts and Bachelor of Science in Business Administration, De La Salle University
- Master in Business Administration, Wharton Graduate School

Current Position in the Bank: Independent Director

Date of First Appointment: August 1, 2011

Directorship in Other Listed Companies: Independent Director of Lorenzo Shipping Corporation

Other Current Positions:
- Chairman and an Independent Director of PNB International Investments Corporation
- Independent Director of PNB Capital and Investment Corporation
- Chairman of V & A Foods Corporation and Pinoy Micro Enterprise Foundation
- Director of U-Bix Corporation
- Member of the Board of Trustees of the Ramon Magsaysay Award Foundation
- Advisor of Mitsubishi Motors Philippines Corporation

Other Previous Positions:
- Chairman of United Coconut Planters Bank
- Vice Chairman of Metropolitan Bank and Trust Company
- President of Equitable-PCI Bank, Solidbank Corporation, Land Bank of the Philippines and FNCB Finance
- Member of the Board of Trustees, Landbank Countryside Development Foundation, Inc.
- Various management positions in Citibank Manila, Cebu and New York
- Presidential Consultant on Housing
- President of the Bankers Association of the Philippines

Name: MAILA KATRINA Y. ILARDE

Age: 32

Nationality: Filipino

Education:
- Bachelor of Science in Legal Management, De La Salle University
- Juris Doctor, Ateneo de Manila University School of Law

Current Position in the Bank: Corporate Secretary

Date of First Appointment: June 29, 2015

Other Current Position:
- Acting Corporate Secretary of PNB Capital and Investment Corporation

Other Previous Positions:
- Senior Associate, Roxas De Los Reyes Laurel Rosario & Leagogo
- Assistant Corporate Secretary, Ionics, Inc.
- Assistant Corporate Secretary, Ionics EMS, Inc.

BOARD OF ADVISORS PROFILE

Name	JOSEPH T. CHUA
Age	59
Nationality	Filipino
Education	• Bachelor of Arts in Economics and Bachelor of Science in Business Management from the De La Salle University • Master in International Finance from the University of Southern California
Current Position in the Bank	Board Advisor
Date of First Appointment	May 26, 2015
Current Positions	• Chairman of Watergy Business Solutions, Inc. • Chairman of Cavite Business Resources, Inc. • Chairman of J.F. Rubber Philippines • President of Goodwind Development Corporation • President of MacroAsia Mining Corporation • President of MacroAsia Corporation • Director of PNB General Insurers Co., Inc. • Director of Bulawan Mining Corporation • Director of PNB Management and Development Corp. • Director of Philippine Airlines • Director of Eton Properties Philippines, Inc. • Member of the Management Association of the Philippines, Philippine Chamber of Commerce and Industry, Chamber of Mines of the Philippines, German Philippine Chamber of Commerce and Rubber Association of the Philippines
Other Previous Positions	• Chairman of MacroAsia Mining Corporation • Director of Philippine National Bank • Director/Chief Operating Officer of MacroAsia Corporation • Managing Director of Goodwind Development Corporation

Name	MANUEL T. GONZALES
Age	78
Nationality	Filipino
Education	• Bachelor of Science in Commerce from the De La Salle University • Master of Arts in Economics from Ateneo De Manila University
Current Position in the Bank	Board Advisor
Date of First Appointment	October 1, 2013
Current Positions	• Director of Allied Leasing and Finance Corporation • Director of Alliedbankers Insurance Corporation
Other Previous Positions	• Director of Allied Banking Corporation • Member, Management Association of the Philippines (MAP) • Member, Financial Executives of the Philippines (FINEX) • Member, European Chamber of Commerce of the Philippines (ECCP) • Member, Bankers Institute of the Philippines

Name	WILLIAM T. LIM
Age	75
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
Current Positions	• Director of PNB Holdings Corporation • Director of BH Fashion Retailers, Inc. • Director of Concept Clothing Co., Inc. • President of Jas Lordan, Inc.
Other Previous Positions	• Consultant of Allied Banking Corporation • Director of Corporate Apparel, Inc. • Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department

PROFILES OF THE SENIOR MANAGEMENT TEAM

SENIOR MANAGEMENT TEAM

VP CONSTANTINO T. YAP

SVP DIOSCORO TEODORICO L. LIM

FSVP EMMANUEL GERMAN V. PLAN II

SVP MARIA PAZ D. LIM

FSVP SOCORRO D. CORPUS

FSVP BENJAMIN S. OLIVA

FSVP ALICE Z. CORDERO

EVP CENON C. AUDENCIAL, JR.

EVP BERNARDO H. TOCMO

EVP NELSON C. REYES

PRESIDENT REYNALDO A. MACLANG

EVP HORACIO E. CEBRERO III

EVP CHRISTOPHER C. DOBLES

FSVP MIGUEL ANGEL G. GONZALEZ

FSVP JOHN HOWARD D. MEDINA

FSVP CARMELA LETICIA A. PAMA

FSVP AIDA M. PADILLA

SVP MANUEL C. BAHENA, JR.

SVP EMELINE C. CENTENO

FVP ROBERTO S. VERGARA

SVP NORMAN MARTIN C. REYES

REYNALDO A. MACLANG, 77, Filipino, was appointed as the Bank's President on May 27, 2014 after serving as a Director of the Bank since February 9, 2013. He holds a Bachelor of Laws degree from the Ateneo de Manila University. He is currently the Chairman of PNB (Europe) Plc and a member of the Board of Directors of Allied Leasing & Finance Corporation, PNB Savings Bank, PNB Global Remittance and Financial Co., HK, Ltd., Bulawan Mining Corporation, PNB Management & Development Corporation and PNB Forex, Inc. He is a Director of the Bankers Association of the Philippines, Asian Bankers Association, and Bancnet, Inc., where he is also a Treasurer. He was previously the President of Allied Savings Bank and Allied Banking Corporation (ABC). He also became a Director of ABC, PNB Life Insurance, Inc., PNB Italy SpA, PNB International Investments Corporation, PNB Holdings Corporation, PNB Securities, Inc., PNB Forex, Inc., and Eton Properties Philippines, Inc.

CENON C. AUDENCIAL, JR., 57, Filipino, Executive Vice President, is the Head of the Institutional Banking Group. 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 20-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.

MANUEL C. BAHENA, JR., 54, Filipino, 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. He obtained his Bachelor of Science degree in Business Administration from Lyceum of the Philippines in 1981 and his Bachelor of Laws degree from Arellano University in 1987.

HORACIO E. CEBRERO III, 53, Filipino, Executive Vice President, is the Head of the Treasury Group. He obtained his Bachelor of Science degree in Commerce, Major in Marketing, from the De La Salle University. Prior to joining PNB, he was an Executive Vice President and the Treasurer of EastWest Banking Corporation. He also held the post of Senior Vice President and Deputy Treasurer of Rizal Commercial Banking Corporation, Vice President/Head of the Foreign Exchange Desk of Citibank Manila and Vice President/Chief Dealer of the Treasury Group of Asian Bank Corporation. He brings with him 32 years of experience in the banking industry starting from Loans and Credit, Branch Banking, Fixed Income Sales, Trust Banking, Foreign Exchange and Fixed Income Trading, Portfolio Management and other Treasury-related activities.

EMELINE C. CENTENO, 57, Filipino, Senior Vice President, is the Head of the Corporate Planning and Research Division. She obtained her Bachelor of Science degree in Statistics (Dean's Lister) and completed the coursework in Masters of Arts in Economics (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 Corporate Planning and Research Group. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

ALICE Z. CORDERO, 58, Filipino, First Senior Vice President, was appointed the Chief Compliance Officer of the Bank on June 16, 2010 with oversight on the Bank, including all subsidiaries, affiliates and foreign branches. She is concurrently the Corporate Governance Executive of the Bank. She obtained Bachelor of Science degree in Business Economics from the University of the Philippines. She has earned units in Masters in Business Administration at the Ateneo Graduate School of Business. Prior to joining the Bank, she was the Chief Compliance Officer of ABC (2007-2010). She worked with Citibank N.A - Manila Branch (1988-2007) for nineteen (19) years and held various senior positions in the Consumer Banking Group, including Compliance and Control Director (1999-2005) and concurrent Regional Compliance and Control Director for Philippines and Guam (2004). Her 35 years of banking experience include working for ABC (1979-1983; 2007-2010), First National Bank of Chicago - Manila Branch (1983-1986), Far East Bank and Trust Company (1986-1988) and Citibank N.A. - Manila Branch (1988-2007), where she held department head positions in Credit Policy, Credit & Research Management, Financial Control, Corporate Regulatory Reporting, Asset Strategy, Business Development, Risk Management and Compliance.

SOCORRO D. CORPUS, 64, Filipino, First Senior Vice President, is the Head of the Human Resource Group. 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 over 35 years. She started her career with China Banking Corporation in 1973 as an HR specialist prior to joining the ABC in 1977 as an Assistant Manager. Her professional affiliations include the following: founding member and a board member of the Organization Development Professional Network (ODPN), 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.

CHRISTOPHER C. DOBLES, 72, Filipino, Executive Vice President, is the Head of the Corporate Security Group and designated as the Bank's Chief Security Officer. He serves as the Chairman of the Administrative and Investigation Committee, the Committee on Decorum and Investigation and Member of the Labor Management Committee, PNB Regular Retirement Board and Promotions Committee A and B. He was also the former Head of ABC Credit Investigation and Appraisal Department and was appointed as the Internal Affairs Officer of the Anti Fraud Committee. He was a member of ABC's Senior Management Committee and the Promotions Committee. He holds a Bachelor of Arts degree from the University of Sto. Tomas and took up units in Masters in Business from the Ateneo Graduate School. He was a commissioned officer with the rank of Major in the Philippine Constabulary Reserve Force. Prior to becoming the Bank Chief Security Officer, he held key positions in ABC, where he started as an Assistant Manager of the Corporate Affairs and Security Department in 1977 and later became Head of Corporate Affairs. He was formerly a President of the Bank Security Management Association (BSMA) and has been consistently elected as a member of the association's Board of Directors up to the present.

MIGUEL ANGEL G. GONZALEZ, 57, Filipino, First Senior Vice President, is the Chief Credit Officer and Head of the Credit Management Group. He entered the Bank in March 2010 as Senior Vice President for Commercial Banking Group. He obtained his Bachelor of Science degree in Industrial Engineering from the University of the Philippines and Masters in Business Management degree from Asian Institute of Management. He started his banking career with Citibank NA in 1984. He later headed the Branch Banking Group of Land Bank of the Philippines in 1989 then joined Union Bank of the Philippines in 1994 where he was Senior Vice President and head of Credit and Market Risk Group. In 2007, he became the Country Manager for Genpact Services LLC.

MARIA PAZ D. LIM, 54, Filipino, Senior Vice President, is the Corporate Treasurer. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University Graduate School of Business. 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. She is also the Treasurer of PNB Capital and Investment Corporation, in concurrent capacity.

DIOSCORO TEODORICO L. LIM, 61, Filipino, Senior Vice President, is the Chief Audit Executive (CAE) of the Bank. A Certified Public Accountant, he holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of San Carlos-Cebu. He started his career in 1976 with SGV as a Staff Auditor and, after a year, was Field in Charge until 1978. He joined ABC in 1979 as a Junior Auditor. He rose from the ranks to become an Audit Officer in 1986, and was designated as Head of the Internal Audit Division in 2000, until his appointment as CAE of PNB on February 9, 2013. He also served as Compliance Officer of Allied Savings Bank (seconded officer) from August 2001 to August 2006. He served as a member of the Board of Directors of Rosehills Memorial Management (Philippines), Inc. in 2011 and 2013. He is a member of the Institute of Internal Auditors Philippines, Association of Certified Fraud Examiners-Philippines and Philippine Institute of Certified Public Accountants.

JOHN HOWARD D. MEDINA, 46, Filipino, First Senior Vice President, has been the Head of the Global Operations Group since 2009. The group manages the Bank's operations and back-office support units in the Philippines and overseas branches in the United States, Asia-Pacific and Europe. Mr. Medina has a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and Masters in Business Administration from the Shidler College of Business at the University of Hawai'i at Manoa. He was an East-West Center Degree Fellow and the recipient of a full scholarship while at the University of Hawai'i. He also attended the Handelshøjskolen I Århus (the Aarhus School of Business), Pacific Asian Management Institute and the European Summer School for Advanced Management for additional graduate studies. Prior to joining PNB in 2004, he was a pioneer in the process and technology banking practice in the nineties when he helped transform the Asian operations of one of the largest multinational banks. He subsequently established a private consulting practice in the United States, helping set up operations and technology initiatives of large financial institutions. Mr. Medina also worked with Union Bank of the Philippines where he conceptualized and implemented electronic banking products and services.

BENJAMIN S. OLIVA, 62, Filipino, First Senior Vice President, is the Head of the Global Filipino Banking Group (GFBG) which manages PNB's overseas network of branches and remittance subsidiaries in Asia, Europe, the Middle East, and North America, and a Director of PNB (Europe) Plc. Mr. Oliva obtained his Bachelor of Science degree in Commerce, Major in Accounting (Cum Laude), from the De La Salle University. He started his career with FNCB Finance, Inc. where he held various junior managerial positions from 1973-1978. He moved to Jardine Manila Finance in 1978 as Vice President of the Metro Manila Auto Finance. In 1980, Mr. Oliva started his career as a banker at the State Investment Bank where he was Head of Corporate Sales Lending Division. In 1981, he moved to PCI Bank when he handled Corporate Banking. He joined Citibank, NA in 1988, where he exhibited his expertise in sales and headed different sales divisions (Loans, Cards and Citiphone Banking). He became a Director for various divisions such as Country Asset Sales, Credit Cards Business, Business Development and Personal Loans from November 1999 to January 2006. In January 2006, he was hired by Citibank Savings, Inc. as the Director for Personal Loans and moved back to Citibank, NA as Business Development Director in February 2007. He was rehired by Citibank Savings, Inc. as its President in December 2007. From June 2009 to July 2011, he held concurrent positions as Commercial Banking Director of Citibank NA and board member of Citibank Savings, Inc. In September 2011, he has been a designate Consultant for Consumer Banking of United Coconut Planters Bank. Mr. Oliva joined PNB on September 10, 2012.

AIDA M. PADILLA, 66, Filipino, is First Senior Vice President and the Head of the Remedial Management Group. She is the chief strategist for problem and distressed accounts. A seasoned professional, she rose from the branch banking ranks at the Philippine Banking Corporation to become Vice President for Marketing of its Corporate Banking Group. She obtained her Bachelor of Science degree in Commerce, Major in Accounting, from St. Theresa's College.

CARMELA LETICIA A. PAMA, 59, Filipino, First Senior Vice President, is the Bank's Chief Risk Officer. A Certified Public Accountant, she obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and Masters in Business Administration degree from the Stern School of Business, New York University. She started her banking career with Citibank N.A. (Phils.) where she held various positions in the areas of Treasury Trading and Marketing, and Operations and Quality Development. She left Citibank with the rank of Vice President and moved to Banco Santander to open its operations in the Philippines. She moved back to Citibank, N.A. (Phils.) in 1996 to head various operation units. Prior to joining PNB on October 9, 2006, she was a Consulting Services Practice Manager at Oracle Corporation (Phils.) from 1999 to 2005. Her stint as CRO of the Bank since October 2006 has developed her proficiency in all facets of banking operations and has rounded off her skills in enterprise risk management. In 2010, she co-led the implementation of the Bank's ICAAP (Internal Capital Adequacy Assessment Process) and has successfully institutionalized the process. She has worked closely with the Bank's board level Risk Oversight Committee in the effective oversight of the various risks faced by the Bank. Her 30 years of corporate experience has provided her with a well-rounded expertise in the operations, technology and risk management areas of the Bank.

EMMANUEL GERMAN V. PLAN II, First Senior Vice President, is the Head of the Special Assets Management Group. He holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of Santo Tomas and took up masteral studies at the Letran College. Prior to joining the Bank, he was Senior Vice President of the Special Assets Group of ABC. He concurrently held the position of Senior Vice President of State Investment Trust and State Properties Corporation. He also acted as Managing Director of Bear Stearns State Asia and Northeast Land Development Corporation. He has exposure in investment banking, account management, and credit and collection. He has been involved in acquired assets management and in real estate development since 1997. Mr. Plan is also into social, religious and charitable undertakings through his active involvement in different educational and religious foundations like Sambayan Educational Foundation, Inc., LSQC Scholarship Foundation, UST-EHSGAA and Magis Deo, to name a few.

NORMAN MARTIN C. REYES, 50, Filipino, Senior Vice President, is the Bank's Chief Marketing Officer and Head of the Marketing Group. He obtained his Bachelor of Arts degree, Major in Economics at the University of the Philippines and Masters in Business Management at the Asian Institute of Management. He has over 20 years of management experience in the field of product development, sales and marketing and process management, and has directly managed an extensive list of corporate and consumer services. He started his banking career in 1993, holding various positions at Citibank, Union Bank and Royal Bank of Scotland. Prior to joining PNB, he was Senior Vice President at United Coconut Planters Bank.

NELSON C. REYES, 52, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as the Chief Financial Officer. Prior to joining the Bank, he was the Chief Financial Officer of the Hongkong and Shanghai Banking Corporation (HSBC), Ltd., Philippine Branch, a position he held since 2004. He was also a Director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned 28 years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia, Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

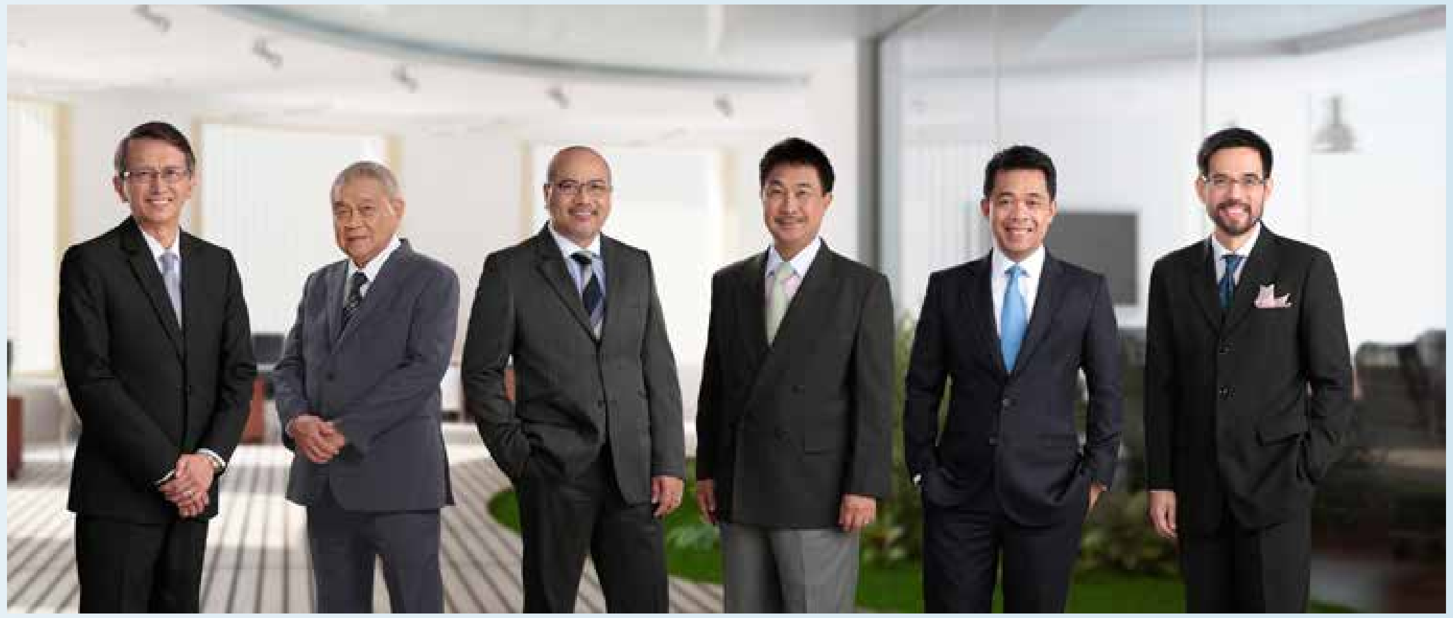
BERNARDO H. TOCMO, 54, Filipino, Executive Vice President, is the Head of the Retail Banking Group who manages the retail banking and credit card businesses of the Bank. Mr. Tocmo obtained his Masters in Business Economics from the University of Asia and the Pacific and likewise finished the Strategic Business Economics Program of said university. He graduated with a Bachelor of Science in AgriBusiness, major in Management from the Visayas State University. Mr. Tocmo is a seasoned banker with over three decades of work experience with the country's top and mid-tier commercial banks. He started his career with United Coconut Planters Bank where he gained exposure in various facets of branch operations from 1982 to 1990. His banking experience was further honed at Union Bank of the Philippines (UBP) where he assumed key managerial positions in retail banking from 1990 to 1996. He left UBP with the rank of Senior Manager and joined Security Bank Corporation (SBC) in 1996 initially as Assistant Vice President for one of its biggest Makati branches. He moved up to First Vice President of SBC by the year 2005 where his last responsibility was as Area Business Manager for Makati and Alabang branches. Mr. Tocmo subsequently joined Metropolitan Bank & Trust Company in September 2005 initially as Vice President and Head of the Head Office Center. He was promoted to First Vice President in June 2007 while continuing to head this business center until April 2008. He was appointed as Visayas Region Head with the rank of Senior Vice President in May 2008 and between May 2010 to May 2012, became the Head of the National Branch Banking Sector (NBBS) for Countryside Branches which covers 350 branches and thereafter as Head of the NBBS National Sales Office which covers 608 branches. He served as Deputy Head of NBBS from June 2012 to January 2014 with increased responsibilities for 671 branches, initially with the rank of Senior Vice President until his promotion to Executive Vice President in June 2013. From April 2012 to 2015, Mr. Tocmo also served as Director of Metrobank Card Corporation. He became the Head of the NBBS with the rank of EVP in February 2014 and held this post until September 2015.

ROBERTO S. VERGARA, 64, Filipino, First Vice President, is the Chief Trust Officer and Head of the Trust Banking Group. He obtained his Bachelor of Arts degree, Major in Economics from Ateneo de Manila University. He began his career in 1973 and held various positions in trust, treasury, investment banking and global banking/overseas remittances. Prior to joining PNB, he was the Trust Officer of Hongkong and Shanghai Banking Corporation and then became the Trust Officer, Treasury Group Head and Global Banking/Overseas Remittance Group Head of the Land Bank of the Philippines. He is qualified as a Civil Service Career Executive Service Officer (CESO) and is a Career Service Executive Eligible (CSEE). He is also a Fellow at the Institute of Corporate Directors, Center for Good Governance.

CONSTANTINO T. YAP, 52, Filipino, Vice President, is the Head of the Information Technology Group. He was hired by ABC on October 1, 2007 as Assistant Vice President for the Special Projects Section of the IT Division and was promoted as Head of the IT Group on July 1, 2013. Prior to joining ABC, he was the Dean of the College of Engineering and College of Computer Studies and Systems at the University of the East (Manila campus) from May 2005 to May 2007, and was the Assistant Dean of the College of Computer Studies at Lyceum of the Philippines from May 2004 to May 2005. He worked as an IT Consultant for various call centers and business-to-business firms from August 2002 to May 2004. He was the Technical Consultant for the horse racing totalizator project of Manila Jockey Club and a Vice President for Betting Operations of the Philippine Racing Club from 1996 to 2000. From 1994 to 1996, he helped manage his family's construction business. While living in the US from 1988 to 1994, he was a computer telephony programmer and systems analyst that provided promotions and marketing services running on interactive voice response systems (IVRS) for Phoneworks, Inc., American Network Exchange Inc., and Interactive Telephone Inc. He obtained his Bachelor of Engineering degree in Electrical from Pratt Institute in Brooklyn, New York, USA, in 1984 and earned his Master of Science in Electrical Engineering at Purdue University in West Lafayette, Indiana, USA, in 1986.

THE BANK'S SUBSIDIARIES

Standing from left to right:
EDGARDO T. NALLAS
- PNB-IBJL Leasing and Finance Corporation
FREDDIE G. VILLADELGADO
- Allied Leasing and Finance Corporation
FRANCISCO P. RAMOS
- PNB General Insurers Co. Inc.
JOVENCIO B. HERNANDEZ
- PNB Savings Bank
GERRY B. VALENCIANO
- PNB Capital and Investment Corporation.
MANUEL ANTONIO G. LISBONA
- PNB Securities Inc.



ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a majority-owned (51%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC). ABCHKL, a private limited company incorporated in Hong Kong in 1978, is the first majority-owned overseas subsidiary of ABC. It is a restricted-licensed bank under the Hong Kong Banking Ordinance. ABCHKL provides 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, money exchange, investments banking and corporate services. It is also licensed and acts as an insurance agent. ABCHKL has a wholly-owned subsidiary, ACR Nominees Limited, a private limited company incorporated in Hong Kong, which provides management and corporate services. ABCHKL has a branch office in Tsimshatsui, Kowloon.

ALLIED COMMERCIAL BANK

Allied Commercial Bank (ACB) is a majority-owned (99.04%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation. ACB was formerly known as Xiamen Commercial Bank. It obtained its commercial banking license and opened in 1993. ACB is authorized to provide full banking services in foreign currency to resident and non-resident natural persons including compatriots from Hong Kong, Macau and Taiwan. ACB is also allowed to service the foreign trade and loan requirements of enterprises owned by local residents. ACB maintains its head office in Xiamen, Fujian, China. It has a branch in Chongqing which was established in 2003.

ALLIED LEASING AND FINANCE CORPORATION

Allied Leasing and Finance Corporation is a majority-owned (57.21%) subsidiary of PNB by virtue of the merger of PNB and Allied Banking Corporation. It offers receivables financing, direct loans, and financing and leasing of various types of equipment, machineries and vehicles. The dissolution of Allied Leasing and Finance Corporation was approved by its stockholders effective December 31, 2015 in the November 25, 2015 Special Stockholders' meeting. The company is now in the process of winding down its operation.

PNB SAVINGS BANK

PNB Savings Bank (PNBSB) is a wholly-owned subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation. PNBSB traces its roots from First Malayan Development Bank which ABC bought in 1986 and renamed as First Allied Savings Bank in 1996 following the grant of license to operate as a savings bank. The latter was subsequently renamed as Allied Savings Bank in 1998. In November 2014, Allied Savings Bank formally changed its name to PNB Savings Bank to give credence to PNB's expansion and status as a major player in the consumer finance industry as well as to align the image of the savings bank with its mother bank and to capitalize on the brand equity of PNB in the banking industry. PNB Savings Bank offers deposit products, remittance services, loans and trade finance.

PNB-IBJL LEASING AND FINANCE CORPORATION

PNB-IBJL Leasing and Finance Corporation operates as a financing company that provides the following services: financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-IBJL 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 such as motor vehicles).

PNB CAPITAL AND INVESTMENT CORPORATION

PNB Capital and Investment Corporation is the wholly-owned investment banking subsidiary of PNB. It provides a full range of corporate finance services such as financial advisory, project finance and private placements for corporate clients, debt and equity syndication and underwriting including assisting clients in pre-IPO re-organizations. PNB Capital and Investment Corporation also assists in structuring and packaging mergers and acquisitions, securitization transactions and mezzanine financing.

PHILIPPINE NATIONAL BANK (EUROPE) PLC

Philippine National Bank (Europe) PLC is a wholly-owned subsidiary incorporated in the United Kingdom with a full banking license. It is also authorized to provide cross-wborder services to member states of the European Economic Area. Philippine National Bank (Europe) PLC operates a branch in Paris which is engaged only in remittance services.
In April 2014, Philippine National Bank (Europe) PLC was merged with Allied Bank Philippines (UK) PLC.

PNB GLOBAL REMITTANCE AND FINANCIAL COMPANY (HK) LIMITED

PNB Global Remittance and Financial Company (HK) Limited is a wholly-owned subsidiary of PNB which provides remittance services and grants retail loans to Filipino overseas workers and professionals in Hong Kong. Its main office is located in Wan Chai District while its six branches are situated in Shatin, Yuen Long, Tsuen Wan, North Point and two in Worldwide House in Central Island.

PNB HOLDINGS CORPORATION

PNB Holdings Corporation is a wholly-owned holding subsidiary of PNB which owns 100% of PNB General Insurers Co., Inc., a non-life insurance company that offers coverage for fire and allied perils, marine, motor car, aviation, surety, casualty, engineering, personal accident insurance and other special products.

PNB INTERNATIONAL INVESTMENTS CORPORATION

PNB International Investments Corporation is a non-bank holding subsidiary and is the parent company of PNB Remittance Centers, Incorporated (PNB RCI). PNB RCI has a network of 20 money transfer offices in six states of the United States of America.

PNB RCI also owns PNB Remittance Company, Nevada (PNBRCN) and PNBRCI Holding Company, Limited (PNBRCI Holding). PNBRCN provides money transfer service in the State of Nevada, while PNBRCI Holding was established to be the holding company of PNB Remittance Company (Canada) [PNBRCC]. PNBRCC has seven offices servicing the remittance requirements of Filipinos in Canada.

PNB LIFE INSURANCE, INC.

PNB Life Insurance, Inc. is a majority-owned subsidiary of PNB by virtue of the merger of PNB and Allied Banking Corporation. The company provides traditional life and unit-linked or variable insurance, group insurance and other special products nationwide mainly through bancassurance with PNB's branch network.

PNB Life Insurance, Inc. traces its roots from New York Life Insurance Philippines, Inc. (NYLIP) which became a majority-owned subsidiary of ABC in June 2007. NYLIP was renamed as PNB Life Insurance, Inc. in May 2008.

PNB SECURITIES, INC.

PNB Securities, Inc. is a wholly-owned stock brokerage subsidiary which engages in the brokerage and dealership of shares of common and preferred shares of stock listed in the Philippine Stock Exchange. PNB Securities, Inc. also offers various stock market research products to inform and assist clients in making decisions with their investments in the equities market.

MARKET PRICE AND DIVIDENDS ON PNB COMMON EQUITY

1. Market Information

The PNB 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 (2) fiscal years are:

	2014		2015		2016	
	High	Low	High	Low	High	Low
Jan – Mar	87.20	75.56	87.50	76.70	53.90	43.00
Apr – Jun	94.95	81.50	79.00	62.00		
Jul – Sep	91.50	85.95	68.90	49.50		
Oct - Dec	88.30	76.50	54.50	49.60		

The trading price of each PNB common share as of March 31, 2016 was ₱52.55.

2. Holders

The Bank has 29,968 shareholders as of March 31, 2016. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

No.	Stockholders	Common Shares[1/]	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Non-Filipino)	116,921,488	9.3601612421
2	Key Landmark Investments, Limited	109,115,864	8.7358212437
3	PCD Nominee Corporation (Filipino)	100,003,914	8.0079384845
4	Solar Holdings Corporation	67,148,224	5.3755576884
5	Caravan Holdings Corporation	67,148,224	5.3755576884
6	True Success Profits Limited	67,148,224	5.3755576884
7	Prima Equities & Investments Corporation	58,754,696	4.7036129774
8	Leadway Holdings, Incorporated	53,470,262	4.2805670928
9	Infinity Equities, Incorporated	50,361,168	4.0316682663
10	Pioneer Holdings Equities, Inc.	28,044,239	2.2450843163
11	Multiple Star Holdings Corporation	25,214,730	2.0185676946
12	Donfar Management Limited	25,173,588	2.0152740677
13	Uttermost Success, Limited	24,752,272	1.9815455738
14	Mavelstone International Limited	24,213,463	1.9384111662
15	Kenrock Holdings Corporation	21,301,405	1.7052860761
16	Fil-Care Holdings, Incorporated	20,836,937	1.6681030446
17	Fairlink Holdings Corporation	20,637,854	1.6521654354
18	Purple Crystal Holdings, Inc.	19,980,373	1.5995307292
19	Kentron Holdings & Equities Corporation	19,944,760	1.5966797270
20	Fragile Touch Investment, Limited	18,581,537	1.4875467754

[1/] *This includes the 423,962,500 common shares issued to the stockholders of ABC relative to the merger of PNB and ABC as approved by the SEC on January 17, 2013.*

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 restricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the BSP as provided under the Manual of Regulations for Banks (MORB) and subject to compliance with certain 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 (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank.

As of date, the Bank has not declared any dividends for the fiscal years 2014 and 2015.

PRODUCTS AND SERVICES

DEPOSITS AND RELATED SERVICES

Peso Accounts
- Current Accounts
  - Budget Checking Account
  - Regular Checking Account
  - PNBig Checking Account
  - Priority One Checking Account
  - Executive Checking Account
  - Combo Checking Account
  - Negotiable Order of Withdrawal (N.O.W.)
  - Advantage Account
- Savings Accounts
  - Passbook Savings Account
  - Superteller ATM Account
  - Debit MasterCard ATM Savings Account
  - TAP MasterCard Savings Account
  - OFW Savings Account
  - Direct Deposit Program
  - SSS Pensioners Account
  - GSIS Pensioners Account
  - Prime Savings Account
  - Cash Card
  - Star Kiddie Club
  - Top Saver
  - Panatag Na Buhay SuperTeller ATM Account
- Time Deposit Accounts
  - Regular Time Deposit Account
  - PNBig Savings Account
  - Wealth Multiplier Account
  - Treasury Nego
  - Market Rate Savings Deposit Account
  - Top Provider Plus Time Deposit Account

Dollar Accounts
- Current Accounts
  - Greencheck Account
- Savings Accounts
  - OFW Dollar Savings Account
  - Dollar Savings Account
  - Direct Deposit Dollar Savings Account
- Time Deposit Accounts
  - Greenmarket
  - Dollar M.I.N.T. Account
  - Dollar Treasury Nego
  - Dollar Wealth Multiplier Account
  - Top Dollar Time Deposit Account

Other Foreign Currency Accounts
- Savings Accounts
  - Euro Savings Account
  - Renminbi Savings Account
  - Yen Savings Account
- Time Deposit Accounts
  - Euro Time Deposit Account
  - Renminbi Time Deposit Account

Cash Management Solutions
- Account Management
- Liquidity Management
- Collections Management
  - e-Collect
  - Auto-Debit Arrangement (ADA)
  - PDC Warehousing
- Deposit Pick-up Services
  - Cash Mover
  - Retail Cash Mover
  - Cash Delivery
  - Direct Deposit Pick-up
- Payments Management
  - Electronic Funds Transfer
    - Corporate *e*-Pay
    - Auto-Pay
  - Paper-based Payment
    - Executive Checking Account (ECA)
    - Executive Check Online
  - Over-the-Counter Payment
    - Cash Over-the-Counter
  - Payroll Services
    - Paywise
    - Paywise Plus
  - Government Payments
    - BIR *e*-Tax / PNB *e*-Tax
    - PNB *i*Tax
    - Bancnet e-Gov
      - SSS
      - PAG-IBIG
      - PhilHealth
    - SSS Pension
    - SSS Sickness and Maternity Benefits Payment through the Bank

Electronic Banking Services
- Internet Banking System (IBS)
- Phone Banking
- Mobile Banking (Proprietary)
- Automated Teller Machine

Other Services
- Safety Deposit Boxes

BANCASSURANCE

Non-Life Insurance
- Auto Protector Plan/Motor Safe Plus
- House Protector Plan/Home Safe Plus
- 6-in-1 Family Accident Protector Plan
- Personal Accident with Pangkabuhayan Assistance
- Stay Safe Plus
- ATM Safe

Life Insurance
- PNB Life Premier Life Peso
- PNB Life Premier Life Dollar
- PNB Peso Intensify
- Milestone Protect 360
- Milestone
- Bida
- Hero
- Achievers
- Stars
- AirLite
- Yearly Renewable and Convertible Term Plan
- 5-Year Renewable and Convertible Term Plan
- 10-Year Renewable and Convertible Term Plan
- 15-Year Renewable and Convertible Term Plan
- Vertex
- Opulence
- Optimal Power Peso
- Optimal Power Dollar
- Maximal Power Peso
- Maximal Power Dollar
- Optimum Gold
- Optimum Green
- Optimax Gold
- Optimax Green
- Diversify Peso
- Group Secure
- Group Advantage
- Group Shield
- Group Protect
- Healthy Ka, Pinoy

REMITTANCE PRODUCTS AND SERVICES

Global Filipino Card (PHP, USD)
Overseas Bills Payment System
Credit to Other Banks (PHP, USD)
Door-to-Door Delivery
- Cash Delivery
- Check Delivery
- U.S. Dollar Delivery (selected Metro Manila Areas)

Cash Pick-Up
- Peso Pick-up (Domestic Branches)
- U.S. Dollar Pick-up (Metro Manila and selected Provincial Branches only)

Remittance Cards (7-Eleven in Hong Kong)
Remittance Channels
- Web Remittance
- Phone Remittance
- Mail-In Remittance
- Agent Remittance System

Other Services
- Remittance Tracker
- Remittance Text Alert

FUND TRANSFER AND RELATED SERVICES

International Foreign Currency Funds
- Transfers - Incoming/Outgoing
  - Via S.W.I.F.T. Transfers
  - Via PNB Overseas Branches

Domestic Interbank Funds Transfers
- Incoming/Outgoing
  - US Dollar
    - Gross Settlement Real Time (GSRT)
    - Philippine Domestic Dollar Transfer System (PDDTS)
  - Philippine Peso
    - Real Time Gross Settlement (RTGS)
    - Electronic Peso Clearing System (EPCS)
    - Bancnet Interbank Funds Transfers (IBFT)
  - Chinese Yuan
    - Renminbi Transfer System (RTS)

Demand Drafts
Cashier's/Manager's Checks
Travel Funds / Foreign Currency Notes
Regular Collection Service (Foreign and Domestic)
- Wells Fargo Bank NA – USD Final Credit Service (FCS)
- Deutsche Bank NY – USD Preferred Collection Service (PCS)
- Allied Bank (UK) Plc – GBP
- Canadian Imperial Bank of Commerce – CAD
- National Australia Bank – AUD
- PNB Singapore – SGD
- PNB Hong Kong – HKD
- Australia New Zealand Bank – AUD, NZD
- Deutsche Bank Frankfurt – EUR

Standard Collection Service
- Deutsche Bank NY – USD
- Wells Fargo Bank NA – USD Individual Collection
- PNB Singapore – USD
- Deutsche Bank AG – Other currencies

Cash Letter
- Deutsche Bank NY – USD
- Wells Fargo Bank NA – USD
- PNB Branches – Other Third Currencies for collection only

TREASURY PRODUCTS AND SERVICES

Foreign Exchange Conversion in the Spot Currency Market
- USD/PHP
- USD/JPY
- USD/CNY
- EUR/USD
- GBP/USD
- USD/Other Currencies

Financial Hedging Instruments
- Foreign Exchange Forward Contracts
  - USD/PHP
  - USD/JPY
  - EUR/USD
- Foreign Exchange Swap Contracts
  - USD/PHP
  - USD/JPY
  - EUR/USD
- Cross Currency Swaps
  - USD/PHP
- Philippine Peso Interest Rate Swaps

Local (PHP) and Foreign Currency
- Denominated Fixed Income Securities
  - Securities issued by the Republic of the Philippines
    - Treasury Bills
    - Treasury Bonds
    - Retail Treasury Bonds
    - USDollar denominated ROPs
    - EUR denominated ROPs
  - Securities issued by Corporations and Financial Institutions in the Philippines
    - Corporate Bonds
    - Long Term Negotiable Certificates of Deposits
    - Unsecured Subordinated Debt
  - Securities issued by the United States of America
    - Treasury Bills
    - Treasury Bonds

Local and Foreign Currency Denominated
- Short-term Money Market Instruments
  - Certificates of Time Deposits

TRADE FINANCE SERVICES

Export Services
- Advising of Letters of Credit
- Confirmation of Letters of Credit
- Export Financing
  - Pre-Shipment Export Financing
  - Post Shipment Financing

PRODUCTS AND SERVICES

Import Services
- Issuance and Negotiation of Letters of Credit (Foreign/Domestic)
- Issuance of Shipside Bonds/Shipping Guarantees
- Trust Receipt Financing
- Servicing of Importations and Sale of Foreign Exchange (FX) for Trade in USD and major third currencies including RMB/Chinese Yuan
  - Letters of Credit (LC)
  - Collection Documents – D/P, DA/OA
  - Direct Remittance (D/R)
  - Advance Payment
- Forward Contracts for Future Import Payment
- Servicing of Collection and Payment of Advance and Final Customs Duties for all ports in the Philippines covered under the E2M project of the Bureau of Customs Project Abstract Secure (PAS5)

Special Financing Services
- BSP *e*-Rediscounting Facility for Export and Import Transactions
- Issuance of Standby Letters of Credit to serve the following bank guarantee requirements:
  - Loan Repayment Guarantee
  - Advance Payment Bonds
  - Bid Bonds
  - Performance Bonds
  - Other Bonds
- Issuance of Standby Letters of Credit under PNB's "Own a Philippine Home Loan Program"
- Issuance and Servicing of Deferred Letters of Credit as mode of payment for :
  - Importation or Local Purchase of Capital Goods
  - Services Rendered (e.g., Construction/Installation of Infrastructure Projects, etc.)

LENDING SERVICES

Corporate/ Institutional Loans
- Credit Lines
  - Revolving Credit Line (RCL)
  - Non-revolving Credit Line
  - Omnibus Line
- Export Financing Facilities
  - Export Advance Loan
  - Export Advance Line
- Bills Purchased Lines
  - Domestic Bills Purchased Line
  - Export Bills/Drafts Purchased Line
  - Discounting Line
- Import-Related transactions
  - Letters of Credit Facility
  - Trust Receipt Facility
  - Risk Participation
- Standby Letters of Credit – Foreign/ Domestic
- Deferred Letters of Credit – Foreign/ Domestic
- Term Loans
  - Medium-and Long-Term Loan
  - Short-Term Loan
  - Project Financing
- Loans Against Deposit Hold Out
- Time Loans
  - Agricultural
  - Commercial
- Structured Trade Finance
  - Export Credit Agency Lines
  - US-EXIM Guarantee Program
- Specialized Lending Programs
  - DBP Wholesale Lending Facilities
  - LBP Wholesale Lending Facilities
  - SSS Wholesale Lending Facilities
  - BSP Rediscounting Facility
  - Credit Loan Program for Electric Cooperatives
  - Future Japanese Yen Airline and Cargo Receivables Securitization
  - Purchase of Receivables Facility
- Sugar Financing Program
  - Sugar Crop Production Line (SCPL)
  - Sugar Quedan Financing Line (SQFL)
  - Time Loan Agricultural (TLA)
  - Operational Loan (OpL)
- Small Business Loans for SMEs
  - Domestic Bills Purchased Line
  - Term Loan

Local Guarantee Facilities
- PhilEXIM Guarantee
- SB Corp. Guarantee Program
- LGU Guarantee

Loans to Local Government Units (LGUs)
- Term Loans
- Import LC Facility Against Loan or Cash
- Domestic Letters of Credit Against Loan or Cash
- Loans Against Deposit Hold Out

Credit Facilities to Government
- Owned and Controlled Corporation/ National Government Agencies/Public Utilities (GOCCs/NGAs/PUs)
  - Project Financing
  - Term Loans
  - Credit Lines
  - Export Financing Facilities
  - Bills Purchased Lines
  - Import Letters of Credit/Documents
    - Against Acceptance/Documents
    - Against Payment/Trust Receipts Line
  - Standby Letters of Credit
  - Structured Trade Finance
    - Export Credit Agency Lines
    - Guarantee Program
  - LGU Bond Flotation (thru PNB Capital and Investment Corp.)
  - Loans Against Deposit Hold Out

Consumer Loans
- PNB Housing Loan
- PNB Home Flexi Loan
- PNB Auto Loan
- PNB Salary Loan
- PNB SSS Pensioner Loan
- Own a Philippine Home Loan (OPHL)
- Global Filipino Auto Loan (Overseas Auto Loan)
- Contract to Sell Financing

Credit Cards
- PNB MasterCard (Essentials and Platinum)
- PNB Visa (Classic and Gold)
- PNB UnionPay (Diamond)
- PNB Corporate MasterCard
- PNB-PAL Mabuhay Miles MasterCard (Platinum and World)
- PNB-The Travel Club MasterCard (Platinum)
- PNB-Jewelmer Joaillerie MasterCard (Platinum)

TRUST PRODUCTS AND SERVICES

Unit Investment Trust Funds (UITF)
- Money Market Funds
  - PNB Prime Peso Money Market Fund
  - PNB Prime Dollar Money Market Fund
  - PNB Global Filipino Peso Money Market Fund
  - PNB Global Filipino Dollar Money Market Fund
  - PNB DREAM Builder Money Market Fund
  - PNB Institutional Money Market Fund
- Intermediate-Term Bond Funds
  - PNB Profit Dollar Intermediate Term Bond Fund
  - Allied Unit Performance GS Fund
- Long-Term Bond Funds
  - Allied Unit Performance Dollar Fund
- Balanced Funds
  - PNB Prestige Balanced Fund
- Equity Funds
  - PNB Enhanced Phil-Index Reference Fund
  - PNB High Dividend Fund
  - Allied Unit Performance Equity Fund

Personal Trust Products
- Living Trust
- Investment Management Account (IMA)
- Estate Planning
- Pinnacle Club
- Testamentary Trust

Corporate Trust Products
- Corporate Fund Management
- Employee Benefit Trust/Retirement Fund
- Pre-Need Accounts

Other Fiduciary Trust Products and Services
- Escrow
- Guardianship
- Life Insurance Trust
- Facility/Loan Agency
- Trust Under Indenture
- LGU Bonds Trusteeship
- Stock Transfer Agency
- Securitization

SUBSIDIARIES

Banking
- Allied Banking Corporation (Hong Kong) Limited
  - ACR Nominees Limited
- Allied Commercial Bank
- PNB Savings Bank
- Philippine National Bank (Europe) PLC

Holding Company
- PNB Holdings Corporation
- PNB International Investments Corporation

Investment Banking
- PNB Capital and Investment Corporation

Leasing and Financing
- Allied Leasing and Finance Corporation
- PNB-IBJL Leasing and Finance Corporation
  - PNB-IBJL Equipment Rentals Corporation

Lending
- PNB Global Remittance and Financial Company (HK) Limited

Life Insurance
- PNB Life Insurance, Inc.

Non-Life Insurance
- PNB General Insurers Co., Inc.

Remittance
- PNB Remittance Centers, Inc.
- PNB Remittance Company (Canada)
- PNB Remittance Company (Nevada)
- PNB Global Remittance and Financial Company (HK) Limited

Stock Brokerage
- PNB Securities, Inc.

FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine National Bank is responsible for the preparation and fair presentation of the consolidated and parent company financial statements as of December 31, 2015 and 2014 and for each of the years ended December 31, 2015, 2014 and 2013, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated and parent company financial statements and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has examined the consolidated and parent company financial statements of Philippine National 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 examination.

FLORENCIA G. TARRIELA
Chairman of the Board

REYNALDO A. MACLANG
President

NELSON C. REYES
Executive Vice President & Chief Financial Officer

MAR 2 8 2016

SUBSCRIBED AND SWORN to before me this __________ day of March 2016 affiants exhibiting to me their Passport Nos., as follows:

Names	Passport No.	Date of Issue	Place of Issue
Florencia G. Tarriela	EB6620757	October 23, 2012	DFA Manila
Reynaldo A. Maclang	EC0299319	February 14, 2014	DFA Manila
Nelson C. Reyes	EC3050873	December 20, 2014	DFA NCR South

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Book No. III
Series of 2016.

Notary Public
[illegible] T. RAMIREZ
[illegible] Roll No. 45158
[illegible] City until 12/31/17
[illegible] Financial Center
[illegible] Blvd., Pasay City
PTR [illegible]/01-07-16/Pasay City
IBP No. [illegible]/12-14-15/RSM

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philippine National Bank

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Philippine National Bank and 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, 2015 and 2014, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

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 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue 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.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until April 30, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018
PTR No. 5321647, January 4, 2016, Makati City

March 2, 2016

STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS)

	Consolidated		Parent Company	
	December 31			
	2015	2014	**2015**	2014
ASSETS				
Cash and Other Cash Items	**₱15,220,536**	₱14,628,489	**₱12,598,715**	₱13,865,078
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**81,363,444**	105,773,685	**79,203,948**	95,415,467
Due from Other Banks (Note 34)	**18,287,308**	15,591,406	**11,450,573**	5,013,357
Interbank Loans Receivable (Note 8)	**5,800,383**	7,671,437	**5,958,526**	7,671,437
Securities Held Under Agreements to Resell (Notes 8 and 36)	**14,550,000**	–	**14,550,000**	–
Financial Assets at Fair Value Through Profit or Loss (Note 9)	**4,510,545**	17,351,626	**4,492,864**	6,695,950
Available-for-Sale Investments (Note 9)	**68,341,024**	63,091,497	**66,734,752**	55,411,588
Held-to-Maturity Investments (Note 9)	**23,231,997**	22,970,306	**23,137,643**	21,559,631
Loans and Receivables (Notes 10 and 34)	**365,725,146**	316,253,021	**328,300,238**	289,021,394
Property and Equipment (Note 11)	**22,128,464**	19,574,383	**19,144,198**	18,683,415
Investments in Subsidiaries (Note 12)	**–**	–	**23,821,982**	24,102,612
Investment Properties (Notes 13 and 35)	**13,230,005**	20,248,482	**14,666,831**	19,752,903
Deferred Tax Assets (Note 31)	**1,173,575**	1,461,938	**1,031,948**	1,029,423
Intangible Assets (Note 14)	**2,442,878**	2,294,824	**2,346,246**	2,200,102
Goodwill (Note 14)	**13,375,407**	13,375,407	**13,515,765**	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 37)	**23,526,757**	–	**846,015**	–
Other Assets (Note 15)	**6,780,268**	5,159,331	**5,417,287**	4,178,455
TOTAL ASSETS	**₱679,687,737**	₱625,445,832	**₱627,217,531**	₱578,116,577
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 34)				
Demand	**₱110,029,680**	₱101,561,040	**₱108,667,550**	₱100,322,249
Savings	**315,355,056**	293,201,308	**311,090,518**	284,837,113
Time	**60,552,445**	52,881,409	**50,736,320**	47,287,301
	485,937,181	447,643,757	**470,494,388**	432,446,663
Financial Liabilities at Fair Value Through Profit or Loss (Note 18)	**135,193**	10,862,025	**135,009**	44,264
Bills and Acceptances Payable (Notes 19, 34 and 36)	**25,752,222**	19,050,058	**24,629,887**	18,526,044
Accrued Taxes, Interest and Other Expenses (Note 20)	**5,875,228**	5,441,349	**5,371,733**	5,035,156
Subordinated Debt (Note 21)	**9,986,427**	9,969,498	**9,986,427**	9,969,498
Income Tax Payable	**134,720**	85,505	**55,180**	70,001
Liabilities of Disposal Group Classified as Held for Sale (Note 37)	**21,452,621**	–	**–**	–
Other Liabilities (Note 22)	**25,658,284**	33,332,758	**17,669,131**	18,629,173
	574,931,876	526,384,950	**528,341,755**	484,720,799
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**49,965,587**	49,965,587	**49,965,587**	49,965,587
Capital Paid in Excess of Par Value (Note 25)	**31,331,251**	31,331,251	**31,331,251**	31,331,251
Surplus Reserves (Notes 25 and 33)	**554,263**	537,620	**554,263**	537,620
Surplus (Note 25)	**24,799,259**	18,702,394	**22,219,098**	16,019,048
Net Unrealized Loss on Available-for-Sale Investments (Note 9)	**(3,763,667)**	(2,336,142)	**(3,022,853)**	(2,276,501)
Remeasurement Losses on Retirement Plan (Note 29)	**(2,357,873)**	(2,292,833)	**(2,326,283)**	(2,249,830)
Accumulated Translation Adjustment (Note 25)	**612,468**	(59,854)	**154,713**	68,603
Reserves of Disposal Group Classified as Held for Sale (Note 37)	**593,237**	–	**–**	–
Other Equity Adjustment (Note 12)	**13,959**	–	**–**	–
Parent Company Shares Held by a Subsidiary (Note 25)	**(9,945)**	–	**–**	–
	101,738,539	95,848,023	**98,875,776**	93,395,778
NON-CONTROLLING INTERESTS (Note 12)	**3,017,322**	3,212,859	**–**	–
	104,755,861	99,060,882	**98,875,776**	93,395,778
TOTAL LIABILITIES AND EQUITY	**₱679,687,737**	₱625,445,832	**₱627,217,531**	₱578,116,577

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	Consolidated			Parent Company		
	Years Ended December 31					
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	**2015**	2014	2013
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 34)	**₱17,137,657**	₱15,172,464	₱13,104,584	**₱15,151,263**	₱13,994,793	₱12,558,709
Trading and investment securities (Note 9)	**3,742,036**	2,992,864	3,486,766	**3,705,138**	2,938,727	3,409,591
Deposits with banks and others (Notes 7 and 34)	**785,414**	1,919,443	1,575,450	**596,592**	1,616,415	1,361,825
Interbank loans receivable (Note 8)	**36,746**	19,218	19,852	**36,316**	19,219	18,101
	21,701,853	20,103,989	18,186,652	**19,489,309**	18,569,154	17,348,226
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 34)	**2,980,019**	2,788,400	3,655,381	**2,773,720**	2,614,956	3,569,034
Bills payable and other borrowings (Notes 19, 21 and 34)	**1,029,995**	856,927	1,070,696	**1,003,173**	801,114	1,027,124
	4,010,014	3,645,327	4,726,077	**3,776,893**	3,416,070	4,596,158
NET INTEREST INCOME	**17,691,839**	16,458,662	13,460,575	**15,712,416**	15,153,084	12,752,068
Service fees and commission income (Notes 26 and 34)	**4,312,898**	3,546,449	3,489,065	**3,355,972**	2,872,162	2,611,282
Service fees and commission expense (Note 34)	**716,849**	670,033	750,500	**292,724**	351,287	380,154
NET SERVICE FEES AND COMMISSION INCOME	**3,596,049**	2,876,416	2,738,565	**3,063,248**	2,520,875	2,231,128
Net insurance premiums (Note 27)	**540,464**	408,273	371,391	**–**	–	–
Net insurance benefits and claims (Note 27)	**436,887**	96,138	1,273,133	**–**	–	–
NET INSURANCE PREMIUMS (BENEFITS AND CLAIMS)	**103,577**	312,135	(901,742)	**–**	–	–
OTHER INCOME						
Net gain on sale or exchange of assets (Note 13)	**1,595,518**	1,453,047	518,604	**1,581,385**	1,435,726	496,864
Foreign exchange gains - net (Note 23)	**1,207,840**	1,295,318	1,230,872	**973,680**	1,007,476	1,007,721
Trading and investment securities gains - net (Notes 9 and 34)	**574,321**	1,267,706	4,616,483	**569,778**	1,234,347	4,421,504
Miscellaneous (Notes 28 and 34)	**1,719,759**	2,141,415	1,390,663	**1,759,155**	1,419,590	984,863
TOTAL OPERATING INCOME	**26,488,903**	25,804,699	23,054,020	**23,659,662**	22,771,098	21,894,148
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 29 and 34)	**8,234,957**	7,429,876	5,873,368	**7,173,327**	6,582,719	5,144,506
Taxes and licenses	**1,910,735**	1,826,963	1,758,220	**1,723,421**	1,693,907	1,681,885
Depreciation and amortization (Note 11)	**1,452,221**	1,481,931	1,690,513	**1,305,779**	1,342,210	1,573,934
Occupancy and equipment-related costs (Notes 30 and 34)	**1,430,048**	1,462,540	1,495,136	**1,219,156**	1,257,625	1,298,564
Provision for impairment, credit and other losses (Note 16)	**568,180**	2,264,615	833,584	**94,435**	2,155,199	953,821
Miscellaneous (Notes 28 and 34)	**5,319,544**	4,740,602	5,200,795	**4,911,986**	3,950,882	4,827,552
TOTAL OPERATING EXPENSES	**18,915,685**	19,206,527	16,851,616	**16,428,104**	16,982,542	15,480,262

(Forward)

STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	Consolidated			Parent Company		
	Years Ended December 31					
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	2015	2014	2013
INCOME BEFORE INCOME TAX	**₱7,573,218**	₱6,598,172	₱6,202,404	**₱7,231,558**	₱5,788,556	₱6,413,886
PROVISION FOR INCOME TAX (Note 31)	**1,619,554**	1,367,288	1,151,595	**1,014,865**	1,369,207	1,034,471
NET INCOME FROM CONTINUING OPERATIONS	**5,953,664**	5,230,884	5,050,809	**6,216,693**	4,419,349	5,379,415
NET INCOME FROM DISCONTINUED OPERATIONS (Note 37)	**357,931**	264,161	196,680	–	–	–
NET INCOME	**₱6,311,595**	₱5,495,045	₱5,247,489	**₱6,216,693**	₱4,419,349	₱5,379,415
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company	**₱6,113,508**	₱5,358,669	₱5,146,315			
Non-controlling Interests	**198,087**	136,376	101,174			
	₱6,311,595	₱5,495,045	₱5,247,489			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱4.89**	₱4.60	₱4.82			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 32)	**₱4.67**	₱4.42	₱4.67			

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	Consolidated			Parent Company		
	Years Ended December 31					
	2015	2014	2013	2015	2014	2013
NET INCOME	**₱6,311,595**	₱5,495,045	₱5,247,489	**₱6,216,693**	₱4,419,349	₱5,379,415
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on available-for-sale investments (Note 9)	**(824,011)**	1,257,552	(4,412,125)	**(749,211)**	1,115,330	(4,296,682)
Income tax effect (Note 31)	**2,887**	9,059	(464)	**2,859**	9,098	(8,933)
	(821,124)	1,266,611	(4,412,589)	**(746,352)**	1,124,428	(4,305,615)
Accumulated translation adjustment	**823,525**	(368,697)	1,238,778	**86,110**	(156,991)	287,346
	2,401	897,914	(3,173,811)	**(660,242)**	967,437	(4,018,269)
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurement losses on retirement plan (Note 29)	**(94,267)**	(1,024,067)	(503,721)	**(76,453)**	(986,931)	(489,062)
Income tax effect (Note 31)	**2,277**	9,334	3,253	–	–	–
	(91,990)	(1,014,733)	(500,468)	**(76,453)**	(986,931)	(489,062)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(89,589)**	(116,819)	(3,674,279)	**(736,695)**	(19,494)	(4,507,331)
TOTAL COMPREHENSIVE INCOME	**₱6,222,006**	₱5,378,226	₱1,573,210	**₱5,479,998**	₱4,399,855	₱872,084
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱5,886,502**	₱5,238,706	₱1,314,717			
Non-controlling interests	**335,504**	139,520	258,493			
	₱6,222,006	₱5,378,226	₱1,573,210			

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
(IN THOUSANDS)

	Consolidated												
	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 33)	Surplus (Note 25)	Net Unrealized Loss on Available-for-Sale Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 29)	Accumulated Translation Adjustment (Note 25)	Reserves of a Disposal Group Classified as Held for Sale (Note 37)	Other Equity Adjustment (Note 12)	Parent Company Shares Held by a Subsidiary (Note 25)	Total	Non-controlling Interests (Note 12)	Total Equity
Balance at January 1, 2015	**₱49,965,587**	**₱31,331,251**	**₱537,620**	**₱18,702,394**	**(₱2,336,142)**	**(₱2,292,833)**	**(₱59,854)**	**₱–**	**₱–**	**₱–**	**₱95,848,023**	**₱3,212,859**	**₱99,060,882**
Total comprehensive income (loss) for the year	–	–	–	6,113,508	(809,876)	(89,452)	672,322	–	–	–	5,886,502	335,504	6,222,006
Sale of direct interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	(543)	–	(543)	103,166	102,623
Acquisition of non-controlling interests (Note 12)	–	–	–	–	–	–	–	–	14,502	–	14,502	(616,274)	(601,772)
Acquisition of Parent Company shares by a subsidiary	–	–	–	–	–	–	–	–	–	(9,945)	(9,945)	–	(9,945)
Reserves of disposal group classified as held for sale	–	–	–	–	(617,649)	24,412	–	593,237	–	–	–	–	–
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(17,933)	(17,933)
Transfer to surplus reserves (Note 33)	–	–	16,643	(16,643)	–	–	–	–	–	–	–	–	–
Balance at December 31, 2015	**₱49,965,587**	**₱31,331,251**	**₱554,263**	**₱24,799,259**	**(₱3,763,667)**	**(₱2,357,873)**	**₱612,468**	**₱593,237**	**₱13,959**	**(₱9,945)**	**₱101,738,539**	**₱3,017,322**	**₱104,755,861**
Balance at January 1, 2014	₱43,448,337	₱26,499,909	₱524,003	₱13,357,342	(₱3,581,865)	(₱1,278,372)	₱291,371	₱–	₱–	₱–	₱79,260,725	₱3,078,228	₱82,338,953
Total comprehensive income (loss) for the year	–	–	–	5,358,669	1,245,723	(1,014,461)	(351,225)	–	–	–	5,238,706	139,520	5,378,226
Issuance of capital stock (Note 25)	6,517,250	5,050,869	–	–	–	–	–	–	–	–	11,568,119	–	11,568,119
Transaction costs on shares issuance	–	(219,527)	–	–	–	–	–	–	–	–	(219,527)	–	(219,527)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(4,889)	(4,889)
Transfer to surplus reserves (Note 33)	–	–	13,617	(13,617)	–	–	–	–	–	–	–	–	–
Balance at December 31, 2014	₱49,965,587	₱31,331,251	₱537,620	₱18,702,394	(₱2,336,142)	(₱2,292,833)	(₱59,854)	₱–	₱–	₱–	₱95,848,023	₱3,212,859	₱99,060,882
Balance at January 1, 2013	₱26,489,837	₱2,037,272	₱569,887	₱8,165,143	₱1,037,252	(₱781,900)	(₱992,620)	₱–	₱–	(₱4,740)	₱36,520,131	₱54,228	₱36,574,359
Total comprehensive income (loss) for the year	–	–	–	5,146,315	(4,619,117)	(496,472)	1,283,991	–	–	–	1,314,717	258,493	1,573,210
Issuance of capital stock (Note 1)	16,958,500	24,547,429	–	–	–	–	–	–	–	–	41,505,929	–	41,505,929
Transaction costs on shares issuance	–	(84,792)	–	–	–	–	–	–	–	–	(84,792)	–	(84,792)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(2,873)	(2,873)
Non-controlling interests arising from a business combination	–	–	–	–	–	–	–	–	–	–	–	2,768,380	2,768,380
Transfer from surplus reserves (Note 33)	–	–	(45,884)	45,884	–	–	–	–	–	–	–	–	–
Disposal of Parent Company shares by a subsidiary	–	–	–	–	–	–	–	–	–	4,740	4,740	–	4,740
Balance at December 31, 2013	₱43,448,337	₱26,499,909	₱524,003	₱13,357,342	(₱3,581,865)	(₱1,278,372)	₱291,371	₱–	₱–	₱–	₱79,260,725	₱3,078,228	₱82,338,953

STATEMENTS OF CHANGES IN EQUITY
(IN THOUSANDS)

	Parent Company							
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 33)	Surplus (Note 25)	Net Unrealized Loss on Available-for-Sale Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 29)	Accumulated Translation Adjustment (Note 25)	Total Equity
Balance at January 1, 2015	**₱49,965,587**	**₱31,331,251**	**₱537,620**	**₱16,019,048**	**(₱2,276,501)**	**(₱2,249,830)**	**₱68,603**	**₱93,395,778**
Total comprehensive income (loss) for the year	–	–	–	6,216,693	(746,352)	(76,453)	86,110	5,479,998
Transfer to surplus reserves (Note 33)	–	–	16,643	(16,643)	–	–	–	–
Balance at December 31, 2015	**₱49,965,587**	**₱31,331,251**	**₱554,263**	**₱22,219,098**	**(₱3,022,853)**	**(₱2,326,283)**	**₱154,713**	**₱98,875,776**
Balance at January 1, 2014	₱43,448,337	₱26,499,909	₱524,003	₱11,613,316	(₱3,400,929)	(₱1,262,899)	₱225,594	₱77,647,331
Total comprehensive income (loss) for the year	–	–	–	4,419,349	1,124,428	(986,931)	(156,991)	4,399,855
Issuance of capital stock (Note 25)	6,517,250	5,050,869	–	–	–	–	–	11,568,119
Transaction costs on shares issuance	–	(219,527)	–	–	–	–	–	(219,527)
Transfer to surplus reserves (Note 33)	–	–	13,617	(13,617)	–	–	–	–
Balance at December 31, 2014	₱49,965,587	₱31,331,251	₱537,620	₱16,019,048	(₱2,276,501)	(₱2,249,830)	₱68,603	₱93,395,778
Balance at January 1, 2013	₱26,489,837	₱2,037,272	₱569,887	₱6,188,017	₱904,686	(₱773,837)	(₱61,752)	₱35,354,110
Total comprehensive income (loss) for the year	–	–	–	5,379,415	(4,305,615)	(489,062)	287,346	872,084
Issuance of capital stock (Note 1)	16,958,500	24,547,429	–	–	–	–	–	41,505,929
Transaction costs on shares issuance	–	(84,792)	–	–	–	–	–	(84,792)
Transfer from surplus reserves (Note 33)	–	–	(45,884)	45,884	–	–	–	–
Balance at December 31, 2013	₱43,448,337	₱26,499,909	₱524,003	₱11,613,316	(₱3,400,929)	(₱1,262,899)	₱225,594	₱77,647,331

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Consolidated			Parent Company		
	Years Ended December 31					
	2015	2014	2013	**2015**	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱7,573,218**	₱6,598,172	₱6,202,404	**₱7,231,558**	₱5,788,556	₱6,413,886
Income before income tax from discontinued operations (Note 37)	**402,236**	307,333	227,123	**–**	–	–
Income before income tax	**7,975,454**	6,905,505	6,429,527	**7,231,558**	5,788,556	6,413,886
Adjustments for:						
Net gain on sale or exchange of assets (Note 13)	**(1,595,518)**	(1,453,047)	(518,604)	**(1,581,385)**	(1,435,726)	(496,864)
Depreciation and amortization (Notes 11 and 37)	**1,462,925**	1,495,970	1,705,660	**1,305,779**	1,342,210	1,573,934
Amortization of premium (discount) on investment securities	**(911,967)**	(694,846)	1,166,368	**(872,123)**	1,099,979	1,167,834
Realized trading gain on available-for-sale investments (Notes 9 and 37)	**(782,065)**	(1,174,153)	(4,375,759)	**(756,777)**	(1,128,511)	(4,183,617)
Provision for impairment, credit and other losses (Notes 16 and 37)	**600,945**	2,264,615	833,584	**94,435**	2,155,199	953,821
Loss (gain) on mark-to-market of derivatives (Note 23)	**583,375**	(105,244)	529,159	**583,358**	(105,087)	530,468
Loss on mark-to-market of held for trading securities (Note 9)	**314,836**	233,439	267,643	**314,846**	233,506	267,732
Recoveries on receivable from special purpose vehicle (Note 28)	**(353,000)**	(27,000)	(266,000)	**(353,000)**	(27,000)	(266,000)
Unrealized foreign exchange gain on available-for-sale investments	**(181,328)**	(13,599)	(32,195)	**(176,197)**	(9,993)	(32,195)
Amortization of fair values of HTM reclassified to AFS (Note 9)	**139,372**	124,145	–	**126,531**	102,615	–
Amortization of fair value adjustments	**63,519**	222,245	117,413	**63,519**	222,245	117,413
Unrealized foreign exchange gain (loss) on bills payable and acceptances	**(42,996)**	33,378	(96,001)	**(42,996)**	33,378	(96,001)
Amortization of transaction costs (Notes 17 and 21)	**33,836**	38,600	34,191	**33,836**	38,600	34,191
Unrealized foreign exchange gain on held-to-maturity investments	**(25,082)**	–	–	**–**	–	–
Gain on mark-to-market of financial assets and liabilities designated at fair value through profit or loss (Note 9)	**(210)**	(1,751)	(184,465)	**–**	–	(179,878)
Loss on write-off of software cost (Note 14)	**–**	2,648	–	**–**	852	–
Gain from step-up acquisition (Note 28)	**–**	–	(63,605)	**–**	–	–
Share in net income of an associate (Note 28)	**–**	–	(4,975)	**–**	–	–
Gain from sale of shares in subsidiaries (Note 12)	**–**	–	–	**(66,235)**	(1,917)	–
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**178,898**	(178,898)	–	**132,596**	(178,898)	–
Financial assets at fair value through profit or loss	**(1,691,607)**	(5,768,722)	(1,963,492)	**1,304,882**	(2,978,696)	2,090,417
Loans and receivables	**(49,881,768)**	(44,553,319)	(40,625,440)	**(38,729,690)**	(35,839,430)	(35,766,254)
Other assets	**238,353**	(3,022,695)	362,874	**666,991**	(2,357,544)	(760,776)
Increase (decrease) in amounts of:						
Financial liabilities at fair value through profit or loss	**2,998,489**	2,787,130	(2,112,749)	**90,745**	(118,819)	(6,279,675)
Deposit liabilities	**38,196,138**	(14,994,164)	80,127,257	**37,950,439**	(16,258,325)	76,186,872
Accrued taxes, interest and other expenses	**595,696**	(82,174)	(14,876)	**336,577**	25,993	(156,016)
Other liabilities	**538,654**	(2,565,604)	8,221,163	**(294,584)**	(3,314,173)	3,152,271
Net cash generated from (used in) operations	**(1,545,051)**	(60,527,541)	49,536,678	**7,363,105**	(52,710,986)	44,271,563
Income taxes paid	**(718,496)**	(899,599)	(1,183,440)	**(516,503)**	(696,006)	(1,033,856)
Net cash provided by (used in) operating activities	**(2,263,547)**	(61,427,140)	48,353,238	**6,846,602**	(53,406,992)	43,237,707

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2015	2014	2013	**2015**	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Available-for-sale investments	**₱66,348,222**	₱63,379,326	₱145,302,130	**₱60,096,798**	₱56,615,134	₱143,623,926
Investment properties	**4,050,406**	2,849,775	3,021,651	**3,918,919**	2,830,358	2,678,954
Property and equipment (Note 11)	**499,529**	451,212	97,256	**432,469**	457,352	126,782
Investment in shares of a subsidiary (Note 12)	**–**	–	–	**102,623**	–	–
Proceeds from maturities/sale of :						
Available-for-sale investments	**21,848,096**	368,050	–	**21,848,096**	–	–
Held-to-maturity investments	**115,397**	40,000	–	**–**	–	–
Collection of receivables from special purpose vehicle	**353,000**	27,000	266,000	**353,000**	27,000	266,000
Acquisitions of:						
Available-for-sale investments	**(100,418,515)**	(65,693,182)	(141,313,335)	**(92,727,575)**	(59,006,674)	(140,290,305)
Held-to-maturity investments	**(951,321)**	(571,602)	–	**(892,200)**	(571,602)	–
Property and equipment (Note 11)	**(1,907,386)**	(981,458)	(861,312)	**(1,577,147)**	(835,152)	(753,771)
Software cost (Note 14)	**(571,768)**	(384,951)	(118,236)	**(558,372)**	(380,474)	(82,808)
Net cash acquired from merger	**–**	–	64,444,868	**–**	–	53,204,473
Additional investments in subsidiaries (Note 12)	**–**	–	–	**(601,772)**	(10,600,000)	–
Closure of subsidiaries (Note 12)	**–**	–	–	**–**	2,035	(38,267)
Net cash provided by (used in) investing activities	**(10,634,340)**	(515,830)	70,839,022	**(9,605,161)**	(11,462,023)	58,734,984
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of:						
Bills and acceptances payable	**116,889,829**	42,300,489	65,997,725	**112,249,710**	39,296,399	64,736,812
Capital stock	**–**	11,568,119	–	**–**	11,568,119	–
Proceeds from sale of non-controlling interests in subsidiaries (Note 12)	**102,623**	–	–	**–**	–	–
Settlement of:						
Bills and acceptances payable	**(111,096,764)**	(36,475,970)	(68,957,465)	**(107,562,132)**	(34,320,173)	(66,965,983)
Subordinated debt (Note 21)	**–**	–	(4,500,000)	**–**	–	(4,500,000)
Acquisition of non-controlling interests in subsidiaries (Note 12)	**(601,772)**	–	–	**–**	–	–
Payments for transaction cost of issuance of shares	**–**	(219,527)	(84,792)	**–**	(219,527)	(84,792)
Dividends paid to non-controlling interests	**(17,933)**	(4,889)	(2,873)	**–**	–	–
Net cash provided by (used in) financing activities	**5,275,983**	17,168,222	(7,547,405)	**4,687,578**	16,324,818	(6,813,963)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(7,621,904)**	(44,774,748)	111,644,855	**1,929,019**	(48,544,197)	95,158,728
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**14,628,489**	11,804,746	5,599,088	**13,865,078**	9,700,005	5,548,325
Due from Bangko Sentral ng Pilipinas	**105,773,685**	153,169,330	37,175,399	**95,415,467**	146,079,249	36,531,047
Due from other banks	**15,591,406**	14,881,541	4,042,769	**5,013,357**	6,146,134	3,293,782
Interbank loans receivable	**7,492,539**	8,405,250	11,498,756	**7,492,539**	8,405,250	11,498,756
Securities held under agreements to resell	**–**	–	18,300,000	**–**	–	18,300,000
	143,486,119	188,260,867	76,616,012	**121,786,441**	170,330,638	75,171,910
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**15,220,536**	14,628,489	11,804,746	**12,598,715**	13,865,078	9,700,005
Cash and other cash items from disposal group classified as held for sale (Note 37)	**642,544**	–	–	**–**	–	–
Due from Bangko Sentral ng Pilipinas	**81,363,444**	105,773,685	153,169,330	**79,203,948**	95,415,467	146,079,249
Due from other banks	**18,287,308**	15,591,406	14,881,541	**11,450,573**	5,013,357	6,146,134
Interbank loans receivable (Note 8)	**5,800,383**	7,492,539	8,405,250	**5,912,224**	7,492,539	8,405,250
Securities held under agreements to resell	**14,550,000**	–	–	**14,550,000**	–	–
	₱135,864,215	₱143,486,119	₱188,260,867	**₱123,715,460**	₱121,786,441	₱170,330,638
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱3,881,864**	₱3,387,941	₱4,628,585	**₱3,628,149**	₱3,150,615	₱4,522,239
Interest received	**20,208,489**	22,270,498	17,100,983	**17,952,107**	22,147,995	16,117,367
Dividends received	**22,190**	2,409	3,399	**198,338**	79,744	81,562

See accompanying Notes to Financial Statements.

1. **Corporate Information**

Philippine National Bank (the Parent Company) was established in the Philippines in 1916 and started commercial operations that same year. On May 27, 1996, the Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) with a corporate term of 50 years. Its principal place of business is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila. As of December 31, 2015, the LT Group, Inc. (LTG) held indirect ownership of 59.83% of the Parent Company's shares through various holding companies, while 17.37% of the Parent Company's shares were held by Philippine Central Depository Nominee Corporation. The remaining 22.80% of the Parent Company's shares were held by other stockholders holding less than 10.00% each of the Parent Company's shares. As of December 31, 2014, LTG held indirect ownership of 59.83% of the Parent Company's shares through its various subsidiaries, while 17.95% of the Parent Company's shares were held by various stockholders who issued proxies/special powers of attorney in favor of Director Lucio C. Tan. The remaining 22.22% of the Parent Company's shares were held by other stockholders.

The Parent Company's immediate parent company, LTG, and ultimate parent company, Tangent Holdings Corporation, are incorporated in the Philippines.

The Parent Company provides a full range of banking and other financial services to corporate, middle-market and retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies. The Parent Company's principal commercial banking activities include deposit-taking, lending, bills discounting, foreign exchange dealing, investment banking, fund transfers/remittance servicing and a full range of retail banking and trust services through its 665 and 657 domestic branches as of December 31, 2015 and 2014, respectively.

The Parent Company has the largest overseas network among Philippine banks with 75 and 77 branches, representative offices, remittance centers and subsidiaries as of December 31, 2015 and 2014, respectively, in 16 locations in the United States, Canada, Europe, the Middle East and Asia.

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

The Parent Company previously operated under a rehabilitation program pursuant to the memorandum of agreement signed by the Republic of the Philippines, the Philippine Deposit Insurance Corporation (PDIC) and the LTG on May 3, 2002. In May 2007, the Parent Company concluded its 5-year Rehabilitation Plan as approved by the Bangko Sentral ng Pilipinas (BSP).

Merger with Allied Banking Corporation

The respective shareholders of the Parent Company and Allied Banking Corporation (ABC), representing at least two-thirds of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on March 6, 2012. The original plan of the merger which was effected via a share-for-share exchange was approved by the affirmative vote of ABC and the Parent Company's respective shareholders, representing at least two-thirds of the outstanding capital stock of both banks, on June 24, 2008. Under the approved amended terms, the Parent Company will be the surviving entity. It will issue to ABC shareholders 130 Parent Company common shares for every ABC common share and 22.763 Parent Company common shares for every ABC preferred share. Merger and business combination are terms used interchangeably within the accompanying financial statements and have the same meaning.

On February 9, 2013, the Parent Company concluded its planned merger with ABC as approved and confirmed by the Board of Directors (BOD) of the Parent Company and of ABC on January 22 and 23, 2013, respectively. The purchase consideration as of February 9, 2013, the acquisition date, amounted to ₱41.5 billion which represents 423,962,500 common shares at the fair value of ₱97.9 per share in exchange for the 100.00% voting interest in ABC at the share swap ratio of 130 Parent Company common shares for one ABC share and 22.763 Parent Company common shares for one ABC preferred share. The fair value of the shares is the published price of the shares of the Parent Company as of February 9, 2013. There are no contingent considerations arrangements as part of the merger.

The merger of the Parent Company and ABC will enable the two banks to advance their long-term strategic business interests as they capitalized on their individual strengths and markets.

On April 26, 2013, the Parent Company filed a request for a ruling from the BIR seeking confirmation that the statutory merger of PNB and ABC is a tax-free merger under Section 40(C)(2) of the National Internal Revenue Code of 1997 as amended (Tax Code). As of December 31, 2015, the ruling request is still pending with the Law Division of the BIR. The Parent Company believes that the BIR will issue such confirmation on the basis of BIR Preliminary Ruling No. 01-2008 (dated September 28, 2008) whereby the BIR held that the statutory merger of PNB and ABC complies with Revenue Memorandum Ruling (RMR) No. 1-2001, subject to the submission of the merger documents and documents pertaining to the assets and liabilities transferred. RMR No. 1-2001 provides the fact pattern that should be present in order to secure BIR confirmation for a tax-free Section 40(C)(2) transaction.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The accompanying financial statements of the Parent Company and its subsidiaries (the Group) have been prepared on a historical cost basis except for financial assets and liabilities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that are measured at fair value. Amounts in the financial statements are presented to the nearest thousand pesos (₱000) unless otherwise stated.

The financial statements of the Parent Company and PNB Savings Bank (PNB SB) reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

The functional currency of RBU and FCDU is Philippine pesos (Php) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine pesos (see accounting policy on Foreign Currency Translation). The financial statements individually prepared for these units are combined and inter-unit accounts and transactions are eliminated.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented in Note 12.

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The statements of financial position of the Group and of the Parent Company are presented 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.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position only when there is a legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the statements of income unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies. This is not generally the case with master netting agreements, where the related assets and liabilities are presented gross amounts in the statement of financial position.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (Note 12).

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable return from its involvement with an investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of 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 its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption, and when the Group has less than a 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, including:

- Contractual arrangement with the other voting shareholders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in deficit balances of non-controlling interests. The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Changes in the Group and the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity as 'Other equity adjustment'. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

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 interests
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components 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 and liabilities

Non-controlling Interests
Non-controlling interests represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Subsequent to acquisition (See Accounting Policy on Business Combinations and Goodwill), non-controlling interests consist of the amount attributed to such interest at initial recognition and the non-controlling interests' share of changes in equity since the date of business combination.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments and improvements to PFRS which are effective beginning on or after January 1, 2015. Changes in the accounting policies that did not have any significant impact on the financial position or performance of the Group follow:

- Philippine Accounting Standards (PAS) 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)

Annual Improvements to PFRSs (2010-2012 cycle)
- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in as Business Combination*
- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
- PAS 24, *Related Party Disclosures – Key Management Personnel*

Annual Improvements to PFRSs (2011-2013 cycle)
- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement – Portfolio Exception*
- PAS 40, *Investment Property*

Significant Accounting Policies

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group, as an acquirer, shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in the consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash-Generating Units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the purchase method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interests, shall be considered.

In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value consideration received, is also accounted for as an equity transaction.

Non-current Assets and Disposal Group Classified as 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. Such non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Assets and liabilities of disposal group classified as held for sale are presented separately in the consolidated statements of financial position.

The Parent Company accounts for any investment to be retained over the disposal group at cost and presents it as part of 'Investment in subsidiaries' in the Parent Company's statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity 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 co-ordinated 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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of income.

Refer to Note 37 for the detailed disclosure on discontinued operations. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Foreign Currency Translation
The financial statements are presented in Php, which is also the Parent Company's functional currency. The books of accounts of the RBU are maintained in Php while those of the FCDU are maintained in USD. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
As at reporting date, foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year and for foreign currency-denominated income and expenses, at the exchange rates prevailing at transaction dates. Foreign exchange differences arising from revaluation of foreign currency-denominated monetary assets and liabilities of the entities are credited to or charged against operations in the period in which foreign exchange rates change.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

FCDU and overseas subsidiaries
As at the reporting date, the assets and liabilities of the FCDU and overseas subsidiaries are translated into the Parent Company's presentation currency (the Philippine peso) at the closing rate prevailing at the reporting date, and their income and expenses are translated at the weighted average exchange rate for the year. 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.

Insurance Product Classification
Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or has expired. Investment contracts, however, can be reclassified to insurance contracts after inception if the insurance risk becomes significant.

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded financial derivatives separately as financial assets or liabilities at FVPL. Bifurcation is not required if the embedded derivative is itself an insurance contract or when the host insurance contract itself is measured as financial assets or liabilities at FVPL. The options and guarantees within the insurance contracts issued by the Group are treated as derivative financial instruments which are closely related to the host insurance and therefore not bifurcated subsequently. As such, the Group does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate). Likewise, the embedded derivative in unit-linked insurance contracts linking the payment on the contract to units of internal investment funds meets the definition of an insurance contract and is therefore not accounted for separately from the host insurance contract.

Based on the Group guidelines, all products in its portfolio meet the definition of insurance contracts, including unit-linked products, which contain features that make use of funds specifically segregated for the benefit of unit-linked policyholders.

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
The Group measures financial instruments such as financial assets and liabilities at FVPL and AFS investments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes 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 fair value of an asset or a liability is measured 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 a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the 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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date, the date that an asset is delivered to or by the Group. Derivatives are recognized on trade date basis (i.e., the date that the Group commits to purchase or sell). Deposits, amounts due to banks and customers and loans are recognized 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 FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities at amortized cost.

Derivatives recorded at FVPL

The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps and warrants. These contracts are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives are taken directly to the statement of income and are included in 'Trading and investment securities gains - net' except for currency forwards and currency swaps, where fair value changes are included under 'Foreign exchange gains - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading (classified as 'Financial Assets at FVPL' or 'Financial Liabilities at FVPL') are recorded in the statement of financial position at fair value. Changes in fair value relating to the held-for-trading positions are recognized in 'Trading and investment securities gains - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Miscellaneous income' when the right to receive payment has been established.

Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Designated financial assets or financial liabilities at FVPL

Financial assets or financial liabilities classified in this category are designated by management on initial recognition when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Designated financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Trading and investment securities gains - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Miscellaneous income' according to the terms of the contract, or when the right of payment has been established.

HTM investments

HTM investments are quoted, non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category would be tainted and reclassified as AFS investments. Once tainted, the Group is prohibited from classifying investments under HTM for at least the following two financial years.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in the statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. Losses arising from impairment of such investments are recognized in the statement of income under 'Provision for impairment, credit and other losses'. The effects of revaluation on foreign currency-denominated HTM investments are recognized 'Foreign exchange gains – net' in the consolidated statement of income.

Loans and receivables
Significant accounts falling under this category are 'Loans and Receivables', 'Due from BSP', 'Due from Other Banks', 'Interbank Loans Receivable' and 'Securities Held Under Agreements to Resell'.

These are non-derivative financial assets with fixed or determinable payments and fixed maturities and are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS investments.

'Loans and Receivables' also include receivables arising from transactions on credit cards issued directly by the Parent Company. Furthermore, 'Loans and Receivables' include the aggregate rental on finance lease transactions and notes receivables financed by PNB-IBJL Leasing and Finance Corporation (PILFC) and Allied Leasing and Finance Corporation (ALFC). Unearned income on finance lease transactions is shown as a deduction from 'Loans and Receivables' (included in 'Unearned and other deferred income').

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Losses arising from impairment are recognized in 'Provision for impairment, credit and other losses' in the statement of income.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as 'Financial Assets at FVPL', 'HTM Investments' or 'Loans and Receivables'. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include debt and equity instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported income and are reported as 'Net change in unrealized gain (loss) on AFS investments' in the statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and investment securities gains - net' in the statement of income. Interest earned on holding AFS debt investments are reported as 'Interest income' using the effective interest method. Dividends earned on holding AFS equity investments are recognized in the statement of income as 'Miscellaneous income' when the right of payment has been established. Losses arising from impairment of such investments are recognized as 'Provision for impairment, credit and other losses' in the statement of income.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as 'Deposit Liabilities', 'Bills and Acceptances Payable', 'Subordinated Debt' and other appropriate financial liability accounts, where the substance of the contractual arrangement 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.

After initial measurement, other financial liabilities not qualified as and not designated at FVPL are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Reclassification of financial assets
The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for purposes of selling it in the near term and only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the AFS investments category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

The Group may also reclassify certain AFS investments to HTM investments when there is a change of intention and the Group has the ability to hold the financial instruments to maturity.

For reclassifications from AFS, the fair value carrying amount at the date of reclassification becomes the new amortized cost and any previous gain or loss that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized 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 asset is recognized to the extent of the Group's 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 liability
A financial liability is derecognized 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, such an exchange or modification is treated as a derecognition of the original liability

and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Repurchase and Reverse Repurchase Agreements
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized on the statement of financial position as 'Securities Held Under Agreements to Resell', and is considered 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.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets at amortized cost
For financial assets carried at amortized costs such as 'Loans and Receivables', 'HTM Investments', 'Due from BSP', 'Due from Other Banks', 'Interbank Loans Receivable' and 'Securities Held Under Agreements to Resell', the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as internal credit risk rating, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If subsequently, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Recoveries' under 'Miscellaneous income' in the statement of income.

The consumer loans and credit card receivables of the Group are assessed for impairment collectively because these receivables are not individually significant. The carrying amount of these receivables is reduced for impairment through the use of an allowance account and the amount of loss is recognized under 'Provision for impairment, credit and other losses' in the statement of income. Consumer loans and credit card receivables, together with the associated allowance accounts, are written off if the accounts are 360 days past due and 180 days past due, respectively. If a write-off is later recovered, any amounts formerly charged to allowance for credit losses are credited to 'Recoveries' under 'Miscellaneous income' in the statement of income. Past due accounts include accounts with no payments or with payments less than the minimum amount due on or before the due dates.

The allowance for credit losses of consumer loans and credit card receivables are determined based on the net flow rate methodology. Net flow tables are derived from account-level monitoring of monthly movements between different stage buckets, from 1-day past due to 180-days past due. The net flow rate methodology relies on the last 60 months for consumer loans and 24 months for credit card receivables of net flow tables to establish a percentage (net flow rate) of receivables that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 days past due) as of the reporting date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of the reporting date and the net flow rates determined for the current and each delinquency bucket.

Restructured loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment, credit and other losses' in the statement of income.

AFS investments
For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. The Group treats 'significant' generally as 20.00% or more and 'prolonged' greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Reinsurance assets
An impairment review is performed at each reporting period date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is charged against the consolidated statement of income.

Financial Guarantees
In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees on trade receivables are initially recognized in the financial statements at fair value under 'Bills and Acceptances Payable' or 'Other Liabilities'. Subsequent to initial recognition, the Group's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the statement of income in 'Service fees and commission income', over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of income in 'Miscellaneous expenses'. Any financial guarantee liability remaining is recognized in the statement of income in 'Service fees and commission income', when the guarantee is discharged, cancelled or has expired.

Life Insurance Contract Liabilities
Life insurance liabilities
Life insurance liabilities refer to liabilities of the Group that are recognized due to the obligations arising from policy contracts issued by PNB Life Insurance, Inc. (PNB LII). The reserves for life insurance contracts are calculated based on prudent statutory assumptions in accordance with generally accepted actuarial methods that are compliant with existing regulations.

Insurance contracts with fixed and guaranteed terms
The liability is determined as the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used. The liability is based on mortality, morbidity and investment income assumptions that are established at the time the contract is issued.

For unpaid claims and benefits, a provision is made for the estimated cost of all claims and dividends notified but not settled at the reporting date less reinsurance recoveries, using the information available at the time.

Provision is also made for the cost of claims incurred but not reported (IBNR) until after the reporting date based on PNB LII's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of income in later years. Policy and contract claims payable forms part of the liability section of the consolidated statement of financial position under 'Other Liabilities - Insurance contract liabilities'.

The aggregate reserve for life policies represents the accumulated total liability for policies in force as of the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. The reserves are calculated using actuarial methods and assumptions in accordance with statutory requirements and as approved by the Insurance Commission (IC), subject to the minimum liability adequacy test.

Unit-linked insurance contracts
PNB LII issues unit-linked insurance contracts. Considerations received from unit-linked insurance contracts, in excess of the portion that is placed under a withdrawable segregated account, are recognized as revenue.

PNB LII's revenue from unit-linked contracts consists of charges deducted from the policyholder's separate account, in accordance with the unit-linked policy contract. Since the segregated fund assets belong to the unit-linked policyholders, corresponding segregated fund liabilities are set-up equal to the segregated fund assets less redemptions outside the segregated funds. The segregated fund assets are valued at market price. Changes in the segregated fund assets due to investment earnings or market value fluctuations result in the same corresponding change in the segregated fund liabilities. Such changes in fund value have no effect in the consolidated statement of income.

Collections received from unit-linked policies are separated to segregated fund assets from which PNB LII withdraws administrative and cost of insurance charges in accordance with the policy provisions of the unit-linked insurance contracts. After deduction of these charges, the remaining amounts in the segregated fund assets are equal to the surrender value of the unit-linked policyholders, and are withdrawable anytime.

The equity of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the equity of each unit-linked insurance contract in the fund is equal to the total number of outstanding units of the policyholder multiplied by the net asset value per unit (NAVPU). The NAVPU is the market value of the fund divided by the total number of outstanding units.

Nonlife Insurance Contract Liabilities

Provision for unearned premiums

The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at the end of reporting period are accounted for as provision for unearned premiums and presented as part of 'Insurance contract liabilities' in the 'Other Liabilities' section of the consolidated statement of financial position. The change in the provision for unearned premiums is taken to the consolidated statement of income in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision and IBNR losses

Outstanding claims provisions are based on the estimated ultimate cost to all claims incurred but not settled at the reporting date, whether reported or not, together with the related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money and includes provision for IBNR. No provision for equalization or catastrophic reserves is recognized. The liability is derecognized when the contract is discharged or cancelled or has expired.

Liability Adequacy Test

Liability adequacy tests on life insurance contracts are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against profit or loss initially by establishing a provision for losses arising from the liability adequacy tests. The adequacy of the liability on insurance contracts is tested based on the pricing assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of a new set of revised best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities.

For nonlife insurance contracts, liability adequacy tests are performed at the end of each reporting date to ensure the adequacy of insurance contract liabilities, net of related Deferred Acquisition Cost (DAC). Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the consolidated statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Investments in Subsidiaries

Subsidiaries pertain to entities over which the Group has control. The existence and effect of potential voting rights that are currently exercisable or convertible and qualitative criteria are considered when assessing whether the Group controls another entity (see Basis of Consolidation). In the Parent Company's separate financial statements, investments in subsidiaries are carried at cost less impairment loss, if any.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. 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:

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVPL and AFS investments, interest income is recorded 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. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), 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 adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Service fees and commission income

The Group earns fee and commission income from diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a) *Fee income earned from services that are provided over a certain period of time*
   Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees. However, commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

b) *Fee income from providing transaction services*
   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 - are recognized on completion of the underlying transaction.

   Fees or components of fees that are linked to a certain performance are recognized 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. Loan syndication fees are recognized in the statement of income 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 fee and revenue from rewards redeemed
'Interchange fees' are taken up as income 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. Consideration received is allocated between the discounts earned, interchange fee and the points earned, with the consideration allocated to the points equal to its fair value. The fair value is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed. The deferred balance is included under 'Other Liabilities' in the statement of financial position.

Commissions earned on credit cards
Commissions earned are taken up as income 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.

Purchases by the credit cardholders, collectible on installment basis, are recorded at the cost of the items purchased plus certain percentage of cost. The excess over cost is credited to 'Unearned and other deferred income' and is shown as a deduction from 'Loans and Receivables' in the statement of financial position. The unearned and other deferred income is taken up to income over the installment terms and is computed using the effective interest method.

Commission earned on reinsurance
Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums for the last months of the year. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as 'Insurance contract liabilities.'

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Trading and investment securities gains - net
'Trading and investment securities gains - net' includes results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVPL and gains and losses from disposal of AFS investments.

Rental income
Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms of ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

Income on direct financing leases and receivables financed
Income of the Group on loans and receivables financed is recognized using the effective interest method.

Unearned discounts included under 'Unearned and other deferred income' which are amortized over the term of the note or lease using the effective interest method 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.

Premiums revenue
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. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at end of reporting period are accounted for as provision for unearned premiums and presented as part of 'Other Liabilities' in the consolidated statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at the end of the reporting periods are accounted for as deferred reinsurance premiums shown as part of 'Other Assets' in the consolidated statement of financial position. The net changes in these accounts between ends of the reporting periods are credited to or charged against the consolidated statement of income for the period.

Other income
Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and when the collectability of the sales price is reasonably assured.

Expenses
Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Expenses are recognized when incurred.

Taxes and licenses
This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Policy Loans
Policy loans included under loans and receivables are carried at their unpaid balances plus accrued interest and are fully secured by the policy values on which the loans are made.

Reinsurance
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. When claims are paid, such reinsurance assets are reclassified to 'Accounts receivable'.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to ceding companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

When the Group enters into a proportional treaty reinsurance agreement for ceding out its insurance business, the Group initially recognizes a liability at transaction price. Subsequent to initial recognition, the portion of the amount initially recognized as a liability which is presented as 'Other Liabilities' in the consolidated statement of financial position will be withheld and recognized as Funds held for reinsurers and included as part of the 'Other Liabilities' in the consolidated statement of financial position. The amount withheld is generally released after a year.

Deferred Acquisition Cost

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized using the 24th method except for marine cargo where the DAC pertains to the commissions for the last two months of the year. Amortization is charged to 'Service fees and commission expense' in the consolidated statement of income. The unamortized acquisition costs are shown as 'Deferred acquisition costs' in the assets section of the consolidated statement of financial position.

An impairment review is performed at the end of each reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged to the consolidated statement of income. The DAC is also considered in the liability adequacy test for each reporting period.

Property and Equipment

Land is stated at cost less any impairment in value and depreciable properties such as buildings, long-term leasehold land, leasehold improvements, and furniture, fixture and equipment are stated 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.

Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. 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 an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Long-term leasehold land is amortized over the term of the lease. Leasehold improvements are amortized over lease term and the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

The estimated useful lives follow:

	Years
Buildings	25 - 50
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter

The useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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) is included in the statement of income in the period the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be reliably measured in which case the investment property acquired is measured at the carrying amount of asset given up. Any gain or loss on exchange is recognized in the statement of income under 'Net gain on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment Properties' upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and any impairment in value.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the depreciable investment properties ranging from 10 to 25 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Net gain on sale or exchange of assets' in the period of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Transfers are made 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. Transfers are made from 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.

Other Properties Acquired

Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Group applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the estimated useful life of five years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the respective useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Software costs

Software costs, included in 'Intangible Assets', are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over five years on a straight-line basis. The estimated useful life and the amortization method are reviewed periodically to ensure that the period and the method of amortization are consistent with the expected pattern of economic benefits from the software. Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Customer relationship and core deposit intangibles

Customer relationship intangibles (CRI) and core deposit intangibles (CDI) are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value 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, customer relationship and core deposit are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the commercial loans business is amortized on a straight-line basis over its useful life of 3 years while core deposit is amortized on a straight-line basis over its useful life of 10 years.

Impairment of Nonfinancial Assets

Property and equipment, investment properties, intangible assets and other properties acquired

At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangibles and other properties acquired with finite useful lives may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, 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 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.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted 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.

An impairment loss is charged against operations in the period in which it arises. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount 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. Such reversal is recognized in the statement of income. After such reversal, the depreciation and amortization expense is adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Investment in subsidiaries
The Parent Company assesses at each reporting date whether there is any indication that its investment in subsidiaries may be impaired. If any impairment indication exists, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where 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), an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. 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.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Group as lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and Equipment' account with the corresponding liability to the lessor included in 'Other Liabilities' account. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Group as lessor
Finance leases, where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and Receivables' account. A lease receivable is recognized at an amount equivalent to the net investment (asset cost) in the lease. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the statement of income on a straight line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Residual Value of Leased Assets and Deposits on Finance Leases
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.

Retirement Benefits
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling, if any. 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 plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is 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. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

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) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified 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. Plan assets 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 fair value of plan assets is estimated 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's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. For leave entitlements expected to be settled for more than twelve months after the reporting date, the estimated liability is actuarially determined and reported under 'Accrued Taxes, Interest and Other Expenses' in the statement of financial position.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and 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 reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined 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 increase in the provision due to the passage of time is recognized as an interest expense.

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
Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided, 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.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized 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. Deferred tax, however, is not recognized 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.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred tax liabilities are recognized 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 carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured 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.

Current tax and deferred tax relating to items recognized directly in OCI are also recognized in OCI and not in the statement of income.

In the consolidated financial statements, deferred tax assets and liabilities are offset 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.

Parent Company Shares Held by a Subsidiary
Own equity instruments which are acquired by subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

Earnings per Share
Basic earnings per share (EPS) is computed 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 stock dividends declared and stock rights exercised during the period, if any. Diluted EPS is calculated by dividing the aggregate of net income attributable to common shareholders by the weighted average number of common shares outstanding during the period adjusted for the effects of any dilutive shares.

Dividends
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD of the Parent Company and subsidiaries. Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the statement of financial position.

Borrowing Costs
Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method calculated in accordance with PAS 39 that the Group incurs in connection with borrowing of funds.

Events after the Reporting Date
Any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed 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
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital Paid in Excess of Par Value' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Capital Paid in Excess of Par Value' account. If the 'Capital Paid in Excess of Par Value' is not sufficient, the excess is charged against the 'Surplus'.

'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

Equity Reserves
The reserves recorded in equity in the statement of financial position include:

'Remeasurement Losses on Retirement Plan' which pertains to remeasurement comprising actuarial losses on the present value of the retirement obligation, net of return on plan assets.

'Accumulated Translation Adjustment' which is 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 Gain (Loss) on Available-for-Sale Investments' reserve which comprises changes in fair value of AFS investments.

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. 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 PAS, PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective January 1, 2016
PAS 1, *Presentation of Financial Statements – Disclosure Initiative* (Amendments)
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating the material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose the fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception* (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment in entity associate or joint venture to its interests in subsidiaries.

PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
- PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'*

Effective January 1, 2018
PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The adoption will also have an effect on the Group's determination of the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 by the International Accounting Standards Board (IASB) and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

IFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

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 of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

(a) *Leases*

Operating leases

Group as lessor

The Group has entered into commercial property leases on its investment properties and certain motor vehicles and items of machinery.

The Group has determined, based on an evaluation of the terms and conditions of the lease agreements (i.e., 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 and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties and so accounts for these leases as operating leases.

Group as lessee

The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

Finance leases

Group as lessor

The Group, as lessor, has entered into lease arrangements on real estate, various machineries and other types of equipment. The Group has determined that it transfers all the significant risks and rewards of ownership of these properties and so accounts for these leases as finance lease.

(b) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models (Note 5). The input to these models is taken from observable markets where possible, but where this is not feasible, 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.

(c) *Financial assets not quoted in an active market*

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

(d) *Embedded derivatives*

Where a hybrid instrument is not classified as financial assets at FVPL, the Group evaluates whether the embedded derivative should be bifurcated and accounted for separately. This includes assessing whether the embedded derivative has a close economic relationship to the host contract.

(e) *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 35).

(f) *Functional currency*

PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity.

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.

(g) *Product classification*

The Group classified its unit-linked products as insurance contracts due to the significant insurance risk at issue. All of the Group's unit-linked products are classified and treated as insurance contracts.

(h) *Assessment of control over entities for consolidation*

Where the Parent Company does not have majority of the voting interest over an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. This may include a contractual arrangement with the other voting shareholders of the investee or rights arising from other contractual arrangements which give power to the Parent Company over the investee to affect its returns.

The Parent Company determined that it controls Oceanic Holding (BVI) Ltd. (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.

(i) *Assessment of joint control*
The Parent Company has certain joint arrangements with real estate companies for the development of its investment properties into residential/condominium units. In assessing joint control over these investees, the Parent Company assesses whether all the parties collectively control the arrangement. Further, the Parent Company determines the relevant activities of the arrangement and whether decisions around relevant activities require unanimous consent. The Parent Company also considers the scope of decision-making authority of the real estate companies in accordance with their respective contractual arrangements.

(j) *Assets and liabilities of disposal group classified as held for sale*
On December 21, 2015, the Parent Company entered into a 15-year exclusive partnership with Allianz SE (Singapore Branch) and for the latter to acquire 51.00% of PNB LII, the life insurance subsidiary of the Parent Company. The disposal is considered to meet the criteria to be classified as held for sale for the following reasons:

- Allianz SE will acquire 12,750 shares representing 51.00% stockholdings of PNB LII and will have management control over PNBLII;
- PNB LII shares are available for immediate sale and can be sold in its current condition, subject to terms that are usual and customary;
- The actions to complete the sale were initiated and the sale is expected to be completed by 2016.

For more details on the assets and liabilities of disposal group classified as held for sale, refer to Note 37.

Estimates
(a) *Credit losses on loans and receivables*
The Group reviews its impaired loans and receivables at each reporting date to assess whether additional provision for credit losses should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of required allowance.
Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance takes into consideration any deterioration in the loan or investment rating from the time the account was granted or amended and such other factors as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows and underlying property prices, among others.

Refer to Notes 10 and 15 for the carrying values of loans and receivables and receivable from Special Purpose Vehicle (SPV), respectively.

(b) *Fair values of structured debt instruments and derivatives*
The fair values of structured debt instruments and derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

To the extent practicable, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Notes 5 and 23 for information on the fair values of these instruments.

(c) *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 likely timing and level of future taxable income together with future tax planning strategies.

The Group and Parent Company's estimates of future taxable income indicate that certain temporary differences will be realized in the future. The amounts of recognized and unrecognized deferred tax assets are disclosed in Note 31.

(d) *Fair valuation in business combination*
The Group determines the acquisition-date fair values of identifiable assets acquired and liabilities assumed from the acquiree without quoted market price based on the following:

- for assets and liabilities that are short term in nature, carrying values approximate fair values
- for financial assets and liabilities that are long term in nature, fair values are estimated through the discounted cash flow methodology, using the appropriate market rates (e.g., current lending rates)
- for nonfinancial assets such as property and equipment and investment properties, fair values are determined based on appraisal valuation which follows sales comparison approach and depreciated replacement cost approach
- for deferred tax assets and liabilities, fair values are based on the tax benefit arising from future taxable income from the enlarged operations of the Parent Company

(e) *Present value of retirement obligation*
The cost of defined benefit pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 29.

(f) *Impairment of nonfinancial assets - property and equipment, investment in subsidiaries, investment properties, other properties acquired and intangibles*
The Parent Company assesses impairment on its investments in subsidiaries whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries include the following:

- 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 during the period or in the near future, in which the subsidiary operates.

The Group also assesses impairment on its nonfinancial assets (e.g., investment properties, property and equipment, other acquired properties and intangibles) 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.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties and land and building where recoverable amount is determined based on fair value less costs to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset or group of assets being assessed.

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

(g) *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 net present value of the forecasted future cash flows from the business is insufficient to support their carrying value. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Future cash flows from the business are estimated based on the theoretical annual income of the relevant CGUs. Average growth rate is derived from the long-term Philippine growth rate. The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Key assumptions in value-in-use calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

The carrying values of the Group's goodwill and key assumptions used in determining value-in-use are disclosed in Note 14.

(h) *Aggregate reserves for life insurance*
In determining the aggregate reserves for life policies estimates are made as to the expected number of deaths, illness or injury for each of the years in which PNB LII is exposed to risk. These estimates are based on standard mortality and morbidity tables as required by the Insurance Code (the Code). The estimated number of deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

In accordance with the provision of the Code, estimates for future deaths, illness or injury and investment returns are determined at the inception of the contract and are used to calculate the liability over the term of the contract. The interest rate used to discount future liabilities does not exceed 6.00% as required by the Code. Likewise, no lapse, surrender and expense assumptions are factored in the computation of the liability.

The carrying value of aggregate reserves for life policies is included in the 'Insurance contract liabilities' disclosed in Notes 22 and 37.

(i) *Valuation of insurance contracts*
Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty.

Nonlife insurance contract liabilities are not discounted for the time value of money.
The main assumption underlying the estimation of the claims provision is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is mainly analyzed by accident years as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

The carrying values of total provisions for claims reported and claims IBNR are included in the 'Insurance contract liabilities' disclosed in Note 22.

(j) *Estimated useful lives of property and equipment, investment properties, intangibles and chattel mortgage properties*
The Group estimates the useful lives of its property and equipment, investment properties, intangibles and chattel mortgage properties.

This estimate is reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment, investment properties, intangibles and chattel mortgage properties.

Refer to Note 2 for the estimated useful lives of property and equipment, investment properties, intangibles and chattel mortgage properties. Refer to Notes 11, 13, 14 and 15 for the carrying values of property and equipment, investment properties, intangibles and chattel mortgage properties, respectively.

4. **Financial Risk Management Objectives and Policies**

Introduction
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 an ₱8.0 billion increase in risk weighted assets or a ₱1.0 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 bps.

Resulting from the assessments based on the premise identified above, the Parent Company agreed on the following ten (10) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the ICAAP document and required for monitoring.

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. Information technology risk/information security risk (includes core banking implementation risk)
10. New regulations risk

Managing the level of these risks as provided for by the Parent Company's Enterprise Risk Management (ERM) framework is critical to its continuing profitability. The Risk Oversight Committee (ROC) of the Parent Company's BOD determines the risk policy and approves the principles of risk management, establishment of limits for all relevant risks, and the risk control procedures. The ROC of the Parent Company is also responsible for the risk management of the Group.

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

The tools used by the Parent Company 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 Capital Adequacy Ratio (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 the following:
  a. portfolio growth
  b. movement of loan portfolio (cash releases and cash collection for the month)
  c. loss rate
  d. recovery rate
  e. trend of non-performing loans (NPLs)
  f. concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Parent Company has moved one step further by collecting data on risk rating of loan borrowers with an asset size of ₱15.0 million and above as initial requirement in the Parent Company's model for internal Probability of Default (PD) and Loss Given Default (LGD).

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.

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.

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To mitigate this risk the Parent Company requires hard collaterals, as discussed under *Collateral and other credit enhancement*, 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.

Unit-linked financial assets
The Group issues unit-linked insurance policies. In the unit-linked business, the policy holder bears the investment risk in the assets held in the unit-linked funds as the policy benefits are directly linked to the values of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

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.); as a general rule, 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 Sector 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 2015			
	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱14,550,000**	**₱14,516,223**	**₱33,777**	**₱14,516,223**
Loans and receivables:				
Receivable from customers*:				
Business loans	**290,095,409**	**251,693,476**	**232,049,711**	**58,045,698**
Consumers	**33,615,950**	**46,755,806**	**15,652,016**	**17,963,934**
GOCCs and National Government Agencies (NGAs)	**23,037,919**	**27,561,404**	**3,941,304**	**19,096,615**
LGUs	**7,792,655**	**1,430,738**	**7,050,998**	**741,657**
Fringe benefits	**552,079**	**829,780**	**246,613**	**305,466**
Unquoted debt securities	**4,245,069**	**3,434,914**	**810,155**	**3,434,914**
Other receivable	**19,101,758**	**8,553,573**	**14,856,651**	**4,245,107**
	₱392,990,839	**₱354,775,914**	**₱274,641,225**	**₱118,349,614**

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

	Consolidated 2014			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Loans and receivables:				
Receivable from customers*:				
Business loans	₱241,963,174	₱152,970,231	₱180,555,455	₱61,407,719
Consumers	30,254,134	40,458,688	12,791,852	17,462,282
GOCCs and NGAs	20,440,576	222,869	20,226,009	214,567
LGUs	8,396,610	1,058,509	7,686,922	709,688
Fringe benefits	566,901	922,405	197,694	369,207
Unquoted debt securities	8,044,272	3,727,599	4,316,673	3,727,599
Other receivable	18,459,831	3,543,425	15,203,131	3,256,700
	₱328,125,498	₱202,903,726	₱240,977,736	₱87,147,762

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

	Parent Company 2015			
	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱14,550,000**	**₱14,516,223**	**₱33,777**	**₱14,516,223**
Loans and receivables:				
Receivable from customers:				
Business loans	**277,692,524**	**231,128,278**	**232,161,031**	**45,531,493**
GOCCs and NGAs	**23,037,919**	**27,561,404**	**3,941,304**	**19,096,615**
Consumers	**14,033,577**	**25,514,598**	**6,384,992**	**7,648,585**
LGUs	**7,792,655**	**1,430,738**	**7,050,998**	**741,657**
Fringe benefits	**538,887**	**820,321**	**242,878**	**296,009**
Unquoted debt securities	**4,245,069**	**3,434,914**	**810,155**	**3,434,914**
Other receivable	**13,820,335**	**8,544,352**	**9,584,448**	**4,235,887**
	₱355,710,966	**₱312,950,828**	**₱260,209,583**	**₱95,501,383**

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	Parent Company 2014			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Loans and receivables:				
Receivables from customers:				
Business loans	₱230,645,666	₱131,308,103	₱181,595,698	₱49,049,968
GOCCs and NGAs	20,440,576	222,869	20,226,009	214,567
Consumers	20,951,487	34,245,851	7,088,873	13,862,614
LGUs	8,396,610	1,058,509	7,686,922	709,688
Fringe benefits	553,393	912,946	193,649	359,744
Unquoted debt securities	7,744,272	3,727,599	4,016,673	3,727,599
Other receivables	12,235,532	3,069,914	9,165,618	3,069,914
	₱300,967,536	₱174,545,791	₱229,973,442	₱70,994,094

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 as disclosed in Note 35 to the financial statements.

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Parent Company 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 financial investment securities. To mitigate risk concentration, the Parent Company 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 loans and receivables, the Parent Company sets an internal limit for group exposures which is equivalent to 100.00% of the single borrower's limit (SBL) for loan accounts with credit risk rating (CRR) 1 to CRR 5 or 50.00% of SBL if rated below CRR 5.

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 2015			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱346,480,786**	**₱76,378,062**	**₱98,214,655**	**₱521,073,503**
Asia (excluding the Philippines)	**17,732,943**	**12,884,161**	**14,081,917**	**44,699,021**
Other European Union Countries	**–**	**5,725,103**	**1,640,140**	**7,365,243**
USA and Canada	**776,838**	**957,062**	**5,079,342**	**6,813,242**
United Kingdom	**20,893**	**139,178**	**1,156,311**	**1,316,382**
Middle East	**1,365**	**–**	**12,108**	**13,473**
	₱365,012,825	**₱96,083,566**	**₱120,184,473**	**₱581,280,864**

* *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 2014			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱312,989,391	₱94,532,543	₱107,535,776	₱515,057,710
Asia (excluding the Philippines)	1,966,468	4,624,097	12,848,832	19,439,397
Other European Union Countries	–	2,619,545	1,836,912	4,456,457
USA and Canada	668,259	1,087,170	5,920,686	7,676,115
United Kingdom	9,531	550,074	1,921,417	2,481,022
Middle East	56,340	–	17,857	74,197
	₱315,689,989	₱103,413,429	₱130,081,480	₱549,184,898

* *Loans and receivables exclude residual value of the leased asset.*
** *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 2015			
	Loans and receivables	**Trading and investment securities**	**Other financial assets***	**Total**
Philippines	**₱319,220,646**	**₱74,835,244**	**₱94,995,277**	**₱489,051,167**
Asia (excluding the Philippines)	**8,509,086**	**12,883,954**	**9,035,854**	**30,428,894**
Other European Union Countries	**–**	**5,725,103**	**1,639,322**	**7,364,425**
USA and Canada	**569,141**	**862,708**	**4,801,070**	**6,232,919**
United Kingdom	**–**	**58,250**	**814,433**	**872,683**
Middle East	**1,365**	**–**	**12,108**	**13,473**
	₱328,300,238	**₱94,365,259**	**₱111,298,064**	**₱533,963,561**

* *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).*

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	Parent Company 2014			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱288,201,556	₱74,794,208	₱99,066,079	₱462,061,843
Asia (excluding the Philippines)	218,189	4,623,475	3,878,634	8,720,298
Other European Union Countries	–	2,619,545	1,804,225	4,423,770
USA and Canada	545,309	1,087,170	3,953,016	5,585,495
United Kingdom	–	542,771	409,227	951,998
Middle East	56,340	–	17,856	74,196
	₱289,021,394	₱83,667,169	₱109,129,037	₱481,817,600

* *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 2015			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
Primary target industry:				
Financial intermediaries	**₱38,776,292**	**₱8,420,062**	**₱24,088,110**	**₱71,284,464**
Electricity, gas and water	**49,526,664**	**1,799,906**	**3,591**	**51,330,161**
Wholesale and retail	**50,575,572**	**–**	**5,579**	**50,581,151**
Manufacturing	**40,697,028**	**30,611**	**27**	**40,727,666**
Transport, storage and communication	**28,872,881**	**1,661**	**599**	**28,875,141**
Public administration and defense	**25,294,475**	**–**	**–**	**25,294,475**
Agriculture, hunting and forestry	**5,996,258**	**–**	**75**	**5,996,333**
Secondary target industry:				
Government	**625,802**	**72,457,525**	**95,913,444**	**168,996,771**
Real estate, renting and business activities	**43,751,147**	**5,488,738**	**27,671**	**49,267,556**
Construction	**11,516,779**	**–**	**371**	**11,517,150**
Others**	**69,379,927**	**7,885,063**	**145,006**	**77,409,996**
	₱365,012,825	**₱96,083,566**	**₱120,184,473**	**₱581,280,864**

* *Loans and receivables exclude residual value of the leased asset.*
** *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 2014			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱38,125,004	₱6,167,566	₱23,262,843	₱67,555,413
Electricity, gas and water	43,518,849	3,147,109	–	46,665,958
Wholesale and retail	43,900,100	–	–	43,900,100
Manufacturing	39,526,216	197,113	–	39,723,329
Transport, storage and communication	19,273,964	–	–	19,273,964
Public administration and defense	23,424,634	–	–	23,424,634
Agriculture, hunting and forestry	6,061,813	–	–	6,061,813
Secondary target industry:				
Government	4,904,316	66,196,124	105,773,685	176,874,125
Real estate, renting and business activities	39,119,461	7,813,496	–	46,932,957
Construction	8,503,212	–	–	8,503,212
Others**	49,332,420	19,892,021	1,044,952	70,269,393
	₱315,689,989	₱103,413,429	₱130,081,480	₱549,184,898

* *Loans and receivables exclude residual value of the leased asset.*
** *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 2015			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
Primary target industry:				
Financial intermediaries	**₱38,440,318**	**₱8,173,172**	**₱17,409,518**	**₱64,023,008**
Electricity, gas and water	**49,463,182**	**1,799,906**	**3,591**	**51,266,679**
Wholesale and retail	**46,788,392**	**–**	**5,579**	**46,793,971**
Manufacturing	**37,203,799**	**30,611**	**27**	**37,234,437**
Transport, storage and communication	**27,034,887**	**1,661**	**599**	**27,037,147**
Public administration and defense	**25,294,475**	**–**	**–**	**25,294,475**
Agriculture, hunting and forestry	**5,519,770**	**–**	**75**	**5,519,845**
Secondary target industry:				
Government	**625,802**	**71,244,398**	**93,753,948**	**165,624,148**
Real estate, renting and business activities	**36,160,266**	**5,488,738**	**27,671**	**41,676,675**
Construction	**9,793,549**	**–**	**371**	**9,793,920**
Others**	**51,975,798**	**7,626,773**	**96,685**	**59,699,256**
	₱328,300,238	**₱94,365,259**	**₱111,298,064**	**₱533,963,561**

* *Loans and receivables exclude residual value of the leased asset.*
** *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).*

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	Parent Company			
	2014			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱39,724,106	₱5,168,555	₱12,684,794	₱57,577,455
Electricity, gas and water	43,503,088	2,272,092	–	45,775,180
Wholesale and retail	40,653,462	–	–	40,653,462
Manufacturing	36,055,675	23,573	–	36,079,248
Transport, storage and communication	17,592,017	–	–	17,592,017
Public administration and defense	23,424,634	–	–	23,424,634
Agriculture, hunting and forestry	5,756,854	–	–	5,756,854
Secondary target industry:				
Government	4,505,316	62,241,630	95,415,467	162,162,413
Real estate, renting and business activities	31,604,945	7,323,927	–	38,928,872
Construction	7,264,299	–	–	7,264,299
Others**	38,936,998	6,637,392	1,028,776	46,603,166
	₱289,021,394	₱83,667,169	₱109,129,037	₱481,817,600

* *Loans and receivables exclude residual value of the leased asset.*
** *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*

The internal limit of the Parent Company based on the Philippine Standard Industry Classification (PSIC) sub-industry is 12.00% for priority industry, 8.00% for regular industry and 30.00% for power industry versus total loan portfolio.

Credit quality per class of financial assets
The credit quality of financial assets is assessed and managed using external and internal ratings. For receivable from customers classified as business loans, the credit quality is generally monitored using the 14-grade Credit Risk Rating (CRR) System which is integrated in the credit process particularly in loan pricing and allocation of valuation reserves. The model on risk ratings is assessed and updated regularly.

Validation of the individual internal risk rating is conducted by the Credit Management Division to maintain accurate and consistent risk ratings across the credit portfolio. The rating system has two parts, namely, the borrower's rating and the facility rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information such as industry outlook and market competition to provide the main inputs for the measurement of credit or counterparty risk.

<u>Loans and Receivables</u>
The CRRs of the Parent Company's Receivables from customers (applied to loans with asset size of ₱15.0 million and above) are defined below:

CRR 1 - Excellent
Loans receivables rated as excellent include borrowers which are significant in size, with long and successful history of operations, an industry leader, with ready access to all equity and debt markets and have proven its strong debt service capacity.

CRR 2 - Super Prime
Loans receivables rated as super prime include borrowers whose ability to service all debt and meet financial obligations remains unquestioned.

CRR 3 - Prime
Under normal economic conditions, borrowers in this rating have good access to public market to raise funds and face no major uncertainties which could impair repayment.

CRR 4 - Very Good
Loans receivables rated as very good include borrowers whose ability to service all debts and meet financial obligations remain unquestioned, but current adverse economic conditions or changing circumstances have minimal impact on payment of obligations.

CRR 5 - Good
Loans receivables rated as good include borrowers with good operating history and solid management, but payment capacity could be vulnerable to adverse business, financial or economic conditions.

CRR 6 - Satisfactory
These are loans receivables to borrowers whose ability to service all debt and meet financial obligations remains unquestioned, but with somewhat lesser capacity than in CRR 5 accounts.

CRR 7 - Average
These are loans receivables to borrowers having ability to repay the loan in the normal course of business activity, although may not be strong enough to sustain a major setback.

CRR 8 - Fair
These are loans receivables to borrowers possessing the characteristics of borrowers rated as CRR7 with slightly lesser quality in financial strength, earnings, performance and/or outlook.

CRR 9 - Marginal
These are performing loans receivables from borrowers not qualified as CRRs 1-8. The borrower is able to withstand normal business cycles, although any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.

CRR 10 - Watchlist
This rating includes borrower where the credit exposure is not at risk of loss at the moment but the performance of the borrower has weakened and, unless present trends are reversed, could eventually lead to losses.

CRR 11 - Special Mention
These are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Parent Company.

CRR 12 - Substandard
These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Parent Company because of unfavorable record or unsatisfactory characteristics.

CRR 13 - Doubtful
These are loans or portions thereof which have the weaknesses inherent in those classified as CRR 12 with the added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

CRR 14 - Loss
These are loans or portions thereof which are considered uncollectible or worthless.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

The Parent Company uses credit scoring for evaluating borrowers with assets size below ₱15.0 million. Credit scoring details the financial capability of the borrower to pay for any future obligation.

GOCCs and LGUs are rated using the “means and purpose” test whereby borrowers have to pass the two major parameters, namely:

- “Means” test - the borrower must have resources or revenues of its own that is sufficient to service its debt obligations.
- “Purpose” test - the loan must be obtained for a purpose consistent with the borrower’s general business.

LGU loans are backed-up by assignment of Internal Revenue Allotment. Consumer loans are covered by mortgages in residential properties and vehicles financed and guarantees from Home Guaranty Corporation. Fringe benefit loans are repaid through automatic salary deductions and exposure is secured by mortgage on house or vehicles financed.

The table below shows the Group’s and Parent Company’s receivable from customers, gross of allowance for credit losses and unearned and other deferred income, for each CRR as of December 31, 2015 and 2014, but net of residual values of leased assets.

	Consolidated			
	2015			
	Neither Past Due nor Individually Impaired	**Past Due and not Individually Impaired**	**Individually Impaired**	**Total**
Rated Receivable from Customers				
1 – Excellent	**₱4,090,408**	**₱–**	**₱–**	**₱4,090,408**
2 - Super Prime	**65,177,554**	**–**	**–**	**65,177,554**
3 - Prime	**55,509,700**	**193**	**–**	**55,509,893**
4 - Very Good	**29,059,432**	**467**	**–**	**29,059,899**
5 - Good	**53,997,893**	**159**	**76,066**	**54,074,118**
6 - Satisfactory	**31,701,037**	**8,355**	**85,648**	**31,795,040**
7 - Average	**19,304,040**	**1,260**	**–**	**19,305,300**
8 - Fair	**24,464,636**	**2,076**	**139,333**	**24,606,045**
9 - Marginal	**9,846,975**	**1,864**	**49,351**	**9,898,190**
10 - Watchlist	**18,884,955**	**89**	**3,000**	**18,888,044**
11 - Special Mention	**2,311,620**	**87,930**	**148,456**	**2,548,006**
12 - Substandard	**613,275**	**191,601**	**647,968**	**1,452,844**
13 – Doubtful	**–**	**26,301**	**1,306,189**	**1,332,490**
14 - Loss	**–**	**1,364,422**	**2,263,739**	**3,628,161**
	314,961,525	**1,684,717**	**4,719,750**	**321,365,992**
Unrated Receivable from Customers				
Business Loans	**15,144,231**	**150,695**	**46,282**	**15,341,208**
Consumers	**7,943,525**	**1,398,624**	**32,199**	**9,374,348**
LGUs	**7,697,189**	**26,597**	**65,424**	**7,789,210**
GOCCs and NGAs	**2,455,069**	**–**	**47,060**	**2,502,129**
Fringe Benefits	**518,923**	**10,725**	**25,994**	**555,642**
	33,758,937	**1,586,641**	**216,959**	**35,562,537**
	₱348,720,462	**₱3,271,358**	**₱4,936,709**	**₱356,928,529**

	Consolidated			
	2014			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 - Excellent	₱3,657,571	₱–	₱–	₱3,657,571
2 - Super Prime	54,762,488	–	–	54,762,488
3 - Prime	44,606,966	2,888	–	44,609,854
4 - Very Good	12,837,284	–	–	12,837,284
5 - Good	28,228,002	282,709	–	28,510,711
6 - Satisfactory	42,311,285	188,422	92,201	42,591,908
7 - Average	24,743,740	182,178	128,080	25,053,998
8 - Fair	22,581,434	386,413	67,536	23,035,383
9 - Marginal	5,355,396	271,591	63,989	5,690,976
10 - Watchlist	10,361,643	98,829	9,559	10,470,031
11 - Special Mention	1,870,378	166,999	40,044	2,077,421
12 - Substandard	1,180,265	138,332	1,984,779	3,303,376
13 - Doubtful	–	216,519	1,289,539	1,506,058
14 - Loss	–	353,195	2,317,632	2,670,827
	252,496,452	2,288,075	5,993,359	260,777,886
Unrated Receivable from Customers				
Business Loans	10,193,630	621,987	1,070,600	11,886,217
Consumers	18,324,466	624,891	161,926	19,111,283
LGUs	8,142,342	168,926	78,855	8,390,123
GOCCs and NGAs	352,113	1,556	1,796,447	2,150,116
Fringe Benefits	532,407	10,832	23,917	567,156
	37,544,958	1,428,192	3,131,745	42,104,895
	₱290,041,410	₱3,716,267	₱9,125,104	₱302,882,781

	Parent Company			
	2015			
	Neither Past Due nor Individually Impaired	**Past Due and not Individually Impaired**	**Individually Impaired**	**Total**
Rated Receivable from Customers				
1 – Excellent	**₱3,944,861**	**₱–**	**₱–**	**₱3,944,861**
2 - Super Prime	**64,243,898**	**–**	**–**	**64,243,898**
3 - Prime	**54,377,704**	**193**	**–**	**54,377,897**
4 - Very Good	**27,568,487**	**467**	**–**	**27,568,954**
5 - Good	**33,868,924**	**159**	**–**	**33,869,083**
6 - Satisfactory	**23,798,683**	**3,019**	**23,432**	**23,825,134**
7 - Average	**18,649,361**	**1,260**	**–**	**18,650,621**
8 - Fair	**24,060,879**	**2,076**	**139,333**	**24,202,288**
9 - Marginal	**9,751,289**	**1,864**	**49,351**	**9,802,504**
10 - Watchlist	**17,897,858**	**–**	**3,000**	**17,900,858**
11 - Special Mention	**2,262,084**	**32,004**	**32,915**	**2,327,003**
12 - Substandard	**613,275**	**159,680**	**436,856**	**1,209,811**
13 – Doubtful	**–**	**15,218**	**1,025,278**	**1,040,496**
14 - Loss	**–**	**1,364,422**	**2,152,444**	**3,516,866**
	281,037,303	**1,580,362**	**3,862,609**	**286,480,274**
Unrated Receivable from Customers				
Business Loans	**17,735,218**	**150,695**	**46,282**	**17,932,195**
Consumers	**7,871,087**	**1,390,262**	**19,204**	**9,280,553**
LGUs	**7,697,189**	**26,597**	**65,424**	**7,789,210**
GOCCs and NGAs	**2,455,069**	**–**	**47,060**	**2,502,129**
Fringe Benefits	**505,730**	**10,725**	**22,520**	**538,975**
	36,264,293	**1,578,279**	**200,490**	**38,043,062**
	₱317,301,596	**₱3,158,641**	**₱4,063,099**	**₱324,523,336**

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	Parent Company 2014			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 - Excellent	₱3,657,571	₱–	₱–	₱3,657,571
2 - Super Prime	54,762,488	–	–	54,762,488
3 - Prime	44,523,797	2,437	–	44,526,234
4 - Very Good	12,827,900	–	–	12,827,900
5 - Good	28,170,284	279,126	–	28,449,410
6 - Satisfactory	28,099,674	150,445	11,330	28,261,449
7 - Average	19,915,688	182,178	128,080	20,225,946
8 - Fair	22,548,588	386,413	67,536	23,002,537
9 - Marginal	5,350,251	271,591	63,989	5,685,831
10 - Watchlist	10,190,059	48,419	–	10,238,478
11 - Special Mention	1,817,785	5,724	–	1,823,509
12 - Substandard	1,174,276	132,955	1,693,608	3,000,839
13 - Doubtful	–	177,857	1,260,247	1,438,104
14 - Loss	–	254,969	2,267,131	2,522,100
	233,038,361	1,892,114	5,491,921	240,422,396
Unrated Receivable from Customers				
Business Loans	9,640,046	621,988	1,070,600	11,332,634
Consumers	18,238,794	619,493	148,461	19,006,748
LGUs	8,142,342	168,926	78,855	8,390,123
GOCCs and NGAs	352,113	1,556	1,796,447	2,150,116
Fringe Benefits	518,899	10,832	23,917	553,648
	36,892,194	1,422,795	3,118,280	41,433,269
	₱269,930,555	₱3,314,909	₱8,610,201	₱281,855,665

Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due. The tables below show the aging analysis of past due but not individually impaired loans receivables per class.

	Consolidated 2015				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱59,704**	**₱10,508**	**₱26,437**	**₱1,685,805**	**₱1,782,454**
Consumers	**172,194**	**95,601**	**238,854**	**944,934**	**1,451,583**
LGUs	**–**	**–**	**–**	**26,597**	**26,597**
GOCCs and NGAs	**–**	**–**	**–**	**–**	**–**
Fringe benefits	**904**	**98**	**1,294**	**8,428**	**10,724**
Total	**₱232,802**	**₱106,207**	**₱266,585**	**₱2,665,764**	**₱3,271,358**

	Consolidated 2014				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱1,564,077	₱158,535	₱281,636	₱844,243	₱2,848,491
Consumers	130,273	73,320	103,572	376,181	683,346
LGUs	61,776	–	–	110,266	172,042
GOCCs and NGAs	–	–	–	1,556	1,556
Fringe benefits	122	1,176	902	8,632	10,832
Total	₱1,756,248	₱233,031	₱386,110	₱1,340,878	₱3,716,267

	Parent Company 2015				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱12,079**	**₱9,841**	**₱26,437**	**₱1,681,269**	**₱1,729,626**
Consumers	**113,519**	**95,452**	**237,789**	**944,934**	**1,391,694**
LGUs	**–**	**–**	**–**	**26,597**	**26,597**
GOCCs and NGAs	**–**	**–**	**–**	**–**	**–**
Fringe benefits	**904**	**98**	**1,294**	**8,428**	**10,724**
Total	**₱126,502**	**₱105,391**	**₱265,520**	**₱2,661,228**	**₱3,158,641**

	Parent Company 2014				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱1,546,858	₱59,113	₱75,730	₱814,934	₱2,496,635
Consumers	86,158	73,320	102,400	371,966	633,844
LGUs	61,776	–	–	110,266	172,042
GOCCs and NGAs	–	–	–	1,556	1,556
Fringe benefits	122	1,176	902	8,632	10,832
	₱1,694,914	₱133,609	₱179,032	₱1,307,354	₱3,314,909

<u>Trading and Investment Securities and Other Financial Assets</u>

In ensuring quality investment portfolio, the Parent Company 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.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

Below are the financial assets of the Group and the Parent Company, net of allowances, excluding receivable from customers, which are monitored using external ratings.

	Consolidated					
	2015					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[5/]**	**Total**
Due from BSP[1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱81,363,444**	**₱81,363,444**
Due from other banks	**5,973,964**	**3,770,982**	**7,700,508**	**17,445,454**	**841,854**	**18,287,308**
Interbank loans receivables	**1,814,131**	**3,525,011**	**461,192**	**5,800,334**	**49**	**5,800,383**
Securities held under agreements to resell	–	–	–	–	**14,550,000**	**14,550,000**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	–	–	**3,723,377**	**3,723,377**	**244,837**	**3,968,214**
Equity securities	–	–	**69**	**69**	**199,853**	**199,922**
Derivative assets[2/]	**12,391**	**10,458**	**35,242**	**58,091**	**123,257**	**181,348**
Private debt securities	–	–	**113,196**	**113,196**	**30,604**	**143,800**
Designated at FVPL:						
Investment in Unit Investment Trust Funds (UITFs)	–	–	–	–	**17,261**	**17,261**
AFS investments:						
Government securities	**1,829,038**	–	**28,625,851**	**30,454,889**	**14,805,508**	**45,260,397**
Private debt securities	**3,320,989**	**397,000**	**10,938,756**	**14,656,745**	**7,596,235**	**22,252,980**
Quoted equity securities	–	–	**203,182**	**203,182**	**450,749**	**653,931**
Unquoted equity securities	–	–	**508**	**508**	**173,208**	**173,716**
HTM investments						
Government securities	**94,354**	**4,706**	**23,132,937**	**23,231,997**	–	**23,231,997**
Loans and receivables:						
Unquoted debt securities[3/]	–	–	**75,394**	**75,394**	**550,408**	**625,802**
Others[4/]	–	–	–	–	**15,923,079**	**15,923,079**

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/ Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
3/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
4/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
5/ As of December 31, 2015 and December 31, 2014, financial assets that are unrated are neither past due nor impaired.

	Consolidated					
	2014					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱–	₱–	₱105,773,685	₱105,773,685
Due from other banks	2,488,321	3,970,843	4,687,276	11,146,440	4,444,966	15,591,406
Interbank loans receivables	3,565,703	3,136,915	–	6,702,618	968,819	7,671,437
Financial assets at FVPL:						
Held-for-trading:						
Government securities	–	–	5,712,101	5,712,101	419,177	6,131,278
Equity securities	284	–	69	353	210,481	210,834
Derivative assets[2/]	1,114	43,274	10,286	54,674	81,877	136,551
Private debt securities	–	–	–	–	218,193	218,193
Designated at FVPL:						
Segregated fund assets	–	10,654,770	–	10,654,770	–	10,654,770
AFS investments:						
Government securities	541,582	82,920	34,668,594	35,293,096	1,852,354	37,145,450
Private debt securities	691,350	1,057,523	2,988,178	4,737,051	18,971,107	23,708,158
Quoted equity securities	40,090	–	162,618	202,708	1,871,492	2,074,200
Unquoted equity securities	–	–	481	481	163,210	163,691
HTM investments:						
Government securities	–	4,472	22,826,242	22,830,714	89,592	22,920,306
Private debt securities	–	50,000	–	50,000	–	50,000

(Forward)

	Consolidated					
	2014					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Loans and receivables:						
Unquoted debt securities[3/]	₱–	₱–	₱349,224	₱349,224	₱4,075,781	₱4,425,005
Others[4/]	3,858	1,636	200,966	206,460	15,249,487	15,455,947

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/ Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
3/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
4/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
5/ As of December 31, 2015 and December 31, 2014, financial assets that are unrated are neither past due nor impaired.

	Parent Company					
	2015					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[5/]**	**Total**
Due from BSP[1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱79,203,948**	**₱79,203,948**
Due from other banks	**5,856,006**	**3,770,856**	**981,857**	**10,608,719**	**841,854**	**11,450,573**
Interbank loans receivables	**1,814,131**	**3,525,011**	**461,192**	**5,800,334**	**158,192**	**5,958,526**
Securities held under agreements to resell	–	–	–	–	**14,550,000**	**14,550,000**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	–	–	**3,723,377**	**3,723,377**	**244,837**	**3,968,214**
Equity securities	–	–	**69**	**69**	**199,639**	**199,708**
Derivative assets[2/]	**12,228**	**10,415**	**35,242**	**57,885**	**123,257**	**181,142**
Private debt securities	–	–	**113,197**	**113,197**	**30,603**	**143,800**
AFS investments:						
Government securities	**727,525**	–	**28,542,175**	**29,269,700**	**14,805,509**	**44,075,209**
Private debt securities	**3,222,933**	**397,000**	**10,819,417**	**14,439,350**	**7,596,235**	**22,035,585**
Quoted equity securities	–	–	–	–	**450,749**	**450,749**
Unquoted equity securities	–	–	–	–	**173,209**	**173,209**
HTM investments						
Government securities	–	**4,706**	**23,132,937**	**23,137,643**	–	**23,137,643**
Loans and receivables:						
Unquoted debt securities[3/]	–	–	**75,394**	**75,394**	**550,408**	**625,802**
Others[4/]	–	–	–	–	**10,943,494**	**10,943,494**

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/ Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
3/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
4/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
5/ As of December 31, 2015 and December 31, 2014, financial assets that are unrated are neither past due nor impaired.

	Parent Company					
	2014					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱–	₱–	₱95,415,467	₱95,415,467
Due from other banks	1,063,178	2,320,424	1,253,345	4,636,947	376,410	5,013,357
Interbank loans receivables	3,565,703	3,136,915	–	6,702,618	968,819	7,671,437
Financial assets at FVPL:						
Held-for-trading:						
Government securities	–	–	5,712,101	5,712,101	419,177	6,131,278
Equity securities	–	–	69	69	210,481	210,550
Derivative assets[2/]	1,114	42,652	10,286	54,052	81,877	135,929
Private debt securities	–	–	–	–	218,193	218,193

(Forward)

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	Parent Company 2014					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
AFS investments:						
Government securities	₱53,909	₱–	₱32,527,143	₱32,581,052	₱1,851,975	₱34,433,027
Private debt securities	533,148	950,699	2,983,073	4,466,920	15,893,523	20,360,443
Quoted equity securities	–	–	–	–	470,608	470,608
Unquoted equity securities	–	–	–	–	147,510	147,510
HTM investments:						
Government securities	–	4,472	21,555,159	21,559,631	–	21,559,631
Loans and receivables:						
Unquoted debt securities[3/]	–	–	49,224	49,224	4,075,782	4,125,006
Others[4/]	–	–	–	–	9,407,337	9,407,337

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/ Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
3/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
4/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
5/ As of December 31, 2015 and December 31, 2014, financial assets that are unrated are neither past due nor impaired.

Impairment assessment
The Group recognizes impairment or credit losses based on the results of specific (individual) and collective assessment of its credit exposures. A possible impairment has taken place when there are presence of known difficulties in the payment of obligation by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days). These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment or credit losses include:

a. Specific (individual) assessment
The Group assesses each individually significant credit exposure or advances for any objective evidence of impairment.

Among the items and factors considered by the Group when assessing and measuring specific impairment/credit allowances are:

- the going concern of the borrower's business;
- the ability of the borrower to repay its obligations during financial crises;
- the projected receipts or expected cash flows;
- the availability of other sources of financial support;
- the existing realizable value of collateral; and
- the timing of the expected cash flows.

The impairment or credit allowances, if any, are evaluated every quarter or as the need arise in view of favorable or unfavorable developments.

b. Collective assessment
Loans and advances that are not individually significant (e.g., credit cards, housing loans, car loans, development incentives loans, fringe benefit loans) and individually significant loans and advances where there is no apparent evidence of individual impairment are collectively assessed for impairment. A particular portfolio is reviewed every quarter to determine its corresponding appropriate allowances.

Impairment losses are estimated by taking into consideration the following information:

- historical losses of the portfolio;
- current adverse economic conditions that have direct impact on the portfolio;
- losses which are likely to occur but has not yet occurred; and
- expected receipts and recoveries once impaired.

Refer to Note 16 for the detailed information on the allowance for credit losses on loans and receivables and other financial assets.

Liquidity Risk and Funding Management
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Parent Company's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Parent Company's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Parent Company'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.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

The tables below show 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 2015					
	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	₱15,220,536	₱–	₱–	₱–	₱–	₱15,220,536
Due from BSP and other banks	99,653,689	–	–	–	–	99,653,689
Interbank loans receivable	5,384,320	416,335	2	–	–	5,800,657
Securities held under agreements to resell	14,583,112	–	–	–	–	14,583,112
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3,979,182	–	–	–	–	3,979,182
Equity securities	199,922	–	–	–	–	199,922
Private debt securities	143,800	–	–	–	–	143,800
Derivative assets:						
Gross contractual receivable	16,817,945	2,059,068	28,125	41,474	348,870	19,295,482
Gross contractual payable	(16,752,755)	(2,040,301)	(18,692)	(27,122)	(275,264)	(19,114,134)
	65,190	18,767	9,433	14,352	73,606	181,348
Designated at FVPL:						
Investment in UITFs	17,261	–	–	–	–	17,261
AFS investments:						
Government securities	1,059,295	520,629	951,709	1,001,232	56,959,465	60,492,330
Private debt securities	183,767	534,094	307,439	11,562	27,717,072	28,753,934
Equity securities	–	–	–	–	827,647	827,647
HTM investments:						
Government securities	180,144	180,557	258,803	678,216	38,629,314	39,927,034
Loans and receivables:						
Receivables from customers	66,383,185	52,578,247	14,540,326	22,197,081	271,348,146	427,046,985
Unquoted debt securities	–	944	7,228	76,792	4,178,634	4,263,598
Other receivables	2,726,391	573,776	1,451,743	346,294	14,761,243	19,859,447
Other assets	128,387	2,300	1,405	1,141	50,605	183,838
Total financial assets	₱209,908,181	₱54,825,649	₱17,528,088	₱24,326,670	₱414,545,732	₱721,134,320
Financial Liabilities						
Deposit liabilities:						
Demand	₱110,029,680	₱–	₱–	₱–	₱–	₱110,029,680
Savings	260,880,163	25,250,869	11,251,179	5,732,360	13,745,867	316,860,438
Time	14,063,900	9,319,023	6,449,528	3,815,186	27,445,340	61,092,977
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	5,543,024	2,890,536	255,308	41,235	283,752	9,013,855
Gross contractual receivable	(5,500,389)	(2,829,870)	(246,017)	(27,122)	(275,264)	(8,878,662)
	42,635	60,666	9,291	14,113	8,488	135,193
Bills and acceptances payable	4,075,366	1,437,194	89,661	538,023	20,204,285	26,344,529
Subordinated debt	–	161,094	161,094	102,813	10,102,813	10,527,814
Accrued interest payable and accrued other expenses payable	1,019,379	158,692	17,574	23,423	1,564,522	2,783,590
Other liabilities	16,994,824	336,090	397,086	126,790	1,432,971	19,287,761
Total financial liabilities	₱407,105,947	₱36,723,628	₱18,375,413	₱10,352,708	₱74,504,286	₱547,061,982

	Consolidated 2014					
	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	₱14,628,489	₱–	₱–	₱–	₱–	₱14,628,489
Due from BSP and other banks	123,894,046	–	–	–	–	123,894,046
Interbank loans receivable	7,406,871	86,457	179,037	–	–	7,672,365
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3,858	26,681	252,547	242,633	7,889,921	8,415,640
Equity securities	210,834	–	–	–	–	210,834
Private debt securities	–	846	2,127	5,815	271,404	280,192
Derivative assets:						
Gross contractual receivable	4,094,309	145,455	61,912	–	566,494	4,868,170
Gross contractual payable	(4,074,679)	(138,707)	(57,565)	–	(460,668)	(4,731,619)
	19,630	6,748	4,347	–	105,826	136,551
Designated at FVPL						
Segregated fund assets	–	–	–	–	10,654,770	10,654,770
AFS investments:						
Government securities	130,676	587,215	1,313,252	1,087,497	44,142,188	47,260,828
Private debt securities	17,038	267,957	132,296	2,304,616	26,317,020	29,038,927
Equity securities	–	–	–	–	2,237,891	2,237,891
HTM investments:						
Government securities	17,407	162,811	221,300	627,002	35,936,853	36,965,373
Private debt securities	–	358	–	–	50,000	50,358
Loans and receivables:						
Receivables from customers	61,247,877	42,705,120	8,992,058	14,040,387	253,798,323	380,783,765
Unquoted debt securities	7,714	3,556,689	11,124	19,865	829,614	4,425,006
Other receivables	2,363,543	567,729	1,491,671	368,895	10,667,245	15,459,083
Other assets	943,966	–	–	–	101,486	1,045,452
Total financial assets	₱210,891,949	₱47,968,611	₱12,599,759	₱18,696,710	₱393,002,541	₱683,159,570
Financial Liabilities						
Deposit liabilities:						
Demand	₱101,561,040	₱–	₱–	₱–	₱–	₱101,561,040
Savings	210,066,893	33,071,856	16,375,209	13,484,009	22,428,474	295,426,441
Time	8,103,062	10,786,521	5,148,521	5,627,990	24,290,161	53,956,255
Financial liabilities at FVPL:						
Designated at FVPL:						
Segregated fund liabilities	–	–	–	–	10,817,122	10,817,122
Derivative liabilities:						
Gross contractual payable	6,828,368	55,354	22,594	290,680	490,151	7,687,147
Gross contractual receivable	(6,811,552)	(54,560)	(20,630)	(290,155)	(465,347)	(7,642,244)
	16,816	794	1,964	525	24,804	44,903
Bills and acceptances payable	7,712,722	997,205	1,334,892	31,139	8,974,100	19,050,058
Subordinated debt	–	161,094	161,094	322,188	10,497,311	11,141,687
Accrued interest payable and accrued other expenses payable	822,353	133,596	1,108	509	1,555,418	2,512,984
Other liabilities	17,900,338	456,986	300,231	407,896	6,699,582	25,765,033
Total financial liabilities	₱346,183,224	₱45,608,052	₱23,323,019	₱19,874,256	₱85,286,972	₱520,275,523

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	Parent Company					
	2015					
	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 1year**	**Total**
Financial Assets						
COCI	**₱12,598,715**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12,598,715**
Due from BSP and other banks	**90,656,132**	–	–	–	–	**90,656,132**
Interbank loans receivable	**5,508,484**	**441,255**	**9,061**	–	–	**5,958,800**
Securities held under agreements to resell	**14,583,112**	–	–	–	–	**14,583,112**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**3,979,182**	–	–	–	–	**3,979,182**
Equity securities	**143,800**	–	–	–	–	**143,800**
Private debt securities	**199,708**	–	–	–	–	**199,708**
Derivative assets:						
Gross contractual receivable	**15,866,204**	**2,057,068**	**20,125**	**41,474**	**348,870**	**18,333,741**
Gross contractual payable	**(15,801,188)**	**(2,038,302)**	**(10,723)**	**(27,122)**	**(275,264)**	**(18,152,599)**
	65,016	**18,766**	**9,402**	**14,352**	**73,606**	**181,142**
AFS investments:						
Government securities	**909,573**	**369,261**	**752,825**	**620,595**	**56,246,178**	**58,898,432**
Private debt securities	**183,767**	**534,094**	**269,017**	**994**	**27,546,996**	**28,534,868**
Equity securities	–	–	–	–	**623,958**	**623,958**
HTM investments:						
Government securities	**180,144**	**180,557**	**258,803**	**614,748**	**38,598,427**	**39,832,679**
Loans and receivables:						
Receivables from customers	**63,179,932**	**50,212,435**	**13,042,482**	**19,528,423**	**244,008,754**	**389,972,026**
Unquoted debt securities	–	**944**	**7,228**	**76,792**	**4,178,634**	**4,263,598**
Other receivables	**1,568,082**	**425,558**	**1,345,612**	**140,576**	**11,047,327**	**14,527,155**
Other assets	**96,073**	**2,300**	**1,405**	**1,142**	**34,597**	**135,517**
Total financial assets	**₱193,851,720**	**₱52,185,170**	**₱15,695,835**	**₱20,997,622**	**₱382,358,477**	**₱665,088,824**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱108,667,550**	**₱–**	**₱–**	**₱–**	**₱–**	**₱108,667,550**
Savings	**256,194,773**	**25,250,869**	**11,251,179**	**5,732,360**	**13,745,867**	**312,175,048**
Time	**13,863,388**	**5,855,896**	**4,550,162**	**3,557,448**	**23,433,015**	**51,259,909**
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	**4,710,062**	**2,655,236**	**20,008**	**41,235**	**283,751**	**7,710,292**
Gross contractual receivable	**(4,667,535)**	**(2,594,639)**	**(10,723)**	**(27,122)**	**(275,264)**	**(7,575,283)**
	42,527	**60,597**	**9,285**	**14,113**	**8,487**	**135,009**
Bills and acceptances payable	**3,035,251**	**1,418,949**	**84,838**	**436,855**	**20,204,285**	**25,180,178**
Subordinated debt	–	**161,094**	**161,094**	**102,813**	**10,102,813**	**10,527,814**
Accrued interest payable and accrued other expenses payable	**991,128**	**156,705**	**14,717**	**23,239**	**1,564,522**	**2,750,311**
Other liabilities	**11,541,802**	**423,937**	**165,079**	**148,918**	**662,967**	**12,942,703**
Total financial liabilities	**₱394,336,419**	**₱33,328,047**	**₱16,236,354**	**₱10,015,746**	**₱69,721,956**	**₱523,638,522**

	Parent Company					
	2014					
	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 1year	Total
Financial Assets						
COCI	₱13,865,078	₱–	₱–	₱–	₱–	₱13,865,078
Due from BSP and other banks	100,438,546	–	–	–	–	100,438,546
Interbank loans receivable	7,406,871	86,457	179,037	–	–	7,672,365
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3,858	26,681	252,547	242,633	7,889,921	8,415,640
Equity securities	210,550	–	–	–	–	210,550
Private debt securities	–	846	2,127	5,815	271,404	280,192
Derivative assets:						
Gross contractual receivable	4,061,014	142,857	59,913	–	566,494	4,830,278
Gross contractual payable	(4,041,937)	(136,173)	(55,571)	–	(460,668)	(4,694,349)
	19,077	6,684	4,342	–	105,826	135,929

(Forward)

	Parent Company					
	2014					
	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 1year	Total
AFS investments:						
Government securities	₱127,914	₱566,071	₱1,250,462	₱1,067,278	₱41,522,808	₱44,534,533
Private debt securities	16,319	199,155	116,266	2,303,897	23,051,986	25,687,623
Equity securities	–	–	–	–	618,118	618,118
HTM investments:						
Government securities	16,625	73,928	185,895	576,167	33,985,398	34,838,013
Loans and receivables:						
Receivables from customers	58,870,339	42,138,186	8,516,073	13,317,620	237,005,081	359,847,299
Unquoted debt securities	7,714	3,256,689	11,124	19,865	829,614	4,125,006
Other receivables	931,896	441,818	1,186,144	59,625	6,787,855	9,407,338
Other assets	943,122	–	–	–	86,154	1,029,276
Total financial assets	₱182,857,909	₱46,796,515	₱11,704,017	₱17,592,900	₱352,154,165	₱611,105,506
Financial Liabilities						
Deposit liabilities:						
Demand	₱100,322,249	₱–	₱–	₱–	₱–	₱100,322,249
Savings	201,702,699	33,071,856	16,375,209	13,484,009	22,428,475	287,062,248
Time	5,403,728	7,561,927	3,164,797	5,211,736	27,019,957	48,362,145
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	6,780,719	54,347	15,000	290,680	490,151	7,630,897
Gross contractual receivable	(6,764,439)	(53,561)	(13,132)	(290,155)	(465,346)	(7,586,633)
	16,280	786	1,868	525	24,805	44,264
Bills and acceptances payable	7,114,721	240,205	59,892	28,530	11,082,696	18,526,044
Subordinated debt	56,750	461,094	161,094	322,188	10,497,311	11,498,437
Accrued interest payable and accrued other expenses payable	788,677	133,596	1,108	1,944	1,555,418	2,480,743
Other liabilities	12,023,817	423,937	165,079	148,918	471,054	13,232,805
Total financial liabilities	₱327,428,921	₱41,893,401	₱19,929,047	₱19,197,850	₱73,079,716	₱481,528,935

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

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 as a primary risk measurement tool. It adopts both the Parametric Value-at-Risk (VaR) methodology and Historical Simulation Methodology (with 99% 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 261-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 moves may be underestimated 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 back testing procedures. Back testing 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 back testing and dirty back testing approaches approach in back testing. Clean back testing, 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 back testing, 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 back testing results. For the year 2015 and 2014, 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% 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 29, 2015	**₱1.99**	**₱296.83**	**₱8.81**	**₱307.63**
Average Daily	**3.67**	**306.33**	**8.99**	**318.99**
Highest	**14.52**	**420.79**	**10.50**	**392.93**
Lowest	**0.92**	**144.96**	**7.19**	**170.35**

* *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, 2014	₱3.77	₱230.99	₱7.76	₱242.52
Average Daily	3.28	234,50	8.73	246.51
Highest	10.96	395.29	12.60	349.12
Lowest	0.07	110.74	6.43	160.66

* *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*

The table below shows the interest rate VaR for AFS investments (in millions):

	2015	2014
End of year	**₱1,303.05**	₱812.47
Average Daily	**1,249.75**	1,416.60
Highest	**1,444.14**	2,631.36
Lowest	**797.87**	812.47

Structural Market Risk

Non-trading Market Risk
Interest rate risk
The Parent Company 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 Parent Company to interest rate risk. The Parent Company 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 Parent Company 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.

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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 Parent Company uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Parent Company's repricing gap. The repricing gap covering the one year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Parent Company's BOD sets a limit on the level of EaR exposure tolerable to the Parent Company. 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 2015					
	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	₱23,068,982	₱2,139,755	₱441,737	₱414,746	₱226,955	₱26,292,175
Interbank loans receivable	5,251,490	158,192	390,702	–	–	5,800,384
Receivable from customers and other receivables - gross**	119,503,109	54,698,330	7,568,053	2,524,222	51,382,112	235,675,826
Total financial assets	₱147,823,581	₱56,996,277	₱8,400,492	₱2,938,968	₱51,609,067	₱267,768,385
Financial Liabilities*						
Deposit liabilities:						
Savings	₱82,042,319	₱26,460,116	₱18,737,481	₱19,104,851	₱12,364,766	₱158,709,533
Time	19,329,798	8,793,128	6,358,168	3,958,490	3,098,634	41,538,218
Bills and acceptances payable	3,850,446	1,080,637	1,006,011	1,140,959	18,674,168	25,752,221
Total financial liabilities	₱105,222,563	₱36,333,881	₱26,101,660	₱24,204,300	₱34,137,568	₱225,999,972
Repricing gap	₱42,601,018	₱20,662,396	(₱17,701,168)	(₱21,265,332)	₱17,471,499	₱41,768,413
Cumulative gap	42,601,018	63,263,414	45,562,246	24,296,914	41,768,413	–

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets.*

	Consolidated 2014					
	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	₱46,647,101	₱5,179,498	₱1,436,197	₱234,477	₱452,352	₱53,949,625
Interbank loans receivable	7,585,005	86,432	–	–	–	7,671,437
Receivables from customers and other receivables - gross**	109,681,648	52,668,132	10,239,290	10,042,060	30,295,753	212,926,883
Total financial assets	₱163,913,754	₱57,934,062	₱11,675,487	₱10,276,537	₱30,748,105	₱274,547,945
Financial Liabilities*						
Deposit liabilities:						
Savings	₱80,239,744	₱28,455,206	₱16,173,324	₱20,476,027	₱9,503,458	₱154,847,759
Time	13,973,220	6,782,382	5,619,511	4,134,468	3,374,672	33,884,253
Bills and acceptances payable	7,574,375	682,097	422,115	668,849	13,618,150	22,965,586
Total financial liabilities	₱101,787,339	₱35,919,685	₱22,214,950	₱25,279,344	₱26,496,280	₱211,697,598
Repricing gap	₱62,126,415	₱22,014,377	(₱10,539,463)	(₱15,002,807)	₱4,251,825	₱62,850,347
Cumulative gap	62,126,415	84,140,792	73,601,329	58,598,522	62,850,347	–

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets.*

	Parent Company 2015					
	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	₱17,271,237	₱–	₱–	₱24,707	₱–	₱17,295,944
Interbank loans receivable	5,409,633	158,192	390,702	–	–	5,958,527
Receivable from customers and other receivables - gross**	119,503,109	54,698,330	7,568,053	2,524,222	51,382,112	235,675,826
Total financial assets	₱142,183,979	₱54,856,522	₱7,958,755	₱2,548,929	₱51,382,112	₱258,930,297
Financial Liabilities*						
Deposit liabilities:						
Savings	₱78,666,283	₱26,460,116	₱18,737,481	₱19,104,851	₱12,364,766	₱155,333,497
Time	15,232,475	5,339,910	4,446,307	3,721,070	2,982,331	31,722,093
Bills and acceptances payable	3,257,332	351,318	479,587	283,413	20,258,236	24,629,886
Total financial liabilities	₱97,156,090	₱32,151,344	₱23,663,375	₱23,109,334	₱35,605,333	₱211,685,476
Repricing gap	₱45,027,889	₱22,705,178	(₱15,704,620)	(₱20,560,405)	₱15,776,779	₱47,244,821
Cumulative gap	45,027,889	67,733,067	52,028,447	31,468,042	47,244,821	–

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets.*

	Parent Company 2014					
	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	₱32,989,879	₱–	₱–	₱–	₱23,478	₱33,013,357
Interbank loans receivable	7,585,005	86,432	–	–	–	7,671,437
Receivables from customers and other receivables - gross**	109,681,648	52,668,132	10,239,290	10,042,060	30,295,753	212,926,883
Total financial assets	₱150,256,532	₱52,754,564	₱10,239,290	₱10,042,060	₱30,319,231	₱253,611,677
Financial Liabilities*						
Deposit liabilities:						
Savings	₱72,848,966	₱28,455,206	₱16,173,324	₱20,476,027	₱9,503,458	₱147,456,981
Time	12,324,946	5,251,048	3,621,637	3,717,842	3,374,672	28,290,145
Bills and acceptances payable	6,970,251	128,026	–	–	11,423,046	18,521,323
Total financial liabilities	₱92,144,163	₱33,834,280	₱19,794,961	₱24,193,869	₱24,301,176	₱194,268,449
Repricing gap	₱58,112,369	₱18,920,284	(₱9,555,671)	(₱14,151,809)	₱6,018,055	₱59,343,228
Cumulative gap	58,112,369	77,032,653	67,476,982	53,325,173	59,343,228	–

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivable from customers excludes residual value of leased assets.*

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, 2015 and 2014:

	Consolidated			
	2015		2014	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱358,163**	**₱358,163**	₱248,104	₱248,104
-50bps	**(358,163)**	**(358,163)**	(248,104)	(248,104)
+100bps	**716,326**	**716,326**	496,208	496,208
-100bps	**(716,326)**	**(716,326)**	(496,208)	(496,208)

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	Parent Company			
	2015		2014	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱371,372**	**₱371,372**	₱233,555	₱233,555
-50bps	**(371,372)**	**(371,372)**	(233,555)	(233,555)
+100bps	**742,744**	**742,744**	467,111	467,111
-100bps	**(742,744)**	**(742,744)**	(467,111)	(467,111)

As one of the long-term goals in the risk management process, the Parent Company 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 Parent Company 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. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated		
	2015		
	USD	**Others***	**Total**
Assets			
COCI and due from BSP	**₱258,919**	**₱219,728**	**₱478,647**
Due from other banks	**6,933,845**	**9,466,865**	**16,400,710**
Interbank loans receivable	**673,317**	**1,006,287**	**1,679,604**
Loans and receivables	**14,467,955**	**6,681,557**	**21,149,512**
AFS investments	**525,369**	**926,685**	**1,452,054**
Other assets	**598,340**	**657,472**	**1,255,812**
Total assets	**23,457,745**	**18,958,594**	**42,416,339**
Liabilities			
Deposit liabilities	**7,690,547**	**4,892,062**	**12,582,609**
Derivative liabilities	**–**	**169**	**169**
Bills and acceptances payable	**3,430,079**	**258,265**	**3,688,344**
Accrued interest payable	**1,588,835**	**30,411**	**1,619,246**
Other liabilities	**857,501**	**554,743**	**1,412,244**
Total liabilities	**13,566,962**	**5,735,650**	**19,302,612**
Net Exposure	**₱9,890,783**	**₱13,222,944**	**₱23,113,727**

* *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), PHP, Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

	Consolidated		
	2014		
	USD	Others*	Total
Assets			
COCI and due from BSP	₱236,413	₱300,271	₱536,684
Due from other banks	1,490,604	3,300,703	4,791,307
Interbank loans receivable	2,043,978	432,160	2,476,138
Loans and receivables	7,172,786	688,378	7,861,164
Financial assets at FVPL	118,308	35,318	153,626
AFS investments	1,484,101	1,934,132	3,418,233
Other assets	90,953	54,013	144,966
Total assets	12,637,143	6,744,975	19,382,118
Liabilities			
Deposit liabilities	1,961,369	2,937,410	4,898,779
Bills and acceptances payable	2,977,373	112,963	3,090,336
Accrued interest payable	1,569,636	24,062	1,593,698
Other liabilities	2,357,493	144,011	2,501,504
Total liabilities	8,865,871	3,218,446	12,084,317
Net Exposure	₱3,771,272	₱3,526,529	₱7,297,801

* *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.*

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	Parent Company		
	2015		
	USD	Others*	Total
Assets			
COCI and due from BSP	₱240,534	₱209,548	₱450,082
Due from other banks	3,150,831	7,252,392	10,403,223
Interbank loans receivable	673,317	1,006,287	1,679,604
Loans and receivables	13,308,152	268,445	13,576,597
AFS investments	483,277	845,757	1,329,034
Other assets	154,937	39,730	194,667
Total assets	18,011,048	9,622,159	27,633,207
Liabilities			
Deposit liabilities	2,081,030	2,665,794	4,746,824
Derivative liabilities	–	169	169
Bills and acceptances payable	3,168,703	109,284	3,277,987
Accrued interest payable	1,584,752	16,401	1,601,153
Other liabilities	143,346	201,555	344,901
Total liabilities	6,977,831	2,993,203	9,971,034
Net Exposure	₱11,033,217	₱6,628,956	₱17,662,173

* *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.*

	Parent Company		
	2014		
	USD	Others*	Total
Assets			
COCI and due from BSP	₱236,413	₱300,271	₱536,684
Due from other banks	1,377,664	1,908,867	3,286,531
Interbank loans receivable	2,043,978	432,160	2,476,138
Loans and receivables	6,635,805	274,499	6,910,304
Financial assets at FVPL	118,308	35,318	153,626
AFS investments	1,483,620	1,926,829	3,410,449
HTM investments	–	–	–
Other assets	27,376	9,696	37,072
Total assets	11,923,164	4,887,640	16,810,804
Liabilities			
Deposit liabilities	1,961,369	2,899,591	4,860,960
Bills and acceptances payable	2,486,218	15,029	2,501,247
Accrued interest payable	1,568,653	13,739	1,582,392
Other liabilities	2,357,448	103,314	2,460,762
Total liabilities	8,373,688	3,031,673	11,405,361
Net Exposure	₱3,549,476	₱1,855,967	₱5,405,443

* *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.*

Information relating to the Parent Company's currency derivatives is contained in Note 23. The Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱1.2 billion (sold) and ₱3.9 billion (bought) as of December 31, 2015 and ₱313.0 million (sold) and ₱3.5 billion (bought) as of December 31, 2014.

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2015 and 2014 follow:

	2015	2014
US dollar - Philippine peso exchange rate	**₱47.06 to USD1.00**	₱44.72 to USD1.00

The following tables set forth the impact of the range of reasonably possible changes in the US dollar-Philippine peso 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, 2015 and 2014:

	2015			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	**₱157,493**	**₱162,747**	**₱105,499**	**₱110,332**
-1.00%	**(157,493)**	**(162,747)**	**(105,499)**	**(110,332)**

	2014			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱22,873	₱37,713	₱20,659	₱35,495
-1.00%	(22,873)	(37,713)	(20,659)	(35,495)

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

Capital management and management of insurance and financial risks

Governance framework

The Group has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It also supports the effective implementation of policies at the overall company and individual business unit levels.

The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

Regulatory framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The Group has an insurance business which is subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., fixed capitalization requirements, risk-based capital requirements).

Capital management
PNB LII's and PNB Gen's capital management framework is aligned with the statutory requirements imposed by the IC. To ensure compliance with these externally imposed capital requirements, it is PNB LII's and PNB Gen's policy to assess its position against set minimum capital requirements.

Under the requirements of the IC and the Insurance Code, PNB LII and PNB Gen should meet the minimum levels set for the following capital requirements: Minimum Statutory Net Worth - ₱250.0 million, ₱550.0 million, ₱900.0 million and ₱1.3 billion with compliance dates of June 30, 2013, December 31, 2016, December 31, 2019 and December 31, 2022, respectively; and Risk-Based Capital (RBC) - 100.00% for both life and nonlife insurance companies.

The required investments in government bonds and securities of at least 25.00% of the Minimum Paid-up Capital, under the Section 203 of the Insurance Code, are free from liens and encumbrances.

The Group manages the capital of its subsidiaries in accordance with the capital requirements of the relevant regulatory agency, such as the IC, SEC and PSE. PNB LII has fully complied with the relevant capital requirements having estimated statutory networth of ₱1.1 billion and ₱782.6 million as of December 31, 2015 and 2014, respectively, and RBC ratio of 187.08% and 145.29% as of December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, PNB Gen has estimated statutory networth amounting to ₱120.6 million and ₱585.5 million, respectively. PNB Gen's RBC ratio as of December 31, 2015 and 2014 is 9.52% and 30.23%, respectively.

Under Section D of IMC No. 7-2006, Mandatory Control Event shall occur if the RBC ratio of the company is less than 35.00%. Should this event occur, the Commissioner is required to place the company under regulatory control under Sec. 247 (Title 13, *Suspension or Revocation of Authority*) of the Code. The Mandatory Control Event shall be deemed sufficient grounds for the Commissioner to take action under Sec. 247 of the Insurance Code.

PNB Gen expects its financial performance to improve in 2016 through strategy of profitable growth, effective claims management and more efficient collection of both premiums receivable and claims recoverable. These will have positive impact on the RBC ratio, not to mention on the new RBC formula which is presently under consideration.

The final amount of the RBC ratio can be determined only after the accounts of PNB Gen have been examined by the IC. Further, the IC has yet to finalize the new RBC Computation under the New Insurance Code.

5. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities follow:

Cash equivalents - Carrying amounts approximate fair values due to the relatively short-term maturity of these investments.

Debt securities - Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities - Fair values of quoted equity securities are based on quoted market prices. While unquoted equity securities are carried at their original cost less impairment if any, since the fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Investments in UITFs classified as financial assets designated as at FVPL - Fair values are based on Net Asset Value per share (NAVps).

Loans and receivables - For loans with fixed interest rates, fair values are estimated by discounted cash flow methodology, using the Group's current market lending rates for similar types of loans. For loans with floating interest rates, with repricing frequencies on a quarterly basis, the Group assumes that the carrying amount approximates fair value. Where the repricing frequency is beyond three months, the fair value of floating rate loans is determined using the discounted cash flow methodology. The discount rate used in estimating the fair value of loans and receivables is 2.75% in 2015 and 2.50% in 2014 for peso-denominated receivables. For foreign currency-denominated receivables, discount rate used is 1.50% in 2015 and 2014.

Investment properties - The fair values of the Group and the Parent Company's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the land, building and investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

Financial liabilities - Except for time deposit liabilities, bills payable with long-term maturity and subordinated debt, the carrying values approximate fair values due to either the presence of a demand feature or the relatively short-term maturities of these liabilities.

Derivative instruments - Fair values are estimated based on quoted market prices or acceptable valuation models.

Time deposit liabilities, bills payable with long-term maturity and subordinated debt including designated at FVPL - Fair value is determined using the discounted cash flow methodology. The discount rate used in estimating the fair values of the subordinated debt and time deposits ranges from 2.66% to 3.77% and from 1.00% to 4.17% as of December 31, 2015 and 2014, respectively.

Fair value hierarchy
The Group has assets and liabilities that are measured at fair value on a recurring basis in the statement of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the statement of financial position at the end of each reporting period. These include financial assets and liabilities at FVPL and AFS investments.

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

- 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

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- 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 financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated 2015					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/29/2015	₱3,968,214	₱2,636,413	₱1,331,801	₱–	₱3,968,214
Equity securities	12/29/2015	199,922	199,752	170	–	199,922
Derivative assets	12/29/2015	181,348	–	118,016	63,332	181,348
Private debt securities	12/29/2015	143,800	143,800	–	–	143,800
Designated at FVPL:						
Investment in UITFs	12/29/2015	17,261	–	17,261	–	17,261
AFS investments:						
Government securities	12/29/2015	45,260,397	33,499,835	11,760,562	–	45,260,397
Private debt securities	12/29/2015	22,252,980	21,614,280	638,700	–	22,252,980
Equity securities*	12/29/2015	653,931	560,272	93,659	–	653,931
Assets of disposal group classified as held for sale:						
Financial assets at FVPL:						
Segregated fund assets	12/29/2015	13,634,687	7,854,450	–	5,780,237	13,634,687
AFS investments						
Government securities	12/29/2015	2,485,902	2,485,902	–	–	2,485,902
Private debt securities	12/29/2015	3,604,065	3,604,065	–	–	3,604,065
Equity securities*	12/29/2015	1,378,686	1,378,686	–	–	1,378,686
		₱93,781,193	₱73,977,455	₱13,960,169	₱5,843,569	₱93,781,193
Liabilities measured at fair value:						
Financial Liabilities						
Financial liabilities at FVPL:						
Derivative liabilities	12/29/2015	₱135,193	₱–	₱135,193	₱–	₱135,193
Liabilities of disposal group classified as held for sale						
Financial liabilities at FVPL:						
Segregated fund liabilities**	12/29/2015	13,634,687	7,854,450	–	5,780,237	13,634,687
		₱13,769,880	₱7,854,450	₱135,193	₱5,780,237	₱13,769,880
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2015	₱23,231,997	₱18,729,222	₱5,887,982	₱–	₱24,617,204
Loans and receivables:						
Receivables from customers	12/29/2015	349,176,265	–	–	360,136,440	360,136,440
Unquoted debt securities	12/29/2015	625,802	–	–	648,046	648,046
Assets of disposal group classified as held for sale:						
HTM investments	12/29/2015	1,269,398	1,336,814	–	–	1,336,814
		₱374,303,462	₱20,066,036	₱5,887,982	₱360,784,486	₱386,738,504
Nonfinancial Assets						
Investment properties:***						
Land	2015	₱11,432,653	₱–	₱–	₱21,012,616	₱21,012,616
Buildings and improvements	2015	1,797,352	–	–	3,584,585	3,584,585
		₱13,230,005	₱–	₱–	₱24,597,201	₱24,597,201

(Forward)

	Consolidated 2015					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2015	₱60,552,445	₱–	₱–	₱60,762,710	₱60,762,710
Bills payable	12/29/2015	25,407,406	–	–	25,033,940	25,033,940
Subordinated debt	12/29/2015	9,986,427	–	–	10,241,659	10,241,659
		₱95,946,278	₱–	₱–	₱96,038,309	₱96,038,309

* *Excludes unquoted available-for-sale securities*
** *Excludes cash component*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost*

	Consolidated 2014					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/29/2014	₱6,131,278	₱3,802,179	₱2,329,099	₱–	₱6,131,278
Equity securities	12/29/2014	210,834	210,674	160	–	210,834
Derivative assets	12/29/2014	136,551	–	65,391	71,160	136,551
Private debt securities	12/29/2014	218,193	218,193	–	–	218,193
Designated at FVPL:						
Segregated fund assets	12/29/2014	10,654,770	5,386,302	–	5,268,468	10,654,770
AFS investments:						
Government securities	12/29/2014	37,145,450	25,983,779	11,161,671	–	37,145,450
Private debt securities	12/29/2014	23,708,156	21,377,038	2,331,118	–	23,708,156
Equity securities*	12/29/2014	2,074,200	2,074,200	–	–	2,074,200
		₱80,279,432	₱59,052,365	₱15,887,439	₱5,339,628	₱80,279,432
Liabilities measured at fair value:						
Financial Liabilities						
Financial liabilities at FVPL:						
Designated at FVPL:						
Segregated fund liabilities**	12/29/2014	₱10,654,770	₱5,386,302	₱–	₱5,268,468	₱10,654,770
Derivative liabilities	12/29/2014	44,903	–	44,903	–	44,903
		₱10,699,673	₱5,386,302	₱44,903	₱5,268,468	₱10,699,673
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2014	₱22,970,306	₱20,584,890	₱3,983,878	₱–	₱24,568,768
Loans and receivables:						
Receivables from customers	12/29/2014	296,372,069	–	–	316,486,735	316,486,735
Unquoted debt securities	12/29/2014	4,425,005	–	–	6,013,057	6,013,057
		₱323,767,380	₱20,584,890	₱3,983,878	₱322,499,792	₱347,068,560
Nonfinancial Assets						
Investment properties:***						
Land	2014	₱18,217,858	₱–	₱–	₱24,326,385	₱24,326,385
Buildings and improvements	2014	2,030,624	–	–	3,355,569	3,355,569
		₱20,248,482	₱–	₱–	₱27,681,954	₱27,681,954

(Forward)

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	Consolidated 2014					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2014	₱52,881,409	₱–	₱–	₱55,296,115	₱55,296,115
Bills payable	12/29/2014	18,683,205	–	–	18,340,370	18,340,370
Subordinated debt	12/29/2014	9,969,498	–	–	10,593,485	10,593,485
		₱81,534,112	₱–	₱–	₱84,229,970	₱84,229,970

* *Excludes unquoted available-for-sale securities*
** *Excludes cash component*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost*

	Parent Company 2015					
	Valuation Date	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**12/29/2015**	**₱3,968,214**	**₱2,636,413**	**₱1,331,801**	**₱–**	**₱3,968,214**
Equity securities	**12/29/2015**	**199,708**	**199,708**	**–**	**–**	**199,708**
Derivative assets	**12/29/2015**	**181,142**	**–**	**117,810**	**63,332**	**181,142**
Private debt securities	**12/29/2015**	**143,800**	**143,800**	**–**	**–**	**143,800**
AFS investments:						
Government securities	**12/29/2015**	**44,075,209**	**32,314,647**	**11,760,562**	**–**	**44,075,209**
Private debt securities	**12/29/2015**	**22,035,585**	**21,396,885**	**638,700**	**–**	**22,035,585**
Equity securities*	**12/29/2015**	**450,749**	**357,090**	**93,659**	**–**	**450,749**
		₱71,054,407	**₱57,048,543**	**₱13,942,532**	**₱63,332**	**₱71,054,407**
Liabilities measured at fair value:						
Financial Liabilities						
Derivative liabilities	**12/29/2015**	**₱135,009**	**₱–**	**₱135,009**	**₱–**	**₱135,009**
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	**12/29/2015**	**₱23,137,643**	**₱18,634,867**	**₱5,887,982**	**₱–**	**₱24,522,849**
Loans and Receivables:						
Receivables from customers	**12/29/2015**	**316,730,942**	**–**	**–**	**325,917,837**	**325,917,837**
Unquoted debt securities	**12/29/2015**	**625,802**	**–**	**–**	**648,046**	**648,046**
		₱340,494,387	**₱18,634,867**	**₱5,887,982**	**₱326,565,883**	**₱351,088,732**
Nonfinancial Assets						
Investment properties:**						
Land	**2015**	**₱13,045,427**	**₱–**	**₱–**	**₱21,290,540**	**₱21,290,540**
Buildings and improvements	**2015**	**1,621,404**	**–**	**–**	**2,912,787**	**2,912,787**
		₱14,666,831	**₱–**	**₱–**	**₱24,203,327**	**₱24,203,327**
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	**12/29/2015**	**₱50,736,320**	**₱–**	**₱–**	**₱50,946,585**	**₱50,946,585**
Bills payable	**12/29/2015**	**24,285,071**	**–**	**–**	**23,904,966**	**23,904,966**
Subordinated debt	**12/29/2015**	**9,986,427**	**–**	**–**	**10,241,659**	**10,241,659**
		₱85,007,818	**₱–**	**₱–**	**₱85,093,210**	**₱85,093,210**

* *Excludes unquoted available-for-sale securities*
** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost*

	Parent Company 2014					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/29/2014	₱6,131,278	₱3,802,179	₱2,329,099	₱–	₱6,131,278
Equity securities	12/29/2014	210,550	210,550	–	–	210,550
Derivative assets	12/29/2014	135,929	–	64,769	71,160	135,929
Private debt securities	12/29/2014	218,193	218,193	–	–	218,193
AFS investments:						
Government securities	12/29/2014	34,433,027	23,271,399	11,161,628	–	34,433,027
Private debt securities	12/29/2014	20,360,443	18,039,535	2,320,908	–	20,360,443
Equity securities*	12/29/2014	470,608	470,608	–	–	470,608
		₱61,960,028	₱46,012,464	₱15,876,404	₱71,160	₱61,960,028
Liabilities measured at fair value:						
Financial Liabilities						
Derivative liabilities	12/29/2014	₱44,264	₱–	₱44,264	₱–	₱44,264
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2014	₱21,559,631	₱19,660,347	₱3,443,695	₱–	₱23,104,042
Loans and Receivables:						
Receivables from customers	12/29/2014	275,489,052	–	–	292,379,151	292,379,151
Unquoted debt securities	12/29/2014	4,125,005	–	–	5,713,057	5,713,057
		₱301,173,688	₱19,660,347	₱3,443,695	₱298,092,208	₱321,196,250
Nonfinancial Assets						
Investment properties:**						
Land	2014	₱17,915,404	₱–	₱–	₱24,174,768	₱24,174,768
Buildings and improvements	2014	1,837,499	–	–	3,189,415	3,189,415
		₱19,752,903	₱–	₱–	₱27,364,183	₱27,364,183
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2014	₱47,287,301	₱–	₱–	₱46,855,735	₱46,855,735
Bills payable	12/29/2014	18,159,191	–	–	17,816,356	17,816,356
Subordinated debt	12/29/2014	9,969,498	–	–	10,593,485	10,593,485
		₱75,415,990	₱–	₱–	₱75,265,576	₱75,265,576

* *Excludes unquoted available-for-sale securities*
** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost*

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities. For investments in UITFs, fair values is determined based on published NAVps as of reporting date.

As of December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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The following table shows a reconciliation of the beginning and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Financial assets				
Balance at beginning of year	**₱5,339,628**	₱5,545,916	**₱71,160**	₱165,863
Fair value changes recognized in profit or loss	**503,941**	(206,288)	**(7,828)**	(94,703)
Balance at end of year	**₱5,843,569**	₱5,339,628	**₱63,332**	₱71,160
Financial liabilities				
Balance at beginning of year	**₱5,268,468**	₱5,380,053	**₱–**	₱–
Fair value changes recognized in profit or loss	**511,769**	(111,585)	**–**	–
Balance at end of year	**₱5,780,237**	₱5,268,468	**₱–**	₱–

Equity and/or Credit-Linked Notes are shown as 'Segregated Fund Assets' under 'Financial Assets at FVPL' as of December 31, 2014 and under 'Assets of Disposal Group Classified as Held for Sale' as of December 31, 2015 (Note 37).

The structured Variable Unit-Linked Notes can be decomposed into bond components and options components. The fair value of structured notes has been computed by counterparties using present value calculations and option pricing models, as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the Issuer. The model also used certain market observable inputs including the counterparty's credit default swap (CDS), PHP interest rate swap (IRS) rates (for the Peso-denominated issuances) and ROP CDS rates (for the USD-denominated issuances).

Description of valuation techniques are as follows:

Structured Notes	Valuation Methods	Significant Unobservable Inputs	Significant Observable Inputs
Peso-denominated	DCF Method / Monte Carlo Simulation	Issuer's Funding rate / Issuer's CDS as proxy	PHP IRS
Dollar-denominated	DCF Method / Monte Carlo Simulation	Issuer's Funding rate / Issuer's CDS as proxy	ROP CDS / USD IRS

The sensitivity analysis of the fair market value of the structured notes as of December 31, 2015 and 2014 is performed for the reasonable possible movement in the significant inputs with all other variables held constant, showing the impact to profit and loss follows:

Sensitivity of the fair value measurement to changes in unobservable inputs:

2015

Structured Investments	**Significant Unobservable Input**	**Range of Input**	**Sensitivity of the Input to Fair Value***
Peso-denominated	**Bank CDS Levels**	**47.28 - 92.37 bps**	**50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱65,500,462**
Dollar-denominated	**Bank CDS Levels**	**40.179 - 76.344 bps**	**50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱41,710,217**

* *The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range*

2014

Structured Investments	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	Bank CDS Levels	44.00 - 95.67 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱90,838,042
Dollar-denominated	Bank CDS Levels	35.21 - 78.08 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱41,710,217

* *The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range*

Sensitivity of the fair value measurement to changes in observable inputs:

2015

Structured Investments	**Significant Observable Input**	**Range of Input**	**Sensitivity of the Input to Fair Value***
Peso-denominated	**PHP IRS (3Y)**	**180.25 - 355.00 bps**	**50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱65,500,462**
Dollar-denominated	**ROP CDS (5Y)**	**126.15 - 193.33 bps**	**50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱28,095,617**

* *The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range*

2014

Structured Investments	Significant Observable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	PHP IRS (3Y)	142.00 - 375.00 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱90,838,042
Dollar-denominated	ROP CDS (5Y)	79.31 - 150.94 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱41,710,217

* *The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range*

The fair values of warrants have been determined using price quotes received from a third-party broker without any pricing adjustments imputed by the Parent Company. The valuation model and inputs used in the valuation which were developed and determined by the third-party broker were not made available to the Parent Company. Under such instance, PFRS 13 no longer requires an entity to create quantitative information to comply with the related disclosure requirements.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group and Parent Company's investment properties are as follow:

<u>Valuation Techniques</u>

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of the improvement's Reproduction Cost New.

Significant Unobservable Inputs

Price per square meter	Ranges from ₱500 to ₱30,000
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

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

Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and

Other Segments - include, but not limited to, insurance, leasing, remittances and other support services. Other support services of the Group comprise of the operations and financial control groups.

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, chief operating decision maker (CODM) is based on the Regulatory Accounting Principles (RAP) submitted to the BSP in compliance with the reportorial requirements under the Financial Reporting Package for banks, which differ from PFRS. Significant differences arose from 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.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

Business segment information of the Group follows:

	2015					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Net interest margin						
Third party	**₱2,396,903**	**₱11,614,344**	**₱3,177,360**	**₱295,629**	**₱207,603**	**₱17,691,839**
Inter-segment	**4,287,196**	**(4,915,106)**	**627,910**	**–**	**–**	**–**
Net interest margin after inter-segment transactions	**6,684,099**	**6,699,238**	**3,805,270**	**295,629**	**207,603**	**17,691,839**
Other income	**1,413,242**	**4,103,083**	**2,195,452**	**2,573,959**	**(334,936)**	**9,950,800**
Segment revenue	**8,097,341**	**10,802,321**	**6,000,722**	**2,869,588**	**(127,333)**	**27,642,639**
Other expenses	**(7,808,713)**	**(935,445)**	**(118,411)**	**(3,776,559)**	**(361,962)**	**(13,001,090)**
Segment result	**₱288,628**	**₱9,866,876**	**₱5,882,311**	**(₱906,971)**	**(₱489,295)**	**14,641,549**
Unallocated expenses						**(7,068,331)**
Net income before income tax						**7,573,218**
Income tax						**(1,619,554)**
Net income from continuing operations						**5,953,664**
Net income from discontinued operations						**357,931**
Non-controlling interests						**(198,087)**
Net income for the year attributable to equity holders of the Parent Company						**₱6,113,508**
Other segment information						
Capital expenditures	**₱925,062**	**₱10,405**	**₱1,780**	**₱371,649**	**₱–**	**₱1,308,896**
Unallocated capital expenditure						**589,574**
Total capital expenditure						**₱1,898,470**
Depreciation and amortization	**₱558,046**	**₱132,559**	**₱6,440**	**₱634,780**	**₱50,668**	**₱1,382,493**
Unallocated depreciation and amortization						**69,728**
Total depreciation and amortization						**₱1,452,221**
Provision for (reversal of) impairment, credit and other losses	**₱301,499**	**(₱261,596)**	**(₱11,910)**	**₱228,892**	**₱311,295**	**₱568,180**

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

	2014 (As Restated – Note 37)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,306,979	₱11,521,156	₱2,987,955	₱206,786	₱435,786	₱16,458,662
Inter-segment	3,928,385	(3,431,729)	(496,656)	–	–	–
Net interest margin after inter-segment transactions	5,235,364	8,089,427	2,491,299	206,786	435,786	16,458,662
Other income	2,026,365	4,062,801	1,122,246	2,946,655	(45,859)	10,112,208
Segment revenue	7,261,729	12,152,228	3,613,545	3,153,441	389,927	26,570,870
Other expenses	(7,131,047)	(3,677,796)	(217,934)	(2,158,368)	(628,280)	(13,813,425)
Segment result	₱130,682	₱8,474,432	₱3,395,611	₱995,073	(₱238,353)	12,757,445
Unallocated expenses						(6,159,273)
Net income before income tax						6,598,172
Income tax						(1,367,288)
Net income from continuing operations						5,230,884

(Forward)

	2014 (As Restated – Note 37)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net income from discontinued operations						₱264,161
Non-controlling interests						(136,376)
Net income for the year attributable to equity holders of the Parent Company						₱5,358,669
Other segment information						
Capital expenditures	₱744,394	₱25,454	₱1,404	₱291,118	₱32,553	₱1,094,923
Unallocated capital expenditure						271,486
Total capital expenditure						₱1,366,409
Depreciation and amortization	₱140,607	₱110,966	₱5,562	₱720,041	₱276,170	₱1,253,346
Unallocated depreciation and amortization						228,585
Total depreciation and amortization						₱1,481,931
Provision for (reversal of) impairment, credit and other losses	₱545,281	₱859,782	(₱11,766)	₱355,627	₱515,691	₱2,264,615

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

	2013 (As Restated – Note 37)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱648,331	₱9,659,791	₱2,435,438	₱241,706	₱475,309	₱13,460,575
Inter-segment	3,654,832	(2,860,774)	(794,058)	–	–	–
Net interest margin after inter-segment transactions	4,303,163	6,799,017	1,641,380	241,706	475,309	13,460,575
Other income	621,494	2,197,096	7,078,608	2,371,953	(657,048)	11,612,103
Segment revenue	4,924,657	8,996,113	8,719,988	2,613,659	(181,739)	25,072,678
Other expenses	(5,277,205)	(4,575,313)	(443,992)	(3,863,781)	(184,617)	(14,344,908)
Segment result	(₱352,548)	₱4,420,800	₱8,275,996	(₱1,250,122)	(₱366,356)	10,727,770
Unallocated expenses						(4,530,341)
Net income before share in net income of an associate and income tax						6,197,429
Share in net income of an associate						4,975
Net income before income tax						6,202,404
Income tax						(1,151,595)
Net income from continuing operations						5,050,809
Net income from discontinued operations						196,680
Non-controlling interests						(101,174)
Net income for the year attributable to equity holders of the Parent Company						₱5,146,315
Other segment information						
Capital expenditures	₱904,371	₱20,728	₱723	₱313,597	₱–	₱1,239,419
Depreciation and amortization	₱182,520	₱206,627	₱7,352	₱726,850	₱330,812	₱1,454,161
Unallocated depreciation and amortization						236,352
Total depreciation and amortization						₱1,690,513
Provision for impairment, credit and other losses	₱294,772	₱156,417	₱–	₱71,811	₱310,584	₱833,584

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

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

As of December 31, 2015

	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	**₱70,842,231**	**₱278,330,998**	**₱192,617,758**	**₱273,895,363**	**(₱138,148,929)**	**₱677,537,421**
Unallocated assets						**2,150,316**
Total assets						**₱679,687,737**
Segment liabilities	**₱328,801,574**	**₱51,043,083**	**₱50,222,776**	**₱189,688,815**	**(₱137,664,873)**	**₱482,091,375**
Unallocated liabilities						**92,840,501**
Total liabilities						**₱574,931,876**

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

As of December 31, 2014

	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱300,295,603	₱233,760,262	₱183,055,599	₱107,472,631	(₱200,620,538)	₱623,963,557
Unallocated assets						1,482,275
Total assets						₱625,445,832
Segment liabilities	₱432,785,391	₱42,364,978	₱39,121,272	₱141,501,009	(₱255,648,228)	₱400,124,422
Unallocated liabilities						126,260,528
Total liabilities						₱526,384,950

** The eliminations and adjustments 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 five (5) 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 Expenditure**	
	2015	2014	**2015**	2014	**2015**	2014
Philippines	**₱325,295,519**	₱328,307,665	**₱550,838,120**	₱506,034,141	**₱1,879,019**	₱1,338,759
USA and Canada	**17,493,794**	1,354,970	**3,661,259**	3,639,786	**19,284**	1,472
Asia (excluding Philippines)	**5,348,679**	1,153,246	**20,378,499**	15,572,732	**167**	14,897
United Kingdom	**9,535**	198,206	**53,998**	1,138,291	–	11,281
	₱348,147,527	₱331,014,087	**₱574,931,876**	₱526,384,950	**₱1,898,470**	₱1,366,409

	Credit Commitments		**External Revenues**		
	2015	2014	**2015**	2014	2013
Philippines	**₱16,083,883**	₱15,661,774	**₱25,580,852**	₱24,650,375	₱23,193,352
USA and Canada	**796**	467	**598,662**	534,838	531,803
Asia (excluding Philippines)	**465,026**	8,104	**1,308,540**	1,184,773	1,169,644
United Kingdom	–	–	**154,585**	200,884	148,592
Other European Union Countries	–	–	–	–	29,287
	₱16,549,705	₱15,670,345	**₱27,642,639**	₱26,570,870	₱25,072,678

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

As of December 31, 2015 and 2014, 8.69% and 35.54%, respectively, of the Group's Due from BSP are placed under the special deposit account (SDA) with BSP. In 2015, 2014 and 2013, those SDAs bear interest at annual interest rates ranging from 2.00% to 2.50%, from 2.00% to 2.50% and from 2.00% to 3.00%, respectively.

As of December 31, 2015 and 2014, 7.32% and 29.35%, respectively, of the Parent Company's Due from BSP are placed under the SDA with the BSP. In 2015, 2014 and 2013, those SDAs bear interest at annual interest rates ranging from 2.00% to 2.50%, from 2.00% to 2.50% and from 2.00% to 3.00%, respectively.

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

The Group's interbank loans receivables include foreign currency-denominated placements amounting to ₱5.8 billion as of December 31, 2015 and peso and foreign currency-denominated placements amounting to ₱1.5 billion and ₱6.2 billion, respectively, as of December 31, 2014.

The Group's peso-denominated interbank loans receivables bear interest ranging from 2.56% to 3.19% in 2015, from 3.00% to 3.19% in 2014 and nil in 2013, and from 0.01% to 0.35%, from 0.08% to 0.25%, from 0.04% to 1.15% for foreign currency-denominated placements in 2015, 2014 and 2013, respectively. The Parent Company's peso-denominated interbank loans receivables bear interest ranging from 2.56% to 3.19% in 2015, from 3.00% to 3.19% in 2014 and nil in 2013, and from 0.03% to 0.35%, from 0.08% to 0.25%, from 0.04% to 1.15% for foreign currency-denominated placements in 2015, 2014 and 2013, respectively.

The amount of interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated		**Parent Company**	
	2015	2014	**2015**	2014
Interbank loans receivable	**₱5,800,383**	₱7,671,437	**₱5,958,526**	₱7,671,437
Less: Interbank loans receivable not considered as cash and cash equivalents	–	178,898	**46,302**	178,898
	₱5,800,383	₱7,492,539	**₱5,912,224**	₱7,492,539

Securities held under agreements to resell are peso-denominated placements with a carrying value of ₱14.6 billion as of December 31, 2015. The Group and the Parent Company's peso-denominated securities held under agreements to resell bear interest of 4.00% in 2015. As of December 31, 2015, the fair value of treasury bills pledged under these agreements amount to ₱14.5 billion (Note 36).

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

9. **Trading and Investment Securities**

This account consists of:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Financial assets at FVPL	**₱4,510,545**	₱17,351,626	**₱4,492,864**	₱6,695,950
AFS investments	**68,341,024**	63,091,497	**66,734,752**	55,411,588
HTM investments	**23,231,997**	22,970,306	**23,137,643**	21,559,631
	₱96,083,566	₱103,413,429	**₱94,365,259**	₱83,667,169

Financial Assets at FVPL
This account consists of:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Held-for-trading:				
Government securities	**₱3,968,214**	₱6,131,278	**₱3,968,214**	₱6,131,278
Equity securities	**199,922**	210,834	**199,708**	210,550
Derivative assets (Notes 23 and 36)	**181,348**	136,551	**181,142**	135,929
Private debt securities	**143,800**	218,193	**143,800**	218,193
	4,493,284	6,696,856	**4,492,864**	6,695,950
Designated at FVPL:				
Investment in UITFs	**17,261**	–	**–**	–
Segregated fund assets (Notes 18 and 37)	**–**	10,654,770	**–**	–
	₱4,510,545	₱17,351,626	**₱4,492,864**	₱6,695,950

As of December 31, 2015, 2014 and 2013, unrealized loss on government and private debt securities recognized by the Group and the Parent Company amounted to ₱261.5 million and ₱216.2 million and ₱237.1 million, respectively.

The carrying amount of equity securities includes unrealized loss of ₱53.3 million, ₱17.2 million and ₱30.5 million as of December 31, 2015, 2014 and 2013, respectively, for the Group and unrealized loss of ₱53.4 million, ₱17.3 million and ₱30.6 million as of December 31, 2015, 2014 and 2013, respectively, for the Parent Company.

In 2015, 2014 and 2013, the nominal interest rates of government securities range from 2.13% to 10.63%, from 2.75% to 8.88% and from 3.25% to 8.38%, respectively.

In 2015, 2014 and 2013, the nominal interest rates of private debt securities range from 4.80% to 7.38%, from 4.25% to 7.38% and from 3.88% to 7.38%, respectively.

Segregated fund assets designated as financial asset at FVPL refer to the considerations received from unit-linked insurance contracts invested by PNB LII in designated funds (Note 37).

On March 15, 2005 and June 17, 2005, the IC approved PNB LII's license to sell single-pay and regular-pay unit-linked insurance products, respectively.

Segregated fund assets and the corresponding segregated fund liabilities are designated as financial assets and liabilities at FVPL since they are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. The equity of each policyholder in the segregated fund assets is determined by assigning a number of units to each policyholder, corresponding to the net amount deposited in relation to the market value at the time of contribution. The value per unit may increase or decrease depending on the market value of the underlying assets of the corresponding segregated funds.

As of December 31, 2014, the segregated fund assets consist of peso and dollar funds amounting to ₱8.7 billion. In 2015, the segregated funds were reclassified to 'Assets of disposal group classified as held for sale' (Note 37). The segregated fund assets include the following equity-linked notes:

Equity-linked notes	Description
Asian Summit	A single-pay variable life insurance product which invests the single premium, net of premium charges, into a five (5)-Year PHP-Linked USD Participation Note which is linked to the performance of a basket of five Asian equity indices.
Summit Select	A single-pay variable life insurance product which invests the single premium, net of premium charges, into a five (5)-Year PHP-Linked USD Participation Note which is linked to the performance of ING Emerging Markets Consumption VT 10.00% Index.
Dollar Income Optimizer	A single-pay variable life insurance product which invests the single premium, net of premium charges, into UBS seven (7)-Year Structured Note which is linked to the performance of a basket of high quality global funds chosen to offer income and potential for capital appreciation.
Variable Unit-Linked Summit Peso and Dollar	A peso and dollar denominated single-pay five (5)-Year linked life insurance plan that provide the opportunity to participate in a risk-managed portfolio of six (6) equally-weighted exchange traded funds of ASEAN member countries via the ING ASEAN Equities VT 10.00% index.
True North (Launched in 2015)	A fund invested in a 5-year UBS Note linked to UBS Multi Asset Portfolio T5 Index (the "UBS MAP T5") issued by UBS A.G.. It provides a minimum redemption value equivalent to 90.00% of the PHP equivalent principal amount, if held to maturity, and provided that no credit default event occurs on UBS A.G.

AFS Investments
This account consists of:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
AFS investments:				
Government securities (Notes 19 and 33)	**₱45,260,397**	₱37,145,450	**₱44,075,209**	₱34,433,027
Private debt securities	**22,252,980**	23,708,156	**22,035,585**	20,360,443
Equity securities - net of allowance for impairment losses (Note 16)				
Quoted	**653,931**	2,074,200	**450,749**	470,608
Unquoted	**173,716**	163,691	**173,209**	147,510
	₱68,341,024	₱63,091,497	**₱66,734,752**	₱55,411,588

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

The Group and the Parent Company recognized impairment losses on equity securities amounting to ₱0.2 million, ₱1.4 million and nil in 2015, 2014 and 2013, respectively (Note 16).

The movements in net unrealized loss on AFS investments of the Group are as follows:

	Consolidated								
	2015			2014			2013		
	Parent Company	**NCI**	**Total**	Parent Company	NCI	Total	Parent Company	NCI	Total
Balance at the beginning of the year	**(₱2,336,142)**	**₱179,878**	**(₱2,156,264)**	(₱3,581,865)	₱158,990	(₱3,422,875)	₱1,037,252	₱–	₱1,037,252
Acquired from business combination	–	–	–	–	–	–	–	(47,538)	(47,538)
Changes in fair values of AFS investments	**(1,433,417)**	**(16,194)**	**(1,449,611)**	2,286,623	19,514	2,306,137	(243,270)	206,904	(36,366)
Provision for impairment (Note 16)	**26,442**	**6,553**	**32,995**	1,423	–	1,423	–	–	–
Realized gains (Note 37)	**(777,890)**	**(4,175)**	**(782,065)**	(1,171,221)	(2,932)	(1,174,153)	(4,375,383)	(376)	(4,375,759)
Amortization of net unrealized loss on AFS investments reclassified as HTM*	**136,804**	**2,568**	**139,372**	119,839	4,306	124,145	–	–	–
Effect of disposal group classified as held for sale (Note 37)	**617,649**	–	**617,649**	–	–	–	–	–	–
	(1,430,412)	**(11,248)**	**(1,441,660)**	1,236,664	20,888	1,257,552	(4,618,653)	206,528	(4,412,125)
Income tax effect (Note 31)	**2,887**	–	**2,887**	9,059	–	9,059	(464)	–	(464)
Balance at end of year	**(₱3,763,667)**	**₱168,630**	**(₱3,595,037)**	(₱2,336,142)	₱179,878	(₱2,156,264)	(₱3,581,865)	₱158,990	(₱3,422,875)

* *Presented as part of 'Interest income on trading and investment securities'.*

The changes in the net unrealized loss on AFS investments of the Parent Company follow:

	Parent Company		
	2015	2014	2013
Balance at the beginning of the year	**(₱2,276,501)**	(₱3,400,929)	₱904,686
Changes in fair values of AFS investments	**(119,195)**	2,139,803	(113,065)
Provision for impairment	**230**	1,423	–
Realized gains	**(756,777)**	(1,128,511)	(4,183,617)
Amortization of net unrealized loss on AFS investments reclassified as HTM*	**126,531**	102,615	–
	(749,211)	1,115,330	(4,296,682)
Income tax effect (Note 31)	**2,859**	9,098	(8,933)
Balance at end of year	**(₱3,022,853)**	(₱2,276,501)	(₱3,400,929)

* *Presented as part of 'Interest income on trading and investment securities'.*

As of December 31, 2015 and 2014, the fair value of the AFS investments in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with foreign banks amounted to ₱8.5 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 foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.

Included in the Group's AFS investments are pledged securities for the Surety Bond with face value amount of ₱800.0 million issued by PNB Gen (Note 35). As of December 31, 2015 and 2014, the carrying value of these pledged securities amounted to ₱873.0 million and ₱903.9 million, respectively.

HTM Investments

As of December 31, 2015, HTM investments of the Group and the Parent Company comprise of government securities amounting to ₱23.2 billion and ₱23.1 billion, respectively.

As of December 31, 2014, HTM investments of the Group comprise of government securities and private debt securities amounting to ₱22.9 billion and ₱50.0 million, respectively. HTM investments of the Parent Company consist of government securities amounting to ₱21.6 billion as of December 31, 2014.

As of December 31, 2015 and 2014, the fair value of the HTM investments in the form of Republic of the Philippines bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with BSP amounted to ₱7.5 billion and ₱8.9 billion, respectively (Note 19).

Reclassification of Financial Assets

On March 3 and March 5, 2014, the Group reclassified certain AFS investment securities, which were previously classified as HTM investments, with fair values of ₱15.9 billion and ₱6.8 billion, respectively, back to its original classification as management has established that it continues to have the positive intention and ability to hold these securities to maturity. The reclassification was approved by the BOD on February 28, 2014. The previous fair valuation gains amounting to ₱2.7 billion that have been recognized in OCI shall be amortized to profit or loss over the remaining life of the HTM investments using effective interest rates ranging from 3.60% to 5.64%.

As of December 31, 2015, the carrying values and fair values of reclassified AFS investment securities amount to ₱21.3 billion and ₱23.1 billion, respectively, for the Group and ₱20.2 billion and ₱21.7 billion, respectively, for the Parent Company. In 2015, had these securities not been reclassified as HTM, the additional mark-to-market loss that would have been recognized by the Group and the Parent Company in the statement of comprehensive income amounts to ₱0.8 billion.

As of December 31, 2014, the carrying values and fair values of reclassified AFS investment securities amount to ₱22.4 billion and ₱24.0 billion, respectively, for the Group and ₱21.0 billion and ₱22.5 billion, respectively, for the Parent Company. In 2014, had these securities not been reclassified as HTM, the additional mark-to-market loss that would have been have been recognized by the Group and the Parent Company in the statements of comprehensive income amount to ₱1.6 billion and ₱1.5 billion, respectively.

Interest Income on Trading and Investment Securities

This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated – Note 37)	2013 (As Restated – Note 37)	**2015**	2014	2013
AFS investments	**₱2,443,660**	₱1,953,437	₱2,833,035	**₱2,407,634**	₱1,968,228	₱2,755,886
HTM investments	**925,334**	794,541	–	**924,462**	725,613	–
Financial assets at FVPL	**373,042**	244,886	648,203	**373,042**	244,886	648,202
Derivatives	–	–	5,528	–	–	5,503
	₱3,742,036	₱2,992,864	₱3,486,766	**₱3,705,138**	₱2,938,727	₱3,409,591

Effective interest rates range from 1.03% to 5.62%, from 2.58% to 5.62% and from 1.62% to 5.79% in 2015, 2014 and 2013, respectively, for peso-denominated AFS investments.
Effective interest rates range from 1.10% to 5.39%, from 2.06% to 5.83% and from 1.28% to 5.90% in 2015, 2014 and 2013, respectively, for foreign currency-denominated AFS investments.

HTM investments bear effective annual interest rates ranging from 3.60% to 5.64% in 2015 and 2014.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

Trading and Investment Securities Gains - net
This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated – Note 37)	2013 (As Restated – Note 37)	2015	2014	2013
Financial assets at FVPL:						
Held-for-trading	**(₱175,371)**	₱197,224	₱214,322	**(₱175,290)**	₱196,597	₱214,322
Designated at FVPL	**210**	1,751	79,955	**–**	–	(16,192)
AFS investments	**761,191**	1,159,492	4,374,009	**756,777**	1,128,511	4,183,617
Financial liabilities at FVPL:						
Designated at FVPL	**–**	–	104,510	**–**	–	196,070
Derivative financial instruments (Note 23)	**(11,709)**	(90,761)	(156,313)	**(11,709)**	(90,761)	(156,313)
	₱574,321	₱1,267,706	₱4,616,483	**₱569,778**	₱1,234,347	₱4,421,504

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Receivable from customers:				
Loans and discounts	**₱333,910,923**	₱279,256,983	**₱305,051,911**	₱261,796,590
Customers' liabilities on letters of credit and trust receipts	**10,501,665**	11,233,400	**10,162,498**	10,910,584
Credit card receivables	**5,363,750**	4,390,966	**5,363,750**	4,390,966
Bills purchased (Note 22)	**3,832,905**	4,878,682	**3,498,652**	4,292,300
Lease contracts receivable (Note 30)	**3,686,791**	3,324,277	**101,709**	103,720
Customers' liabilities on acceptances (Note 19)	**344,816**	361,505	**344,816**	361,505
	357,640,850	303,445,813	**324,523,336**	281,855,665
Less unearned and other deferred income	**1,834,517**	1,261,386	**1,427,774**	867,933
	355,806,333	302,184,427	**323,095,562**	280,987,732
Unquoted debt securities	**4,245,069**	8,044,272	**4,245,069**	7,744,272
Other receivables:				
Accounts receivable	**8,212,190**	8,993,706	**3,102,573**	3,127,060
Sales contract receivables	**5,491,409**	4,267,338	**5,487,416**	4,184,697
Accrued interest receivable	**4,968,236**	4,756,699	**4,829,204**	4,533,985
Miscellaneous	**429,923**	442,088	**401,142**	389,790
	19,101,758	18,459,831	**13,820,335**	12,235,532
	379,153,160	328,688,530	**341,160,966**	300,967,536
Less allowance for credit losses (Note 16)	**13,428,014**	12,435,509	**12,860,728**	11,946,142
	₱365,725,146	₱316,253,021	**₱328,300,238**	₱289,021,394

Below is the reconciliation of loans and receivables as to classes:

	Consolidated							
	2015							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱274,314,706	₱22,920,494	₱7,804,678	₱28,398,408	₱472,637	₱–	₱–	₱333,910,923
Customers' liabilities on letters of credit and trust receipts	10,501,665	–	–	–	–	–	–	10,501,665
Credit card receivables	59,732	–	–	5,224,371	79,647	–	–	5,363,750
Bills purchased (Note 22)	3,142,231	690,674	–	–	–	–	–	3,832,905
Lease contracts receivable (Note 30)	3,686,791	–	–	–	–	–	–	3,686,791
Customers' liabilities on acceptances (Note 19)	344,816	–	–	–	–	–	–	344,816
	292,049,941	23,611,168	7,804,678	33,622,779	552,284	–	–	357,640,850
Less unearned and other deferred income	1,242,211	573,249	12,023	6,829	205	–	–	1,834,517
	290,807,730	23,037,919	7,792,655	33,615,950	552,079	–	–	355,806,333
Unquoted debt securities	–	–	–	–	–	4,245,069	–	4,245,069
Other receivables:								
Accounts receivable	–	–	–	–	–	–	8,212,190	8,212,190
Sales contract receivables	–	–	–	–	–	–	5,491,409	5,491,409
Accrued interest receivable	–	–	–	–	–	–	4,968,236	4,968,236
Miscellaneous	–	–	–	–	–	–	429,923	429,923
	290,807,730	23,037,919	7,792,655	33,615,950	552,079	4,245,069	19,101,758	379,153,160
Less allowance for credit losses (Note 16)	5,186,186	159,047	148,602	1,113,167	23,066	3,619,267	3,178,679	13,428,014
	₱285,621,544	₱22,878,872	₱7,644,053	₱32,502,783	₱529,013	₱625,802	₱15,923,079	₱365,725,146

	Consolidated							
	2014							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱224,312,212	₱20,089,224	₱8,410,900	₱25,938,669	₱505,978	₱–	₱–	₱279,256,983
Customers' liabilities on letters of credit and trust receipts	11,233,400	–	–	–	–	–	–	11,233,400
Credit card receivables	68,455	–	–	4,261,332	61,179	–	–	4,390,966
Bills purchased (Note 22)	4,527,330	351,352	–	–	–	–	–	4,878,682
Lease contracts receivable (Note 30)	3,323,512	–	–	765	–	–	–	3,324,277
Customers' liabilities on acceptances (Note 19)	361,505	–	–	–	–	–	–	361,505
	243,826,414	20,440,576	8,410,900	30,200,766	567,157	–	–	303,445,813
Less unearned and other deferred income	1,300,208	–	14,290	(53,368)	256	–	–	1,261,386
	242,526,206	20,440,576	8,396,610	30,254,134	566,901	–	–	302,184,427
Unquoted debt securities	–	–	–	–	–	8,044,272	–	8,044,272
Other receivables:								
Accounts receivable	–	–	–	–	–	–	8,993,706	8,993,706
Sales contract receivables	–	–	–	–	–	–	4,267,338	4,267,338
Accrued interest receivable	–	–	–	–	–	–	4,756,699	4,756,699
Miscellaneous	–	–	–	–	–	–	442,088	442,088
	242,526,206	20,440,576	8,396,610	30,254,134	566,901	8,044,272	18,459,831	328,688,530
Less allowance for credit losses (Note 16)	4,530,880	189,270	62,462	1,012,637	17,109	3,619,267	3,003,884	12,435,509
	₱237,995,326	₱20,251,306	₱8,334,148	₱29,241,497	₱549,792	₱4,425,005	₱15,455,947	₱316,253,021

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	Parent Company 2015							
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**	**Unquoted Debt Securities**	**Others**	**Total**
Receivable from customers:								
Loans and discounts	**₱265,051,259**	**₱22,920,494**	**₱7,804,678**	**₱8,816,035**	**₱459,445**	**₱–**	**₱–**	**₱305,051,911**
Customers' liabilities on letters of credit and trust receipts	**10,162,498**	**–**	**–**	**–**	**–**	**–**	**–**	**10,162,498**
Credit card receivables	**59,732**	**–**	**–**	**5,224,371**	**79,647**	**–**	**–**	**5,363,750**
Bills purchased (Note 22)	**2,807,978**	**690,674**	**–**	**–**	**–**	**–**	**–**	**3,498,652**
Lease contracts receivable (Note 30)	**101,709**	**–**	**–**	**–**	**–**	**–**	**–**	**101,709**
Customers' liabilities on acceptances (Note 19)	**344,816**	**–**	**–**	**–**	**–**	**–**	**–**	**344,816**
	278,527,992	**23,611,168**	**7,804,678**	**14,040,406**	**539,092**	**–**	**–**	**324,523,336**
Less unearned and other deferred income	**835,468**	**573,249**	**12,023**	**6,829**	**205**	**–**	**–**	**1,427,774**
	277,692,524	**23,037,919**	**7,792,655**	**14,033,577**	**538,887**	**–**	**–**	**323,095,562**
Unquoted debt securities	**–**	**–**	**–**	**–**	**–**	**4,245,069**	**–**	**4,245,069**
Other receivables:								
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**3,102,573**	**3,102,573**
Sales contract receivables	**–**	**–**	**–**	**–**	**–**	**–**	**5,487,416**	**5,487,416**
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**4,829,204**	**4,829,204**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**401,142**	**401,142**
	277,692,524	**23,037,919**	**7,792,655**	**14,033,577**	**538,887**	**4,245,069**	**13,820,335**	**341,160,966**
Less allowance for credit losses (Note 16)	**5,038,887**	**159,047**	**148,602**	**995,020**	**23,064**	**3,619,267**	**2,876,841**	**12,860,728**
	₱272,653,637	**₱22,878,872**	**₱7,644,053**	**₱13,038,557**	**₱515,823**	**₱625,802**	**₱10,943,494**	**₱328,300,238**

	Parent Company 2014							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱216,170,658	₱20,089,224	₱8,410,900	₱16,633,338	₱ 492,470	₱–	₱–	₱261,796,590
Customers' liabilities on letters of credit and trust receipts	10,910,584	–	–	–	–	–	–	10,910,584
Credit card receivables	68,455	–	–	4,261,332	61,179	–	–	4,390,966
Bills purchased (Note 22)	3,940,948	351,352	–	–	–	–	–	4,292,300
Lease contracts receivable (Note 30)	103,720	–	–	–	–	–	–	103,720
Customers' liabilities on acceptances (Note 19)	361,505	–	–	–	–	–	–	361,505
	231,555,870	20,440,576	8,410,900	20,894,670	553,649	–	–	281,855,665
Less unearned and other deferred income	910,204	–	14,290	(56,817)	256	–	–	867,933
	230,645,666	20,440,576	8,396,610	20,951,487	553,393	–	–	280,987,732
Unquoted debt securities	–	–	–	–	–	7,744,272	–	7,744,272
Other receivables:								
Accounts receivable	–	–	–	–	–	–	3,127,060	3,127,060
Sales contract receivables	–	–	–	–	–	–	4,184,697	4,184,697
Accrued interest receivable	–	–	–	–	–	–	4,533,985	4,533,985
Miscellaneous	–	–	–	–	–	–	389,790	389,790
	230,645,666	20,440,576	8,396,610	20,951,487	553,393	7,744,272	12,235,532	300,967,536
Less allowance for credit losses (Note 16)	4,266,298	189,270	62,462	963,545	17,105	3,619,267	2,828,195	11,946,142
	₱226,379,368	₱20,251,306	₱8,334,148	₱19,987,942	₱536,288	₱4,125,005	₱9,407,337	₱289,021,394

On November 27, 1997, Maybank Philippines, Inc. (Maybank) and the Parent Company signed a deed of assignment transferring to the Parent Company certain Maybank assets (included under 'Loans and discounts' and 'Accrued interest receivable') and liabilities in connection with the sale of the Parent Company's 60.00% equity in Maybank.

As of December 31, 2015 and 2014, the balance of these receivables amounted to ₱3.7 billion and ₱3.6 billion while the transferred liabilities (included under 'Bills payable to BSP and local banks' - Note 19 and 'Accrued interest payable' - Note 20) amounted to ₱3.4 billion. The excess of the transferred receivables over the transferred liabilities is fully covered by an allowance for credit losses amounting to ₱262.5 million as of December 31, 2015 and 2014. The remaining 40.00% equity ownership of the Parent Company in Maybank was sold in June 2000.

Unquoted debt instruments

Unquoted debt instruments include the zero-coupon notes received by the Parent Company from SPV Companies on October 15, 2004, at the principal amount of ₱803.5 million (Tranche A Note) payable in five years and at the principal amount of ₱3.4 billion (Tranche B Note) payable in eight years in exchange for the outstanding loans receivable from National Steel Corporation (NSC) of ₱5.3 billion. The notes are secured by a first ranking mortgage and security interest over the NSC Plant Assets. As of December 31, 2015 and 2014, the notes are carried at their recoverable values (Note 35).

Finance lease receivable

An analysis of the Group and the Parent Company's finance lease receivables is presented as follows:

	Consolidated		**Parent Company**	
	2015	2014	**2015**	2014
Minimum lease payments				
Due within one year	**₱1,428,529**	₱1,332,271	**₱17,909**	₱14,120
Due beyond one year but not over five years	**1,498,041**	1,370,474	**35,900**	31,100
Due beyond five years	**47,900**	58,500	**47,900**	58,500
	2,974,470	2,761,245	**101,709**	103,720
Residual value of leased equipment				
Due within one year	**225,590**	138,019	**–**	–
Due beyond one year but not over five years	**486,731**	425,013	**–**	–
	712,321	563,032	**–**	–
Gross investment in finance lease receivables	**₱3,686,791**	₱3,324,277	**₱101,709**	₱103,720

Interest Income

Interest income on loans and receivables consists of:

	Consolidated			**Parent Company**		
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	**2015**	2014	2013
Receivable from customers and sales contract receivables	**₱17,074,179**	₱14,650,909	₱12,888,135	**₱15,092,695**	₱13,491,902	₱12,358,412
Unquoted debt securities	**63,478**	521,555	216,449	**58,568**	502,891	200,297
	₱17,137,657	₱15,172,464	₱13,104,584	**₱15,151,263**	₱13,994,793	₱12,558,709

As of December 31, 2015 and 2014, 82.84% and 75.65%, respectively, of the total receivable from customers of the Group were subject to interest repricing. As of December 31, 2015 and 2014, 76.18% and 75.67%, respectively, of the total receivable from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.10% to 7.00% in 2015, from 2.51% to 9.00% in 2014 and from 4.80% to 9.00% in 2013 for foreign currency-denominated receivables, and from 0.50% to 15.25% in 2015, from 0.03% to 23.04% in 2014 and 0.30% to 24.40% in 2013 for peso-denominated receivables.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

Sales contract receivables bear fixed interest rate per annum ranging from 3.30% to 21.00%, from 5.05% to 21.00% and from 4.50% to 21.00% in 2015, 2014 and 2013, respectively.

Interest income accrued on impaired loans and receivable of the Group and Parent Company amounted to ₱217.0 million in 2015, ₱274.8 million in 2014 and ₱289.1 million in 2013 (Note 16).

BSP Reporting

An industry sector analysis of the Group's and the Parent Company's receivable from customers before taking into account the unearned and other deferred income and allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2015		2014		**2015**		2014	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Wholesale and retail	**₱51,740,591**	**14.47**	₱44,259,825	14.59	**₱47,900,547**	**14.76**	₱40,978,531	14.54
Electricity, gas and water	**49,944,409**	**13.96**	43,111,698	14.21	**49,873,733**	**15.37**	43,093,083	15.29
Manufacturing	**42,115,959**	**11.78**	40,789,519	13.44	**38,252,329**	**11.79**	37,209,179	13.20
Financial intermediaries	**38,910,047**	**10.88**	37,940,739	12.50	**38,565,876**	**11.88**	39,537,227	14.03
Transport, storage and communication	**29,358,316**	**8.21**	19,342,572	6.38	**27,136,991**	**8.36**	17,615,089	6.25
Public administration and defense	**26,128,861**	**7.31**	23,464,016	7.73	**26,128,860**	**8.05**	23,464,016	8.32
Agriculture, hunting and forestry	**6,211,092**	**1.74**	4,343,522	1.43	**5,690,508**	**1.76**	4,031,492	1.43
Secondary target industry:								
Real estate, renting and business activities	**45,723,378**	**12.78**	39,672,249	13.07	**38,240,191**	**11.78**	32,141,232	11.40
Construction	**11,697,215**	**3.27**	8,508,366	2.80	**9,898,467**	**3.05**	7,235,094	2.57
Others	**55,810,982**	**15.60**	42,013,307	13.85	**42,835,834**	**13.20**	36,550,722	12.97
	₱357,640,850	**100.00**	₱303,445,813	100.00	**₱324,523,336**	**100.00**	₱281,855,665	100.00

The information (gross of unearned and other deferred income and allowance for credit losses) relating to receivable from customers as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2015		2014		**2015**		2014	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱57,028,872**	**15.94**	₱68,910,935	22.71	**₱42,625,055**	**13.13**	₱57,372,084	20.36
Chattel mortgage	**17,162,402**	**4.80**	10,341,429	3.41	**10,723,203**	**3.30**	9,054,565	3.21
Bank deposit hold-out	**1,924,828**	**0.54**	6,336,908	2.09	**1,924,828**	**0.59**	3,815,052	1.35
Shares of stocks	**889,340**	**0.25**	35,776	0.01	**694,769**	**0.22**	35,776	0.01
Others	**30,352,753**	**8.49**	39,354,446	12.97	**26,431,424**	**8.15**	36,933,777	13.10
	107,358,195	**30.02**	124,979,494	41.19	**82,399,279**	**25.39**	107,211,254	38.04
Unsecured	**250,282,655**	**69.98**	178,466,319	58.81	**242,124,057**	**74.61**	174,644,411	61.96
	₱357,640,850	**100.00**	₱303,445,813	100.00	**₱324,523,336**	**100.00**	₱281,855,665	100.00

The table below reflects the balances of loans and receivables as reported to the BSP. For purposes of BSP reporting, the acquired loans and receivables were measured based on their original amortized cost as at acquisition date instead of their corresponding fair values.

NPL of the Parent Company as to secured and unsecured follow:

	2015	2014
Secured	**₱5,888,561**	₱6,960,228
Unsecured	**3,090,858**	2,960,524
	₱8,979,419	₱9,920,752

Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches twenty percent (20.00%) of the total loan balance.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs. Effective January 1, 2013, the exclusion of NPLs classified as loss but are fully covered by allowance was removed by the BSP through Circular No. 772. Previous banking regulations allow banks that have no unbooked valuation reserves and capital adjustments to exclude from nonperforming classification those loans classified as Loss in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued.

As of December 31, 2015 and 2014, based on the revised definition of NPLs under Circular No. 772, NPLs of ₱9.0 billion and ₱9.9 billion, respectively which the Parent Company reported to the BSP are gross of specific allowance amounting to ₱8.1 billion and ₱7.3 billion, respectively. Most of these loans are secured by real estate or chattel mortgages.

As of December 31, 2015 and 2014, gross and net NPL ratios of the Parent Company were 2.61% and 3.40%, and 0.25%% and 0.92%, respectively.

Restructured loans of the Group and the Parent Company as of December 31, 2015 amount to ₱1.6 billion. Restructured loans of the Group and the Parent Company as of December 31, 2014 amount to ₱1.8 billion and ₱1.7 billion, respectively.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated 2015						
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction In-progress	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱13,294,729	₱6,716,569	₱4,027,169	₱536,081	₱238,083	₱702,604	₱25,515,235
Additions/transfers	2,259,224	217,072	1,082,544	–	431,635	175,953	4,166,428
Disposals/transfers/others	(1,187)	(41,086)	(382,562)	–	(328,352)	(24,033)	(777,220)
Cumulative translation adjustment	–	1,863	1,697	17,907	–	594	22,061
Effect of disposal group classified as held for sale (Note 37)	–	–	(42,134)	–	–	(14,066)	(56,200)
Balance at end of year	15,552,766	6,894,418	4,686,714	553,988	341,366	841,052	28,870,304
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,362,174	2,925,285	9,456	–	414,431	5,711,346
Depreciation and amortization	–	234,400	479,662	5,030	–	122,275	841,367
Disposals/transfers/others	–	43,901	(282,785)	–	–	(17,486)	(256,370)
Cumulative translation adjustment	–	1,470	345	9,109	–	150	11,074
Effect of disposal group classified as held for sale (Note 37)	–	–	(16,563)	–	–	(10,091)	(26,654)
Balance at end of year	–	2,641,945	3,105,944	23,595	–	509,279	6,280,763
Allowance for Impairment Losses (Note 16)	351,373	109,704	–	–	–	–	461,077
Net Book Value at End of Year	₱15,201,393	₱4,142,769	₱1,580,770	₱530,393	₱341,366	₱331,773	₱22,128,464

	Consolidated 2014						
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction In-progress	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱13,335,606	₱6,471,818	₱3,864,908	₱534,977	₱332,688	₱600,051	₱25,140,048
Additions/transfers	977	206,944	455,678	–	210,172	107,687	981,458
Disposals/transfers/others	(41,854)	37,807	(293,417)	1,104	(304,777)	(5,134)	(606,271)
Balance at end of year	13,294,729	6,716,569	4,027,169	536,081	238,083	702,604	25,515,235
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,123,604	2,704,481	4,490	–	297,171	5,129,746
Depreciation and amortization	–	227,215	455,343	4,901	–	121,645	809,104
Disposals/transfers/others	–	11,355	(234,539)	65	–	(4,385)	(227,504)
Balance at end of year	–	2,362,174	2,925,285	9,456	–	414,431	5,711,346
Allowance for Impairment Losses (Note 16)	122,305	107,201	–	–	–	–	229,506
Net Book Value at End of Year	₱13,172,424	₱4,247,194	₱1,101,884	₱526,625	₱238,083	₱288,173	₱19,574,383

	Parent Company 2015					
	Land	Building	Furniture, Fixtures and Equipment	Construction In-progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱13,292,296	₱6,653,863	₱3,377,862	₱238,083	₱595,174	₱24,157,278
Additions/transfers	89,806	217,072	780,849	431,635	147,591	1,666,953
Disposals/transfers/others	(1,187)	(39,510)	(222,528)	(328,352)	(16,542)	(608,119)
Balance at end of year	13,380,915	6,831,425	3,936,183	341,366	726,223	25,216,112
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	2,341,778	2,563,525	–	340,107	5,245,410
Depreciation and amortization	–	233,174	371,448	–	105,920	710,542
Disposals/transfers/others	–	46,721	(187,033)	–	(8,427)	(148,739)
Balance at end of year	–	2,621,673	2,747,940	–	437,600	5,807,213
Allowance for Impairment Losses (Note 16)	154,997	109,704	–	–	–	264,701
Net Book Value at End of Year	₱13,225,918	₱4,100,048	₱1,188,243	₱341,366	₱288,623	₱19,144,198

	Parent Company 2014					
	Land	Building	Furniture, Fixtures and Equipment	Construction In-progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱13,333,173	₱6,404,804	₱3,324,856	₱332,688	₱498,572	₱23,894,093
Additions	977	206,943	310,312	210,172	106,748	835,152
Disposals/transfers/others	(41,854)	42,116	(257,306)	(304,777)	(10,146)	(571,967)
Balance at end of year	13,292,296	6,653,863	3,377,862	238,083	595,174	24,157,278
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	2,103,385	2,412,816	–	243,496	4,759,697
Depreciation and amortization	–	225,692	347,441	–	101,832	674,965
Disposals/transfers/others	–	12,701	(196,732)	–	(5,221)	(189,252)
Balance at end of year	–	2,341,778	2,563,525	–	340,107	5,245,410
Allowance for Impairment Losses (Note 16)	121,253	107,200	–	–	–	228,453
Net Book Value at End of Year	₱13,171,043	₱4,204,885	₱814,337	₱238,083	₱255,067	₱18,683,415

In 2014, the Group was mandated by the BSP to change the method of accounting for land and buildings classified as 'Property and equipment' from revaluation model to cost model in accordance with BSP Circular No. 520, issued on March 20, 2006, which requires Philippine banks to account for their premises using the cost model under PAS 16.

The Group has previously measured land and buildings using the revaluation model as set out in PAS 16, whereby after initial recognition, these assets were re-measured at fair value at the date of revaluation less any subsequent accumulated impairment losses for land and less subsequent accumulated depreciation and any subsequent accumulated impairment losses for buildings.

Under the cost model, land will be measured at cost less any accumulated impairment losses and buildings will be measured at cost less accumulated depreciation and any accumulated impairment losses. Management used the deemed cost approach in determining the initial costs of the land and building. The Parent Company used the 2002 market values as the deemed cost which was the amount approved by the Monetary Board as part of the Parent Company's rehabilitation plan (Note 25).

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 ₱548.9 million and ₱425.3 million, as of December 31, 2015 and 2014, respectively.

Gain on disposal of property and equipment for the year 2015, 2014 and 2013 amounted to ₱7.7 million, ₱12.1 million, and ₱1.9 million, respectively, for the Group and ₱3.7 million, ₱12.4 million and ₱1.3 million, respectively, for the Parent Company (Note 13).
Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2015	2014	2013	**2015**	2014	2013
Continuing operations:						
Depreciation						
Property and equipment	**₱830,663**	₱795,065	₱873,710	**₱710,542**	₱674,965	₱768,157
Investment properties (Note 13)	**162,097**	190,727	286,923	**149,309**	183,382	279,147
Chattel mortgage	**35,285**	23,455	62,721	**33,748**	23,281	62,721
Amortization - Intangible assets (Note 14)	**424,176**	472,684	467,159	**412,180**	460,582	463,909
	1,452,221	1,481,931	1,690,513	**1,305,779**	1,342,210	1,573,934
Discontinued operations:						
Property and Equipment (Note 37)	**10,704**	14,039	15,147	–	–	–
	₱1,462,925	₱1,495,970	₱1,705,660	**₱1,305,779**	₱1,342,210	₱1,573,934

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

Certain property and equipment of the Parent Company with carrying amount of ₱180.8 million and ₱117.8 million are temporarily idle as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014 property and equipment of the Parent Company with gross carrying amounts of ₱1.0 billion and ₱1.2 billion, respectively, are fully depreciated but are still being used.

12. Investments in Subsidiaries

The consolidated financial statements of the Group include:

Subsidiaries	Nature of Business	Country of Incorporation	Functional Currency	Percentage of Ownership 2015 Direct	2015 Indirect	2014 Direct	2014 Indirect
PNB SB*	Banking	Philippines	Php	**100.00**	–	100.00	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–	100.00	–
PNB Forex, Inc. (PNB Forex)	FX trading	- do -	Php	**100.00**	–	100.00	–
PNB Holdings Corporation (PNB Holdings)	Investment	- do -	Php	**100.00**	–	100.00	–
PNB General Insurers Co., Inc. (PNB Gen) [(a)]	Insurance	- do -	Php	**65.75**	**34.25**	65.75	34.25
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–	100.00	–
PNB Corporation – Guam	Remittance	USA	USD	**100.00**	–	100.00	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–	100.00	–
PNB Remittance Centers, Inc. (PNB RCI) [(b)]	Remittance	- do -	USD	–	**100.00**	–	100.00
PNB Remittance Co. (Nevada) [(c)]	Remittance	-do-	USD	–	**100.00**	–	100.00
PNB RCI Holding Co. Ltd. [(c)]	Holding Company	- do -	USD	–	**100.00**	–	100.00
Allied Bank Philippines (UK) Plc (ABUK)*	Banking	United Kingdom	GBP	**100.00**	–	100.00	–
PNB Europe PLC	Banking	- do -	GBP	**100.00**	–	100.00	–
PNB Remittance Co. (Canada) [(d)]	Remittance	Canada	CAD	–	**100.00**	–	100.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–	100.00	–
Allied Commercial Bank (ACB)* [(e)]	Banking	People's Republic of China	USD	**99.04**	–	90.41	–
PILFC[(f)]	Leasing/Financing	Philippines	Php	**75.00**	–	90.00	–
PNB-IBJL Equipment Rentals Corporation[(g)]	Rental	- do -	Php	–	**75.00**	–	90.00
PNB LII *[(h)]	Insurance	- do -	Php	**80.00**	–	80.00	–
ALFC	Rental	- do -	Php	**57.21**	–	57.21	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL) *	Banking	Hong Kong	HKD	**51.00**	–	51.00	–
ACR Nominees Limited *	Banking	- do -	HKD	–	**51.00**	–	51.00
Oceanic Holding (BVI) Ltd.*	Holding Company	British Virgin Islands	USD	**27.78**	–	27.78	–

** Subsidiaries acquired as a result of the merger with ABC*
[(a)] In 2014, the Parent Company made a direct capital infusion to PNB Gen, thus, acquiring the 65.75% ownership interest of the latter. Formerly wholly-owned by PNB Holdings
[(b)] Owned through PNB IIC
[(c)] Owned through PNB RCI
[(d)] Owned through PNB RCI Holding Co. Ltd.
[(e)] Purchase of additional shares was approved by BSP and China Banking Regulatory Commission on June 4, 2014 and November 12, 20015, respectively. On November 27, 2015, the Parent company purchased 8.63% ownership interest from individual stockholders.
[(f)] Formerly Japan-PNB Leasing and Finance Corporation
[(g)] Formerly Japan-PNB Equipment Rentals Corporation. Owned through PILFC
[(h)] Beginning December 18, 2015, investment in PNB LII has been classified as held for sale following the approval of the Parent Company's BOD on the same date approving the sale of 51.00% of its ownership interest to Allianz SE.

The details of this account in the Parent Company as follows:

	2015	2014
PNB SB	**₱10,935,041**	₱10,935,041
ACB	**6,087,520**	5,485,747
PNB IIC	**2,028,202**	2,028,202
PNB Europe PLC	**1,006,537**	1,006,537
ABCHKL	**947,586**	947,586
PNB GRF	**753,061**	753,061
PNB Gen	**600,000**	600,000
PNB LII*	**481,068**	1,327,083
PNB Holdings	**377,876**	377,876
PNB Capital	**350,000**	350,000
ABUK	**320,858**	320,858
OHBVI	**291,841**	291,840
PILFC	**181,942**	218,331
ALFC	**148,400**	148,400
PNB Securities	**62,351**	62,351
PNB Forex	**50,000**	50,000
PNB Corporation - Guam	**7,672**	7,672
	24,629,955	24,910,585
Less: Allowance for impairment losses (Note 16)	**807,973**	807,973
	₱23,821,982	₱24,102,612

* *In 2015, a portion of investment in PNB LII were reclassified to 'Assets of disposal group classified as held for sale' (Note 37).*

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 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: (a) 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; and (b) 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.

As of December 31, 2015 and 2014, 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 is not available for dividend declaration.

In 2015, 2014 and 2013, the Parent Company's subsidiaries declared cash dividends amounting to ₱180.0 million, ₱67.8 million and ₱77.3 million, respectively. These are included under 'Miscellaneous income - others' (Note 28) in the Parent Company financial statements.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

Material non-controlling interests
The financial information as of December 31, 2015 and 2014 of subsidiaries which have material NCI is provided below.

Proportion of equity interest held by non-controlling interests

	Principal Activities	2015	2014
ABCHKL	Banking	**49.00%**	49.00%
PNB LII	Insurance	**20.00%**	20.00%
ACB	Banking	**0.96%**	9.59%

Accumulated balances of material NCI	2015	2014
ABCHKL	**₱1,322,771**	₱1,183,905
PNB LII	**414,828**	390,465
ACB	**68,633**	639,045

Profit allocated to material NCI	2015	2014
ABCHKL	**₱80,376**	₱56,712
PNB LII	**71,586**	51,254
ACB	**75**	4,465

The following tables present financial information of subsidiaries with material non-controlling interests as of December 31, 2015 and 2014:

	2015	
	PNB LII	**ABCHKL**
Statement of Financial Position		
Current assets	**₱9,973,869**	**₱6,288,564**
Non-current assets	**13,552,891**	**4,309,709**
Current liabilities	**9,264,101**	**7,722,515**
Non-current liabilities	**12,188,520**	**176,225**
Statement of Comprehensive Income		
Revenues	**2,361,982**	**404,547**
Expenses	**2,004,051**	**240,514**
Net income	**357,931**	**164,033**
Total comprehensive income (loss)	**(61,693)**	**125,354**
Statement of Cash Flows		
Net cash provided by operating activities	**1,210,588**	**200,843**
Net cash provided used in investing activities	**(815,306)**	**(640)**
Net cash used in financing activities	**–**	**193,904**

	2014		
	PNB LII	ABCHKL	ACB
Statement of Financial Position			
Current assets	₱6,643,684	₱5,358,423	₱8,408,683
Non-current assets	12,911,566	4,523,473	709,013
Current liabilities	6,412,619	7,465,764	2,454,036
Non-current liabilities	11,190,306	–	–
Statement of Comprehensive Income			
Revenues	2,100,673	338,240	286,478
Expenses	1,844,401	222,501	239,918
Net income	256,272	115,739	46,560
Total comprehensive income (loss)	1,365,316	66,228	(12,793)
Statement of Cash Flows			
Net cash provided by (used in) operating activities	₱1,535,951	(₱93,319)	₱1,661,045
Net cash provided by (used in) investing activities	(1,395,507)	132,299	(13,464)
Net cash used in financing activities	–	(5,920)	–

(Forward)

As of December 31, 2015, the non-controlling interests in respect of ALFC, PILFC, ACB and OHBVI is not material to the Group.

Investment in ACB
In August 2009, the Parent Company acquired 39.41% ownership in ACB in Xiamen China for a total consideration of CNY394.1 million or USD57.7 million (equivalent to ₱2.8 billion).

With its merger with ABC in 2013 (Note 1), the Parent Company's equity interest in ACB increased from 39.41% to 90.41%. This resulted in change in accounting for such investment from an associate to a subsidiary. In accordance with PFRS 3, the step-up acquisition of investment in ACB is accounted for as a disposal of the equity investment in ACB and the line by line consolidation of ACB's assets and liabilities in the Group's financial statements. The fair value of consideration received from the step-up acquisition is equal to the carrying value of the disposed investment in ACB.

On November 22, 2013, the BOD of the Parent Company approved and confirmed the increase in equity investment of the Parent Company in ACB as a prerequisite to ACB's application for CNY license, by way of purchase of the 9.59% shareholdings of the natural–person investors in ACB in the amount of USD13.8 million. This was approved by BSP on June 4, 2014. On November 12, 2015, the China Banking Regulatory Commission approved the takeover of the Parent Company of the 51.00% shareholdings held by ABC and the buyout of the 8.63% shareholdings of six natural-person investors in ACB resulting in the increase of equity ownership in ACB to 99.04%. The Parent Company paid the natural-person investors on November 27, 2015. This acquisition was accounted for as an equity transaction which resulted in the recognition of other equity adjustment amounting to ₱14.5 million in the consolidated statement of financial position.

PNB Forex
On August 23, 2013, the Parent Company approved the dissolution of PNB Forex by shortening its corporate life to December 31, 2013. PNB Forex ceased its business operations on January 1, 2006. As of December 31, 2015, PNB Forex is still in the process of complying with the requirements of regulatory agencies to effect the dissolution.

PNB SB
On November 28, 2014, the Parent Company infused additional capital to PNB SB amounting to ₱10.0 billion which will be used to build and refocus the Group's consumer lending business. The infusion of additional equity to PNB SB was approved by the BSP on February 28, 2014.

PILFC
On November 28, 2014, the BOD of the Parent Company approved the sell back by the Parent Company to IBJ Leasing (IBJL) of its 15.00% equity ownership in PILFC. Under the terms of the new and expanded partnership, IBJL increased its stake in PILFC from 10.00% to 25.00%, and the Parent Company's stake decreased from 90.00% to 75.00%. The total consideration from the sale of 15.00% equity ownership amounted to ₱102.6 million and the Parent Company recognized gain from disposal amounting to ₱66.2 million in its statement of income (Note 28). This sale was accounted for as an equity transaction which resulted in the recognition of other equity adjustment amounting to ₱0.5 million in the consolidated statement of financial position.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

PNB Gen
The Parent Company contributed ₱600.0 million to PNB Gen in 2014 to acquire 65.75% direct interest ownership over the latter. In 2013, the Parent Company has indirect ownership over PNB Gen through PNB Holdings. The additional capital of PNB Gen is meant to strengthen the financial position of the subsidiary considering that it suffered a net loss in 2013. Further, the restructuring of relationships between the entities in the Group have no impact on the consolidated financial statements.

PNB Italy SpA (PISpA)
PISpA was liquidated on November 9, 2014. The Group will shift to an agent-arrangement to continue remittance business in Italy.

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.

The BSP and IC regulations require banks and insurance companies to maintain certain levels of regulatory capital. As of December 31, 2015 and 2014, the total assets of banking subsidiaries amounted to ₱57.1 billion and ₱41.6 billion, respectively; and ₱30.8 billion and ₱27.7 billion for insurance subsidiaries, respectively.

13. Investment Properties

The composition of and movements in this account follow:

	Consolidated		
	2015		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱21,411,572**	**₱4,450,944**	**₱25,862,516**
Additions	**313,968**	**191,294**	**505,262**
Disposals/transfers/others	**(7,446,794)**	**(653,612)**	**(8,100,406)**
Cumulative translation adjustments	**9,000**	**1,010**	**10,010**
Balance at end of year	**14,287,746**	**3,989,636**	**18,277,382**
Accumulated Depreciation			
Balance at beginning of year	–	**1,856,814**	**1,856,814**
Depreciation (Note 11)	–	**162,097**	**162,097**
Disposals/transfers/others	–	**(265,343)**	**(265,343)**
Cumulative translation adjustments	–	**170**	**170**
Balance at end of year	–	**1,753,738**	**1,753,738**
Allowance for Impairment Losses (Note 16)	**2,855,093**	**438,546**	**3,293,639**
Net Book Value at End of Year	**₱11,432,653**	**₱1,797,352**	**₱13,230,005**

	Consolidated		
	2014		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱22,253,685	₱4,527,376	₱26,781,061
Additions	958,957	360,712	1,319,669
Disposals/Transfers/Others	(1,801,070)	(437,144)	(2,238,214)
Balance at end of year	21,411,572	4,450,944	25,862,516
Accumulated Depreciation			
Balance at beginning of year	–	2,109,108	2,109,108
Depreciation (Note 11)	–	190,727	190,727
Disposals/Transfers/Others	–	(443,021)	(443,021)
Balance at end of year	–	1,856,814	1,856,814
Allowance for Impairment Losses (Note 16)	3,193,714	563,506	3,757,220
Net Book Value at End of Year	₱18,217,858	₱2,030,624	₱20,248,482

	Parent Company		
	2015		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱21,108,095**	**₱4,218,699**	**₱25,326,794**
Additions	**261,352**	**172,600**	**433,952**
Disposals/Transfers/Others	**(5,272,551)**	**(630,305)**	**(5,902,856)**
Balance at end of year	**16,096,896**	**3,760,994**	**19,857,890**
Accumulated Depreciation			
Balance at beginning of year	–	**1,813,425**	**1,813,425**
Depreciation (Note 11)	–	**149,309**	**149,309**
Disposals/Transfers/Others	–	**(257,324)**	**(257,324)**
Balance at end of year	–	**1,705,410**	**1,705,410**
Allowance for Impairment Losses (Note 16)	**3,051,469**	**434,180**	**3,485,649**
Net Book Value at End of Year	**₱13,045,427**	**₱1,621,404**	**₱14,666,831**

	Parent Company		
	2014		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱21,976,781	₱4,335,703	₱26,312,484
Additions	922,661	322,553	1,245,214
Disposals/Transfers/Others	(1,791,347)	(439,557)	(2,230,904)
Balance at end of year	21,108,095	4,218,699	25,326,794
Accumulated Depreciation			
Balance at beginning of year	–	2,074,941	2,074,941
Depreciation (Note 11)	–	183,382	183,382
Disposals/Transfers/Others	–	(444,898)	(444,898)
Balance at end of year	–	1,813,425	1,813,425
Allowance for Impairment Losses (Note 16)	3,192,691	567,775	3,760,466
Net Book Value at End of Year	₱17,915,404	₱1,837,499	₱19,752,903

Investment properties include real properties foreclosed or acquired in settlement of loans. Foreclosed investment properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱150.0 million and ₱141.5 million, as of December 31, 2015 and 2014, 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.

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The total recoverable value of certain investment properties of the Group that were impaired amounted to ₱7.5 billion and ₱8.8 billion as of December 31, 2015 and 2014, respectively. For the Parent Company, the total recoverable value that were impaired amounted to ₱7.3 billion and ₱8.6 billion as of December 31, 2015 and 2014, respectively.

In 2015, investment properties with carrying value of ₱2.2 billion were converted as branches and head offices of its subsidiaries and were transferred to property and equipment by the Group. Also in 2015, investment properties under joint arrangements with a total carrying value of ₱1.2 billion were transferred to Real Estate Inventories Held under Development under 'Other Assets' (Note 15). Property and equipment with carrying values of ₱54.5 million were leased out under operating leases and have been transferred to investment properties in 2015.

For the Group, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses - Others', amounted to ₱30.5 million, ₱26.4 million and ₱8.0 million in 2015, 2014, and 2013, respectively. While direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱192.4 million, ₱134.3 million and ₱180.8 million in 2015, 2014, and 2013, respectively.

For 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 - Others', amounted to ₱20.4 million, ₱23.3 million and ₱7.0 million in 2015, 2014, and 2013, respectively. While direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱182.7 million, ₱132.6 million and ₱179.1 million in 2015, 2014, and 2013, respectively.

Net gains on sale or exchange of assets
This account consists of:

	Consolidated			Parent Company		
	2015	2014	2013	**2015**	2014	2013
Net gains from sale of investment properties (Note 34)	**₱1,435,798**	₱1,072,653	₱226,789	**₱1,400,650**	₱1,058,574	₱224,281
Net gains from foreclosure and repossession of investment properties	**152,061**	368,341	289,915	**152,553**	364,745	271,296
Net gains from sale of property and equipment	**7,659**	12,053	1,900	**3,741**	12,407	1,287
Net gains from sale of receivables (Note 34)	–	–	–	**24,441**	–	–
	₱1,595,518	₱1,453,047	₱518,604	**₱1,581,385**	₱1,435,726	₱496,864

14. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	Consolidated 2015				
	Intangible Assets				
	Core Deposit	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱1,254,343**	**₱3,544,075**	**₱13,375,407**
Additions	–	–	**571,768**	**571,768**	–
Write-offs	–	–	**(704)**	**(704)**	–
Cumulative translation adjustment	–	–	**5,550**	**5,550**	–
Balance at end of year	**1,897,789**	**391,943**	**1,830,957**	**4,120,689**	**13,375,407**
Accumulated Amortization					
Balance at beginning of year	**359,525**	**247,505**	**642,221**	**1,249,251**	–
Amortization (Note 11)	**189,779**	**130,648**	**103,749**	**424,176**	–
Write-offs	–	–	**(704)**	**(704)**	–
Cumulative translation adjustment	–	–	**5,088**	**5,088**	–
Balance at end of year	**549,304**	**378,153**	**750,354**	**1,677,811**	–
Net Book Value at End of Year	**₱1,348,485**	**₱13,790**	**₱1,080,603**	**₱2,442,878**	**₱13,375,407**

	Consolidated 2014				
	Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱871,184	₱3,160,916	₱13,375,407
Additions	–	–	384,951	384,951	–
Write-offs	–	–	(8,355)	(8,355)	–
Cumulative translation adjustment	–	–	6,563	6,563	–
Balance at end of year	1,897,789	391,943	1,254,343	3,544,075	13,375,407
Accumulated Amortization					
Balance at beginning of year	169,747	116,857	496,272	782,876	–
Amortization (Note 11)	189,778	130,648	152,258	472,684	–
Write-offs	–	–	(5,707)	(5,707)	–
Cumulative translation adjustment	–	–	(602)	(602)	–
Balance at end of year	359,525	247,505	642,221	1,249,251	–
Net Book Value at End of Year	₱1,538,264	₱144,438	₱612,122	₱2,294,824	₱13,375,407

	Parent Company 2015				
	Intangible Assets				
	Core Deposit	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱1,142,782**	**₱3,432,514**	**₱13,515,765**
Additions	–	–	**558,372**	**558,372**	–
Cumulative translation adjustment	–	–	**70**	**70**	–
Balance at end of year	**1,897,789**	**391,943**	**1,701,224**	**3,990,956**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**359,525**	**247,505**	**625,382**	**1,232,412**	–
Amortization (Note 11)	**189,779**	**130,648**	**91,753**	**412,180**	–
Cumulative translation adjustment	–	–	**118**	**118**	–
Balance at end of year	**549,304**	**378,153**	**717,253**	**1,644,710**	–
Net Book Value at End of Year	**₱1,348,485**	**₱13,790**	**₱983,971**	**₱2,346,246**	**₱13,515,765**

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	Parent Company				
	2014				
	Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱763,967	₱3,053,699	₱13,515,765
Additions	–	–	380,474	380,474	–
Write-offs	–	–	(3,247)	(3,247)	–
Cumulative translation adjustment	–	–	1,588	1,588	–
Balance at end of year	1,897,789	391,943	1,142,782	3,432,514	13,515,765
Accumulated Amortization					
Balance at beginning of year	169,747	116,857	486,959	773,563	–
Amortization (Note 11)	189,778	130,648	140,156	460,582	–
Write-offs	–	–	(2,395)	(2,395)	–
Cumulative translation adjustment	–	–	662	662	–
Balance at end of year	359,525	247,505	625,382	1,232,412	–
Net Book Value at End of Year	₱1,538,264	₱144,438	₱517,400	₱2,200,102	₱13,515,765

Core deposit and customer relationship
CDI and CRI are the intangible assets acquired through the merger of the Parent Company with ABC. CDI include the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertain to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments.

Software cost
Software cost as of December 31, 2015 and 2014 includes capitalized development costs amounting to ₱797.7 million and ₱289.0 million, respectively, related to the Parent Company's new core banking system which is expected to be completed and available for use by 2017.

Goodwill
As discussed in Note 1, on February 9, 2013, the Parent Company acquired 100.00% of voting common stock of ABC, a listed universal bank. The acquisition of ABC was made to strengthen the Parent Company's financial position and enlarge its operations.

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the non-controlling interests in the acquiree at proportionate share of identifiable assets and liabilities.

Impairment testing of goodwill and intangible asset
Goodwill acquired through business combinations has been allocated to three CGUs which are also reportable segments, namely: retail banking, corporate banking and treasury. Goodwill allocated to the CGUs amounted to ₱6.2 billion, ₱4.2 billion and ₱3.1 billion, respectively. CDI is allocated to retail banking while CRI is allocated to corporate banking.

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. CDI and CRI, on the other hand, are assessed for impairment where indicator(s) of objective evidence of impairment has been identified. Impairment testing 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 allocated to the CGU. The recoverable amount is the higher of a CGUs' fair value less costs to sell and its value in use. The goodwill impairment test in 2015 and 2014 did not result in an impairment loss of goodwill of the CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount.

Key assumptions used in value in use calculations
The recoverable amounts of the CGUs have been determined on the basis of value in use calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management 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:

	2015			2014		
	Retail Banking	**Corporate Banking**	**Treasury**	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	**11.21%**	**13.11%**	**7.82%**	11.69%	14.80%	9.76%
Projected growth rate	**6.03%**	**6.03%**	**6.03%**	5.00%	5.00%	5.00%

The calculation of value in use for retail banking, corporate banking and treasury cash generating units is most sensitive to interest margin, discount rates, market share during the budget period, projected growth rates used to extrapolate cash flows beyond the budget period, and current local gross domestic product.

Discount rate
The discount rate applied have been determined based on cost of equity for retail and corporate banking segments and weighted average cost of capital for treasury segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor. The values for the risk-free interest rate, the market risk premium and the beta factors were obtained from external sources of information.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the units to exceed their recoverable amount.

15. Other Assets

This account consists of:

	Consolidated		**Parent Company**	
	2015	2014	**2015**	2014
Financial				
Return checks and other cash items	**₱103,668**	₱942,126	**₱95,886**	₱941,597
Security deposits	**78,922**	100,986	**38,775**	85,654
Receivable from SPV	**500**	500	**500**	500
Others	**748**	1,840	**356**	1,525
	183,838	1,045,452	**135,517**	1,029,276
Nonfinancial				
Creditable withholding taxes	**3,770,716**	2,896,783	**3,675,683**	2,893,567
Real estate inventories held under development (Note 13)	**1,235,530**	–	**1,235,530**	–
Deferred reinsurance premiums	**786,287**	738,685	**–**	–
Deferred benefits	**401,231**	155,476	**326,380**	155,476

(Forward)

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	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Prepaid expenses	**₱395,671**	₱290,697	**₱328,489**	₱246,640
Documentary stamps on hand	**221,088**	44,884	**134,459**	34,724
Stationeries and supplies	**78,764**	84,672	**72,798**	78,962
Chattel mortgage properties-net of depreciation	**51,086**	53,089	**47,848**	49,549
Other investments	**37,664**	52,760	**16,696**	16,363
Sundry	**21,576**	61,670	**16,558**	61,717
Retirement benefit asset (Note 29)	**3,045**	5,709	**–**	–
Shortages	**2,260**	475	**2,260**	400
Postage stamps on hand	**304**	214	**215**	214
Miscellaneous	**431,359**	186,911	**259,896**	64,391
	7,436,581	4,572,025	**6,116,812**	3,602,003
	7,620,419	5,617,477	**6,252,329**	4,631,279
Less allowance for impairment losses (Note 16)	**840,151**	458,146	**835,042**	452,824
	₱6,780,268	₱5,159,331	**₱5,417,287**	₱4,178,455

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.

Deferred reinsurance premiums
The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2015 and 2014.

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums, rent and interest on time certificates of deposits paid in advance which shall be amortized monthly.

Deferred benefits
This represents the share of the Group in the cost of transportation equipment acquired under the Group's carplan which shall be amortized monthly.

Chattel mortgage properties
As of December 31, 2015 and December 31, 2014, accumulated depreciation on chattel mortgage properties acquired by the Group and the Parent Company in settlement of loans amounted to ₱36.5 million and ₱80.0 million, respectively.

The total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired amounted to ₱9.8 million and ₱11.3 million as of December 31, 2015 and 2014, respectively.

Receivable from SPV
The Group has receivable from SPV, Opal Portfolio Investing, Inc. (OPII), which was deconsolidated upon adoption of PFRS 10.

Receivable from SPV, represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, OPII, relative to the sale of certain Non-performing assets of the Parent Company. Collections from OPII in 2015, 2014 and 2013 amounting to ₱353.0 million, ₱27.0 million and ₱266.0 million, respectively are recorded under 'Miscellaneous Income (Note 28).

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.

As of December 31, 2015 and 2014, miscellaneous assets of the Group include a security fund amounting to ₱0.2 million which is maintained by PNB LII in compliance with Sections 365 and 367 of the Insurance Code. The amount of such fund is determined by and deposited with the IC for the payment of benefit claims against insolvent companies. In 2015, the security fund was reclassified to 'Assets of disposal group classified as held for sale' (Note 37).

16. Allowance for Impairment and Credit Losses

Provision for impairment, credit and other losses
This account consists of:

	Consolidated			Parent Company		
	2015	2014	2013	**2015**	2014	2013
Continuing operations:						
Provision for impairment	**₱449,698**	₱293,384	₱106,431	**₱322,649**	₱495,674	₱304,732
Provision for credit losses	**860,393**	1,912,663	727,153	**513,697**	1,600,957	649,089
Provision for (reversal of) other losses (Note 35)	**(741,911)**	58,568	–	**(741,911)**	58,568	–
	568,180	2,264,615	833,584	**94,435**	2,155,199	953,821
Discontinued operations:						
Provision for credit losses (Note 37)	**32,765**	–	–	**–**	–	–
	₱600,945	₱2,264,615	₱833,584	**₱94,435**	₱2,155,199	₱953,821

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated					
	2015			2014		
	AFS Investments	**Loans and Receivables**	**Other Assets***	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱929,881**	**₱12,435,509**	**₱500**	₱928,408	₱12,167,591	₱500
Provisions	**32,995**	**860,163**	**–**	1,423	1,911,240	–
Accretion (Note 10)	–	**(217,097)**	**–**	–	(274,801)	–
Accounts charged-off	–	**(543,736)**	**–**	–	(1,879,083)	–
Transfers and others	**–**	**893,175**	**–**	50	510,562	–
Effect of disposal group classified as held for sale (Note 37)	**(32,765)**	–	–	**–**	–	–
Balance at end of year	**₱930,111**	**₱13,428,014**	**₱500**	₱929,881	₱12,435,509	₱500

**Pertains to 'Receivable from SPV'*

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	Parent Company 2015			Parent Company 2014		
	AFS Investments	Loans and Receivables	Other Assets*	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱929,881**	**₱11,946,142**	**₱500**	₱928,408	₱11,666,814	₱500
Provisions	**230**	**513,467**	–	1,423	1,599,534	–
Accretion (Note 10)	–	**(216,973)**	–	–	(274,801)	–
Accounts charged-off	–	**(463,112)**	–	–	(1,780,302)	–
Transfers and others	–	**1,081,204**	–	50	734,897	–
Balance at end of year	**₱930,111**	**₱12,860,728**	**₱500**	₱929,881	₱11,946,142	₱500

**Pertains to 'Receivable from SPV'*

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated 2015				Consolidated 2014			
	Property and Equipment	Investment in Subsidiaries	Investment Properties	Other Assets	Property and Equipment	Investment in Subsidiaries	Investment Properties	Other Assets
Balance at beginning of year	**₱229,506**	**₱–**	**₱3,757,220**	**₱457,646**	₱245,176	₱–	₱3,218,991	₱803,877
Provisions (reversals)	**5,372**	–	**319,880**	**124,446**	(4,349)	–	485,186	(187,453)
Disposals	–	–	**(475,243)**	**(90)**	(11,994)	–	(363,915)	–
Transfers and others	**226,199**	–	**(308,218)**	**257,649**	673	–	416,958	(158,778)
Balance at end of year	**₱461,077**	**₱–**	**₱3,293,639**	**₱839,651**	₱229,506	₱–	₱3,757,220	₱457,646

	Parent Company 2015				Parent Company 2014			
	Property and Equipment	Investment in Subsidiaries	Investment Properties	Other Assets	Property and Equipment	Investment in Subsidiaries	Investment Properties	Other Assets
Balance at beginning of year	**₱228,453**	**₱807,973**	**₱3,760,466**	**₱452,324**	₱245,176	₱1,012,231	₱3,012,609	₱803,528
Provisions (reversals)	**5,372**	–	**315,514**	**1,763**	(4,949)	–	688,076	(187,453)
Disposals	–	–	**(475,243)**	**(90)**	(11,994)	(204,258)	(363,873)	–
Transfers and others	**30,876**	–	**(115,088)**	**380,545**	220	–	423,654	(163,751)
Balance at end of year	**₱264,701**	**₱807,973**	**₱3,485,649**	**₱834,542**	₱228,453	₱807,973	₱3,760,466	₱452,324

The movements in allowance for credit losses for loans and receivables by class follow:

	Consolidated 2015							
	Receivable from customers							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Balance at beginning of year	**₱4,530,880**	**₱189,270**	**₱62,462**	**₱1,012,637**	**₱17,109**	**₱3,619,267**	**₱3,003,884**	**₱12,435,509**
Provisions (reversals)	**803,832**	**(1,556)**	**(56,009)**	**176,565**	**(376)**	**(166,627)**	**104,334**	**860,163**
Accretion on impaired loans (Note 10)	**(195,847)**	**(100)**	**(10,595)**	**(10,398)**	**(157)**	–	–	**(217,097)**
Accounts charged off	**(314,705)**	–	–	**(19,915)**	–	–	**(209,116)**	**(543,736)**
Transfers and others	**362,026**	**(28,567)**	**152,744**	**(45,722)**	**6,490**	**166,627**	**279,577**	**893,175**
Balance at end of year	**₱5,186,186**	**₱159,047**	**₱148,602**	**₱1,113,167**	**₱23,066**	**₱3,619,267**	**₱3,178,679**	**₱13,428,014**
Individual impairment	**₱3,191,973**	**₱47,060**	**₱50,582**	**₱79,743**	**₱22,520**	**₱3,619,267**	**₱2,111,427**	**₱9,122,572**
Collective impairment	**1,994,213**	**111,987**	**98,020**	**1,033,424**	**546**	–	**1,067,252**	**4,305,442**
	₱5,186,186	**₱159,047**	**₱148,602**	**₱1,113,167**	**₱23,066**	**₱3,619,267**	**₱3,178,679**	**₱13,428,014**
Gross amounts of loans and receivables subject to individual impairment	**₱4,427,469**	**₱47,060**	**₱65,424**	**₱370,763**	**₱25,993**	**₱3,694,435**	**₱2,682,529**	**₱11,311,901**

	Consolidated 2014							
	Receivable from customers							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Balance at beginning of year	₱3,695,863	₱76,429	₱85,008	₱455,503	₱30,623	₱3,958,656	₱3,865,509	₱12,167,591
Provisions (reversals)	2,007,544	–	17,483	288,528	3,148	(336,475)	(68,988)	1,911,240
Accretion on impaired loans (Note 10)	(245,497)	(171)	(17,261)	(11,513)	(359)	–	–	(274,801)
Accounts charged off	(1,056,457)	–	(18,211)	(218,696)	(17,750)	–	(567,969)	(1,879,083)
Transfers and others	129,427	113,012	(4,557)	498,815	1,447	(2,914)	(224,668)	510,562
Balance at end of year	₱4,530,880	₱189,270	₱62,462	₱1,012,637	₱17,109	₱3,619,267	₱3,003,884	₱12,435,509

(Forward)

	Consolidated 2014							
	Receivable from customers							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Individual impairment	₱3,168,855	₱44,720	₱20,131	₱252,154	₱7,364	₱3,619,267	₱1,722,656	₱8,835,147
Collective impairment	1,362,025	144,550	42,331	760,483	9,745	–	1,281,228	3,600,362
	₱4,530,880	₱189,270	₱62,462	₱1,012,637	₱17,109	₱3,619,267	₱3,003,884	₱12,435,509
Gross amounts of loans and receivables subject to individual impairment	₱6,973,731	₱1,796,447	₱78,855	₱252,154	₱23,917	₱8,044,272	₱1,900,023	₱19,069,399

	Parent Company 2015							
	Receivable from customers							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Balance at beginning of year	**₱4,266,298**	**₱ 189,270**	**₱62,462**	**₱963,545**	**₱17,105**	**₱3,619,267**	**₱2,828,195**	**₱11,946,142**
Provisions (reversals)	**739,770**	**(1,556)**	**(56,009)**	**45,803**	**(375)**	**(166,627)**	**(47,539)**	**513,467**
Accretion on impaired loans (Note 10)	**(195,847)**	**(100)**	**(10,594)**	**(10,275)**	**(157)**	–	–	**(216,973)**
Accounts charged off	**(234,454)**	–	–	**(19,774)**	–	–	**(208,884)**	**(463,112)**
Transfers and others	**463,120**	**(28,567)**	**152,743**	**15,721**	**6,491**	**166,627**	**305,069**	**1,081,204**
Balance at end of year	**₱5,038,887**	**₱159,047**	**₱148,602**	**₱995,020**	**₱23,064**	**₱3,619,267**	**₱2,876,841**	**₱12,860,728**
Individual impairment	**₱3,121,354**	**₱47,060**	**₱50,582**	**₱ 1,950**	**₱22,520**	**₱3,619,267**	**₱1,884,127**	**₱8,746,860**
Collective impairment	**1,917,533**	**111,987**	**98,020**	**993,070**	**544**	–	**992,714**	**4,113,868**
	₱5,038,887	**₱159,047**	**₱148,602**	**₱995,020**	**₱23,064**	**₱3,619,267**	**₱2,876,841**	**₱12,860,728**
Gross amounts of loans and receivables subject to individual impairment	**₱3,908,379**	**₱47,060**	**₱65,424**	**₱19,716**	**₱22,520**	**₱3,694,435**	**₱2,390,837**	**₱10,148,371**

	Parent Company 2014							
	Receivable from customers							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Balance at beginning of year	₱3,495,728	₱76,429	₱85,008	₱425,942	₱30,620	₱3,958,656	₱3,594,431	₱11,666,814
Provisions (reversals)	1,763,723	–	17,483	290,572	3,148	(336,475)	(138,917)	1,599,534
Accretion on impaired loans (Note 10)	(245,497)	(171)	(17,261)	(11,513)	(359)	–	–	(274,801)
Accounts charged off	(957,676)	–	(18,211)	(218,696)	(17,750)	–	(567,969)	(1,780,302)
Transfers and others	210,020	113,012	(4,557)	477,240	1,446	(2,914)	(59,350)	734,897
Balance at end of year	₱4,266,298	₱189,270	₱62,462	₱963,545	₱17,105	₱3,619,267	₱2,828,195	₱11,946,142
Individual impairment	₱3,126,873	₱44,720	₱20,131	₱238,689	₱7,364	₱3,619,267	₱1,722,656	₱8,779,700
Collective impairment	1,139,425	144,550	42,331	724,856	9,741	–	1,105,539	3,166,442
	₱4,266,298	₱189,270	₱62,462	₱963,545	₱17,105	₱3,619,267	₱2,828,195	₱11,946,142
Gross amounts of loans and receivables subject to individual impairment	₱6,472,294	₱1,796,447	₱78,855	₱238,689	₱23,916	₱7,744,272	₱1,900,023	₱18,254,496

17. Deposit Liabilities

As of December 31, 2015 and 2014, noninterest-bearing deposit liabilities amounted to ₱23.8 billion and ₱24.8 billion, respectively, for the Group and ₱23.6 billion and ₱24.7 billion, respectively, for the Parent Company. The remaining deposit liabilities of the Group generally earn annual fixed interest rates ranging from 0.05% to 5.00% in 2015, from 0.05% to 6.11% in 2014 and from 0.00% to 8.40% in 2013 for peso-denominated deposit liabilities, and from 0.00% to 2.25% in 2015, from 0.02% to 2.26% in 2014 and from 0.02% to 3.80% in 2013 for foreign currency-denominated deposit liabilities. The remaining deposit liabilities of the Parent Company generally earn annual fixed interest rates ranging from 0.10% to 5.00% in 2015, from 0.10% to 6.11% in 2014, and from 0.13% to 8.40% in 2013 for peso-denominated deposit liabilities, and from 0.00% to 2.25% in 2015, 0.02% to 2.26% in 2014 and from 0.02% to 3.80% in 2013 for foreign currency-denominated deposit liabilities.

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On March 29, 2012, BSP issued Circular No. 753 which provides for the unification of the statutory and liquidity reserve requirement, non-remuneration of the unified reserve requirement, exclusion of cash in vault and demand deposits as eligible forms of reserve requirement compliance, and reduction in the unified reserve requirement ratios.

BSP issued Circular Nos. 830 and 832 last March 27, 2014 and May 8, 2014, respectively, to approve the 1-point percentage increase in the reserve requirements of universal and commercials banks. Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company and PNB SB are subject to reserves equivalent to 20.00% and 8.00%, respectively. As of December 31, 2015 and 2014, available reserves booked under ‘Due from BSP’ amounted to ₱74.3 billion and ₱68.2 billion, respectively, for the Group and ₱73.4 billion and ₱67.4 billion, respectively, for the Parent Company.

Long-term Negotiable Certificates of Time Deposits
Time deposit includes the following Long-term Negotiable Certificates of Time Deposits (LTNCDs) issued by the Parent Company:

				Interest	Carrying Value	
Issue Date	Maturity Date	Face Value	Coupon Rate	Repayment Terms	**2015**	2014
December 12, 2014	June 12, 2020	₱7,000,000	4.13%	Quarterly	**₱6,958,411**	₱6,957,175
October 21, 2013	April 22, 2019	4,000,000	3.25%	Quarterly	**3,981,365**	3,976,133
August 5, 2013	February 5, 2019	5,000,000	3.00%	Quarterly	**4,979,615**	4,973,448
November 18, 2011	February 17, 2017	3,100,000	5.18%	Quarterly	**3,094,836**	3,090,564

Other significant terms and conditions of the above LTNCDs follow:

(1) Issue price at 100.00% of the face value of each LTNCD.

(2) The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be).

Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

(3) Unless earlier redeemed, the LTNCDs shall be redeemed by the Parent Company on maturity date at an amount equal to one hundred percent (100.00%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.

(4) The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of the Parent Company, enforceable according to these Terms and Conditions, and shall at all times rank pari passu and without any preference or priority among themselves and at least pari passu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

(5) Subject to the “Events of Default” in the Terms and Conditions, the LTNCDs cannot be pre-terminated at the instance of any CD Holder before Maturity Date. In the case of an event of default, none of the CD Holders may accelerate the CDs on behalf of other CD Holders, and a CD Holder may only collect from the Parent Company to the extent of his holdings in the CDs. However, the Parent Company may, subject to the General Banking Law of 2000, Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

(6) The LTNCDs are insured by the PDIC up to a maximum amount of ₱0.5 million subject to applicable laws, rules and regulations, as the same may be amended from time to time.

(7) Each Holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2015	2014	2013	**2015**	2014	2013
Savings	**₱1,677,307**	₱1,680,386	₱2,596,914	**₱1,646,552**	₱1,677,129	₱2,563,616
LTNCDs	**752,562**	637,957	592,205	**752,563**	637,957	592,205
Time	**463,980**	354,016	337,243	**292,707**	196,795	296,579
Demand	**86,170**	116,041	129,019	**81,898**	103,075	116,634
	₱2,980,019	₱2,788,400	₱3,655,381	**₱2,773,720**	₱2,614,956	₱3,569,034

In 2015, 2014 and 2013, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱16.9 million, ₱22.8 million and ₱19.4 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱85.8 million and ₱102.7 million as of December 31, 2015 and 2014, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Derivative liabilities (Notes 23 and 36)	**₱135,193**	₱44,903	**₱135,009**	₱44,264
Designated at FVPL				
Segregated fund liabilities (Note 37)	**–**	10,817,122	**–**	–
	₱135,193	₱10,862,025	**₱135,009**	₱44,264

In 2015, the segregated fund liabilities of PNB LII were reclassified as part of ‘Liabilities of disposal group classified as held for sale’ (Note 37). As of December 31, 2014, the balance of segregated fund liabilities consists of:

	2014
Segregated funds (Note 9)	₱10,654,770
Additional subscriptions	162,352
Segregated fund liabilities	₱10,817,122

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Bills payable to:				
BSP and local banks (Note 34)	**₱17,580,304**	₱16,393,374	**₱14,784,750**	₱15,965,715
Foreign banks	**7,676,238**	1,027,442	**9,269,456**	492,733
Others	**150,864**	1,262,389	**230,865**	1,700,743
	25,407,406	18,683,205	**24,285,071**	18,159,191
Acceptances outstanding (Note 10)	**344,816**	366,853	**344,816**	366,853
	₱25,752,222	₱19,050,058	**₱24,629,887**	₱18,526,044

Foreign currency-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.01% to 2.50%, from 0.03% to 2.50% and from 0.12% to 0.99% in 2015, 2014 and 2013, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.38% to 0.88%, from 0.63% to 2.00% and from 1.09% to 3.50% in 2015, 2014 and 2013, respectively.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.8 billion and as of December 31, 2015 and 2014 (Note 10).

As of December 31, 2015, bills payable with a carrying amount of ₱12.8 billion is secured by a pledge of certain AFS with carrying value and fair value of ₱8.5 billion and HTM investments with carrying value and fair value of ₱7.0 billion and ₱7.5 billion, respectively (Note 9).

As of December 31, 2014, bills payable with a carrying value of ₱14.1 billion is secured by a pledge of certain AFS and HTM investments with fair value of ₱8.5 billion and ₱8.9 billion, respectively (Note 9).

Following are the significant terms and conditions of the repurchase agreements with entered into by the Parent Company:

(1) Each party represents and warrants to the other that it is duly authorized to execute and deliver the Agreement, and to perform its obligations and has taken all the necessary action to authorize such execution, delivery and performance;
(2) The term or life of this borrowing is up to three years;
(3) Some borrowings bear a fixed interest rate while others have floating interest rate;
(4) The Parent Company has pledged its AFS and HTM investments, in the form of ROP Global bonds, in order to fulfill its collateral requirement;
(5) Haircut from market value ranges from 15.00% to 25.00% depending on the tenor of the bond;
(6) Certain borrowings are subject to margin call of up to USD 1.4 million; and
(7) Substitution of pledged securities is allowed if one party requested and the other one so agrees.

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2015	2014	2013	**2015**	2014	2013
Continuing operations:						
Subordinated debt* (Notes 18 and 21)	**₱661,304**	₱757,000	₱923,229	**₱661,304**	₱660,222	₱923,229
Bills payable	**321,128**	94,741	135,167	**296,399**	139,741	91,805
Others	**47,563**	5,186	12,300	**45,470**	1,151	12,090
	1,029,995	856,927	1,070,696	**1,003,173**	801,114	1,027,124
Discontinued operations:						
Others (Note 37)	**–**	–	5,417	**–**	–	–
	₱1,029,995	₱856,927	₱1,076,113	**₱1,003,173**	₱801,114	₱1,027,124

** Consists of interest on subordinated debt at amortized cost and designated at FVPL*

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Accrued taxes and other expenses	**₱3,845,382**	₱3,425,438	**₱3,340,821**	₱3,038,773
Accrued interest (Note 10)	**2,029,846**	2,015,911	**2,030,912**	1,996,383
	₱5,875,228	₱5,441,349	**₱5,371,733**	₱5,035,156

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Financial liabilities:				
Promotional expenses	**₱284,281**	₱136,963	**₱284,281**	₱131,963
Information technology-related expenses	**194,974**	186,621	**193,889**	185,638
Management, directors and other professional fees	**148,935**	92,743	**128,855**	85,769
Rent and utilities payable	**103,043**	67,910	**90,454**	68,154
Repairs and maintenance	**22,511**	12,836	**21,920**	12,836
	753,744	497,073	**719,399**	484,360
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**1,441,417**	1,471,970	**1,416,521**	1,453,455
PDIC insurance premiums	**470,701**	436,320	**459,901**	426,144
Other taxes and licenses	**398,455**	285,487	**81,966**	146,541
Employee benefits	**298,183**	241,426	**282,674**	239,057
Other expenses	**482,882**	493,162	**380,360**	289,216
	3,091,638	2,928,365	**2,621,422**	2,554,413
	₱3,845,382	₱3,425,438	**₱3,340,821**	₱3,038,773

The Parent Company's accrued interest payable includes the transferred liabilities from Maybank amounting to ₱1.6 billion as of December 31, 2015 and 2014 (Note 10).

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

21. Subordinated Debt

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2015	Carrying Value 2014
June 15, 2011	June 15, 2021	₱6,500,000	6.750%	Quarterly	**₱6,494,324**	₱6,482,757
May 9, 2012	May 9, 2022	3,500,000	5.875%	Quarterly	**3,492,103**	3,486,741
					₱9,986,427	₱9,969,498

5.875% ₱3.5 Billion Subordinated Notes
On May 9, 2012, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱3.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.04%.

Significant terms and conditions of the subordinated notes follow:

(1) The 2012 Notes bear interest at the rate of 5.88% per annum from and including May 9, 2012 to but excluding May 9, 2022. Interest will be payable quarterly in arrears on the 9th of August, November, February and May of each year, commencing on May 9, 2012, unless the 2012 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on May 10, 2017, call option date.

(2) Each noteholder, by accepting the 2012 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2012 Notes.

6.75% ₱6.5 Billion Subordinated Notes
On May 15, 2011, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱6.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.94%.

Significant terms and conditions of the subordinated notes follow:

(1) The 2011 Notes bear interest at the rate of 6.75% per annum from and including June 15, 2011 to but excluding June 15, 2021. Interest will be payable quarterly in arrears on the 15th of September, December, March and June of each year, commencing on June 15, 2011, unless the 2011 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on June 16, 2016, call option date.

(2) Each noteholder, by accepting the 2011 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2011 Notes.

As of December 31, 2015 and 2014, the unamortized transaction cost of subordinated debt amounted to ₱13.6 million and ₱30.5 million, respectively.

In 2015, 2014 and 2013, amortization of transaction costs amounting to ₱16.9 million, ₱15.8 million and ₱14.8 million, respectively were charged to 'Interest expenses - bills payable and other borrowings' in the statement of income (Note 19).

22. Other Liabilities

This account consists of:

	Consolidated 2015	Consolidated 2014	Parent Company 2015	Parent Company 2014
Financial				
Accounts payable	**₱6,825,663**	₱6,703,874	**₱6,179,304**	₱6,057,924
Insurance contract liabilities (Note 37)	**4,719,336**	11,180,597	**–**	–
Bills purchased - contra (Note 10)	**3,418,002**	4,230,348	**3,411,729**	4,222,235
Manager's checks and demand drafts outstanding	**937,799**	1,030,298	**915,764**	1,018,139
Deposits on lease contracts	**854,817**	685,745	**37,448**	34,374
Dormant credits	**753,338**	559,585	**734,346**	546,888
Accounts payable - electronic money	**556,618**	459,121	**556,618**	459,121
Due to other banks	**461,100**	222,227	**517,261**	408,925
Payment order payable	**407,196**	296,102	**407,196**	295,971
Margin deposits and cash letters of credit	**182,640**	86,143	**168,820**	73,972
Commission payable	**132,059**	118,844	**–**	–
Transmission liability	**24,976**	76,893	**–**	–
Deposit for keys on safety deposit boxes	**14,217**	14,084	**14,217**	14,084
Due to BSP	**–**	101,172	**–**	101,172
	19,287,761	25,765,033	**12,942,703**	13,232,805
Nonfinancial				
Retirement benefit liability (Note 29)	**2,955,003**	2,867,287	**2,889,735**	2,796,997
Reserve for unearned premiums	**1,191,405**	1,539,590	**–**	–
Provisions (Note 35)	**898,737**	1,640,648	**898,737**	1,640,648
Due to Treasurer of the Philippines	**438,943**	366,841	**438,451**	366,841
Withholding tax payable	**232,835**	224,045	**217,879**	204,697
Deferred tax liabilities (Note 31)	**152,585**	139,699	**–**	–
SSS, Philhealth, employer's compensation premiums and Pag-IBIG contributions payable	**29,092**	29,330	**24,237**	23,695
Unapplied advances	**21,370**	97,392	**21,370**	97,392
Miscellaneous	**450,553**	662,893	**236,019**	266,098
	6,370,523	7,567,725	**4,726,428**	5,396,368
	₱25,658,284	₱33,332,758	**₱17,669,131**	₱18,629,173

'Miscellaneous' of the Group and the Parent Company include interoffice floats, remittance - related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments entered into by the Group, recorded as derivative assets or derivative liabilities, 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, 2015 and 2014 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated 2015			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱42	₱5,210	47.37	155,521
EUR	122	–	1.09	898
HKD	–	66	7.75	13,012
CAD	–	170	0.72	1,385
GBP	–	168	1.36	1,104
SELL:				
USD	66,932	–	47.31	374,421
CAD	520	34	0.72	3,444
GBP	455	139	1.49	5,700
SGD	411	190	1.41	4,600
HKD	86	184	7.75	63,733
EUR	4	11	1.10	2,200
JPY	–	86,305	0.39	4,492,495
AUD	–	149	0.72	450
Interest rate swaps	49,444	42,567		
Warrants	63,332	–		
	₱181,348	₱135,193		

* *The notional amounts and average forward rates pertain to original currencies.*

	Consolidated 2014			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱5,620	₱2,246	44.81	77,300
EUR	1,686	535	1.25	2,507
HKD	539	532	7.75	82,156
AUD	81	–	0.82	200
JPY	13	567	0.37	312,776
GBP	6	–	1.56	150
CAD	–	47	1.16	1,614
SELL:				
USD	6,809	15,717	44.78	208,510
EUR	4,378	–	1.30	1,797
GBP	2,152	–	1.56	4,250

(Forward)

	Consolidated 2014			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
JPY	₱634	₱17	0.37	713,228
AUD	531	–	0.82	800
SGD	449	275	1.32	6,611
HKD	83	96	7.76	14,100
CAD	3	66	1.16	2,195
Interest rate swaps	42,407	24,805		
Warrants	71,160	–		
	₱136,551	₱44,903		

* *The notional amounts and average forward rates pertain to original currencies.*

	Parent Company 2015			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱42	₱5,210	47.37	155,521
CAD	–	170	0.72	1,385
GBP	–	168	1.36	1,104
HKD	–	66	7.75	13,012
JPY	–	–	120.34	1,330
SELL:				
USD	66,932	–	47.31	374,421
CAD	520	34	0.72	3,444
GBP	455	139	1.49	5,700
SGD	411	190	1.41	4,600
EUR	4	11	1.10	2,200
HKD	2	–	7.75	6,633
JPY	–	86,305	0.39	4,492,495
AUD	–	149	0.72	450
Interest rate swaps	49,444	42,567		
Warrants	63,332	–		
	₱181,142	₱135,009		

* *The notional amounts and average forward rates pertain to original currencies.*

	Parent Company 2014			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱5,620	₱2,246	44.81	77,300
EUR	1,686	–	1.26	1,797
HKD	–	524	7.75	50,356
AUD	81	–	0.82	200
JPY	13	567	0.37	312,776
GBP	6	–	1.56	150
CAD	–	47	1.16	1,614

(Forward)

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	Parent Company			
	2014			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
SELL:				
USD	₱6,809	₱15,717	44.78	208,510
EUR	4,378	–	1.28	1,797
GBP	2,152	–	1.56	4,250
JPY	634	17	0.37	713,228
AUD	531	–	0.82	800
SGD	449	275	1.32	6,611
CAD	3	66	1.16	2,195
Interest rate swaps	42,407	24,805		
Warrants	71,160	–		
	₱135,929	₱44,264		

** The notional amounts and average forward rates pertain to original currencies.*

As of December 31, 2015 and 2014, the Parent Company holds 306,405 shares of ROP Warrants Series B1 at their fair value of USD1.3 million and USD1.6 million, respectively.

The table below shows the rollforward analysis of net derivatives assets as of December 31, 2015 and 2014:

	Consolidated		**Parent Company**	
	2015	2014	**2015**	2014
Balance at the beginning of the year:				
Derivative assets	**₱136,551**	₱258,697	**₱135,929**	₱258,613
Derivative liabilities	**(44,903)**	(163,101)	**(44,264)**	(163,084)
	91,648	95,596	**91,665**	95,529
Changes in fair value				
Currency forwards and spots*	**(571,666)**	196,005	**(571,649)**	195,848
Interest rate swaps and warrants**	**(11,709)**	(90,761)	**(11,709)**	(90,761)
	(583,375)	105,244	**(583,358)**	105,087
Availments (Settlements)	**537,882**	(109,192)	**537,826**	(108,951)
Balance at end of year:				
Derivative assets	**181,348**	136,551	**181,142**	135,929
Derivative liabilities	**(135,193)**	(44,903)	**(135,009)**	(44,264)
	₱46,155	₱91,648	**₱46,133**	₱91,665

* *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 table shows 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					
	2015			2014		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱15,220,536**	**₱–**	**₱15,220,536**	₱14,628,489	₱–	₱14,628,489
Due from BSP	**81,363,444**	**–**	**81,363,444**	105,773,685	–	105,773,685
Due from other banks	**18,287,308**	**–**	**18,287,308**	15,591,406	–	15,591,406
Interbank loans receivable	**5,800,383**	**–**	**5,800,383**	7,671,437	–	7,671,437
Securities held under agreements to resell	**14,550,000**	**–**	**14,550,000**	–	–	–
Financial assets at FVPL	**4,510,545**	**–**	**4,510,545**	17,351,626	–	17,351,626
AFS investments – gross (Note 9)	**2,915,170**	**66,355,965**	**69,271,135**	4,383,175	59,638,203	64,021,378
HTM investments	**68,173**	**23,163,824**	**23,231,997**	61,374	22,908,932	22,970,306
Loans and receivables – gross (Note 10)	**159,032,473**	**221,242,883**	**380,275,356**	126,762,738	202,624,146	329,386,884
Other assets – gross (Note 15)	**133,233**	**50,605**	**183,838**	943,966	101,486	1,045,452
	301,881,265	**310,813,277**	**612,694,542**	293,167,896	285,272,767	578,440,663
Nonfinancial Assets						
Property and equipment – gross (Note 11)	**–**	**28,870,304**	**28,870,304**	–	25,515,235	25,515,235
Investment properties – gross (Note 13)	**–**	**18,277,382**	**18,277,382**	–	25,862,516	25,862,516
Deferred tax assets	**–**	**1,173,575**	**1,173,575**	–	1,461,938	1,461,938
Goodwill (Note 14)	**–**	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets (Note 14)	**–**	**4,120,689**	**4,120,689**	–	3,544,075	3,544,075
Residual value of leased assets (Note 10)	**225,590**	**486,731**	**712,321**	–	563,032	563,032
Other assets – gross (Note 15)	**5,906,598**	**1,529,983**	**7,436,581**	1,263,849	3,308,176	4,572,025
	6,132,188	**67,834,071**	**73,966,259**	1,263,849	73,630,379	74,894,228
Assets of disposal group classified as held for sale (Note 37)	**23,526,757**	**–**	**23,526,757**	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			**18,952,992**			17,810,262
Unearned and other deferred income (Note 10)			**1,834,517**			1,261,386
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**9,712,312**			8,817,411
			₱679,687,737			₱625,445,832
Financial Liabilities						
Deposit liabilities	**₱446,102,751**	**₱39,834,430**	**₱485,937,181**	₱403,844,601	₱43,799,156	₱447,643,757
Financial liabilities at FVPL	**126,075**	**9,118**	**135,193**	20,099	10,841,926	10,862,025
Bills and acceptances payable	**5,836,838**	**19,915,384**	**25,752,222**	10,075,958	8,974,100	19,050,058
Subordinated debt	**–**	**9,986,427**	**9,986,427**	–	9,969,498	9,969,498
Accrued interest payable (Note 20)	**465,324**	**1,564,522**	**2,029,846**	460,493	1,555,418	2,015,911
Accrued other expenses payable (Note 20)	**753,744**	**–**	**753,744**	497,073	–	497,073
Other liabilities (Note 22):						
Accounts payable	**6,825,663**	**–**	**6,825,663**	6,703,874	–	6,703,874
Insurance contract liabilities	**4,528,298**	**191,038**	**4,719,336**	5,564,978	5,615,619	11,180,597
Bills purchased – contra	**3,418,002**	**–**	**3,418,002**	4,230,348	–	4,230,348
Manager's checks and demand drafts outstanding	**937,799**	**–**	**937,799**	1,030,298	–	1,030,298
Deposits on lease contracts	**249,885**	**604,932**	**854,817**	46,761	638,984	685,745
Dormant credits	**116,337**	**637,001**	**753,338**	114,606	444,979	559,585
Accounts payable – electronic money	**556,618**	**–**	**556,618**	459,121	–	459,121
Due to other banks	**461,100**	**–**	**461,100**	222,227	–	222,227
Payment order payable	**407,196**	**–**	**407,196**	296,102	–	296,102
Margin deposits and cash letters of credit	**182,640**	**–**	**182,640**	86,143	–	86,143
Commission payable	**132,059**	**–**	**132,059**	118,844	–	118,844
Transmission liability	**24,976**	**–**	**24,976**	76,893	–	76,893
Deposit for keys on safety deposit boxes	**14,217**	**–**	**14,217**	14,084	–	14,084
Due to BSP	**–**	**–**	**–**	101,172	–	101,172
	471,139,522	**72,742,852**	**543,882,374**	433,963,675	81,839,680	515,803,355

(Forward)

	Consolidated					
	2015			2014		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	**₱1,177,015**	**₱1,914,623**	**₱3,091,638**	₱963,233	₱1,965,132	₱2,928,365
Income tax payable	**134,720**	**–**	**134,720**	85,505	–	85,505
Other liabilities (Note 22)	**2,799,195**	**3,571,328**	**6,370,523**	3,528,602	4,039,123	7,567,725
	4,110,930	**5,485,951**	**9,596,881**	4,577,340	6,004,255	10,581,595
Liabilities of disposal group classified as held for sale (Note 37)	**21,452,621**	**–**	**21,452,621**	–	–	–
	₱496,703,073	**₱78,228,803**	**₱574,931,876**	₱438,541,015	₱87,843,935	₱526,384,950

	Parent Company					
	2015			2014		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱12,598,715**	**₱–**	**₱12,598,715**	₱13,865,078	₱–	₱13,865,078
Due from BSP	**79,203,948**	**–**	**79,203,948**	95,415,467	–	95,415,467
Due from other banks	**11,450,573**	**–**	**11,450,573**	5,013,357	–	5,013,357
Interbank loans receivable	**5,958,526**	**–**	**5,958,526**	7,671,437	–	7,671,437
Securities held under agreements to resell	**14,550,000**	**–**	**14,550,000**	–	–	–
Financial assets at FVPL	**4,492,864**	**–**	**4,492,864**	6,695,950	–	6,695,950
AFS investments – gross (Note 9)	**2,026,914**	**65,637,949**	**67,664,863**	3,699,094	52,642,375	56,341,469
HTM investments	**4,706**	**23,132,937**	**23,137,643**	–	21,559,631	21,559,631
Loans and receivables – gross (Note 10)	**146,526,387**	**196,062,353**	**342,588,740**	118,062,018	183,773,451	301,835,469
Other assets – gross (Note 15)	**100,920**	**34,597**	**135,517**	943,122	86,154	1,029,276
	276,913,553	**284,867,836**	**561,781,389**	251,365,523	258,061,611	509,427,134
Nonfinancial Assets						
Property and equipment – gross (Note 11)	**–**	**25,216,112**	**25,216,112**	–	24,157,278	24,157,278
Investment properties – gross (Note 13)	**–**	**19,857,890**	**19,857,890**	–	25,326,794	25,326,794
Deferred tax assets	**–**	**1,031,948**	**1,031,948**	–	1,029,423	1,029,423
Investments in Subsidiaries (Note 12)	**–**	**24,629,955**	**24,629,955**	–	24,910,585	24,910,585
Goodwill (Note 14)	**–**	**13,515,765**	**13,515,765**	–	13,515,765	13,515,765
Intangible assets (Note 14)	**–**	**3,990,956**	**3,990,956**	–	3,432,514	3,432,514
Other assets – gross (Note 15)	**5,589,361**	**527,451**	**6,116,812**	1,203,083	2,398,920	3,602,003
	5,589,361	**88,770,077**	**94,359,438**	1,203,083	94,771,279	95,974,362
Asset of disposal group classified as held for sale (Note 37)	**846,015**	**–**	**846,015**	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			**19,184,204**			18,125,739
Unearned and other deferred income (Note 10)			**1,427,774**			867,933
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**9,157,333**			8,291,247
			₱627,217,531			₱578,116,577
Financial Liabilities						
Deposit liabilities	**₱434,664,563**	**₱35,829,825**	**₱470,494,388**	₱385,631,811	₱46,814,852	₱432,446,663
Financial liabilities at FVPL	**125,891**	**9,118**	**135,009**	19,460	24,804	44,264
Bills and acceptances payable	**4,714,503**	**19,915,384**	**24,629,887**	7,443,348	11,082,696	18,526,044
Subordinated debt	**–**	**9,986,427**	**9,986,427**	–	9,969,498	9,969,498
Accrued interest payable (Note 20)	**466,390**	**1,564,522**	**2,030,912**	440,965	1,555,418	1,996,383
Accrued other expenses payable (Note 20)	**719,399**	**–**	**719,399**	484,360	–	484,360
Other liabilities (Note 22):						
Accounts payable	**6,179,304**	**–**	**6,179,304**	6,057,924	–	6,057,924
Bills purchased – contra	**3,411,729**	**–**	**3,411,729**	4,222,235	–	4,222,235
Manager's checks and demand drafts outstanding	**915,764**	**–**	**915,764**	1,018,139	–	1,018,139
Dormant credits	**108,827**	**625,519**	**734,346**	110,208	436,680	546,888
Accounts payable – electronic money	**556,618**	**–**	**556,618**	459,121	–	459,121
Due to other banks	**517,261**	**–**	**517,261**	408,925	–	408,925
Payment order payable	**407,196**	**–**	**407,196**	295,971	–	295,971
Margin deposits and cash letters of credit	**168,820**	**–**	**168,820**	73,972	–	73,972
Deposits on lease contracts	**–**	**37,448**	**37,448**	–	34,374	34,374
Deposit for keys on safety deposit boxes	**14,217**	**–**	**14,217**	14,084	–	14,084
Due to BSP	**–**	**–**	**–**	101,172	–	101,172
	452,970,482	**67,968,243**	**520,938,725**	406,781,695	69,918,322	476,700,017

(Forward)

	Parent Company					
	2015			2014		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	**₱824,541**	**₱1,796,881**	**₱2,621,422**	₱811,742	₱1,742,671	₱2,554,413
Income tax payable	**55,180**	**–**	**55,180**	70,001	–	70,001
Other liabilities	**1,373,445**	**3,352,983**	**4,726,428**	1,994,014	3,402,354	5,396,368
	2,253,166	**5,149,864**	**7,403,030**	2,875,757	5,145,025	8,020,782
	₱455,223,648	**₱73,118,107**	**₱528,341,755**	₱409,657,452	₱75,063,347	₱484,720,799

25. Equity

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

	Shares		Amount	
	2015	2014	**2015**	2014
Common - ₱40 par value				
Authorized	**1,750,000,001**	1,750,000,001	**₱70,000,000**	₱70,000,000
Issued and outstanding				
Balance at the beginning of the year	**1,249,139,678**	1,086,208,416	**49,965,587**	43,448,337
Issued during the year	**–**	162,931,262	**–**	6,517,250
	1,249,139,678	1,249,139,678	**49,965,587**	49,965,587
Parent Company Shares Held by a Subsidiary	**(120,000)**	–	**(9,945)**	–
	1,249,019,678	1,249,139,678	**₱49,955,642**	₱49,965,587

The Parent Company shares are listed in the PSE. As of December 31, 2015 and 2014, the Parent Company has 29,985 and 30,167 stockholders, respectively.

Pursuant to the 1986 Revised Charter of the Parent Company, the Parent Company's authorized capital stock was ₱10.0 billion divided into 100,000,000 common shares with a par value of ₱100.0 per share. Its principal stockholder was the NG which owned 25,000,000 common shares.

To foster a financial intermediation system that is both competitive and efficient, the partial privatization of the Parent Company was carried out through the following public offerings:

Date of Offering	Type of Offering	No. of Shares Offered	Par Value	Offer Price	Authorized Number of Shares	Issued and Outstanding Shares
June 1989	Initial Public Offering	10,800,000 common shares	₱100.0	₱100.0	250,000,000 common shares	36,011,569 common shares
April 1992	Second Public Offering	8,033,140 common shares	₱100.0	₱265.0	250,000,000 common shares	80,333,350 common shares
December 1995	Third Public Offering	7,200,000 common shares and 2,400,000 covered warrants	₱100.0	₱260.0	250,000,000 common shares	99,985,579 common shares

After the three (3) public offerings, the NG sold a total of 54.41% of its shareholdings to both the Philippine public and international investors.

On May 27, 1996, the privatization of the Parent Company was completed when the Parent Company's new Articles of Incorporation and By-Laws were approved by the SEC under SEC Registration No. AS096-005555. As of May 27, 1996, the NG owned 45.59% of the outstanding shares of the Parent Company. The Parent Company's authorized capital stock was increased to ₱25.0 billion pesos divided into 250,000,000 common shares with a par value of ₱100.0 per share.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

As part of the Parent Company's capital build-up program, the Parent Company also completed the following rights offerings:

Date of Offering	Type of Offering	No. of Shares Offered	Basis of Subscription	Par Value	Offer Price	Authorized Number of Shares	Issued and Outstanding Shares
September 1999	Stock Rights Offering	68,740,086 common shares	One (1) Right Share for every two common shares	₱100.0	₱137.8	250,000,000 common shares	206,220,257 common shares
September 2000	Pre-emptive Rights Offering	71,850,215 common shares with 170,850,215 warrants	Five (5) Right Shares for every Six (6) common shares	₱100.0	₱60.0	833,333,334 common shares	206,220,257 common shares
February 2014	Stock Rights Offering	162,931,262 common shares	Fifteen (15) Right Shares for every 100 common shares	₱40.0	₱71.0	1,750,000,001 common shares	1,249,139,678 common shares

On August 18, 2000, the SEC approved the decrease of the capital stock of the Parent Company from ₱25.0 billion divided into 250,000,000 common shares with a par value of ₱100.0 per share to ₱15.0 billion divided into 250,000,000 common shares with a par value of ₱60.0 per share. Subsequently on November 7, 2000, the SEC approved the increase of the capital stock of the Parent Company from ₱15.0 Billion divided into 250,000,000 common shares with a par value of ₱60.0 per share to ₱50,000,000,040 divided into 833,333,334 shares with a par value of ₱60.0 per share.

On July 23, 2002, the SEC approved the decrease of the capital stock of the Parent Company from ₱50,000,000,040.0 divided into 833,333,334 shares with a par value of ₱60.0 per share to ₱33,333,333,360.0 divided into 833,333,334 shares with a par value of ₱40.0 per share. On the same day, the SEC also approved the increase of the capital stock of the Parent Company from ₱33,333,333,360.0 divided into 833,333,334 shares with a par value of ₱40.0 per share to ₱50,000,000,040.0 divided into 1,054,824,557 common shares and 195,175,444 preferred shares both with a par value of ₱40.0 each.

In July 2007, the Parent Company made a primary and secondary offering of up to 160,811,091 common shares. The Offer consisted of: (i) primary offer by the Parent Company of up to 89,000,000 new shares from the Parent Company's authorized but unissued common share capital, and (ii) secondary offer of up to an aggregate of 71,811,091 existing shares, comprising (a) 17,453,340 shares offered by the NG, and (b) 54,357,751 shares which were owned by the PDIC in the form of convertible preferred shares. The Primary Offer Shares and Secondary Offer Shares were offered at the Offer Price of ₱59.0 per share.

On January 17, 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 increase in authorized common shares is intended to accommodate the issuance of the Parent Company of common shares to ABC shareholders relative to the business combination.

Prior to conversion to common shares, the preferred shares had the following features:

a. Non-voting, non-cumulative, fully participating on dividends with the common shares;
b. Convertible, at any time at the option of the holder who is qualified to own and hold common shares on a one (1) preferred share for one (1) common share basis;
c. With mandatory and automatic conversion into common shares upon the sale of such preferred shares to any person other than the NG or any other government agency or GOCC's; and
d. With rights to subscribe to additional new preferred shares with all of the features described above, in the event that the Parent Company shall offer new common shares for subscription, in such number corresponding to the number of shares being offered.

Last February 2014, the Parent Company successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱71.0 each. The Rights Shares were offered to all eligible shareholders of the Parent Company at the proportion of fifteen (15) Rights Shares for every one hundred (100) common shares as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Parent Company. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Parent Company. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. It also strengthened the Parent Company's capital position under the Basel III standards, which took effect on January 1, 2014.

Surplus amounting to ₱7.7 billion and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱2.2 billion as of December 31, 2015 and 2014 which represent the balances of accumulated translation adjustment (₱1.6 billion), accumulated equity in net earnings (₱0.6 billion) and revaluation increment from land (₱7.7 billion) that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP.

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 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: (a) 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; and (b) 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.

Surplus Reserves

The surplus reserves consist of:

	2015	2014
Reserve for trust business (Note 33)	**₱474,263**	₱457,620
Reserve for self-insurance	**80,000**	80,000
	₱554,263	₱537,620

Reserve for self-insurance, contingencies and other account represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

Capital Management

The primary objectives of the Parent Company'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 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.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company'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.

In addition, 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). Qualifying capital and risk-weighted assets are computed based on BSP regulations. 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.

The BSP approved the booking of additional appraisal increment of ₱431.8 million in 2002 on properties and recognition of the same in determining the capital adequacy ratio, and booking of translation adjustment of ₱1.6 billion in 2002 representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2015 and 2014, CAR reported to the BSP, which considered combined credit, market and operational risk weighted asset (BSP Circular No. 538) are shown in the table below (amounts in millions).

	2015		2014	
Consolidated	**Actual**	**Required**	Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱97,272.25**		₱93,899.13	
Less: Regulatory Adjustments to CET 1	**22,978.47**		22,391.62	
Total CET1 Capital	**74,293.78**		71,507.51	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**74,293.78**		71,507.51	
Add: Tier 2 Capital	**13,763.24**		13,040.32	
Total qualifying capital	**₱88,057.02**	**₱45,766.26**	₱84,547.83	₱41,033.61
Risk weighted assets	**₱457,662.62**		₱410,336.08	
Tier 1 capital ratio	**16.23%**		17.43%	
Total capital ratio	**19.24%**		20.60%	

	2015		2014	
Parent	**Actual**	**Required**	Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱94,044.29**		₱90,782.61	
Less: Regulatory Adjustments to CET 1	**47,596.44**		45,931.47	
Total CET1 Capital	**46,447.85**		44,851.14	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**46,447.85**		44,851.14	
Add: Tier 2 Capital	**13,417.01**		12,833.10	
Total qualifying capital	**₱59,864.86**	**₱41,504.86**	₱57,684.24	₱37,502.63
Risk weighted assets	**₱415,048.57**		₱375,026.28	
Tier 1 capital ratio	**11.19%**		11.96%	
Total capital ratio	**14.42%**		15.38%	

The Group and PNB LII have complied with all externally imposed capital requirement throughout the year. As of December 31, 2015, PNB Gen's RBC ratio is lower than 100.00%. On November 10, 2015, PNB Gen submitted its capital build-up program to the IC and such program is under review.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *Real Estate Stress Test (REST) Limit for Real Estate Exposure*, which set a prudential limit for real estate exposures and other real estate properties of universal, commercial and thrift banks. REST will be undertaken for real estate exposure at an assumed write-off of 25.00%. The prudential REST limit which shall be complied at all times are 6.00% of CET1 ratio and 10.00% of CAR. The Circular is effective July 19, 2014.

The Parent Company has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Surplus
The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines. Surplus and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱9.9 billion as of December 31, 2015 and 2014 which represents the balances of accumulated translation adjustment, accumulated equity in net earnings and revaluation increment from land that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP. Also, unrealized foreign exchange gains, except those attributable to cash and cash equivalents, unrealized actuarial gains, fair value adjustment or the gains arising from mark-to-market valuation, deferred tax asset recognized that reduced the income tax expense and increased the net income and retained earnings, adjustment due to deviation from PFRS/GAAP and other unrealized gains or adjustments, are excluded from the Parent Company's surplus available for dividend declaration.

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In the consolidated financial statements, a portion of a Group's surplus corresponding to the net earnings of the subsidiaries amounting to ₱2.6 billion and ₱2.7 billion as of December 31, 2015 and 2014, respectively, is not available for dividend declaration. The accumulated earnings become available for dividends upon receipt of cash dividends from subsidiaries.

Merger Incentives
In connection with the merger of the Parent Company with ABC, the BSP gave certain incentives. The more relevant incentives are:

(a) Recognition of the fair value adjustments under GAAP and RAP books;
(b) Full recognition of appraisal increment from the revaluation of premises, improvements and equipment in the computation of CAR.

Internal Capital Adequacy Assessment Process (ICAAP) Implementation
In compliance with BSP Circular No. 639, the Parent Company has adopted its live ICAAP Document for 2011 to 2013. However, the BOD and the Management recognized that ICAAP is beyond compliance, i.e. it is about how to effectively run the Parent Company's operations by ensuring that the Parent Company maintains at all times an appropriate level and quality of capital to meet its business objective and commensurate to its risk profile. In line with its ICAAP principles, the Parent Company shall maintain a capital level that will not only meet the BSP CAR requirement, but will also cover all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning/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.

Financial Performance
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2015	2014	2013	**2015**	2014	2013
Return on average equity (a/b)	**6.19%**	6.06%	8.83%	**6.47%**	5.17%	9.52%
a) Net income	**₱6,311,595**	₱5,495,045	₱5,247,489	**₱6,216,693**	₱4,419,349	₱5,379,415
b) Average total equity	**101,908,372**	90,699,918	59,456,656	**96,135,777**	85,521,555	56,500,721
Return on average assets (c/d)	**0.97%**	0.89%	1.11%	**1.03%**	0.77%	1.20%
c) Net income	**₱6,311,595**	₱5,495,045	₱5,247,489	**₱6,216,693**	₱4,419,349	₱5,379,415
d) Average total assets	**652,566,785**	620,860,726	472,274,243	**602,667,054**	576,855,414	449,380,024
Net interest margin on average earning assets (e/f)	**3.24%**	3.21%	3.46%	**3.14%**	3.21%	3.42%
e) Net interest income (Note 37)	**₱18,158,802**	₱16,874,278	₱13,748,539	**₱15,712,416**	₱15,153,084	₱12,752,068
f) Average interest earning assets	**560,084,638**	525,417,739	397,360,801	**500,148,703**	472,679,584	372,448,575

Note: Average balances were the sum of beginning and ending balances of the respective statement of financial position accounts as of the end of the year divided by two (2)

26. Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	**2015**	2014	2013
Deposit-related	**₱1,076,041**	₱984,541	₱993,632	**₱1,050,546**	₱960,199	₱968,127
Commissions	**820,497**	641,216	830,285	**685,396**	539,146	669,469
Remittance	**739,779**	735,420	406,465	**363,822**	344,045	131,340
Credit-related	**500,852**	387,535	133,691	**479,174**	374,698	122,803
Underwriting fees	**327,400**	136,265	307,348	**–**	–	–
Interchange fees	**317,509**	203,501	246,188	**317,509**	203,501	246,188
Trust fees (Note 33)	**256,203**	230,111	189,874	**256,203**	230,111	189,874
Credit card-related	**62,071**	84,899	32,435	**62,071**	84,899	32,435
Miscellaneous	**212,546**	142,961	349,147	**141,251**	135,563	251,046
	₱4,312,898	₱3,546,449	₱3,489,065	**₱3,355,972**	₱2,872,162	₱2,611,282

Commissions include those income earned for services rendered on opening of letters of credit, handling of collection items, domestic/export/import bills and telegraphic transfers and sale of demand drafts, traveler's checks and government securities.

Interchange fees were generated from the credit card business acquired by the Parent Company through merger with ABC.

'Miscellaneous' includes income from security brokering activities and other fees and commission.

27. Net Insurance Premiums and Benefits and Claims

Net Insurance Premiums
This account consists of:

	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)
Gross earned premiums	**₱2,431,033**	₱1,682,368	₱1,520,026
Reinsurers' share of gross earned premiums	**(1,890,569)**	(1,274,095)	(1,148,635)
	₱540,464	₱408,273	₱371,391

Net Insurance Benefits and Claims
This account consists of:

	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)
Gross insurance contract benefits and claims paid	**₱1,653,355**	₱1,453,605	₱706,182
Reinsurers' share of gross insurance contract benefits and claims paid	**(1,045,150)**	(1,109,404)	(417,518)
Gross change in insurance contract liabilities	**(529,863)**	(1,011,013)	3,744,261
Reinsurers' share of change in insurance contract liabilities	**358,545**	762,950	(2,759,792)
	₱436,887	₱96,138	₱1,273,133

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28. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	**2015**	2014	2013
Recovery from insurance claim (Note 34)	**₱709,160**	₱–	₱–	**₱709,160**	₱–	₱–
Income from SPV (Note 15)	**353,000**	27,000	266,000	**353,000**	27,000	266,000
Rental income	**338,055**	634,397	442,993	**266,067**	363,956	273,132
Recoveries	**162,430**	171,392	108,811	**90,179**	168,724	79,329
Dividends (Note 12)	**22,190**	2,409	3,399	**198,338**	79,744	81,562
Penalty charges	**20,342**	11,027	–	**–**	11,027	–
Customs Fees	**14,801**	11,702	13,773	**14,801**	11,702	13,774
Sales deposit forfeiture	**12,023**	12,250	12,254	**12,023**	12,250	12,254
Referral and trust fees	**2,382**	1,993	55,124	**–**	–	–
Gain on sale of PILFC shares (Note 12)	**–**	–	–	**66,235**	–	–
Gain from step up acquisition	**–**	–	63,605	**–**	–	–
Gain on redemption of Victorias Milling Company (VMC) common shares (Note 34)	**–**	622,983	28,373	**–**	622,983	28,373
Share in net income of an associate	**–**	–	4,975	**–**	–	16,144
Others	**85,376**	646,262	391,356	**49,352**	122,204	214,295
	₱1,719,759	₱2,141,415	₱1,390,663	**₱1,759,155**	₱1,419,590	₱984,863

'Others' consist of marketing allowance and income from wire transfers.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	**2015**	2014	2013
Secretarial, janitorial and messengerial	**₱1,105,946**	₱1,031,126	₱927,206	**₱1,066,364**	₱997,624	₱898,765
Insurance	**1,078,679**	949,743	895,410	**1,027,759**	913,679	869,000
Marketing expenses	**764,767**	540,544	719,609	**731,870**	523,658	701,248
Information technology	**489,036**	396,818	347,524	**465,872**	375,945	331,400
Management and other professional fees	**323,979**	338,947	326,124	**268,137**	266,756	264,109
Litigation expenses	**235,526**	229,886	267,614	**224,669**	216,741	264,768
Travelling	**229,251**	222,552	229,750	**209,116**	201,922	218,589
Postage, telephone and cable	**216,189**	180,893	188,016	**166,034**	135,873	141,187
Entertainment and representation	**86,095**	146,950	207,277	**72,799**	126,698	174,091
Repairs and maintenance	**81,711**	79,664	94,710	**81,711**	79,664	71,902
Freight	**34,195**	46,723	63,660	**32,556**	35,043	53,015
Fuel and lubricants	**25,476**	54,721	117,637	**24,275**	54,027	109,600
Miscellaneous	**648,694**	522,035	816,258	**540,824**	23,252	729,878
	₱5,319,544	₱4,740,602	₱5,200,795	**₱4,911,986**	₱3,950,882	₱4,827,552

'Miscellaneous' includes stationery and supplies used, donations, fines, penalties, periodicals, magazines and other charges.

29. 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	
	2015	2014	**2015**	2014
Retirement liabilities (included in 'Other liabilities')	**₱2,955,003**	₱2,867,287	**₱2,889,735**	₱2,796,997
Net plan assets (included in 'Other assets')	**3,045**	5,709	**–**	–
	₱2,951,958	₱2,861,578	**₱2,889,735**	₱2,796,997

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, 2015, the Parent Company has two separate regular retirement plans for the employees of PNB and ABC. 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).

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The changes in the present value obligation and fair value of plan assets are as follows:

	Consolidated 2015												
		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2015	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	Others***	December 31, 2015
Present value of pension obligation	₱6,537,062	₱628,059	₱6,759	₱297,507	₱932,325	(₱473,928)	₱–	₱93,289	(₱334,797)	(₱241,508)	₱–	₱69,366	₱6,823,317
Fair value of plan assets	3,675,484	–	–	160,627	160,627	(473,928)	(335,775)	–	–	(335,775)	879,035	(34,084)	3,871,359
	₱2,861,578	₱628,059	₱6,759	₱136,880	₱771,698	₱–	₱335,775	₱93,289	(₱334,797)	₱94,267	(₱879,035)	₱103,450	₱2,951,958

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*
** *Includes remeasurement losses of ₱4.4 million for PNB LII in 2015*
*** *Others consist of retirement of disposal group classified as held for sale and retirement previously included in accrued expenses*

	Consolidated 2014											
		Net benefit costs*					Remeasurement losses in other comprehensive income					
	January 1, 2014	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2014
Present value of pension obligation	₱5,364,975	₱393,876	₱45,767	₱242,375	₱682,018	(₱543,913)	₱–	₱920,585	₱113,397	₱1,033,982	₱–	₱6,537,062
Fair value of plan assets	1,981,644	–	–	89,936	89,936	(543,913)	9,915	–	–	9,915	2,137,902	3,675,484
	₱3,383,331	₱393,876	₱45,767	₱152,439	₱592,082	₱–	(₱9,915)	₱920,585	₱113,397	₱1,024,067	(₱2,137,902)	₱2,861,578

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

	Parent Company 2015												
		Net benefit costs*					Remeasurement losses in other comprehensive income						
	January 1, 2015	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	Others**	Contributions by employer	December 31, 2015
Present value of pension obligation	₱6,370,475	₱601,014	₱6,455	₱290,683	₱898,152	(₱469,129)	₱–	₱63,343	(₱321,702)	(₱258,359)	₱–	₱125,273	₱6,666,412
Fair value of plan assets	3,573,478	–	–	156,518	156,518	(469,129)	(334,812)	–	–	(334,812)	850,622	–	3,776,677
	₱2,796,997	₱601,014	₱6,455	₱134,165	₱741,634	₱–	₱334,812	₱63,343	(₱321,702)	₱76,453	(₱850,622)	₱125,273	₱2,889,735

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*
** *Others consist of retirement previously included in accrued expenses*

	Parent Company 2014											
		Net benefit costs*					Remeasurement losses in other comprehensive income					
	January 1, 2014	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2014
Present value of pension obligation	₱5,219,927	₱411,097	₱45,767	₱236,463	₱693,327	(₱539,947)	₱–	₱895,421	₱101,747	₱997,168	₱–	₱6,370,475
Fair value of plan assets	1,895,972	–	–	85,888	85,888	(539,947)	10,237	–	–	10,237	2,121,328	3,573,478
	₱3,323,955	₱411,097	₱45,767	₱150,575	₱607,439	₱–	(₱10,237)	₱895,421	₱101,747	₱986,931	(₱2,121,328)	₱2,796,997

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

The Group and the Parent Company expects to contribute ₱838.1 million and ₱809.0 million, respectively, to the defined benefit plans in 2016. The average duration of the retirement liability as at December 31, 2015 is 15 years.

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The latest actuarial valuations for these retirement plans were made as of December 31, 2015. The following table shows the actuarial assumptions as of December 31, 2015 and 2014 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company					
			ABC		PNB		EIP	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Discount rate	**4.31% - 4.62%**	4.10% - 5.27%	**4.38%**	4.53%	**4.38%**	4.53%	**4.38%**	4.53%
Salary rate increase	**5.00% - 8.00%**	5.00% - 8.00%	**5.00%**	5.00%	**5.00%**	5.00%	–	–

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Less than one year	**₱330,098**	₱473,409	**₱325,319**	₱454,659
More than one year to five years	**1,632,402**	1,663,591	**1,599,833**	1,620,445
More than five years to 10 years	**3,371,760**	2,984,475	**3,291,709**	2,891,956
More than 10 years to 15 years	**4,557,857**	4,299,687	**4,421,078**	4,102,677
More than 15 years	**16,973,725**	3,850,317	**16,081,829**	3,614,751

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Cash and cash equivalents	**₱1,871,868**	₱1,351,299	**₱1,828,922**	₱1,318,530
Equity investments				
Financial institutions (Note 34)	**468,461**	723,663	**468,461**	720,709
Others	**13,382**	35,319	**5,263**	17,410
Debt investment				
Private debt securities	**1,050,312**	1,074,737	**1,026,929**	1,056,841
Government securities	**278,674**	308,021	**258,215**	292,613
Investment in UITFs (Note 34)	**175,228**	156,004	**175,228**	156,004
Loans and receivables	**4,006**	19,765	**4,006**	3,465
Interest and other receivables	**11,163**	9,413	**10,904**	9,144
	3,873,094	3,678,221	**3,777,928**	3,574,716
Accrued expenses	**(1,735)**	(2,737)	**(1,251)**	(1,238)
	₱3,871,359	₱3,675,484	**₱3,776,677**	₱3,573,478

All equity and debt investments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market, thus, their fair value is determined using the discounted cash flow methodology, using the Parent Company's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2015 and 2014 includes investments in the Parent Company shares of stock with fair value amounting to ₱468.5 million and ₱720.7 million, respectively. Investments in UITFs included in the fair value of plan assets as of December 31, 2015 and 2014 pertain to UITFs managed by the PNB Trust Banking Group (TBG).

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:

	2015			
	Consolidated		Parent Company	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱685,868)**	**+1.00%**	**(₱670,812)**
	-1.00%	**800,477**	**-1.00%**	**782,231**
Salary increase rate	**+1.00%**	**723,151**	**+1.00%**	**705,298**
	-1.00%	**(635,942)**	**-1.00%**	**(620,886)**

	2014			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱652,015)	+1.00%	(₱634,885)
	-1.00%	765,225	-1.00%	744,541
Salary increase rate	+1.00%	748,047	+1.00%	728,821
	-1.00%	(654,855)	-1.00%	(637,858)

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate, 1.00% decrement in the discount rate and a 10.00% improvement in the employee turnover 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, 1.00% increment in the discount rate and a 10.00% increase in the employee turnover rate but with reverse impact.

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 asset of the Group and the Parent Company is 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.

30. Leases

Operating Leases

Group as Lessee

The Parent Company leases the premises occupied by majority of its branches (about 32.18% of the branch sites are Parent Company-owned). Some of its subsidiaries also lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 30 years and are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%.

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Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱881.5 million in 2015, ₱856.3 million in 2014 and ₱820.3 million in 2013 for the Group, of which ₱719.8 million in 2015, ₱701.3 million in 2014 and ₱672.3 million in 2013 pertain to the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Within one year	**₱470,777**	₱546,418	**₱396,330**	₱418,022
Beyond one year but not more than five years	**781,652**	1,156,258	**671,367**	767,527
More than five years	**118,186**	111,790	**22,183**	34,350
	₱1,370,615	₱1,814,466	**₱1,089,880**	₱1,219,899

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 fifteen years. Some leases include escalation clauses (such as 5.00% per year). In 2015, 2014 and 2013, total rent income (included under 'Miscellaneous income') amounted to ₱338.1 million, ₱634.4 million and ₱443.0 million, respectively, for the Group and ₱266.1 million, ₱364.0 million and ₱273.1 million, respectively, for the Parent Company (Note 28).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Within one year	**₱183,496**	₱120,394	**₱22,654**	₱28,059
Beyond one year but not more than five years	**169,379**	123,850	**12,110**	30,994
More than five years	**9,835**	11,709	**9,835**	11,709
	₱362,710	₱255,953	**₱44,599**	₱70,762

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 (EIR 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.

Future minimum lease receivables under finance leases are as follows:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Within one year	**₱1,654,119**	₱1,470,290	**₱17,909**	₱14,120
Beyond one year but not more than five years	**1,984,772**	1,795,487	**35,900**	31,100
More than five years	**47,900**	58,500	**47,900**	58,500
Gross investment in finance lease contracts receivable (Note 10)	**3,686,791**	3,324,277	**101,709**	103,720
Less amounts representing finance charges	**62,206**	390,019	**62,206**	58,504
Present value of minimum lease payments	**₱3,624,585**	₱2,934,258	**₱39,503**	₱45,216

31. 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 income tax' in the statements of income.

Effective November 1, 2005, Republic Act (RA) No. 9337, an act amending the National Internal Revenue Code (NIRC of 1997), provides that the RCIT rate shall be 30.00% and interest allowed as a deductible expenses shall be reduced by 33.00% of interest income subjected to final tax.

MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the Parent Company and certain subsidiaries are allowed to deduct NOLCO from taxable income for the next three years from the period of incurrence. FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. RA No. 9294 provides that the income derived by the FCDU from foreign currency 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 income tax consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated – Note 37)	2013 (As Restated – Note 37)	**2015**	2014	2013
Current						
Regular	**₱761,872**	₱772,169	₱695,951	**₱501,682**	₱652,067	₱604,240
Final	**543,084**	703,901	463,628	**512,401**	674,058	430,879
	1,304,956	1,476,070	1,159,579	**1,014,083**	1,326,125	1,035,119
Deferred	**314,598**	(108,782)	(7,984)	**782**	43,082	(648)
	₱1,619,554	₱1,367,288	₱1,151,595	**₱1,014,865**	₱1,369,207	₱1,034,471

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Deferred tax asset on:				
Allowance for impairment, credit and other losses	**₱4,852,727**	₱4,851,051	**₱4,695,139**	₱4,669,376
Accumulated depreciation on investment properties	**512,973**	551,609	**511,623**	549,171
NOLCO	**94,914**	252,461	**–**	–
Deferred reinsurance commission	**20,560**	3,850	**–**	–

(Forward)

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	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Net retirement liability	**₱16,474**	₱16,333	**₱–**	₱–
Excess of net provision for unearned premiums per PFRS over tax basis	**6,339**	8,248	**–**	–
Accrued expenses	**1,060**	10,094	**–**	–
Unrealized loss on AFS investments	**830**	–	**830**	–
Unrealized trading loss on FVPL	**10**	–	**–**	–
Provision for IBNR	**–**	18,000	**–**	–
MCIT	**–**	1,265	**–**	–
Unrealized foreign exchange losses	**–**	44	**–**	–
Others	**10,685**	10,442	**10,556**	10,442
	5,516,572	5,723,397	**5,218,148**	5,228,989
Deferred tax liability on:				
Fair value adjustment on investment properties	**1,593,081**	2,061,668	**1,584,385**	2,052,971
Fair value adjustments due to business combination	**1,137,326**	1,223,767	**1,137,326**	1,223,767
Revaluation increment on land and buildings*	**736,436**	736,436	**736,436**	736,436
Unrealized foreign exchange gains	**578,555**	75,456	**577,007**	75,456
Temporary difference associated with investments in disposal group classified as held for sale	**91,299**	–	**–**	–
Unrealized trading gains on financial assets at FVPL	**53,132**	38,549	**53,132**	38,549
Lease income differential between finance and operating lease method	**21,646**	36,546	**–**	–
Deferred acquisition cost	**17,835**	16,654	**–**	–
Unrealized gains on AFS investments	**–**	2,025	**–**	2,029
Others	**113,687**	70,358	**97,914**	70,358
	4,342,997	4,261,459	**4,186,200**	4,199,566
	₱1,173,575	₱1,461,938	**₱1,031,948**	₱1,029,423

* *Balance includes DTL amounting to ₱736.4 million acquired from business combination*

The components of the Group's net deferred tax liabilities included in 'Other liabilities' (Note 22) follow:

	2015	2014
Deferred tax liability on:		
Fair value adjustments due to business combination	**₱148,338**	₱148,338
Accelerated depreciation on property and equipment	**6,106**	6,237
Rent receivables	**45**	66
Unrealized gains on AFS investments	**–**	32
	154,489	154,673
Deferred tax asset on:		
NOLCO	**–**	13,173
Allowance for impairment, credit and other losses	**1,904**	1,801
	1,904	14,974
	₱152,585	₱139,699

Benefit from (provision for) deferred tax charged directly to OCI during the year follows:

	Consolidated			Parent Company		
	2015	2014	2013	**2015**	2014	2013
Net unrealized losses (gains) on AFS investments	**₱2,887**	₱9,059	(₱464)	**₱2,859**	₱9,098	(₱8,933)
Remeasurement losses on retirement plan	**2,277**	9,334	3,253	**–**	–	–

The movements in the net deferred tax assets of the Group include impact of CTA amounting to ₱8.2 million and ₱2.6 million in 2015 and 2014, respectively. The movements in the net deferred tax asset of the Parent Company include impact of CTA amounting to ₱0.4 million and ₱0.1 million in 2015 and 2014, respectively.

Based on the three-year financial forecast prepared by management and duly approved by the Executive Committee of the BOD, the Parent Company's net deferred tax assets of ₱2.3 billion and ₱5.2 billion as of December 31, 2015 and 2014, respectively, is expected to be realized from its taxable profits within the next three years.

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	
	2015	2014	**2015**	2014
Allowance for impairment and credit losses	**₱1,193,391**	₱1,640,999	**₱1,060,122**	₱1,601,551
Retirement liability	**778,925**	833,745	**778,925**	833,745
Unamortized past service cost	**551,466**	505,989	**551,466**	505,989
Accrued expenses	**426,911**	436,037	**424,956**	436,037
NOLCO	**426,193**	211,606	**–**	–
Unearned income	**112,500**	112,500	**112,500**	112,500
Derivative liabilities	**40,503**	13,279	**40,503**	13,279
Provision for IBNR	**19,500**	–	**–**	–
Others	**15,807**	80,660	**13,347**	12,389
	₱3,565,196	₱3,834,815	**₱2,981,819**	₱3,515,490

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2012	₱117,362	₱117,362	₱–	2015
2013	942,021	–	942,021	2016
2014	170,349	–	170,349	2017
2015	289,320	–	289,320	2018
	₱1,519,052*	₱117,362	₱1,401,690	

**Balance includes NOLCO amounting to ₱277,952 acquired from business combination*

The Group has net operating loss carryforwards for US federal tax purposes of USD6.2 million and USD5.9 million as of December 31, 2015 and 2014, respectively, and net operating loss carryforwards for California state tax purposes of USD4.1 million and USD3.7 million as of December 31, 2015 and 2014, respectively.

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Unrecognized Deferred Tax Liabilities
As of December 31, 2015, there was a deferred tax liability of ₱788.2 million (₱551.6 million in 2014) for temporary differences of ₱2.6 billion (₱1.8 billion in 2014) 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		
	2015	2014	2013	**2015**	2014	2013
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
FCDU income before tax	**(4.62)**	(6.05)	(5.16)	**(5.10)**	(7.20)	(5.17)
Non-deductible expenses	**10.14**	16.34	7.43	**8.12**	23.14	7.15
Optional standard deduction	**(0.38)**	0.02	(0.27)	**–**	–	–
Tax-exempt income	**(6.85)**	(7.09)	(19.14)	**(8.17)**	(8.14)	(18.83)
Tax-paid income	**(3.77)**	(4.14)	(0.14)	**(3.15)**	(3.54)	0.24
Net unrecognized deferred tax assets	**(3.66)**	(8.65)	5.66	**(7.67)**	(10.61)	2.74
Effective income tax rate	**20.86%**	20.43%	18.38%	**14.03%**	23.65%	16.13%
Continuing operations	**20.31%**	19.80%	17.91%			
Discontinued operations	**0.55**	0.63	0.47			
	20.86%	20.43%	18.38%			

Current tax regulations define expenses to be classified as entertainment, amusement and recreation (EAR) and set a limit for the amount that is deductible for tax purposes. EAR are limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expense' in the statements of income) amounted to ₱86.1 million in 2015, ₱151.4 million in 2014, and ₱214.9 million in 2013for the Group, and ₱72.8 million in 2015, ₱126.7 million in 2014, and ₱174.1 million in 2013 for the Parent Company (Note 28).

32. Earnings Per Share

The following tables reflect the net income and share data used in the earnings per share computations:

Earnings per share attributable to equity holders of the Parent Company:

	2015	2014	2013
a) Net income attributable to equity holders of the Parent Company	**₱6,113,508**	₱5,358,669	₱5,146,315
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,020**	1,163,938	1,067,822
c) Basic/Diluted earnings per share (a/b)	**₱4.89**	₱4.60	₱4.82

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2015	2014	2013
a) Net income attributable to equity holders of the Parent Company	**₱5,827,163**	₱5,147,341	₱4,988,971
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,020**	1,163,938	1,067,822
c) Basic/Diluted earnings per share (a/b)	**₱4.67**	₱4.42	₱4.67

As of December 31, 2015, 2014 and 2013, there are no potential common shares with dilutive effect on the basic earnings per share.

33. Trust Operations

Securities and other properties held by the Parent Company 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 ₱78.7 billion and ₱65.8 billion as of December 31, 2015 and 2014, respectively (Note 35). In connection with the trust functions of the Parent Company, government securities amounting to ₱747.8 million and ₱711.8 million (included under 'AFS Investments') as of December 31, 2015 and 2014, respectively, are deposited with the BSP in compliance with trust regulations.

Trust fee income in 2015, 2014 and 2013 amounting to ₱256.2 million, ₱230.1 million and ₱189.9 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 ₱16.6 million, ₱13.6 million and ₱9.5 million in 2015, 2014 and 2013, 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. In 2013, an additional ₱136.3 million was transferred by the Parent Company from surplus to surplus reserve which corresponds to reserves allotted to the trust business acquired from ABC.

34. Related Party Transactions

Regulatory Reporting
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% of the Parent Company's total loan portfolio, whichever is lower.

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The information relating to the DOSRI loans of the Group and Parent Company follows:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Total Outstanding DOSRI Accounts*	**₱7,681,274**	₱12,749,637	**₱7,681,274**	₱12,749,637
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**2.14%**	4.20%	**2.36%**	4.48%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**2.14%**	4.20%	**2.36%**	4.48%
Percent of DOSRI accounts to total loans	**2.14%**	4.20%	**2.36%**	4.48%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.02%**	0.01%	**0.02%**	0.01%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.01%**	0.00%	**0.01%**	0.00%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	**0.01%**	0.00%	**0.01%**	0.00%

**Includes outstanding unused credit accommodations of ₱291.5 million as of December 31, 2015 and ₱198.7 million as of December 31, 2014.*

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of a bank'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 lending bank. BSP Circular No. 560 is effective on February 15, 2007.

Related Parties

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.

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.

	2015		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		**₱230,659**	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.13%
Interest expense	**₱16,406**		Interest expense on deposits
Net withdrawals	**4,743,187**		Net withdrawals during the period
Subsidiaries			
Receivables from customers		**1,878,667**	Term loan maturing in 2017 with 3.85% nominal rate; Revolving credit lines with interest rate of 3.00% maturity of three months; Unsecured
Loan commitments		**566,497**	Money market line; pre-settlement risk
Interbank loans receivable		**158,192**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.03% to 0.35% and maturity terms ranging from 15 to 150 days
Availments	**1,041,975**		
Settlements	**940,815**		
Due from other banks		**504,201**	Foreign currency-denominated demand deposits and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50%.
Accrued interest receivable		**3,923**	Interest accrual on receivables from customers and interbank loans receivable
Deposit liabilities		**5,967,054**	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 2.35%; Foreign currency-denominated time deposits with annual interest rates ranging from 0.62% to 1.25% and maturity terms of 30 days.
Bills payable		**1,902,466**	Foreign currency-denominated bills payable with interest rates ranging from 0.20% to 2.50% and maturity terms ranging from 30 to 365 days
Availments	**3,296,949**		
Settlements	**3,648,952**		
Due to other banks		**252,997**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		**25,066**	Accrued interest on deposit liabilities and bills payable
Rental deposit		**10,637**	Advanced rental and security deposits received for two and three months
Other liabilities		**2**	Various manager's check related to premium insurance
Interest income	**57,385**		Interest income on receivable from customers, due from other banks and interbank loans receivable
Interest expense	**112,529**		Interest expense on deposit liabilities and bills payable
Rental income	**61,616**		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Dividend income	**180,000**		Cash dividends
Fees and commission income	**130,082**		Income from client referrals and professional fees on service agreements with Legal Group
Miscellaneous income	**716,247**		Proceeds from fire insurance claims on the Ever Gotesco property
Securities transactions			
Purchases	**3,141,507**		Outright purchase of securities
Sales	**3,410,775**		Outright sale of securities
Trading gains	**287**		Gain from sale of investment securities
Loan releases	**5,650,750**		Loan drawdowns
Loan collections	**9,982,760**		Settlement of loans and interest
Net deposits	**2,045,599**		Net deposits during the period

(Forward)

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Category	2015 Amount/ Volume	2015 Outstanding Balance	2015 Nature, Terms and Conditions
Affiliates			
Receivables from customers		**₱18,168,623**	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.82% to 6.00%, maturity terms ranging from 90 days to 12 years and payment terms ranging from monthly to quarterly payments.
Loan commitments		**6,340,087**	Term loan with maturity in 2023; various short-term lines with expiry in 2016; counterparty line
Investment in non-marketable equity securities		**269,719**	Common shares with acquisition costs ranging from ₱5.0 to ₱100.0 per share
Sales contract receivable		**2,047,347**	Purchase of the Parent Company's investment properties on installment; secured with interest rate of 6.00%, maturity term of five years
Due from other banks		**3,994,475**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Accrued interest receivable		**27,861**	Accrued interest on receivables from customers
Rental deposits		**10,346**	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		**7,418,850**	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 1.50%; Peso-denominated and foreign currency-denominated time deposits with annual interest rates ranging from 0.88% to 1.75% and maturity terms ranging from 30 days to 365 days.
Accrued interest payable		**57,058**	Accrued interest payable from various deposits
Other liabilities		**666**	Various manager's check related to EIP and premium insurance
Rental income	**₱27,152**		Rental income on operating lease with term of 10 years
Rental expense	**51,006**		Rent payments on operating leases with term ranging from 24 to 240 months
Interest income	**337,899**		Interest income on receivable from customers
Interest expense	**35,288**		Interest expense on deposit liabilities
Gain on sale of investment properties	**369,000**		20.00% to 30.00% downpayment; 80.00% to 70.00% balance payable in 5 years. Interest-bearing at 6.00%
Service fees and commission income	**136,908**		Income on insurance premiums collected
Service fees and commission expense	**22,245**		Claims expense, comprehensive insurance, service and referral fees
Securities transactions			
Purchases	**1,216**		Outright purchase of securities
Sales	**1,216**		Outright sale of securities
Loan releases	**15,858,440**		Loan drawdowns
Loan collections	**8,888,360**		Settlement of loans and interest
Net deposits	**1,329,040**		Net deposits during the period
Key Management Personnel			
Loans to officers		**16,998**	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan releases	**3,170**		Loan drawdowns
Loan collections	**2,246**		Settlement of loans and interest
Other expenses	**2,910**		Payment of legal fees

(Forward)

Category	2015 Amount/ Volume	2015 Outstanding Balance	2015 Nature, Terms and Conditions
Transactions of subsidiaries with other related parties			
Receivable from customers		**₱80,000**	Short-term loan with interest rate of 3.00% with maturity of three months
Accrued interest receivable		**44**	Interest accrual on receivables from customers
Investment in marketable equity securities		**39,898**	Various investments under management account placed with the TBG; composed of cash assets, deposits with the Parent Company, deposits with other banks and AFS government securities
Bills payable		**80,000**	Peso-denominated bills payable with interest rate of 3.00% and maturity of three months
Accrued interest payable		**90**	Accrued interest payable on bills payable
Interest income	**₱8,514**		Interest income on receivable from customers
Interest expense	**2,299**		Interest expense on bills payable
Net insurance premiums	**4,623**		Income on insurance premiums collected
Net insurance benefits and claims	**3,497**		Claims expense, comprehensive insurance, service and referral fees

Category	2014 Amount/ Volume	2014 Outstanding Balance	2014 Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱4,973,846	Peso-denominated savings deposits with annual rates ranging from 1.56% to 1.75%
Interest expense	₱90,717		Interest expense on deposit liabilities
Trading gains	735,385		Sale of 161,978,996 common shares in VMC at current market price of ₱4.5 per share
Gain on sale of convertible notes	608,433		Gain on sale of VMC convertible notes at the minimum bid price of ₱3.5 per share
Subsidiaries			
Receivables from customers		1,575,000	Revolving credit line with interest rates ranging from 3.10% to 3.35% and maturity terms of less than 90 days; Term loan maturing in 2017 with 3.85% nominal rate; Unsecured
Loan commitments		745,618	Loan commitments
Due from other banks		708,388	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		107,630	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		4,181	Interest accrual on receivables from customers
Deposit liabilities		3,921,455	Demand and savings deposits with annual rates ranging from 0.02% to 3.00%; time deposits with maturity terms ranging from 30 days to 365 days
Bills payable		1,725,696	Foreign currency-denominated bills payable with interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to banks		183,430	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		28,511	Accrued interest on deposit liabilities and bills payable
Interest income	30,261		Interest income on receivables from customers
Interest expense	108,511		Interest expense on deposit liabilities and bills payable
Rental income	30,041		Rental income from three year lease agreement, with escalation rate of 10.00% per annum

(Forward)

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Category	Amount/ Volume (2014)	Outstanding Balance (2014)	Nature, Terms and Conditions (2014)
Securities transactions:			
Purchases	₱2,022,150		Outright purchase of securities
Sales	535,877		Outright sale of securities
Trading gains	14,754		Gain from sale of investment securities
Loan releases	2,448,000		Loan drawdowns
Loan collections	1,473,000		Settlement of loans and interest
Net withdrawals	754,538		Net withdrawals during the period
Affiliates			
Receivables from customers		₱12,292,943	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.75% to 10.00% with maturities terms ranging from 1 year to 15 years and payment terms ranging from monthly payments to quarterly payments
Loan commitments		997,894	Loan commitments
Due from other banks		385,879	With annual fixed interest rates ranging from 0.01% to 4.50% including time deposits with maturity terms of up to 90 days
Accrued interest receivable		56,546	Interest accrual on receivables from customers
Rental deposits		37,181	Advance rentals and security deposits received for three months and two years
Deposit liabilities		6,089,810	With annual rates ranging from 0.02% to 1.73% including time deposits with maturity terms ranging from 30 days to 365 days
Other liabilities		36,978	Advance lease payments
Interest income	448,141		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	23,759		Interest expense on deposit liabilities
Rental income	30,942		Monthly rental income on operating lease with term of 10 years
Rental expense	9,653		Monthly rental payments with terms ranging from 24 to 240 months
Fees and commission expense	9		Expense on professional fees on service agreement
Net insurance premiums	170		Income on insurance premiums collected
Net insurance benefits and claims	4,024		Claims expense, comprehensive insurance, service and referral fees
Securities transactions:			
Purchases	91,501		Outright purchase of securities
Sales	1,216		Outright sale of securities
Trading gains	2		Gain from sale of investment securities
Loan releases	14,772,677		Loan drawdowns
Loan collections	7,107,688		Settlement of loans and interest
Net deposits	1,163,388		Net deposits during the period
Key Management Personnel			
Loans to officers		16,073	Housing loans to senior officers; Secured and unimpaired
Loan releases	3,140		Loan drawdowns
Loan collections	5,621		Settlement of loans and interest

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2015 and 2014 in relation to amounts due from related parties.

Outsourcing Agreement between the Parent Company and PNB GRF

The 'Pangarap Loans', which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. On March 19, 2004, the Parent Company and PNB GRF entered into an agreement wherein the Parent Company agreed to undertake all impaired Pangarap Loans of PNB GRF. PNB GRF transfers the impaired loans at their carrying values on a quarterly basis or when aggregate carrying value of the impaired loans amounts to HK$2.0 million, whichever comes earlier. Subject to BOD approval, PNB GRF regularly declares special dividends (recognized as a liability). These special dividends are offset against the intercompany receivables from the Parent Company.

In June 2013, the Parent Company and PNB GRF agreed to amend the settlement procedure on defaulted Pangarap Loans. Under the new settlement procedure, the Parent Company, in which the pledged deposits of the defaulted Pangarap Loans are placed with, will remit the corresponding defaulted amounts (including accrued interests, surcharges and other related charges) from the pledged deposits of the defaulted customers to PNB GRF. The remitted amounts are being offset against the intercompany receivables from the Parent Company.

Financial Assets at FVPL traded through PNB Securities

As of December 31, 2015 and 2014, the Parent Company's financial assets at FVPL include equity securities traded through PNB Securities with fair value of ₱199.7 million and ₱210.5 million, respectively. The Parent Company recognized trading gains amounting to ₱7.2 million in 2015, ₱19.5 million in 2014 and ₱35.1 million in 2013 from the trading transactions facilitated by PNB Securities.

Investment in OHBVI

The Group accounts for its investments in OHBVI as a subsidiary although the Group holds less than 50.00% of OHBVI's issued share capital on the basis of the voting rights of 42.78% assigned by certain stockholders to the Parent Company under a voting trust agreement. There are no other transactions with OHBVI during the year.

VMC Convertible Notes and Common Shares

As of December 31, 2013, the Parent Company holds convertible notes with face amount of ₱353.4 million, recorded under 'Unquoted debt securities' and 161,978,996 common shares, recorded under 'AFS investments', issued by VMC, an affiliate of the Group. Each of the investment has a carrying value of ₱1.0 (one peso). In March 2014, VMC redeemed a portion of the convertible notes for a total price of ₱330.3 million, the same amount of gain was recorded under 'Interest income' in the statement of income of the Parent Company. In April 2014, the Parent Company sold the remaining convertible notes to LTG at ₱3.5 for every ₱1.0 convertible note. The Parent Company recognized a gain on sale of convertible notes amounting to ₱608.4 million, booked under 'Miscellaneous income' in the statement of income of the Parent Company (Note 28). Also in April 2014, the Parent Company sold its investment in common shares of VMC to LTG, at current market price of ₱4.5 per share resulting in a gain of ₱735.4 million recorded under 'Trading and investment securities gains - net' in the statement of income. The sale of VMC shares to LTG was facilitated by PNB Securities.

Compensation of Key Management Personnel

The compensation of the key management personnel follows:

	Consolidated			Parent Company		
	2015	2014	2013	**2015**	2014	2013
Short-term employee benefits (Note 20)	**₱665,812**	₱524,193	₱366,873	**₱589,199**	₱459,759	₱316,922
Post-employment benefits	**53,167**	47,844	47,381	**51,365**	47,844	47,381
	₱718,979	₱572,037	₱414,254	**₱640,564**	₱507,603	₱364,303

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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 2015 and 2014, total per diem given to the BOD amounted to ₱42.0 million and ₱44.3 million, respectively, recorded in 'Miscellaneous expenses' in the statement of income. Directors' remuneration covers all PNB Board activities and membership of committees and subsidiary companies.

Joint Arrangements
The Parent Company and EPPI signed two Joint Venture Agreement (JVA) for the development of two real estate properties of the Parent Company included under 'Other assets' and with carrying values of ₱1.2 billion. EPPI and the Parent Company 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. Hence, there are no receivables from each party with respect to 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. These joints arrangements qualify as joint operations under PFRS 11.

Outsourcing Agreement between the Parent Company and PNB SB
PNB SB entered into a "Deed of Assignment" with the Parent Company for the purchase, on a without recourse basis, housing (including contract-to-sell loans) and motor vehicle loans with a total carrying value of ₱5.0 billion and ₱6.0 billion on July 15, 2015 and January 8, 2014, respectively. The purchase includes the assignment of the promissory notes and other relevant credit documents as well as collateral/s and other accessory contract thereto and was implemented in tranches in various dates.

The total consideration paid for the purchased loans amounted to ₱5.0 billion and ₱6.0 billion, respectively and recognized gain of ₱24.4 million and nil, respectively.

PNB SB and the Parent Company entered into a servicing agreement pertaining to the purchased loan portfolio. The agreement shall be valid and binding until terminated by the either party if so required by the BSP or upon a 60-day prior written notice to the other party. As to the amount of service fee, the Parent Company shall charge PNB SB with the same amount PNB SB charges it customers. The Parent Company recognized service fee income of ₱14.5 million and ₱3.5 million in 2015 and 2014, respectively.

Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These are payable on a monthly basis.

PNB SB has an available credit line with the Parent Company amounting to ₱300.0 million. As of December 31, 2015 and 2014, respectively, the credit line remains undrawn.

Claim from PNB Gen
In 2015, the Parent Company recognized income amounting to ₱716.2 million under 'Miscellaneous income' arising from the fire insurance claims of the Parent Company from PNB Gen involving the Ever Gotesco Grand Central ('Insured Property') which was mortgaged to the Parent Company by Gotesco Investment, Inc. and Ever Emporium, Inc. (collectively 'Ever Gotesco Group') to secure certain credit accommodations . The insurable interest of the Parent Company (as mortgagee) was insured with PNB Gen. The Insured Property was razed by fire on March 19, 2012, which justified the payment by PNB Gen of the insurance claims of the Parent Company, after the Court cleared the legal issues between PNB and Ever Gotesco Group that might potentially bar the payment thereof.

Transactions with Retirement Plans
Management of the retirement funds of the Group and the Parent Company is handled by the TBG. The fair values and carrying values of the funds of the Parent Company amounted to ₱3.8 billion and ₱3.6 billion as of December 31, 2015 and 2014, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets as of and for the year ended December 31, 2015 and 2014 follows:

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Investment in PNB Shares	**₱468,461**	₱720,709	**₱468,461**	₱720,709
Deposits with PNB	**342,767**	40,291	**342,722**	37,935
Investment in UITFs	**166,258**	156,004	**153,857**	156,004
Total Fund Assets	**₱977,486**	₱917,004	**₱965,040**	₱914,648
Unrealized loss on PNB shares	**(₱252,248)**	(₱30,945)	**(₱252,248)**	(₱30,945)
Interest income	**13,427**	991	**11,188**	989
	(238,821)	(29,954)	**(241,060)**	(29,956)
Trust fees	**(4,854)**	(3,870)	**(4,577)**	(4,714)
Fund Loss	**(₱243,675)**	(₱33,824)	**(₱245,637)**	(₱34,670)

As of December 31, 2015 and 2014, the retirement fund of the Group and the Parent Company include 9,008,864 PNB shares and 7,833,795 PNB shares classified as held-for-trading. 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 employee investment plans.

35. 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, *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.

NSC Loan
As discussed in Note 10, in 2004, the Parent Company sold the outstanding loans receivable of ₱5.3 billion from National Steel Corporation (NSC) to SPV companies under the provisions of RA No. 9182. On October 10, 2008, simultaneous to the denial of their application in the Philippine courts for injunctive relief, the SPV companies filed a Notice of Arbitration with the Singapore International Arbitration Centre ("SIAC"). Mainly, the SPV companies claimed damages and a suspension of payments on the ground that the consortium of banks (the banks) and the Liquidator breached a duty to settle pre-closing real estate taxes (taxes due as of October 14,

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2004) due on the NSC Plant Assets and to deliver to them titles to NSC's Plant Assets free from all liens and encumbrances. However, the banks and the Liquidator dispute the assertions that pre-closing taxes were in arrears, invoking under an installment agreement executed between the Liquidator and the City of Iligan. As part of the agreement to sell the plant assets to the SPV companies, the Liquidator assumed responsibility of settling and paying the Plant Assets' pre-closing real estate taxes, while the SPV companies assumed the responsibility of updating the post-closing taxes (taxes due after October 14, 2004). Consequently, all pre-closing real estate taxes due on the plant assets have been paid in accelerated basis on December 18, 2008.

On October 13, 2008, after the commencement of the arbitration but before the arbitral panel was constituted, the SPV companies filed, as a preservatory measure, a petition for injunctive relief against the NSC Liquidator, NSC Secured Creditors, and NSC Stockholders so that the arbitration proceedings under SIAC will not be rendered moot. On October 14, 2008, the Singapore High Court granted the petition and restrained the NSC Liquidator, the NSC Secured Creditors and the NSC Shareholders, jointly and severally, substantially from declaring the SPV companies in default and declaring all installments due until the arbitration proceeding at the SIAC is settled.

Thereafter, upon application by the Parent Company for a variation of the injunction and an order of the Singapore High Court, the SPV companies remitted ₱750.0 million cash in place of the Standby Letter of Credit which they undertook to provide under the Asset Purchase Agreement, subject to the condition that the amount shall not be subject to any set-off pending an award from the arbitration proceedings.

On January 26, 2009, the Parent Company applied for an Order to compel the SPV companies to issue another Standby Letter of Credit of ₱1.0 billion which they likewise undertook to provide under the Asset Purchase Agreement, but this application was denied on March 5, 2009 by the Singapore High Court. The denial of the second variation (the ₱1.0 billion Standby Letter of Credit) was elevated to the Court of Appeals of Singapore but the same was also denied on September 11, 2009, without prejudice, however, to resort to the same reliefs before the Arbitration Panel.

In April 2010, the Arbitral Panel was constituted. The Parent Company filed therein an application to discharge or vary the injunction. On July 7, 2010, the Arbitration Panel issued a ruling denying the Parent Company's application for a discharge of the injunction issued by the Singapore High Court, while no ruling was made on the application to vary the injunction order.

Consequently, the main issues for alleged breach of the Asset Purchase Agreement, damages and suspension of payments were heard before the Arbitration Panel. On May 9, 2012, the Arbitration Panel issued a Partial Award in favor of the SPV companies, including such reliefs as payment of a certain sum of money and transfer of clean titles on the plant assets under the name of NSC by the bank consortium and the NSC Liquidator in favor of the SPV companies. The Parent Company, one of the members of the consortium, holds a forty-one percent (41.00%) interest in the claim, and has already set aside the appropriate reserve provision for the same.

Meanwhile, on July 9, 2012, the bank consortium filed with the Singapore High Court a Petition to Set Aside the Partial Award rendered by the Arbitration Panel.

On July 31, 2014, the Singapore High Court issued a Judgment in favor of the bank consortium setting aside the Arbitral Award in its entirety. On September 01, 2014, the SPV companies filed before the Singapore Court of Appeal a Notice of Appeal. On January 26, 2015, the case was heard.

The Singapore High Court set aside in its entirety the Award of the Arbitral Tribunal. Global Steel appealed the Decision of the Singapore High Court. On March 31, 2015, the Singapore Court of Appeal issued a Decision upholding in part the earlier Decision of the High Court, i.e., setting aside the monetary portions of the Arbitral Award that rendered the Bank Consortium/Secured Creditors not liable for certain sums of money by way of damages.

Movements of provisions for legal claims both for the Group and the Parent Company are as follows:

	2015	2014
Balance at beginning of the year	**₱1,640,648**	₱1,582,080
Provisions (reversals) during the year (Note 16)	**(741,911)**	58,568
Balance at the end of the year	**₱898,737**	₱1,640,648

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.

BSP Reporting

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

	Consolidated		Parent Company	
	2015	2014	**2015**	2014
Trust department accounts (Note 33)	**₱78,708,656**	₱65,817,031	**₱78,708,656**	₱65,817,031
Derivative forwards	**32,378,255**	14,510,895	**26,907,910**	12,024,515
Standby letters of credit	**22,031,604**	11,281,048	**21,916,691**	11,117,621
Deficiency claims receivable	**21,562,415**	21,292,747	**21,541,459**	21,276,212
Credit card lines	**15,725,684**	13,996,427	**15,725,684**	13,996,427
Interest rate swaps	**9,317,880**	14,141,390	**9,317,880**	14,141,390
Derivative spots	**5,526,044**	4,420,167	**5,526,044**	4,420,167
Other credit commitments (Note 9)	**974,377**	974,377	**974,377**	974,377
Inward bills for collection	**356,152**	676,610	**248,839**	675,050
Outward bills for collection	**320,428**	430,230	**89,201**	91,333
Other contingent accounts	**298,336**	326,693	**296,174**	298,329
Confirmed export letters of credit	**88,409**	490,015	**88,409**	490,015
Unused commercial letters of credit	**48,957**	44,280	**48,957**	44,280
Shipping guarantees issued	**10,033**	32,732	**10,033**	32,732
Items held as collateral	**42**	51	**31**	37

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36. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, which is effective January 1, 2013, require the Group 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 are disclosed in the succeeding tables.

Financial assets

2015

				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**
	[a]	**[b]**	**[c]**	**[d]**		**[e] = [c]-[d]**
Securities held under agreements to resell (Notes 8)*	**₱14,550,000**	**₱–**	**₱14,550,000**	**₱–**	**₱14,516,223**	**₱33,777**

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

2014

				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
	[a]	[b]	[c]	[d]		[e] = [c]-[d]
Derivative assets (Notes 9 and 23)	₱1,083,714	₱–	₱1,083,714	₱50,360	₱–	₱1,033,354

Financial liabilities

2015

				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**
	[a]	**[b]**	**[c]**	**[d]**		**[e] = [c]-[d]**
Derivative liabilities (Note 18)	**₱216,636**	**₱–**	**₱216,636**	**₱465**	**₱250,830**	**₱–**
Securities held under agreements to resell (Notes 9 and 19)*	**12,806,499**	**–**	**12,806,499**	**–**	**15,941,143**	**–**
Total	**₱13,023,135**	**₱–**	**₱13,023,135**	**₱465**	**₱16,191,973**	**₱–**

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

2014

				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
	[a]	[b]	[c]	[d]		[e] = [c]-[d]
Derivative liabilities (Note 18)	₱663	₱–	₱663	₱625	₱–	₱38
Securities sold under agreements to repurchase (Notes 9 and 19)*	14,085,961	–	14,085,961	–	17,352,674	–
Total	₱14,086,624	₱–	₱14,086,624	₱625	₱17,352,674	₱38

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.

37. Assets and Liabilities of Disposal Group Classified as Held for Sale

On December 21, 2015, the Parent Company entered into a 15-year exclusive partnership with Allianz SE under the following arrangements, subject to regulatory approvals:

- Allianz SE will acquire 12,750 shares representing 51.00% stockholdings of PNB LII and will have management control over the new joint venture company;
- The new joint venture company will operate under the name of "Allianz PNB Life Insurance, Inc.";
- A 15-year distribution agreement which will provide Allianz an exclusive access to the more than 660 branches nationwide of Parent Company.

The acquisition of the shares of PNB LII by Allianz SE is expected to be completed by 2016. As of December 31, 2015, PNB LII was classified as disposal group held for sale and as discontinued operation.

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires assets and liabilities of PNB LII, together with the results of operations, to be classified separately from continuing operations. As a result, the Group reclassified all the assets and liabilities of PNB LII 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. The Parent Company reclassified the cost of the investment in PNB LII to be sold as 'Assets of disposal group classified as held for sale' in the parent company statement of financial position.

The business of PNB LII represented the entirety of the Group's life insurance business until December 21, 2015. PNB LII was previously presented in the 'Others' section of the business segment disclosure. With PNB LII being classified as a discontinued operation in 2015, the comparative consolidated statement of income and comprehensive income in 2014 and 2013 have been re-presented to show the discontinued operations separately from the continued operations.

The results of operation of PNB LII are presented below:

	Years Ended December 31		
	2015	2014	2013
Interest Income on			
Loans and receivables	**₱20,343**	₱18,707	₱13,880
Trading and investment securities	**443,116**	396,586	269,429
Deposits with banks and others	**3,504**	323	10,072
	466,963	415,616	293,381
Interest Expense on			
Bills payable and other borrowings	**–**	–	5,417
Net Interest Income	**466,963**	415,616	287,964
Net Service Fees and Commission Expense	**(281,639)**	(335,635)	(329,249)

(Forward)

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	Years Ended December 31		
	2015	2014	2013
Net insurance premiums	**₱1,716,308**	₱1,604,500	₱1,444,719
Net insurance benefits and claims	**1,290,439**	1,191,359	1,032,953
Net Insurance premiums	**425,869**	413,141	411,766
Other Income			
Trading and investment securities gains – net	**20,874**	14,661	1,750
Foreign exchange gains (losses) – net	**11,806**	(1,999)	5,317
Miscellaneous	**149,061**	101,111	100,317
Total Operating Income	**792,934**	606,895	477,865
Operating Expenses			
Compensation and fringe benefits	**223,322**	166,757	114,799
Taxes and licenses	**39,570**	36,544	26,666
Provision for impairment, credit and other losses	**32,765**	–	–
Depreciation and amortization	**10,704**	14,039	15,147
Occupancy and equipment-related costs	**9,764**	9,196	13,101
Miscellaneous	**74,573**	73,026	81,029
Total Operating Expense	**390,698**	299,562	250,742
Income from Discontinued Operations before Income Tax	**402,236**	307,333	227,123
Provision for income tax			
Regular	**5,839**	5,084	3,584
Final	**38,466**	38,088	26,859
	44,305	43,172	30,443
Net Income from Discontinued Operations	**₱357,931**	₱264,161	₱196,680
Attributable to:			
Equity holders of the Parent Company	**₱286,345**	₱211,328	₱157,344
Non-controlling interests	**71,586**	52,833	39,336
	₱357,931	₱264,161	₱196,680

Earnings per share attributable to equity holders of the Parent Company from discontinued operations are computed as follows:

	2015	**2014**	**2013**
a) Net income attributable to equity holders of the Parent Company	**₱286,345**	**₱211,328**	**₱157,344**
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,020**	**1,163,938**	**1,067,822**
c) Basic earnings per share (a/b)	**₱0.23**	₱0.18	₱0.15

The net cash flows directly associated with disposal group follow:

	2015	2014	2013
Net cash provided by operating activities	**₱1,210,588**	₱1,535,951	₱101,961
Net cash used in investing activities	**(903,161)**	(1,395,508)	(8,030)

The major classes of assets and liabilities of PNB LII classified as disposal group held for sale to equity holders of the Parent as of December 31, 2015 are as follows:

Assets	
Cash and other cash items	₱642,544
Financial assets at fair value through profit or loss	
Segregated fund assets	13,634,687
AFS investments	
Government securities	2,485,902
Private debt securities	3,604,065
Equity securities	1,378,686
HTM investments	
Government securities	1,269,398
Other receivables	
Accounts receivable	277,479
Accrued interest receivable	101,925
Sales contract receivable	57,806
Property and equipment – net	29,546
Other assets	44,719
Assets of disposal group classified as held for sale	₱23,526,757
Liabilities	
Financial liabilities at fair value through profit or loss	
Segregated fund liabilities	₱13,725,321
Accrued taxes, interest and other expenses	161,817
Other liabilities	
Insurance contract liabilities	6,837,144
Accounts payable	74,303
Retirement benefit liability	21,822
Withholding taxes payable	10,139
Miscellaneous liabilities	622,075
Liabilities of disposal group classified as held for sale	₱21,452,621
Reserves	
Net unrealized gain on AFS investments	₱617,649
Remeasurement losses on retirement plan	(24,412)
Reserves of disposal group classified as held for sale	₱593,237

38. Notes to Statements of Cash Flows

The Group applied creditable withholding taxes against its income tax payable amounting to ₱504.0 million, ₱582.6 million and ₱132.7 million in 2015, 2014 and 2013, respectively. In 2013, the Group applied MCIT against its income tax payable amounting to ₱468.5 million.

In 2015, the Group classified PNB LII as disposal group held for sale and as discontinued operation and classified assets, liabilities, and reserves of PNB LII amounting to ₱23.5 billion, ₱21.5 billion, and ₱0.6 billion, respectively, as held for sale.

In 2015, the Group transferred investment properties with a carrying value of ₱2.0 billion and ₱1.2 billion to property and equipment and to Other Assets (presented as 'Real Estate Investments Held under Development'), respectively.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

In 2014, the Group and the Parent Company reclassified some of its AFS investment securities, which were previously classified as HTM investments, back to its original classification amounting to ₱22.7 billion and ₱21.3 billion, respectively (Note 9).

In 2014, properties with carrying value of ₱3.0 million were reclassified by the Parent Company from property and equipment to investment properties while ₱74.0 million were reclassified by the Group from investment properties to property and equipment (Notes 11 and 13).

For the Group, investment properties acquired through foreclosure and rescission amounted to ₱.5 billion, P1.3 billion and ₱2.4 billion in 2015, 2014 and 2013, respectively. For the Parent Company, investment properties acquired through foreclosure and rescission amounted to ₱.4 billion, ₱1.2 billion, and ₱2.2 billion in 2015, 2014 and 2013, respectively.

Depreciation and amortization expenses include fair value amortization of property and equipment, investment properties and intangible assets amounting to ₱352.4 million, ₱648.9 million and ₱417.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The interest income received by the Group for year ended December 31, 2013 includes collection of accrued interest receivable, amounting to ₱1.1 billion, acquired from business combination. Interest income also includes fair value amortization of loans and receivables amounting to ₱16.9 million, ₱27.5 million and ₱29.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The interest expense paid by the Group for the year ended December 31, 2013 includes settlement of accrued interest payable, amounting to ₱220.5 million, assumed from business combination. Interest expense also includes fair value amortization of deposit liabilities amounting to ₱80.4 million, ₱249.7 million and ₱186.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

In 2013, the merger of the Parent Company and ABC resulted in the acquisition of net assets amounting to ₱33.4 billion and ₱28.0 billion by the Group and the Parent Company, 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 2, 2016.

40. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010 the notes to 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 2015 (in absolute amounts).

1. Taxes and licenses

	Amount
Documentary stamp taxes	₱331,509,851
Gross receipts tax	971,651,542
Real estate tax	127,450,345
Local taxes	47,205,606
Others	245,603,586
	₱1,723,420,930

2. Withholdings taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱992,387,117	₱164,164,542
Final income taxes withheld on interest on deposits and yield on deposit substitutes	266,588,280	31,424,762
Expanded withholding taxes	147,252,368	17,042,879
VAT withholding taxes	2,934,221	269,435
Other final taxes	25,100,879	4,977,856
	₱1,434,262,865	₱217,879,474

Tax Cases and Assessments

As of December 31, 2015, 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.

The Philippine National Bank, the country's first universal bank, is the fourth largest privately-owned Philippine commercial bank in terms of total assets as of December 31, 2015. The Bank was established by the Government of the Philippines in 1916. As an instrument of economic development, PNB 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 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 largest number of overseas offices and one of the largest domestic branch networks among local banks.

The Bank's principal commercial banking activities include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, fund transfers, remittance servicing, asset management, a full range of retail banking and trust services, and treasury operations. Through its subsidiaries, the Bank engages in thrift banking; full banking services in China and the United Kingdom; banking services in Hong Kong; and a number of diversified financial and related businesses such as remittance servicing in the United States, Canada, Hong Kong, and France; investment banking; life and non-life insurance; stock brokerage; and leasing and financing services.

The Bank's customers include the corporate, public utilities (PUs), the middle-market, retail market, the Philippine Government, National Government agencies (NGAs), local government units (LGUs), and government-owned and controlled corporations (GOCCs).

Management's Discussion and Analysis

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Financial Condition

2015 vs. 2014

The Group's consolidated assets stood at ₱679.7 billion as of December 31, 2015, 8.7% or ₱54.3 billion higher compared to ₱625.4 billion total assets reported as of December 31, 2014. Changes (more than 5%) in assets were registered in the following accounts:

- Due from Other Banks registered an increase of ₱2.7 billion from ₱15.6 billion as of December 31, 2014. On the other hand, Due from Bangko Sentral ng Pilipinas decreased by ₱24.4 billion from ₱105.8 billion as of December31, 2014 due to lower Special Deposit Account placement in 2015. Interbank Loans Receivable also decreased by ₱1.9 billion from ₱7.7 billion as of December 31, 2014.

- Financial Assets at Fair Value Through Profit or Loss (FAFVPL) were lower at ₱4.5 billion, from ₱17.4 billion as of December 31, 2014, mainly due to reclassification of the ₱13.8 billion "Segregated Fund Assets" of PNB Life from FAFVPL to "Assets of Disposal Group Classified as Held for Sale" in line with the requirements of PFRS 5, Non-current Assets Held for Sale and Discontinued Operations. This arose following an agreement entered into between the Bank and Allianz last December 2015 for Allianz SE to acquire 51% ownership in PNB Life Insurance. PFRS 5 requires assets and liabilities of PNB Life, together with the results of operations of a disposal group, to be classified separately from continuing operations.

- Securities Held Under Agreements to Resell as of December 31, 2015 of ₱14.6 billion represents lending transactions of the Bank with the BSP.

- Available for Sale Investments and Held to Maturity Investment were higher at ₱68.3 billion and ₱23.2 billion as of December 31, 2015, respectively, from their ₱63.1 billion and ₱23.0 billion levels as of December 31, 2014, an improvement of ₱5.2 billion and ₱0.2 billion, respectively, due mainly to acquisition of various investments securities.

- Loans and Receivables reached ₱365.7 billion, posting a significant growth of 15.7% or ₱49.4 billion compared to the ₱316.3 billion December 2014 level mainly due to loan releases implemented in the current year to various corporate borrowers.

- Investment Properties decreased by ₱7.0 billion from ₱20.2 billion as of December 31, 2014 to ₱13.2 billion as of December 31, 2015, due to the following transactions:

  - sale of ₱1.0 billion Heritage Park lots
  - reclassification of ₱2.0 billion foreclosed properties to Bank Premises
  - reclassification of ₱1.2 billion properties entered into contractual agreements with real estate developers, and
  - disposal of ₱2.8 billion worth of foreclosed properties.

- Property and Equipment increased by ₱2.5 billion from ₱19.6 billion as of December 31, 2014 to ₱22.1 billion as of December 31, 2015 mainly due to the reclassification of certain foreclosed properties as discussed in previous paragraph which shall be used as bank premises.

- Intangible assets grew by ₱0.1 billion from ₱2.3 billion as of December 31, 2014 to ₱2.4 billion as of December 31, 2015 mainly due to the recording of costs incurred in the ongoing upgrading of the core banking system of the Bank which is targeted for completion in 2017.

- Deferred Tax Assets was lower by ₱0.3 billion from ₱1.5 billion as of December 31, 2014 to ₱1.2 billion as of December 31, 2015.

- "Assets of Disposal Group Classified as Held for Sale" amounting to ₱23.5 billion pertains to assets of PNB Life which was presented under a separate line item in the financial statements in view of the sale agreement entered into between the Bank and Allianz last December 2015 as earlier discussed.

- Other assets was higher at ₱6.8 billion, or by ₱1.6 billion from last year's level mainly due to reclassification of ₱1.2 billion properties entered into contractual agreements with real estate developers from Investment Properties to Other Assets.

Consolidated liabilities went up by ₱48.5 billion or 9.2% from its ₱526.4 billion level as of December 31, 2014 to ₱574.9 billion as of December 31, 2015. Major changes in liability accounts were as follows:

- Financial liabilities at Fair value through profit or loss declined from ₱10.9 billion as of December 31, 2014 to ₱0.1 billion this year mainly due to reclassification of the ₱10.8 billion "Segregated Fund Liabilities" of PNB Life from FLFVPL to "Liabilities of Disposal Group Classified as Held for Sale" in line with the sale agreement with Allianz.

- Deposit liabilities totaled ₱485.9 billion, ₱38.3 billion higher compared to its year-end 2014 level of ₱447.6 billion. Increases were registered in Demand by ₱8.4 billion, Savings by ₱22.2 billion and Time deposits by ₱7.7 billion.

- Bills and Acceptances Payable increased by ₱6.7 billion, from ₱19.1 billion to ₱25.8 billion, mainly accounted for by various borrowings from other banks. Accrued Expenses Payable also increased from ₱5.4 billion to ₱5.9 billion as of December 31, 2015.

- "Liabilities of Disposal Group Classified as Held for Sale" amounting to ₱21.5 billion pertains to liabilities of PNB Life which was presented under a separate liability line item also in view of the sale agreement with Allianz SE.

- Income Tax Payable increased by ₱49 million from ₱85 million to ₱134 million.

- Reduction of ₱7.7 billion in other liabilities was also attributed to reclassification of certain other liability accounts of PNB Life under a separate line item in the balance sheet as held for sale.

Total equity accounts now stood at ₱104.8 billion from ₱99.1 billion as of December 31, 2014, or an improvement of ₱5.7 billion mainly attributed to the following:

- current year's net income of ₱6.3 billion
- additional translation gain pertaining to equity investments in foreign subsidiaries of ₱0.7 billion
- ₱0.6 billion reserves of a disposal group held for sale pertaining to other comprehensive income of PNB Life presented under a separate line item in equity

These were partly offset by additional unrealized losses on mark to market of Available for sale investments of ₱1.4 billion.

2014 vs. 2013

The Group's consolidated assets reached ₱625.4 billion as of December 31, 2014, higher by ₱9.1 billion compared to ₱616.3 billion total assets reported by the Bank as of December 31, 2013. Changes (more than 5%) in assets were registered in the following accounts:

- Loans and Receivables (L&R) expanded to ₱316.3 billion in December 2014, ₱42.0 billion or 15.3% higher as compared to its December 2013 level of ₱274.3 billion mainly due to loan releases implemented in the current year to various corporate borrowers.

- Financial Assets at Fair Value Through Profit or Loss at ₱17.4 billion grew by 48.7% or ₱5.7 billion from ₱11.7 billion attributed mainly to purchases of various investment securities and increase in segregated fund assets.
- Interbank Loans Receivable was at ₱7.7 billion as of December 31, 2014, a decrease of ₱0.7 billion from ₱8.4 billion as of December 31, 2013 due mainly to maturing interbank lending transactions to various banks.

- Available for Sale Investments went down to ₱63.1 billion as of December 31, 2014, ₱17.2 billion lower than the ₱80.3 billion level as of December 31, 2013 attributable mainly to the reclassification of ₱18.3 billion investment securities to Held to Maturity Investments two years after the sale of a significant amount of Held to Maturity Securities in October 2011. Held to Maturity Investments now stood at ₱23.0 billion.

- Due from BSP decreased by ₱47.4 billion from ₱153.2 billion to ₱105.8 billion accounted for by Special Deposit Accounts which dropped by ₱51.5 billion to fund various loan releases. Cash and Other Cash Items increased by ₱2.8 billion from ₱11.8 billion to ₱14.6 billion. Due from Other Banks went up by ₱0.7 billion from ₱14.9 billion to ₱15.6 billion.

- Investment Properties decreased by ₱1.2 billion from ₱21.5 billion to ₱20.3 billion due to disposal of foreclosed properties

- Intangible assets were lower at ₱2.3 billion in view of the amortization of merger-related core deposits and customer relations intangibles.

- Other assets and Deferred Tax Assets were higher by ₱1.8 billion and ₱0.2 billion from ₱3.4 billion to ₱5.2 billion and from ₱1.3 billion to ₱1.5 billion, respectively.

Consolidated liabilities decreased by ₱7.5 billion from ₱533.9 billion as of December 31, 2013 to ₱526.4 billion as of December 31, 2014. Major changes in liability accounts were as follows:

- Deposit Liabilities was lower by ₱14.8 billion from ₱462.4 billion to ₱447.6 billion. Demand deposits declined by ₱23.8 billion. The decline in deposits was due to a shift of funds by depositors to the stock rights offer of the Bank in the 1st quarter of this year. ₱6.75 billion LTNCD were redeemed in March and October 2014.

- Financial liabilities at Fair value through profit or loss was higher at ₱10.9 billion from last year's ₱8.1 billion attributed to the increase in segregated fund liabilities of PNB Life.

- Bills and Acceptances Payable increased by ₱5.9 billion from ₱13.2 billion to ₱19.1 billion accounted for by interbank borrowings under repurchase agreement with foreign banks. Income Tax Payable increased by ₱38 million from ₱48 million to ₱86 million

Total equity accounts improved by ₱16.8 billion, from ₱82.3 billion as of December 31, 2013 to a high of ₱99.1 billion as of December 31, 2014 on account of significant increases attributed to the following:

- ₱11.6 billion proceeds from the issuance of 162.9 million common shares in line with the stock rights offering in February 2014
- ₱5.5 billion net income for the twelve months period ended December 31, 2014
- ₱1.2 billion increase in net unrealized gain/(loss) on AFS adjustments and ₱0.2 billion increase in non-controlling interests.

Offset by the ₱1.0 billion downward adjustment in remeasurement losses on Retirement Plan, ₱0.4 billion decline in FX translation.

2013 vs. 2012

As of end of the first year of PNB-Allied Bank merger, the Group's consolidated assets expanded to ₱616.3 billion as of December 31, 2013, ₱288.0 billion or 87.7% higher compared to ₱328.3 billion of PNB as of December 31, 2012. The increase is inclusive of some ₱198.2 billion assets of the former ABC at fair values of February 9, 2013, the effective date of the merger.

Changes (more than 5%) in assets were registered in the following accounts:

- Cash, Due from BSP and Due from Banks of the merged Bank totaled ₱179.9 billion, 284.4% or ₱133.1 billion higher compared to the December 31, 2012 level of ₱46.8 billion. The increase came from Deposits with the BSP which grew by ₱116.0 billion while the increases in Cash and Other Cash Items and Due from Banks accounts of ₱6.2 billion and ₱10.8 billion respectively, pertain mainly to ABC accounts which were brought in to the merged Bank.
- Interbank Loans Receivable was at ₱8.4 billion as of December 31, 2013 or a decrease of 27.0% compared to the December 31, 2012 level of ₱11.5 billion due mainly to interbank lending transactions to various banks in December 2012.
- Securities Held Under Agreements to Resell as of December 31, 2012 of ₱18.3 billion represents lending transactions of the Bank with the BSP.
- Financial Assets at Fair Value Through Profit or Loss at ₱11.7 billion grew by ₱7.7 billion from ₱4.0 billion accounted for by the ₱7.1 billion Segregated Fund Assets designated as financial asset at FVPL. This account refers to the considerations from unit-linked insurance contracts received by PNB Life Insurance, Inc. (PNB Life) in designated funds. Segregated fund assets and the corresponding segregated fund liabilities are designated as financial assets and liabilities at FVPL and are evaluated at fair value basis in accordance with a documented risk management or investment strategy.
- Available for Sale Investments went up to ₱80.3 billion as of December 31, 2013, ₱13.3 billion or 19.9% higher than the ₱67.0 billion level as of December 31, 2012 considering net acquisition of various securities as well as AFS securities holdings from the former ABC.
- Loans and Receivables now stood at ₱274.3 billion, from ₱144.2 billion as of December 31, 2012 attributable mainly to the ₱92.3 billion total loans brought in by the former ABC to the merged Bank, of which more than 80% are corporate accounts. New loan releases to various corporate borrowers also contributed to the increase in Loans and Receivables.
- Investment Properties was ₱21.5 billion, up by ₱6.0 billion from the ₱15.5 billion reported as of December 31, 2012. This came from the ₱5.7 billion ROPA accounts of the former ABC.
- Property and Equipment (PPE) amounted to ₱19.8 billion as of December 31, 2013, an increase of ₱6.4 billion from the December 31, 2012 level of ₱13.4 billion on account of the merged PPE accounts of former ABC.
- Investment in Associate had a zero balance as of December 31, 2013 compared to the ₱2.4 billion as of December 31, 2012 primarily due to the increase in ownership of PNB in ACB from 39% to 90% after the merger. Since ACB is now a subsidiary, the investment of PNB in ACB is now consolidated line-by-line in the financial statements. Moreover, the P5.0 million remaining investment in an associate as of December 31, 2013 was included under Other Assets.
- The ₱13.4 billion Goodwill as of December 31, 2013 represents the difference between the fair value of the identified ABC net assets and liabilities at the time of the merger and the market value of the 423.962 million PNB shares issued in line with the merger.
- Of the ₱2.4 billion Intangible Assets, ₱2.0 billion represents customer relationship and core deposits acquired by the Group through business combination. These intangible assets are initially measured at their fair value 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.
- Other Assets and Deferred Tax Assets amounted to ₱3.4 billion and ₱1.3 billion as of December 31, 2013 compared to ₱1.8 billion and ₱2.9 billion as of December 31, 2012, respectively.

• The total consolidated liabilities of the merged bank increased by ₱242.2 billion from ₱291.7 billion as of December 31, 2012 to ₱533.9 billion of the merged Bank as of December 31, 2013. Major changes in liability accounts were as follows:

- Deposit Liabilities, representing 87% of total liabilities of the merged Bank stood at ₱462.4 billion, higher by ₱221.5 billion compared to the December 2012 level of ₱240.9 billion, attributed to ABC deposit balances. Demand, Savings and Time deposits increased by ₱97.2 billion, ₱92.7 billion and ₱31.6 billion, respectively.
- Financial Liabilities at FVPL increased by ₱1.6 billion to ₱8.1 billion as of December 31, 2013 from ₱6.5 billion as of December 31, 2012. The increase was primarily due to the ₱7.3 billion segregated fund liabilities from ABC subsidiary PNB Life partly offset by the redemption of the ₱6.0 billion subordinated notes issued on June 19, 2009. The subordinated note and segregated fund liabilities are part of a group of financial instruments that are managed on a fair value basis, in accordance with the Group's documented risk management and investment strategy.

- Accrued Expenses Payable and Other Liabilities also increased from ₱3.9 billion and ₱17.3 billion respectively, to ₱5.5 billion and ₱34.8 billion, respectively as of December 31, 2013. Increase in Other Liabilities of ₱17.7 billion came mainly from the other liabilities of the former ABC.
- Income Tax Payable decreased by ₱0.1 billion from ₱0.2 billion to ₱0.1 billion

- The consolidated equity now stood at ₱82.3 billion as of December 31, 2013, up by ₱45.7 billion from ₱36.5 billion as of December 31, 2012. The increase in capital accounts was accounted for by the following:

  - ₱41.4 billion market value of 423,962,500 PNB common shares issued in line with the PNB-ABC merger
  - ₱5.2 billion net income for the year ended December 31, 2013
  - ₱1.3 billion increase in the accumulated translation adjustment account.
  - ₱3.0 billion increase in non-controlling interest

  partly offset by:

  - ₱4.6 billion mark-to-market loss on AFS
  - ₱0.5 billion additional actuarial losses taken up in compliance with PAS 19.

Results of Operations

2015 vs 2014

- For the year ended December 31, 2015, the Bank recorded a net income of ₱6.3 billion, ₱0.8 billion higher compared to the ₱5.5 billion net income for the same period last year.
- Net interest income totaled ₱17.7 billion, higher by ₱1.2 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio which accounted for ₱2.0 billion increase in interest income partly offset by the decline in income from deposits with banks by ₱1.1 billion. Total interest income was up by ₱1.6 billion from ₱20.1 billion to ₱21.7 billion. Total interest expense however, was slightly higher at ₱4.0 billion or by ₱0.4 billion from ₱3.6 billion last year, resulting to improvement in Net Interest Margin.
- Other income this year declined to ₱5.1 billion from ₱6.2 billion last year mainly due to the ₱0.7 billion trading gains recognized last year on the sale of a minority equity holdings and the continued reduction in treasury related income in the current year. The decline in other income was partly offset by growth in gains from sale of foreclosed assets of ₱0.1 billion in the current year.
- Net service fees and commission income and net insurance premium were at ₱3.6 billion and ₱0.1 billion, respectively, for the year ended December 31, 2015.
- Administrative and other operating expenses was slightly lower this year at ₱18.9 billion compared to P19.2 billion last year. The reduction was attributed to lower provisions this year of ₱0.6 billion compared to ₱2.3 billion in 2014 mainly due to a reversal this year of provision on the NSC case (refer to 34 AFS). Compensation and Fringe Benefits was higher by ₱0.8 billion. Miscellaneous expense increased by ₱0.6 billion in 2015.
- Provision for income tax this year was higher at ₱1.6 billion compared to ₱1.4 billion last year in view of higher taxable income in the current year
- Net Income from Discontinuing Operations of ₱0.4 billion pertains to net income of PNB Life which was presented under a separate line item in the FS in line with the sale agreement with Allianz.
- Total Comprehensive Income for December 31, 2015 amounted to ₱6.2 billion, ₱0.8 billion higher compared to the ₱5.4 billion for the same period last year. Improvement in OCI mainly came from higher net income and accumulated translation adjustments in the current year partly offset by unrealized losses on AFS investments.

2014 vs. 2013

- Consolidated net income reached ₱5.5 billion for the twelve months ended December 31, 2014, an improvement of ₱0.3 billion compared with the ₱5.2 billion net income reported for the same period last year.
- Net interest income for the year ended 2014 at ₱16.5 billion went up significantly by ₱3.0 billion compared to ₱13.5 billion in 2013 as interest income posted an increase of ₱1.9 billion at ₱20.1 billion vs ₱18.2 billion primarily accounted for by interest on loans and receivables which increased by ₱2.1 billion, driven by significant expansion in the loan portfolio. On the other hand, interest expense which amounted to ₱4.7 billion last year dropped by ₱1.1 billion to ₱3.6 billion as the Bank continued to undertake its liability management exercise by raising long term deposits at lower interest rates. In March 2014, PNB redeemed ₱3.25 billion worth of LTNCDs with a coupon rate of 6.50% and in October 2014 likewise redeemed P3.5 billion worth of LTNCDs with a coupon rate of 7% issued by the ABC. These funds were replaced with an issuance of P7.0 billion worth of LTNCDs with a coupon rate of 4.125% which will mature in June 2020. Furthermore, interest on borrowings also declined as a result of the redemption of unsecured subordinated debts totaling ₱10.5 billion in 2013 (₱4.5 billion, 7.13% redeemed in March 2013 and ₱6.0 billion, 8.5% redeemed in June 2013).
- Fee-based and other income decreased by ₱1.6 billion to ₱6.2 billion from ₱7.8 billion for the same period last year. The decrease was attributed to lower gains from Trading and Investment Securities which declined by ₱3.3 billion, partly offset by the ₱0.1 billion, ₱0.9 billion and ₱0.7 billion increases in Foreign Exchange Gains, Net gain on sale or exchange of assets and Miscellaneous Income, respectively.
- Net service fees and commission income and net insurance premium were at ₱2.9 billion and ₱0.3 billion, respectively, for the period ended December 31, 2014.
- Administrative and other operating expenses totaled ₱19.2 billion for the year ended December 31, 2014, ₱2.3 billion more than last year's ₱16.9 billion. Increases were registered in Compensation and Fringe Benefits by ₱1.5 billion partly due to implementation of the 2014 Collective Bargaining Agreement effective July 2014. Provision for impairment and credit losses also increased by ₱1.5 billion to ₱2.3 billion from ₱0.8 billion last year. Partly offset by ₱0.2 billion decreases in depreciation and amortization and ₱0.5 billion miscellaneous expenses.
- Total Comprehensive Income for the twelve months period ended December 31, 2014 amounted to ₱5.4 billion, ₱3.8 billion higher compared to the ₱1.6 billion for the same period last year. Current year's comprehensive income came mainly from the net income totaling ₱5.5 billion and net unrealized gain on available-for-sale securities by ₱1.2 billion, offset by ₱0.4 billion in accumulated translation adjustments, ₱1.0 billion re-measurement losses on retirement plan taken up in the current year.

2013 vs. 2012

- For the year 2013, the net income of the merged bank reached ₱5.2 billion, ₱0.5 billion higher compared to ₱4.7 billion reported by PNB in 2012. The figure would have been much higher if not for the ₱865.5 million accrual on casualty losses (e.g. for typhoon Yolanda/Santi and for the Bohol earthquake) taken up in the later part of 2013.
- Net interest income amounted to ₱13.5 billion for the year ended December 31, 2013, almost double the ₱7.0 billion net interest income for the same period last year due to the expansion of the loan portfolio. Interest income was up by ₱6.8 billion from ₱11.4 billion to ₱18.2 billion. Interest expense however was also higher at ₱4.7 billion or by ₱0.3 billion from ₱4.4 billion last year.
- Fee-based and other income was higher by ₱0.2 billion at ₱7.8 billion for the year ended December 31, 2013 from ₱7.6 billion for the same period last year. Increases were registered in Net Gain on Sale of exchange of Assets, Foreign Exchange Gains and Miscellaneous by ₱159 million, ₱62 million and ₱843 million, respectively, while Trading and Investment Securities Gains declined by ₱746 million.
- Net service fees and commission income and net insurance premium were at ₱2.7 billion and (₱0.9 billion), respectively, for the period ended December 31, 2013.
- Administrative and other operating expenses of the merged bank totaled ₱16.9 billion in 2013, ₱6.0 billion more than last year's ₱10.9 billion. Increases were registered in Compensation and Fringe Benefits by ₱2.3 billion, Taxes and Licenses by ₱0.6 billion, Occupancy and Equipment-related Costs by ₱0.5 billion, Depreciation and Amortization by P0.8 billion and Other Miscellaneous Expenses by ₱1.8 billion, respectively.
- Provision for Income Tax was at ₱1.2 billion and ₱0.9 billion for the years ended December 31, 2013 and 2012, respectively with the increase primarily due to higher taxable revenues during the current period.

- Total Comprehensive Income for the year ended December 31, 2013 amounted to ₱1.6 billion, ₱3.1 billion lower compared to the ₱4.7 billion total comprehensive income reported for the period ending December 31, 2012. Comprehensive income came mainly from the net income totaling ₱5.2 billion and accumulated translation adjustments related to foreign operations which contributed ₱1.2 billion, reduced by the ₱4.4 billion decline in market value of available-for-sale securities and the ₱0.5 billion re-measurement losses on retirement plan taken up in the current year.

Key Performance Indicators

- Capital Adequacy/Capital Management

  The Parent Company'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 ALCO the Bank's capital ratio and position based the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis.

- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed.
  ➢ The 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 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 Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

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

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all time;
b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

a. Common equity Tier 1 capital consists of 1) Paid up common stock that meet the eligibility criteria, b) Common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, Deposits for common stock subscription, Retained earnings, Undivided profits, 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 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.

Under BSP Circular No. 360, effective July 1, 2003, the capital-to-risk assets ratio (CAR) is to be inclusive of a market risk charge. In August 2006, the BSP issued Circular No. 538 which contains the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations. Under the revised framework, capital requirements for operational risk, credit derivatives and securitization exposures are to be included in the calculation of the Parent Company's capital adequacy. The revised framework also prescribes a more granular mapping of external credit ratings to the capital requirements and recognizes more types of financial collateral and guarantees as credit risk mitigants. Changes in the credit risk weights of various assets, such as foreign currency denominated exposures to the Philippine National Government, non-performing exposures and ROPA, were also made. Exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit assessment institutions. Credit risk-weights range from 0.00% to 150.00% depending on the type of exposure and/or credit assessment of the obligor. The new guidelines took effect last July 1, 2007.

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 19.24%, 20.60% and 19.68% as of December 31, 2015, 2014 and 2013, respectively, improving and well above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2015, 2014 and 2013 (amounts in billions):

CAPITAL ADEQUACY RATIO (CAR)

Amounts in Million	Consolidated			Solo		
	2015	2014	2013	2015	2014	2013
Tier 1 (core) Capital / CET1 under BASEL III	**97,272.252**	**93,899.128**	**81,927.249**	**94,044.294**	**90,782.607**	**79,100.512**
Common stock	49,965.587	49,965.587	43,448.337	49,965.587	49,965.587	43,448.337
Additional Paid In Capital	31,331.251	31,331.251	26,499.909	31,331.251	31,331.251	26,499.909
Retained Earnings	18,277.578	13,368.528	9,568.295	17,799.075	12,689.560	9,002.417
Other comprehensive income	(4,720.666)	(3,469.641)		(5,051.619)	(3,203.791)	
Cumulative Foreign Currency Translation			(209.578)			149.849
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,418.502	2,703.403	2,620.286	-	-	-
Deductions from Tier 1 Capital / CET1 under BASEL III	22,978.468	22,391.624	19,715.452	47,596.437	45,931.470	19,385.053
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1.515	1.906	54.051	1.515	1.906	54.051
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	1,958.667	1,575.000		1,878.667	1,575.000	
Deferred income tax	3,478.712	3,810.979	3,896.944	3,257.313	3,567.215	3,566.545
Goodwill	13,515.765	13,515.765	15,764.457	13,515.765	13,515.765	15,764.457
Other intangible assets	1,670.277	2,033.313		1,573.764	1,938.996	
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	-		25,141.007	24,066.287	
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	2,351.483	1,452.612		2,226.357	1,264.252	
Other equity investments in non-financial allied undertakings and non-allied undertakings	1.933	1.933		1.933	1.933	
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	0.116	0.116		0.116	0.116	
Gross Tier 1 Capital / CET1 Capital under BASEL III	74,293.784	71,507.504	62,211.797	46,447.857	44,851.137	59,715.459
Additional Tier 1 Capital (AT1) under BASEL III	-	-		-	-	
TOTAL TIER 1 CAPITAL	74,293.784	71,507.504		46,447.857	44,851.137	
Upper Tier 2 Capital (BASEL II)			2,903.298			2,792.410
Appraisal Increment Reserve, Bank Premises auth. By MB	291.725	291.725	291.725	291.725	291.725	291.725
General loan loss provision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)	3,485.092	2,778.459	2,611.573	3,138.857	2,571.878	2,500.685
Lower Tier 2 Capital (limited to 50% of Tier 1 Capital) (BASEL II)			9,953.651			9,953.651
Unsecured Subordinated Debt	9,986.427	9,970.136	9,953.651	9,986.427	9,969.498	9,953.651
Total Tier 2 Capital	13,763.244	13,040.320	12,856.949	13,417.009	12,833.101	12,746.061
Deductions from Qualifying Capital (BASEL II)			623.123			14,735.834
Gross Tier 2 Capital (limited to 100% of Tier 1 Capital) under BASEL II / TOTAL TEIR 2 CAPITAL Under BASEL III	13,763.244	13,040.320	12,856.949	13,417.009	12,833.101	12,746.061
TOTAL QUALIFYING CAPITAL	**88,057.028**	**84,547.824**	**74,445.623**	**59,864.866**	**57,684.238**	**57,725.686**

The risk-weighted assets of the Group and Parent Company as of December 31, 2015, 2014 and 2013 are as follows:

Risk-weighted on:						
Balance sheet assets:	405,219.194	359,881.507	319,474.854	366,857.832	329,029.139	292,664.636
20%	7,358.947	3,948.319	3,365.582	6,677.082	3,845.662	2,438.801
50%	16,841.447	15,558.027	13,963.631	15,459.492	13,799.102	12,821.113
75%	16,119.608	14,282.083	15,492.672	14,063.362	13,705.209	15,028.768
100%	345,521.954	297,726.532	249,165.915	312,532.594	270,610.938	225,933.829
150%	19,377.239	28,366.547	37,487.054	18,125.303	27,068.228	36,442.125
Off-Balance sheet assets:	7,669.446	5,914.306	7,835.140	7,554.533	5,750.879	7,224.489
20%	127.791	64.024	34.381	127.791	64.024	34.381
50%	4,577.949	1,671.841	2,331.258	4,577.949	1,671.841	2,331.258
75%	344.806	442.532	519.572	344.807	442.532	519.572
100%	2,618.900	3,735.909	4,949.929	2,503.986	3,572.482	4,339.278
150%	-	-	-	-	-	-
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	1,304.542	1,497.381	599.806	1,304.541	1,497.381	599.806
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	499.469	275.678	9.914	471.965	254.248	-
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	-	-	-	-	-	-
Total Credit Risk Weighted Assets	414,692.651	367,568.872	327,919.714	376,188.871	336,531.647	300,488.931
Market Risk Weighted Assets	3,428.025	4,532.456	9,337.189	3,067.984	4,233.579	3,828.952
Operational Risk-Weighted Assets	39,541.943	38,234.751	40,938.779	35,791.717	34,261.055	36,178.156
Total Risk Weighted Assets	457,662.619	410,336.079	378,195.681	415,048.571	375,026.281	340,496.038
Capital Ratios						
CET1 Cpital (BASEL III)	**16.233%**	**17.427%**		**11.191%**	**11.959%**	
Capital Conversion Buffer (BASEL III)	**10.233%**	**11.427%**		**5.191%**	**5.959%**	
Tier 1 capital ratio	**16.233%**	**17.427%**	**16.367%**	**11.191%**	**11.959%**	**15.374%**
Tier 2 capital ratio (not disclosed under BASEL III)			**3.317%**			**1.580%**
CAR	**19.241%**	**20.605%**	**19.684%**	**14.424%**	**15.381%**	**16.953%**

- Asset Quality

The Group's non-performing loans (gross of allowance for impairment losses) decreased to ₱9.0 billion as of 31 December 2015 compared to ₱9.9 billion as of 31 December 2014. NPL ratios based on BSP guidelines are now 0.25% (net of valuation reserves) and 2.61% (at gross), from 0.92% and 3.42%, respectively in December 2014.

- Profitability

	Year Ended	
	12/31/15	12/31/14
Return on equity (ROE)[1/]	6.2%	6.1%
Return on assets(ROA)[2/]	1.0%	0.9%
Net interest margin(NIM)[3/]	3.2%	3.2%

[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 31 December 2015 was 30.5% compared to 34.1% as of 31 December 2014. Ratio of current assets to current liabilities was at 63.3% as of 31 December 2015 compared to 64.7% as of 31 December 2014.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 69.3% for the year ended December 2015 compared to 65.3% for the same period 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.

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Assitant Vice President
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Lester A. De Alday
Jeneline V. De Guzman
Neil Z. Enciso
Victoria L. Guevara

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Cezar E. Bayonito
Julie C. Tomas

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Candice T. Lim
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Roberto S. Vergara

Vice President
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Dennis Anthony D. Elayda
Joy Jasmin R. Santos
Ma Teresa D. Tolentino
Immaculada E. Villanos

Senior Assitant Vice President
Anna Liza S. Calayan
Jaycee B. Rivera
Roy O. Sapanghila

Assitant Vice President
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Rodney I. Reyes
Ma Socorro C. Unas

DOMESTIC

Metro Manila Branches

168 MALL
Stall 3S-04, 168 Shopping Mall
Sta. Elena & Soler Sts.
Binondo, Manila
Tel. Nos. 254-5279 / 254-7479

A. BONIFACIO
789 A. Bonifacio Ave., Brgy. Pag-Ibig
sa Nayon, Balintawak, Quezon City
Tel. No. 415-6002
Fax No. 363-6052

ACROPOLIS
251 TriQuetra Bldg.
E. Rodriguez Jr. Ave.
Brgy. Bagumbayan, Quezon City
Tel. Nos. 395-5118 / 421-0405
421-0425
Tel. No. 395-5117

ADRIATICO
G/F, Pearl Garden Hotel
1700 M. Adriatico cor. Malvar Sts.
Malate, Manila
Tel. Nos. 526-0382 / 521-0861
Fax No. 525-1460

AGUILAR AVENUE-LAS PIÑAS
G/F, Las Piñas Doctors' Hospital
Aguilar Ave., Citadella Subd.
Las Piñas City
Tel. Nos. 826-9706 / 826-9716
826-9734

AGUIRRE
G/F, 112 All Seasons Building
Aguirre St., Legaspi Village
Makati City
Tel. Nos. 893-8192 / 893-8193
894-2538

ALABANG
G/F, Page 1 Building, 1215 Acacia
Avenue, Madrigal Business Park
Ayala Alabang, Muntinlupa City
Tel. Nos. 807-6065 / 842-3550

ALABANG-LAS PIÑAS
Don Mariano Lim Industrial
Compound, Alabang Zapote Rd.
cor. Concha Cruz Rd., Las Piñas City
Tel. No. 772-2709
Fax No. 772-2706

ALI MALL
Alimall II Bldg., Gen. Romulo Ave.
cor. P. Tuazon Blvd., Cubao
Quezon City
Tel. Nos. 912-1655 / 912-6655

ALMANZA
Hernz Arcade, Alabang-Zapote Road
Almanza, Las Piñas City 1750
Tel. Nos. 800-0597 / 806-6905

AMORSOLO
114 Don Pablo Building
Amorsolo St., Legaspi Village
Makati City
Tel. Nos. 841-0295 / 818-1416
818-2198 / 841-0296
Fax No. 893-0358

ANGONO
Quezon Ave. cor. E. Dela Paz St.
Brgy. San Pedro, Angono, Rizal
Tel. Nos. 295-0431 / 295-4646
451-2548
Fax No. 451-0720

ANNAPOLIS
G/F, Continental Plaza
Annapolis St., Greenhills
San Juan City
Tel. Nos. 723-5267 / 723-0902
723-0903
Fax No. 723-0904

ANTIPOLO
89 P. Oliveros St., Kapitoloyo Arcade
San Roque, Antipolo City, Rizal
Tel. Nos. 697-2015 / 697-2018

ANTIPOLO-CIRCUMFERENTIAL
Circumferential Road
Brgy. Dalig, Antipolo, Rizal
Tel. Nos. 697-0060 / 697-0041
Fax No. 697-4440

ARRANQUE
1427 Citiriser Building, Soler St.
Sta. Cruz, Manila
Tel. Nos. 733-2671 / 733-2691
733-2677

AURORA BLVD.-KATIPUNAN
Aurora Blvd., near PSBA
Brgy. Loyola Heights, Quezon City
Tel. Nos. 421-2331 / 421-2330
Fax No. 421-2329

AYALA AVE.
G/F, VGP Center
6772 Ayala Avenue, Makati City
Tel. Nos. 894-1432 / 817-9936
817-6119

BALIC-BALIC
AGB Bldg., 1816 G. Tuason
cor. Prudencio Sts., Balic-Balic
Sampaloc, Manila
Tel. Nos. 781-3010 / 781-3011

BAMBANG MASANGKAY
G/F, ST Condominium
1480 G. Masangkay St.
Sta. Cruz, Manila
Tel. Nos. 254-2506 / 254-2530
Fax No. 254-2503

BANAWE
210 Banawe Street, Brgy. Tatalon
Quezon City
Tel. Nos. 712-9630 / 743-9164
743-3678
Fax No. 712-9502

BANAWE-N. ROXAS
395 Prosperity Bldg. Center, Banawe
cor. N. Roxas Street, Quezon City
Tel. Nos. 712-9727 / 743-1565
743-1566 / 712-9503
743-7565 to 66
743-1565 to 66

BANGKAL
G/F, E. P. Hernandez Bldg.
1646 Evangelista St., Bangkal
Makati City
Tel. Nos. 889-0395 / 889-0396
889-0389

BATASANG PAMBANSA
Main Entrance, Batasan Pambansa
Complex, Constitutional Hills
Quezon City
Tel. Nos. 951-7590 / 951-7591

BAYANAN-MUNTINLUPA
Allied Bank Building, National Road
Bayanan, Muntinlupa City
Tel. Nos. 862-0430 / 862-0431
862-0432

BEL-AIR MAKATI
52 Jupiter St., Bel-Air, Makati City
Tel. Nos. 519-8042 / 519-8276

BELLEVUE-FILINVEST
G/F, Bellevue Hotel, North Bridgeway
Northgate Cyberzone
Filinvest Corporate City, Alabang
Muntinlupa City
Tel. Nos. 771-2421 / 771-2427
771-2429

BENAVIDEZ
Unit G-1D, G/F BSA Mansion
108 Benavidez St., Legaspi Village
Makati City
Tel. Nos. 840-3039 / 840-3040

BETTER LIVING
50 ABC Bldg., Doña Soledad Ave.
Better Living Subd., Parañaque City
Tel. Nos. 824-3472 / 822-6086
Fax No. 822-6084

BF HOMES
43-C President Avenue
BF Homes, Parañaque City
Tel. Nos. 807-3540 / 809-2523
Fax No. 809-2524

BF HOMES-AGUIRRE AVENUE
47 Aguirre Ave. corner Tirona St.
BF Homes, Parañaque City 1718
Tel. Nos. 478-8878 / 808-1145

BF HOMES-PHASE 3
CFB Building, 322 Aguirre Avenue
BF Homes, Parañaque City
Tel. Nos. 808-6408 / 808-6563
Fax No. 856-4021

BICUTAN
VCD Building, 89 Doña Soledad
Avenue, Betterliving Subdivision
Bicutan, Parañaque City
Tel. No. 824-4955
Fax No. 824-4953

BICUTAN-WEST SERVICE ROAD
Km. 16, West Service Road
South Super Highway
Bicutan, Parañaque City
Tel. Nos. 403-9198 / 511-7193
511-1890

BINONDO
452 San Fernando St. cor. Elcano St.
Binondo, Manila
Tel. Nos. 244-8950 / 242-8450
242-8449

BINONDO CENTER
Alliance Bldg.
410 Quintin Paredes St.
Binondo, Manila
Tel. Nos. 241-2384 / 241-2284
241-2277 / 241-2356
Fax No. 241-2285

BINONDO-NUEVA
Lot 17-18, Blk. 2037, Yuchengco
(formerly Nueva) St. &
Tomas Pinpin St., Binondo, Manila
Tel. Nos. 242-8451 / 242-8452

BLUMENTRITT
Citidorm Blumentritt
1848 Blumentritt corner Leonor
Rivera Sts., Sta. Cruz, Manila
Tel. Nos. 732-7150 / 732-7156

BLUMENTRITT-RIZAL AVE. EXT.
2229-2231 Rizal Avenue
Sta. Cruz, Manila
Tel. Nos. 257-1053 / 257-1054

BONI AVENUE
654 Boni Ave., Mandaluyong City
Tel. Nos. 531-4833 / 531-8930
532-4022

BONIFACIO GLOBAL CITY
Shop 2, The Luxe Residences
28th St. cor. 4th Ave., Bonifacio Global
City, Taguig City
Tel. Nos. 808-0721 / 808-1454

BSP SU
G/F, Cafetorium Building
BSP Complex, A. Mabini
cor. P. Ocampo Sts., Malate, Manila
Tel. Nos. 708-7680 / 708-7682
521-5583

BSP SUB-SERVICE UNIT
Bangko Sentral ng Pilipinas
Security Plant Complex, East Avenue
Diliman, Quezon City
Tel. No. 926-4881

BUENDIA
56 Gil Puyat Ave., Buendia
Makati City
Tel. Nos. 845-1540 / 845-1541
Fax No. 845-1542

C. PALANCA
201 C. Palanca corner Quezon Blvd.
Quiapo, Manila
Tel. Nos. 733-1730 / 733-1960
Fax No. 733-1821

CAINTA
RRCG Transport Bldg.
Km. 18 Ortigas Avenue Extension
Brgy. San Isidro, Cainta, Rizal
Tel. Nos. 470-8642 / 997-8103

CAINTA-FELIX AVE.
G/F, Arellano Bldg., Felix Ave.
cor. Village East Ave., Cainta, Rizal
Tel. Nos. 656-8639 / 656-8633
Fax No. 656-8581

CAINTA-ORTIGAS AVE. EXT.
Paramount Plaza
Km. 17 Ortigas Ave. Ext.
Brgy. Sto. Domingo, Cainta, Rizal
Tel. Nos. 672-3238 / 706-1943
Fax No. 706-1948

CALOOCAN
Gen. San Miguel St., Brgy. 4, Zone 1
Sangandaan, Dist. II, Caloocan City
Tel. Nos. 288-2450 / 288-2446

CALOOCAN CENTER
1716 Rizal Ave. Ext. corner L.
Bustamante St., Caloocan City
Tel. Nos. 361-0287/ 366-8416
366-8414
Fax No. 361-0286

CALOOCAN-A. MABINI
451 A. Mabini corner J. Rodriguez St.
Caloocan City
Tel. Nos. 288-6486 / 288-6729

CARTIMAR-TAFT
SATA Corp. Bldg.
2217 Cartimar-Taft Avenue
Pasay City
Tel. Nos. 834-0765 / 833-2268

CENTURY PARK
G/F, Century Park Hotel, M. Adriatico
cor. P. Ocampo Sts., Malate, Manila
Tel. Nos. 524-8385 / 525-3792
528-8888 local 2018
Fax No. 525-0232

CHINO ROCES AVENUE EXT.
GA Building, 2303 Don Chino
Roces Ave. Ext., Makati City
Tel. Nos. 840-3798 / 840-3801
Fax No. 840-3796

C.M. RECTO
G/F, Dr. Lucio C. Tan Bldg.
UE Manila Annex, C.M. Recto, Manila
Tel. Nos. 734-0599 / 734-0799
734-0899

COA
COA Building, Commonwealth
Avenue, Quezon City
Tel. Nos. 932-9027 / 932-9026

COMMONWEALTH
G/F, LC Square Bldg.
529 Commonwealth Avenue
Quezon City
Tel. Nos. 932-1891 / 951-4893

CONGRESSIONAL
149 Congressional Ave., Project 8
Quezon City
Tel. Nos. 926-1586 / 926-1656
Fax No. 926-1630

CUBAO
cor. Gen. Araneta St. and
Aurora Blvd., Cubao, Quezon City
Tel. Nos. 911-2916 / 912-1938
911-2919

CUBAO-HARVARD
SRMC Bldg., 901 Aurora Blvd.
cor. Harvard & Stanford Sts.
Cubao, Quezon City
Tel. Nos. 912-3070 / 912-2577
912-2896 / 913-1068
912-2571
Fax No. 913-4503

DAPITAN
1710 Dapitan St. near cor. M. dela
Fuente St., Sampaloc, Manila
Tel. Nos. 741-7672 / 741-9829
Fax No. 731-5925

DASMA-MAKATI
2284 Allegro Center
Chino Roces Avenue Extension
Makati City
Tel. Nos. 897-0980 / 897-0982

DEL MONTE
116 Del Monte Ave.
cor. D. Tuazon St., Brgy. Maharlika
Quezon City
Tel. Nos. 742-3360 / 742-3361
742-3364

DELTA
101-N dela Merced Bldg.
West Avenue corner Quezon
Avenue, Quezon City
Tel. Nos. 372-1539 / 372-1540
372-1541

DIVISORIA
869 Sto. Cristo St.
Binondo, Manila
Tel. Nos. 242-6319 / 242-8135
247-4470

DIVISORIA MARKET
706-708 Elcano St.
Binondo, Manila
Tel. Nos. 244-4852 / 243-5845

DIVISORIA-JUAN LUNA
CK Bldg., 750 Juan Luna St.
Binondo, Manila
Tel. Nos. 242-9031 / 243-1929
243-1946

DIVISORIA-STO. CRISTO
767 Sto. Cristo cor. M. delos
Santos Sts., Divisoria, Manila
Tel. Nos. 242-6264 / 242-6266
Fax No. 241-1326

DOMESTIC AIRPORT
G/F, PAL Data Center Bldg.
Domestic Airport Road, Pasay City
Tel. Nos. 851-4375 / 851-4377
Fax No. 851-4374

DON ANTONIO HEIGHTS
30 G/F, Puno Foundation Bldg.
Brgy. Holy Spirit, Quezon City
Tel. Nos. 931-0121 / 952-2741
Fax No. 952-2740

E. RODRIGUEZ -G. ARANETA
599 B, G. Araneta Ave.
cor. E. Rodriguez Sr. Ave.
Doña Imelda, Quezon City
Tel. Nos. 732-8238 / 732-8224
732-8218

E. RODRIGUEZ SR. AVE.-BANAUE
97 ECCOI Building
E. Rodriguez Sr. Avenue
Brgy. Tatalon, Quezon City 1102
Tel. Nos. 740-7875 to 76
740-5259

E. RODRIGUEZ SR. AVENUE
1706 Rimando Building
E. Rodriguez Sr. Ave., Cubao
Quezon City
Tel. Nos. 727-7262 / 414-7180
726-0763
Fax No. 726-0726

EARNSHAW
1357 Earnshaw corner Jhocson Sts.
Sampaloc, Manila
Tel. No. 742-7971
Fax No. 742-7975

EASTWOOD CITY
MDC 100 Building, Mezzanine Level
Unit M3, E. Rodriguez Jr. Ave.
corner Eastwood Ave.
Brgy. Bagumbayan, Libis
Quezon City 1110
Tel. No. 961-0514

EDISON-BUENDIA
Visard Bldg., #19 Sen. Gil Puyat Ave.
Makati City
Tel. Nos. 843-5889 / 844-9958
844-9956

EDSA BALINTAWAK
337-339 EDSA corner Don Vicente
Ang St., Caloocan City
Tel. Nos. 366-9407 / 364-2646

EDSA EXTENSION
235-A Loring St., Pasay City
Tel. Nos. 659-5586 / 551-2728
Fax No. 833-8620

EDSA ROOSEVELT
1024 Global Trade Center Bldg.
EDSA, Quezon City
Tel. Nos. 332-3014 / 332-3067

EDSA-CALOOCAN
462 G/F, Insular Life Bldg.
cor. B. Serrano, EDSA Caloocan City
Tel. Nos. 366-5988 / 366-8413
Fax No. 366-5989

EDSA-ETON CYBERPOD CENTRIS
G/F, One Cyberpod Centris
EDSA Eton Centris cor. EDSA &
Quezon Ave., Quezon City
Tel. Nos. 332-5368 / 332-6258
332-6665

ELCANO
706-708 Elcano St., Binondo, Manila
Tel. Nos. 243-5852 / 243-5845
243-5853

ERMITA-ROXAS BOULEVARD
Roxas Boulevard corner Arquiza St.
Ermita, Manila
Tel. Nos. 254-7631 / 254-7630
254-7632 / 254-7634
Fax No. 254-7635

ERMITA-U.N.
Physician's Tower, 533 U.N. Avenue
cor. San Carlos Sts., Ermita, Manila
Tel. Nos. 525-0859 / 524-7851
Fax No. 525-0857

ESCOLTA
G/F, Regina Bldg., Escolta, Manila
Tel. Nos. 241-4279 / 242-8358
241-4239

ESPAÑA
Unit 104, St. Thomas Square
1150 España Blvd. cor. Padre
Campa St., Sampaloc East, Manila
Tel. Nos. 735-6590 / 735-6592
735-6593

ESPAÑA-WELCOME ROTONDA
10 Doña Natividad Bldg., Quezon
Ave., Welcome Rotonda, Quezon City
Tel. Nos. 740-4982 / 731-3207
731-3145 / 740-7639
Fax No. 740-4983

ETON-BELTON YAKAL
Unit 5A, Belton Place Makati
Pasong Tamo corner Yakal Sts.
Makati City
Tel. Nos. 844-5706 / 844-5709

ETON-CORINTHIAN
Unit 78 E-Life, Eton Cyberpod
Corinthian, EDSA cor. Ortigas Ave.
Brgy. Ugong Norte, Quezon City
Tel. Nos. 470-6264

BRANCHES AND OFFICES

EVER GOTESCO
Lower G/F, Stall No. 20, Ever Gotesco
Commonwealth, Quezon City
Tel. Nos. 932-6633 / 951-7342

FAIRVIEW
No. 41, Regalado Ave.
West Fairview, Quezon City
Tel. Nos. 939-8003 / 938-7429
431-2955

FAIRVIEW-COMMONWEALTH
70 Commonwealth Ave., Fairview
Park Subd., Fairview, Quezon City
Tel. Nos. 938-7099 / 938-2125
Fax No. 938-7098

FELIX AVENUE
F. P. Felix Avenue, Brgy. San Isidro
Cainta, Rizal 1900
Tel. Nos. 645-7361 / 645-7341
645-6026

FILINVEST AVENUE
BC Group Center, Filinvest Avenue &
East Asia Drive, Filinvest Corporate
City, Alabang, Muntinlupa City
Tel. Nos. 836-7768 / 836-8048
836-8578

FORT BONIFACIO-INFINITY
G/F, 101 The Infinity Tower, 26th
Street, Fort Bonifacio, Taguig City
Tel. Nos. 553-9709 / 553-9711
loc 6994

FORT BONIFACIO-MCKINLEY HILL
G/F, Unit B, McKinley Hill 810 Bldg.
Upper McKinley Road, McKinley
Town Center, Fort Bonifacio
Taguig City
Tel. Nos. 552-1515 / 552-5555

FRISCO
Unit E/F, MCY Bldg.
#136 Roosevelt Ave., SFDM
Quezon City
Tel. Nos. 373-6604 / 373-6605

FRISCO-SFDM
972 Del Monte Ave.
corner San Pedro Bautista St.
SFDM, Quezon City
Tel. Nos. 372-5784 / 372-5786
Fax No. 372-5785

FTI
Lot 55, G/F Old Admin Bldg.
FTI Complex, Taguig City
Tel. Nos. 822-2012 / 822-2013

G. ARANETA
1-B Dolores Go Buidling
G. Araneta Ave., Quezon City
Tel. Nos. 716-2419 / 714-3728
716-1964
Fax No. 714-3729

GALAS
20 A. Bayani St., corner Bustamante
Galas, Quezon City
Tel. Nos. 781-9475 / 781-9476
781-9477

GEN. T. DE LEON
4024 General T. de Leon Street
Brgy. Gen. T. de Leon, Valenzuela City
Tel. Nos. 921-9486 / 921-8223
Fax No. 921-4030

GILMORE
Gilmore IT Center
No. 08, Gilmore Ave., cor. 1st St.
New Manila, Quezon City
Tel. Nos. 722-2324 / 722-2479

GOV. PASCUAL
157 Gov. Pascual Avenue
Acacia, Malabon City
Tel. Nos. 288-5107 / 287-1156
Fax No. 288-5106

GRACE PARK
354 A-C 10th Ave., Grace Park
Caloocan City
Tel. Nos. 365-8578 / 365-6173

GRACE PARK-3RD AVE.
126 Rizal Avenue Ext., Between
2nd and 3rd Avenue, Grace Park
Caloocan City
Tel. Nos. 990-3449 / 990-7977

GRACE PARK-7TH AVE.
322 Rizal Ave. Ext.
near corner 7th Avenue
Grace Park, Caloocan City
Tel. Nos. 363-6521 / 363-7239
Fax No. 363-1076

GRACE VILLAGE
G/F, TSPS Bldg., Christian
cor. Grace Sts., Grace Village
Quezon City
Tel. Nos. 367-8465 / 367-9325
Fax No. 367-9321

GRANADA
G/F, Xavier Hills Condominium
32 Granada cor. N. Domingo Sts.
Brgy. Valencia, Quezon City
Tel. Nos. 727-4788 / 723-7389
410-2585 / 727-4787

GREENBELT
G/F, 114 Charter House Building
Legaspi St., Legaspi Village
Makati City
Tel. Nos. 892-6094/ 892-6341
Fax No. 892-6092

GREENHILLS
G/F, One Kennedy Place
Club Filipino Drive Greenhills
San Juan City
Tel. Nos. 725-4341 / 725-5929
725-5084

GREENHILLS CENTER
G/F, Limketkai Bldg., Ortigas Ave.
Greenhills, San Juan City
Tel. Nos. 723-0907 / 723-5291
723-7801/ 726-7574
726-8995
Fax No. 725-5702

GSIS
Level 1 GSIS Bldg., Financial Center
Roxas Blvd., Pasay City
Tel. Nos. 891-6345

GUADALUPE
Pacmac Bldg., 23 EDSA Guadalupe
Makati City
Tel. No. 882-4636

HARRISON PLAZA
RMSC Bldg., M. Adriatico St.
Malate, Manila
Tel. Nos. 525-2489 / 524-9851
525-2462

INTRAMUROS
G/F, Marine Technology Bldg.
Cor. A Soriano Ave. & Arzobispo Sts.
Intramuros, Manila
Tel. Nos. 527-7385 / 527-1255
527-7380

INTRAMUROS-CATHEDRAL
707 Shipping Center Condominium
A. Soriano Jr. St., Intramuros, Manila
Tel. Nos. 527-5994 / 527-5694
Fax No. 527-5693

J. ABAD SANTOS
Unit B, Dynasty Towers, J. Abad
Santos corner Bambang Sts., Manila
Tel. Nos. 255-2237 / 255-2238
253-5606

J.P. LAUREL
G/F, Gama Bldg., J. P. Laurel
cor. Minerva Sts., San Miguel, Manila
Tel. Nos. 735-9965 / 735-9966
Fax No. 735-9967

JADE-ORTIGAS
Antel Global Corporate Center
Building, Jade Drive, Ortigas Center
Pasig City
Tel. Nos. 576-4023 / 661-4115
Fax No. 661-4174

KAMIAS
99-101 Ground Floor, Topaz Bldg.
Kamias Road, Quezon City
Tel. Nos. 924-8920/ 928-3659
Fax No. 928-3804

KAMUNING
118 Kamuning Road, Quezon City
Tel. Nos. 922-5804 / 924-8917
928-0117

KAPASIGAN
Emiliano A. Santos Bldg., A. Mabini
cor. Dr. Sixto Antonio Ave., Pasig City
Tel. Nos. 643-6225

KATIPUNAN
335 Agcor Bldg., Katipunan Ave.
Loyola Heights, Quezon City
Tel. Nos. 929-8814 / 433-2021
433-2022

KATIPUNAN-ST. IGNATIUS
G/F, Linear Building, 142 Katipunan
Road, Quezon City
Tel. Nos. 911-8163 / 912-8077
912-8078 / 913-5409

LAGRO
BDI Center Inc., Lot 33, Blk. 114
Regalado Ave., Greater Lagro
Quezon City
Tel. Nos. 930-3105 to 3106

LAGRO-QUIRINO
Km. 21, Lester Bldg., Quirino
Highway, Lagro, Quezon City
Tel. Nos. 419-6526 / 419-6527
939-1160

LAS PIÑAS
#19 Alabang Zapote Road
Pamplona II, Las Piñas City
Tel. Nos. 871-1745 / 871-3149

LAS PIÑAS-ALMANZA
Consolidated Asiatic Project, Inc.
Bldg., Alabang-Zapote Road
Brgy. Almanza Uno, Las Piñas City
Tel. Nos. 800-4719 / 800-4722
800-4853

LEGASPI VILLAGE
First Life Center 174 Salcedo St.
Legaspi Village, Makati City
Tel. No. 893-7841

LEON GUINTO
G/F, Marlow Bldg., 2120 Leon
Guinto St., Malate Manila
Tel. Nos. 559-8956 / 559-8955
567-4548

LUNETA
National Historical Institute (NHI)
Compound, T.M. Kalaw St.
Ermita, Manila
Tel. Nos. 524-8926 / 524-2774
Fax No. 524-2879

MACEDA-LAONG LAAN
G/F, Maceda Place Bldg., Laong-Laan
cor. Maceda St., Sampaloc, Manila
Tel. Nos. 732-9617 / 749-0038
743-1355

MAIN
G/F, PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City
Tel. Nos. 891-6040 to 70
526-3131 local 2317
4681 / 4689 / 4639
2226 / 2048 / 4693
2042 / 4691

MAKATI CENTER
G/F, Allied Bank Center
6754 Ayala Ave. cor. Legazpi St.
Makati City
Tel. Nos. 816-3311 to 50
Fax No. 813-7168

MAKATI POBLACION
1204 JP Rizal St., corner Angono &
Cardona Streets, Makati City
Tel. Nos. 899-1430

MAKATI-C. PALANCA
G/F, Unit G1 and G2, BSA Suites
G103 C. Palanca cor. dela Rosa Sts.
Makati City
Tel. Nos. 822-7994 / 822-7996
822-7975

MALABON
F. Sevilla Blvd., Brgy. Tañong
Malabon City
Tel. Nos. 281-3154 / 281-4727

MALABON-RIZAL AVE.
701 Rizal Avenue Ext., corner
Magsaysay St., Malabon City
Tel. Nos. 281-5859 / 281-3230
Fax No. 281-3338

MALATE-TAFT
Mark 1 Building, 1971 Taft Avenue
Malate, Manila 1004
Tel. Nos. 354-0710 / 354-4447

MALINTA
Moiriah's Building, 407 McArthur
Highway, Malinta, Valenzuela City
Tel. Nos. 291-2508 / 293-6267
291-2576

MANDALUYONG
471 Shaw Blvd., Mandaluyong City
Tel. Nos. 534-8020 / 533-4243

MANDALUYONG SHAW
VSK Building, 2 Acacia Lane corner
Shaw Blvd., Mandaluyong City
Tel. Nos. 532-4249 / 532-4230
Fax No. 532-4225

MARIKINA
Shoe Ave. corner W. Paz St.
Sta. Elena, Marikina City 1800
Tel. Nos. 681-0701 / 681-0702
681-0699

MARIKINA-A. TUAZON
Gil Fernando Ave. cor. Chestnut St.
Brgy. San Roque, Marikina City
Tel. Nos. 646-7302 / 646-4957
646-1805

MARIKINA-CONCEPCION
Bayan-Bayanan Ave.
cor. Eustaquio St. Concepcion
Marikina City
Tel. Nos. 942-0425 / 942-2842
Fax No. 941-3293

MARIKINA-STA. ELENA
314 J. P. Rizal St., Brgy. Sta. Elena
Marikina City
Tel. Nos. 646-7928 / 646-5420
Fax No. 646-7816

MASANGKAY
916 G. Masangkay St.
Binondo, Manila
Tel. Nos. 244-8748 / 242-8243
Fax No. 244-8737

MASINAG
Silicon Valley Bldg.
169 Sumulong Highway, Mayamot
Antipolo City, Rizal
Tel. Nos. 682-3012 / 681-5846

MASINAG-SUMULONG
F. N. Crisostomo Bldg. 2
Sumulong Highway, Mayamot
Antipolo City, Rizal
Tel. Nos. 682-3461 / 682-3463
Fax No. 645-0886

MATALINO
21 Tempus Bldg., Matalino St.
Diliman, Quezon City
Tel. Nos. 920-7158 / 920-7165
Fax No. 924-8919

METROPOLITAN AVENUE
G/F, 1012 BUMA Bldg.
Metropolitan Avenue
San Antonio Village, Makati City
Tel. Nos. 897-3910 / 897-5815
Fax No. 897-4408

MINDANAO AVE.
888 Yrreverre Square Bldg.
Mindanao Ave., Brgy. Talipapa
Novaliches, Quezon City
Tel. Nos. 983-0376 / 453-7748
Fax No. 456-8582

MONTALBAN
E. Rodriguez Ave., corner Midtown
Subdivision, Rosario, Rodriguez, Rizal
Tel. Nos. 470-1661 / 942-7210

MONUMENTO
419 D&I Bldg., EDSA, Caloocan City
Tel. Nos. 361-6448 / 364-0906

MORAYTA
929 Consuelo Building
Nicanor Reyes St., Sampaloc, Manila
Tel. Nos. 735-1227 / 733-3511
Fax No. 735-4572

MUNTINLUPA
G/F, Arbar Building, National
Highway, Poblacion, Muntinlupa City
Tel. Nos. 861-2988 / 861-2990

MWSS
MWSS Compound, Katipunan Road
Balara, Quezon City
Tel. Nos. 927-5443 / 922-3765
922-3764

N.S. AMORANTO
Unit 103, "R" Place Building, 255 N.S.
Amoranto Sr. Avenue, Quezon City
Tel. Nos. 731-7987 / 413-0566
413-0568 / 731-7991

NAGA ROAD-LAS PIÑAS
Lot 2A, Naga Road corner
DBP Extension, Pulang Lupa Dos
Las Piñas City
Tel. Nos. 804-1021 / 804-1022

NAIA
Arrival Area Lobby, NAIA Terminal 1
Complex, Pasay City
Tel. Nos. 879-6040 / 831-2640

NAIA 1
Departure Area, NAIA Terminal Bldg.
Imelda Ave., Parañaque City
Metro Manila
Tel. No. 832-2660
Fax No. 832-2606

NAIA 2
NAIA Centennial Terminal II
Northwing Level Departure Intl.
Bldg., Pasay City
Tel. Nos. 879-5946 / 879-5949
Fax No. 879-5947

NAIA 3
Arrival Area Lobby, NAIA Terminal 3
Complex, Pasay City
Tel. Nos. 8777-888
(MIAA Trunk line)
loc. 8272 / 785-6018
(direct line)

NAVOTAS
865 M. Naval St., Navotas City
Metro Manila
Tel. Nos. 281-8934 / 281-9001
Fax No. 282-4021

NAVOTAS-FISH PORT
Bulungan cor. Daungan Ave.
Navotas Fish Port Complex, North
Bay Boulevard South, Navotas City
Tel. Nos. 351-4650 / 351-4649

NEW MANILA
322 E. Rodriguez Sr. Ave.
New Manila, Quezon City
Tel. Nos. 727-5250 / 727-5259
724-5349 / 724-5531

NFA
SRA Building, Brgy. Vastra
North Avenue, Quezon City
Tel. Nos. 928-4274 / 928-3604

NIA
EDSA corner Nia Road, Brgy. Piñahan
Diliman, Quezon City
Tel. Nos. 928-6776 / 927-2987

NORTHBAY
511 Honorio Lopez Blvd.
Balut, Tondo, Manila
Tel. Nos. 253-8471 / 251-9212
Fax No. 251-7309

NOVALICHES
513 Quirino Highway, Talipapa
Novaliches, Quezon City
Tel. Nos. 984-6505 / 984-5946
984-0024

NOVALICHES-QUIRINO
903 Quirino Hi-way, Brgy. Gulod
Novaliches, Quezon City
Tel. Nos. 936-1008 / 936-1547
930-6036
Fax No. 930-6037

NPC
Agham Road, Diliman, Quezon City
Tel. Nos. 927-8842 / 927-8829

ONGPIN
Prestige Tower, 919 Ongpin St.
Sta. Cruz, Manila
Tel. Nos. 733-7198 / 733-7931
Fax No. 733-7204

ORTIGAS
G/F, JMT Bldg., ADB Avenue
Ortigas Center, Pasig City
Tel. Nos. 635-3719 / 633-8189

ORTIGAS CENTER-GARNET
Unit 104, Taipan Place Building
Emerald Ave., Ortigas Center
Pasig City
Tel. Nos. 637-5851 / 637-9061
Fax No. 637-5852

OYSTER PLAZA
Unit D1, Oyster Plaza Bldg.
Ninoy Aquino Ave.
Brgy. San Dionisio, Parañaque City
Tel. Nos. 829-0710 / 829-0711
Fax No. 829-1937

P. TUAZON
279 P. Tuazon Blvd.
Cubao, Quezon City
Tel. Nos. 913-3347 / 913-3344
913-3346
Fax No. 911-9909

PACO
756 Pedro Gil cor. Pasaje-Rosario Sts.
Paco, Manila
Tel. Nos. 525-5641 / 525-7820
Fax No. 523-1514

PADRE FAURA
PAL Learning Center Bldg.
540 Padre Faura cor. Adriatico Sts.
Ermita, Manila
Tel. No. 526-4461
Fax No. 526-4458

PADRE RADA
647 RCS Bldg., Padre Rada St.
Tondo, Manila
Tel. Nos. 245-0050 / 245-0243
Fax No. 245-0309

PAMPLONA
267 Alabang-Zapote Road
Pamplona Tres, Las Piñas City
Tel. Nos. 847-9373 / 847-9010

PANDACAN
Jesus Street, cor. T. San Luis
Pandacan, Manila
Tel. Nos. 564-0217 / 564-0870
563-1031

PASAY
2976 Mexico Avenue, Pasay City
Tel. Nos. 832-0391 / 832-0394
831-5264

PASAY-EDSA
765 EDSA, Malibay, Pasay City
Tel. Nos. 889-0952 / 889-0955
Fax No. 889-0963

PASAY-LIBERTAD
244 P. Villanueva St., Libertad
Pasay City
Tel. Nos. 551-2370/ 833-2415
Fax No. 551-2369

PASAY-TAFT
2482 Taft Avenue, Pasay City
Tel. Nos. 833-2413 / 833-2414
Fax No. 831-5986

PASIG
G/F, Westar Bldg., 611 Shaw Blvd.
Pasig City 1600
Tel. No. 636-7465

PASIG-C. RAYMUNDO
G/F, JG Bldg., C. Raymundo Ave.
Maybunga, Pasig City
Tel. Nos. 656-9199 / 656-9570
Fax No. 656-9570

PASIG-ORTIGAS EXT.
103 B. Gan Building, Ortigas Ave. Ext.
Rosario, Pasig City
Tel. Nos. 641-0704 / 641-0706
6410705

PASIG-SANTOLAN
Amang Rodriguez Ave.
Brgy. Dela Paz, Santolan, Pasig City
Tel. Nos. 647-5552 / 682-7972

PASIG-SHAW
G/F, Jade Center Condominium
105 Shaw Blvd., Brgy. Oranbo
Pasig City
Tel. Nos. 633-9618 / 633-9625
633-9627 / 634-4473

PASIG-TIENDESITAS
G/F, Units 4-5, Silver City Bldg.
No. 03, Frontera Verde Drive
Ortigas Center, Pasig City
Tel. Nos. 656-1235 / 656-9126

PASO DE BLAS
179 Paso de Blas, Valenzuela City
Tel. Nos. 291-1101 / 291-1102
Fax No. 292-9824

PASONG TAMO
2233 Chino Roces Avenue
Makati City
Tel. Nos. 813-4013 / 813-4012
Fax No. 893-9206

PETRON MEGA PLAZA
G/F, Petron Mega Plaza Bldg.
358 Sen. Gil Puyat Avenue
Makati City
Tel. No. 886-3379

PGH
PGH Compound, Taft Avenue
Ermita, Manila
Tel. Nos. 524-3565 / 523-9110
524-3558

PIONEER
G/F, B. Guerrero Complex
123 Pioneer St., Mandaluyong City
Tel. Nos. 638-9310 / 638-9565

PLAZA DEL CONDE
G/F, San Fernando Towers
Plaza del Conde St., Binondo, Manila
Tel. Nos. 243-6576 / 243-6581
Fax No. 243-6580

PLAZA STA. CRUZ
740 Florentino Torres St.
Sta. Cruz, Manila 1003
Tel. Nos. 734-2462 / 733-6682

PORT AREA
G/F, Bureau of Customs Compound
South Harbor, Port Area, Manila
Tel. Nos. 527-0259 / 527-4432
527-4433

POTRERO
A & S Building, 189 McArthur
Highway, Potrero, Malabon City
Tel. Nos. 291-2742 / 444-6263
447-4291

PRITIL
MTSC Bldg., Juan Luna
cor. Capulong Ext.
Tondo, Manila 1012
Tel. Nos. 252-9639 / 252-9669

PROJECT 3-AURORA BLVD.
1003 Aurora Blvd. cor. Lauan St.
Quirino Dist., Quezon City
Tel. Nos. 474-8414 / 913-8735
Fax No. 913-5117

PROJECT 8
Mecca Trading Bldg., Congressional
Avenue, Project 8, Quezon City
Tel. Nos. 426-2236 / 924-2563

QUADRANGLE
Unit I, Paramount Bldg., EDSA corner
West Ave., Quezon City
Tel. Nos. 927-4134 / 928-4820
Fax No. 920-1390

QUEZON CITY CIRCLE
Elliptical Road cor. Kalayaan Avenue
Diliman, Quezon City
Tel. Nos. 920-3353 / 924-2660

QUIAPO
516 Evangelista cor. Ronquillo Sts.
Quiapo, Manila
Tel. Nos. 733-7544 / 733-1693
Fax No. 733-4853

REINA REGENTE
1067 Don Felipe St., (near corner
Reina Regente), Binondo, Manila
Tel. Nos. 243-8478 / 242-9493

REMEDIOS
G/F, Royal Plaza Twin Towers
Condominium, 648 Remedios
cor. Ma. Orosa Sts., Malate, Manila
Tel. Nos. 400-8594 / 400-8588
Fax No. 400-8543

RETIRO
422 N.S. Amoranto St., Edificio
Enriqueta Bldg., Sta. Mesa Heights
Quezon City
Tel. Nos. 732-9067 / 415-8020

RIZAL AVENUE
Rizal Avenue corner Saturnino
Herrera St., Sta. Cruz, Manila
Tel. Nos. 254-2519 / 254-2520

ROCES AVENUE
54 Don Alejandro Roces Ave.
Quezon City
Tel. Nos. 373-6021 / 373-6022
373-6024

ROCKWELL CENTER
Stall No. RS-03, G/F, Manansala Tower
Estrella St., Rockwell Center
Makati City
Tel. Nos. 5512001 / 5518978

ROOSEVELT
256 Roosevelt Ave., San Francisco
del Monte, Quezon City
Tel. Nos. 374-3573 / 374-3574
374-0921 / 374-2717
Fax No. 374-3571

ROXAS BLVD.
Suite 101, CTC Building
2232 Roxas Boulevard, Pasay City
Tel. Nos. 832-3901 / 832-3902
551-0238

SALCEDO VILLAGE
G/F, LPL Mansions Condominium
122 L.P. Leviste St., Salcedo Village
Makati City 1227
Tel. Nos. 848-2593 / 848-2574

SALCEDO-DELA COSTA
G/F, Classica Tower Condominium
114 H. V. Dela Costa St.
Salcedo Village, Makati City
Tel. Nos. 887-0029 / 887-0023
Fax No. 887-0024

SAMSON ROAD
149 Samson Road corner
P. Bonifacio St., Caloocan City
Tel. No. 367-6659
Fax No. 367-7136

SAN ANDRES
1155 Swanson Building
cor. Linao Street, San Andres, Manila
Tel. Nos. 524-6632 / 525-6673
Fax No. 522-2057

SAN JUAN
213 F. Blumentritt St.
cor. Lope K. Santos, San Juan City
Tel. Nos. 727-3643 / 724-6717

SAN LORENZO
G/F, Jackson Bldg., 926 A. Arnaiz
Avenue, Makati City
Tel. No. 894-4165

SAN LORENZO-ARNAIZ
G/F, Power Realty Bldg.
1012 A. Arnaiz Avenue
Brgy. San Lorenzo, Makati City
Tel. Nos. 887-7770 / 887-7771
Fax No. 887-7772

SAN MATEO
19 Gen. Luna St., Brgy. Banaba
San Mateo, Rizal
Tel. Nos. 570-2010 / 570-2011

SAN NICOLAS
534 Gedisco Towers, Asuncion St.
San Nicolas, Manila
Tel. Nos. 243-3329 / 244-8963
244-8964

SHANGRI-LA PLAZA
Unit AX 116 P3 Carpark Bldg.
Shangri-la Annex Plaza Mall
EDSA corner Shaw Blvd.
Mandaluyong City
Tel. Nos. 633-1907 / 633-9224

SHAW BLVD.
Starmall cor. EDSA Shaw Blvd.
Mandaluyong City
Tel. Nos. 726-7389 / 726-1832
726-9258
Fax No. 726-7351

SHAW BLVD.-PRINCETON
G/F, Sun Plaza Bldg.
1505 Princeton St. cor. Shaw Blvd.
Mandaluyong City
Tel. Nos. 661-9466 / 570-3134

SSS DILIMAN
G/F, SSS Building, East Avenue
Diliman, Quezon City
Tel. Nos. 927-2804 / 927-3106
433-1688 / 433-1716

STARMALL ALABANG
Upper Ground Level, Starmall
Alabang, South Superhighway
Alabang, Muntinlupa City, 1770
Tel. Nos. 828-5023 / 555-0668

SUCAT
G/F, Kingsland Bldg.
Dr. A. Santos Avenue
Sucat, Parañaque City
Tel. Nos. 826-1931 / 826-1921

SUCAT-EVACOM
G/F, AC Raftel Center
8193 Dr. A. Santos Ave., Sucat Road
Parañaque City
Tel. Nos. 820-0180 / 820-0181

T. ALONZO
905 T. Alonzo cor. Ongpin Sts.
Sta. Cruz, Manila
Tel. Nos. 733-9572 / 733-9571
Fax No. 734-3239

TAFT AVENUE
G/F, One Archers' Place
Condominium, 2311 Taft Avenue
Malate, Manila
Tel. No. 708-0147
Fax No. 708-2203

TANAY
Tanay New Public Market Road
Brgy. Plaza Aldea, Tanay, Rizal
Tel. Nos. 654-0211 / 654-0221
693-1191

TANDANG SORA
102 cor. San Miguel Village and
Tandang Sora Ave.
Brgy. Pasong Tamo, Quezon City
Tel. Nos. 939-5094 / 454-4773
935-9481

TAYTAY
Ilog Pugad National Road
Brgy. San Juan, Taytay, Rizal
Tel. No. 781-8223

THE FORT-BURGOS CIRCLE
Unit GF-4, The Fort Residences
30th St., corner 2nd Avenue
Padre Burgos Circle, Bonifacio Global
City, Taguig
Tel. Nos. 478-9724 / 478-9722
478-9092

TIMOG
G/F, Newgrange Bldg.
32 Timog Ave., Brgy. Laging Handa
Quezon City
Tel. Nos. 373-9041 / 373-9043
373-9045

TONDO
1941-1943 Juan Luna St.
Tondo, Manila
Tel. Nos. 252-9769 / 253-9838
Fax No. 252-3026

TUTUBAN
LS 31 Podium Level, Tutuban Prime
Block Mall, Tutuban Center
C.M. Recto, Manila
Tel. Nos. 253-5324 / 253-7107
251-8986

TUTUBAN-ABAD SANTOS
1450-1452 Coyuco Bldg.
Jose Abad Santos, Tondo, Manila
Tel. Nos. 256-8905 / 256-9893

U.E. RECTO
G/F, Dalupan Bldg., University of the
East, 2219 Claro M. Recto Ave.
Manila
Tel. Nos. 736-4422 / 736-2586
Fax No. 736-4420

U.N. AVENUE
G/F, UMC Bldg., 900 U.N. Avenue
Ermita, Manila
Tel. Nos. 521-4826 / 524-6723
521-7637

UNITED PARAÑAQUE
Iba corner Malugay Sts., East Service
Road, Brgy. San Martin de Porres
United Parañaque, Metro Manila
Tel. Nos. 551-0508 / 824-389
Fax No. 821-3087

UP CAMPUS
No. 3 Apacible St., UP Campus
Diliman, Quezon City 1101
Tel. Nos. 927-0452 / 927-4713

URATEX-EAST SERVICE ROAD
Uratex Bldg., Km. 23, East Service
Road, Brgy. Cupang, Muntinlupa City
Tel. Nos. 403-2598 / 823-6635

VALENZUELA
313 San Vicente St. corner McArthur
Highway, Karuhatan, Valenzuela City
Tel. Nos. 292-9131 / 291-2826
291-2827

VALENZUELA-MCARTHUR
101 McArthur Hi-way, Bo. Marulas
Valenzuela City
Tel. Nos. 291-6574 / 291-6568
Fax No. 291-6567

VILLAMOR AIR BASE
G/F, Airmens Mall Bldg.
cor. Andrews & Sales Sts.
Villamor Air Base, Pasay City
Tel. Nos. 854-0055 / 854-1675

VISAYAS CONGRESSIONAL
22 RTS Building, Congressional Ave.
Quezon City
Tel. Nos. 426-7300 / 426-2429
930-6036

VITO CRUZ
550 Pablo Ocampo cor. Mabini Sts.
Malate, Manila
Tel. Nos. 708-9350 / 708-9360

WACK WACK
G/F, Summit One Tower
530 Shaw Blvd., Mandaluyong City
Tel. Nos. 533-7093 / 533-1808
Fax No. 717-0898

WEST AVENUE
92 West Ave., Quezon City
Tel. Nos. 929-3185 / 921-1915

WEST TRIANGLE
1396 Quezon Ave., Quezon City
Tel. Nos. 373-0770 / 373-0763
373-8612 / 413-8541
413-8540
Fax No. 373-8613

ZABARTE
1131 Quirino Hi-way
Brgy. Kaligayahan, Novaliches
Quezon City
Tel. Nos. 461-3584 / 474-8420
417-3314 (Bayantel)
Fax No. 461-3582

ZAPOTE
99 Real St., Alabang-Zapote Road
Pamplona I, Las Piñas City
Tel. Nos. 871-4106 / 873-6758
873-6748
Fax No. 871-4105

Luzon Branches

ABANAO
90 NRC Bldg., Abanao St.
Baguio City
Tel. Nos. (074) 447-3509
(074) 447-3360

AGOO
Verceles St., Consolacion
Agoo, La Union
Tel. No. (072) 710-0057

AGOO-SAN ANTONIO
B&D Bldg., National Highway
San Antonio, Agoo, La Union 2504
Tel. No. (072) 710-0191
Fax No. (072) 521-0030

ALAMINOS
Quezon Avenue, Poblacion
Alaminos City, Pangasinan
Tel. Nos. (075) 551-2196
(075) 552-7028

ALBAY CAPITOL
ANST Bldg. II, Rizal St., Brgy. 14
Albay District., Legaspi City
Tel. No. (052) 480-3797

ANGELES
730 Sto. Rosario St., Angeles City
Pampanga 2009
Tel. Nos. (045) 888-8811
(045) 888-8800

ANGELES-MCARTHUR
F. Navarro Bldg., MacArthur Highway
Brgy. Salapungan, Angeles City
Pampanga
Tel. Nos. (045) 888-6687
(045) 322-6210
Fax No. (045) 888-7539

APALIT
Mc Arthur Highway, San Vicente
Apalit, Pampanga
Tel. Nos. (045) 652-0049
(045) 879-0082

APARRI
J.P. Rizal St., Aparri, Cagayan 3515
Tel. No. (078) 888-2115

ATIMONAN
Our Lady of the Angels Parish
Compund, Quezon Street
Atimonan,Quezon
Tel. Nos. (042) 511-1051
(042) 316-5329

BACOOR
Km. 17, Aguinaldo Highway
Bacoor, Cavite
Tel. Nos. (046) 471-2678
(046) 471-1150

BACOOR-PANAPAAN
San Miguel Commercial Building
215 E. Aguinaldo Highway
Barangay Panapaan I, Bacoor, Cavite
Tel. Nos. (046) 417-3089
(046) 417-3101
Fax No. (046) 417-3189

BAGUIO
51 Session Road, Corner Upper
Mabini St., Baguio City
Tel. Nos. (074) 442-4244
(074) 442-3833

BAGUIO-CENTER MALL
G/F, Baguio Center Mall
Magsaysay Ave., Baguio City
Tel. Nos. (074) 442-7348
(074) 442-7349
(074) 442-7350

BALAGTAS
G/F, D & A Bldg., Mc Arthur Highway
San Juan, Balagtas, Bulacan
Tel. Nos. (044) 769 – 1398
(044) 693-1680

BALANGA
Zulueta St., Poblacion
Balanga, Bataan 2100
Tel. Nos. (047) 237-3218
(047) 791-1204

BALAYAN
147 Plaza Mabini
Balayan, Batangas City
Tel. No. (043) 407-0230

BRANCHES AND OFFICES

BALIUAG
015 Rizal St., San Jose
Baliuag, Bulacan
Tel. Nos. (044) 766-2454
(044) 673-1950

BANGUED
McKinley corner Peñarrubia Streets
Zone 4, Bangued, Abra, 2800
Tel. Nos. (074) 752-8440
(074) 752-8441

BANGUED-MAGALLANES
Taft cor. Magallanes Sts., Zone 5
Bangued, Abra
Tel. No. (074) 752-8435
Fax No. (074) 752-8436

BASCO
NHA Bldg., Caspo Fiesta Road
Kaychanarianan, Basco, Batanes
Tel. No. 0998-984-1005

BATAC
Cor. San Marcelino and
Concepcion Sts., Batac, Ilocos Norte
Tel. Nos. (077) 792-3437
(077) 617-1309

BATANGAS
Unit G1E, G/F Expansion Area
Nuciti Central Mall, P. Burgos St.
Batangas City
Tel. Nos. (043) 723-7037
(043) 723-0226

BATANGAS-KUMINTANG
JPA AMA Bldg., National Hi-way
Kumintang Ilaya, Batangas City
Tel. Nos. (043) 722-2705
(043) 722-2706

BATANGAS-PALLOCAN WEST
GF, MAJ Bldg., National Highway
Pallocan West, Batangas City
Tel. Nos. (043) 318-2376
(043) 318-2356

BAUAN
G/F, ADD Building, J.P. Rizal St.
Poblacion, Bauan, Batangas
Tel. Nos. (043) 728-0026
(043) 728-0027

BAYAMBANG
Prime Bldg., Rizal St., Zone 2
Bayambang, Pangasinan
Tel. Nos. (075) 696-2186
(075) 696-2189

BAYOMBONG
J.P. Rizal St., District 4
Bayombong, Nueva Vizcaya
Tel. Nos. (078) 321-2454
(078) 321-2278

BEPZ
Bataan Economic Zone, Luzon Ave.
Mariveles, Bataan 2106
Tel. Nos. (047) 935-4070
(047) 935-4071

BIÑAN
Ammar Commercial Center
Nepa National Highway
Brgy. Sto. Domingo, Biñan, Laguna
Tel. Nos. (049) 411-3785
(02) 429-4813

BOAC
Gov. Damian Reyes St., Murallon
Boac, Marinduque
Tel. Nos. (042) 332-1365
(042) 311-1426

BOCAUE
JM Mendoza Building, McArthur
Hi-way, Lolomboy, Bocaue, Bulacan
Tel. Nos. (044) 692-2416
(044) 815-0282
Fax No. (044) 692-1674

BONTOC
G/F, Mt. Province Commercial Center
Poblacion, Bontoc
Mountain Province
Tel. Nos. (074) 462-4008
0939 925- 0807

BULAN
Zone 4 Tomas de Castro St.
Bulan, Sorsogon
Tel. Nos. (056) 411-1156
(056) 555-2222
(056) 411-1219
Fax No. (056) 555-2223

CABANATUAN
Corner Paco Roman and
Del Pilar Sts., Cabanatuan City
Nueva Ecija
Tel. Nos. (044) 463-2048
(044) 600-4832

CABANATUAN-MAHARLIKA HIGHWAY
Km. 114 Maharlika Highway
Cabanatuan, Nueva Ecija
Tel. Nos. (044) 463-0347
(044) 463-0348
Fax No. (044) 467-0349

CABUYAO
Asia Brewery Complex
National Hi-way, Brgy. Sala
Cabuyao, Laguna
Tel. Nos. (02) 816-5558
(02) 816-5132
(049) 531-2359

CABUYAO-CENTRO MALL
Unit 124, Centro Mall, Brgy. Pulo
Cabuyao, Laguna
Tel. Nos. (049) 837-7368
(049) 534-4340
Fax No. (02) 520-8642

CALAMBA
Burgos St., Calamba City
Tel. Nos. (049) 545-1865
(049) 545-1864

CALAMBA CROSSING
G/F, Unit Building, J. Alcasid Business
Center, Crossing Calamba City
Laguna
Tel. Nos. (049) 508-0986
(049) 834-2409

CALAMBA-BUCAL
GF, Prime Unit 103 Carolina Center
Bldg. cor. Ipil-ipil St., Brgy. Bucal
Calamba, Laguna
Tel. Nos. (049) 502-6189
(049) 502-6188

CALAMBA-NATL HI-WAY
G/F, Sta. Cecilia Business Center II
Brgy. Parian, Calamba City, Laguna
Tel. Nos. (049) 545-9382
(049) 834-1485
Fax No. (02) 520-8841

CALAPAN
J.P. Rizal St. Camilmil, Calapan City
Oriental Mindoro
Tel. No. (043) 441-0081

CAMILING-RIZAL
Rizal St., Camiling, Tarlac
Tel. Nos. (045) 934-0499
(045) 934-0169
Fax No. (045) 934-0888

CANDELARIA
National Road, Poblacion
Candelaria, Quezon
Tel. Nos. (042) 741-1433
(042) 585-6410
Fax No. (042) 741-1432

CANDON
National Highway cor. Dario St.
San Antonio, Candon City
Ilocos Sur 2700
Tel. No. (077) 742-6433

CANDON-NATL HI-WAY
National Hi-way, Brgy. San Juan
Candon City, Ilocos Sur
Tel. No. (077) 644-0249
Fax No. (077) 742-6252

CAPAS
Capas Comm'l. Complex
Sto. Domingo, Capas, Tarlac
Tel. Nos. (045) 491-7921
(045) 491-7920
Fax No. (045) 491-7922

CARMONA
9767 Brgy. Maduya
Carmona, Cavite City
Tel. Nos. (046) 413-2700
(046) 413-0007

CAUAYAN
Maharlika Hi-way
cor. Cabanatuan Rd.
Cauayan, Isabela 3305
Tel. No. (078) 652-2125

CAUAYAN-MAHARLIKA HI-WAY
Disston Bldg., Maharlika Highway
Brgy. San Fermin, Cauayan, Isabela
Tel. Nos. (078) 652-4200
(078) 652-2144
Fax No. (078) 652-2243

CAVITE
P. Burgos Avenue, Caridad
Cavite City
Tel. Nos. (046) 431-0136
(046) 431-2026

CAVITE-DASMARIÑAS
G/F, LCVM Bldg., Aguinaldo Hi-Way
Zone IV, Dasmariñas, Cavite City
Tel. Nos. (046) 416-7046
(046) 402-2016

CENTRO ILAGAN
J. Rizal St., Centro, Ilagan City
Isabela 3300
Tel. No. (078) 622-2568

CEPZ
Gen. Trias Drive, Rosario, Cavite
Tel. Nos. (046) 437-6072
(046) 437-6606

CLARK FIELD
Retail 4 & 5, Berthaphil III, Clark Field
Center 2, Jose Abad Santos Ave.
Clark Field Freeport Zone, Clark Field
Pampanga 2023
Tel. Nos. (045) 599-2228
(045) 599-3043

CONCEPCION
A. Dizon St., San Nicolas
Concepcion, Tarlac 2316
Tel. Nos. (045) 923-0690
(045) 923-0153

DAET
Carlos II St., Brgy. 3, Daet
Camarines Norte
Tel. No. (054) 721-2480

DAET-PIMENTEL
F. Pimentel Ave. cor. Dasmariñas St.
Daet, Camarines Norte
Tel. Nos. (054) 721-1117
(054) 571-2359
(054) 571-2951
Fax No. (054) 440-1723

DAGUPAN
A.B. Fernandez Ave., Dagupan City
Tel. Nos. (075) 522-2371
(075) 529-0892
(075) 522-2371

DAGUPAN-FERNANDEZ
A. B. Fernandez Ave., cor. Noble St.
Dagupan City, Pangasinan
Tel. Nos. (075) 515-3792
(075) 522-5494

DARAGA
Baylon Compound, Market Site
Rizal St., Daraga, Albay
Tel. Nos. (052) 824-1792
Fax No. (052) 483-3703

DASMARIÑAS-SALITRAN
Michael's Bldg., Aguinaldo Highway
Salitran, Dasmariñas City, Cavite
Tel. Nos. (046) 416-5827
(046) 416-5806
(046) 416-5803

DAU
MacArthur Highway
Dau, Mabalacat, Pampanga 2010
Tel. Nos. (045) 892-2538
(045) 624-0490

DINALUPIHAN
BDA Bldg., San Ramon Highway
Dinalupihan, Bataan 2110
Tel. Nos. (047) 481-1361
(047) 481-3906

DOLORES
Units 4 & 5, G/F, Peninsula Plaza Bldg.
McArthur Highway, Brgy. Dolores
San Fernando City, Pampanga
Tel. Nos. (045) 961-1505
(045) 860-1145

EAST GATE CITY WALK
East Gate CW Commercial Center
Olongapo Gapan Rd., Brgy. San Jose
San Fernando City, Pampanga
Tel. No. (045) 966-3436

GAPAN
Tinio Street, San Vicente
Gapan City, Nueva Ecija
Tel. No. (044) 486-0281

GAPAN-POBLACION
Tinio Street, Poblacion
Gapan City, Nueva Ecija
Tel. Nos. (044) 486-0315
(044) 486-0314
Fax No. (044) 486-1337

GEN. TRIAS
129 Governor's Drive, Manggahan
General Trias, Cavite
Tel. Nos. (046) 416-3081
(046) 416-3082
(046) 416-3084
Fax No. (02) 813-7168

GOA
Juan Go Bldg., cor. Rizal
& Bautista Sts., Goa, Camarines Sur
Tel. No. (054) 453-1150

GUAGUA
PNB Guagua Bldg., Brgy. Sto. Cristo
Guagua, Pampanga 2003
Tel. Nos. (045) 900-0149
(045) 901-0140

GUIMBA
CATMAN Bldg., Provincial Road
corner Faigal St., Saranay District
Guimba, Nueva Ecija
Tel. No. (044) 611-1309

GUMACA
Andres Bonifacio St., Brgy. San Diego
Poblacion, Gumaca, Quezon
Tel. Nos. (042) 317-6428
(042) 317-6429
(042) 421-1011

IBA
1032 R. Magsaysay Ave., Zone I
Iba, Zambales 2201
Tel. Nos. (047) 811-1586
(047) 811-2721

ILAGAN
Old Capitol Site Calamagui 2
Ilagan City, Isabela 3300
Tel. No. (078) 624-2136

IMUS
GF, J. Antonio Bldg. 1167 Gen.
Aguinaldo Highway, Bayan Luma 7
Imus, Cavite 4103
Tel. Nos. (046) 471-4088
(046) 471-1009

IMUS-AGUINALDO
Sayoc Abella Bldg.
E. Aguinaldo Hi-way, Imus, Cavite
Tel. Nos. (046) 471-0189
(046) 471-0289
Fax No. (046) 471-0389

IRIGA
Highway 1, San Roque, Iriga City
Camarines Sur
Tel. No. (054) 299-2408

KAWIT
Allied Bank Bldg., Gen. Tirona
Highway, Balsahan, Binakayan
Kawit, Cavite
Tel. No. (046) 434-1617
Fax No. (046) 434-7264

LA TRINIDAD
Benguet State University Compound
Brgy. Balili, Kilometer 5, La Trinidad
Benguet 2601
Tel. Nos. (074) 422-1135
(074) 309-1453

LA UNION
Quezon Ave., City of San Fernando
La Union
Tel. Nos. (072) 242-1446
(072) 242-0908

LAGAWE
JDT Bldg., Inguiling Drive
Poblacion East, Lagawe, Ifugao
Tel. Nos. 0917-857-4610
0926-933-4630

LAOAG
Brgy. 10, Trece Martires St.
Corner J.P. Rizal St., Laoag City
Ilocos Norte 2900
Tel. No. (077) 772-0144

LAOAG-CASTRO
F.R. Castro St., Brgy. 17, Laoag City
Ilocos Norte
Tel. Nos. (077) 772-0139
(077) 772-0339
Fax No. (077) 771-4116

LEGASPI
Corner Rizal and Gov. Forbes Sts.
Brgy. Baybay, Legaspi City
Tel. No. (052) 480-7898

LEGAZPI-IMPERIAL
35 F. Imperial St.
Legaspi City, Albay
Tel. Nos. (052) 429-1595
(052) 820-3847
(052) 480-7645
(052) 214-3368
Fax No. (052) 480-6133

LEMERY
Humarang Bldg., Corner Ilustre Ave.
and P. De Joya St., Lemery, Batangas
Tel. Nos. (043) 740-0443
(043) 214-2273

LIGAO
San Jose St., Dunao
Ligao City, Albay
Tel. No. (052) 485-2974

LINGAYEN
Avenida Rizal East cor. Maramba
Blvd., Lingayen, Pangasinan
Tel. No. (075) 542-6020
(075) 662-0238

LIPA
B. Morada Ave., Lipa City, Batangas
Tel. Nos. (043) 756-1119
(043) 756-1116

LIPA - AYALA HI-WAY
K-Pointe Plaza, Ayala Hi-way
Brgy. Sabang, Lipa City, Batangas
Tel. Nos. (043) 981-1949
(043) 757-2144
(043) 312-3303

LOPEZ
San Francisco St.
Talolong Lopez, Quezon
Tel. No. (042) 841-1180

LUBAO
OG Road, Ela Paz Arcade
Brgy. Sta. Cruz, Lubao, Pampanga
Tel. Nos. (045) 971-5020
(045) 971-5021

LUCENA
Quezon Ave., Brgy. IX, Lucena City
Quezon
Tel. No. (042) 710-3703

LUCENA-ENRIQUEZ
Enriquez corner Enverga Sts.
Poblacion, Lucena City, Quezon
Tel. Nos. (042) 710-4297
(042) 373-1264
(042) 373-5283
(042) 373-5284

MABALACAT
Destiny Building, Brgy. Mabiga
Mabalacat, Pampanga
Tel. Nos. (045) 331-3231
(045) 625-5255
(045) 625-4911

MACABEBE
Y N CEE Commercial Bldg.
Poblacion, San Gabriel
Macabebe, Pampanga
Tel. Nos. (045) 435-0147
(045) 435-0932

MAGSAYSAY AVE.
G/F, Lyman Ogilby Centrum Bldg.
358 Magsaysay Ave.
Baguio City 2600
Tel. Nos. (074) 445-2248
(074) 300-3163

MAHARLIKA
G/F, RMR Bldg., Quezon St.
Brgy. Maharlika, Sta. Cruz
Marinduque
Tel. No. 0917-873-7879

MALLIG PLAINS
Cor. Don Mariano Marcos Ave. &
Bernabe Sts., Roxas, Isabela 3320
Tel. No. 0917-873-7855

MALOLOS
Brgy. Sto. Niño, Malolos City, Bulacan
Tel. Nos. (044) 662-4974
(044) 791-0494

MALOLOS-MC ARTHUR
FC Bldg., Km. 40, McArthur Hi-way
Sumapang Matanda, Malolos City
Bulacan
Tel. Nos. (044) 791-6408
(044) 791-6413

MAMBURAO
National Road, Brgy. Payompon
Mamburao, Occidental Mindoro
Tel. No. (043) 711-1078

MANGALDAN
G/F, Abad Biascan Bldg.
Rizal St., Poblacion
Mangaldan, Pangasinan
Tel. No. (075) 522-3885
Fax No. (075) 513-4911

BRANCHES AND OFFICES

MANGARIN
Quirino corner M.H. Del Pilar Sts.
Brgy. 6, San Jose
Occidental Mindoro 5100
Tel. No. (043) 491-1834

MASBATE
Quezon St., Brgy. Pating
Masbate City, Masbate
Tel. No. (056) 333-2238

MEYCAUAYAN
McArthur Highway, Saluysoy
Meycauayan City, Bulacan
Tel. Nos. (044) 228-3411
(044) 840–0393

MEYCAUAYAN-ESPERANZA
G/F, Stalls 8 & 9, Esperanza Mall
McArthur Highway, Brgy. Calvario
Meycauayan, Bulacan
Tel. Nos. (044) 769-6171
(044) 769-0492
Fax No. (044) 228-2130

MOLINO
I.K. Commercial Bldg.
Villa Maria Subd., Molino Highway
Molino III, Bacoor Cavite
Tel. Nos. (046) 477-0302
(046) 477-0795
(046) 477-0829
Fax No. (046) 477-0821

MUÑOZ
D. Delos Santos St. cor. Tobias St.
Science City of Muñoz, Nueva Ecija
Tel. Nos. (044) 456-0283
(044) 456-0142

NAGA
Gen. Luna St., Brgy. Abella
Naga City, Camarines Sur
Tel. No. (054) 473-9072

NAGA-MAGSAYSAY
G/F, G Square Bldg., Magsaysay Ave.
corner Catmon II St., Balatas
Naga City, Camarines Sur
Tel. Nos. (054) 473-5558
(054) 472-3088
Fax No. (054) 811-1030

NAGA-PANGANIBAN
DECA Corporate Center
Panganiban Drive, Brgy. Tinago
Naga City, Camarines Sur
Tel. Nos. (054) 472-4801
(054) 473-8843
(054) 811-1739
Fax No. (054) 473-9082

NAGUILIAN ROAD-BAGUIO
G/F, High Country Inn
Naguilian Road, Baguio City
Tel. No. (074) 300-4330
Fax No. (074) 446-0270

NAIC
P. Poblete Street, Ibayo Silangan
Naic, Cavite
Tel. Nos. (046) 856-1398
(046) 412-0018

NARVACAN
Annex Bldg., Narvacan Municipal
Hall, Sta. Lucia, Narvacan, Ilocos Sur
Tel. Nos. (077) 732-5760
(077) 732-0246

NASUGBU
J. P. Laurel corner F. Alix Sts.
Nasugbu, Batangas
Tel. Nos. (043) 416-0065
(043) 416-0070

NORTH ZAMBALES
Brgy. Hall, Poblacion South
Sta. Cruz, Zambales
Tel. Nos. (047) 831-2468
(047) 831-1063

ODIONGAN
#15 J.P. Laurel St.
cor. M. Formilleza St.
Ligaya, Odiongan, Romblon
Tel. Nos. (042) 567-5220 loc. 6452

OLONGAPO
2440 Rizal Ave., East Bajac-Bajac
Olongapo City, Zambales 2200
Tel. Nos. (047) 222-8343
(047) 223-4989

OLONGAPO-MAGSAYSAY
YBC Mall, 97 Magsaysay Drive
East Tapinac, Olongapo City
Tel. Nos. (047) 222-2583
(047) 223-3215
Fax No. (047) 222-2575

ORANI
Agustina Bldg., McArthur Highway
Parang-Parang, Orani, Bataan
Tel. Nos. (047) 431-3445
(047) 431-1378

PACITA COMPLEX
JRJ Building, National Highway
Brgy. Nueva, San Pedro, Laguna
Tel. Nos. 808-6252 / 808-6253
808-6254
Fax No. 808-6251

PANIQUI
M.H. Del Pilar St., corner McArthur
Hi-way, Paniqui, Tarlac
Tel. No. (045) 931-0383

PASEO DE SANTA ROSA
Blk. 5 Lot 3B, Sta. Rosa Estate 2-A
Balibago, Tagaytay Road
Bo. Sto. Domingo
Sta. Rosa City, Laguna 4026
Tel. Nos. (049) 508-1065
(049) 508-1067

PASUQUIN
Farmers Trading Center Bldg.
Maharlika Hi-way, Poblacion 1
Pasuquin, Ilocos Norte
Tel. No. (077) 775-0119

PEREZ BLVD.-DAGUPAN
Orient Pacific Building, Perez Blvd.
cor. Rizal Ext., Dagupan City
Tel. Nos. (075) 522-8729
(075) 515-3321

PILI
Cu Bldg., Old San Roque
Pili, Camarines Sur
Tel. No. (054) 477-7179

PINAMALAYAN
Mabini St., Zone IV
Pinamalayan, Oriental Mindoro
Tel. No. (043) 284-3254

PLARIDEL
Cagayan Valley Road, Banga 1st
Plaridel, Bulacan
Tel. No. (044) 795-0090
Fax No. (044) 795-0274

POLANGUI
National Road, Ubaliw
Polangui, Albay
Tel. No. (052) 486-2114

PUERTO PRINCESA
Valencia St. cor. Rizal Avenue
Brgy. Tagumpay, Puerto Princesa City
Palawan
Tel. No. (048) 434-3742
(048) 433-2421

PUERTO PRINCESA-RIZAL AVE.
Rizal Ave., Brgy. Mangahan
Puerto Princesa City, Palawan
Tel. Nos. (048) 433-6617
(048) 433-6618
Fax No. (048) 723-6617

ROBINSONS PULILAN
Robinsons Mall Pulilan, Maharlika
Highway, Cutcut, Pulilan, Bulacan
Tel. Nos. (044) 815-4234
(044) 676-0391

ROMBLON
SAL Building, Republika St.
Brgy. 1, Romblon, Romblon
Tel. No. 0917 873-7668

ROSALES
MC Arthur Highway, Carmen East
Rosales, Pangasinan
Tel. No. (075) 632-1765

SAN AGUSTIN
G/F, Tagle Bldg.
McArthur Hi-way, Brgy. San Agustin
City of San Fernando, Pampanga
Tel. Nos. (045) 435-2305
(045) 455-3684
(045) 860-2171

SAN CARLOS-PANGASINAN
Plaza Jaycee, San Carlos City
Pangasinan
Tel. Nos. (075) 532-2353
(075) 532-3366
Fax No. (075) 955-5012

SAN FERNANDO
A. Consunji St., Sto. Rosario
City of San Fernando, Pampanga
Tel. Nos. (045) 961-2419
(045) 860-0485
(045) 860-0486

SAN FERNANDO-LA UNION
612 Quezon Ave.
San Fernando, La Union
Tel. Nos. (072) 888-3327
(072) 242-4812
(072) 700-4197
(072) 700-4137
Fax No. (072) 242-4811

SAN FERNANDO-MC ARTHUR
LNG Bldg., McArthur Highway
Brgy. Dolores, City of San Fernando
Pampanga
Tel. No. (045) 961-2608
Fax No. (045) 961-2592

SAN JOSE DEL MONTE
Dalisay Bldg., Quirino Hi-way
Tungkong Mangga, San Jose Del
Monte City, Bulacan
Tel. No. (044) 815-0174

SAN JOSE N. ECIJA
Maharlika Hi-way cor. Cardenas St.
San Jose City, Nueva Ecija 3121
Tel. No. (044) 511-1301

SAN PABLO
M. Paulino St., San Pablo City
Laguna
Tel. Nos. (049) 562-4522
(049) 562-0608

SAN PABLO-COLAGO AVE.
Mary Grace Building
Colago Ave., cor. Quezon Ave.
San Pablo City, Laguna
Tel. Nos. (049) 562-7904
(049) 562-7905
Fax No. (049) 562-0112

SAN PEDRO
Km. 30 National Hi-way
San Pedro, Laguna
Tel. Nos. (02) 868-9968
(02) 847-8829

SAN PEDRO-NATL HI-WAY
Km. 31, National Highway
Brgy. Nueva, San Pedro, Laguna
Tel. Nos. 808-4275
847-5120
847-5121
Fax No. 808-4274

SAN RAFAEL
San Rafael Public Market
Cagayan Valley Road, Brgy. Cruz na
Daan, San Rafael, Bulacan
Tel. Nos. (044) 815-5341
0922-472-0544

SANCHEZ MIRA
C-2 Maharlika Highway
Sanchez Mira, Cagayan 3518
Tel. No. (078) 822-7518

SANGITAN
R. Macapagal Bldg.
Maharlika Highway, Brgy. Dicarma
Cabanatuan City
Tel. Nos. (044) 463-8095
(044) 600-4885

SANTIAGO
Marcos Highway cor. Camacam St.
Centro East, Santiago City
Isabela 3311
Tel. No. (078) 682-8196

SANTIAGO-PANGANIBAN
Municipal Integrated Parking Bldg.
Panganiban St., Brgy. Centro East
Santiago City, Isabela
Tel. No. (078) 305-1627
Fax No. (078) 682-8276

SILANG
166 J.P. Rizal St., Silang, Cavite
Tel. No. (046) 414-0660
(046) 414-0661

SINILOAN
G. Redor St. Siniloan, Laguna
Tel. Nos. (049) 813-0019
(049) 501-3601

SOLANO
National Highway, Poblacion South
Solano, Nueva Vizcaya
Tel. No. (078) 326-5282

SOLANO-MAHARLIKA HI-WAY
Maharlika National Highway
Solano, Nueva Vizcaya
Tel. No. (078) 326-5505
Fax No. (078) 326-5525

SORSOGON
Rizal St., Sorsogon City
Tel. No. (052) 421-5207

SORSOGON-MAGSAYSAY
2nd Floor, PNB Sorsogon Branch
Rizal St., Sorsogon City, Sorsogon
Tel. Nos. (056) 211-1485
(056) 211-2027
Fax No. (056) 211-5205

STA. CRUZ
Pedro Guevarra Avenue
Brgy. Uno. Sta. Cruz, Laguna
Tel. Nos. (049) 501-1945
(049) 501-0551

STA. CRUZ-REGIDOR
37 A. Regidor St., Sta. Cruz, Laguna
Tel. Nos. (049) 501-3526
(049) 501-3527
(049) 501-1901

STA. MARIA
Jose Corazon De Jesus St.
Poblacion, Sta. Maria, Bulacan
Tel. Nos. (044) 893-0589
(044) 641-1555

STA. ROSA
National Highway, Balibago City of
Sta. Rosa, Laguna
Tel. Nos. (049) 837-2602
(02) 520-8160

STA. ROSA-NUEVA ECIJA
G/F, JNB Bldg., Brgy. Cojuangco
Cagayan Valley Road, Sta. Rosa
Nueva Ecija
Tel. Nos. (044) 940-0478
(044) 311-0262
(044) 311-0263

SUBIC
Lot 5 Retail 2, Times Square Mall
Sta. Rita Road, Subic Bay Freeport
Zone, Olongapo City, Zambales 2220
Tel. Nos. (047) 252-7963
(047) 252-7964

TABACO
Ziga Avenue, cor. Bonifacio St.
Tayhi, Tabaco City
Tel. No. (052) 487-5053

TABUK
I-Square Bldg., Provincial Road
Poblacion Centro, Tabuk City, Kalinga
Tel. No. 0917-842-1722

TAGAYTAY
Vistamart Bldg.
Gen. E. Aguilnado Highway
Mendez Crossing West, Tagaytay City
Tel. Nos. (046) 413-0384
(046) 413-2499

TAGAYTAY-AGUINALDO
E. Aguinaldo Hi-way, Kaybagal South
Tagaytay City
Tel. Nos. (046) 413-0143
(046) 413-0144
Fax No. (046) 413-2364

TANAUAN
G/F, V. Luansing Bldg., J.P. Laurel
Highway, Tanauan City, Batangas
Tel. Nos. (043) 784-8668
(043) 784-8680

TANZA
G/F, Annie's Plaza Building
A. Soriano Highway, Daang Amaya
Tanza, Cavite
Tel. No. (046) 481-8892
Fax No. (046) 481-8893

TARLAC
F. Tanedo St., San Nicolas, Tarlac City
Tel. Nos. (045) 982-1315
(045) 982-2805

TARLAC-ZAMORA
A & E Bldg., Unit 123, #06 Zamora St.
Brgy. San Roque, Tarlac City
Tel. Nos. (045) 982-0638
(045) 982-1221
Fax No. (045) 982-2384

TAYUG
PNB Tayug Branch Bldg.
Zaragoza Street, Poblacion
Tayug, Pangasinan 2445
Tel. Nos. (075) 572-4428
(075) 572-3710

TUAO
G/F, Villacete Bldg.
National Highway
Pata, Tuao, Cagayan
Tel. Nos. (078) 373-1162
(078) 373-1163
0917-620-3695

TUGUEGARAO
Bonifacio St., Tuguegarao City
Cagayan 3500
Tel. Nos. (078) 844-1832
(078) 844-0225

TUGUEGARAO-BRICKSTONE MALL
G/F, Brickstone Mall, Km. 482
Maharlika Highway, Pengue Ruyu
Tuguegarao City, Cagayan
Tel. Nos. (078) 844-1091
(078) 844-1092
Fax No. (078) 844-2261

UP LOS BAÑOS
Andres P. Aglibut Ave., UPLB College
Los Baños, Laguna
Tel. Nos. (049) 536-2733
(049) 536-2880

URDANETA
Mc Arthur Highway, Nancayasan
Urdaneta City, Pangasinan 2428
Tel. No. (075) 568-2451

URDANETA-ALEXANDER
AAG Bldg. 2, Alexander St.
Urdaneta City, Pangasinan
Tel. Nos. (075) 529-2113
(075) 529-0034

VIGAN
Leona Florentino St.
Vigan City, Ilocos Sur 2700
Tel. Nos. (077) 722-2515
(077) 722-2517

VIGAN-QUEZON AVE.
36 Quezon Ave.
Vigan City, Ilocos Sur
Tel. No. (077) 632-1110
Fax No. (077) 722-2611

VIRAC
055 Quezon Ave.
Brgy. Salvacion, Virac, Catanduanes
Tel. No. (052) 811-1207

Visayas Branches

A. CORTES
A. Cortes Ave., Ibabaw
Mandaue City, Cebu
Tel. Nos. (032) 420-1907
(032) 345-1732
(032) 346-7591

ANTIQUE
T. Fornier St., Bantayan
San Jose, Antique 5700
Tel. No. (036) 540-8469

BACOLOD
10th Lacson St., Bacolod City
Negros Occidental
Tel. No. (034) 434-8007

BACOLOD EAST
G/F, Besca Properties Bldg.
Burgos Extension, Bacolod City
Negros Occidental
Tel. Nos. (034) 433-0931
(034) 432-0398
Fax No. (034) 435-3280

BACOLOD-ARANETA
Araneta Ave. near cor. Luzuriaga St.
Bacolod City, Negros Occidental
Tel. Nos. (034) 433-8054
(034) 435-0646
(034) 707-7117
(034) 707-7118

BACOLOD-HILADO
Hilado corner L.N. Agustin Sts.
Bacolod City, Negros Occidental
Tel. Nos. (034) 433-4047
(034) 704-2280

BACOLOD-LIBERTAD
Penghong Bldg., Poinsetia St.
Libertad Ext., Bacolod City
Negros Occidental
Tel. Nos. (034) 433-9643
(034) 433-9645
(034) 707-7956
(034) 707-5956

BACOLOD-NEGROS CYBER CENTRE
Negros First Cyber Centre Bldg.
Lacson cor. Hernaez Sts.
Bacolod City, Negros Occidental
Tel. Nos. (034) 433-4046
(034) 707-7959

BAIS
Rosa Dy-Teves Bldg.
Quezon St., Bais City
Tel. No. (035) 402-9343

BRANCHES AND OFFICES

BANILAD
Gov. M. Cuenco Ave.
cor. Paseo Saturnino St.
Banilad, Cebu City
Tel. No. (032) 345-4828

BANILAD-FORTUNA
AS Fortuna St., Banilad
Mandaue City, Cebu
Tel. Nos. (032) 346-6183
(032) 416-1670
Fax No. (032) 346-6184

BANTAYAN
J.P. Rizal St., Ticad
Bantayan, Cebu City
Tel. No. (032) 460-9275

BAYAWAN
National Highway cor. Mabini St.
Brgy. Suba, Bayawan City
Tel. No. (035) 430-0351

BAYBAY-MAGSAYSAY
148 R. Magsaysay Ave.
Baybay, Leyte
Tel. No. (053) 335-2013
Fax No. (053) 563-9709

BINALBAGAN
Don Pedro R. Yulo St., Binalbagan
Negros Occidental 6107
Tel. No. (034) 388-8261

BOGO
Cor. R. Fernan & San Vicente Sts.
Bogo City, Cebu
Tel. No. (032) 434-8721

BORACAY
Brgy. Balabag, Boracay Island
Malay, Aklan
Tel. Nos. (036) 288-3026
(036) 288-3412
Fax No. (036) 288-3048

FX Counter I
Oro Beach Resort Station III
Boracay Island, Malay, Aklan
Tel. No. (036) 288-3607

FX Counter II
Plazoleta, Station II
Boracay Island, Malay, Aklan
Tel. No. (036) 288-3669

BORONGAN
Real St., Brgy. Songco
Borongan City, Samar
Tel. No. (055) 560-9041

CADIZ
Corner Luna and Cabahug Sts.
Cadiz City, Negros Occidental 6121
Tel. No. (034) 720-7846

CALBAYOG
Maharlika Highway, Brgy. Obrero
Calbayog City, Leyte
Tel. No. (055) 533-9011

CARBON
41-43 Plaridel St.
Ermita, Cebu City
Tel. Nos. (032) 256-1219
(032) 254-6117
(032) 416-9484

CARCAR
Jose Rizal St., Poblacion 1
Carcar City, Cebu
Tel. No. (032) 487-9058
Fax No. (032) 487-9057

CATARMAN
Cor. Jacinto & Carlos P Garcia Sts.
Brgy. Narra, Catarman
Northern Samar
Tel. No. (055) 209-1250

CATBALOGAN
Imelda Park Site, Catbalogan
Western Samar 6700
Tel. No. (053) 543-8399

CEBU
Corner M.C. Briones and
Jakosalem Streets, Cebu City
Tel. No. (032) 412-2804

CEBU BUSINESS PARK
Unit F, Upper G/F, FLB Corporate
Center, Archbishop Reyes Avenue
Cebu Business Park, Cebu City
Tel. No. (032) 234-0215
Fax No. (032) 412-2274

CEBU IT PARK
G/F, TGU Tower, Cebu IT Park
Salinas Drive cor. J.M del Mar St.
Apas, Cebu City
Tel. Nos. (032) 236-0912
(032) 410-6155

CEBU-ESCARIO
G/F, Capitol Square
N. Escario Street, Cebu City
Tel. Nos. (032) 254-0051
(032) 412-4813
Fax No. (032) 253-6721

CEBU-MOALBOAL
G/F, Stall MBL-GFS 7, 8 & 9
Gaisano Grand Mall, Poblacion East
Moalboal, Cebu
Tel. Nos. (032) 350-4652
(032) 350-4653

CENTRO MANDAUE
G/F M2, Gaisano Grand Mall
Mandaue Centro, A. Del Rosario St.
Mandaue City, Cebu, 6014
Tel. Nos. (032) 346-7613
(032) 346-7612
(032) 422-8122

COLON
G/F, J. Avela Bldg., Collonade Mall
Oriente, Colon St., Cebu City
Tel. No. (032) 253-0728
Fax No. (032) 416-8794

CONSOLACION
Consolacion Government Center
Extension, Poblacion, Orientation
Consolacion, Cebu City
Tel. Nos. (032) 564-2426
(032) 423-9243

DANAO
Juan Luna St., Danao City, Cebu
Tel. Nos. (032) 200-3142
(032) 200-3141

DOWNTOWN TACLOBAN
G/F, Washington Trading Bldg.
Rizal Ave., Tacloban City, Leyte 6500
Tel. No. (053) 325-8123

DUMAGUETE
Siliman Avenue cor Real St.
Dumaguete City, Negros Orriental
Tel. No. (035) 422-9176

DUMAGUETE-LOCSIN
33 Dr. V. Locsin St., Dumaguete City
Negros Oriental
Tel. Nos. (035) 422-6181
(035) 225-3903
(035) 225-0520

DUMAGUETE-SOUTH ROAD
Manhattan Suites, South Rd.
Calindagan, Dumaguete City
Negros Oriental
Tel. Nos. (035) 420-5017
(035) 420-5018

FUENTE OSMEÑA
BF Paray Bldg., Osmeña Blvd.
Cebu City
Tel. No. (032) 253-0349

GUIHULNGAN
New Guihulngan Public Market
S. Villegas St., Guihulngan
Negros Oriental
Tel. No. (035) 336-1038

GUIUAN
Cor. San Nicolas & Guimbaolibot Sts.
Guiuan, Eastern Samar 6809
Tel. No. (055) 271-2165

ILOILO
Cor. Gen Luna & Valeria Streets
Iloilo City
Tel. No. (033) 337-2476

ILOILO-ALDEGUER
St. Catherine Arcade
Aldeguer St., Iloilo City
Tel. Nos. (033) 338-1217
(033) 337-5207
(033) 509-9908
Fax No. (033) 337-9312

ILOILO-DIVERSION ROAD
Unicom Bldg.
Sen. Benigno Aquino Ave. (Diversion
Road), Brgy. San Rafael
Mandurriao, Iloilo City
Tel. No. (033) 321-5420

ILOILO-GEN. LUNA
Go Sam Building, Gen. Luna St.
Iloilo City
Tel. Nos. (033) 508-7133
(033) 338-0626
Fax No. (033) 336-9722

ILOILO-LEDESMA
Ledesma cor. Quezon Sts.
Brgy. Ed Ganzon, Iloilo City
Tel. Nos. (033) 508-7128
(033) 337-7933
(033) 337-6756
(033) 508-7128
Fax No. (033) 338-0628

ISLAND CITY MALL-TAGBILARAN
Upper Ground Floor 33-34
Island City Mall, Dampas District
Tagbilaran City
Tel. Nos. (032) 411-0155
(032) 411-0156
(032) 501-0056

JAKOSALEM
D. Jakosalem cor. Legaspi Sts.
Cebu City
Tel. Nos. (032) 253-7234
(032) 412-1114
(032) 412-1115
Fax No. (032) 256-3356

JARO
#8 Lopez Jaena St., Jaro, Iloilo City
Tel. No. (033) 329-0750

JARO-LEDESMA
Simeon Ledesma St., Jaro, Iloilo City
Tel. Nos. (033) 320-3348
(033) 508-7560
(033) 320-3336

KABANKALAN
NOAC National Highway
cor. Guanzon St., Kabankalan City
Tel. No. (034) 471-2429

KALIBO
0508 G. Pastrana St., Kalibo, Aklan
Tel. No. (036) 268-7471

KALIBO-MARTELINO
0624 S. Martelino St., Kalibo, Aklan
Tel. No. (036) 500-8220
Fax No. (036) 268-8220

LA CARLOTA
Cor. La Paz and Rizal Sts.
La Carlota City
Tel. No. (034) 460-2222

LA PAZ
Inayan Bldg., cor. Huevana &
Rizal Sts., La Paz, Iloilo City 5000
Tel. No. (033) 320-1506

LAHUG
G/F, Juanita Bldg., Escario St.
Cor. Gorordo Ave., Brgy. Camputhaw
Lahug, Cebu City
Tel. No. (032) 232-2786

LAPU-LAPU
Manuel L. Quezon National Highway
Pajo, Lapu-lapu City, Cebu
Tel. No. (032) 340-5571

LAPU-LAPU MARKET
Mangubat cor. Rizal Sts.
Lapu-Lapu City, Cebu
Tel. No. (032) 340-1087
(032) 340-8552

LARENA
Roxas St., Larena, Siquijor
Tel. No. (035) 484-1221
Fax No. (035) 377-2018

LUZURIAGA
Cor. Luzuriaga and Araneta Sts.
Bacolod City, Negros Occidental
Tel. Nos. (034) 434-7706
(034) 433-2476

MAASIN
Cor. Allen & Juan Luna Sts.
Brgy. Tunga-tunga
Maasin City, Leyte
Tel. No. (053) 570-9625

MAMBALING
GF, Supermetro Mambaling
F. Llamas St., corner Cebu South
Road, Basak, San Nicolas, Cebu City
Tel. Nos. (032) 414-6037
(032) 261-5845

MANDAUE
JD Building, Lopez Jaena Street
Tipolo, Mandaue City, Cebu
Tel. Nos. (032) 346-2827
(032) 346-7473

MANDAUE-SUBANGDAKU
KRC Building, Lopez Jaena St.
Subangdaku, Mandaue City, Cebu
Tel. No. (032) 422-5550
Fax No. (032) 346-2581

MEPZ
1st Ave., MEPZ 1, Mactan Island
Lapu-Lapu City, Cebu
Tel. No. (032) 340-1589

MIAEO (MACTAN INT'L AIRPORT EXT. OFFICE)
Lower G/F, Waterfront Mactan Casino
Hotel Bldg., Airport Rd.
Pusok, Lapu-lapu City, Cebu
Tel. No. (032) 340-1589

MIAG-AO
One TGN Building, Cor. Noble &
Sto. Tomas Sts., Miagao., Iloilo
Tel. No. (033) 315-8201

MINGLLANILLA
Ward 4, Poblacion, Minglanilla, Cebu
Tel. No. (032) 490-8802
Fax No. (032) 272-8781

NAVAL
Cor. Caneja & Ballesteros Sts.
Naval, Biliran Province, Leyte, 6543
Tel. No. (053) 500-9025

NORTH ROAD-MANDAUE
Insular Square, 31 J.P. Rizal St.
Mandaue City
Tel. No. (053) 570-9882
Fax No. (053) 381-2043

ONE PAVILION MALL-CEBU CITY
One Pavilion Mall, R. Duterte St.
Banawa, Cebu City, 6000
Tel. Nos. (032) 260-0833
(032) 260-0834

ORMOC
Cor. Cata-ag & Bonifacio Sts.
Ormoc City, Leyte
Tel. No. (053) 561-2526

ORMOC-REAL
Narcisa Codilla Building
Real St., Ormoc City, Leyte
Tel. Nos. (053) 255-5237
(053) 325-1230
Fax No. (053) 561-9578

PALOMPON
Ground Floor, Municipal Bldg.
Rizal St., Palompon, Leyte
Tel. No. (053) 555-9041

PASSI
5037 F. Palmares Street
Passi City, Iloilo (beside St. William
Parish Church)
Tel. No. (033) 311-5466

PLAZA LIBERTAD
JM Basa Street, Iloilo City 5000
Tel. No. (033) 338-0818

POTOTAN
Guanco St., Pototan, Iloilo
Tel. Nos. (033) 529-7423
(033) 529-8785

PUSOK
M. L. Quezon National Highway
Pusok, Lapu-Lapu City, Cebu
Tel. No. (032) 494-0029
Fax No. (032) 340-5626

ROXAS
Cor. C.M. Recto & G. Del Pilar Streets
Brgy. III, Roxas City, Capiz 5800
Tel. No. (036) 522-9330

ROXAS DOWNTOWN
Roxas Ave., Roxas City, Capiz
Tel. Nos. (036) 621-1112
(036) 522-1005
Fax No. (036) 621-2749

SAN CARLOS
V. Gustilo St., San Carlos City
Tel. No. (034) 729-8000

SAN JOSE-ANTIQUE
Calixto O. Zaldivar St.
San Jose de Buenavista, Antique
Tel. Nos. (036) 540-9133
(036) 540-9597
(036) 320-1560

SILAY
Rizal St., Silay City
Tel. No. (034) 795-2050

SOGOD
No. 006 Osmeña St., Brgy Zone 2
Sogod, Southern Leyte
Tel. Nos. (053) 563-9936
(053) 335-2455

STA. BARBARA
Liz Complex, Bangga Dama
Brgy. Bolong Oeste
Sta. Barbara, Iloilo
Tel. Nos. (033) 523-9258
(033) 523-9248
(033) 523-9145

TABUNOK
Paul Sy Bldg., National Highway
Tabunok, Talisay City, Cebu
Tel. No. (032) 272-6434

TABUNOK-TALISAY
Viva Lumber Bldg., Talisay City
Tabunok, Cebu
Tel. Nos. (032) 491-7167
(032) 491-7168
Fax No. (032) 272-4422

TACLOBAN
Cor. Sto. Niño & Justice Romualdez
Sts., Tacloban City, Leyte
Tel. No. (053) 523-3611

TACLOBAN-ZAMORA
111 Zamora St., Tacloban City, Leyte
Tel. No. (053) 325-5147
Fax No. (053) 523-2210

TAGBILARAN
C. P. Garcia Ave. cor. J. A. Clarin St.
Poblacion, Tagbilaran City, Bohol
Tel. No. (038) 501-9540

TAGBILARAN-DEL PILAR
C.P. Garcia Ave., cor. M.H. del Pilar St.
Tagbilaran City, Bohol
Tel. No. (038) 411-3355
(038) 501-9472
Fax No. (038) 411-5432

TALAMBAN
DCR Bldg., National Highway
Talamban, Cebu City
Tel. Nos. (032) 345-3701
(032) 416-0388

TANJAY
Magallanes cor. E. Romero Sts.
Tanjay City, Negros Oriental
Tel. No. (035) 415-8184
Fax No. (035) 527-0209

TOLEDO
Rafols St., Poblacion
Toledo City, Cebu
Tel. Nos. (032) 322-5613
(032) 467-8194

TUBIGON
Corner Cabangbang Avenue &
Jesus Vaño Street, Centro
Tubigon, Bohol
Tel. No. (038) 508-8228

UBAY-BOHOL
G/F, LM Commercial Bldg.
National Hi-way cor. Tan Pentong St.
Poblacion, Ubay, Bohol
Tel. No. (038) 518-2032
(038) 518-2035

UPTOWN CEBU
Jethouse Building
36 Osmeña Blvd., Cebu City
Tel. Nos. (032) 415-5711
(032) 253-1662
(032) 253-1663
(032) 460-9275

VICTORIAS
Cor. Ascalon and Montinola Sts.
Victorias City
Tel. No. (034) 399-2907

Mindanao Branches

AGDAO-LAPU-LAPU
Chavez Bldg., Lapu-Lapu St.
Agdao, Davao City
Tel. Nos. (082) 221-1025
(082) 227-7233
Fax No. (082) 221-8617

AGUSAN DEL SUR
Roxas St., Brgy. 4, San Francisco
Agusan del Sur
Tel. No. (085) 343-8019

ATENEO DE DAVAO-JACINTO
G/F, Community Center, Ateneo de
Davao University, Jacinto St.
Davao City
Tel. No. (082) 221-8046

BANGOY
Roman Paula Bldg.
35-37 C. Bangoy Street, Davao City
Tel. No. (082) 221-9539

BRANCHES AND OFFICES

BASILAN
Strong Blvd., Isabela City, Basilan
Tel. No. (062) 200-3351

BASILAN- ROXAS
Roxas Ave., Isabela City
Basilan Province
Tel. Nos. (062) 200-7259
(062) 200-7265

BAYUGAN
Mendoza Square, Narra Avenue
Poblacion, Bayugan City
Agusan del Sur
Tel. Nos. (085) 231-2624
(085) 830-2382
(085) 830-0446
Fax No. (085) 343-6887

BISLIG
Cor. Abarca & Espiritu Sts.
Mangagoy, Bislig, Surigao del Sur
Tel. No. (086) 853-4149

BUTUAN
Montilla Blvd., Brgy. Dagohoy
Butuan City, Agusan del Norte
Tel. No. (085) 342-5800

BUTUAN-J.C. AQUINO
J.C. Aquino Avenue, Butuan City
Agusan del Norte
Tel. Nos. (085) 342-5365
(085) 815-4414
Fax No. (085) 342-5363

BUUG
National Highway, Poblacion
Buug, Zamboanga, Sibugay
Fax No. (062) 344-8131

CAGAYAN DE ORO
Corrales Ave., cor. T. Chavez St.
Cagayan de Oro City
Misamis Oriental
Tel. No. (08822) 729-500

CARMEN
REGO Building , 296 Agoho Drive
Carmen, Cagayan de Oro City
Misamis Oriental
Tel. No. (088) 858-3158

CDO-COGON
JR Borja cor. V. Roa Sts., Cagayan de
Oro City, Misamis Oriental
Tel. Nos. (088) 857-1911
(08822) 726-443
(08822) 722-246
Fax No. (088) 857-5804

CDO-DIVISORIA
Tiano Brothers cor. Cruz Taal Sts.
Cagayan de Oro City
Misamis Oriental
Tel. Nos. (08822) 722-816
(088) 856-1146
Fax No. (08822) 722-861

CDO-LAPASAN
Lim Ket Kai Drive, Lapasan
Cagayan de Oro City
Misamis Oriental
Tel. Nos. (08822) 729-294
(08822) 723-997
(08822) 723-992
Fax No. (088) 856-4732

CLIMACO
JNB Bldg., Buenavista St.
Zamboanga City
Zamboanga del Sur
Tel. No. (062) 991-1643

COTABATO
39 Makakua St., Cotabato City
Maguindanao
Tel. No. (064) 421-8756

COTABATO-DOROTHEO
Alejandro Dorotheo St.
cor. Corcuera St., Cotabato City
North Cotabato
Tel. Nos. (064) 421-3309
(064) 421-2834
Fax No. (064) 421-2506

DADIANGAS
RD Realty Development Bldg.
Santiago Blvd., General Santos City
South Cotabato
Tel. No. (083) 302-5283

DAVAO
San Pedro St., cor. C.M. Recto St.
Davao City
Tel. No. (082) 221-7021

DAVAO-CALINAN
LTH Building, Davao-Bukidnon
Highway, Calinan, Davao City
Tel. No. (082) 284-0807

DAVAO-CM RECTO
C.M. Recto St., Davao City
Tel. Nos. (082) 221-1467
(082) 221-0069
(082) 222-1818

DAVAO-DIVERSION ROAD
Doors 2 & 3, Gimenes Bldg.
Carlos Garcia Hi-way (Diversion
Road) Buhangin, Davao City
Tel. Nos. (082) 241-1988
(082) 241-0970

DAVAO-LANANG
Km. 7, Lanang, Davao City
Tel. Nos. (082) 235-0116
(082) 235-0117
Fax No. (082) 235-0118

DAVAO-OBRERO
G/F, JJ Commune Bldg., Loyola St.
Bo. Obrero, Davao City
Tel. No. (082) 224-2474

DAVAO-SAN PEDRO
San Pedro St., Davao City
Tel. Nos. (082) 227-2621
(082) 221-7977
Fax No. (082) 221-2230

DIGOS
Quezon Avenue, Digos City
Davao del Sur
Tel. No. (082) 553-3889

DIGOS-GEN. LUNA
Gonzales Building, Gen. Luna St.
Digos City, Davao del Sur
Tel. Nos. (082) 553-7296
(082) 553-7297
Fax No. (082) 553-7298

DIPOLOG
Gen. Luna St. cor. C.P. Garcia Sts.
Dipolog City, Zamboanga del Norte
Tel. No. (065) 212-4827

DIPOLOG-RIZAL
Rizal Ave. cor. Osmeña St.
Dipolog City, Zamboanga del Norte
Tel. Nos. (065) 212-3457
(065) 212-2573
Fax No. (065) 212-2572

GAISANO CAPITAL-SURIGAO
Gaisano Capital, Km. 4
National Highway, Barangay Luna
Surigao City
Tel. No. (086) 231-5109

GENERAL SANTOS
Osmeña St., City Hall Drive
General Santos City, South Cotabato
Tel. Nos. (083) 552-2858
(083) 552-3254

GENERAL SANTOS-ACHARON
Pedro Acharon Blvd.
General Santos City, South Cotabato
Tel. Nos. (083) 553-6626
(083) 301-5108
Fax No. (083) 552-4201

GINGOOG
National Highway, Brgy. 23
Gingoog City, Misamis Oriental
Tel. No. (088) 427-728

ILIGAN
Juan Luna St., Iligan City
Lanao del Norte
Tel. No. (063) 223-8182

ILIGAN-QUEZON
Quezon Ave., Poblacion, Iligan City
Lanao del Norte
Tel. No. (063) 221-2840
Fax No. (063) 221-9528

IPIL
National Hi-way, Poblacion, Ipil
Zamboanga Sibugay
Tel. No. (062) 333-2240
Fax No. (062) 333-2343

ISULAN
Aristoza Bldg., National Highway
Isulan, Sultan Kudarat
Tel. No. (064) 201-3427

JOLO
Serantes St., Jolo, Sulu
Tel. No. (085) 341-8911

JOLO-AROLAS
Gen. Arolas corner Magno Sts.
Jolo, Sulu
Tel. No. (085) 341-8911
local 2179 & 2180

KCC MALL DE ZAMBOANGA
Upper Ground Floor
KCC Mall de Zamboanga
Gov. Camins St., Brgy. Camino Nuevo
Zamboanga City
Tel. No. (062) 992-7647
Fax No. (062) 992-7648

KCC MALL-GEN. SANTOS CITY
Unit 018, Lower G/F, KCC Mall
of Gensan, Jose Catolico Sr. Ave.
General Santos City, South Cotabato
Tel. Nos. (083) 554-9092
(083) 554-9093

KIDAPAWAN
Quezon Blvd., Kidapawan City
North Cotabato
Tel. No. (064) 288-1696

KORONADAL
Morrow St., Koronadal
South Cotabato
Tel. No. (083) 228-3727

KORONADAL-POBLACION
Gen. Santos Drive, Brgy. Zone 1
Koronadal City, South Cotabato
Tel. No. (083) 228-2652
Fax No. (083) 228-2651

LILOY
Chan Bldg., Baybay, Liloy
Zamboanga del Norte
Tel. No. (065) 906-9095

LIMKETKAI CENTER
Limketkai Center, Lapasan
Cagayan de Oro City
Misamis Oriental
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LIMKETKAI MALL-NORTH CONCOURSE
G/F, North Concourse
Limketkai Mall, Limketkai Center
Lapasan, Cagayan de Oro City
Misamis Oriental
Tel. No. (088) 857-4149

MALAYBALAY
Flores Bldg., cor. Rizal & Tabios Sts.
Brgy. 5, Malaybalay City, Bukidnon
Tel. No. (088) 813-2459

MALAYBALAY-FORTICH
Fortich cor. Kapitan Juan Sts., Brgy 7
Malaybalay City, Bukidnon
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(088) 813-2051
(088) 221-2117
Fax No. (088) 221-2167

MAMBAJAO
Cor. Gen. Aranas &
Burgos Sts., Brgy. Poblacion
Mambajao, Camiguin
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MARANDING
National Highway, Maranding
Lala, Lanao del Norte
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MARAWI
Perez St., Poblacion
Marawi City, Lanao del Sur
Tel. No. (063) 876-0014

MATI
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Mati, Davao Oriental
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MATINA
HIJ Bldg., Mc Arthur Highway
Brgy. Matina, Davao City
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(082) 299-2850

MATINA CROSSING
80 Lua Building, Mc Arthur Highway
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Fax No. (082) 297-5537

MIDSAYAP
Quezon Avenue, Midsayap
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MOLAVE
Mabini St., Molave
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Tel. Nos. (062) 225-1223
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MONTEVERDE
Mintrade Bldg., Monteverde
cor. Sales Sts., Davao City
Davao del Sur
Tel. No. (082) 222-0514

MONTEVERDE-BANGOY
42 T. Monteverde
cor. S. Bangoy Sts., Davao City
Tel. No. (082) 226-2753
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MSU EXTENSION OFFICE
Right Wing, Dimaporo Gymnasium
MSU-Main Campus, Brgy. Rapasun
Sikap, Marawi City, Lanao del Sur
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Oroquieta City, Misamis Occidental
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OZAMIS
Rizal Ave., Aguada, Ozamis City
Misamis Occidental
Tel. No. (088) 521-1556

OZAMIS-GOMEZ
Gomez cor. Burgos Sts.
50th Brgy., Ozamis City
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Tel. Nos. (088) 521-1511
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Pagadian City, Zamboanga del Sur
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PAGADIAN-PAJARES
F.S. Pajares Ave. cor. Cabrera St.
Brgy. San Francisco, Pagadian City
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PALA-O
G/F, Iligan Day Inn Bldg.
Benito S. Ong St., Pala-O
Iligan City, Lanao del Norte
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PANABO CITY
G/F, Gaisano Grand Mall of Panabo
Quezon St., Brgy. Sto. Niño
Panabo City, Davao Del Norte
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SASA
Carmart Bldg., Km 8, Sasa
Davao City
Tel. No. (082) 233-0583

SINDANGAN
Corner Rizal & Bonifacio Sts.
Poblacion, Sindangan
Zamboanga del Norte
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SK PENDATUN
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(064) 421-8099
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STA. ANA DAVAO
Bonifacio Tan Bldg., Rosemary
cor. Bangoy Sts., Sta. Ana Dist.
Davao City, Davao del Sur
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STA. ANA-MAGSAYSAY
R. Magsaysay Ave. cor. Lizada St.
Davao City
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(082) 227-2123
Fax No. (082) 222-1812

SURIGAO
45 Rizal St., Brgy. Washington
Surigao City, Surigao del Norte
Tel. No. (086) 826-4335

SURIGAO-WASHINGTON
San Nicolas St., Brgy. Washington
Surigao City, Surigao del Norte
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TACURONG
Alunan Highway, Tacurong City
Sultan Kudarat
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Fax No. (064) 200-3471

TAGUM
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Tagum City, Davao del Norte
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TAGUM-APOKON
GL 04-06 Gaisano Grand Arcade
Apokon Road corner Lapu-Lapu
Ext., Brgy. Visayan Village Tagum City,
Davao Del Norte
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Fax No. (084) 216-7057

TANDAG
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Tandag, Surigao del Sur
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TAWI-TAWI
Bagay St., Poblacion
Bongao, Tawi-Tawi
Tel. No. (068) 268-1033

TAWI-TAWI BONGAO
Datu-Halun St.
Bongao, Tawi-Tawi
Tel. No. (068) 268-1048

TETUAN
G/F, AL Gonzalez & Sons Bldg.
Veterans Ave., Zamboanga City 7000
Tel. No. (062) 955-1318

TORIL
Anecita G. Uy Bldg., Saavedra St.
Toril, Davao City, Davao del Sur
Tel. No. (082) 291-0030

VALENCIA
Tamay Lang Bldg., G. Lavina St.
Poblacion, Valencia, Bukidnon
Tel. No. (088) 222-2148

VALENCIA-MABINI
Tamaylang Bldg., Mabini Street
Poblacion, Valencia, Bukidnon
Tel. No. (088) 222-2695
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Pagadian City, Zamboanga del Sur
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ZAMBOANGA
J. S. Alano St., Zamboanga City
Zamboanga del Sur
Tel. No. (062) 992-4813

ZAMBOANGA-CANELAR
G/F, Blue Shark Hotel
Mayor Jaldon St., Canelar
Zamboanga City
Tel. Nos. (062) 991-1584
(062) 991-9876

ZAMBOANGA-NUÑEZ EXT.
Ciudad Medical, Zamboanga Nuñez
Ext., Camino Nuevo, Zamboanga City
Tel. Nos. (062) 992-0859
(062) 993-1761

ZAMBOANGA-SAN JOSE
San Jose, Zamboanga City
Zamboanga del Sur
Tel. Nos. (062) 991-0779
(062) 991-3758

ZAMBOANGA-SUCABON
Mayor MS Jaldon St., Zamboanga City
Zamboanga del Sur
Tel. Nos. (062) 993-1110
(062) 991-3756
(062) 991-3757

ZAMBOANGA-VETERANS AVENUE
G/F, Zamboanga Doctors' Hospital
Annex Bldg., Veterans Ave.
Zamboanga City, Zamboanga del Sur
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(062) 993-2260

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Metro 7 Marie Therese T. Montecer
Metro 8 Nelly C. Chua
Metro 9 Merly I. Mercado
Metro 10 Vermie F. Guevara

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Metro 12 Ma. Luisa V. Alarcon
Metro 13 Delia F. Villanueva
Metro 14 Bernabe R. Punsalan
Metro 15 Alona S. Tambunting
Makati Center Lolita M. Chu

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Metro 16 Cristina S. Co
Metro 17 Felisabel L. Taganas
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Metro 19 Josephine V. Diaz
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Negros Occidental
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Northern Mindanao
Roderick T. Enriquez

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Central Mindanao
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North Eastern Mindanao
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South Eastern Mindanao
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COMMERCIAL BANKING GROUP

Metro Manila

METRO MANILA COMMERCIAL BANKING DIVISION
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SVP Lee Eng Y. So

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5/F Allied Bank Center, 6754 Ayala Avenue Cor. Legaspi St., Makati City
Tel Nos.: 894-1816; 810-2377; 818-8069; 867-3629; 893-6810; 892-8266; 810-2370

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GREENHILLS BUSINESS CENTER
Rm. 205 Limketkai Bldg.
Ortigas Ave., Greenhills
San Juan 1502
Tel Nos.: 744-2566;723-0906; 724-3312; 726-1646; 726-0284; 997-0784

VP Joyleen Vivienne O. Ho

BINONDO BUSINESS CENTER
Alliance Building (Mezzanine Area)
410 Quintin Paredes St.
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Tel Nos.: 241-2281; 241-2283; 241-2353; 241-2348; 241-2548; 241-2368

SAVP Kelvin S. Aquilino

CALOOCAN BUSINESS CENTER
1716 Rizal Avenue Extension cor. Bustamante St., Caloocan City
Tel Nos.: 361-2888; 361-0322; 361-0325; 361-0323

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QUEZON CITY BUSINESS CENTER
Mezzanine Floor c/o PNB Cubao Branch Cor. Gen. Araneta St. and Aurora Blvd., Cubao, Quezon City
Tel Nos.: 911-2914; 962-5873; 912-1947; 912-1948

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