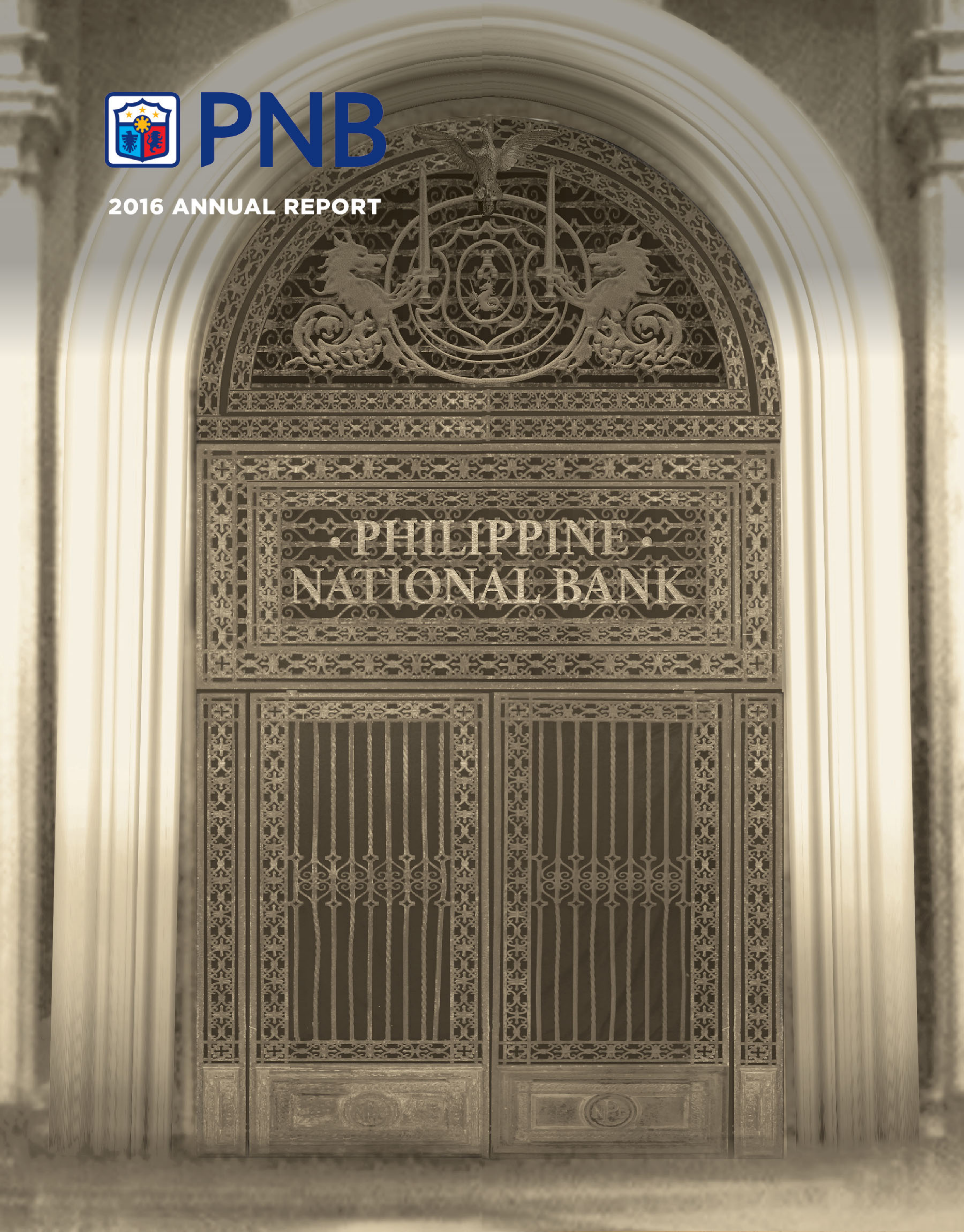
PNB

2016 ANNUAL REPORT



PNB

2016 ANNUAL REPORT

A Century of Excellence
1916 - 2016

Philippine National Bank

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ABOUT THE COVER

Featured prominently in the PNB 2016 Annual Report cover design is a rendering of the Masonic Gate, which was originally the entrance to PNB's first headquarters in the old Masonic Temple along Escolta, Manila. The gate itself was included in an exhibit that showcased the Bank's journey through time.

The use of the gate symbolizes a nod to the beginnings of PNB, opening the way into a century of transformation that brings to us today the Bank that puts the customers first.

CONSOLIDATED FINANCIAL HIGHLIGHTS

(In Thousand Pesos, Except Per Share Amounts)

	December 31	
	2016	2015 (As Restated)
RESULTS OF OPERATIONS		
Gross Income	37,776,165	32,010,584
Total Expenses	30,590,579	25,698,989
Net Income	7,185,586	6,311,595
FINANCIAL CONDITION		
Total Assets	753,765,110	679,687,737
Loans and Receivables	428,027,471	365,725,146
Total Liabilities	643,824,204	574,931,876
Deposit Liabilities	570,503,387	485,937,181
Total Equity	109,940,906	104,755,861
PER SHARE[1/]		
Basic/Diluted Earnings Per Share	5.72	4.89
Book Value Per Share	85.88	81.48

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

KEY FINANCIAL HIGHLIGHTS

(Amounts in Billion Pesos)

PNB

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

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
  - o The preferred financial services provider
  - o 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

The Philippines sustained its strong economic performance in 2016 with a Gross Domestic Product (GDP) growth of 6.8%, attaining the upper end of the National Government's target range of 6.0% to 7.0% for the year. With sustained economic momentum, the Philippines continued to be one of the fastest-growing economies in Asia, surpassing Malaysia (4.5%), Indonesia (4.9%), and Vietnam (6.2%).

Domestic demand continued to fuel growth with robust consumer spending, hefty increase in investments and higher government expenditures. On the supply side, the economic expansion was driven by the industry sector, boosted by the upsurge in construction, gains in manufacturing and increase in utilities. Likewise, the services sector posted higher growth led by real estate, finance, and trade. The heightened economic activity led to additional job creation, bringing unemployment rate down to 4.7% from 5.6% a year ago.

Strong economic fundamentals continued to underpin the growth during the year. Inflation remained benign, averaging at 1.8% in 2016, slightly higher than the 1.4% average in 2015 as prices of some food items went up due to adverse weather conditions that disrupted production and distribution. Market interest rates remained aligned with the policy rates set by the Bangko Sentral ng Pilipinas (BSP). Market uncertainties on the timing of the US Fed rate hike also contributed to the upward adjustment in interest rates. The pick-up in interest rates was tempered by adequate domestic liquidity with money supply rising by 12.7% year-on-year by end-December 2016 to P9.5 trillion. The peso weakened against the US dollar by 4.3% with a dollar rate average of US$47.49 in 2016. This was due to uncertainties in the global market on the timing and impact of US monetary policy path on global liquidity; geopolitical tensions; and divergent economic growth across economies. The peso was also weighed down by political rhetorics associated with the elections in the Philippines and the US in 2016.

Local stocks trended downward with the Philippine Stock Exchange index (PSEi) closing the year at 6,840.64, lower by 1.6% from the end-2015 level of 6,952.08 as investors remained cautious on uncertainties in the global and local markets.

External headwinds persisted in 2016, resulting in the country's balance of payments position turning into a deficit of US$420 million, a reversal of the US$2.6 billion surplus recorded a year ago. The deficit was due largely to the higher gap in trade-in-goods as imports outpaced exports, combined with lower net receipts of services and primary income. As of end-2016, gross international reserves (GIR) remained almost flat at US$80.69 billion, adequate to cover 8.9 months' worth of imports of goods and payments of services and primary income.

The Philippine banking system remained sound and resilient in 2016, aided by adequate capitalization, a strong regulatory framework and good corporate governance that positioned the industry on a sustained path of growth and profitability. Total resources of banks amounted to P13.9 trillion as of end-December 2016, up by 11.8% from year-ago level.

The Philippine banking system remained sound and resilient in 2016, aided by adequate capitalization, a strong regulatory framework and good corporate governance that positioned the industry on a sustained path of growth and profitability. Total resources of banks amounted to P13.9 trillion as of end-December 2016, up by 11.8% from year-ago level. Aggregate deposits of banks showed a steady growth at 12.6% to settle at P8.2 trillion. Although bank lending accelerated by 17.3% against year-ago level, asset quality improved as gross non-performing loan (NPL) ratios recovered slightly to 1.96% from last year's 2.15%. Loan exposure was sufficiently covered, with NPL coverage ratio of 119.4% during the year. The banking industry continued to be well-capitalized as the capital adequacy ratio remained way above the 10% regulatory threshold of the BSP and the 8% minimum requirement by international standards.

SUSTAINING HEALTHY FINANCIALS

With the robust economic growth behind it, Philippine National Bank (PNB) concluded 2016 with a net income of Php7.2 billion, up 14% over last year's Php6.3 billion. The growth in net income was driven by a steady improvement in its core income, supplemented by non-recurring revenues.

The Bank's net interest income of Php19.6 billion accounted for nearly two-thirds of total operating income, which grew by 18% to Php31.2 billion in 2016. Meanwhile, net interest margin was maintained at 3.2%, despite the decline in asset yields, as this was compensated by

the 12% growth in low-cost deposits combined with the redemption of its Php6.5 billion Lower Tier 2 Unsecured Subordinated Notes in June 2016.

The strong performance during the year was also attributed to the double-digit growth of the Bank's non-interest income mainly due to net gains from sale of foreclosed assets which increased by 57%. Trading and foreign exchange gains registered a 61% increase year-on-year, as the Bank benefited from growth in transaction volumes and favorable market conditions.

Miscellaneous income was higher due to the one-time gain from the sale of PNB's 51% stake in its life insurance subsidiary, PNB Life Insurance, Inc., to Allianz SE, one of the leading global financial services companies. Our strategic partnership with Allianz SE includes a 15-year bancassurance agreement, allowing us to expand our portfolio of financial solutions for our customers.

Operating expenses, meanwhile, were kept at single-digit growth, excluding the expenses incurred for the migration to a more secured Europay/MasterCard/Visa (EMV) chip for our ATM and POS terminals, debits, and credit cards, and the successful thematic marketing campaign launched in February 2016.

We were relentless in growing and strengthening the Bank's balance sheet. At the end of 2016, total consolidated assets reached Php753.8 billion, 11% or Php74 billion higher than year-ago level. Bank lending and deposit generation continue to be the key drivers of growth. Loans and receivables grew by 17% to Php428.0 billion as corporate and commercial lending expanded by 16% and 25%, respectively. Consumer loans likewise increased by 10%. On the other hand, deposits grew by 17% to Php570.5 billion, on the back of higher low-cost deposits which comprised more than half of total deposits. PNB's loans-to-deposits ratio stood at 73%, reflecting our continued focus on the efficient deployment of funds.

PNB's capital position remained solid with a Capital Adequacy Ratio (CAR) of 16.7% and a Common Equity Tier (CET) 1 ratio of 15.8%, well above the minimum regulatory requirements by the BSP. We also successfully reduced the Bank's Non-Performing Loans (NPL) which resulted in the NPL ratios declining further to 0.18% (net of valuation reserves) and 2.3% (at gross) from 0.25% and 2.6%, respectively a year ago. NPL coverage improved to133%.

Affirming the consistent improvement in our credit profile, Fitch Ratings upgraded PNB's credit rating to one notch below investment grade. The upgrade was based on the expectation that the Bank will maintain broadly steady asset quality, adequate capital buffers, and stable funding and liquidity profiles as it potentially gains market share amidst continued economic improvement and proactive regulatory oversight. In addition, Fitch Ratings raised PNB's Long-Term Issuer Default Rating from BB to BB+ and its Viability Rating from 'bb' to 'bb+' and maintained its stable outlook.

TRANSFORMING IN EXCELLENCE

We continued to execute business plans effectively in 2016. Through our Retail Banking Sector, we provided basic deposit-taking functions as well as accelerated cross-selling of our products. The sector further strengthened relationships with existing and new customers to grow deposit base by double-digit.

To fully utilize the digital banking platform, we initiated the shift to a new core banking system that will allow us to implement top-of-the-line systems in the market to best serve our clients. We are also focusing on electronic banking as most of our customers are digital-savvy, reflective of a fast-paced lifestyle. Aligned with this digital shift, we held the soft launch of the Mobile Banking App which offers secure online banking for clients who do their transactions via mobile phones.

Likewise, 70 branches nationwide were relocated and adopted our new branch design. By year-end, we had a total of 675 domestic branches inclusive of PNB Savings Bank. Our ATM network likewise expanded to 1,000 units by year-end which are EMV-compliant, ensuring clients that their ATM transactions are safe and protected.

Pinnacle Priority Banking, our exclusive wealth management group, continued to gain momentum as it was lodged under the Retail Banking Sector. The group generated 62 new-to-bank clients, ending 2016 with Php1.3 billion fresh funds.

In 2016, our Cards Banking Solutions Group offered valuable rewards and promos to our loyal credit card users. We completed the card personalization EMV certifications for MasterCard, Visa, and UnionPay and replaced the old "magnetic strip cards" with the more secure EMV dual interface credit cards. We proactively implemented new system enhancements to benefit credit card holders.

Our global banking business also continued to post impressive results in 2016. Remittance volume handled increased by over 18%. The Global Filipino Prepaid Remittance Card (GFC) was enhanced to offer ATMSafe to cardholders. ATMSafe is a pioneering insurance product that provides free insurance coverage to replace lost money withdrawn from the ATM due to theft or fraud up to Php50,000. Add-ons and discounts were also given to new GFC cardholders.

In 2016, a new tagline for PNB, "You First", was born. The tagline strengthens the Bank's customer-centric service orientation by crafting personalized financial solutions that support our customers in reaching their goals. Having pioneered many industry innovations, the Bank is continuously introducing more banking "firsts" to benefit accountholders, specifically in the field of digital banking.

Through these efforts, we were able to increase card enrollment by 40%. The Own-a-Philippine Home Loan (OPHL) program, meanwhile, achieved 100% of its target bookings. This program provides a convenient way for Filipinos residing in and working abroad to purchase residential real estate in the Philippines.

In 2016, we launched new products and expanded our cash payout centers to benefit customers here and abroad. PNB was recognized as the "Best Remittance Product in the Philippines" at the Asian Banker Country Awards for its strong remittance franchise.

Our Trust Banking Group expanded their product offerings and improved capabilities. Another service pioneered by the group last year was the UITF ATM facility which enables clients to conveniently invest via PNB ATMs nationwide. The group ended the year with Php75.2 billion in assets under management.

Loans from our institutional banking and corporate segment grew 17% year-on-year, posting a double-digit growth for the fifth consecutive year. Through our Institutional Banking Sector, we also implemented a strategy of offering interconnected products and services to meet our customers' financial needs.

Our consumer loans business is well anchored on our consumer banking arm, PNB Savings Bank (PNBSB). 2016 was another banner year for PNBSB as net income grew to Php335.3 million, double the Php167.2 million generated during the previous year. It also reported notable improvements in total loan portfolio which was up 64% to Php30.7 billion. To mark its presence in the consumer banking space, PNBSB introduced innovative and rate competitive products as well as launched aggressive promotions throughout the year. We also formed a partnership with technology firm, Voyager Innovations, Inc., making it easier for our customers to apply for loans through their personal devices.

BEYOND A CENTURY

PNB was founded in July 22, 1916 with the goal of supporting the country's agricultural industry. A hundred years later, PNB is now one of the largest private universal banks in the country offering financial services to all sectors of the economy. We commemorated our centennial anniversary with the theme, "A Century of Excellence", affirming PNB's heritage and stability.

In 2016, a new tagline for PNB, "You First", was born. The tagline strengthens the Bank's customer-centric service orientation by crafting personalized financial solutions that support our customers in reaching their goals. Having pioneered many industry innovations, the Bank is continuously introducing more banking "firsts" to benefit accountholders, specifically in the field of digital banking.

In closing, we extend our deepest gratitude to our valued customers who have remained our loyal partners through the years. We thank our employees for staying committed to our organizational goals. We are also grateful to our Board of Directors for their invaluable guidance.

As we move forward to the next hundred years, we continue to stay true to our commitment of serving You First.

Florencia G.Tarriela
Chairman

Reynaldo A. Maclang
President

PNB

A Century of Excellence
1916 - 2016

100-YEAR MILESTONES

1916. On July 22, 1916, Philippine National Bank formally opened its doors to the public. The event was hailed as "the beginning of a new financial life in the country". PNB served as the country's de facto Central Bank and was the issuer of Philippine currency notes from 1916 to 1949.

1966. On the commemoration of PNB's Golden Anniversary, the Bank took 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.

1970. PNB organized the Bank on Wheels and Bank on Wings programs that featured Philnabankers journeying to the province in Toyota Land Rovers and helicopters in an effort to promptly and ingeniously service the Bank's client-farmers. The Bank also made history as it launched the Masagana 99 Financing Program. The program provided loan assistance to more than 260,000 farmers across the country.

1980. In 1980, PNB became the first universal bank. PNB also embarked on a campaign that highlighted its pledge of being "the Bank that every Filipino can lean on". This was highlighted in the tagline: "Sa PNB, Para Kang Nakasandal Sa Pader!"

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


A First

PNB Launches 'Airborne Bank'

2005. In August 2005, the Government, as part of its privatization program, sold 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%.

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 was its rebranding initiative. The Bank's rejuvenated logo was introduced in the new branch signage which sports a fresh color palette that retained the original blue corporate color side by side with the new colors: silver and aquamarine.

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

2016. PNB commemorated its 100th Anniversary with the theme, "A Century of Excellence", signifying a meaningful milestone for an institution that has served generations of Filipinos here and abroad. As part of its rebranding strategy, PNB also launched its new tagline, "You First", which speaks of the Bank's renewed promise to always put its' customers first.

PNB

A Century of Excellence
1916 - 2016

CENTENNIAL HIGHLIGHTS

Centennial Torch Run

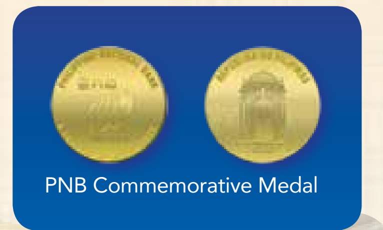
In anticipation of the PNBlympics, PNB employees nationwide simultaneously held PNB Torch Run events from February to July 2016. The torches were handed beforehand to 44 Area Heads who organized and monitored the torch run in their respective areas.

Centennial Flag-Raising Ceremony

PNB kicked off the celebration by raising the Centennial Flag last January 29, 2016. As PNB moved toward a century of excellence, it continued its legacy of giving its customers new "firsts."

Coffee Table Book Launch

PNB heralded its 100-year anniversary with its commemorative Coffee Table Book titled, "One Hundred Years of Service Excellence".



PNB Commemorative Medal

Unveiling of the Centennial Marker

PNB unveiled the centennial marker at the Bangko Sentral ng Pilipinas complex branch. The affair was graced by BSP Monetary Board (MB) Chairman and Governor Amando M. Tetangco, Jr.; MB members Felipe M. Medalla, Armando L. Suratos, Valentin A. Araneta, and Juan D. de Zuñiga, Jr.; Deputy Governors Nestor A. Espenilla, Jr. and Vicente C. Aquino; Managing Directors Augusto Lopez-Dee, Paterson Encabo, and Leny Silvestre; Consultants Teresita O. Hatta and Max Edralin; and PNB Directors and Senior Officers.

Centennial Sculpture

To commemorate its 100 years of existence, PNB proudly unveiled its Centennial Sculpture at the PNB Head Office.

Centennial Stamp and Medallion

Four winners were recognized in the Stamp Design Contest (from left): SVP & Head of Centennial Anniversary Committee Christian Jerome O. Dobles, Chairman Florencia G. Tarriela, Open Category winner Jerico Martinez, Student Category winner Jean Christian Tormes of Philippine Institute of Quezon City, Open Category winner Michael Montanez, Student Category Winner Kenneth Olivar of Culiat High School, Director Dr. Lucio C. Tan, Director Carmen K. Tan, PhilPost Asst. Postmaster General for Marketing Mr. Luis D. Carlos, and President Reynaldo A. Maclang.

PNB

A Century of Excellence
1916 - 2016

Turn of the Century Exhibit

Another centennial highlight was PNB Director Federico C. Pascual's "Limbag: Early Impressions of the Philippines" collection. The exhibit featured the country's eventful history through the creations of Filipino artists.

The Best of PNB

PNB celebrated its Centennial Anniversary with a series of activities that fostered unity and friendships among employees.

Living Museum

This Living Museum gave an experiential journey of PNB's past with actual artifacts from the Bank's collection. The museum was not just a showcase of artifacts but also a visual indulgence to visitors. These are pieces of history brought to the present and made known to generations beyond their time.

Salubong sa Sentenaryo

The Centennial Torch Run concluded during the Torch Parade at the Salubong sa Sentenaryo on July 21, 2016. A cheerdance competition was also held during the occasion.

PNBlympics

Employees from as far as Batanes to Jolo gathered at the Marikina Sports Center for the PNBlympics. The affair was a grand celebration of the Bank through sports and fun activities.

Grand Anniversary Dinner

Valued clients attended the PNB Grand Anniversary Dinner last July 19, 2016 at the Banking Hall of PNB Financial Center in Pasay City. It was a night of subdued elegance as the Bank's clients, VIPs, and guests gathered to celebrate the occasion.

Grand Homecoming

PNB retirees gathered for a homecoming party last July 15, 2016 at the Banking Hall of PNB Financial Center in Pasay City.

PNB

A Century of Excellence
1916 - 2016

You first.

Refreshed brand identity

PNB launched its latest advertising campaign to introduce the revitalized brand image of the Bank. "You First" articulates PNB's core message of putting the needs of its customers first.

You First launch

At the Chinese New Year Customer Appreciation Event, PNB welcomed the Year of the Fire Monkey with a toast last February 16, 2016. It was also at this event that "You First" campaign was launched.

New brand ambassadors

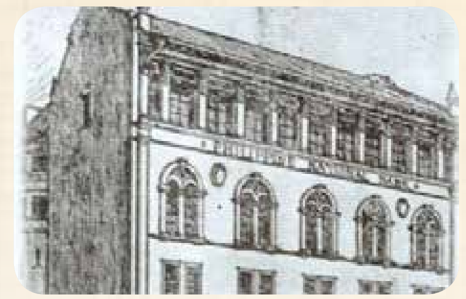
PNB launched its first TV commercial in 30 years, with celebrity couples Dingdong Dantes & Marian Rivera-Dantes and James Reid & Nadine Lustre as the newest members of the PNB family.

Centennial Countdown

In anticipation of its 100th year in the industry, PNB launched a social media campaign entitled, "100 Facts". From April to July 2016, PNB posted a fact per day about the institution, its employees, the products and services, and the awards it won.

Serving You First for the next hundred years

Transforming across generations since July 22, 1916, PNB officially turned 100 years old on July 22, 2016.



RETAIL BANKING SECTOR

A Century of Excellence
1916 - 2016

You first.

BRANCH BANKING GROUP

The Branch Banking Group delivered robust business results in 2016. Total deposits accelerated by 17.4% year-on-year to reach Php570.5 billion. Both low-cost and high-cost funds showed double-digit growth. Incremental volume targets were also surpassed by 15%.

The improved results reflected the Bank's strong franchise in branch banking which it continued to fortify through a wholistic approach in 2016. Its complete customer concept strategy, which dovetails with the Bank's "You First" campaign, guided the sales and service thrusts of PNB's 630 domestic branches. Efforts were focused on maximizing the value of each customer relationship.

A more disciplined sales process was put in place to facilitate acquisition of new-to-bank customers and deepen relationships with existing clients. Refreshed sales process templates and sales kits enhanced the productivity of branches and enabled higher penetration of their market base. Meanwhile, strong cross-selling of other products and services fulfilled clients' evolving banking needs.

Corporate accounts, likewise, were pursued using cash management solutions to establish relationships and further grow deposit base.

The Bank strengthened customer service delivery through continued skills training and values formation of frontliners, customer satisfaction surveys, system improvements, and process innovations. Employee engagement was also addressed through regular townhall meetings which resulted in the strong alignment of individual objectives with the organizational mission and business goals. Daily morning huddles at the branches helped reinforced staff knowledge on product offerings, process updates and commitment to key performance metrics.

Necessary preparations were completed during the year to make the branches ready for migration to the Bank's new core banking system in 2017. Hardware requirements were procured and deployed while systems training was in full-swing by year-end.

Having pioneered industry innovations for a century, PNB plans to introduce more banking "firsts" to benefit accountholders, specifically in the field of digital banking. With this, PNB held a soft launch of the Mobile Banking App. The app gives users one-touch access to their accounts, product alerts, and directions to branch locations as well as fast and seamless fund scheduling. The PNB Mobile Banking App also offers secure online banking as clients will receive a one-time password (OTP), email and/or SMS confirmations for their banking transactions. The app can now be downloaded for free via the App Store or Google Play.

PNB clients enjoyed greater convenience and accessibility with the relocation and upgrading of 70 branches nationwide. With this, almost 50% of PNB branches have been transformed into modernized banking hubs featuring the Bank's new branch look. The Bank ended 2016 with a total of 630 domestic branches. Meanwhile, ATM network expanded in both onsite and offsite locations by 10% to reach 1,000 units. All of PNB's ATMs are Europay/MasterCard/Visa (EMV)-compliant – the new global standard for credit, debit and prepaid cards – as the Bank upgraded most of its units to ensure the safety and protection of ATM users.

BRANCH BANKING GROUP PERFORMANCE 2016

630 TOTAL DOMESTIC BRANCHES

1,000 TOTAL ATM UNITS

GLOBAL FILIPINO BANKING GROUP

The remittance industry faced serious challenges in 2016. The entry of digital remittance companies is reshaping how the world does cross-border financial transactions. Key financial technology players are providing users with more convenience and accessibility using digital channels.

In spite of these major market disruptions, PNB's remittance business posted impressive results in 2016. Remittance volume handled increased by over 18%. Proactive marketing strategies implemented by the Global Filipino Banking Group drove business expansion. These include among others:

- Enhanced value proposition through the ATM Safe program, perks and discounts from partners Globe Telecommunications and Puregold Supermarket, and free trips to the Philippines in partnership with Philippine Airlines.
- Launch of new product offerings such as the PAL Book-and-Pay system and Beam-and-Go Bills Payment Partnership.
- Continued network expansion by forging new remittance partnerships and tie-ups locally and overseas. This included the onboarding of new cash payout partners Global Access, Globe GXI and Palawan Pawnshop.

Added benefits were introduced into PNB's Global Filipino Prepaid Remittance Card (GFC) to include the ATMSafe insurance product which provides cardholders free insurance coverage to replace lost money withdrawn from the ATM due to theft or fraud up to Php50,000. Other benefits include coverage for hospital confinement, document replacement, identity theft restoration, and emergency trauma assistance. Further, new cardholders were given a 90% discounted rate and unlimited calls for one month with Globe Telecommunications and free Puregold Perks Card which entitled them to discounts and other benefits with Puregold Supermarket. With these programs, GFC card enrollment rose by 40% year-on-year. Further, close to Php30 billion deposits were generated from remittance-receiving accounts in 2016.

New products were launched to provide payment convenience to overseas Filipinos. These included the PNB and Philippine Airlines Book-and-Pay Service which initially allowed customers in the USA to book online flights through PNB's Overseas Bills Payment System (OBPS). The OBPS also saw the addition of a new merchant, Beam & Go, which allows Filipinos to purchase goods online without the need for a credit card.

The number of cash payout centers were tripled with the addition of three new partner agents: Palawan Pawnshop, Globe GXI and Global Access. PNB remittance beneficiaries now enjoy the added convenience of claiming their funds from any of over 12,000 PNB branches and payout centers across the Philippines. PNB's other agent partners include M Lhuillier and Cebuana Lhuillier.

The Own-a-Philippine Home Loan (OPHL) program, meanwhile, achieved 100% of its target bookings, equivalent to Php418 million. OPHL is a product innovation of PNB which allows Filipinos residing in and working abroad an easy way to purchase residential real estate in the Philippines. Following the success of OPHL in the US, Japan and Singapore, the service was launched in Hong Kong in January 2016. Strong performances were particularly delivered by the North America and Asia units during the year.

The migration of Singapore and Japan's remittance platform to the Bank's more robust web-based proprietary remittance platform was started during the year to give users more accessibility, customization, increased security, and improved interoperability.

In celebration of its Centennial year celebration, PNB also ran several promotional campaigns for its remittance customers. In collaboration with Philippine Airlines, 50 trips to the Philippines were raffled off electronically for clients in Hong Kong, Singapore and the Middle East. In addition, the "Choose Your US $50 Gift Card" promotion gave new customers of PNB Web Remit or Phone Remit sending a minimum of US $200 to the Philippines for at least three times, a free US $50 card from Amazon, Starbucks or Wal-Mart. This ran from March 15 to July 15, 2016.

In recognition of its strong remittance franchise, PNB was awarded for the "Best Remittance Product in the Philippines" at The Asian Banker Country Awards. The prestigious awards, held last October 7, 2016, recognized PNB's sustained efforts to address the banking and remittance needs of Filipinos worldwide. At the end of 2016, PNB's international presence remained unmatched among private domestic banks with its global footprint of 73 overseas branches, representative offices, remittance centers, and subsidiaries in key cities in the United States, Canada, Europe, the Middle East, and Asia.

GLOBAL FILIPINO BANKING GROUP PERFORMANCE 2016

73 OVERSEAS BRANCHES AND OFFICES

18% REMITTANCE VOLUME GROWTH

RETAIL BANKING SECTOR

CARDS BANKING SOLUTIONS GROUP

The Cards Banking Solutions Group (CBSG) drove PNB's cards business to another profitable year in 2016. Key performance indicators surpassed previous year's record, registering a 19% increase in billings and a 31% increase in credit card receivables. Gross revenues also improved by 19%.

The group sustained its thematic campaign, "Fulfilling Life's Promises", which utilized emotional appeal in highlighting the various benefits of using PNB Credit Cards as a payment tool. The said campaign was featured in targeted mainstream television and cable channels. It was also heavily advertised in cinemas, print and strategic out-of-home sites. This initiative increased awareness and created stronger visibility for the brand. To improve business volume, the group implemented major installment promos with competitive rates, fostered new merchant tie-ups and launched usage campaigns throughout the year. The group also applied a new loyalty system which allowed immediate earning and posting of rewards points. To ensure that the awarding of rewards points was cost effective, a reward capping system on very select merchants was implemented.

It is also worth noting that the group completed the card personalization EMV certifications for MasterCard, Visa, and UnionPay and replaced the old "magnetic strip cards" with the more secure EMV dual interface credit cards.

Moreover, new system enhancements were rolled out during the year. The group successfully introduced the following: (1) "One-Time Password" to enhance security for cardholders and decrease fraud losses; (2) On-Behalf Service 3 (OBS3) M/Chip Cryptogram Validation in Stand-In Processing (STIP) which provides additional validation for STIP transactions and; (3) Collection System enhancements for improved automatic queuing of delinquent accounts for more efficient handling.

All these accomplishments further strengthened the fundamentals of PNB's card business in the years to come.

CARDS BANKING SOLUTIONS GROUP PERFORMANCE 2016

19% INCREASE IN BILLINGS

31% INCREASE IN CREDIT CARD RECEIVABLES

PINNACLE PRIORITY BANKING DIVISION

The Pinnacle Priority Banking, which is tasked with wealth management services, was created in 2016. It aims to be the top choice for wealth management and financial service needs of high-net worth clients in the Philippines. This goal will be achieved by providing best-in-class products and delivering complete and efficient wealth management services to the Bank's high net-worth clients.

2016 was a successful year for Pinnacle as it generated 62 new-to-bank clients and Php1.3 billion in fresh funds. Being in the organizational set-up stage, the team also focused on completing its manpower complement and designing its banking hubs for launch in 2017.

The plan for 2017 is to open five Pinnacle Priority Banking hubs in key areas of wealth, namely: Makati, Binondo, Ortigas, Cebu and Davao with a full complement of seasoned Relationship Managers. To enhance market visibility and create value for its clientele, products tailor-fit for the high-net worth segment and which are not offered by any other wealth management service providers will be highly prioritized by Pinnacle.

Moving forward, the division is expected to contribute significantly to the Bank's financial objectives with its focus on growing assets under management, infrastructure, and manpower development.

PINNACLE PRIORITY BANKING DIVISION PERFORMANCE 2016

P1.3 BILLION FRESH FUNDS

62 NEW-TO-BANK CLIENTS

INSTITUTIONAL BANKING SECTOR

A Century of Excellence
1916 - 2016

You first.

The Institutional Banking Sector recorded its fifth straight year of double-digit growth, successfully ending 2016 with a total loan portfolio of Php346.8 billion, posting 17% growth from the previous year. On the other hand, loan ADB yielded a 17% increase, within the target, and ending the year at Php309.7 billion.

Corporate banking continued to post strong growth, recording a 15% increment over 2015. The sector further strengthened its foothold in the middle market segment, realizing a 25% build-up in loan portfolio, which was underscored by a 37% year-end growth gained from countryside lending. Noteworthy to mention are the remarkable performances of Southern Luzon and Mindanao Business Centers with 55% and 44% growth, respectively.

The sector made organizational improvements to achieve business growth objectives. One of these was the Deal Execution Team (DET) formed in 2015 to enhance middle market structuring capabilities. Since its inception, DET contributed Php41 billion in approved facilities to the portfolio ended 2016 with an outstanding balance of Php18 billion.

During the year, the sector implemented a strategy of offering interconnected products and services to meet the customers' financial needs, with mobile banking as the backbone of delivery systems. Anchored on long-standing institutional relationships, value chain banking solutions were re-formulated to expand reach to micro, small and medium enterprises (MSMEs), and agricultural and unbanked sectors. The initiative resulted in five approved credit programs, integrated cash management solutions, and development of strategic partnerships. The sector is geared to complete the implementation of the initiative in 2017.

Moving forward, the Institutional Banking Sector will continue to build its portfolio and identify more strategic corporate clients, while increasing focus on small and medium scale lending and agricultural value chain financing.

TREASURY SECTOR

The year presented itself with headwinds in the financial markets primarily brought about by external factors that marked the continued uncertainty in the global economy. PNB continued to focus on monetary policy pronouncements and actions from America, a catalyst to the movements in the world of interest rates and foreign exchange. The uncertainty was coupled with the exit of Britain from the Euro community and the high probability of changes in global trade activities. This point towards trade protectionism, a 180-degree turn from ensuing globalization theme, which may create further volatility in the balance of businesses in the world including Asia, as strongly signaled by the West.

Treasury Sector proactively faced the challenges of the volatile market and was able to deliver a remarkable return on its trading activities, surpassing trading gains of 2015 levels by more than 100%. Further, despite the tighter competition brought about by the increase in market share of financial technology-driven firms in terms of conversion of foreign exchange, the Bank was able to post a healthy gain in its foreign exchange buying and selling activities. The success was due to a strengthening of focus on retail and commercial segments through the Bank's branch banking network.

The sector continued to divest itself of long-term bonds with the objective of decreasing the duration of the investment books. Further increased diversification of the investment holdings into USD-denominated fixed income securities of other sovereign credits and corporate accounts domiciled outside the Philippines without compromising highly acceptable credit quality. The sector was able to meet the interest income challenge for the year despite thinning spreads and decrease in duration.

As part of the liability management exercise, the Bank continued to take advantage of the high liquidity in the markets by further tapping medium- to long- term funds via the repurchase contracts that it entered into. The latest long-term funding exercise was the issuance of the peso-denominated Long-Term Negotiable Certificates of Deposits (LTNCD) for a tenor of 5.5 years which was oversubscribed by more than 70% from initial announcement of the issue size. The distribution and relationship of the branches with the retail investors proved to be very strong.

The Bank continued to position its deposit liability pricing at the lower end of peer competitors. This contributed to maintaining the low composite funding cost of the Bank. The successful build-up of low-cost deposits (CASA) by the Branch Banking Group contributed to the maintenance of net interest margin of the Bank despite the downward pressure on lending rates for the year.

In the distribution business of treasury-related products, the Bank, as a response to the development of the capital markets, participated in the selling of fixed income securities issued by corporations that were raising medium- to long- term peso-denominated bonds and increasing penetration in the buying and selling of foreign exchange amongst its corporate and retail clients. Sales are done through the wide branching network of the Bank. The transactional fees derived from such activities improved further fee-based income which was a positive development as part of the core earnings of the Bank.

CONSUMER FINANCE GROUP/PNB SAVINGS BANK

A Century of Excellence
1916 - 2016

You first.

2016 marked the second year of operations of PNB Savings Bank (PNBSB), formed through the consolidation of Allied Savings Bank and PNB Consumer Finance Group in 2014. PNBSB continued to be one of the major market players in the thrift banking industry in 2016 as net income grew to Php335.3 million, double the Php167.2 million posted in 2015. Total loan portfolio expanded to Php30.7 billion, up 64% than the previous year.

To better serve the needs of its diverse client base, PNBSB formed a strategic partnership with technology firm, Voyager Innovations, Inc. The new alliance automates end-to-end SSS pension loans and salary loan process. With this innovation, SSS pensioners and salary loan customers may opt to conveniently apply for loans via their mobile phones or laptops instead of visiting the branch.

PNBSB rolled out several campaigns to spur loan availments. The bank introduced the PNB Smart Home Insurance and the PNB Smart Auto Insurance, both offering light and easy insurance payments combined with monthly home loan or auto loan amortizations. These products allow customers to enjoy their home or car with added security at a minimal cost without having to worry about large annual premium payments. Meanwhile, the PNB Smart Auto Upgrade Loan allows clients to manage cash flow and at the same time, invest in a higher car model.

Various marketing initiatives were likewise introduced to help propel the loan and deposit growth of PNBSB. In celebration of PNB's centennial anniversary, PNBSB granted a 1% rebate for home loan borrowers while a free one-year insurance coverage was given to car loan availers. A raffle promo dubbed as, "SSS Pensyonado Panalo", was likewise launched for SSS loan availers. A total of 100 SSS pensioners won Php10,000 each.

For product innovation, the Bank's SSS Pension Loan Program won the "New Consumer Lending Product of the Year Award" from the Asian Banking and Finance 2016 Retail Banking Awards. The program gives pensioners a chance to make the most out of their pensions for a significantly lower cost. PNBSB was also recognized by the Social Security System as the "Best Collecting Thrift Bank". The award is given to financial institutions that have the biggest volume of transactions and widest coverage.

To date, PNBSB has 45 branches strategically located across Metro Manila and in regional growth areas. Moving forward, PNBSB plans to expand its network of branches and regional offices to cater to more clients nationwide.

CONSUMER FINANCE GROUP/PNB SAVINGS BANK PERFORMANCE 2016

P335.3 MILLION NET INCOME

P30.7 BILLION TOTAL LOAN PORTFOLIO

45 TOTAL DOMESTIC BRANCHES

OPERATIONAL HIGHLIGHTS

CREDIT MANAGEMENT GROUP

A Century of Excellence
1916 - 2016

you first.

The Credit Management Group consistently provided vital support in driving the Bank's business objectives while ensuring sound credit underwriting standards. Following the alignment with the Bangko Sentral ng Pilipinas' (BSP) Circular 855 in strengthening the Bank's credit risk management, the Group assessed the results and used these as inputs to address certain gaps noted by the BSP.

The group likewise undertook process improvements especially in the areas of: (1) financial spreading and risk rating tools; (2) property appraisal methodology and reports; and (3) credit investigation process. To provide timely support to business groups, the group launched the Mobile Appraisal, a web-based application providing a hassle-free way of requesting for appraisal and tracking the status of accounts, from point of request to approval, with alerts and prompts at every stage.

As guardians of credit, the group has provided updated and timely tools and credit processes to ensure that underwriting activities follow sound credit management principles. Internal and external trainings were also undertaken by credit managers. Furthermore, the group worked closely with business units in assessing adequacy of loan loss provisioning. All these efforts contributed to the improvement of the Bank's asset quality ratios.

TRUST BANKING GROUP

TRUST BANKING GROUP PERFORMANCE 2016

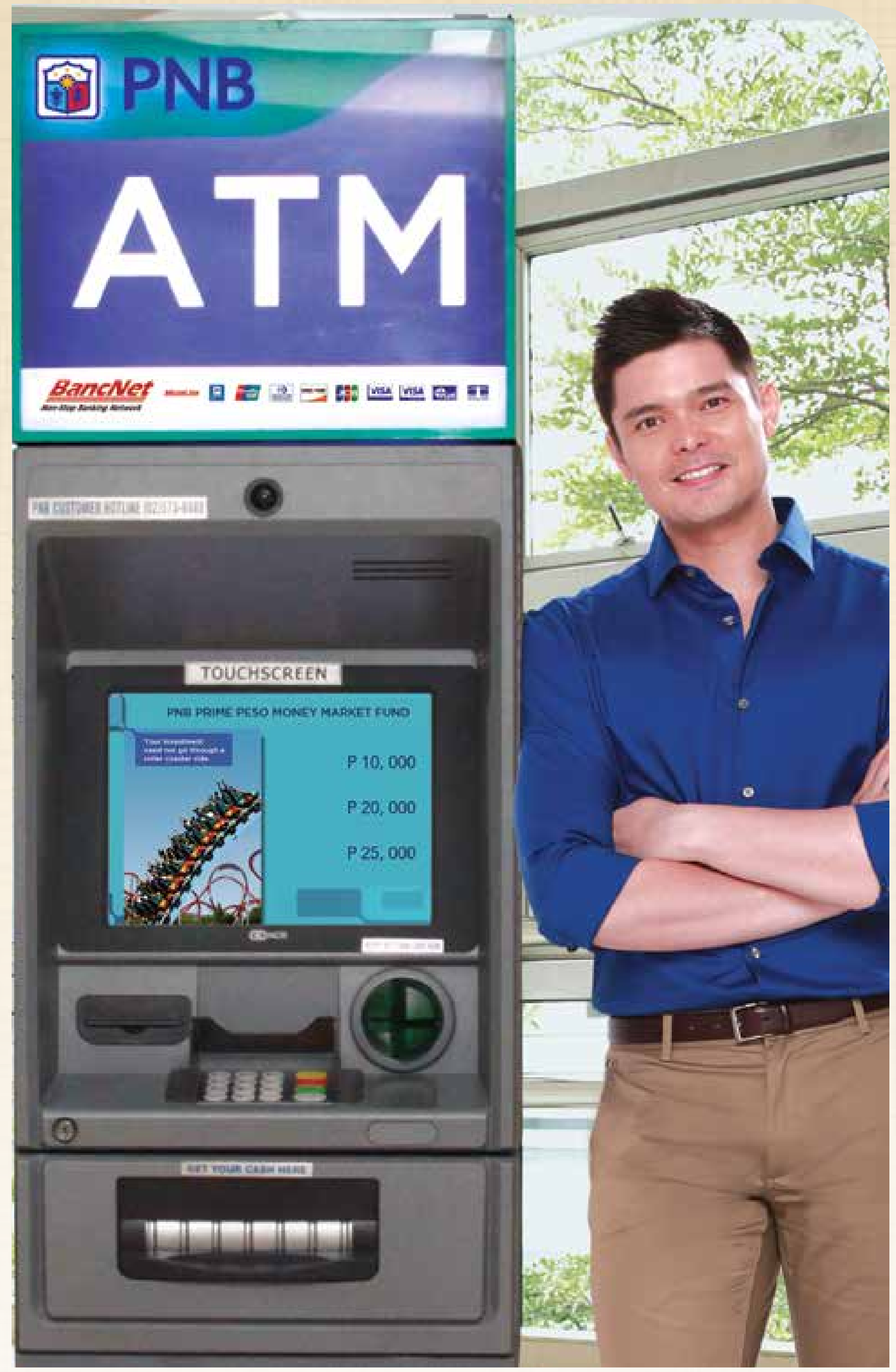
P75.2 BILLION ASSETS UNDER MANAGEMENT

22% INCREASE IN INCOME

The Trust Banking Group concluded 2016 with Php75.2 billion in assets under management and gross revenues at Php312 million. During the year, it endeavored to install, test, and ensure desired functionalities of the new front-to-end trust banking system. It likewise further strengthened client protection by enhancing its over-all operational efficiency ensuring these were compliant with current regulatory requirements. At the same time, it was able to grow the business through innovation, creativity, product enhancements, and consistent client servicing and sales efforts.

The group registered remarkable revenue growth in various areas of business. Revenues from corporate, other fiduciary, and portfolio management each increased by 68%, 55%, and 32%, contributing Php60.8 million, Php64.6 million, and Php18.5 million respectively.

PNB Unit Investment Trust Funds (UITFs) registered a volume of Php23 billion. This performance underscored the consistent return-on-investment (ROI) of the funds, of which there are 12 variants. The Bank's peso-denominated money market funds, particularly the PNB Global Filipino Peso Money Market Fund, remained among the top three highest performing UITFs in the industry. The group launched another first in the country with the new UITF ATM facility which enables clients to invest their money easily through PNB ATMs nationwide. A full campaign rollout was held during the year, with PNB using print advertisement, social media, and in-branch posters as marketing channels for the product.



SPECIAL ASSETS MANAGEMENT GROUP

A Century of Excellence
1916 - 2016

In 2016, the Special Assets Management Group successfully disposed of 1,332 properties. Net profit reached Php2.5 billion, up 57% year-on-year.

The group significantly reduced the level of Real and Other Properties Acquired (ROPA) by at least 50% in the last three years. Total disposals amounted to Php10.6 billion, 51.77% of the portfolio in 2014.

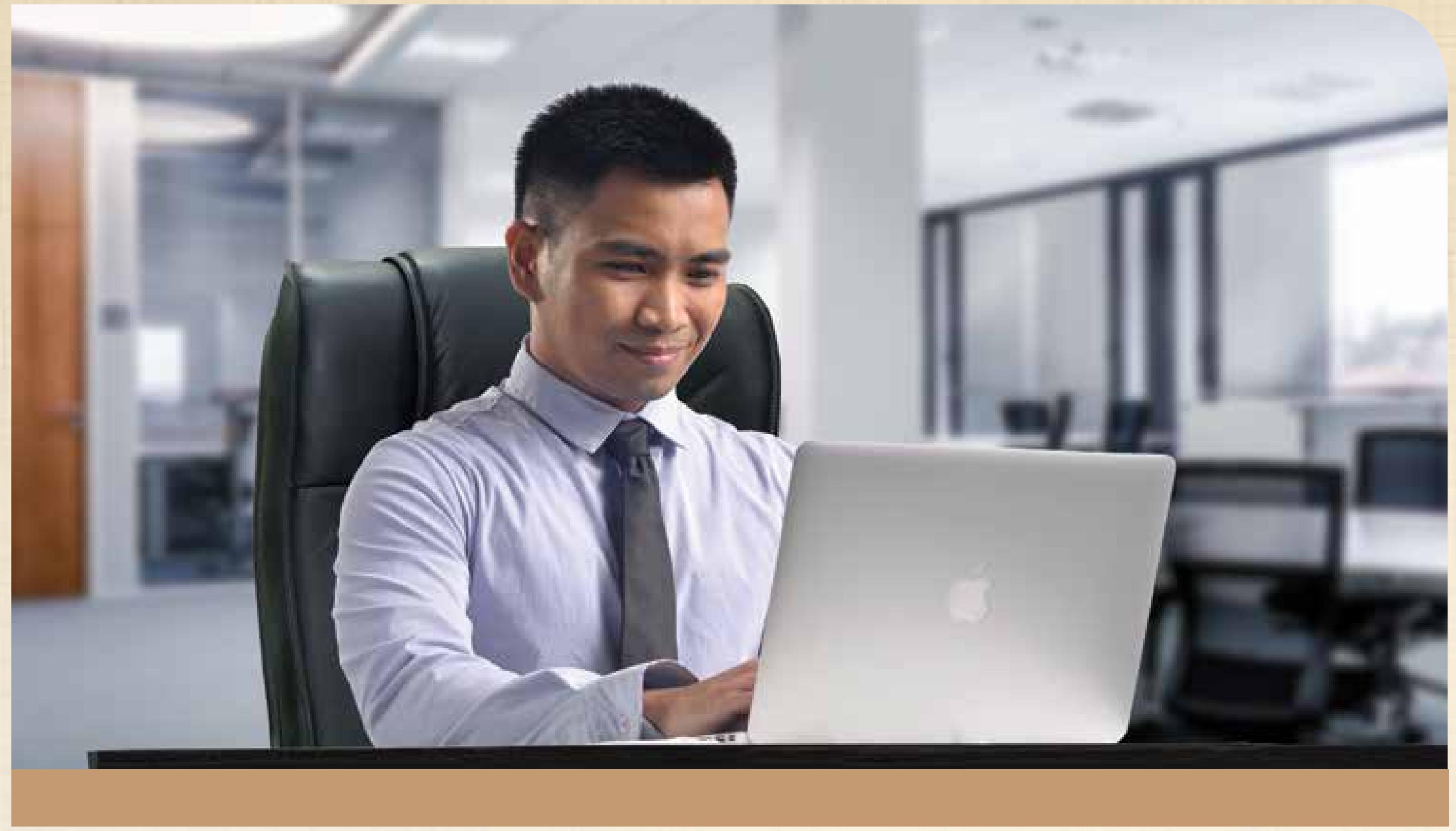
In its entirety, the group realized a total gross income of Php3.0 billion from its asset sales, installment sale interest income, rental income, and miscellaneous income.

PNB fervently supports the government's Community Mortgage Program which enables land acquisition by the occupying community association under the concept of community ownership. Through the Bank's initiative, 491 families of the Kamama Homeowners Association in Quezon City benefitted from the program. A similar program also benefitted 399 families of the Bolonshire Fresh Ville Livelihood Association in Cagayan de Oro City.

The group continued to rely on the unique capabilities of its human resources, its vast marketing network, and well-laid plans and strategies in dealing with challenges of asset management and disposal. Furthermore, the group remained responsive and flexible to the changing trends, needs, and demands in the real estate industry, necessary to recognize income avenues, opportunities, and market potentials.

On top of its regular functions, the group was a participant in the Bank's Centennial celebrations. The group efficiently managed a successful Centennial Torch Run and PNBlympics last July 2016. With all the significant milestones, 2016 was a banner year for Special Assets Management Group.

REMEDIAL MANAGEMENT GROUP



Remedial Management Group, with enhanced early detection procedures for loan accounts showing signs of credit distress, effectively stabilized net non-performing loans (NPL) level to Php701 million or 0.18% net NPL ratio, which is better than the industry average of 0.48%.Cooperative efficiency and timely resolution of problem credits were reached when the group was made a component part of the Institutional Banking Sector. The set-up enabled for less complicated corrective intervention for problem credits.

The group employed several viable and effective strategies during the year: (1) timely employment of alternative business solutions for accounts whose cash flow difficulties are transitory; and (2) realistic compromise settlements instead of expensive litigation. The continued growth and resiliency of the country's economy limited the number of distressed loan accounts except for those located in areas affected by natural calamities.

The group reduced its total booked portfolio by Php2 billion through negotiated settlements and other collection and reduction initiatives. Consequently, net NPL ratio declined substantially from 0.25% the previous year to 0.18% as of end-2016. NPL coverage improved from 126% in 2015 to 133% in 2016.

HUMAN RESOURCES GROUP

A Century of Excellence
1916 - 2016

You first.

Strengthening PNB's stature as an organization that nurtures talent, rewards performance, and values innovation and commitment was the strategic focus of PNB's people management and development programs for 2016. The Bank's Human Resources Group aggressively pursued a comprehensive array of programs and initiatives aimed at sustaining the value of excellence across various HR functional areas while effectively responding to new business requirements and challenges.

To become more competitive in hiring, PNB put in place a new competency-based and technology-enabled infrastructure to attract, manage, develop, and retain talent. PNB strengthened its presence in social media and actively partnered with various online sourcing platforms to attract key talents as it continued to collaborate with various academic and professional institutions. The Bank likewise shifted to web-based testing and selection processes to speed up processing time, built new facilities to enhance overall candidate experience, and put in place competency-based one-stop processes for candidate selection.

In 2016, 85 high potential officers were accepted into the PNB Talent Pool after completing a rigorous review process which involved an onsite assessment and development center. These officers are pursuing fast-tracked individual development plans to make them competent senior officers within an identified time frame. Career mobility in the Bank remained fast as 1,453 employees received promotions in rank for the year, translating to an overall promotion rate of 17%. Meanwhile, the Bank's attrition rate remained low at 8% and continued to be below industry benchmarks.

More employees availed of learning and development opportunities. A total of 17,035 training seats for 608 runs of 184 core training programs were made available throughout the year. Average training hours per employee reached an all-time high of 44.33 hours.In addition, 246 employees successfully hurdled the Bank's officer development programs, including 72 new high-potential fresh graduates who comprised the new batch of PNB Junior Executive Development Institute or JEDI trainees.

Programs designed to improve overall employee engagement were revitalized. These included the Bank's Scholarship Program for eligible children of qualified employees in partnership with the Tan Yan Kee Foundation, employee wellness programs, participation in corporate social responsibility programs, and improved turnaround time in the delivery of various employee programs and services. To strengthen a culture of performance, six employees were recognized for individual service excellence while another 198, belonging to 18 teams, were cited for admirable contributions through exemplary teamwork in the PNB quarterly Service Excellence Awards.

To ensure operational efficiency through effective supervision, the Bank revisited its organizational structure, which resulted in the creation of a new work group level officially named as a Sector. Consequently, the number of offices reporting directly to the Office of the President was significantly reduced to six sectors and two groups, namely: Treasury Sector, Retail Banking Sector, Institutional Banking Sector, Enterprise Services Sector, Operational and IT Support Sector, Financial Management Sector, Human Resources Group, and Marketing and Product Development Group.

To cap a fruitful year off, PNB was honored with a certificate of achievement by the Department of Labor and Employment for its unwavering commitment to labor and occupational safety standards. The recognition, which was issued on the occasion of the Bank's Centennial celebrations, marked a first in the industry and validated the Bank's prominence as an employer of value.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Throughout the years, PNB has played an active role in nation-building through its Corporate Social Responsibility (CSR) initiatives. In 2016, the Bank continued to reach out to communities through social philanthropic activities focusing on education, youth development, and environmental protection.

Encouraging Employee Volunteerism

PNB branches and other interest groups nationwide actively participated in various CSR activities by providing support 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), was the Piso-Piso Cada Linggo, a voluntary fund drive to support the Sisters of Mary Banneux, a religious congregation that establishes boystowns and girlstowns which serve as boarding schools for deserving students coming from less fortunate families. The program aimed to support the secondary and vocational education of children coming from the poorest families all over the country. From donations raised from the Bank's 630 branches and various groups under BBG, a check worth Php500,000 was handed over to the Sisters of Mary Banneux last December 2016. The donation helped sustain the education of more than a hundred scholars.

Heeding the call to serve, PNB Pototan Branch employees held their own outreach at Barangay Bucari in Leon, Iloilo. By sharing their time and energy, the volunteers helped preserved the environment by providing 1,000 hard wood and fruit bearing seedlings to the community. The team also donated packed goods to around 200 families and gave free haircuts for 100 kids and adults in partnership with the Philippine Army and the local government.

More PNB branches initiated their own outreach projects for the elderly and unfortunate children. Through the Maasin Philnabankers' Multi-Purpose Cooperative annual outreach program, employee volunteers from the PNB Maasin Branch distributed food and gift packs to 70 students of Maasin City SPED Center with disabilities and special needs. Meanwhile, North Metro Cebu branches joined hands in reaching out to the elderly of Ibo, Lapu Lapu City, an impoverished community. In Mindanao, the South Western Mindanao Area held a gift-giving party for the beneficiaries of the Akay-Kalinga Centre in Zamboanga City, a non-government organization that helps street children. PNB Basilan-Isabela Strong Boulevard Branch also organized a Christmas party for the sick children in Basilan General Hospital – Pediatrics Unit.

PNB continued its Pagtutulungan ng Bayan, a volunteer CSR initiative of the Bank's employees. Through this program, employees were able to raise funds for indigents, victims of calamities and other emergencies, and to support various employee-driven CSR projects.

Empowering the Youth

In support of the Bangko Sentral ng Pilipinas' (BSP) thrust to instill financial discipline and to involve the banking industry in teaching basic financial knowledge, PNB and ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI) jointly engaged in a financial literacy program entitled, "Young and Empowered Students for the Philippines" or YESPh. The YESPh Financial Literacy Program seeks to educate and promote the importance of saving, budgeting, and wise money management among the youth. Being a pilot project, the YESPh was cascaded to at least 40 schools nationwide from December 2015 to March 2016. Through the collaborative efforts of PNB and the BSP, YESPh was able to reach an audience of over 10,700 students.

PNB also supports the BSP's Project BRO (BSP Reaches Out), a campaign that encourages children to open a bank account and learn the merits of "saving early, saving in banks, and spending wisely."
The Bank likewise continued its mission to inspire hope for a brighter future among students nationwide through the Books Across The Seas (BATS) Project. This ongoing program aims to provide tools for learning through book donations to public schools and libraries.

PNB, through its Global Filipino Banking Group, conducted free financial literacy seminars for the benefit of our Overseas Filipino Workers. These included the following: (1) "Planning for your Retirement" last July 9, 2016 at Lucky Plaza, Singapore; (2) Seminar for BPI-ASKI Financial Education Participants last July 14, 2016 at Lucky Plaza, Singapore; (3) "Building Filipino Wealth" last October 19, 2016 at National University of Singapore; (4) "Capability Building & Convergence" for OFWs last December 2, 2016 at Zamboanga City; and (5) Financial Literacy Talk during the OWWA OFW Family Day last December 8, 2016 at the City Coliseum, Tetuan, Zamboanga City.

Protecting Natural Resources

Committed to the cause of environmental preservation, Southern Luzon 3 Branches participated in the Marian Fluvial Procession in Laguna de Bay to show solidarity with the Ministry of Ecology of the Diocese of San Pablo City's run and relief activity dubbed as Lakbay-Lawa Kaisa ni Maria. The activity highlighted the need for the protection of Laguna de Bay. The branches also provided food and drinks to the participants.

TAKING STEPS TOWARDS SUSTAINABILITY

PNB introduced bank-wide projects to reduce its carbon footprint, which include:

- ✓ Reducing power consumption by using LED lighting for and upgrading equipment at the head office and branches
- ✓ Utilizing more ozone-friendly and energy-efficient cooling equipment
- ✓ Using high-energy efficient inverter air-conditioning units
- ✓ Improving waste management through proper waste segregation
- ✓ Holding the annual tree-planting program, usually held during the Bank's anniversary
- ✓ Participating in the annual Earth Hour, a global event where non-essential electric usage is turned off to support strategies in solving climate change

AWARDS AND RECOGNITION

2016

Silver Anvil for the You First Campaign

PNB was awarded with a Silver Anvil award for its "You First Campaign". Following the merger of PNB and Allied Banking Corporation in 2013, a need was seen for PNB to revitalize the Bank's image. The rebranding campaign aims to change the public's perception of the Bank from that of a government institution to that of a strong private bank that shows dynamism while providing stability and accessibility.

Gold Anvil for the Coffee Table Book – PNB: One Hundred Years of Service Excellence

PNB was honored with the prestigious Gold Anvil award for its coffee table book entitled, "PNB: One Hundred Years of Service Excellence". PNB's centennial commemorative coffee table book chronicles PNB's historic rise from a small bank on Escolta in 1916 to the financial institution that it is today.

One Hundred Years of Service Excellence captures in 300 pages 100 eventful years of PNB's history supported by photos and images encapsulating milestone moments in the Bank's and the nation's intertwined journeys through history. The book highlights the Bank's achievements as a financial organization as well as its many successful programs to uplift the life of the Filipino.

Best OFW Collection Partner

PNB was cited as the Best OFW Collection Partner in the 2016 Social Security System (SSS) Balikat ng Bayan Awards. The distinction is awarded to financial institutions that are consistently among the top with the highest collections, have the biggest volume of transactions, and widest coverage. PNB Savings Bank was also recognized as Best Collection Partner – Thrift Bank.

AWARDS AND RECOGNITION

Best Paying Commercial Bank

PNB was likewise recognized as Best Paying Commercial Bank by the SSS for achieving the largest amount of benefits disbursed to members and pensioners and for actively participating in SSS thru-the-bank payment program.

International Citations for Bank on Wheels

To address financial inclusion in the country, PNB introduces an all-new and revamped Bank on Wheels for Filipinos. For this innovation, the PNB Bank on Wheels was recognized by three (3) international award-giving bodies: (1) the Most Innovative Banking Service – Philippines 2016 award from the Global Business Outlook Awards; (2) the Most Innovative Bank, Philippines 2016 award from International Finance Magazine Awards; and (3) the Most Innovative Banking Product Philippines 2016 from the Global Banking and Finance Review Awards.

New Consumer Lending Product of the Year

PNB received the New Consumer Lending Product of the Year award for its SSS Pension Loan Program in the Asian Banking and Finance Retail Banking Awards 2016. The PNB SSS Pension Loan Program was initially introduced to the public last May 2015, in partnership with the Social Security System (SSS). This product innovation seeks to provide SSS pensioners a convenient and reasonable credit facility to aid their financial needs.

Best Remittance Product in the Philippines

PNB received the award for Best Remittance Product in the Philippines at The Asian Banker Philippine Country Awards for the second time around. The prestigious award recognizes PNB's continued efforts in addressing the diverse banking needs of Filipinos around the world.

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.

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

AWARDS AND RECOGNITION

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 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 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.

A CENTURY OF EXCELLENCE

Since its beginning as the de facto Central Bank of the Philippines in 1916, PNB has always been the bank of the Filipino. Backed by a history of stability and transformation, PNB celebrates a century of excellence and looks forward to serving the customers first for the next 100 years.

A Century of Excellence
1916 - 2016

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 COMMITTEE CHAIRPERSON

FLORENCIA G. TARRIELA
CHAIRPERSON

The Bank, as a publicly listed company, has established a corporate governance framework in accordance with global standards and best practices. Through the years, the bank has sustained measures towards building a stronger corporate governance framework with its principles aligned with the evolving global changes. The Board of Directors believes that corporate governance is a dynamic concept founded on rules, systems and processes.

The Bank's corporate governance framework incorporates the functions, duties and responsibilities of the Board and Management to the stockholders and other stakeholders towards the promotion of a bigger, stronger, and better corporate governance culture. It takes into account the context and recommended practices of the ASEAN Corporate Governance Scorecard (ACGS). The framework strives to raise the bank's corporate governance standards to a level that is at par with global standards and to make a significant contribution to the development of Philippine capital markets.

The PNB Board of Directors, Management and staff 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. This is achieved through fair dealings with its clients, investors, stockholders, the communities affected by its activities and various public; 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 also follows a philosophy of rational check and balances as well as a structured approach to its business operations.

The bank has a Corporate Governance Committee that also acts as the Nomination and Remuneration Committee which was created to assist the Board of Directors in fulfilling its corporate governance responsibilities and ensure the Board's effectiveness in discharging its mandate.

The Corporate Governance/Nomination/Remuneration Committee is composed of five (5) members of the Board of Directors, with four (4) Independent Directors and the President. The Chairman of the committee is an Independent Director.

The Committee has the authority to give the Board of Directors a larger role in establishing strategic objective; setting and enforcing clear lines of responsibility; and ensuring that Board members are qualified for their positions. It also ensures that the Board has a clear understanding of their role in corporate governance and is not subject to undue influence from Management or outside concerns; effectively utilizes the work conducted by internal and external auditors.

As the Nomination and Remuneration Committee, it ensures that compensation approaches are consistent with the Bank's ethical values, objectives, strategy and control environment. The Committee pre-screens and shortlists all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications. It determines whether the nominees are fit and proper and qualified to be elected as member of the Board. It establishes a formal and transparent procedure for developing a policy on remuneration and for fixing the remuneration package of directors and corporate officers; and provides oversight on remuneration of Senior Management and other key personnel ensuring that compensation is consistent with the Bank's culture, financial capacity, and business strategy and control environment.

The Bank recognizes and believes the benefits of diversity in the Board of Directors on account of age, gender, nationality or race, cultural background, education, professional experience, skills, knowledge, length of service and other regulatory requirements. The Board is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations with highest level of integrity, decade of experience and technical expertise in banking and finance. Furthermore, it is composed of individuals with distinct finance, marketing, audit, risk and legal competencies as well as business leaders with extensive knowledge and experience in different industries such as real estate, fast moving consumer goods and airline industry. This broad and collective range of expertise provides value in strengthening, sustaining and upholding good corporate governance practices of the Bank.

The Bank's Board of Directors consists of former Bank presidents and well respected finance professionals (Mr. Florido P. Casuela, Mr. Leonilo G. Coronel, Mr. Federico C. Pascual, Mr. Edgar A. Cua and Mr. Reynaldo A. Maclang); experienced regulator who represented the country with the IMF and World Bank (Mr. Felix Enrico R. Alfiler); an esteemed accounting and management consulting guru (Mr. Washington Z. SyCip); a renowned leader in the business community (Mr. Lucio C. Tan); one of the best legal minds in the Philippines (Mr. Estelito P. Mendoza); well-known consumer marketing experts (Mr. Cecilio K. Pedro and Mr. Christopher J. Nelson); and business leaders with extensive knowledge and experience in different industries such as real estate, fast moving consumer goods, and airline industry (Ms. Carmen K. Tan, Messers Lucio K. Tan, Jr. and Michael G. Tan).

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. Through the Corporate Governance Committee, the PNB Board and the respective Board of its subsidiaries and affiliates continue to strengthen the corporate governance policies and practices by adopting consistency in the corporate governance framework across PNB Group.

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 updated regularly with new laws and regulations; and generally conform to evolving international 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, primarily the Members of the Board, the Chief Compliance Officer, the Chief Risk Officer, the Corporate Secretary, and, Internal and External Auditors. There are also independent Board Committees namely the Board Audit & Compliance Committee, Board Risk Oversight Committee, Corporate Governance/ Nomination/Remuneration Committee and the Board Oversight Related Party Transaction (RPT) Committee with the Independent Directors, as Chairman of said committees. These independent Committees are held responsible for the monitoring and controlling of the business risks.

To sustain good corporate governance, the Board of Directors appointed the Chief Compliance Officer as the Corporate Governance Executive tasked to assist the Corporate Governance/ Nomination/Remuneration Committee and the Board 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 include the Board Executive Committee, the Corporate Governance/Nomination/Remuneration Committee, Board Oversight RPT Committee; Board Audit and Compliance Committee; Risk Oversight Committee; Board 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 the 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.

In 2016, with the objective that the Bank's corporate governance ensures sustainability with the global standards and best practices, the Bank engaged the services of the Institute Corporate Directors, to evaluate the strengths and weaknesses of PNB Group vs. the ASEAN Corporate Governance Scorecard (ACGS) standards. The engagement helped the Bank in the formulation of new policies towards improving both corporate governance and management practices.

The Bank continues to fervently pursue Corporate Social Responsibility (CSR) initiatives by giving back to the community and creating value for all stakeholders. PNB Group, as member of the Lucio Tan Group of Companies, believes its corporate social responsibility is a commitment that begins with the exercise of sound and fair corporate practices. This ensures that its entire business is conducted in accordance with rigorous professional, ethical, regulatory and legal standards. As such the PNB Group has sustained that corporate social responsibility is a commitment that is shared by everyone in the group.

PNB undertook initiatives to promote sustainability as part of being a responsible corporate citizen through a three-pronged CSR framework:

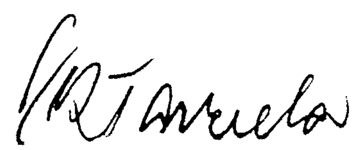
1. Philanthropic Activities: PNB shall undertake various community/ social and philanthropic activities to uplift the lives of the Filipino people by giving donations to selected charities, communities, schools, etc., for various projects on infrastructure improvement and social development including critical assistance in times of calamities and disasters;

2. Education: Empowering the youth and other identified sectors of Philippine society through education and other relevant development programs such as financial literacy is a key component of the Bank's CSR goals and programs. The Bank strongly believes in investing in the future through the provision of educational opportunities to deserving youth as well as propagating thrift, self-sufficiency and economic empowerment through financial literacy program; and

3. Environment: PNB is deeply committed to the cause of environmental protection as it is an issue that affects all mankind. The Bank sees its active involvement in protecting the environment as crucial contributions towards attaining the wider goal of sustainable development.

As part of the CG-related area, the PNB Board approved the Revised Corporate Governance Manual in August 2016, aligned with SEC Code of Corporate Governance and the Philippine Corporate Governance Blueprint 2015 - "Building a Stronger Corporate Governance Framework". PNB will adopt the new SEC Code of Corporate Governance for Publicly Listed Companies this 2017.

The Corporate Governance Framework Awareness Program, including monitoring and formulation of new policy guidelines has been effectively implemented in PNB Group. There has been sustained awareness among bank employees on corporate governance policy guidelines. The same corporate standards have been adopted across the PNB subsidiaries and affiliates.



FLORENCIA G. TARRIELA
Corporate Governance Committee Chairperson

CORPORATE GOVERNANCE

The Bank acknowledges that corporate governance is a dynamic concept and is a framework of rules, systems and processes in the organization. It has established a corporate governance framework in accordance with global standards and best practices. It has sustained building a stronger corporate governance framework as its principles constantly evolves globally. The Bank's corporate governance framework incorporates the functions, duties and responsibilities of the Board and Management to the stockholders and other stakeholders. It provides direction towards the promotion of a bigger, stronger, and better corporate governance culture, while recognizing the current best practices. It takes also into account the context and principles prescribed under the ASEAN Corporate Governance Scorecard (ACGS). The framework also strives to raise corporate governance standards to a level that is at par with global standards and provide sustainable contribution to the development of Philippine capital markets.

The Bank adheres and strives 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 this Revised Corporate Governance Manual; and at the same time PNB believes that Corporate Social Responsibility is a commitment that is shared by everyone in the Bank. It subscribes to the philosophy of 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 various public. The Bank espouses professionalism among its Board of Directors, Executives and Employees, Subsidiaries and Affiliates, and respect for laws and regulations. The Bank continues to fervently pursue Corporate Social Responsibility (CSR) initiatives by giving back to the community and creating value for all stakeholders as it is a commitment that begins with the exercise of sound and fair corporate practices. PNB believes that Corporate Social Responsibility is a commitment that is shared by everyone in the Bank.

The Bank's operations is managed through an established organizational structure and adequate policies and procedures embodied in the manuals approved by management, board committees and the Board. These manuals are subjected to periodic review and are updated regularly with new laws and regulations and conform to the evolving global and regional standards and best practices. The Bank has adopted the 2016 Revised Corporate Governance Manual to align its internal policies with recently issued regulatory guidelines and new reportorial disclosures for significant transactions for 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 2011 and 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 publicly listed companies and trading participants that practice the highest standards of corporate governance in the Philippines.

In 2016, with the objective that the Bank's corporate governance ensures sustainability with the global standards and best practices, the Bank engaged the health check services of the Institute of Corporate Directors (ICD), to identify the strengths and weakness of its corporate governance practices vs. the ASEAN Corporate Governance Scorecard (ACGS) standards.

BOARD OF DIRECTORS

Bank compliance with the highest standards in corporate governance principally starts and led by the Board of Directors, composed of fifteen (15) members including five (5) independent directors and Chairperson. The members of the Board are selected from a broad pool of competent and qualified candidates. The nominated Board members are elected annually by the stockholders. The Board is mandated to take final responsibility for exercising oversight function over management, while taking a long-term view in securing the Bank's sustainability through due observance of fairness, transparency, and accountability under a corporate regime underpinned by ethics and social responsibility. Further, the Board has the primary responsibility for approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance and corporate values, to foster the long-term success of the Bank, its subsidiaries and affiliates; and secure its sustained competitiveness and profitability in a manner aligned with its corporate objectives and the best interests of its shareholders and other stakeholders.

The Bank observes diversity in the Board as there is no restriction on the membership of the Board on account of age, gender, nationality or race. The Board is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations. The members of the Board believe in the highest level of integrity and possess broad and collective range of expertise that provides value in sustaining and upholding good corporate governance practices in the Bank.

The Board of Directors, the key officers of the Bank and its subsidiaries undergo continuous and sustainability training program in corporate governance. In August 2016, the Board and the entire Senior Management participated in the Securities and Exchange Commission (SEC) Corporate Governance Forum. PNB Group has four (4) directors inducted as "fellows". Three (3) directors were confirmed by the Philippine Institute of Corporate Directors and one director certified as "fellow" by the Australian Institute of Corporate Directors. This is attributed to their distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility.

INDEPENDENT DIRECTORS

In carrying out their duties and 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 Board beyond the SEC 20% requirement. The appointment of the 5 independent directors includes the Board Chairperson Florencia G. Tarriela, and Board members Felix Enrico R. Alfiler, Edgar A. Cua, Federico C. Pascual, and Cecilio K. Pedro, were approved and confirmed by the appropriate regulatory bodies.

The independent directors act as Chairman of the Board, Corporate Governance/Nomination/ Remuneration Committee, Board Audit and Compliance Committee, Board Oversight RPT Committee, Board Risk Oversight Committee and Board Trust Committee.

CHAIRPERSON OF THE BOARD

The Board Chairperson is Ms. Florencia G. Tarriela, a position she holds since 2005. Chairperson Tarriela has extensive 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 Bankers Institute of the Philippines (BAIPHIL) and a director of Financial Executive of the Philippines (FINEX). She is also a Board Trustee of TSPI Development Corporation since 2003. She was a former Undersecretary of Finance; a former Alternate Board Member of the Monetary Board of Bangko Sentral ng Pilipinas; was Alternate Board Member of Land Bank and PDIC; and was a Managing Partner & the First Filipina Vice President of Citibank N.A., Philippines. As an Independent Director, Chairperson Florencia G. Tarriela sits as Chairman of Corporate Governance/ Nomination/Remuneration Committee and member of the two (2) Board Committees namely: Board Audit and Compliance Committee, and Board IT Governance Committee. She also sits as a Non-Voting Member in the Executive Committee.

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

BOARD COMMITTEES

The following eight (8) Board Committees have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates: Board Executive Committee; Corporate Governance/Nomination/Remuneration Committee; Board Audit and Compliance Committee; Board Risk Oversight Committee; Board Trust Committee; Board Oversight RPT Committee; Board Oversight Committee- Domestic and Foreign Offices/Subsidiaries; and Board IT Governance 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 informed and provided with committee materials prior to meetings. The committee secretariat prepares the minutes of the committee meetings for endorsement and confirmation of the PNB Board and records the attendance of the committee members.

The Independent Directors are appointed Chairman of the oversight control committees namely: the Board Corporate Governance/Nomination/Remuneration Committee, Board Audit and Compliance Committee; Board Risk Oversight Committee; and Board Oversight RPT Committee.

CORPORATE GOVERNANCE

RELATED PARTY TRANSACTION (RPT)

In 2016, the Bank focused on the sustainability of the existing related party transaction policies and procedures. The policies were enhanced to align its provisions with the new BSP Circular on RPT, the principles of the ASEAN Corporate Governance Scorecard (ACGS), and with Basel III guidelines on good corporate governance. The expanded RPT policies covered the oversight functions of the Board, Board Oversight RPT Committee (BORC) while implementation by the Senior Management was reflected in revisions in procedures in the Operations Manuals; development of the RPT database system; and enhancement in the review and audit programs conducted by the independent teams comprised of the Internal Audit Group and Global Compliance Group; the external auditors and examinations performed by regulatory bodies.

Conflict of interests that may arise to related parties of the bank are managed through a board approved enterprise-wide RPT Policy Framework. The Board Oversight RPT Committee (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 key elements of the RPT Policy Framework include the board and senior management oversight; policies and procedures; training; monitoring and assessment; and disclosures/reports. The RPT guidelines cover a wide range of transactions that could pose credit risk, counterparty risk, material risk and 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 existing prudential limits and internal limits; monitored through independent reviews by Internal Audit and Global Compliance Groups; covered in disclosures and/or reporting requirements; as well as sustained awareness through RPT Framework Training Programs. 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 interest shall disassociate themselves from the decision making process and to not be involved in the discussion, approval and management of such transactions or matters affecting the Bank. The Board Oversight RPT Committee, may inform the Corporate Governance/Nomination/Remuneration Committee of the directors/officers' actual/potential conflicts of interest with the Bank, as necessary.

The Bank strictly applies the arm's length policy in the management of RPTs. The following critical factors are to be considered in the evaluation (a) the related party's relationship to the Bank and interest in the transaction, (b) the material facts of the proposed RPT, including the proposed aggregate value of such transactions, (c) the benefits to the bank of the proposed RPT, (d) the availability of other sources of comparable products or services, and (e) the assessment of whether the proposed RPT is on the terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances

BOARD OVERSIGHT RPT COMMITTEE (BORC)

The Board Oversight RPT Committee was created in September 2013. The authorities and responsibilities of the Board Oversight RPT Committee 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 five (5) regular members, including three (3) Independent Directors (IDs); and 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 Board Oversight RPT Committee has the authority to evaluate Related Party Transaction (RPT) of the PNB Group. In conformity with bank policy, RPT dealings should be treated in the regular course of business on arm's length basis. This means that the RPTs are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances. This is extended to 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 by the Board Oversight RPT Committee.

The duties and responsibilities of the Board Oversight RPT Committee include: (i) reviewing and approving RPT policy guidelines; (ii) evaluating on an ongoing basis existing relations between and among businesses and counterparties; (iii) evaluating material RPTs; (iv) ensuring that appropriate disclosures are made; (v) endorsing to the board (vi) reporting to the Board the status and aggregate exposures to related parties; (vii) ensuring that RPTs, including write-off of exposures are subject to independent reviews; and (viii) 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 regulations, including the PNB Code of Conduct and Business Ethics. These are as follows:

- Code of Conduct – it prescribes the moral code for PNB Group employees. The Code of Conduct 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. All employees are required to certify that they have been furnished with a copy of the PNB Code of Conduct and further certify that they have read and thoroughly understood the provisions thereof; agree to be bound by the said policy; and fully aware that a violation of the Code will subject to disciplinary action.
- Whistleblower Policy – This policy encourages the Bank employees and third parties to report 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 PNB Group 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. On the other hand, gifts with estimated value of more than P5,000.00 shall likewise be reported and turned-over to Human Resource Group for donation to any legitimate charitable institution preferred by the concerned employee.
- Personal Investment Policy – The 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 longterm 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 non-public 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 Framework and RPT Framework are integral in the Bank's Compliance Awareness Training Program conducted regularly by the Global Compliance Group. Sustained awareness of group-wide personnel, as well as other stakeholders on good corporate governance and RPT compliance include posting of CG manuals and RPT policies and procedures in the PNB website.

OPERATIONS MANAGEMENT

The day-to-day operations of the Bank and the implementation of the major business plans are under the responsibility of the President and the Chief Executive Officer. Critical issues, policies and guidelines are deliberated in the following major management committees: Senior Management Team, Asset & Liability Committee, Acquired Asset Disposal Committee (AADC), Operations Committee, Product Committee, IT Management Committee, Procurement Committee, Promotion Committees, Ethical Standards Committee, PNB Succession Management Program-Talent Board, Senior Management Credit Committee, Philippine AML Review Committee, Occupational Safety, Health and Family Welfare Committee. Committee meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.

CORPORATE GOVERNANCE

As part of the strong culture of accountability and transparency in the organization, the business plans, significant issues and its resolutions are escalated to the level of the Board by the management committees. Majority of the management committees has 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. Periodical assessments are made to the composition and appointment of the senior officers in the different management committees and may be reorganized according to the priorities set by the bank.

COMPLIANCE SYSTEM

The Bank has a well defined organizational structure, updated policies and procedures, and an effective compliance program to reinforce a compliance system that fully adheres to banking laws and regulations. The Compliance Programs of the PNB Group intends to promote safe and sound operations. In the process, the execution of the Compliance Programs is in support for the sustainability of an environment influenced by high corporate standards and best practices of good corporate governance.

The Chief Compliance Officer (CCO), head of the Global Compliance Group, directly reports to the Board Audit and Compliance Committee. The CCO has direct responsibility for the effective implementation and management of the enterprise compliance system for 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 CCO has been appointed by the Board of Directors 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.

The PNB Group various Compliance Frameworks are carried out by the Global Compliance Group through the five (5) major divisions namely: Global AML Compliance Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division, Compliance Testing and Review Division and Corporate Governance Monitoring Division. The latter provides direct support to the Board Audit and Compliance Committee, Corporate Governance/Nomination/Remuneration Committee and the Board Oversight RPT Committee on corporate governance matters.

AS OF JANUARY 29, 2017

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. Edgar A. Cua*

BOARD COMMITTEES

CORPORATE GOVERNANCE COMMITTEE

NAME	POSITION
Florencia G. Tarriela*	- Chairperson
Reynaldo A. Maclang	- Member
Felix Enrico R. Alfiler*	- Member
Federico C. Pascual*	- Member
Cecilio K. Pedro*	- Member

BOARD AUDIT AND COMPLIANCE COMMITTEE

NAME	POSITION
Edgar A. Cua*	- Chairman
Felix Enrico R. Alfiler*	- Member
Florencia G. Tarriela*	- Member

*Independent Director

RISK OVERSIGHT COMMITTEE

NAME	POSITION
Felix Enrico R. Alfiler*	- Chairman
Florido P. Casuela	- Member
Edgar A. Cua*	- Member

BOARD OVERSIGHT COMMITTEE – DOMESTIC AND FOREIGN OFFICES/SUBSIDIARIES

NAME	POSITION
Christopher J. Nelson	- Chairman
Florido P. Casuela	- Member
Michael G. Tan	- Member

BOARD OVERSIGHT RPT COMMITTEE

NAME	POSITION
Federico C. Pascual*	- Chairman
Edgar A. Cua*	- Member
Cecilio K. Pedro*	- Member
Alice Z. Cordero	- Non-Voting Member
Dioscoro Teodorico L. Lim	- Non-Voting Member

EXECUTIVE COMMITTEE

NAME	POSITION
Florido P. Casuela	- Chairman
Leonilo G. Coronel	- Member
Reynaldo A. Maclang	- Member
Christopher J. Nelson	- 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

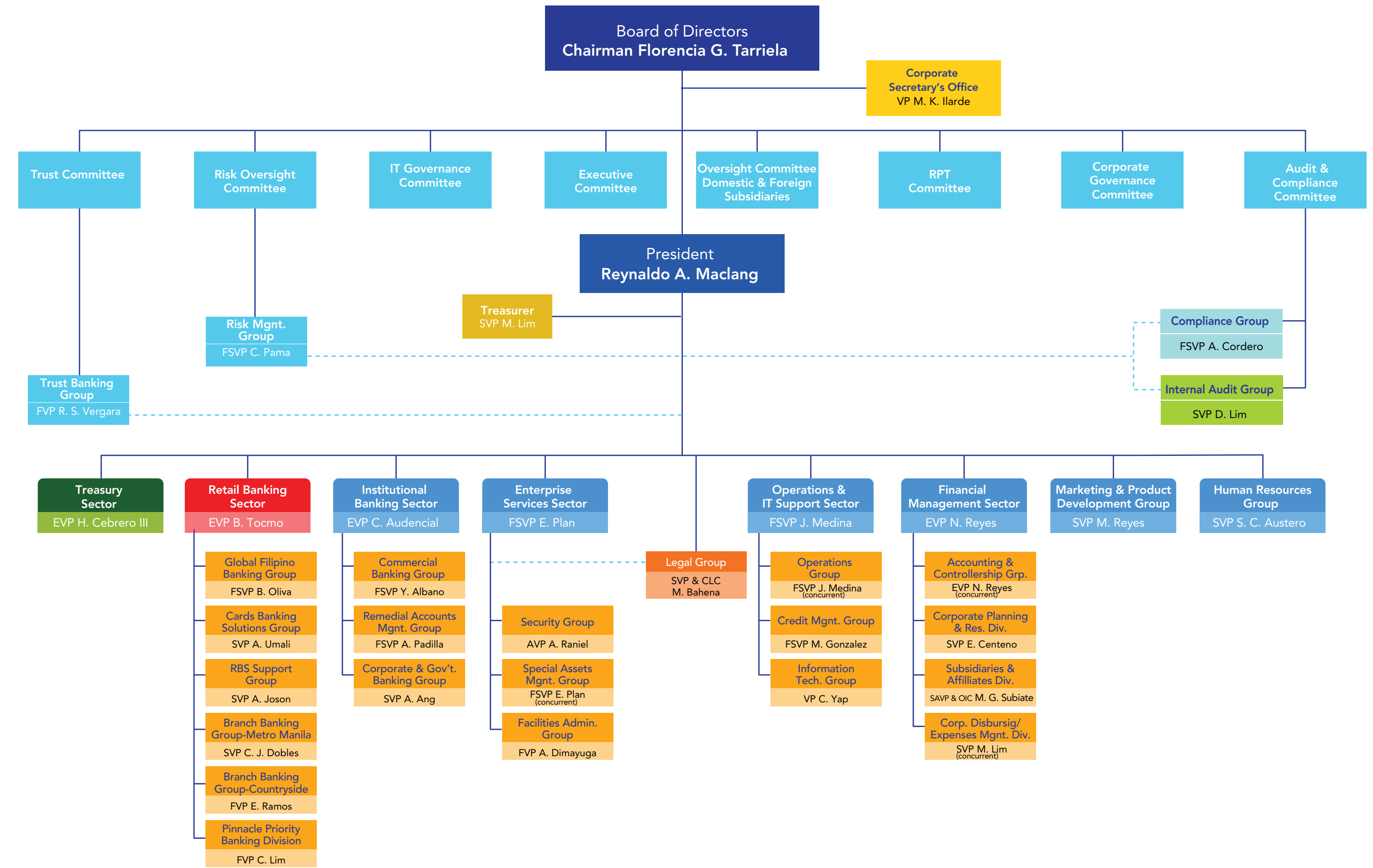
TRUST COMMITTEE

NAME	POSITION
Federico C. Pascual*	- Chairman
Leonilo G. Coronel	- Member
Christopher J. Nelson	- Member
Reynaldo A. Maclang	- Member (Ex-Officio)
Roberto S. Vergara	- Member (Ex-Officio)

BOARD IT GOVERNANCE COMMITTEE

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

*Independent Director



The Bank's existing Compliance Program clearly defines the eight (8) 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, independent compliance testing reviews and sustained good working relationships with regulators. The Compliance Program for 2016-2017 incorporated new rules and regulations from various domestic and foreign regulatory bodies. Cognizant of rising concern on cybercrime related risks in the banking industry worldwide, an AML Cybercrime Officer was appointed in Global Compliance Group. The Compliance Programs of PNB Group remains effectively implemented across businesses.

The major Compliance Manuals include the Bank's AML/CFT Policy Guidelines, Money Laundering and Terrorist Financing Prevention Manual, FATCA Compliance Manual, and Remittance Third Party Arrangement Compliance Program. These compliance manuals were approved by the Board and implemented with updated policies and procedures to fully address in a timely manner recent developments and issuances by regulatory bodies.

With a comprehensive compliance system consistently implemented enterprise-wide and an effective compliance framework for PNB Group, no material deviation has been noted.

MESSAGE FROM THE BOARD OVERSIGHT RPT COMMITTEE CHAIRMAN

FEDERICO C. PASCUAL
DIRECTOR

The PNB Board and Senior Management commit to adopt and adhere with the established Policy Guidelines on Related Party Transactions (RPTs). These guidelines were developed based on SEC Code of Corporate Governance and the Guidelines in Strengthening Corporate Governance on Related Party Transactions (RPTs) of Banks. These also incorporate the requirements prescribed by the BSP Guidelines on Related Party Transactions; Prudential Policy on loans to DOSRI/Subsidiaries/Affiliates; Basel Core Principles for Effective Banking Supervision No. 20 and other related laws and regulations. The RPT policy guidelines reflect the PNB Code of Conduct and Business Ethics that include: (i) Code of Conduct; (ii) Whistleblower Policy; (iii) Soliciting and/or Receiving Gifts Policy; and (iv) Personal Investment Policy.

The Bank recognizes that engaging in Related Party Transactions (RPTs) has economic benefits to individual entities and to the entire PNB Group. RPTs of the Bank are allowed provided the deals are done on an arm's length basis. PNB has implemented a monitoring system to capture these transactions to related parties. The management takes appropriate steps to mitigate the accompanying risks on RPTs. The transactions to related parties conducted in the regular course of business are undertaken with the same economic terms as those transactions with non-related parties. Using sound judgment, the Bank's resources are not misappropriated or misapplied to ensure the best interest of the Bank.

Conflict of interests that may arise from related party transactions is managed through a board approved enterprise-wide RPT Policy Framework. The Board Oversight RPT Committee (BORC) was established in 2013, governed by a charter, to assist the Board in performing its oversight functions on monitoring and managing potential conflicts of interests involving shareholders, board members, management and other stakeholders of the PNB Group. The Committee is composed of five (5) regular members, including three (3) Independent Directors (IDs), and two (2) non-voting members: the Chief Audit Executive (CAE), and the Chief Compliance Officer (CCO).

The Board Oversight RPT Committee has the authority to evaluate Related Party Transaction (RPT) of the PNB Group. The duties and responsibilities of the Board Oversight RPT Committee include: (i) reviewing and approving RPT policy guidelines; (ii) evaluating on an ongoing basis existing relations between and among businesses and counterparties;
(iii) evaluating and endorsing to the board materials RPTs;
(iv) ensuring that appropriate disclosures are made; (vi) reporting to the board the status and aggregate exposures to related parties; (vii) ensuring that RPTs are subject to independent reviews; and (viii) overseeing implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs. Annually, the RPT policies and procedures are reviewed and the revisions are presented to the Board Oversight RPT Committee for approval and endorsement to the PNB Board.

The Board ultimately has the responsibility for the effective oversight in the implementation of the control systems in the management of related party transactions exposures. The Board confirms that the related party transactions are handled in a sound and prudent manner, with integrity, and in compliance with the Board approved RPT Policy Guidelines as evaluated and approved by the Board Oversight RPT Committee. The said guidelines mandate compliance with supervisory expectations and good governance practices for the best interest of the Bank and its depositors, creditors, fiduciary clients, and other stakeholders. Members of the board, stockholders, and management are required to disclose to the Board whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors and officers involved in possible conflict of interests in the covered transactions are expected to disassociate from participating in the decision making process and abstain from the discussion, approval and management of such transactions to related parties.

The Board Oversight RPT Committee has a critical role in the review and approval of related party transactions for confirmation by the Board. On a periodic basis, the Board Oversight RPT Committee is delegated the authority to review and approve the RPT policy guidelines including implementing procedures for appropriate handling of related party transactions consistent with existing laws, rules and regulations, and global best practices.
The PNB RPT Policy Framework has five key elements. PNB has a well-defined board and senior management oversight structure, updated board approved policies and procedures, enterprise wide RPT Training Program, robust MIS reporting and an effective assessment & monitoring system. The RPT framework is disseminated to all employees of the Bank via the I-Comply web-page of the Bank's intranet which is made available to all employees of the PNB Group for guidance.

In 2016, the Bank focused on the sustainability of the existing related party transaction policies and procedures. The policies were enhanced to align its provisions with the new BSP Circulars on Related Party Transaction; and with Basel III guidelines on good corporate governance. The expanded RPT policies covered the oversight functions of the Board and the Board Oversight RPT Committee, the role of senior management in the implementation of the guidelines, and the development of the RPT database system. The revised procedures also require establishment of intensive RPT compliance awareness training programs and comprehensive audit programs conducted by external and internal auditors and independent compliance officers.

The existing RPT Framework implemented in the PNB Group has enabled the Bank to conform to the evolving global standards and best practices.

FEDERICO C. PASCUAL
Board Oversight RPT Committee Chairman

MESSAGE FROM THE EXECUTIVE COMMITTEE CHAIRMAN

FLORIDO P. CASUELA
DIRECTOR

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.

With PNB's 100 years of existence in the banking industry, it has marked a footprint in the financial sector and in the lives of every Filipino, here and abroad. All these years, PNB has always maintained a policy of "beyond compliance", embedding the culture of risk governance and risk management to deliver a resilient performance and for the service and protection of its customers. 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 line with the Bank's ICAAP Framework, 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. Major growth drivers for 2017 include "Complete Customer" Strategy, Ecosystem Strategy and Digitization of Remittance Service.

The risk assessment implementation reflects an enterprise-wide risk management framework in place with every unit of the bank and its subsidiaries actively participates. The road to ICAAP awareness and understanding continue as related education program is being conducted and disseminated in the whole enterprise. Continuous education keeps the bank armed in the presence of emerging threats such as cyber security, financial technology and the impact of social media. The bank acknowledges that as the evolution of the financial landscape brings forth benefits for customers and new business opportunities for the bank through the e-channel, its complexities carries with it challenges and risks such as issues on regulatory, legal, security and reputational.

With these factors and amid the economic environment, the Bank continued to register positive financial performance, ending 2016 with a net income of ₱7.3 billion, 20% higher compared to earnings of P6.1 billion in the previous year. The growth in net income was driven by a steady improvement in its core income, supplemented by non-recurring revenues. The Bank's core revenues continued to grow as net interest income increased by 12% to ₱19.3 billion, contributing to more than two-thirds of total operating income.

In September 2016, the bank paid out cash dividends of one peso (Ph1.00) per share after Board and BSP approval, out of the unrestricted surplus as of March 2016.

Total capital fund stood at ₱104.4 billion as of end-December 2016, up by 7% from year-ago level of ₱97.6 billion. The Bank's Capital Adequacy Ratio (CAR) on consolidated basis remained solid at 16.7%, well above the minimum 10% required by the BSP. The Bank's CET1 ratio of 15.8% on consolidated basis was much higher than the BSP minimum Core ratio of 8.5%.

The financial industry faces strong and dangerous headwinds, PNB's challenge is to rise above these and continue to improve towards fulfilling its objectives and strategic directions. It is with the use of innovativeness, leadership, planning and risk management, as strategic tools and embedding these with operations on an enterprise-wide basis, that will bring effective and positive results.

FLORIDO P. CASUELA
Executive Committee Chairman

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:
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.

CAPITAL STRUCTURE AND ADEQUACY

The Group's consolidated capital adequacy ratio were 16.6%, 19.2%, and 20.6% as of December 31, 2016, 2015, and 2014 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 31,2016, 2015, and 2014(amounts in millions):

	Consolidated			Solo		
	2016	2015	2014	2016	2015	2014
Tier 1 (core) Capital / CET1 under BASEL III	**104,104**	**97,272**	**93,899**	**101,545**	**94,044**	**90,783**
Common stock	49,966	49,966	49,966	49,966	49,966	49,966
Additional Paid In Capital	31,331	31,331	31,331	31,331	31,331	31,331
Retained Earnings	24,866	18,278	13,369	25,215	17,799	12,690
Other comprehensive income	(4,634)	(4,721)	(3,470)	(4,967)	(5,052)	(3,204)
Cumulative Foreign Currency Translation	-	-	-	-	-	-
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,575	2,419	2,703	-	-	-
Deductions from Tier 1 Capital / CET1 under BASEL III	**24,454**	**22,978**	**22,392**	**49,875**	**47,596**	**45,931**
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	3	2	2	3	2	2
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	2,014	1,959	1,575	2,014	1,879	1,575
Deferred income tax	4,351	3,479	3,811	4,006	3,257	3,567
Goodwill	13,516	13,516	13,516	13,516	13,516	13,516
Other intangible assets	1,424	1,670	2,033	1,333	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)	-	-	-	25,679	25,141	24,066
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)	281	2,351	1,453	459	2,226	1,264
Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	2,863	-	-	2,863	-	-
Other equity investments in non-financial allied undertakings and non-allied undertakings	2	2	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)	-	-	-	-	-	-
Gross Tier 1 Capital / CET1 Capital under BASEL III	**79,649**	**74,294**	**71,508**	**51,670**	**46,448**	**44,851**

Additional Tier i Capital (AT1) under BASEL III

TOTAL TIER 1 CAPITAL	79,649	74,294	71,508	51,670	46,448	44,851
Upper Tier 2 Capital (BASEL II)	**4,308**	**3,777**	**3,070**	**3,867**	**3,431**	**2,864**
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.)	4,016	3,485	2,778	3,575	3,139	2,572
Lower Tier 2 Capital (limited to 50% of Tier 1 Capital) (BASEL II)	-	9,986	9,970	-	9,986	9,969
Unsecured Subordinated Debt	-	9,986	9,970	-	9,986	9,969
Total Tier 2 Capital	4,308	13,763	13,040	3,867	13,417	12,833
Deductions from Qualifying Capital (BASEL II)	-	-	-	-	-	-
Gross Tier 2 Capital (limited to 100% of Tier 1 Capital) under BASEL II / TOTAL TEIR 2 CAPITAL Under BASEL III	4,308	13,763	13,040	3,867	13,417	12,833
TOTAL QUALIFYING CAPITAL	**83,957**	**88,057**	**84,548**	**55,537**	**59,865**	**57,684**

The risk-weighted assets of the Group and Parent as of December 31, 2016, 2015 and 2014 are as follows:

	Consolidated			Solo		
	2016	2015	2014	2016	2015	2014
On-Balance sheet assets:	**446,102**	**405,219**	**359,882**	**397,730**	**366,858**	**329,029**
20%	13,482	7,359	3,948	11,676	6,677	3,846
50%	24,819	16,841	15,558	22,329	15,459	13,799
75%	18,762	16,120	14,282	18,039	14,063	13,705
100%	371,161	345,522	297,727	330,045	312,533	270,611
150%	17,877	19,377	28,367	15,642	18,125	27,068
Off-Balance sheet assets:	**13,053**	**7,669**	**5,914**	**12,954**	**7,555**	**5,751**
20%	-	127	64	-	127.8	128
50%	32	4,578	1672	32	4,577.9	4578
75%	173	345	443	173	344.8	345
100%	12,848	2,619	3736	12,749	2,504.0	2504
150%	-	-	-	-	-	-

	Consolidated			Solo		
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	1,622	1,305	1,497	1,622	1,305	1,497
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	498	499	276	471	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	461,275	414,693	367,569	412,778	376,189	336,532
Market Risk Weighted Assets	2,753	3,428	4,532	2,703	3,068	4,234
Operational Risk-Weighted Assets	40,073	39,542	38,235	35,832	35,792	34,261
Total Risk Weighted Assets	**504,101**	**457,663**	**410,336**	**451,313**	**415,049**	**375,026**

CAPITAL STRUCTURE AND ADEQUACY

Capital Ratios	Consolidated			Solo		
	2016	2015	2014	2016	2015	2014
CET1 Capital (BASEL III)	15.80%	16.23%	17.43%	11.45%	11.19%	11.96%
Capital Conversion Buffer (BASEL III)	9.80%	10.23%	11.43%	5.45%	5.19%	5.96%
Tier 1 capital ratio	15.80%	16.23%	17.43%	11.45%	11.19%	11.96%
Tier 2 capital ratio (not disclosed under BASEL III)						
Capital Adequacy Ratio	16.65%	19.24%	20.60%	12.31%	14.42%	15.38%

ICAAP & Capital Adequacy Ratio Report

The bank's consolidated Qualifying Capital (QC) as of December 31, 2016stands at ₱83,957 million with a corresponding Capital Adequacy Ratio (CAR) of 16.655%. The current consolidated QC still provides a good and sufficient margin above the minimum regulatory capital requirement of ₱50,410 million, 10% of the bank's ₱504,101 million Risk Weighted Assets (RWA).

Under solo basis, current QC of ₱55,537 million and CAR of 12.31% still has 231bps leeway above the regulatory of ₱45,131 million to cover the ₱451,313 million Risk Weighted Assets (RWA) as of December 31, 2016.

PNB - Consolidated (in P Million)	As of date indicated			
	Mar-16	Jun-16	Sep-16	Dec-16
Total Qualifying Capital	82,886	85,842	85,946	83,957
CAR	17.77%	17.34%	17.55%	16.65%
CET 1/Tier 1 Ratio	16.91%	16.50%	16.67%	15.80%
Total RWA – Pillar 1	466,380	495,193	489,753	504,101

Figure 1: PNB Consolidated CAR 2016

Under solo basis, current QC of ₱55,537 million and CAR of 12.31% still has 231bps leeway above the regulatory of ₱45,131 million to cover the ₱451,313 million Risk Weighted Assets (RWA) as of December 31, 2016.

PNB - Solo (in P Million)	As of date indicated			
	Mar-16	Jun-16	Sep-16	Dec-16
Total Qualifying Capital	54,781	57,585	57,056	55,537
CAR	12.96%	12.73%	13.05%	12.31%
CET 1/Tier 1 Ratio	12.08%	11.90%	12.16%	11.45%
Total RWA - Pillar 1	422,790	452,252	437,279	451,313

Figure 2: PNB Solo CAR 2016

Integration of Risk Assessment and Capital Planning
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"***.

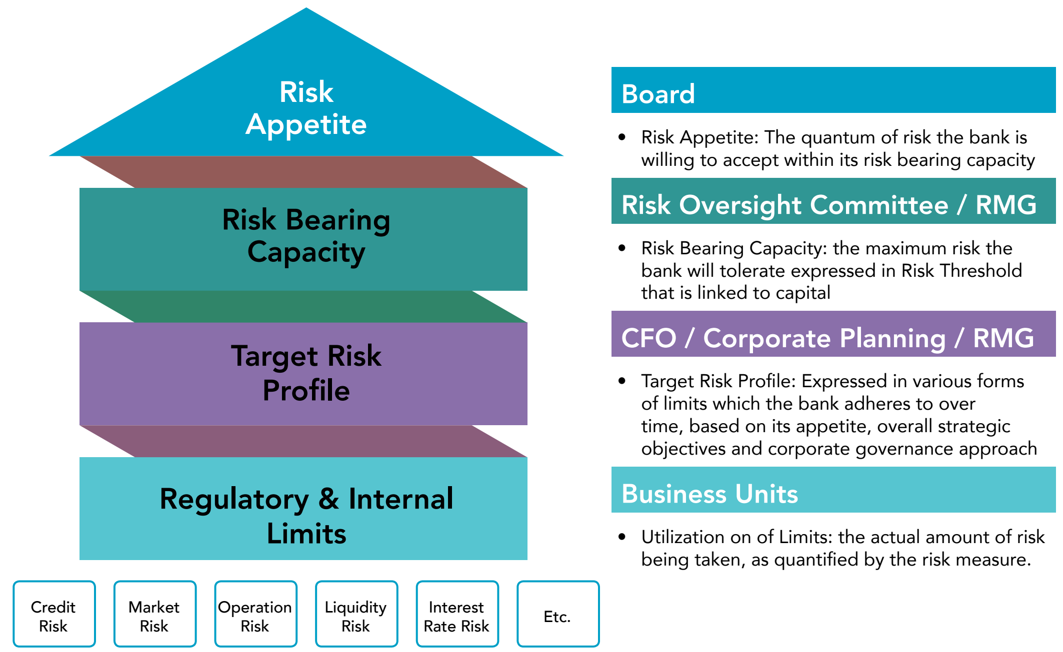
The bank expressed its overall **risk appetite** through the quantitative statement on materiality defined as our Risk Threshold. This is the guiding principle behind the execution of our business objectives and is closely monitored alongside the set limits by the various revenue generating groups.

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.

Risk Appetite Parameter	Risk Appetite Thresholds
Capital Adequacy	Minimum CET1 and Capital Ratios; Leverage Ratio
Earnings Volatility	Maximum deviation of annualized net income vs. Target
Sufficient Liquidity	Maximum Cumulative Outflow Limits; Minimum Liquidity Coverage Ratio
Trading Risk	Value at Risk Limits
Balance Sheet Risk	Earnings-at-Risk Limits
Asset Quality Risk	Portfolio-at-Risk
Concentration Risk	Credit Concentration Limits; Single Borrower's Limits
Regulatory and Credit Standing	Minimum CAMELS and external rating

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 other Pillar II material risks such as Strategic Business, Credit Concentration, Liquidity, Interest Rate in Banking Book, Reputational/ Customer Franchise and most recent Information Security/Cyber Security risks that the Group is exposed to (see Figure 3).

Figure 3: Risk Appetite, Risk Threshold, Risk Tolerance



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.

CAPITAL STRUCTURE AND ADEQUACY

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 committee is also tasked to review, evaluate, approve and/or endorse for Board approval - various policies, procedures and manuals of products and services to be offered to the Bank's domestic and overseas market. Further, together with Risk Oversight Committee, the ExCom also reviews, evaluate and approve/endorses to the Board for approval the various Annual Strategic Forecasts, Plans and Budget by the revenue sectors of the bank. The ExCom is also responsible for the risk taking activities and the periodic review of the Bank's ICAAP program.

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 & Control Self-Assessment Process
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 individual branch level, with each unit being represented to carry out required ICAAP activities, moreover, to learn to appreciate the ICAAP at the grassroots level.

Related activities moved into high gear leading into the completion of the 2017 ICAAP Document. The activities progressed and become more extensive. The high level milestones are presented in a chart below:

KEY DATES	MILESTONES
Feb - June 2016	• Enhancement of the ICAAP RCSA template with the following activities: (1) Refinement of risk definitions, (2) Alignment of risk categorizations and, (3) Risk Taxonomy build-up • Kick-off Meeting with the ICAAP Working Team relative to the ICAAP RCSA enhancements and requirements • Roll-out of Part 1 ICAAP RCSA to Parent Bank (including regional centers and units), Overseas Branches to the Subsidiaries and starting this year - to the Individual Branches • Start of conduct of ICAAP awareness via HR Training Programs (MTP, FTTP and JEDI) • Start of Risk Assessment workshops to HO units, Area Offices and Branches, Subsidiaries in coordination with RMG- Operational Risk Management Team • Creation of Working Team for the Bank's Recovery Plan (per Circular 904 issued on February 2016) • Drafting, brainstorming, deliberation and discussion for the completion and submission of the Bank's Recovery Plan
July - December 2016	• Performed thorough review of the submitted ICAAP RCSAs and KRIs from all the business and support units of the Parent Bank, Overseas Branches, Domestic Branches and the Subsidiaries • Preparation of Timeline for the 2016 ICAAP Document Submission • ICAAP Core Working Team (RMG and CorPlan) meeting to discuss on required Document updates and deliverables • Board approval of Business Plan • 2016 ICAAP Document and Recovery Plan Presentation to BSP attended by selected Group Heads and the President • Start of BSP on-site examination • IAG Validation of 2016 ICAAP Document and RCSAs • Performed the ICAAP RCSA Bank-wide Consolidation and initial results were presented to the Executive Committee
January - February 2017	• ICAAP Process Walkthrough with BSP Team and attended to all requirements during the on-site examination of ICAAP • Roll-out of Part 2 ICAAP Quantification to Parent Bank and Subsidiaries • Conducted various individual meetings with Head Office groups, domestic subsidiaries and conference calls with overseas subsidiaries to discuss on the Key Risk Indicator (KRI) report requirements and computations • ICAAP RCSA Bank-wide Consolidation Results Discussion and Deliberation on the Bank's Material Risks with ICAAP Working Team, Senior Management Team and Risk Oversight Committee (ROC) • Discussed with the ICAAP Working Team the enterprise-wide Stress Scenarios and Tests and their impact to the Bank. Also, individual meetings with some sectors and subsidiaries were also done to discuss the stress scenarios and tests. • ICAAP Document and Recovery Plan drafting • Presentation of ICAAP Document and Recovery Plan to Senior Management (SMT), ICAAP Steering Committee, and Board for approval
March 2017	• ICAAP Document and Recovery Plan ready for BSP submission

The following salient points are emphasized:

Part 1 ICAAP RCSA Template:
• Alignment of risks to BSP Circular 900 Operational Risk Framework • Enhancement of Risk Taxonomy to consider BSP Circular 898 (Consumer Protection) and 899 (Outsourcing) • Enhancement of the ICAAP RCSA to incorporate risks specific to the subsidiaries (insurance, brokerage, etc.) • Expanded list of specific risks relating to Project Management and Information Security risks
Risk Assessments:
The Risk Assessment is performed at two levels: a. Part 1 Risk Assessment entails the down-the-line identification and assessment of all inherent risks relevant to all business and support units, including the subsidiaries. All Groups are required to complete the assessment from the list of material risks with corresponding sub-risks and specific risks. The assessment are being cascaded down to the unit level upon 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. The results of the aggregation are being deliberated at different levels - by the ICAAP Working Team; the Senior Management Team, presented to the Risk Oversight Committee and to the Executive Committee. 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 corresponding to the Bank's final list of Material Risks.

CAPITAL STRUCTURE AND ADEQUACY

Risk Tolerance Level to determine Significance of Risks
The Corporate Planning Group (Corplan) taking into consideration the Bank's projected levels for Qualifying Capital, Risk Weighted Assets, and CAR for the three-year period determines tolerance Level. The SMT and Board have approved a preset level of 0.20% or 20 basis points impact on CAR, which translates to a movement of Php8billion in RWA or Php1billion in Qualifying Capital.
Trigger Levels to activate Capital Contingency Plan
Trigger levels to initiate Capital Contingency Plan is determined by the Capital Management Subcommittee of ALCO and approved by the Executive Committee/Board. The Bank will maintain a Pillar 2 buffer for CET1 ratio and CAR in addition to the conservation buffer of 2.5% and DSIB buffer as prescribed by BSP for Pillar 1 under Basel III.
Stress Testing
Completed on 3 types: • Macroeconomic Stress Test • Event Driven Stress Test • Ad-hoc Stress Test Applied to Pillar 1 and Pillar 2 risks; corresponding RCSA is accomplished under the stressed scenarios. Additional scenarios are deliberated by the risk owners for individual risks should the above three types of stress test models not be 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.

MESSAGE FROM THE RISK OVERSIGHT COMMITTEE CHAIRMAN

FELIX ENRICO R. ALFILER
VICE-CHAIRMAN/DIRECTOR

The Risk Oversight Committee (ROC) has performed its duties independently according to the scope, duties and responsibilities assigned by the Board of Directors and in alignment with the bank's Enterprise Risk Management Framework (ERM). In 2016, the ROC (comprising of 3 directors) met 12 times (at least monthly) to discuss the bank's risk exposures from the identified material risks against the overall bank's strategy.

PNB follows a strong risk management framework (ERM) to ensure that it consistently maintains high standards of internal controls and risk management processes against the bank's risk appetite. The same framework works to ensure optimizing the risk / return ratio through the monitoring processes against limits and thresholds. The risk management framework resides at all levels within the bank and embedded into our core values. The 3 lines of defense (3LoD) for good risk management are very much at work at PNB!

The Risk Oversight Committee continues to expand its role not only in mainstream risk policy formulation, defining the appropriate level of risk, as well as communicating the risk appetite throughout the organization but also to oversee the creation of controls that keep the company operating within these established boundaries.

As regulators increase their demand for enhanced programs on capital planning and stress testing, (based on size, complexity, and systemic footprint), there also lies the increased challenge to expand the capabilities to access and provide high-quality data, single source of data for credible internal reporting mechanism and MIS that support regulatory reporting requirements. The bank's Enterprise Data Warehouse and Business Intelligence Systems continue to provide relevant reports and analytics to the various business units.

The continuing mission of risk management is to maintain a tight rein on the increasing risks as a consequence of new product and services offerings, as well as emerging trends on risks. Cyber security risks likewise raise new challenges as new policies have to be drafted and risk mitigation tools need to be identified and implemented. The Philippines had been at the receiving end of these globally advanced threats, as was experienced in 2016. The bank's response 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. The message to all our stakeholder is very clear – NEVER BE COMPLACENT!

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.

FELIX ENRICO R. ALFILER
Risk Oversight Committee Chairman

RISK MANAGEMENT DISCLOSURE

INTRODUCTION

PNB's approach to risk management strives for an integrated view on strategy, risk tolerance, capital and funding and performance management. Putting high priority on risk management, the bank endeavours to continuously refine its framework for risk management, and at the same time ensuring that revenue targets are set and reviewed on a regular basis to maximize the growth of business. Capital Planning, Funding and Liquidity requirements are driven both by the business and by regulatory requirements.

The PNB Board and its Risk Oversight Committee operate as the highest level of PNB's risk governance. 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. 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.

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 strategies are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees.

BOARD OF DIRECTORS	PRESIDENT & CEO
• Corporate Governance Committee	• Senior Management Credit Committee
• Board Audit and Compliance Committee	• Senior Management Team Committee
• Risk Oversight Committee	• Acquired Assets Disposal Committee
• Board Oversight Committee - Domestic and Foreign Offices/Subsidiaries	• Asset Liability Committee Sub Committee on Capital Planning
• Board Oversight RPT Committee	• Operations Committee
• Executive Committee	• Ethical Standards Committee
• Trust Committee	• Procurement Committee
• Board Information Technology Governance Committee	• IT Evaluation Committee
	• Capital Management Sub-Committee of ALCO
	• Anti-Money Laundering Review Committee
	• IT Management Committee
	• Product Committee
	• Promotions Committee
	• Branch Site Selection Committee
	• Asset Disposal Committee (Head Office)
	• Selection Committee for Expatriate Personnel
	• Committee on Accreditation of Overseas Remittance Agent (CAORA)
	• Committee on Decorum and Investigation

Figure 1: Board & Management Committees

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

ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERM)

The approach to managing risk is outlined in the bank's Enterprise Risk Management (ERM) Framework which creates the context for setting policies and standards, and establishing the right practices throughout the PNB Group. It defines the risk management processes and sets out the activities, tools, and organizational structure to ensure material risks are identified, measured, monitored and managed.

Since 2006 the ERM Framework, with regular reviews and updates, has served PNB well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the three lines-of-defense model (see Figure 2), which are fundamental to PNB's aspiration to be world-class at managing risk.

1. The *first line of defense* is made up of the management of business lines and legal entities. Business units are responsible for their risks. Initial risk assessments, both of the customer relationship and the individual proposed transactions, ensure that the correct decisions are made. The business units ensure that transactions are correctly priced and that the resulting risks are managed throughout the life of the transaction. Effective first line management includes:
   a. the proactive self-identification / assessment of issues and risks, including emerging risks
   b. the design, implementation and ownership of appropriate controls
   c. the associated operational control remediation
   d. a strong control culture of effective and transparent risk partnership.
2. The *second line of defense* comes from both the risk management function and the compliance 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 compliance function develops and implements governance standards, frameworks and policies for each material risk type to which the group is exposed. This ensures consistency in approach across the group's business lines and legal entities. The compliance function report directly to the Board Audit and Compliance Committee.
3. 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 & Compliance Committee.

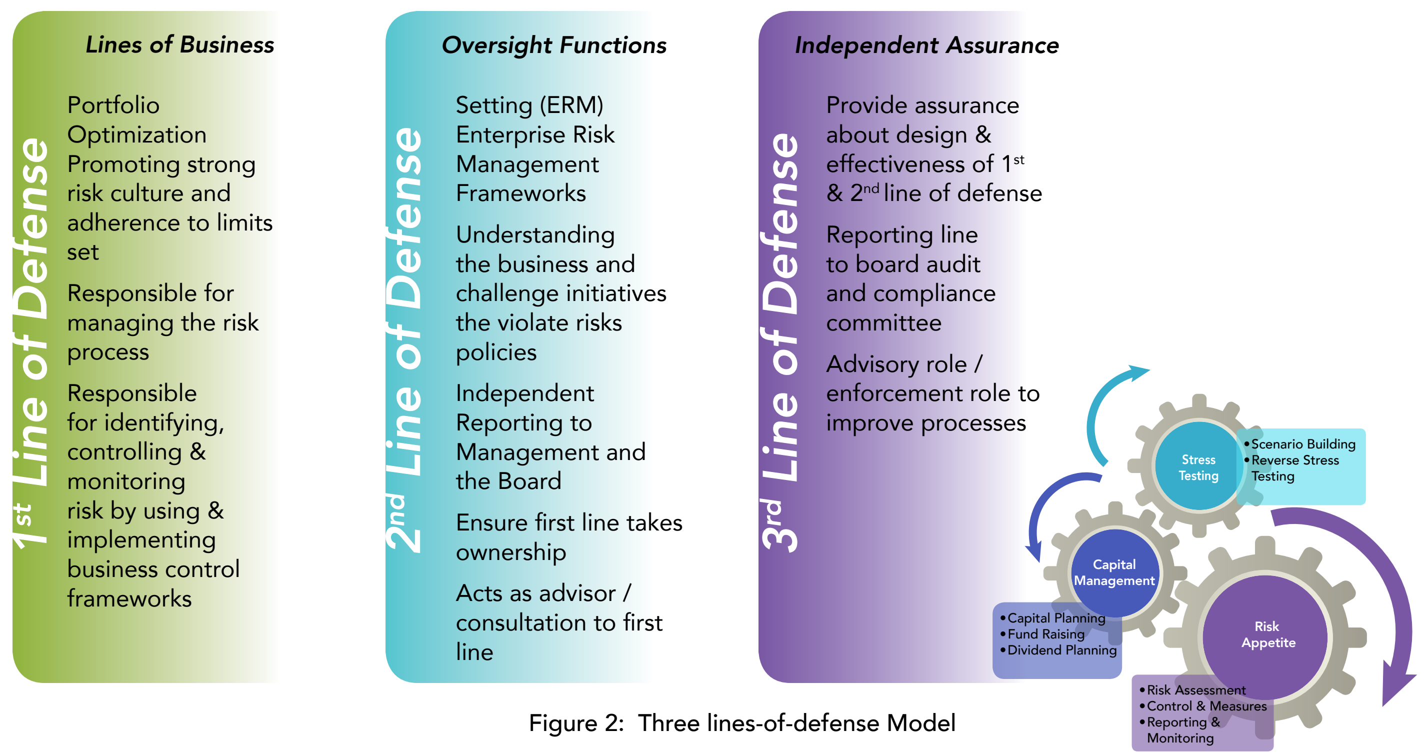


Figure 2: Three lines-of-defense Model

RISK MANAGEMENT DISCLOSURE

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 (to include Business Continuity Management), Trust Risk Division and Business Intelligence & Data Warehouse Division.

Each division is tasked to monitor the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These policies clearly define the types of risks to be managed, set forth the risk 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

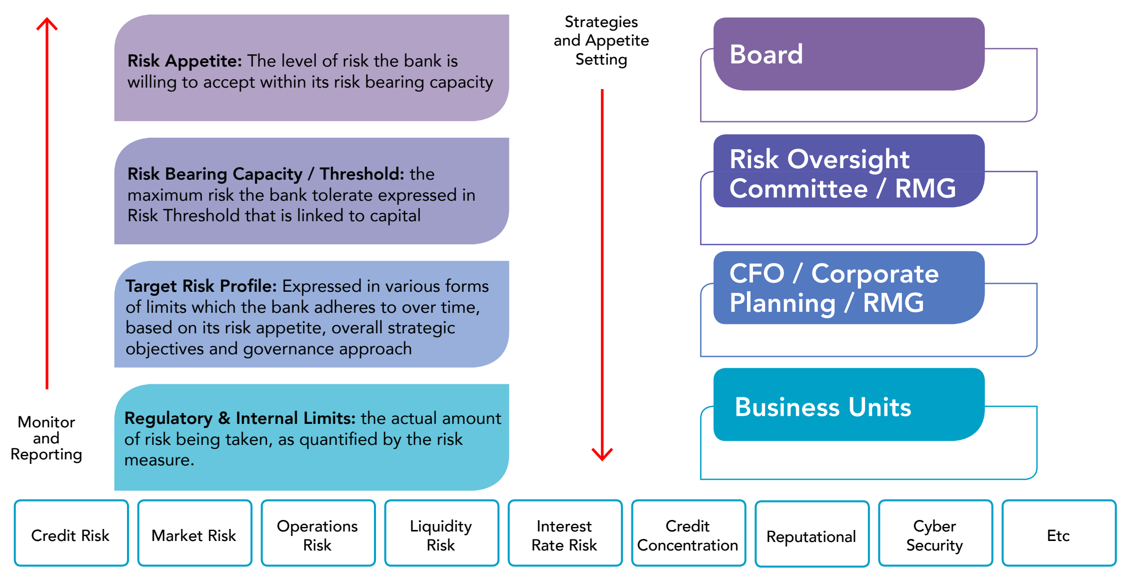


Figure 3: Risk Appetite, Risk Threshold, Risk Tolerance

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 other Pillar II material risks such as *Strategic/Business, Credit Concentration, Liquidity, Interest Rate in banking books*, and most recent *Cyber Security risks* that the Group is exposed to (see Figure 3).

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 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 committee is also tasked to review, evaluate, approve and/or endorse for Board approval - various policies, procedures and manuals of products and services to be offered to the Bank's domestic and overseas market. Further, together with Risk Oversight Committee, the ExCom also reviews, evaluate and approve/endorses to the Board for approval the various Annual Strategic Forecasts, Plans and Budget by the revenue sectors of the bank. The ExCom is also responsible for the risk taking activities and the periodic review of the Bank's ICAAP program.

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.

As part of the bank's comprehensive risk framework, the bank conducts, at least annually, (or as needed for specific risk sets), the enterprise wide *risk & control self-assessment (RCSA).* The RCSA is designed as a forward looking tool in order to assess and measure the Bank's risk exposures. It is an exercise which allows each of the bank's risk-taking units and support units, to consider the extent to which potential events have an impact on the achievement of the unit's and ultimately the Bank's objectives.

The RCSA process is primarily designed to:

- Assist the organisation in identifying and documenting all of its material risks together with related controls;
- Assess the level of each risk to enable an evaluation against the risk appetite–tolerance of the organisation;
- Increase risk awareness by the business;
- Encourage the on-going review of the effectiveness and efficiency of controls and for business to better manage their own risks;
- Increase transparency of risk within business through reporting of the assessment results; and
- Achieve a ranking of the risks to determine which risks require a higher priority and a greater focus.

Under the Bank's ERM framework, all the risk taking Business Units of the Bank, including its subsidiaries and affiliates, shall perform comprehensive assessment of all material risks. This is accomplished on a semi-annual basis. The process includes:

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

RISK MANAGEMENT DISCLOSURE

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 are also 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);
- Operational Risk (BSP Cir. No. 900)
- Other risks identified by the Senior Management, i.e. Credit Concentration Risk
- Any top significant risk defined as "Material" based on group-wide consolidated ICAAP RCSA results (most recent is Cyber Security Risk)

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 the assessment period 2017-2019, these are based on the following nine (9)) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the ICAAP Document and required for monitoring.

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

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

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

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. Credit Concentration Risk is part of credit risk that measures the risk concentration to any single customer or group of closely-related customers with the potential threat of losses which are substantial enough to affect the financial soundness of a financial institution(BSP Circular 414)	▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation	▪ Trend Analysis (Portfolio / Past Due and NPL Levels ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss Reserves Review ▪ Specialized Credit Monitoring (Power, Real Estate)
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market.	▪ 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.(BSP Circular 900)	▪ 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: 1. Risk Identification – Risk Maps 2. Risk Measurement and Analysis – ICAAP Risk Assessment	▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis

Included in the Operational Risks:			
Reputational Risk (Customer Franchise 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 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	▪ 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 Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.		▪ Management Profitability Reports – Budgets vs Actuals ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting ▪ Annual Strategic Planning Exercise
Cyber Security Risk	Cyber Risk is the current and prospective impact on earnings, reputation, customer franchise, and/or capital arising from information security threats of attack on the bank's digital footprint through (not limited to) the following: • Breaches in data security • Sabotage on online (web-based) activities (Ransom ware, DDOS, etc) • Common threats (spam, phishing, malware, spoofing viruses, spoofing, etc) • Scams and Frauds (Social engineering, identify thefts, email scams, etc)	Major Factors considered: ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators)	▪ Risk Asset Register ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous InfoSec / cyber risk awareness campaigns ▪ Network Security Protection ▪ Limits on Access Privileges ▪ Scanning of outbound and inbound digital traffic

2016 Risk Management Highlights:

Market & Liquidity Management

The Market Risk and Asset Liability Management (ALM) 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 2016 under Market & ALM Division are as follows:

Trading Market Risk/Price Risk

- Enhanced and tightened control of 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.
- Prepared 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 monthly market risk dashboards for reporting to the ALCO and ROC.
- Prepared and performed the quarterly stress testing of the trading portfolio for reporting to the ALCO and ROC.
- Revised and updated the Board-approved Market Risk Management Manual to incorporate new policies, new procedures, updated limits.
- 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.
- Provided inputs on limit setting and performed assessment of the reasonability and relevance of trading risk limits.
- Updated and enhanced the methodology for credit risk factors (CRF) for FX forward and Fixed Income and sought Board approvals of revised CRFs
- Refined the back testing parameters for all trading instruments to ensure a robust back testing framework and process.
- Reviewed and performed risk analysis of new and existing Treasury Group Product Manuals
- Further enhanced of existing automated risk reports and expanded automation of various risk reports by contributing inputs to the Data Modeler during the development and conducted various UAT sessions for these reports.

Structural Market Risk – Interest Rate Risk in the Banking Books

- Prepared monthly interest rate risk in the Banking Book Dashboard for reporting to the ALCO and ROC.
- 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 and performed the quarterly stress testing of the banking book portfolio 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, updated limits and model assumptions.
- 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 on limit setting and performed assessment of the reasonability and relevance in the annual review of EAR limits of the Bank proper, overseas branches and subsidiaries.
- Prepared the monthly Matching of Assets and Liabilities Report which is a supplementary report to the ALCO and ROC.
- Provided extensive technical training and support to the overseas branches and subsidiaries with respect to preparation and monitoring of interest rate risk in the banking book reports.

Liquidity Risk

- Prepared and produced the monthly liquidity risk Dashboard for reporting to the ALCO and ROC.
- Prepared and performed the quarterly stress testing for liquidity 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.
- Improved the Stress Testing Framework for Liquidity Risk to include Systemic Risk with a historical one-off event and aligned with the Bank's Updated Liquidity Contingency Plan.
- Refined the back testing framework and methodology for the Volatile deposit model.
- Conducted risk awareness lectures on liquidity risk management to various training programs of the Bank.
- Active participation in the Business Requirement Definition, preparation of Business Case and Request for Proposal, selection criteria of the Bank's Asset and Liability Management System Project.
- Provided inputs on limit setting and performed assessment of the reasonability and relevance in the annual review of liquidity limits of the Bank proper, overseas branches and subsidiaries.
- Provided extensive technical training and support to the overseas branches and subsidiaries with respect to liquidity risk report preparation and monitoring.

Other risk areas assigned to the Division

- Spearheaded the roll –out of SEC Memorandum Circular 9 (Guidelines on the submission of Monthly Complaints Report)
- 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) twice a month for reporting to ALCO.
- 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.
- Active participation in the Bank's Recovery Plan initial preparation under BSP Cir 904 submitted on June 2016.

RISK MANAGEMENT DISCLOSURE

Credit Risk Management

The bank is exposed to credit risk, arising from the probability that counterparties might default on their contractual obligation under loans and advances when due or in full. Credit Risk Weighted Assets (CRWA) account for 92% of the group's consolidated RWA of Ph504Bio, hence is monitored as the primary risk for the Group's business; management therefore carefully manages its exposure to credit risk.

Concentrations of credit risk (whether on or off-balance sheet) might arise from risk exposures to one borrower or group of borrowers, with similar economic characteristics, that might be affected in equal terms by changes in economic or other circumstances in meeting their contractual obligations.

The Group is exposed to credit risk also in result of its trading and investment activities, as well as in result of its activities as an investment intermediary for its customers or for third parties. The credit risk arising on trading and investment activities is managed through the management of market risk.

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

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 2016 under Credit Risk are as follows:

- Created the Credit Review Section which is tasked to:
    - Do an independent review and determine that credits are granted in accordance with policies;
    - Assess the overall asset quality including appropriateness of credit risk ratings, adequacy of loan loss reserves and deficiencies in the credit administration.
- Oversight of the credit initiation and approval of selected accounts through pre-approval risk review. The Chief Risk Officer and Head of Credit Risk also sit as resource persons in the Senior Management Committee and Institutional Banking Group Committee, respectively.
- Conducted quantitative validation of the credit risk rating models for large corporations and SMEs, housing loans, credit cards and country ratings to assess and evaluate the conceptual soundness of the model, identify potential risk upon deployment and assurance that the models complied with the BSP requirements.
- Ensured the full compliance of the Bank to the BSP Circular 855 on the Guidelines on Sound Credit Risk Management Practices; Amendments to the Manual of Regulations for Banks and Non-Bank Financial Institutions before the set deadline last November 19, 2016.
- Performed scenario analysis and stress testing thru Rapid Loan Portfolio Review of the possible impact of Decreasing Trend in Oil and Steel prices 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 Real Estate exposure and loans in the pipeline to ensure compliance with the Expanded Real Estate Exposure and Real Estate Stress Test. Recalibrated the Real Estate stress test computation to consider factors not considered and improve the Bank's stressed capital adequacy ratio.
- Robust monitoring of the large exposures and concentration risk. Identified the major industries that need close monitoring and recommended limits linked to the Bank's capital. Spearheaded the identification and subsequent monitoring of connected and economic interdependent accounts in compliance with the BSP 855 mandate.
- Updated the credit risk manual and procedural guidelines to align with the latest regulatory and internal policies.
- Continued participation 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.
- Continued oversight of the subsidiaries i.e. compliance with regulations, assist in the formulation of their policies/procedures and process improvement.
- Supervised the resolution of technical and data issues relative to the production data requirements of R.A. 9510 or otherwise known as Credit Information System Act.

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:

- Improved risk reporting for the bank's Trust Banking Group. Within each scope of coverage, risk monitoring provided additional data to better assist senior management in its oversight of trust operations. The additional information is intended to create value for the group by helping to appropriately focus resources to meet targets for the year, improve product performance which serves as a marketing tool, manage accounts in accordance with global best practices as well as local regulations, proactively address client-related issues and ensure that the preparation of the group's infrastructure is aligned with its goals and strategies.
- Updated the Risk Manual to improve the risk management framework for the group. In particular, the credit risk initiation process was enhanced to achieve better due diligence for potential investment outlets of clients.
- Provided guidance and support to concerned Trust Banking Group divisions for correct self-assessment processes, comprehensive loss event reporting and timely participation in bank-wide risk activities.
- Continued to actively give inputs for Trust Banking Group policies, as well as procedural and product manuals and monitored the review thereof.
- Provided risk awareness trainings to the group's employees on Trust Risk Management, with focus on Information Security, Business Continuity Planning and Operational Risk tools. Training on Trust Risk was also provided to management trainees of the bank.

Operational Risk Management

Operational risk management is vital for the safe and sound operations of the Bank. It aims to ensure that its goals and objectives are met, that long-term profitability targets are achieved, capital resources are preserved and properly allocated to viable activities and reliable financial and management reporting are maintained. Risk management can also help ensure the Bank's compliance with laws and regulations as well as policies, plans, internal controls and procedures and decrease the risk of unexpected losses or damages to its reputation.

RISK MANAGEMENT DISCLOSURE

To strengthen its oversight function in the banking industry, the Bangko Sentral ng Pilipinas (BSP) added to the MORB/MORNBF, a policy statement, as defined the BSP Circular 900 Guidelines on Operational Risk issued January 18, 2016. It is the thrust of the Bangko Sentral ng Pilipinas (BSP) to promote the adoption of effective risk management systems to sustain the safe and sound operations of its supervised financial institutions (BSFIs). Cognizant that operational risk is inherent in all activities, products and services, and is closely tied in with other types of risks (e.g., credit, liquidity and market risks), the BSP issues these guidelines to clearly set out its expectations and define the minimum prudential requirements on operational risk management. In view of the said BSP Circular 900, the Bank's Operational Risk Management Framework has been updated to incorporate some of the guidelines defined in the said circular.

The **goal of ORM** is to reduce the probability and severity of operational losses. In view of this goal, the following are its key objectives:

- To develop a risk culture and increase **risk awareness** that will 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 adheres to sound operating policies, processes and controls.
- To promote high ethical and integrity standards, thus establishing a culture within the organization that emphasizes and demonstrates to all levels of personnel, the importance of risk awareness and internal control.
- To create a detailed **risk profile and analytics** which Management and the Board can use to better run the Bank and make timely and more informed decision making.

The following primary areas of operational risks are under focus for risk management strategies under the ORM framework: People, Processes, Systems, and Products. It is under these areas that the monitoring tools and risk assessments are organized.

Highlights for the risk management activities for 2016 under the Operational Risk Management are as follows:

- Updated the ORM Framework in compliance with the BSP Circular 900 Guidelines on Operational Risk issued January 18, 2016.
- Successful implementation of the Operational Risks Tools specifically the newly revised One RCSA for the merged bank.
- Introduced enhancements in the Loss Events Reporting Processes, Dashboards, Analytics and Reports.
- Improved the reports, analytics and trend analysis presented to the Risk Oversight Committee for better insight into the loss events incidences.
- Continuous identification of High Risk Areas for efficient monitoring of critical risks across the organization
- Recommended policies, mitigating actions, improvements in procedures and action plans to mitigate risks.
- Completed the Risk Education and Awareness Program (REAP) Roadshow to all Domestic Branches, Regional Centers and Subsidiaries
- Developed enhancements in the Operations Risk Management Manual and Ops Risk Tools
- Closely monitored Open LERs and ensure regular updates until closure.
- Institutionalized the semi-annual reporting and updates on Legal Risks and Customer Complaints.
- Increased the risk awareness of various business units as evidenced by the increase in the number of submitted LERs.
- Achieved a 100% submission rate of reporting units for LERs.

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

While banks have greatly benefited from the software and systems that make for more efficient delivery of products and services, they have also become more susceptible to the associated risks. Many banks now find that these technologies are involved in more than half of their critical operational risks, which typically include the disruption of critical processes both from internal applications and those outsourced to vendors; risk of breaches of sensitive customer or employee data, and risks of coordinated denial-of-service attacks. The new buzzword under this category of risk is CYBERSECURITY. In 2014, the National Institute of Science and Technology - NIST (US) drafted and implemented the NIST Cyber Security Framework which codified a standard to help organizations to better understand, manage, and reduce cyber security risks. Organizations are usually left in a "catch-up" mode to identify, protect, respond, and recover from the possible breaches that could arise due to the said risks. Cyber security risk mitigation spend has grown at approximately 3x the rate of the budget of the technology being secured.

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.

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. Further, the BSP guidelines in managing this risk have also evolved to include not only the technology components but have indicated that need for analytics and response / recovery measure in case breaches and threats turn into realities.

a. **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.

b. **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.

c. **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.

d. **Business Outsourcing Risk** is the risk to the bank's operations relating to services that are outsourced to 3rd party providers. This includes the potential risk of breaches / leaks of confidential information about customers and/or employees, risks to managing the services provider, risks to continuity of the bank's delivery of products and services should the provider fail to deliver contracted services in the delivery loop, and other myriad of "new" risks - data / security protection, process discipline, loss of business knowledge, among others.

The bank has put in a number of technical and functional components for risk mitigation that will eventually evolved into a full-implementation of the group's Security Operations Center (SOC). Foundation Components include (among others):

a. SIEM monitoring and correlation
b. Antivirus monitoring and logging
c. Network and host IDS/IPS monitoring and logging
d. Network and host DLP monitoring and logging
e. Centralized logging platforms (syslog, etc.)
f. Email and spam gateway and filtering
g. Web gateway and filtering
h. Firewall monitoring and management
i. Application whitelisting or file integrity monitoring
j. Vulnerability assessment and monitoring
k. Security Awareness

Highlights of risk management activities for IS/IT (including BCP) for 2016:

On automation:

a. Information Security Website: Upgrade the website and server to include RMG to implement online submission of Acceptable Use Policy.
b. VA tool (network and web applications): Accomplished Certification in Ethical Hacking to acquire necessary tools and techniques available for information security risk officer
c. Automated ISTRD data analysis for quarantined mails for dashboard reporting
d. Conduct of Project Healthchecks for bank IT projects – Mobile Banking, Trust Banking Application, Risk Assessment for Core Banking Implementation

On Manuals / Policies Updates:

a. Draft / approval / implementation of the bank's Outsourcing and Vendor Management Policy
b. ISMS Tier 4 Guidelines - Information Asset Register review, validation and consolidation; Monitoring and Escalation Procedures for Logs Review
c. Business Continuity Manual Updates for business units and review for Enterprise BCP Framework

On Information Security Risk Monitoring:

a. Engagement of third party to perform annual external Vulnerability Assessment and Penetration Testing (VAPT) for the bank; Monitoring of resolution of exceptions to VAPT
b. Conduct of Risk Assessments for: Assisted in the Risk Assessments for: Main Data Center and Alternate Data Center; Business Contingency Site; ICAAP-IT/IS RCSA
c. Monitor Compliance to IS Tier 4 Policies - Acceptable Use Policies (All bank employees); Business Information Security Officer checklist (Domestic – Semi-Annual; Overseas – weekly, monthly, Quarterly and Annually); Information Asset Register (Domestic, Overseas and Subsidiaries)

On Education and Information Security Awareness:

a. Conducted 100% of planned classroom orientations (including New hires, various officer development programs - MTP, FTTP, TTP and for Domestic and Overseas Branches)
b. Released 4 posters; Released 44 email blasts; Posted 2 website advisory (in coordination with Marketing Group)
c. Attendance of risk officers in various specialized internal and external programs focused on Information Security, Information Technology and Business Continuity.

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 Enterprise Data Warehouse (EDW) Program (stream of concurrent projects) as defined in the EDW roadmap. The key responsibilities of the group is to gather and analyze the reporting and analytics requirements of the various business units, analyze the source systems to be able to accurately extract the data needed, properly design the data models, accurately create the dashboards, reports and analytics and continuously enhance the data models to effectively respond to the changing regulatory, management and operational reporting requirements of the Merged Bank.

The EDW Program includes the **new Core Banking Implementation Project (CBIP)** which covers various application systems such as the customer Relationship Management (RM), Deposits, Loans, Subsidiary Ledger (SL), Central Liability, Trade and Financial Management System (FMS). The EDW System will become the single source of information for all regulatory and management reports and analytics including some operational reports for the Bank.

The Enterprise Data Warehouse (EDW) and Business Intelligence (BI) System has been in Production for almost five (5) years now. Continuous enhancements are being done to provide more relevant reports and analytics to the various business units of the Merged Bank. To date, there are more than 73 Dashboards and over 1500 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. The 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, area, branch, product; Profiling of Customers, Branches, Products, Interest Rates; Monitoring of Deposit Levels and Movements/ Changes (by Area, Region, Branch, Product Type, Product Class); historical trend bankwide or by branch, area, product type/ class, customer type.
- **Loan Portfolio Reports and Analytics:** Decision support analytics on loan clients to provide information on loan levels, historical trends, past due levels, performance monitoring by geographical location centers, product, industry, customer type and account status (particularly on past due and NPL accounts); analytics on concentration risks, large fund providers, exposure by industry, interest rate profiling.
- **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
- **Treasury Dashboard, Analytics and Reports:** To date, more than 200 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.
- **Maximum Cumulative Outflow Report (Liquidity Management):** The Bank was able to automate the various 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, saved substantial man-hours in the manual preparation of reports and improved the availability of current and historical reports thru online dashboards.
- **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.
- **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), Capital Adequacy Ratio (CAR), and BSP Circular 855 Guidelines on Sound Credit Risk Management Practices** were automated for a more accurate and timely reporting and easy validation and checking of supporting details as provided in the dashboards for CRMD. In addition, we have completed the file transfer testing to the **Credit Information Corporation** in compliance with **RA 9510 Credit Information System Act (CISA)** which requires the submission of all credit information covering loans and credit cards. The team also completed the first phase of the **IFRS** compliance project with due date on January 2018.
- Actionable Items Reports: The EDW System automatically generates on a weekly basis (or as needed) these actionable reports to prompt the concerned business units to act proactively on a particular event (e.g. loan accounts due for repricing) or make corrective action on certain data in the source systems (e.g. no BSP Risks Asset Classification) or files for more accurate data and reporting.

With the EDW & BI System in place for Loans, Deposits, GL, Treasury, Credit Facility, Remittances, 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.

Internal Capital Adequacy – Risk & Control Self-Assessment Process

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 individual branch level) with each unit being represented to carry out required ICAAP activities, moreover, to learn to appreciate the ICAAP at the grassroots level.

Related activities moved into high gear leading into the completion of the 2017 ICAAP Document. The activities progressed and become more extensive. The high level milestones are presented in a chart below:

Figure 4: ICAAP 2016-2017 Milestones

KEY DATES	MILESTONES
Feb - June 2016	• Enhancement of the ICAAP RCSA template with the following activities: (1) Refinement of risk definitions, (2) Alignment of risk categorizations and, (3) Risk Taxonomy build-up • Kick-off Meeting with the ICAAP Working Team relative to the ICAAP RCSA enhancements and requirements • Roll-out of Part 1 ICAAP RCSA to Parent Bank (including regional centers and units), Overseas Branches to the Subsidiaries and starting this year - to the Individual Branches • Start of conduct of ICAAP awareness via HR Training Programs (MTP, FTTP and JEDI) • Start of Risk Assessment workshops to HO units, Area Offices and Branches, Subsidiaries in coordination with RMG- Operational Risk Management Team • Creation of Working Team for the Bank's Recovery Plan (per Circular 904 issued on February 2016) • Drafting, brainstorming, deliberation and discussion for the completion and submission of the Bank's Recovery Plan
July - December 2016	• Performed thorough review of the submitted ICAAP RCSAs and KRIs from all the business and support units of the Parent Bank, Overseas Branches, Domestic Branches and the Subsidiaries • Preparation of Timeline for the 2016 ICAAP Document Submission • ICAAP Core Working Team (RMG and CorPlan) meeting to discuss on required Document updates and deliverables • Board approval of Strategic Plan • 2016 ICAAP Document and Recovery Plan Presentation to BSP attended by selected Group Heads and the President • Start of BSP on-site examination • IAG Validation of 2016 ICAAP Document and RCSAs • Performed the ICAAP RCSA Bank-wide Consolidation and initial results were presented to the Executive Committee
January - February 2017	• ICAAP Process Walkthrough with BSP Team and attended to all requirements during the on-site examination of ICAAP • Roll-out of Part 2 ICAAP Quantification to Parent Bank and Subsidiaries • Conducted various individual meetings with Head Office groups, domestic subsidiaries and conference calls with overseas subsidiaries to discuss on the Key Risk Indicator (KRI) report requirements and computations • ICAAP RCSA Bank-wide Consolidation Results Discussion and Deliberation on the Bank's Material Risks with ICAAP Working Team, Senior Management Team and Risk Oversight Committee (ROC) ICAAP Document and Recovery Plan drafting • Presentation of ICAAP Document and Recovery Plan to Senior Management (SMT), ICAAP Steering Committee, and Board for approval
March 2017	• ICAAP Document and Recovery Plan ready for BSP submission

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. Information Security and Business Continuity
14. Synergy in Audit, Risk Management & Compliance

RISK MANAGEMENT DISCLOSURE

The chart below provides a summary of such evaluation for the year 2016. Subsequent evaluation will include the coverage for Information Security and Cyber Security.

RISK MANAGEMENT FUNCTION

Overall, members of the Board Risk Committee evaluated the bank's risk function at achieved an evaluated rating of 88.34%. This means that the "Risk Management processes is embedded in all "lines of defense" in the organization."

REGULATORY CAPITAL REQUIREMENTS UNDER BASEL II – PILLAR 1

The bank's Capital Adequacy Ratio as of end of December 2016 stands at **16.65%** on a consolidated basis while the bank's Risk Weighted Assets (RWA) as of end 2016 amounted to **₱504,101**million composed of **₱461,274** million (Credit Risk Weighted Assets-CRWA), **₱2,752** million (Market Risk Weighted Assets-MRWA) and), **₱40,073** million (Operational Risk Weighted Assets-ORWA).

The Bank's total regulatory requirements as of December 31, 2016 are as follows:

Consolidated(Amounts in ₱0.000 million)	Weighted Exposures
Total Credit risk-weighted assets	461,275
Total Market risk-weighted assets	2,753
Total Operational risk-weighted assets	40,073
Total Risk-Weighted Asset	504,101
Common Equity Tier 1 Ratio	15.80%
Capital Conservation Buffer	9.80%
Total Capital Adequacy Ratio	16.65%

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

Credit Risk-Weighted Assets as of December 31, 2016 (In Million Pesos)

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

₱ In Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	11,770		11,770	11,504	266				
Due from BSP	127,397		127,397	127,397					
Due from Other Banks	25,897		25,897		16,421	7,848		1,628	
Financial Asset at FVPL	33		33					33	
Available for Sale	68,384	11,232	57,153	11,134	9,349	18,259		18,410	
Held to Maturity (HTM)	24,516	6,290	18,226	6,811		11,150		265	
Unquoted Debt Securities	3,277		3,277			2,731		546	
Loans & Receivables	414,784	21,636	393,148	2,749	41,376	9,650	25,016	313,005	1,352
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	2,742		2,742	2,742					
Sales Contracts Receivable	5,748		5,748					5,103	645
Real & Other Properties Acquired	9,921		9,921						9,921
Other Assets	32,171		32,171					32,171	
Total On-Balance Sheet Asset	**726,640**	**39,158**	**687,482**	**162,337**	**67,412**	**49,638**	**25,016**	**371,161**	**11,918**
Total Risk Weighted Asset - On-Balance Sheet				-	13,482	24,819	18,762	371,161	17,877
Total Risk Weighted Asset - Off-Balance Sheet Asset				0	0	32	173	12,848	0
Counterparty Risk Weighted Asset in Banking Book				0	305	1,317	0	0	0
Counterparty Risk Weighted Asset in Trading Book				0	31	246	0	221	0

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

Market Risk-Weighted Assets as of December 31, 2016

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 ₱0.000Million)	Capital Charge (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	128.085	160.107	1,601.068
Specific Risk	30.709	38.386	383.860
General Market Risk	97.376	121.72	1,217.28
Equity Exposures	4.351	5.439	54.387
Foreign Exchange Exposures	87.772	109.715	1,097.151
Total	220.208	275.261	2,752.606

Notes:
1/ Capital charge is multiplied by 125% to be consistent with BSP required minimum CAR of 10%, which is 25% higher than the Basel minimum of 8%.
2/ Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)

RISK MANAGEMENT DISCLOSURE

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

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

Specific Risk

Specific Risk which reflects the type of issuer of the held for trading (HFT) portfolio is ₱30.709million, of 71% is contributed by the securities with 1.6% risk weight issued by Republic of the Philippines (ROP) with tenor over 2 years while 29% is attributable to securities rated below BBB- and unrated securities with 8% risk weight.

ROPs compose 84% 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 in Peso denominated government securities which is estimated at 8% of the portfolio have zero risk weight. The remaining portfolio with applicable 8% risk weight consists of all other debt securities/derivatives that are issued by other entities and rated between AAA and BBB- (1%) as well as those rated below BBB- and unrated securities (7%)

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱0.000 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	62.190					
	Short	62.190					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		1,247.145		1,308.327		
	Short				40.435		
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long				8.285		
	Short						
All other debt securities/derivatives that are below BBB- and unrated	Long						
	Short					112.418	
Subtotal	Long	62.190	1,247.145		1,316.612	112.418	
	Short	62.190	0.0		40.435		
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		0.0	0.003	0.0	21.713	8.993	30.709
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		0.0	0.003	0.0	21.713	8.993	30.709

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱4.462 million. In terms of weighted positions, the greater portion (57%) of the Bank's capital charge comes from the Over 1month to 3 months bucket at ₱2.508 million as well as Over 7years to 10 years bucket (32%) at ₱1.419 million or a combined capital charge of ₱3.927million. The remaining weighted positions (10%) are sparsely distributed over the remaining buckets.

Currency: PESO

PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 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	1 month or less	1 month or less	11,222.445	1,248.400	0.00%	-	-	
	Over 1 month to 3 months	Over 1 month to 3 months	1,254.127	-	0.20%	2.508	-	
	Over 3 months to 6 months	Over 3 months to 6 months	2.981	2.981	0.40%	0.012	0.012	
	Over 6 months to 12 months	Over 6 months to 12 months	1.019	0.491	0.70%	0.007	0.003	
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	2.100	-	1.25%	0.026	-	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	2.732	-	1.75%	0.048	-	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	-	-	2.25%	-	-	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	3.014	-	2.75%	0.083	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	0.817	0.817	3.25%	0.027	0.027	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	37.844	-	3.75%	1.419	-	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	5.137	-	4.50%	0.231	-	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	13.715	13.715	5.25%	0.720	0.720	
	Over 20 years	Over 10.6 years to 12 years	1.117	-	6.00%	0.067	-	
		Over 12 years to 20 years	-	-	8.00%	-	-	
		Over 20 years	1.117	1.117	12.50%	-	-	
Total			12,547.047	1,266.404		5.148	0.762	
Overall Net Open Position								4.386
Vertical Disallowance								.076
Horizontal Disallowance								-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE								4.462

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is P89.188million. The exposure is concentrated under the Over 7 to 10 years buckets with risk weight of 3.75% and corresponding capital charge of at ₱45.184 million. The balance is distributed across the other time buckets up to Over 20 years with capital charge ranging from P0.532million to ₱2.783 million.

Currency: USD								
PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 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	1 month or less	1 month or less	10,624.459	11649.22	0.00%	-	-	
	Over 1 month to 3 months	Over 1 month to 3 months	9,841.445	10627.111	0.20%	19.683	21.254	
	Over 3 months to 6 months	Over 3 months to 6 months	695.864	0	0.40%	2.783	-	
	Over 6 months to 12 months	Over 6 months to 12 months	76.054	0	0.70%	0.532	-	
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	-	0	1.25%	-	-	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	32.931	0	1.75%	0.576	-	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	2,778.848	2739.5942	2.25%	62.524	61.641	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	-	0	2.75%	-	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	-	0	3.25%	-	-	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	1,204.917	0	3.75%	45.184	-	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	6,485.441	6447.5734	4.50%	291.845	290.141	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	-	0	5.25%	-	-	
	Over 20 years	Over 10.6 years to 12 years	33.330	12.574468	6.00%	2.000	0.754	
		Over 12 years to 20 years	-	0	8.00%	-	-	
		Over 20 years	-	0	12.50%	-	-	
Total			31,773.290	31,476.073		425.1	373.8	
Overall Net Open Position								51.338
Vertical Disallowance								37.222
Horizontal Disallowance								0.629
TOTAL GENERAL MARKET RISK CAPITAL CHARGE								89.188

General Market Risk – Third currencies

The Bank is likewise exposed to various third currencies contracts most of them are in less than 30 days thus carries a 0% risk weight. The combined general market risk charge for contracts in Singapore Dollar (SGD) and Hong Kong Dollar (HK) is P3.725million with risk weight ranging from 0.20% and 0.40%.

PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)										
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				
	1 month or less	-	17.178	0.00%	-	-		-	-	
SGD	Over 1 months to 3 months	-	173.980	0.20%	-	0.348		-	-	
TOTAL		-	191.158				0.348	-	-	0.348
	1 month or less	373.435	1,907.951	0.00%	-	-				
	Over 1 months to 3 months	-	297.826	0.20%	-	0.596				
	Over 3 months to 6 months	-	695.428	0.40%	-	2.782				
HKD	Over 6 months to 12 months			0.70%	-					
		373.435	2,901.205				3.377	-	-	3.377
Total										3.725

Equity Exposures

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 ₱4.351million or total risk-weighted equity exposures of ₱54.387million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	27.194
		Short	
A.10	TOTAL	Long	27.194
		Short	-
B.	Gross (long plus short) positions (A.10)		27.194
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		2.175
E.	Net long or short positions		27.194
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		2.175
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		4.351
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		5.439
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		54.387

Foreign Exchange Exposures

The Bank's exposure to Foreign Exchange (FX) Risk carries a capital charge of ₱1,097.251 million. This includes ₱370 million arising from exposure in Non-Deliverable Forwards (NDF)s) which carries a 4% risk weight while ₱724.251 million is from Foreign Exchange Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to JPY, CHF, GBP, EUR, CAD, AUD, SGD and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2015)

Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
	Closing Rate USD/PHP:					47.118
		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	(14.266)	0.271		(13.995)	-695.822
A. 2 Japanese Yen	JPY	0.233	-		0.233	11.605
A. 3 Swiss Franc	CHF	0.144	-		0.144	7.166
A. 4 Pound Sterling	GBP	(0.572)	-		(0.572)	-28.429
A. 5 Euro	EUR	0.822	-		0.822	40.866
A. 6 Canadian Dollar	CAD	0.079	-		0.079	3.917
A. 7 Australian Dollar	AUD	0.091	-		0.091	4.510
A. 8 Singapore Dollar	SGD	0.093	-		0.093	4.641
A. 9 Foreign currencies not separately specified above		0.628		-		0.628
A. 10 Sum of net long positions						103.912

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2015)

Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
	Closing Rate USD/PHP:					47.118
		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. 11 Sum of net short positions						724.251
B. Overall net open positions 1/						724.251
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						57.940
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						72.425
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						724.251
G. Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (Part IV.3a, Item F)						372.90
H. Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						1,097.251

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

(amounts in ₱0.000 Million) Consolidated as of Dec 31, 2016	Gross Income	Capital Requirement (15% x Gross Income)
2013 (Year 3)	18,172	2,726
2014 (Year 2)	22,061	3,309
2015 (last year)	23,884	3,583
Average for 3 years		3,206
Adjusted Capital Charge	Average x 125%	4,007
Total Operational Risk weighted Asset		**40,074**

MESSAGE FROM THE BOARD AUDIT AND COMPLIANCE COMMITTEE CHAIRMAN

EDGAR A. CUA
DIRECTOR

The Board Audit and Compliance Committee (Committee) of the Philippine National Bank (PNB) is a standing Committee of the Board of Directors. It has prepared this annual report on its activities with the purpose of evaluating its operations and organization in 2016, highlighting the main incidents that have arisen with respect to the specific functions it has been assigned.

Functions of the Committee

The Committee shall discharge its functions with complete independence, as follows:

- 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

Organization and Responsibilities

The Committee is composed of three (3) members, who are all Independent Directors (ID). The Committee members are highly qualified business professionals with excellent educational credentials. In August 2016, the Committee members attended a seminar on Corporate Governance as part of their 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.

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, dismiss, replace and reappoint the External Auditors (subject to stockholder ratification) based on fair and transparent criteria such as (I) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports. The BACC shall set compensation of the external auditor in relation to the scope of its duties and 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 BACC 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 June 2016.

Activities for the calendar year 2016

The Committee held 13 meetings during the year. Accomplishments and action plans are monitored to ensure the full discharge of all its functions. For the calendar year 2016, 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 first quarter of 2016, the Internal Audit Group was subjected to an External Quality Assessment (EQA). SGV & Co. was engaged to conduct the independent external validation of the Internal Audit Group's self-assessment of its conformance with the International Standards. SGV concurred with the results of the self-assessment and confirmed that the Internal Audit activity "Generally Conforms" with the International Standards. Also, during the third quarter of 2016, the LT Group, Inc. (LTG), the Bank's immediate parent company, acquired the services of SGV & Co. to diagnose the current maturity level and future state of the Internal Audit function of LT Group, Inc. and its selected entities, which included PNB. The results of the current and future state assessment classified PNB Internal Audit Group as "Leading" in terms of maturity level.

- Reviewed and approved the annual plans and programs of the Internal Audit Group and Global Compliance Group for 2016, and the audit plan of the external auditors for the consolidated financial statements of the Bank for the period ending December 31, 2016;

- 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, including the major projects launched by the Internal Audit Group that automated the 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 cyber-security 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 significant enhancements in the Internal Audit Group and the Committee Charters to align with regulatory requirements, Risk Assessment Methodology, and 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, 2016 and their consequent filing with the Securities and Exchange Commission and other regulatory bodies.

The Chief Audit Executive rendered an independent, objective assurance to the Committee, the Board of Directors and the Senior Management that, based on the overall activities performed by the Internal Audit Group, the Bank's 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 and information systems audited 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 by the comprehensive compliance systems effectively implemented enterprise-wide wherein there were no material deviations noted by the Chief Compliance Officer.

With the robust governance of the Board and the unwavering support of Senior Management, the Committee is greatly confident that strong oversight on the establishment, administration, and assessment of the Bank's systems of risk management, control and governance processes provides reasonable assurance that Philippine National Bank's internal control environment remains effective and dynamic, able to support the business model and ensures the attainment of its business plans.

EDGAR A. CUA
Board Audit and Compliance Committee Chairman

MESSAGE FROM THE BOARD OVERSIGHT COMMITTEE (Domestic and Foreign Offices/Subsidiaries) CHAIRMAN

CHRISTOPHER J. NELSON
DIRECTOR

The Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries (BOC) was created in the year 2012 by the Board of Directors to provide the required oversight on the domestic and foreign offices/subsidiaries to ensure their profitable operations and long term viability consistent with the bank's strategic goals

The Committee has at least three (3) regular members of the Board of Directors. It may invite Senior Management Group Heads as resource person in any of its meetings to present management reports, clarify matters and provide information on relevant issues to the Committee, as needed.

The main duties and responsibilities of the BOC – Domestic and Foreign Offices/Subsidiaries are:

1. To provide oversight on the business plans, initiatives, operations, risk and regulatory compliance of the domestic subsidiaries and foreign offices to include foreign branches, subsidiaries, marketing desk offices and representative offices;

2. To review periodically the actual performance of the domestic and foreign offices/subsidiaries in relation to its approved quantitative and qualitative plans as well as in relation to its strategic objectives and business priorities; conduct periodic financial performance and management profitability reviews which includes the evaluation of the Bank's short-term, medium-term and long-term strategic plans and key activities. Be informed of market and economic developments of the foreign office/subsidiary, in coordination with the respective entity's Board of Directors, other Board Committees and Senior Management Group Heads that provide oversight support to the foreign offices

3. To supervise the formulation of policy guidelines and procedures to ensure the quality of compliance and risk management of the different business legal vehicles by focusing on key risk areas that require direction by the Board and Implementation of timely effective corrective actions

4. To review business models/licenses, product programs, operations policy and procedures manuals, IT systems and developments, major marketing tie-ups/programs of the foreign offices; and

5. To review and evaluate qualification of key officers recommended to be hired or appointed for the foreign offices as well as those nominated to positions requiring the appointment of their Board of Directors.

The BOC – Domestic and Foreign Offices/Subsidiaries conducts two (2) meetings every month, one for the domestic subsidiaries and another for the foreign offices/subsidiaries.

CHRISTOPHER J. NELSON
Board Oversight Committee – Domestic and Foreign Offices/
Subsidiaries Chairman

MESSAGE FROM THE BOARD IT GOVERNANCE COMMITTEE CHAIRMAN

LEONILO G. CORONEL
DIRECTOR

The Board IT Governance Committee (BITGC) was created and approved 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 matters.

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 of PNB Parent Bank and related entities based on adherence to existing laws, rules and regulations, and global best practices
- Oversee the IT project proposals to ensure consistency 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.

BITGC Activities for Calendar Year 2016

The Committee had 13 meetings during the year - twelve (12) regular monthly meetings and one (1) special meetings with an average attendance of 88%. Major highlights of meetings were as follows:

- **Oversaw, monitored and noted the following:**
  - IT Project Updates vis-à-vis IT Strategic Plans
    - ➢ Core Banking Integration Project (CBIP)
    - ➢ EMV Migration Projects (for ATM, Debit Cards and Credit Cards)
    - ➢ Mobile Banking System
    - ➢ Business As Usual Projects
  - IT Service Delivery Performance
  - IT Budget and Expense Performance
  - IT Risk and Compliance Management
    - ➢ Significant IT/IS Risks and Issues
    - ➢ Regular Updates on BSP LOC and Significant Audit Findings
    - ➢ Information Security Plans and Updates
  - IT Management Committee Minutes of the Meeting for year 2016

- **Approved the 2016 IT Budget and Capital & Operational Expenses**

  Maintenance Agreements, Services and Licenses:
  - ➢ Oracle Support for Superdome DB Server
  - ➢ ASG ZEKE VSE and ASG Zena Integration and Support
  - ➢ Sophos License Renewal
  - ➢ Renewal of FC Support from Oracle, Zenshin and TIM
  - ➢ McAffee SIEM Maintenance & Support
  - ➢ Checkpoint Firewall Maintenance & Support
  - ➢ Visual Studio Enterprise Subscription Renewal
  - ➢ Exadata Support & Services
  - ➢ Vormetric Data Security Support & Licenses
  - ➢ Additional MS Licenses for various servers
  - ➢ Services for ASCCEND IM patches
  - ➢ ASCCEND Support & Services
  - ➢ ASCCEND Commercial Card Module Maintenance
  - ➢ Renewal and Upgrade of VMware SW
  - ➢ Services for 3rd Party Vulnerability Assessment & Penetration Testing (VAPT) Engagement
  - ➢ BRC Co-Location Services with TIM in Carmona Laguna
  - ➢ Services for transfer of MF HW from Makati to Carmona
  - ➢ Services for Dedicated FIS Connex Support

  CBIP Budget, Capital & Operational Expense:
  - ➢ Trust Interface to Systematics
  - ➢ E2E Internet and Mobile Interface
  - ➢ CBIP Training Budget and Schedule
  - ➢ Polaris extended support
  - ➢ Polaris CL cost for PNB Savings
  - ➢ Various Change Requests for Consolsys, FIS, Softgen and Polaris
  - ➢ Services for Branch Banking System PC Setup and rollout
  - ➢ HP Blade servers and storage
  - ➢ Performance Testing Service Agreement
  - ➢ Supplemental Budget for Middleware
  - ➢ IBM Z10 & Z13 Maintenance Agreements
  - ➢ Oracle Licenses for Data Migration

  Other IT Projects and tools:
  - ➢ SQD BCP IT Requirements
  - ➢ NCR ATM SW Distribution tool
  - ➢ CISCO routers for main data center
  - ➢ CISCO switches for end-state applications
  - ➢ Upgrade of Giftsweb server and software
  - ➢ Additional budget for Trust Moneyware Customization
  - ➢ Fiber Optic LAN Backbone
  - ➢ Check Imaging Clearing System (CICS)
  - ➢ Upgrade of Electronic Imaging and Signature Verification System (EISVS)
  - ➢ ITG Service Agreements with PNB Capital and Investment Corporation
  - ➢ Checkpoint Firewall for PNB Head Office and Business Recovery Site
  - ➢ F5 Load Balancer
  - ➢ Upgrade of Customer Relationship Management Tool
  - ➢ Development of UITF Online in TagIT Internet Banking Platform

- **Approved and Endorsed the following to the Board for approval :**
  - ➢ CBIP GO LIVE schedule for PNB Savings, oABC & oPNB
  - ➢ CBIP Revised Project Plans
  - ➢ Creation of ITG Compliance Committee
  - ➢ Charter of ITG Compliance Committee
  - ➢ Revised ITG Table of Organization
  - ➢ IT Strategic Plans for year 2017-2019

LEONILO G. CORONEL
Board IT Governance Committee Chairman

PNB

PROFILES OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS

JOSEPH T. CHUA
Advisor

MAILA KATRINA Y. ILARDE
Corporate Secretary

MANUEL T. GONZALES
Advisor

WILLIAM T. LIM
Advisor

HARRY C. TAN
Advisor

FLORIDO P. CASUELA
Director

CARMEN K. TAN
Director

LUCIO K. TAN JR.
Director

FELIX ENRICO R. ALFILER
Vice Chairman

MICHAEL G. TAN
Director

LEONILO G. CORONEL
Director

CECILIO K. PEDRO
Director

FEDERICO C. PASCUAL
Director

CHRISTOPHER J. NELSON
Director

EDGAR A. CUA
Director

ESTELITO P. MENDOZA
Director

LUCIO C. TAN
Director

FLORENCIA G. TARRIELA
Chairman

REYNALDO A. MACLANG
President

WASHINGTON Z. SYCIP
Director

BOARD OF DIRECTORS

FLORENCIA G. TARRIELA

Age 69

Nationality Filipino

Education
- Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines
- Masters in Economics degree, 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
- Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-IBJL Leasing and Finance Corporation, and PNB-IBJL Equipment Rentals Corporation
- Independent Director of PNB International Investments Corp.
- Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of BusinessWorld
- Director/Vice President of Tarriela Management Co., Inc.
- Director/Vice President/Assistant Treasurer of Gozon Development Corporation
- 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.
- 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"
- Environmentalist and practices natural ways of gardening

Other Previous Positions
- Undersecretary of Finance
- Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation
- Managing Partner and the first Filipina Vice President of Citibank N. A.
- President, Bank Administration Institute of the Philippines
- Independent Director of PNB Life Insurance, Inc.

Awards/Citations
- 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement

FELIX ENRICO R. ALFILER

Age 67

Nationality Filipino

Education
- Bachelor of Science and Masters in Statistics, University of the Philippines

Current Position in the Bank
- Vice Chairman/Independent Director

Date of First Appointment
- January 1, 2012

Directorship in Other Listed Companies
- None

Other Current Positions
- Chairman/Independent Director of PNB General Insurers Co., Inc. and PNB RCI Holdings Co., Ltd.
- Independent Director of PNB Savings Bank and PNB International Investments Corp.

Other Previous Positions
- Independent Director of PNB-IBJL Leasing and Finance Corporation
- Senior Advisor to the World Bank Group Executive Board in Washington, D.C.
- Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization
- Director of the BSP
- Assistant to the Governor of the Central Bank of the Philippines
- Senior Advisor to the Executive Director at the International Monetary Fund
- Associate Director at the Central Bank
- Head of the Technical Group of the CB Open Market Committee
- Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts
- Advisor at Lazaro Bernardo Tiu and Associates, Inc.
- President of Pilgrims (Asia Pacific) Advisors, Ltd.
- President of the Cement Manufacturers Association of the Philippines (CeMAP)
- Board Member of the Federation of Philippine Industries (FPI)
- Vice President of the Philippine Product Safety and Quality Foundation, Inc.
- Convenor for Fair Trade Alliance.

REYNALDO A. MACLANG

Age 78

Nationality Filipino

Education
- Bachelor of Laws, 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)

Directorship in Other Listed Companies
- None

Other Current Positions
- Chairman of PNB (Europe) Plc.
- Director of Allied Leasing & Finance Corporation, 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
- Director of LGU Guarantee Corporation

Other Previous Positions
- Director of PNB Savings Bank
- 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.

FLORIDO P. CASUELA

Age 75

Nationality Filipino

Education
- Bachelor of Science in Business Administration, Major in Accounting, University of the Philippines
- Masters in Business Administration, University of the Philippines
- Advanced Management Program for Overseas Bankers, 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

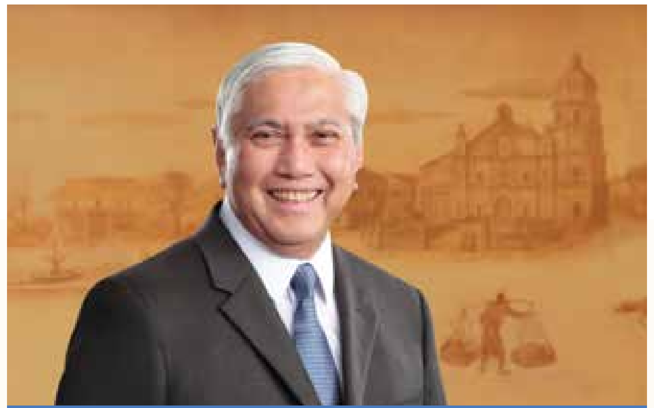
Date of First Appointment
- May 30, 2006

Directorship in Other Listed Companies
- None

Other Current Positions
- Chairman of PNB Securities, Inc.
- Vice Chairman of PNB Savings Bank, Director, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation
- Senior Adviser of the Bank of Makati, Inc.

Other Previous Positions
- Director of PNB Life Insurance, Inc., President of Maybank Philippines, Inc., Land Bank of the Philippines, and Surigao Micro Credit Corporation
- Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc.
- Director, Meralco
- Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc.
- Director of Sagittarius Mines, Inc.
- Senior Adviser in the BSP
- Senior Executive Vice President of United Overseas Bank (Westmont Bank)
- Executive Vice President of PDCP (Producers Bank)
- Senior Vice President of Philippine National Bank
- Special Assistant to the Chairman of the National Power Corporation
- First Vice President of Bank of Commerce
- Vice President of Metropolitan Bank & Trust Co.
- Staff Officer, BSP
- Audit Staff of Joaquin Cunanan, CPAs 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

BOARD OF DIRECTORS



LEONILO G. CORONEL

Age 70

Nationality Filipino

Education
- Bachelor of Arts degree, Major in Economics, Ateneo de Manila University
- Advance Management Program, 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
- Independent Director of DBP-Daiwa Capital Markets Phil.
- Director of Software Ventures International

Other Previous Positions
- Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation
- Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation
- Director/Treasurer of Philippine Depository and Trust Corporation
- Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council
- Managing Director of BAP-Credit Bureau
- President of Cebu Bankers Association
- Consultant of Land Bank of the Philippines, Arthur Young, 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.
- Fellow of ICD

EDGAR A. CUA

Age 61

Nationality Filipino

Education
- Bachelor of Arts in Economics degree (Honors Program), Ateneo de Manila University
- Masters of Arts in Economics degree, University of Southern California
- Masters of Planning Urban and Regional Environment degree, University of Southern California
- Advanced Chinese, Beijing Language and Culture University
- Sustainable Development Training Program, Cambridge University

Current Position in the Bank
- Independent Director

Date of First Appointment
- May 31, 2016

Directorship in Other Listed Companies
- None

Other Current Positions
- Independent Director of PNB Capital and Investment Corporation
- Director of Davao Unicar Corporation

Previous Positions
- Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC.
- Staff Consultant, SGV & Co.

ESTELITO P. MENDOZA

Age 86

Nationality Filipino

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

Current Position in the Bank
- Director

Date of First Appointment
- January 1, 2009

Directorship in Other Listed Companies
- Director of San Miguel Corporation and Petron Corporation

Other Current Positions
- Chairman of Prestige Travel, Inc.
- Director of Philippine Airlines, Inc.
- Practicing lawyer for more than sixty (60) years

Other Previous Positions
- Professorial Lecturer of law at the University of the Philippines
- Undersecretary of Justice, Solicitor General and Minister of Justice
- Member of the Batasang Pambansa and Provincial Governor of Pampanga
- Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.

Awards/Citations
- Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East
- Doctor of Humane Letters degree by the Misamis University
- Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns
- University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

CHRISTOPHER J. NELSON

Age 57

Nationality British

Education
- Bachelor of Arts and Masters of Arts in History from Emmanuel College, Cambridge University, U.K.
- Diploma in Marketing, 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)

Directorship in Other Listed Companies
- None

Other Current Positions
- 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
- Vice President/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 Executive Chairman
- Member of the Society of Fellows of the Institute of Corporate Directors

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

BOARD OF DIRECTORS

FEDERICO C. PASCUAL

Age 74

Nationality Filipino

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

Current Position in the Bank
- Independent Director

Date of First Appointment
- May 27, 2014

Directorship in Other Listed Companies
- None

Other Current Positions
- Independent Director of Allianz PNB Life Insurance, Inc., PNB-IBJL Leasing and Finance Corporation, PNB International Investments Corporation and PNB Holdings Corporation
- President/Director of Tala Properties, Inc. and Woldingham Realty, Inc.
- Chairman of San Antonio Resources Incorporated
- Director of Global Energy Growth System and Apo Reef World Resort
- Proprietor of Green Grower Farm
- Partner of the University of Nueva Caceres Bataan Branch

Other Previous Positions
- Chairman/Independent Director of PNB General Insurers Co., Inc.
- President and General Manager of Government Service Insurance System
- President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation
- Various positions with PNB for twenty (20) years in various positions, including Acting President, CEO and Vice Chairman
- President and Director of Philippine Chamber of Commerce and Industry
- Chairman of National Reinsurance Corporation
- Co-Chairman of the Industry Development Council of the Department of Trade and Industry
- Treasurer of BAP-Credit Guarantee
- Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, and Philippine National Oil Corporation

CECILIO K. PEDRO

Age 63

Nationality Filipino

Education
- Bachelor of Science in Business Management, Ateneo de Manila University
- Honorary Doctorate of Philosophy in Technological Management , Technological University of the Philippines

Current Position in the Bank
- Independent Director

Date of First Appointment
- February 28, 2014

Directorship in Other Listed Companies
- None

Other Current Positions
- Independent Director of PNB Savings Bank
- 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
- 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 Representatives for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012

WASHINGTON Z. SYCIP

Age 95

Nationality Filipino-American

Education
- Bachelor of Science in Commerce from the University of Sto. Tomas
- Masters 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
- 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

Other Previous Positions
- President of the International Federation of Accountants
- Member of the International Advisory Board of the Council on Foreign Relations
- 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
- Most Outstanding Professional in the field of Accountancy given by the Professional Regulation Commission on June 2015
- Arangkada Lifetime Achievement Award conferred by the Joint Foreign Chambers of the Philippines on March 3, 2015
- Order of Lakandula, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011
- Doctor of Laws, Honorary Degree conferred by the University of Melbourne
- 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

CARMEN K. TAN

Age 75

Nationality Filipino

Current Position in the Bank
- Director

Date of First Appointment
- May 31, 2016

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

Other Current Positions
- Director: Asia Brewery, Tanduay Distillers, Inc., The Charter House, Inc., Dominium Realty and Construction Corporation, Eton City, Inc., Foremost Farms, Inc., Philippine Airlines, Inc., PAL Express, Fortune Tobacco Corporation, Himmel Industries, Inc., Lucky Travel Corporation, Manufacturing Services & Trade Corp., Progressive Farms, Inc., PMFTC, Inc., Shareholdings Inc., Sipalay Trading Corp., Trustmark Holdings Corp., Zuma Holdings and Management Corp., Tangent Holdings Corp., Cosmic Holdings Corp., Grandspan Development Corp., Basic Holdings Corp., Saturn Holdings, Inc., Paramount Land Equities, Inc., Interbev Philippines, Inc., Waterich Resources Corp., REM Development Corp., Fortune Tobacco International Corp. and Buona Sorte Holdings, Inc.

Major Affiliations
- Director of Tan Yan Kee Foundation
- Member of Tzu Chi Foundation

BOARD OF DIRECTORS

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. and University of the East
- Chairman/President: Tangent Holdings Corporation and Lucky Travel Corporation
- Chairman: Air Philippines Corporation, Eton Properties Philippines, Inc., Eton City, Inc. Belton Communities, Inc., Asia Brewery, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Asian Alcohol Corporation, Absolut Distillers, Inc., The Charter House, Inc., PMFTC, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, PNB Savings Bank, Allianz PNB Life Insurance, Inc., Alliedbankers Insurance Corporation, Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Manufacturing Services & Trade Corp., Foremost Farms, Inc., Dominium Realty & Construction Corp., Shareholdings, Inc., REM Development Corporation, Sipalay Trading Corp., and Progressive Farms, Inc.
- 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

LUCIO K. TAN, JR.

Age 50

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/COO of Tanduay Distillers, Inc.
- President of 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 Commercial 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

MICHAEL G. TAN

Age 50

Nationality Filipino

Education
- Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, 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 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 Alliedbankers Insurance Corporation

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

CORPORATE SECRETARY

MAILA KATRINA Y. ILARDE

Age 33

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

Directorship in Other Listed Companies
- None

Other Current Position
- Corporate Secretary of PNB Capital and Investment Corporation and PNB Securities, Inc.

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

JOSEPH T. CHUA

Age 60

Nationality Filipino

Education
- Bachelor of Arts in Economics and Bachelor of Science in Business Management, De La Salle University
- Masters in International Finance, University of Southern California

Current Position in the Bank
- Board Advisor

Date of First Appointment
- May 26, 2015

Directorship in Other Listed Companies
- None

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

MANUEL T. GONZALES

Age 79

Nationality Filipino

Education
- Bachelor of Science in Commerce, De La Salle University
- Masters of Arts in Economics, Ateneo De Manila University

Current Position in the Bank
- Board Advisor

Date of First Appointment
- October 1, 2013

Directorship in Other Listed Companies
- None

Current Positions
- Director of PNB Securities, Inc.
- Director of PNB-IBJL Leasing and Finance Corporation
- Director of PNB-IBJL Equipment Rentals Corporation
- 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

WILLIAM T. LIM

Age 76

Nationality Filipino

Education
- Bachelor of Science in Chemistry, Adamson University

Current Position in the Bank
- Board Advisor

Date of First Appointment
- January 25, 2013

Directorship in Other Listed Companies
- None

Current Positions
- Director of PNB Holdings Corporation
- Board Advisor, PNB Savings Bank
- Advisor to the Chairman of the Board Directors, Allianz PNB Life Insurance, Inc.
- Director, BH Fashion Retailers, Inc.
- Director, Concept Clothing, Co., Inc.
- President, Jas Lordan, Inc.

Previous Positions
- Director of PNB Life Insurance, Inc.
- Consultant of Allied Banking Corporation
- Director of Corporate Apparel, Inc.
- Director of Concept Clothing
- Director of Freeman Management and Development Corporation
- President of Jas Lordan, Inc.
- Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department

HARRY C. TAN

Age 70

Nationality Filipino

Education
- Bachelor of Science in Chemical Engineering, Mapua Institute of Technology

Current Position in the Bank
- Board Advisor

Date of First Appointment
- May 31, 2016

Directorship in Other Listed Companies
- Director of LT Group, Inc.

Other Current Positions
- Chairman of Bulawan Mining Corporation, PNB Management Development Corporation, and PNB Global Remittance and Financial Company (HK) Limited
- Director of PNB Savings Bank
- Chairman of the Tobacco Board of Fortune Tobacco 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., MacroAsia Corporation, Tanduay Brands International Inc., Allied Bankers Insurance Corp., Allied Banking Corporation (Hong Kong) Limited, PMFTC, Inc., and Allied Commercial Bank

Other Previous Positions
- Director of Philippine National Bank
- Director of Allied Banking Corporation
- Director of Philippine Airlines
- Director of MacroAsia Corporation

PNB

PROFILES OF THE SENIOR MANAGEMENT TEAM

SENIOR MANAGEMENT TEAM

AVP ARCHIVALD S. RANIEL

FSVP MIGUEL ANGEL G. GONZALEZ

SVP DIOSCORO TEODORICO L. LIM

VP CONSTANTINO T. YAP

EVP CENON C. AUDENCIAL, JR.

EVP NELSON C. REYES

FSVP EMMANUEL GERMAN V. PLAN II

SVP MANUEL C. BAHENA, JR.

FSVP BENJAMIN S. OLIVA

FVP ROBERTO S. VERGARA

SVP NORMAN MARTIN C. REYES

SVP EMELINE C. CENTENO

FSVP SOCORRO D. CORPUS

FSVP CARMELA LETICIA A. PAMA

EVP BERNARDO H. TOCMO

PRESIDENT REYNALDO A. MACLANG

EVP HORACIO E. CEBRERO III

SVP MARIA PAZ D. LIM

FSVP AIDA M. PADILLA

FSVP ALICE Z. CORDERO

PROFILES OF THE SENIOR MANAGEMENT TEAM

REYNALDO A. MACLANG

REYNALDO A. MACLANG, 78, 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.

CENON C. AUDENCIAL, JR., 58, Filipino, Executive Vice President, is the Head of the Institutional Banking Sector. 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.

MANUEL C. BAHENA, JR., 55, 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.

EMELINE C. CENTENO

EMELINE C. CENTENO, 58, 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 merged Corporate Planning and Research Division. Ms.Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

HORACIO E. CEBRERO III

HORACIO E. CEBRERO III, 54, 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 thirty four (34) 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.

ALICE Z. CORDERO

ALICE Z. CORDERO, 59, Filipino, First Senior Vice President, was appointed the Chief Compliance Officer (CCO) 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 CCO 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 thirty seven (37) 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.

SENIOR MANAGEMENT TEAM

SOCORRO D. CORPUS

SOCORRO D. CORPUS, 65, Filipino, First Senior Vice President, is the Head of the Human Resources 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 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.

MIGUEL ANGEL G. GONZALEZ

MIGUEL ANGEL G. GONZALEZ, 58, 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 N.A. 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.

DIOSCORO TEODORICO L. LIM

DIOSCORO TEODORICO L. LIM, 62, 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 from August 2001 to August 2006. He served as a member of the Board of Directors of Rosehills Memorial Management (Philippines), Inc. from 2011 to 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.

MARIA PAZ D. LIM

MARIA PAZ D. LIM, 55, Filipino, Senior Vice President, is the Corporate Treasurer of PNB. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

BENJAMIN S. OLIVA

BENJAMIN S. OLIVA, 63, 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 where he handled Corporate Banking. He joined Citibank N.A. 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 N.A. 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 N.A. 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

AIDA M. PADILLA, 67, Filipino, is First Senior Vice President and the Head of the Remedial Management Division. 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

CARMELA LETICIA A. PAMA, 60, Filipino, First Senior Vice President, is the Bank's Chief Risk Officer (CRO). She reports to the Bank's Board-level Risk Oversight Committee to assist in the effective oversight of the various risks faced by the Bank. A Certified Public Accountant, she obtained her Bachelor of Science in Business Administration and Accountancy from the University of the Philippines and Master in Business Administration 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 moved back to Citibank N.A. (Phils.) in 1996 to head various support units, after a brief stint with Banco Santander, Phils. to open its Philippine operations. Prior to joining PNB, she was a Consulting Services Practice Manager at Oracle Corporation (Phils.) from 1999 to 2005 with project implementation experience at the Asian Development Bank. 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. Task to lead and/or co-lead various new enterprise support activities, she works to institutionalize the Bank's implementation of the following (among others) – merger with ABC, compliance to the Bank's submission of various institutional Basel II & III reports, as well as compliance to new regulatory circulars as mandated. With more than thirty (30) years of corporate experience, she provides a well-rounded expertise in the operations, technology and risk management areas of the Bank.

EMMANUEL GERMAN V. PLAN II

EMMANUEL GERMAN V. PLAN II, 64, Filipino, First Senior Vice President, is the Head of the Enterprise Sector and concurrently Head of 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 MagisDeo, to name a few.

SENIOR MANAGEMENT TEAM

ARCHIVALD S. RANIEL

ARCHIVALD S. RANIEL, 38, Filipino, Assistant Vice President, is the Head of the Security Group and was designated as the Bank's Security Officer on December 1, 2016. He serves as a member of the Ethical Standards Committee, Asset Disposal Committee, and Safety Committee. He was formerly Head of the Corporate Security Division of PNB Savings Bank and was appointed as the Chairman of its Investigation Committee. He also served as the Head of the Administrative and Logistics Department (May 2014 to December 2014) and Head of the Operations Department (October 2009 to May 2014) of PNB's Corporate Security Group. He holds a Bachelor of Science degree in Business Management from the Philippine Military Academy and is currently taking up his MBA. Prior to joining the Bank, he worked under the Office of the Presidential Adviser on the Peace Process (August 2008 to December 2009) and served in the Armed Forces of the Philippines as an officer for 12 years.

NORMAN MARTIN C. REYES

NORMAN MARTIN C. REYES, 51, 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 twenty (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 management 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

NELSON C. REYES, 53, 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 twenty eight (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

BERNARDO H. TOCMO, 55, Filipino, Executive Vice-President, is the Head of Retail Banking Sector which manages the Branch Banking Group, Global Filipino Banking Group, Cards Banking Solutions Group and Pinnacle Priority Banking Division 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 the said university. He graduated with a Bachelor of Science in Agri-Business, major in Management, from the Visayas State University. He joined Philippine National Bank in October 2015. 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 in 1982. He further honed his skills at Union Bank of the Philippines where he assumed key managerial positions from 1990 to 1996. He joined Security Bank Corporation in 1996 as Assistant Vice President until his promotion to First Vice-President. Subsequently, he joined Metropolitan Bank & Trust Company in September 2005 as Vice President, and was later on promoted and appointed Head of National Branch Banking Sector with the rank of Executive Vice President. He was also a Director of Metrobank Card Corporation from 2012 to 2015.

ROBERTO S. VERGARA

ROBERTO S. VERGARA, 65, 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 Banking, Treasury, Investment Banking and Global Banking/Overseas Remittances in various banks, including Solidbank and HSBC, among others. Prior to joining PNB, he was the Chief Trust Officer, then Treasury Group Head and, lastly, Global Banking/Overseas Remittance Group Head of the Land Bank of the Philippines. He is also a holder of Government Civil Service Career Executive Service Officer and Career Service Executive eligibility, and is a qualified Independent Director/Fellow under the Institute of Corporate Directors (ICD).

CONSTANTINO T. YAP

CONSTANTINO T. YAP, 53, 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. 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 who 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 AND AFFILIATES

FRANCISCO P. RAMOS
PNB General Insurers Co., Inc.

JOVENCIO DB. HERNANDEZ
PNB Savings Bank

GERRY B. VALENCIANO
PNB Capital and Investment Corporation

MANUEL ANTONIO G. LISBONA
PNB Securities, Inc.

MODETTE INES V. CARIÑO
PNB-IBJL Leasing and Finance Corporation

ALLIANZ PNB LIFE INSURANCE, INC.

In December 2015, global insurance firm Allianz SE entered into an agreement with PNB to acquire 51% and management control of PNB Life. As part of the deal, it entered into a 15-year exclusive distribution partnership with PNB. The joint venture company will operate under the name of "Allianz PNB Life Insurance, Inc. (Allianz PNB Life)"

The Allianz Group is a global financial services provider with services predominantly in the insurance and asset management business. It has 85 million retail and corporate clients in more than 70 countries. Allianz SE, the parent company, is headquartered in Munich, Germany. On the other hand, PNB Life is among the major life insurers in the Philippines, which began its operations in 2001. It is one of the leading provider of Variable Life products, complemented by a full line of Life protection offerings for individuals and institutions.

Allianz PNB Life operates eleven business centers strategically located in key cities across the country. It has the support of over 150 employees and 400 financial advisors.

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 is a private limited company incorporated in Hong Kong in 1978. It is a restricted-licensed bank under the Hong Kong Banking Ordinance. ABCHKL provides a full range of commercial banking services such as deposit taking, lending and trade financing, documentary credits, participation in loan syndications and other risks, money market and foreign exchange operations, money exchange, investment banking and general corporate services. ABCHKL has a wholly-owned subsidiary, ACR Nominees Limited, a private limited company incorporated in Hong Kong, which provides non-banking general services to its customers.

ALLIED COMMERCIAL BANK

Allied Commercial Bank (ACB) is a majority-owned (99.04%) subsidiary of PNB. ACB was formerly known as Xiamen Commercial Bank. It obtained its commercial banking license in July 1993 and opened for business in October 1993. ACB maintains its head office in Xiamen, Fujian, China. It has a branch in Chongqing which was established in 2003.

In April 2016, the China Banking Regulatory Commission (CBRC) approved ACB's engagement in foreign currency-denominated business for all client types and in CNY-denominated business for all clients except citizens within the territory of China. ACB shall be allowed to service the CNY-denominated banking requirements of foreign nationals, foreign and Sino entities, in addition to the full foreign currency service license for all market sectors/segments after it obtains the business license update with the Fujian Administration for Industry and Commerce (FAIC).

PNB SAVINGS BANK

PNB Savings Bank is a wholly-owned subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC). PNB Savings Bank 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. The change in the name was also meant 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 a wide array of deposit products, remittance services, loans and trade finance. Deposit products being offered are savings account, Angat savings, demand deposits, check plus, Negotiable Order of Withdrawal (NOW) account, and short- and long-term time deposits. PNB Savings Bank also offers Consumer Loan products such as housing loans, motor vehicle loans and multi-purpose loans like salary loans and SSS pension loans, as well as Small and Medium Enterprise Loans. Other services offered include remittance, safety deposit box, bills payment and payroll account.

PNB-IBJL LEASING AND FINANCE CORPORATION

PNB-IBJL Leasing and Finance Corporation is a joint venture company between PNB and IBJ Leasing Co., Ltd. It operates as a financing company under Republic Act No. 8556 (the amended Finance Company Act). The joint venture company started commercial operations in February 1998.

It provides the following services: financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through 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-IBJL Equipment Rentals Corporation is a wholly-owned subsidiary of PNB-IBJL Leasing and Finance Corporation, incorporated as a rental company and started commercial operations in July 2008. It is engaged in the business of renting out all kinds of real and personal properties (operating lease).

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 investment banking services such as loan syndication, retail bond offerings, private placement of shares, public offering of shares, securitization transactions, financial advisory including liability management, corporate restructuring, pre-IPO preparations, and mergers and acquisitions advisory.

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 border services to member states of the European Economic Area. Philippine National Bank (Europe) PLC operates a branch in Paris which is engaged in remittance services only.

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 established on May 20, 1920.

PNB General Insurers Co., Inc. was incorporated in the Philippines on December 29, 1965. PNB has 66% direct ownership in the company. PNB Holdings Corporation owns the remaining 34%. The Company is engaged in fire, marine, motor car, fidelity and surety, and all other kinds of non-life insurance business.

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 17 money transfer offices in five 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 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

Item 5 – Market for Issuer's Common Equity and Related Stockholders Matters

A. *Market Price of and Dividends on Registrant's Common Equity and Related Stockholders Matters:*

1. **Market Information**

All issued PNB common shares are listed and traded on the Philippine Stock Exchange, Inc. The high and low sales prices of PNB shares for each quarter for the last two (2) fiscal years are:

	2015		2016		2017	
	High	Low	High	Low	High	Low
Jan – Mar	87.50	76.70	53.90	43.00	58.05	57.20
Apr – Jun	79.00	62.00	59.85	46.45		
Jul - Sep	68.90	49.50	64.75	56.35		
Oct - Dec	54.50	49.60	58.90	54.15		

The trading price of each PNB common share as of March 1, 2017 was ₱57.00.

2. **Holders**

There are 29,853 shareholders as of December 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	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Non-Filipino)	111,091,751	8.8934610722
2	Key Landmark Investments, Ltd.	109,115,864	8.7352812437
3	PCD Nominee Corporation (Non-Filipino)	105,985,781	8.4847021407
4	Caravan Holdings Corporation	67,148,224	5.3755576884
5	Solar Holdings Corporation	67,148,224	5.3755576884
6	True Success Profits Ltd.	67,148,224	5.3755576884
7	Prima Equities & Investments Corporation	58,754,696	4.7036129774
8	Leadway Holdings, Inc.	53,470,262	4.2805670928
9	Infinity Equities, Inc.	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 Ltd.	25,173,588	2.0152740677
13	Uttermost Success, Ltd.	24,752,272	1.9815455738
14	Mavelstone Int'l Ltd.	24,213,463	1.9384111662
15	Kenrock Holdings Corporation	21,301,405	1.7052860761
16	Fil-Care Holdings, Inc.	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, Ltd.	18,581,537	1.4875467754

3. **Dividends**

The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the Bangko Sentral ng Pilipinas (BSP) as provided under the Manual of Regulations for Banks (MORB) and subject to compliance with such financial regulatory requirements as may be applicable to the Bank at the time of such declaration.

PNB has adopted the following general policy on the declaration of dividends:

> *"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank."*

In 2016, the Bank declared a cash dividend of ₱1.00 per share or a total of ₱1,249,139,678.00, taken out of its unrestricted Retained Earnings as of March 31, 2016, to all stockholders of record as of August 19, 2016.

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

Dollar Accounts
- Current Accounts
  - Greencheck Account
- Savings Accounts
  - OFW Dollar Savings Account
  - Dollar Savings Account
  - Direct Deposit Dollar Savings Account
  - US SSA Pensioner Account
- Time Deposit Accounts
  - Greenmarket
  - 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
  - Canadian Dollar Savings Account
  - Singaporean Dollar Savings Account
  - Hong Kong Dollar 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)
  - Corporate Bills Payment - Meralco 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
    - PNB e-Tax
    - PNB 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 (SMS)
- Mobile Banking App
- Automated Teller Machine

Other Services
- Safety Deposit Boxes

BANCASSURANCE

Non-Life Insurance
- Property or Fire and Perils
- Marine Cargo
- Marine Hull
- Casualty
- Engineering
- Surety
- 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
- Premier Life Peso
- Premier Life Dollar
- 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)
    - BSP-Philippine Payment Settlement System (PhilPaSS)
  - Chinese Yuan
    - Renminbi Transfer System (RTS)

Demand Drafts
Cashier's/Manager's Checks
Travel Funds / Foreign Currency Notes
Check 21 Facility for clearing of US checks
Regular Collection Service (Foreign)
- Wells Fargo Bank NA – USD Final Credit Service (FCS)
- 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

Standard Collection Service
- Wells Fargo Bank NA – USD Individual Collection

Cash Letter
- Wells Fargo Bank NA – USD

Other Third Currencies – for collection only

TREASURY PRODUCTS AND SERVICES

Buying and Selling of Foreign Currencies
- 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
    - USD denominated ROPs
    - EUR denominated ROPs
  - Securities issued by Corporations and Financial Institutions in the of 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 and Certificates of Time Deposits

PRODUCTS AND SERVICES

TRADE FINANCE SERVICES

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

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 Corporations/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 Smart Home Loan
- PNB Home Flexi Loan
- PNB Smart Auto Loan
- PNB Smart Salary Loan
- PNB SSS Pension Loan
- Own a Philippine Home Loan (OPHL)
- Global Filipino Auto Loan (Overseas Auto Loan)
- Contract to Sell Financing
- PNB Smart Business Loan

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-Alturas Visa Card
- 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
- PNB Peso Intermediate Term Bond Fund (formerly Allied Unit Performance GS Fund)

Balanced Fund
- PNB Prestige Balanced Fund

Equity Funds
- PNB Enhanced Phil-Index Reference Fund
- PNB High Dividend Fund
- PNB Equity Fund (formerly Allied Unit Performance Equities Fund)

Personal Trust Products
- Personal Management Trust (PMT)
- Investment Management Account (IMA)
- Estate Planning
- Testamentary Trust

Corporate Trust Products
- Corporate Fund Management
- Employee Benefit Trust/Retirement Fund (PNB EES)
- Pre-Need Account

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

SUBSIDIARIES AND AFFILIATE

Banking
- Allied Banking Corporation (Hong Kong) 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
- PNB-IBJL Leasing and Finance Corporation

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

Life Insurance
- Allianz 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 / Dealer in Securities
- 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 financial statements, including the schedules attached herein, for the years 2016, 2015 and 2014 ended December 31, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Philippine National Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Philippine National Bank in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

FLORENCIA G. TARRIELA
Chairman of the Board

REYNALDO A. MACLANG
President

NELSON C. REYES
Executive Vice President & Chief Financial Officer

MAR 0 9 2017

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

Doc. No. 213
Page no. 44
Book No. XII
Series of 2016.

ATTY. MARIA ROCELIZA T. RAMIREZ
Commission No. 16-10; Roll No. 45158
Notary Public ... until 12-31-17
... Pasay City
IBP No. ... RSM

The Stockholders and the Board of Directors
Philippine National Bank

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the 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, 2016 and 2015 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

<u>Applicable to the Audit of the Consolidated and Parent Company Financial Statements</u>

Adequacy of allowance for credit losses on loans and receivables

The Group and the Parent Company's loans and receivables are significant as they represent 56.79% and 53.15% of the total assets of the Group and the Parent Company, respectively. The Group determines the allowance for credit losses on individual basis for individually significant loans and receivables, and collectively, for loans and receivables that are not individually significant such as consumer loans and credit card receivables. We considered the impairment of loans and receivables as a key audit matter because it involves significant management judgment in determining the allowance for credit losses. The determination of the recoverable amount of loans receivables involves various assumptions and factors including the financial condition of the borrower, timing of expected future cash flows, probability of collections, observable market prices and expected net selling prices of the collateral. The disclosures related to allowance for credit losses on loans and receivables are included in Notes 3 and 16 of the financial statements.

Audit response

We obtained an understanding of the specific and collective impairment process and tested the related controls over impairment data and calculations. For loans and receivables subjected to specific impairment, we obtained an understanding of the basis for measuring the impairment. We selected samples of individually impaired loans and inquired of the latest developments about the borrowers. We tested the key inputs to the impairment calculation by assessing whether the forecasted cash flows are based on the borrower's current financial condition, inspecting recent appraisal reports to determine the fair value of collateral held and checking whether the discount rates used are based on the original effective interest rate or the last repriced rate. For loans and receivables subjected to collective impairment, we tested inputs in the historical loss and net flow rate models such as, for consumer loans, agreeing the past due aging reports per consumer loan product type while for business loans, agreeing the groupings of business loans based on their internal credit risk ratings to the Group's records and subsidiary ledgers. We examined whether the assumptions and parameters in the collective impairment calculation, such as historical losses of default and recovery rate, are based on historical data. We also reperformed the calculation of historical loss rates.

Assessment of goodwill

As at December 31, 2016, the Group and the Parent Company has goodwill amounting to ₱13.4 billion and ₱13.5 billion, respectively, as a result of its merger with Allied Banking Corporation (ABC) in 2013. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. Goodwill has been allocated to three cash generating units (CGUs) namely retail banking, corporate banking and treasury. The Group performed the impairment testing using the value in use calculation. The annual impairment test was significant to our audit because significant judgment and estimates are involved in the determination of the value in use of the CGUs. The assumptions used in the calculation of the value in use are sensitive to estimates of future cash flows from business, interest margin, discount rate and long-term growth rate used to project cash flows. The disclosures related to goodwill impairment are included in Notes 3 and 14 of the financial statements.

Audit response

We obtained an understanding of the Group's impairment assessment process and related controls. We involved our internal specialist to assist in evaluating the assumptions and methodology used by the Group, in particular those relating to long-term growth rate of the future cash flows and the discount rate used in determining the present value of the future cash flows. We compared the interest margin and long-term growth rate of the future cash flows to the historical performance of the CGUs. We also compared long-term growth rate of the future cash flows to economic and industry forecasts. We assessed the discount rate applied in determining the value in use whether these represent current market assessment of risk associated with the future cash flows.

Valuation of retirement benefit liability

As at December 31, 2016, the present value of pension obligation of the Group and the Parent Company amounted to ₱7.5 billion and ₱7.3 billion, respectively, while the fair value of plan assets amounted to ₱4.4 billion and ₱4.3 billion, respectively. Accumulated remeasurement losses amounted to ₱2.8 billion which accounts for 2.57% and 2.63% of the Group and Parent Company's total equity, respectively, as at December 31, 2016. The Parent Company also provides certain post-employee benefit through a guarantee of a specified return on contributions in its employee investment plan. The valuation of the retirement benefit liability involves significant management judgment in the use of assumptions. The valuation also requires the assistance of an external actuary whose calculation depends on certain assumptions such as prospective salary and employee turnover rate, as well as discount rate, which could have a material impact on the results. Thus, we considered this as a key audit matter. The disclosures related to retirement liability are included in Note 29 of the financial statements.

Audit response

We involved our internal specialist in the review of the scope, bases, methodology and results of the work by the Group's external actuary. We also considered the internal specialist's professional qualifications and objectivity. We evaluated the key assumptions used by comparing the employee demographics and attrition rate against the Group's human resources data, and the discount rate and mortality rate against available market data. We inquired from management about the basis of the salary rate increase and compared it against the Group's forecast and available market data. We compared the fair value of the retirement plan assets to market price information.

Accounting for the disposal of Allianz-PNB Life Insurance, Inc. (APLII) and the remaining interest in APLII

In 2016, the Parent Company completed the sale of its 51.00% ownership interest in APLII for a consideration amounting to USD66.0 million (₱3.1 billion). Pursuant to the sale of APLII, the Parent Company also entered into a distribution agreement with APLII where the Parent Company will allow APLII to have exclusive access to the distribution network of the Parent Company and its subsidiary, PNB Savings Bank, for over a period of 15 years (the Exclusive Distribution Rights). Both the share purchase agreement and distribution agreement have provisions referring to one another; making the distribution agreement an integral component of the sale transaction. Accordingly, the purchase consideration of USD66.0 million was allocated between the 51.00% ownership interest in APLII and the Exclusive Distribution Rights. The sale of the 51.00% ownership interest in APLII resulted in the loss of control of the Parent Company. Under PFRS, the Parent Company is required to remeasure the remaining interest in APLII to its fair value at date of disposal. The accounting for the disposal of 51.00% ownership interest in APLII and the remaining interest in APLII is significant to our audit because of the amount involved in the transaction and the significant judgment of the management for the valuation of the 51.00% interest in APLII, the Exclusive Distribution Rights and the remaining interest in APLII. The Parent Company engaged a third party valuer in determining the fair values of the shares of APLII and the Exclusive Distribution Rights. The disclosures related to the disposal of APLII are included in Notes 12 and 37 of the financial statements.

Audit response

We read the key agreements related to the disposal of APLII such as the share purchase and distribution agreement. Likewise, we also reviewed the accounting for the consideration received and the allocation made between the 51.00% interest in APLII and the Exclusive Distribution Rights. We considered the competence, capabilities and objectivity of the valuer engaged by the Parent Company to perform the valuation. We performed an understanding of the valuation techniques used by the valuer. We involved our internal specialist to assist us in evaluating the valuation methodology and the data and valuation multiples used by the third party valuer. For key assumptions related to the valuation of the 51.00% ownership interest in APLII, we compared the data and the valuation multiples used to available market or industry data. We also compared the discount rate and growth rate used on future cash flows to publicly available data on market participants that are comparable to the business of APLII. For key assumptions related to the valuation of the Exclusive Distribution Rights, we compared the data and valuation multiples (i.e., number of customers and number of branches) used in the valuation to available market or industry data and to the internal data of the Parent Company.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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.

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

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018
PTR No. 5908709, January 3, 2017, Makati City

February 24, 2017

STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS)

	Consolidated		Parent Company		
	December 31				January 1
	2016	2015	**2016**	2015 (As Restated - Note 2)	2015 (As Restated - Note 2)
ASSETS					
Cash and Other Cash Items	**₱11,014,663**	₱15,220,536	**₱10,626,525**	₱12,598,715	₱13,865,078
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**127,337,861**	81,363,444	**123,799,952**	79,203,948	95,415,467
Due from Other Banks (Note 34)	**22,709,805**	18,287,308	**12,831,514**	11,450,573	5,013,357
Interbank Loans Receivable (Notes 8 and 34)	**7,791,108**	5,800,383	**7,907,366**	5,958,526	7,671,437
Securities Held Under Agreements to Resell (Note 8)	**1,972,310**	14,550,000	**1,972,310**	14,550,000	–
Financial Assets at Fair Value Through Profit or Loss (Note 9)	**1,913,864**	4,510,545	**1,880,071**	4,492,864	6,695,950
Available-for-Sale Investments (Note 9)	**67,340,739**	68,341,024	**65,819,735**	66,734,752	55,411,588
Held-to-Maturity Investments (Note 9)	**24,174,479**	23,231,997	**24,074,898**	23,137,643	21,559,631
Loans and Receivables (Notes 10 and 34)	**428,027,471**	365,725,146	**378,198,738**	328,300,238	289,021,394
Property and Equipment (Note 11)	**18,097,355**	22,128,464	**16,505,047**	19,144,198	18,683,415
Investments in Subsidiaries and an Associate (Note 12)	**2,532,755**	–	**28,359,871**	26,497,732	26,554,857
Investment Properties (Notes 13 and 35)	**16,341,252**	13,230,005	**15,975,130**	14,666,831	19,752,903
Deferred Tax Assets (Note 31)	**1,482,214**	1,173,575	**1,014,308**	936,492	1,029,423
Intangible Assets (Note 14)	**2,562,369**	2,442,878	**2,471,451**	2,346,246	2,200,102
Goodwill (Note 14)	**13,375,407**	13,375,407	**13,515,765**	13,515,765	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 37)	–	23,526,757	–	1,172,963	–
Other Assets (Note 15)	**7,091,458**	6,780,268	**6,552,874**	5,417,287	4,178,455
TOTAL ASSETS	**₱753,765,110**	₱679,687,737	**₱711,505,555**	₱630,124,773	₱580,568,822
LIABILITIES AND EQUITY					
LIABILITIES					
Deposit Liabilities (Notes 17 and 34)					
Demand	**₱117,329,019**	₱110,029,680	**₱115,391,610**	₱108,667,550	₱100,322,249
Savings	**368,798,751**	315,355,056	**364,067,427**	311,090,518	284,837,113
Time	**84,375,617**	60,552,445	**62,731,586**	50,736,320	47,287,301
	570,503,387	485,937,181	**542,190,623**	470,494,388	432,446,663
Financial Liabilities at Fair Value Through Profit or Loss (Note 18)	**232,832**	135,193	**231,977**	135,009	44,264
Bills and Acceptances Payable (Notes 19, 34 and 36)	**35,885,948**	25,752,222	**33,986,698**	24,629,887	18,526,044
Accrued Taxes, Interest and Other Expenses (Note 20)	**4,943,626**	5,875,228	**4,231,615**	5,371,733	5,035,156
Subordinated Debt (Note 21)	**3,497,798**	9,986,427	**3,497,798**	9,986,427	9,969,498
Income Tax Payable	**195,240**	134,720	**60,898**	55,180	70,001
Liabilities of Disposal Group Classified as Held for Sale (Note 37)	–	21,452,621	–	–	–
Other Liabilities (Note 22)	**28,565,373**	25,658,284	**20,027,960**	17,669,131	18,629,173
	643,824,204	574,931,876	**604,227,569**	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	49,965,587
Capital Paid in Excess of Par Value (Note 25)	**31,331,251**	31,331,251	**31,331,251**	31,331,251	31,331,251
Surplus Reserves (Notes 25 and 33)	**573,658**	554,263	**573,658**	554,263	537,620
Surplus (Note 25)	**30,678,189**	24,799,259	**30,678,390**	24,799,358	18,702,394
Net Unrealized Loss on Available-for-Sale Investments (Note 9)	**(3,469,939)**	(3,030,588)	**(3,469,939)**	(3,030,588)	(2,336,142)
Remeasurement Losses on Retirement Plan (Note 29)	**(2,821,853)**	(2,364,215)	**(2,821,853)**	(2,364,215)	(2,292,833)
Accumulated Translation Adjustment (Note 25)	**915,222**	612,468	**915,222**	612,468	(59,854)
Other Equity Reserves (Note 25)	**105,670**	–	**105,670**	–	–
Other Equity Adjustment (Note 12)	**13,959**	13,959	–	–	–
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 37)	–	(133,500)	–	(85,106)	–
Parent Company Shares Held by a Subsidiary (Note 25)	–	(9,945)	–	–	–
	107,291,744	101,738,539	**107,277,986**	101,783,018	95,848,023
NON-CONTROLLING INTERESTS (Note 12)	**2,649,162**	3,017,322	–	–	–
	109,940,906	104,755,861	**107,277,986**	101,783,018	95,848,023
TOTAL LIABILITIES AND EQUITY	**₱753,765,110**	₱679,687,737	**₱711,505,555**	₱630,124,773	₱580,568,822

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 34)	**₱19,686,409**	₱17,137,657	₱15,172,464	**₱16,923,864**	₱15,151,263	₱13,994,793
Trading and investment securities (Note 9)	**4,026,594**	3,742,036	2,992,864	**3,975,682**	3,705,138	2,938,727
Deposits with banks and others (Notes 7 and 34)	**597,500**	785,414	1,919,443	**440,664**	596,592	1,616,415
Interbank loans receivable (Note 8)	**33,862**	36,746	19,218	**34,174**	36,316	19,219
	24,344,365	21,701,853	20,103,989	**21,374,384**	19,489,309	18,569,154
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 34)	**3,780,242**	2,980,019	2,788,400	**3,356,866**	2,773,720	2,614,956
Bills payable and other borrowings (Notes 19, 21 and 34)	**997,621**	1,029,995	856,927	**959,609**	1,003,173	801,114
	4,777,863	4,010,014	3,645,327	**4,316,475**	3,776,893	3,416,070
NET INTEREST INCOME	**19,566,502**	17,691,839	16,458,662	**17,057,909**	15,712,416	15,153,084
Service fees and commission income (Notes 26 and 34)	**3,569,958**	4,312,898	3,546,449	**2,731,258**	3,355,972	2,872,162
Service fees and commission expense (Note 34)	**914,527**	716,849	670,033	**480,549**	292,724	351,287
NET SERVICE FEES AND COMMISSION INCOME	**2,655,431**	3,596,049	2,876,416	**2,250,709**	3,063,248	2,520,875
Net insurance premium (Note 27)	**629,826**	540,464	408,273	**–**	–	–
Net insurance benefits and claims (Note 27)	**255,698**	436,887	96,138	**–**	–	–
NET INSURANCE PREMIUM	**374,128**	103,577	312,135	**–**	–	–
OTHER INCOME						
Net gains on sale or exchange of assets (Note 13)	**2,510,361**	1,595,518	1,453,047	**2,517,861**	1,581,385	1,435,726
Gain on remeasurement of a previously held interest (Note 12)	**1,644,339**	–	–	**1,644,339**	–	–
Foreign exchange gains - net (Note 23)	**1,487,740**	1,207,840	1,295,318	**926,529**	973,680	1,007,476
Trading and investment securities gains net (Note 9)	**1,378,321**	574,321	1,267,706	**1,369,514**	569,778	1,234,347
Equity in net earnings of subsidiaries and an associate (Note 12)	**49,325**	–	–	**255,292**	251,852	1,007,198
Miscellaneous (Note 28)	**1,542,367**	1,719,759	2,141,415	**1,194,947**	1,499,673	1,351,797
TOTAL OPERATING INCOME	**31,208,514**	26,488,903	25,804,699	**27,217,100**	23,652,032	23,710,503
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 29 and 34)	**8,569,994**	8,234,957	7,429,876	**7,370,977**	7,173,327	6,582,719
Provision for impairment, credit and other losses (Note 16)	**3,212,694**	568,180	2,264,615	**1,707,494**	94,435	2,155,199
Taxes and licenses	**2,172,042**	1,910,735	1,826,963	**1,952,291**	1,723,421	1,693,907
Depreciation and amortization (Note 11)	**1,554,645**	1,452,221	1,481,931	**1,343,583**	1,305,779	1,342,210
Occupancy and equipment-related costs (Note 30)	**1,473,342**	1,430,048	1,462,540	**1,262,952**	1,219,156	1,257,625
Miscellaneous (Note 28)	**6,142,744**	5,319,544	4,740,602	**5,604,188**	4,911,986	3,950,882
TOTAL OPERATING EXPENSES	**23,125,461**	18,915,685	19,206,527	**19,241,485**	16,428,104	16,982,542
INCOME BEFORE INCOME TAX	**8,083,053**	7,573,218	6,598,172	**7,975,615**	7,223,928	6,727,961
PROVISION FOR INCOME TAX (Note 31)	**1,517,030**	1,619,554	1,367,288	**1,228,372**	1,110,321	1,369,207
NET INCOME FROM CONTINUING OPERATIONS	**6,566,023**	5,953,664	5,230,884	**6,747,243**	6,113,607	5,358,754
NET INCOME FROM DISCONTINUED OPERATIONS NET OF TAX (Notes 12 and 37)	**619,563**	357,931	264,161	**400,323**	–	–
NET INCOME	**₱7,185,586**	₱6,311,595	₱5,495,045	**₱7,147,566**	₱6,113,607	₱5,358,754

(Forward)

STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company	**₱7,147,464**	₱6,113,508	₱5,358,669			
Non-controlling Interests	**38,122**	198,087	136,376			
	₱7,185,586	₱6,311,595	₱5,495,045			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱5.72**	₱4.89	₱4.60			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 32)	**₱5.24**	₱4.67	₱4.42			

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

(IN THOUSANDS)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
NET INCOME	**₱7,185,586**	₱6,311,595	₱5,495,045	**₱7,147,566**	₱6,113,607	₱5,358,754
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)	**(193,484)**	(824,011)	1,257,552	**(185,603)**	(822,826)	1,115,369
Income tax effect (Note 31)	**286**	2,887	9,059	**–**	2,887	9,059
Share in changes in net unrealized gains (losses) on available for sale investments of subsidiaries and an associate (Note 12)	**(245,867)**	–	–	**(253,748)**	51,906	121,295
	(439,065)	(821,124)	1,266,611	**(439,351)**	(768,033)	1,245,723
Accumulated translation adjustment	**420,381**	823,525	(368,697)	**282,601**	86,110	(156,991)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**20,153**	586,212	(194,234)
	(18,684)	2,401	897,914	**(136,597)**	(95,711)	894,498
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurement losses on retirement plan (Note 29)	**(458,740)**	(94,267)	(1,024,067)	**(464,207)**	(90,249)	(996,265)
Income tax effect (Note 31)	**2,204**	2,277	9,334	**–**	2,277	9,334
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**1,208**	–	–	**6,569**	5,071	(27,530)
	(455,328)	(91,990)	(1,014,733)	**(457,638)**	(82,901)	(1,014,461)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(474,012)**	(89,589)	(116,819)	**(594,235)**	(178,612)	(119,963)
TOTAL COMPREHENSIVE INCOME	**₱6,711,574**	₱6,222,006	₱5,378,226	**₱6,553,331**	₱5,934,995	₱5,238,791
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱6,553,229**	₱5,886,502	₱5,238,706			
Non-controlling interests	**158,345**	335,504	139,520			
	₱6,711,574	₱6,222,006	₱5,378,226			

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)	Other Equity Reserves (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 Interest (Note 12)	Total Equity
Balance at January 1, 2016	**₱49,965,587**	**₱31,331,251**	**₱554,263**	**₱24,799,259**	**(₱3,030,588)**	**(₱2,364,215)**	**₱612,468**	**₱–**	**(₱133,500)**	**₱13,959**	**(₱9,945)**	**₱101,738,539**	**₱3,017,322**	**₱104,755,861**
Total comprehensive income (loss) for the year	–	–	–	**7,147,464**	**(439,351)**	**(457,638)**	**302,754**	–	–	–	–	**6,553,229**	**158,345**	**6,711,574**
Sale of direct interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	**133,500**	–	–	**133,500**	**(483,296)**	**(349,796)**
Disposal of Parent Company shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	**9,945**	**9,945**	–	**9,945**
Cash dividends declared (Note 25)	–	–	–	**(1,249,139)**	–	–	–	–	–	–	–	**(1,249,139)**	–	**(1,249,139)**
Other equity reserves (Note 25)	–	–	–	–	–	–	–	**105,670**	–	–	–	**105,670**	–	**105,670**
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(43,209)**	**(43,209)**
Transfer to surplus reserves (Note 33)	–	–	**19,395**	**(19,395)**	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2016	**₱49,965,587**	**₱31,331,251**	**₱573,658**	**₱30,678,189**	**(₱3,469,939)**	**(₱2,821,853)**	**₱915,222**	**₱105,670**	**₱–**	**₱13,959**	**₱–**	**₱107,291,744**	**₱2,649,162**	**₱109,940,906**
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 interest (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 a disposal group classified as held for sale	–	–	–	–	115,430	18,070	–	–	(133,500)	–	–	–	–	–
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	(₱3,030,588)	(₱2,364,215)	₱612,468	₱–	(₱133,500)	₱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 of 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

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)	Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 37)	Other Equity Reserves (Note 25)	Net Unrealized Loss on AFS Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 29)	Accumulated Translation Adjustment (Note 25)	Total Equity
Balance at January 1, 2016, as previously reported	**₱49,965,587**	**₱31,331,251**	**₱554,263**	**₱22,219,098**	**₱–**	**₱–**	**(₱3,022,853)**	**(₱2,326,283)**	**₱154,713**	**₱98,875,776**
Effect of retroactive application of PAS 27 (Amendment) (Note 2)	–	–	–	**2,580,260**	**(85,106)**	–	**(7,735)**	**(37,932)**	**457,755**	**2,907,242**
Balance at January 1, 2016, as restated	**49,965,587**	**31,331,251**	**554,263**	**24,799,358**	**(85,106)**	–	**(3,030,588)**	**(2,364,215)**	**612,468**	**101,783,018**
Total comprehensive income (loss) for the year	–	–	–	**7,147,566**	–	–	**(439,351)**	**(457,638)**	**302,754**	**6,553,331**
Declaration of Cash Dividends	–	–	–	**(1,249,139)**	–	–	–	–	–	**(1,249,139)**
Sale of direct interest in a subsidiary (Note 37)	–	–	–	–	**85,106**	–	–	–	–	**85,106**
Other equity reserves (Note 25)	–	–	–	–	–	**105,670**	–	–	–	**105,670**
Transfer to surplus reserves (Note 33)	–	–	**19,395**	**(19,395)**	–	–	–	–	–	–
Balance at December 31, 2016	**₱49,965,587**	**₱31,331,251**	**₱573,658**	**₱30,678,390**	**₱–**	**₱105,670**	**(₱3,469,939)**	**(₱2,821,853)**	**₱915,222**	**₱107,277,986**
Balance at January 1, 2015, as previously reported	₱49,965,587	₱31,331,251	₱537,620	₱16,019,048	₱–	₱–	(₱2,276,501)	(₱2,249,830)	₱68,603	₱93,395,778
Effect of retroactive application of PAS 27 (Amendment) (Note 2)	–	–	–	2,683,346	–	–	(59,641)	(43,003)	(128,457)	2,452,245
Balance at January 1, 2015, as restated	49,965,587	31,331,251	537,620	18,702,394	–	–	(2,336,142)	(2,292,833)	(59,854)	95,848,023
Total comprehensive income (loss) for the year	–	–	–	6,113,607	–	–	(768,033)	(82,901)	672,322	5,934,995
Reserves of a disposal group classified as held for sale (Note 37)	–	–	–	–	(85,106)	–	73,587	11,519	–	–
Transfer to surplus reserves (Note 33)	–	–	16,643	(16,643)	–	–	–	–	–	–
Balance at December 31, 2015	₱49,965,587	₱31,331,251	₱554,263	₱24,799,358	(₱85,106)	₱–	(₱3,030,588)	(₱2,364,215)	₱612,468	₱101,783,018
Balance at January 1, 2014, as previously reported	₱43,448,337	₱26,499,909	₱524,003	₱11,613,316	₱–	₱–	(₱3,400,929)	(₱1,262,899)	₱225,594	₱77,647,331
Effect of retroactive application of PAS 27 (Amendment) (Note 2)	–	–	–	1,743,941	–	–	(180,936)	(15,473)	65,777	1,613,309
Balance at January 1, 2014, as restated	43,448,337	26,499,909	524,003	13,357,257	–	–	(3,581,865)	(1,278,372)	291,371	79,260,640
Total comprehensive income (loss) for the year	–	–	–	5,358,754	–	–	1,245,723	(1,014,461)	(351,225)	5,238,791
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	₱18,702,394	₱–	₱–	(₱2,336,142)	(₱2,292,833)	(₱59,854)	₱95,848,023

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	2016	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱8,083,053**	₱7,573,218	₱6,598,172	**₱7,975,615**	₱7,223,928	₱6,727,961
Income before income tax from discontinued operations (Note 37)	**826,061**	402,236	307,333	**681,228**	–	–
Income before income tax	**8,909,114**	7,975,454	6,905,505	**8,656,843**	7,223,928	6,727,961
Adjustments for:						
Provision for impairment, credit and other losses (Notes 16 and 37)	**3,212,694**	600,945	2,264,615	**1,707,494**	94,435	2,155,199
Net gain on sale or exchange of assets (Note 13)	**(2,510,361)**	(1,595,518)	(1,453,047)	**(2,517,861)**	(1,581,385)	(1,435,726)
Gain on remeasurement of a previously held interest (Note 12)	**(1,644,339)**	–	–	**(1,644,339)**	–	–
Depreciation and amortization (Notes 11 and 37)	**1,554,645**	1,462,925	1,495,970	**1,343,583**	1,305,779	1,342,210
Realized trading gain on available-for-sale investments (Notes 9 and 37)	**(1,362,477)**	(782,065)	(1,174,153)	**(1,350,468)**	(756,777)	(1,128,511)
Amortization of premium (discount) on investment securities	**1,144,317**	(911,967)	(694,846)	**1,137,513**	(872,123)	1,099,979
Loss (gain) on mark-to-market of derivatives (Note 23)	**698,071**	583,375	(105,244)	**698,071**	583,358	(105,087)
Loss (gain) from sale of previously held interest (Note 12)	**(681,228)**	–	–	**(681,228)**	13,247	(1,917)
Recoveries on receivable from special purpose vehicle (Note 28)	**(500,000)**	(353,000)	(27,000)	**(500,000)**	(353,000)	(27,000)
Amortization of fair values of HTM reclassified to AFS (Note 9)	**145,727**	139,372	124,145	**140,332**	126,531	102,615
Loss on mark-to-market of held for trading securities (Note 9)	**88,436**	314,836	233,439	**88,436**	314,846	233,506
Equity in net earnings of subsidiaries and an associate (Note 12)	**(49,325)**	–	–	**(255,292)**	(251,852)	(1,007,198)
Amortization of transaction costs (Note 17)	**36,640**	33,836	38,600	**36,640**	33,836	38,600
Amortization of fair value adjustments	**21,137**	63,519	222,245	**21,137**	63,519	222,245
Gain on mark-to-market of financial assets and liabilities designated at fair value through profit or loss (Notes 9 and 18)	**3,202**	(210)	(1,751)	–	–	–
Loss on write-off of software cost (Note 14)	**894**	–	2,648	–	–	852
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	**(547,222)**	178,898	(178,898)	**(508,224)**	132,596	(178,898)
Financial assets at fair value through profit or loss	**1,904,611**	(1,691,607)	(5,768,722)	**1,923,254**	1,304,882	(2,978,696)
Loans and receivables	**(66,333,237)**	(49,881,768)	(44,553,319)	**(52,436,762)**	(38,729,690)	(35,839,430)
Other assets	**(1,643,070)**	238,353	(3,022,695)	**(743,644)**	666,991	(2,357,544)
Increase (decrease) in amounts of:						
Financial liabilities at fair value through profit or loss	–	2,998,489	2,787,130	–	90,745	(118,819)
Deposit liabilities	**84,510,588**	38,196,138	(14,994,164)	**71,640,617**	37,950,439	(16,258,325)
Accrued taxes, interest and other expenses	**729,486**	595,696	(82,174)	**520,970**	336,577	25,993
Other liabilities	**1,204,703**	538,654	(2,565,604)	**651,404**	(294,584)	(3,314,173)
Net cash generated from (used in) operations	**28,893,006**	(1,295,645)	(60,547,320)	**27,928,476**	7,402,298	(52,802,164)
Income taxes paid	**(784,682)**	(718,496)	(899,599)	**(715,203)**	(516,503)	(696,006)
Net cash provided by (used in) operating activities	**28,108,324**	(2,014,141)	(61,446,919)	**27,213,273**	6,885,795	(53,498,170)

(Forward)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Available-for-sale investments	**₱83,143,335**	₱66,348,222	₱63,379,326	**₱81,843,119**	₱60,096,798	₱56,615,134
Investment properties	**2,387,170**	4,050,406	2,849,775	**2,255,377**	3,918,919	2,830,358
Property and equipment (Note 11)	**142,129**	499,529	451,212	**418,869**	432,469	457,352
Disposal group classified as held for sale/Investment in shares of a subsidiary (Notes 12 and 37)	**3,230,966**	–	–	**3,230,966**	102,623	–
Proceeds from maturities 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	**500,000**	353,000	27,000	**500,000**	353,000	27,000
Share in dividends from subsidiaries (Note 12)	–	–	–	**66,125**	180,000	67,793
Acquisitions of:						
Available-for-sale investments	**(83,486,942)**	(100,599,843)	(65,706,781)	**(82,272,241)**	(92,903,772)	(59,016,667)
Property and equipment (Note 11)	**(2,028,339)**	(1,907,386)	(981,458)	**(1,740,338)**	(1,577,147)	(835,152)
Software cost (Note 14)	**(406,053)**	(571,768)	(384,951)	**(404,837)**	(558,372)	(380,474)
Held-to-maturity investments	–	(976,403)	(571,602)	–	(892,200)	(571,602)
Additional investments in subsidiaries (Note 12)	–	–	–	**(292,416)**	(601,772)	(10,600,000)
Closure of subsidiaries (Note 12)	–	–	–	–	–	2,035
Net cash provided by(used in) investing activities	**3,482,266**	(10,840,750)	(529,429)	**3,604,624**	(9,601,358)	(11,404,223)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of:						
Bills and acceptances payable	**180,747,610**	116,889,829	42,300,489	**175,375,030**	112,249,710	39,296,399
Capital stock	–	–	11,568,119	–	–	11,568,119
Proceeds from sale of non-controlling interest in subsidiaries (Note 12)	–	102,623	–	–	–	–
Settlement of:						
Bills and acceptances payable	**(169,839,126)**	(111,139,760)	(36,442,592)	**(165,576,107)**	(107,605,128)	(34,286,795)
Subordinated debt	**(6,500,000)**	–	–	**(6,500,000)**	–	–
Cash dividends declared and paid	**(1,249,139)**	–	–	**(1,249,139)**	–	–
Acquisition of non-controlling interest in subsidiaries (Note 12)	**(292,416)**	(601,772)	–	–	–	–
Dividends paid to non-controlling interest	**(43,209)**	(17,933)	(4,889)	–	–	–
Payments for transaction cost of issuance of shares	–	–	(219,527)	–	–	(219,527)
Net cash provided by (used in) financing activities	**2,823,720**	5,232,987	17,201,600	**2,049,784**	4,644,582	16,358,196
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**34,414,310**	(7,621,904)	(44,774,748)	**32,867,681**	1,929,019	(48,544,197)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**15,863,080**	14,628,489	11,804,746	**12,598,715**	13,865,078	9,700,005
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	**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**
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**11,014,663**	15,863,080	14,628,489	**10,626,525**	12,598,715	13,865,078
Due from Bangko Sentral ng Pilipinas	**127,337,861**	81,363,444	105,773,685	**123,799,952**	79,203,948	95,415,467
Due from other banks	**22,709,805**	18,287,308	15,591,406	**12,831,514**	11,450,573	5,013,357
Interbank loans receivable (Note 8)	**7,243,886**	5,800,383	7,492,539	**7,352,840**	5,912,224	7,492,539
Securities held under agreements to resell	**1,972,310**	14,550,000	–	**1,972,310**	14,550,000	–
	₱170,278,525	₱135,864,215	₱143,486,119	**₱156,583,141**	₱123,715,460	₱121,786,441
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱4,620,623**	₱3,881,864	₱3,387,941	**₱4,254,991**	₱3,628,149	₱3,150,615
Interest received	**23,544,207**	20,208,489	22,270,498	**20,653,077**	17,952,107	22,147,995
Dividends received	**17,593**	22,190	2,409	**80,841**	198,338	79,744

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

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, 2016 and 2015, the LT Group, Inc. (LTG) held indirect ownership of 59.83% of the Parent Company's shares through various holding companies, while 17.38% of the Parent Company's shares were held by Philippine Central Depository (PCD) Nominee Corporation. The remaining 22.79% of the Parent Company's shares were held by other stockholders holding less than 10.00% each of the Parent Company's shares.

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 675 and 665 domestic branches as of December 31, 2016 and 2015, respectively.

The Parent Company has the largest overseas network among Philippine banks with 73 and 75 branches, representative offices, remittance centers and subsidiaries as of December 31, 2016 and 2015, 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 involved 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 ₱97.90 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 (Note 14). 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 enabled 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 Group 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, 2016, the ruling request is still pending with the Law Division of the BIR. The Group 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 (PNBSB) 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.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

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 interest
- 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 year except for the following amendments and improvements to PFRS which are effective beginning on or after January 1, 2016. Except as otherwise indicated, the changes in the accounting policies that did not have any significant impact on the financial position or performance of the Group follow:

- PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception* (Amendments)
- PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- Philippine Accounting Standards (PAS) 1, *Disclosure Initiative* (Amendments)
- PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
- PAS 16 and PAS 41, *Agriculture: Bearer Plants* (Amendments)

Annual Improvements to PFRSs (2012-2014 cycle)
- PFRS 5, *Non-current Assets Held-for-Sale and Discontinued Operations - Changes in Methods of Disposal* (Amendments)
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*(Amendments)
- PFRS 7, *Applicability of the Amendments to PFRS to Condensed Interim Financial Statements* (Amendments)
- PAS 19, *Employee Benefits - regional market issue regarding discount rate* (Amendments)
- PAS 34, *Interim Financial Reporting - disclosure of information elsewhere in the interim financial report* (Amendments)

In 2016, the Parent Company adopted the amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*, following the guidelines provided by the BSP. The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures, and associates in their separate financial statements. The Parent Company elected to use the equity method in its separate financial statements. These amendments do not have any impact on the Group's consolidated financial statements.

Additional statement of financial position as at January 1, 2015 is presented in the separate financial statements due to retrospective application of the change in accounting policy.
The effects of retrospective restatement of items in the financial statements are detailed below:

	December 31, 2015		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Investments in subsidiaries and an associate	₱23,821,982	₱2,675,750	₱26,497,732
Deferred tax assets	1,031,948	(95,456)	936,492
Assets of a disposal group classified as held for sale	846,015	326,948	1,172,963
Surplus	22,219,098	2,580,260	24,799,358
Net unrealized loss on available-for-sale investments	(3,022,853)	(7,735)	(3,030,588)
Remeasurement losses on retirement plan	(2,326,283)	(37,932)	(2,364,215)
Accumulated translation adjustment	154,713	457,755	612,468
Reserves of a disposal group classified as held for sale	−	(85,106)	(85,106)

	For the year ended December 31, 2015		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Miscellaneous income	₱1,759,155	(₱259,482)	₱1,499,673
Equity in net earnings of subsidiaries and an associate	−	69,307	69,307
Provision for income tax	1,014,865	95,456	1,110,321
Net income from discontinued operations	−	182,545	182,545

(Forward)

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

	For the year ended December 31, 2015		
	As previously reported	Effect of restatement	As restated
Other comprehensive income			
Share in changes in net unrealized gains on available-for-sale investments of subsidiaries and an associate	₱–	₱51,906	₱51,906
Share in changes in accumulated translation adjustment of subsidiaries and an associate	–	586,212	586,212
Share in changes in remeasurement gains on retirement plan of subsidiaries and an associate	–	5,071	5,071

	January 1, 2015		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Investments in subsidiaries and an associate	₱24,102,612	₱2,452,245	₱26,554,857
Surplus	16,019,048	2,683,346	18,702,394
Net unrealized loss on available-for-sale investments	(2,276,501)	(59,641)	(2,336,142)
Remeasurement losses on retirement plan	(2,249,830)	(43,003)	(2,292,833)
Accumulated translation adjustment	68,603	(128,457)	(59,854)

	For the year ended December 31, 2014		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Miscellaneous income	₱1,419,591	(₱67,794)	₱1,351,797
Equity in net earnings of subsidiaries and an associate	–	1,007,198	1,007,198
Other comprehensive income			
Share in changes in net unrealized gains on available-for-sale investments of subsidiaries and an associate	–	121,295	121,295
Share in changes in accumulated translation adjustment of subsidiaries and an associate	–	(194,234)	(194,234)
Share in changes in remeasurement gains on retirement plan of subsidiaries and an associate	–	(27,530)	(27,530)

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 interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest 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 interest 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 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 interest, 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 Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such non-current assets and disposal groups are measured at the lower of their carrying 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 statements 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 coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

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 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 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 fair value through profit or loss (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 (HFT) 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 as '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.

Derecognition of Financial Assets and Liabilities

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.

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 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.

<u>Investments in Subsidiaries</u>
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 separate financial statements, investments in subsidiaries are accounted for under equity method of accounting.

<u>Investments in an Associate and Joint Ventures</u>
Associates pertain to all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in an associate are accounted for under equity method of accounting.

Under the equity method, the investments in an associate and joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the share in the net assets of the associates and joint ventures. The statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. When there has been a change recognized in the investee's other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the statement of comprehensive income. Profits and losses arising from transactions between the Group and the associates are eliminated to the extent of the interest in the associates and joint ventures.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

<u>Revenue Recognition</u>
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) *Bancassurance fees*
   Non-refundable access fees are recognized on a straight-line basis over the term of the period of the provision of the access.

   Milestone fees or variable and fixed earn-out fees are recognized in reference to the stage of achievement of the milestones.

c) *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 pertain 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.

<u>Expenses</u>
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.

<u>Policy Loans</u>
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 24thmethod 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 each end of the 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.

Investments in subsidiaries and an associate
The Parent Company assesses at each reporting date whether there is any indication that its investments in subsidiaries and an associate 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 and an associate. With respect to investments in foreign subsidiaries and associates, 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.

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

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.

Effective beginning on or after January 1, 2017

PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)* (Amendments)
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

PAS 7, *Statement of Cash Flows, Disclosure Initiative* (Amendments)
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments)
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions* (Amendments)
The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4* (Amendments)
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The Group is assessing which approach it will use and the potential impact of the chosen approach in its consolidated financial statements.

PFRS 9, *Financial Instruments*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of adopting this standard.

PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)* (Amendments)
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

PAS 40, *Investment Property, Transfers of Investment Property* (Amendments)
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments)
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts 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 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) *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).

(d) *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.

(e) *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.

(f) *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.

The Parent Company determined that it has joint control over these joint arrangements on the basis that even though the real estate companies are the designated operators of the joint arrangement, they are still bound by the contract that establishes joint control of the undertaking and they can only act in accordance with the authorities granted to them under the joint venture agreement.

(g) *Sale of Allianz-PNB Life Insurance, Inc.(APLII)*
Pursuant to the sale of APLII under a share purchase agreement, the Parent Company also entered into a distribution agreement with APLII where the Parent Company will allow APLII to have exclusive access to the distribution network of the Parent Company and its subsidiary, PNB Savings Bank, over a period of 15 years.

The Group has determined based on its evaluation that the share purchase agreement and distribution agreement have provisions referring to one another; making the distribution agreement an integral component of the sale transaction. Accordingly, the consideration received by the Parent Company was allocated between the sale of its ownership interest in APLII and the Exclusive Distribution Right (see Note 12).

<u>Estimates</u>

(a) *Credit losses on loans and receivables*
The Group reviews its impaired loans and receivables on a quarterly basis 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. Estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The Group takes into account the latest available information of the borrower's financial condition, industry risk and market trends.

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.

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. For the purpose of a collective impairment, loans and receivables are grouped on the basis of their 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.

Refer to Notes 10 and 15 for the carrying values of loans and receivables and receivable from SPVs, respectively.

(b) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of

deferred tax assets that can be recognized, based upon the 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.

(c) *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 employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases was based on the Group's policy taking into account the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The fair value of plan assets is based on market price information. When no market price is available, the 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.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 29.

(d) *Impairment of nonfinancial assets - property and equipment, investments in subsidiaries and an associate, investment properties, other properties acquired and intangibles*
The Parent Company assesses impairment on its investments in subsidiaries and an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries and associate 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 or associate during the period or in the near future, in which the subsidiary or associate 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 cost 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 and an associate, investment properties, goodwill and intangible assets and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15.

(e) *Impairment of goodwill*
The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support 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 and BOD of the Parent Company covering a three-year period. The assumptions used in the calculation of value-in-use are sensitive to estimates of future cash flows from business, interest margin, discount rate and long-term growth rate 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.

(f) *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.

(g) *Determination of fair value of shares of APLII and Exclusive Distribution Rights (EDR)*
The Group determined the fair value of the shares of APLII using a combination of the Income Approach and the Market Approach. The Income Approach was based on the present value of the future cash flows over a three-year period, adjusted for the control premium and the lack of marketability discount. Significant management judgment is required to determine the expected future cash flows. The valuation under the Income Approach is most sensitive to discount rate and growth rate used to project cash flows.

The Market Approach involved determining the price to book value of selected publicly traded companies that have been identified to be comparable to PLII such as those with similar business activities and product offerings. The price to book value are then subjected to a control premium and lack of marketability discount.

The fair value of the Exclusive Distribution Right was determined using the Market Approach where it involved identifying recent bancassurance agreements with upfront payments from publicly available data of comparable companies. Using the amount of upfront payment fee, the number of branches and customers, a value per branch and value per customer multiple were determined.

4. Financial Risk Management Objectives and Policies

Introduction

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

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

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either 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 agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2017-2019, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the ICAAP Document and required for monitoring.

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

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

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

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

The mandate of the RMG involves:

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

Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector and remedial sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the 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

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e. trend of nonperforming loans (NPLs)
f. concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Parent Company collects 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.

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			
	2016			
	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under repurchase agreement	**₱1,972,310**	**₱1,968,603**	**₱3,707**	**₱1,968,603**
Loans and receivables:				
Receivable from customers*:				
Business loans	**345,154,387**	**275,990,051**	**276,724,626**	**68,429,761**
Consumers	**41,224,688**	**24,791,559**	**28,463,760**	**12,760,928**
GOCCs and National Government Agencies (NGAs)	**19,897,037**	**25,594,651**	**3,089,179**	**16,807,858**
LGUs	**7,335,499**	**1,053,132**	**6,806,185**	**529,314**
Fringe benefits	**588,092**	**743,271**	**291,754**	**296,338**
Unquoted debt securities	**6,972,710**	**2,789,063**	**4,125,801**	**2,789,063**
Other receivable	**21,039,980**	**10,745,528**	**15,156,530**	**5,883,450**
	₱444,184,703	**₱343,675,858**	**₱334,661,542**	**₱109,465,315**

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

	Consolidated			
	2015			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under repurchase agreement	₱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 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).*

	Parent Company			
	2016			
	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under repurchase agreement	**₱1,972,310**	**₱1,968,603**	**₱3,707**	**₱1,968,603**
Loans and receivables:				
Receivable from customers:				
Business loans	**332,783,948**	**255,205,029**	**273,830,642**	**58,953,306**
Consumers	**9,988,258**	**3,059,479**	**8,357,123**	**1,631,135**
GOCCs and NGAs	**19,897,036**	**25,594,651**	**3,089,179**	**16,807,857**
LGUs	**7,335,499**	**1,053,132**	**6,806,185**	**529,314**
Fringe benefits	**560,828**	**734,575**	**283,164**	**277,664**
Unquoted debt securities	**6,914,864**	**2,789,063**	**4,125,801**	**2,789,063**
Other receivable	**14,750,427**	**10,743,494**	**9,124,573**	**5,625,854**
	₱394,203,170	**₱301,148,026**	**₱305,620,374**	**₱88,582,796**

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	Parent Company 2015			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under repurchase agreement	₱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
Consumers	14,033,577	25,514,598	6,384,992	7,648,585
GOCCs and 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	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

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 2016			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱388,503,018**	**₱78,723,534**	**₱131,622,446**	**₱598,848,998**
Asia (excluding the Philippines)	**18,430,743**	**12,716,017**	**18,211,900**	**49,358,660**
USA and Canada	**15,315,893**	**202,939**	**4,302,151**	**19,820,983**
Other European Union Countries	**1,425,522**	**942,855**	**4,643,448**	**7,011,825**
Oceania	**3,594,610**	**–**	**–**	**3,594,610**
United Kingdom	**42,086**	**843,737**	**1,568,364**	**2,454,187**
Middle East	**7,707**	**–**	**31,042**	**38,749**
	₱427,319,579	**₱93,429,082**	**₱160,379,351**	**₱681,128,012**

(Forward)

* *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 2015			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱346,480,786	₱76,378,062	₱98,334,288	₱521,193,136
Asia (excluding the Philippines)	17,732,943	12,884,161	14,081,917	44,699,021
USA and Canada	776,838	957,062	5,079,342	6,813,242
Other European Union Countries	–	5,725,103	1,640,140	7,365,243
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	₱120,304,106	₱581,400,497

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

	Parent Company 2016			
	Loans and receivables	**Trading and investment securities**	**Other financial assets***	**Total**
Philippines	**₱366,510,639**	**₱77,371,752**	**₱127,423,155**	**₱571,305,547**
Asia (excluding the Philippines)	**11,011,491**	**12,715,714**	**10,154,230**	**33,881,435**
USA and Canada	**–**	**843,276**	**4,053,526**	**4,896,802**
Oceania	**668,901**	**–**	**4,135,016**	**4,803,917**
Other European Union Countries	**–**	**843,737**	**1,244,950**	**2,088,687**
Middle East	**7,707**	**–**	**31,042**	**38,749**
United Kingdom		**225**	**–**	**225**
	₱378,198,738	**₱91,774,704**	**₱147,041,919**	**₱617,015,362**

* *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
USA and Canada	569,141	862,708	4,801,070	6,232,919
Other European Union Countries	–	5,725,103	1,639,322	7,364,425
Middle East	1,365	–	12,108	13,473
United Kingdom	–	58,250	814,433	872,683
	₱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).*

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

c. Concentration by Industry
The tables below shows 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 2016			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
Primary target industry:				
Financial intermediaries	**₱60,774,307**	**₱10,066,253**	**₱30,506,854**	**₱101,347,414**
Wholesale and retail	**63,358,584**	**26**	**8,772**	**63,367,382**
Electricity, gas and water	**49,857,988**	**4,771,740**	**5,469**	**54,635,197**
Transport, storage and communication	**38,352,051**	**7,249,511**	**1,286**	**45,602,848**
Manufacturing	**40,987,080**	**496,529**	**71**	**41,483,680**
Public administration and defense	**23,289,595**	**–**	**411**	**23,290,006**
Agriculture, hunting and forestry	**5,970,524**	**–**	**–**	**5,970,524**
Secondary target industry:				
Government	**625,802**	**63,321,206**	**129,310,255**	**193,257,263**
Real estate, renting and business activities	**67,321,221**	**6,814,681**	**50,343**	**74,186,245**
Construction	**18,249,762**	**99,939**	**1,070**	**18,350,771**
Others**	**58,532,665**	**609,197**	**494,820**	**59,636,682**
	₱427,319,579	**₱93,429,082**	**₱160,379,351**	**₱681,128,012**

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

	Consolidated 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
Wholesale and retail	50,575,572	–	5,579	50,581,151
Electricity, gas and water	49,526,664	1,799,906	3,591	51,330,161
Transport, storage and communication	28,872,881	1,661	599	28,875,141
Manufacturing	40,697,028	30,611	27	40,727,666
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	264,639	77,529,629
	₱365,012,825	₱96,083,566	₱120,304,106	₱581,400,497

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

	Parent Company 2016			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱59,963,399**	**₱9,976,639**	**₱20,744,821**	**₱90,684,859**
Wholesale and retail	**56,592,495**	**26**	**8,772**	**54,403,614**
Electricity, gas and water	**49,626,635**	**4,771,510**	**5,469**	**56,601,293**
Transport, storage and communication	**34,052,933**	**7,150,623**	**1,286**	**41,204,842**
Manufacturing	**35,104,381**	**496,529**	**71**	**35,600,981**
Public administration and defense	**23,915,397**	**–**	**411**	**23,915,808**
Agriculture, hunting and forestry	**4,922,200**	**–**	**–**	**4,922,200**
Secondary target industry:				
Government	**–**	**62,372,155**	**125,772,346**	**188,144,501**
Real estate, renting and business activities	**51,294,655**	**6,721,508**	**50,343**	**58,066,506**
Construction	**14,488,232**	**99,939**	**1,070**	**14,589,241**
Others*	**48,238,411**	**185,775**	**457,830**	**48,882,016**
	₱378,198,738	**₱91,774,704**	**₱147,042,419**	**₱617,015,861**

* *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
Wholesale and retail	46,788,392	–	5,579	46,793,971
Electricity, gas and water	49,463,182	1,799,906	3,591	51,266,679
Transport, storage and communication	27,034,887	1,661	599	27,037,147
Manufacturing	37,203,799	30,611	27	37,234,437
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	216,319	59,818,890
	₱328,300,238	₱94,365,259	₱111,417,698	₱534,083,195

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

The internal limit of the Parent Company based on the Philippine Standard Industry Classification (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 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.

Loans and Receivables
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.

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 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.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

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, 2016 and 2015, but net of residual values of leased assets.

	Consolidated			
	2016			
	Neither Past Due nor Individually Impaired	**Past Due and not Individually Impaired**	**Individually Impaired**	**Total**
Rated Receivable from Customers				
1 – Excellent	**₱9,426,928**	**₱791**	**₱–**	**₱9,427,719**
2 - Super Prime	**50,660,171**	**–**	**–**	**50,660,171**
3 – Prime	**81,566,409**	**–**	**–**	**81,566,409**
4 - Very Good	**46,455,179**	**–**	**–**	**46,455,179**
5 - Good	**28,223,428**	**–**	**–**	**28,223,428**
6 - Satisfactory	**37,118,762**	**33,674**	**–**	**37,152,436**
7 - Average	**26,039,398**	**5,085**	**–**	**26,044,483**
8 - Fair	**21,057,009**	**–**	**–**	**21,057,009**
9 - Marginal	**5,855,663**	**–**	**–**	**5,855,663**
10 - Watchlist	**44,135,681**	**5,346**	**–**	**44,141,027**
11 - Special Mention	**2,786,219**	**78,861**	**148,981**	**3,014,061**
12 - Substandard	**776,933**	**484,029**	**610,813**	**1,871,775**
13 - Doubtful	**5,890**	**113,428**	**413,634**	**532,952**
14 - Loss	**3,203**	**655,932**	**3,502,163**	**4,161,298**
	354,110,873	**1,377,146**	**4,675,591**	**360,163,610**
Unrated Receivable from Customers				
Consumers	**37,548,926**	**802,828**	**27,440**	**38,379,194**
Business Loans	**8,026,179**	**465,016**	**567,575**	**9,058,770**
LGUs	**7,196,440**	**9,950**	**130,523**	**7,336,913**
Fringe Benefits	**560,534**	**12,484**	**–**	**573,018**
GOCCs and NGAs	**178,153**	**–**	**–**	**178,153**
	53,510,232	**1,290,278**	**725,538**	**55,526,048**
	₱407,621,105	**₱2,667,424**	**₱5,401,129**	**₱415,689,658**

	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

(Forward)

	Consolidated			
	2015			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Unrated Receivable from Customers				
Consumers	₱7,943,525	₱1,398,624	₱32,199	₱9,374,348
Business Loans	15,144,231	150,695	46,282	15,341,208
GOCCs and NGAs	2,455,069	–	47,060	2,502,129
Fringe Benefits	518,923	10,725	25,994	555,642
LGUs	7,697,189	26,597	65,424	7,789,210
	33,758,937	1,586,641	216,959	35,562,537
	₱348,720,462	₱3,271,358	₱4,936,709	₱356,928,529

	Parent Company			
	2016			
	Neither Past Due nor Individually Impaired	**Past Due and not Individually Impaired**	**Individually Impaired**	**Total**
Rated Receivable from Customers				
1 - Excellent	**₱9,356,313**	**₱791**	**₱–**	**₱9,357,104**
2 - Super Prime	**49,664,931**	**–**	**–**	**49,664,931**
3 - Prime	**80,281,186**	**–**	**–**	**80,281,186**
4 - Very Good	**44,936,909**	**–**	**–**	**44,936,909**
5 - Good	**27,370,130**	**–**	**–**	**27,370,130**
6 - Satisfactory	**28,790,669**	**–**	**–**	**28,790,669**
7 - Average	**25,168,489**	**5,085**	**–**	**25,173,574**
8 - Fair	**20,879,402**	**–**	**–**	**20,879,402**
9 - Marginal	**5,549,401**	**–**	**–**	**5,549,401**
10 - Watchlist	**44,111,934**	**–**	**–**	**44,111,934**
11 - Special Mention	**2,695,185**	**78,861**	**–**	**2,774,046**
12 - Substandard	**716,596**	**93,764**	**96,465**	**906,825**
13 - Doubtful	**–**	**8,821**	**379,665**	**388,486**
14 - Loss	**–**	**605,299**	**3,369,191**	**3,974,490**
	339,521,145	**792,621**	**3,845,321**	**344,159,087**
Unrated Receivable from Customers				
Business Loans	**9,186,145**	**403,791**	**567,575**	**10,157,511**
Consumers	**8,658,310**	**631,265**	**15,503**	**9,305,078**
LGUs	**7,196,440**	**9,950**	**130,523**	**7,336,913**
Fringe Benefits	**533,272**	**12,484**	**–**	**545,756**
GOCCs and NGAs	**178,153**	**–**	**–**	**178,153**
	25,752,320	**1,057,490**	**713,601**	**27,523,411**
	₱365,273,465	**₱1,850,111**	**₱4,558,922**	**₱371,682,498**

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	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
Fringe Benefits	505,730	10,725	22,520	538,975
GOCCs and NGAs	2,455,069	–	47,060	2,502,129
	36,264,293	1,578,279	200,490	38,043,062
	₱317,301,596	₱3,158,641	₱4,063,099	₱324,523,336

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 2016				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱117,611**	**₱159,652**	**₱52,707**	**₱1,476,010**	**₱1,805,980**
Consumers	**235,986**	**20,222**	**8,505**	**574,297**	**839,010**
Fringe benefits	**29**	**24**	**721**	**11,710**	**12,484**
LGUs	**–**	**–**	**–**	**9,950**	**9,950**
Total	**₱353,626**	**₱179,898**	**₱61,933**	**₱2,071,967**	**₱2,667,424**

	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
Fringe benefits	904	98	1,294	8,428	10,724
LGUs	–	–	–	26,597	26,597
Total	₱232,802	₱106,207	₱266,585	₱2,665,764	₱3,271,358

	Parent Company 2016				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱56,339**	**₱159,451**	**₱47,404**	**₱930,506**	**₱1,193,700**
Consumers	**35,830**	**19,074**	**6,235**	**572,838**	**633,977**
Fringe benefits	**29**	**24**	**721**	**11,710**	**12,484**
LGUs	**–**	**–**	**–**	**9,950**	**9,950**
Total	**₱92,198**	**₱178,549**	**₱54,360**	**₱1,525,004**	**₱1,850,111**

	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
Fringe benefits	904	98	1,294	8,428	10,724
LGUs	–	–	–	26,597	26,597
Total	₱126,502	₱105,391	₱265,520	₱2,661,228	₱3,158,641

Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, the Bank 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 2016					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱127,337,861	₱127,337,861	₱–	₱127,337,861
Due from other banks	5,051,163	6,461,719	10,580,175	22,093,057	616,748	22,709,805
Interbank loans receivables	4,928,854	1,866,579	995,541	7,790,974	134	7,791,108
Securities held under agreements to resell			1,972,310	1,972,310		1,972,310
Financial assets at FVPL:						
Government securities	–	–	949,379	949,379	364,021	1,313,400
Derivative assets[2/]	43,510	28,097	9,974	81,581	337,541	419,122
Private debt securities	–	–	–	–	120,589	120,589
Equity securities	–	–	27,415	27,415	27,194	54,609
Investment in unit investment trust funds (UITFs)	–	–	6,144	6,144	–	6,144
AFS investments:						
Government securities	1,548,376	–	36,202,024	37,750,400	84,159	37,834,559
Private debt securities	4,299,497	2,880,154	4,964,387	12,144,038	16,697,032	28,841,070
Quoted equity securities	–	–	54,139	54,139	439,819	493,958
Unquoted equity securities	16,837	–	536	17,373	153,779	171,152
HTM investments						
Government securities	99,580	–	22,842,219	22,941,799	1,232,680	24,174,479
Loans and receivables:						
Unquoted debt securities[3/]	–	–	–	–	3,285,222	3,285,222
Others[4/]	–	–	–	–	18,208,225	18,208,225

[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, 2016 and 2015, financial assets that are unrated are neither past due nor impaired.

	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:						
Government securities	–	–	3,723,377	3,723,377	244,837	3,968,214
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
Equity securities	–	–	69	69	199,853	199,922
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

(Forward)

	Consolidated 2015					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
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, 2016 and 2015, financial assets that are unrated are neither past due nor impaired.

	Parent Company 2016					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱123,799,952	₱123,799,952	₱–	₱123,799,952
Due from other banks	4,849,575	5,877,522	1,564,859	12,291,956	539,558	12,831,514
Interbank loans receivables	4,928,854	1,866,579	995,541	7,790,974	116,392	7,907,366
Securities held under agreements to resell	–	–	1,972,310	1,972,310	–	1,972,310
Financial assets at FVPL:						
Government securities	–	–	949,379	949,379	364,021	1,313,400
Derivative assets[2/]	43,510	28,097	9,974	81,581	337,238	418,819
Private debt securities	–	–	–	–	120,589	120,589
Equity securities	–	–	69	69	27,194	27,263
AFS investments:						
Government securities	730,311	–	36,170,619	36,900,930	–	36,900,930
Private debt securities	3,835,425	2,880,154	4,912,596	11,628,175	16,697,032	28,325,207
Quoted equity securities	–	–	–	–	439,819	439,819
Unquoted equity securities	–	–	–	–	153,779	153,779
HTM investments						
Government securities	–	–	22,842,219	22,842,219	1,232,679	24,074,898
Loans and receivables:						
Unquoted debt securities[3/]	–	–	–	–	3,227,376	3,227,376
Others[4/]	–	–	–	–	12,268,647	12,268,647

[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, 2016 and 2015, 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:						
Government securities	–	–	3,723,377	3,723,377	244,837	3,968,214
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
Equity securities	–	–	69	69	199,639	199,708

(Forward)

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	Parent Company					
	2015					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
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, 2016 and 2015, 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; 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.

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The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

	Consolidated 2016					
	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	**₱11,014,663**	**₱–**	**₱–**	**₱–**	**₱–**	**₱11,014,663**
Due from BSP and other banks	**150,054,162**	–	–	–	–	**150,054,162**
Interbank loans receivable	**6,487,756**	**1,005,602**	**149,965**	**150,626**	–	**7,793,949**
Securities under agreements to resell	**1,972,803**	–	–	–	–	**1,972,803**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**1,318,421**	–	–	–	–	**1,318,421**
Private debt securities	**121,166**	–	–	–	–	**121,166**
Equity securities	**54,609**	–	–	–	–	**54,609**
Derivative assets:						
Gross contractual receivable	**23,134,620**	**602,481**	**363,065**	**97,557**	**945,345**	**25,143,068**
Gross contractual payable	**(23,027,112)**	**(602,494)**	**(359,977)**	**(81,868)**	**(652,495)**	**(24,723,946)**
	107,508	**(13)**	**3,088**	**15,689**	**292,850**	**419,122**
Designated at FVPL						
Investment in UITFs	**6,144**	–	–	–	–	**6,144**
AFS investments:						
Government securities	**445,411**	**1,360,270**	**833,280**	**952,375**	**44,483,507**	**48,074,843**
Private debt securities	**216,349**	**180,604**	**311,691**	**608,101**	**33,527,569**	**34,844,314**
Equity securities	–	–	–	–	**665,898**	**665,898**
HTM investments:						
Government securities	**186,669**	**188,619**	**268,121**	**638,758**	**42,326,085**	**43,608,252**
Loans and receivables:						
Receivables from customers	**51,281,982**	**61,017,482**	**22,991,722**	**21,982,567**	**322,823,346**	**480,097,099**
Unquoted debt securities	**57,846**	**2,731,616**	**2,910**	**2,904**	**4,211,082**	**7,006,358**
Other receivables	**7,747,353**	**689,651**	**1,608,947**	**329,549**	**12,234,095**	**22,609,595**
Other assets	**458,636**	**1,601**	**2,512**	**19,799**	**85,719**	**568,267**
Total financial assets	**₱231,531,478**	**₱67,175,432**	**₱26,172,236**	**₱24,700,368**	**₱460,650,151**	**₱810,229,665**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱117,329,019**	**₱–**	**₱–**	**₱–**	**₱–**	**₱117,329,019**
Savings	**291,611,443**	**31,169,095**	**12,960,373**	**18,753,987**	**15,868,774**	**370,363,672**
Time	**23,861,628**	**17,470,857**	**8,226,400**	**6,371,654**	**33,651,214**	**89,581,753**
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	**4,266,633**	**1,032,083**	**338,061**	**97,308**	**794,951**	**6,529,036**
Gross contractual receivable	**(4,258,623)**	**(1,027,751)**	**(336,280)**	**(84,515)**	**(589,035)**	**(6,296,204)**
	8,010	**4,332**	**1,781**	**12,793**	**205,916**	**232,832**
Bills and acceptances payable	**14,828,488**	**1,107,665**	**4,390,454**	**5,074,742**	**12,967,428**	**38,368,777**
Subordinated debt	–	**51,406**	**51,406**	**102,812**	**4,425,308**	**4,630,932**
Accrued interest payable and accrued other expenses payable	**585,761**	**232,935**	**247,614**	**619,526**	–	**1,685,836**
Other liabilities	**19,114,919**	**57,012**	**58,421**	**11,756**	**1,483,085**	**20,725,193**
Total financial liabilities	**₱467,339,268**	**₱50,093,302**	**₱25,936,449**	**₱30,947,270**	**₱68,601,725**	**₱642,918,014**

	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
Private debt securities	143,800	–	–	–	–	143,800
Equity securities	199,922	–	–	–	–	199,922
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	247,521	2,300	1,405	1,141	50,605	302,972
Total financial assets	₱210,027,315	₱54,825,649	₱17,528,088	₱24,326,670	₱414,545,732	₱721,253,454
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

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

	Parent Company					
	2016					
	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	₱10,626,525	₱–	₱–	₱–	₱–	₱10,626,525
Due from BSP and other banks	136,637,734	–	–	–	–	136,637,734
Interbank loans receivable	6,600,278	1,009,362	149,965	150,626	–	7,910,231
Securities under agreements to resell	1,972,803	–	–	–	–	1,972,803
Financial assets at FVPL:						
Held-for-trading:						
Government securities	1,318,421	–	–	–	–	1,318,421
Private debt securities	121,166	–	–	–	–	121,166
Equity securities	27,263	–	–	–	–	27,263
Derivative assets:						
Gross contractual receivable	23,102,042	552,761	39,862	97,557	945,345	24,737,567
Gross contractual payable	(22,994,783)	(552,786)	(36,817)	(81,868)	(652,494)	(24,318,748)
	107,259	(25)	3,045	15,689	292,851	418,819
AFS investments:						
Government securities	361,066	1,359,182	782,328	883,536	43,661,794	47,047,906
Private debt securities	164,558	178,096	309,183	603,085	33,009,976	34,264,898
Equity securities	–	–	–	–	593,598	593,598
HTM investments:						
Government securities	186,669	188,578	268,090	638,573	42,226,116	43,508,026
Loans and receivables:						
Receivables from customers	47,135,914	58,812,741	20,970,205	19,158,472	288,318,164	434,395,496
Unquoted debt securities	–	2,731,616	2,910	2,904	4,211,082	6,948,512
Other receivables	2,400,902	519,217	1,542,416	183,824	11,661,573	16,307,932
Other assets	459,877	1,601	2,512	3,156	64,131	531,277
Total financial assets	₱208,120,435	₱64,800,368	₱24,030,654	₱21,639,865	₱424,039,285	₱742,630,607
Financial Liabilities						
Deposit liabilities:						
Demand	₱115,392,463	₱–	₱–	₱–	₱–	115,392,463
Savings	286,307,746	31,169,095	12,960,373	18,753,987	15,868,774	365,059,975
Time	16,846,800	10,047,816	5,080,280	5,038,937	26,252,632	63,266,465
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	2,740,229	783,483	39,741	97,308	794,951	4,455,712
Gross contractual receivable	(2,732,875)	(779,167)	(38,143)	(84,515)	(589,035)	(4,223,735)
	7,354	4,316	1,598	12,793	205,916	231,977
Bills and acceptances payable	10,765,961	1,565,459	4,957,897	4,903,913	12,235,687	34,428,917
Subordinated debt	–	51,406	51,406	102,812	4,425,308	4,630,932
Accrued interest payable and accrued other expenses payable	414,252	236,725	251,453	630,422	–	1,532,852
Other liabilities	12,656,889	–	1,731	–	952,255	13,610,875
Total financial liabilities	₱442,391,465	₱43,074,817	₱23,304,738	₱29,442,864	₱59,940,572	₱598,154,456

	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
Private debt securities	143,800	–	–	–	–	143,800
Equity 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	215,207	2,300	1,405	1,142	34,597	254,651
Total financial assets	₱193,970,854	₱52,185,170	₱15,695,835	₱20,997,622	₱382,358,477	₱665,207,958
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

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 (VaR) as a primary risk measurement tool. It adopts both the Parametric 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 under estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR assumptions/parameters
VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

Backtesting
The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate backtesting procedures. Backtesting is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean backtesting and dirty backtesting approaches approach in backtesting. Clean backtesting, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty backtesting, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the backtesting results. For the years 2016 and 2015, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99.00% confidence level. Nonetheless, closer monitoring and regular review of the model's parameters and assumptions are being conducted.

Stress Testing
To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

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

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

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 29, 2016	**₱1.65**	**₱77.87**	**₱1.39**	**₱80.91**
Average Daily	**3.35**	**161.09**	**4.73**	**169.17**
Highest	**12.09**	**444.55**	**9.14**	**465.79**
Lowest	**0.62**	**34.67**	**1.33**	**36.62**

* *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, 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*

The table below shows the interest rate VaR for AFS investments (in millions):

	2016	2015
End of year	**₱1,399.01**	₱1,303.05
Average Daily	**1,261.85**	1,249.75
Highest	**1,575.39**	1,444.14
Lowest	**859.08**	797.87

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.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

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

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

The 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					
	2016					
	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	**₱57,091,542**	**₱3,963,915**	**₱1,552,139**	**₱148,711**	**₱191,407**	**₱62,947,714**
Interbank loans receivable	**6,483,431**	**1,158,517**	**–**	**149,160**	**–**	**7,791,108**
Receivable from customers and other receivables - gross**	**112,589,715**	**69,561,736**	**13,940,309**	**3,330,898**	**66,612,092**	**266,034,750**
Total financial assets	**₱176,164,688**	**₱74,684,168**	**₱15,492,448**	**₱3,628,769**	**₱66,803,499**	**₱336,773,572**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱87,934,546**	**₱30,744,080**	**₱19,341,869**	**₱26,083,607**	**₱14,471,705**	**₱178,575,807**
Time	**22,628,013**	**11,627,502**	**8,195,577**	**6,214,396**	**11,327,985**	**59,993,473**
Bills and acceptances payable	**11,916,653**	**13,623,760**	**5,416,933**	**1,084,673**	**3,843,929**	**35,885,948**
Total financial liabilities	**₱122,479,212**	**₱55,995,342**	**₱32,954,379**	**₱33,382,676**	**₱29,643,619**	**₱274,455,228**
Repricing gap	**₱53,685,476**	**₱18,688,826**	**(₱17,461,931)**	**(₱29,753,907)**	**₱37,159,880**	**₱62,318,344**
Cumulative gap	**53,685,476**	**72,374,302**	**54,912,371**	**25,158,464**	**62,318,344**	**–**

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

	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 (Note 10).*

	Parent Company					
	2016					
	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	**₱49,531,514**	**₱–**	**₱–**	**₱–**	**₱–**	**₱49,531,514**
Interbank loans receivable	**6,599,689**	**1,158,517**	**–**	**149,160**	**–**	**7,907,366**
Receivable from customers and other receivables – gross	**112,589,715**	**69,561,736**	**13,940,309**	**3,330,898**	**66,612,092**	**266,034,750**
Total financial assets	**₱168,720,918**	**₱70,720,253**	**₱13,940,309**	**₱3,480,058**	**₱66,612,092**	**₱323,473,630**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱84,396,897**	**₱30,689,495**	**₱19,260,425**	**₱25,923,172**	**₱14,471,705**	**₱174,741,694**
Time	**18,593,842**	**5,798,198**	**5,112,195**	**4,903,355**	**3,941,853**	**38,349,443**
Bills and acceptances payable	**15,207,904**	**13,045,275**	**4,877,709**	**152,588**	**703,222**	**33,986,698**
Total financial liabilities	**₱118,198,643**	**₱49,532,968**	**₱29,250,329**	**₱30,979,115**	**₱19,116,780**	**₱247,077,835**
Repricing gap	**₱50,522,275**	**₱21,187,285**	**(₱15,310,020)**	**(₱27,499,057)**	**₱47,495,312**	**₱76,395,795**
Cumulative gap	**50,522,275**	**71,709,560**	**56,399,540**	**28,900,483**	**76,395,795**	**–**

**Financial instruments that are not subject to repricing/rollforward were excluded.*

	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.*

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

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, 2016 and 2015:

	Consolidated			
	2016		2015	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱410,056**	**₱410,056**	₱358,163	₱358,163
-50bps	**(410,056)**	**(410,056)**	(358,163)	(358,163)
+100bps	**820,112**	**820,112**	716,326	716,326
-100bps	**(820,112)**	**(820,112)**	(716,326)	(716,326)

	Parent Company			
	2016		2015	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱396,673**	**₱396,673**	₱371,372	₱371,372
-50bps	**(396,673)**	**(396,673)**	(371,372)	(371,372)
+100bps	**793,346**	**793,346**	742,744	742,744
-100bps	**(793,346)**	**(793,346)**	(742,744)	(742,744)

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					
	2016			2015		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱2,439,520**	**₱364,532**	**₱2,804,052**	₱2,442,421	₱367,924	₱2,810,345
Due from other banks	**6,963,920**	**12,842,915**	**19,806,835**	8,864,214	8,878,761	17,742,975
Interbank loans receivable and securities held under agreements to resell	**2,465,839**	**1,650,496**	**4,116,335**	2,309,227	1,207,330	3,516,557
Loans and receivables	**13,443,688**	**697,144**	**14,140,832**	17,533,276	508,518	18,041,794
Financial assets at FVPL	–	–	–	103	31,488	31,591
AFS investments	**1,876,850**	**1,958,502**	**3,835,352**	483,785	942,936	1,426,721
HTM investments	**8,026**	–	**8,026**	3,183	–	3,183
Other assets	**92,922**	**82,444**	**175,366**	47,315	49,465	96,780
Total assets	**27,290,765**	**17,596,033**	**44,886,798**	31,683,524	11,986,422	43,669,946
Liabilities						
Deposit liabilities	**9,857,351**	**3,679,624**	**13,536,975**	9,778,371	3,354,614	13,132,985
Derivative liabilities	**427**	**529**	**956**	92	169	261
Bills and acceptances payable	**4,931,773**	**225,866**	**5,157,639**	2,968,079	292,304	3,260,383
Accrued interest payable	**41,222**	**105,904**	**147,126**	1,591,617	39,457	1,631,074
Other liabilities	**1,070,134**	**520,406**	**1,590,540**	677,965	409,194	1,087,159
Total liabilities	**15,900,907**	**4,532,329**	**20,433,236**	15,016,124	4,095,738	19,111,862
Net Exposure	**₱11,389,858**	**₱13,063,704**	**₱24,453,562**	₱16,667,400	₱7,890,684	₱24,558,084

* *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).*

	Parent Company					
	2016			2015		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱134,521**	**₱236,225**	**₱370,746**	₱351,524	₱267,197	₱618,721
Due from other banks	**2,342,535**	**8,514,773**	**10,857,308**	2,145,720	7,254,596	9,400,316
Interbank loans receivable and securities held under agreements to resell	**1,816,463**	**1,449,239**	**3,265,702**	1,432,622	1,006,287	2,438,909
Loans and receivables	**11,638,723**	**452,175**	**12,090,898**	14,306,521	288,917	14,595,438
Financial assets at FVPL	–	–	–	–	31,427	31,427
AFS investments	**1,876,314**	**1,891,150**	**3,767,464**	483,277	862,008	1,345,285
HTM investments	**8,026**	–	**8,026**	3,183	–	3,183
Other assets	**92,922**	**268**	**93,190**	47,212	247	47,459
Total assets	**17,909,504**	**12,543,830**	**30,453,334**	18,770,059	9,710,679	28,480,738
Liabilities						
Deposit liabilities	**1,990,870**	**3,308,204**	**5,299,074**	2,081,030	2,984,574	5,065,604
Derivative liabilities	–	**529**	**529**	–	169	169
Bills and acceptances payable	**4,763,163**	**70,183**	**4,833,346**	2,706,703	143,323	2,850,026
Accrued interest payable	**34,342**	**19,023**	**53,365**	1,584,964	17,546	1,602,510
Other liabilities	**914,852**	**104,947**	**1,019,799**	663,161	249,935	913,096
Total liabilities	**7,703,227**	**3,502,886**	**11,206,113**	7,035,858	3,395,547	10,431,405
Net Exposure	**₱10,206,277**	**₱9,040,944**	**₱19,247,221**	₱11,734,201	₱6,315,132	₱18,049,333

* *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 ₱1.1 billion (sold) and ₱265.7 million (bought) as of December 31, 2016 and ₱1.2 billion (sold) and ₱3.9 billion (bought) as of December 31, 2015.

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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, 2016 and 2015 follow:

	2016	2015
US dollar - Philippine peso exchange rate	**₱49.72 to USD1.00**	₱47.06 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, 2016 and 2015:

	2016			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**₱95,130**	**₱113,899**	**₱83,300**	**₱102,063**
-1.00%	**(95,130)**	**(113,899)**	**(83,300)**	**(102,063)**

	2015			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱161,836	₱166,674	₱112,509	₱117,342
-1.00%	(161,836)	(166,674)	(112,509)	(117,342)

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 Insurance Commission (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

APLII's and PNB General Insurers Inc. (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 the policy of APLII and PNB Gen to assess its position against set minimum capital requirements.

Under the requirements of the IC and the Insurance Code, APLII 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 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 Philippine Stock Exchange (PSE). APLII has fully complied with the relevant capital requirements having an estimated statutory net worth amounting to ₱1.5 billion and ₱1.4 billion as of December 31, 2016 and 2015, respectively, and RBC ratio of 185.00% and 187.00% as of December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, PNB Gen has an estimated statutory net worth amounting to ₱484.3 million and ₱374.0 million, respectively. PNB Gen's RBC ratio as of December 31, 2016 and 2015 is 72.00% and 21.55%, respectively.

In a letter dated January 11, 2017 addressed to the Parent Company, the BSP approved on December 28, 2016 the request of the Parent Company to infuse ₱200.0 million in PNB Gen subject to regulatory compliance and reporting conditions, and to be booked by the latter as contingency surplus in compliance with IC Circular Letter (CL) No. 2015-02-A dated January 13, 2015.

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 Section 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 Section 247 of the Insurance Code.

PNB Gen expects its financial performance to continue to improve in 2017 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.

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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 using the discounted cash flow methodology, using the current incremental 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.

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 2.70% to 6.75% and from 2.66% to 3.77% as of December 31, 2016 and 2015, 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
- 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					
	2016					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	12/29/16	₱1,313,400	₱1,300,293	₱13,107	₱–	₱1,313,400
Derivative assets	12/29/16	419,122	–	357,577	61,545	419,122
Private debt securities	12/29/16	120,589	112,605	7,984	–	120,589
Equity securities	12/29/16	54,609	54,609	–	–	54,609
Investments in UITF	12/29/16	6,144	–	6,144	–	6,144
AFS investments:						
Government securities	12/29/16	37,834,559	34,416,113	3,418,446	–	37,834,559
Private debt securities	12/29/16	28,841,070	26,177,419	2,663,651	–	28,841,070
Equity securities*	12/29/16	493,958	493,958	–	–	493,958
		₱69,083,451	₱62,554,997	₱6,466,909	₱61,545	₱69,083,451
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	12/29/16	₱232,832	–	₱232,832	–	₱232,832
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/16	₱24,174,479	₱21,282,956	₱3,807,936	₱–	₱25,090,892
Loans and Receivables:**						
Receivables from customers	12/29/16	406,534,024	–	–	412,236,428	412,236,428
Unquoted debt securities	12/29/16	3,285,222	–	–	3,305,345	3,305,345
		₱433,993,725	₱21,282,956	₱3,807,936	₱415,541,773	₱440,632,665
Nonfinancial Assets						
Investment property:***						
Land	12/29/16	₱13,309,379	₱–	₱–	₱19,019,263	₱19,019,263
Buildings and improvements	12/29/16	3,031,873	–	–	3,963,475	3,963,475
		₱16,341,252	₱–	₱–	₱22,982,738	₱22,982,738
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/16	₱84,375,617	₱–	₱–	₱86,109,334	₱86,109,334
Bills payable	12/29/16	34,226,608	–	–	38,468,732	38,468,732
Subordinated debt	12/29/16	3,497,798	–	–	3,551,484	3,551,484
		₱122,100,023	₱–	₱–	₱128,129,550	₱128,129,550

* *Excludes unquoted available-for-sale securities (Note 9)*
** *Net of allowance for credit losses (Note 10)*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost (Note 13)*

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	Consolidated 2015					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	12/29/2015	₱3,968,214	₱2,636,413	₱1,331,801	₱–	₱3,968,214
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
Equity securities	12/29/2015	199,922	199,752	170	–	199,922
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 a 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
Other 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:						
Designated 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 a 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 property:***						
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
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	1229/2015	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 (Note 9)*
** *Net of allowance for credit losses (Note 10)*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost (Note 13)*
**** *Excludes cash component*

	Parent Company 2016					
	Valuation Date	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	**12/29/16**	**₱1,313,400**	**₱1,300,293**	**₱13,107**	**₱–**	**₱1,313,400**
Derivative assets	**12/29/16**	**418,819**	**–**	**357,274**	**61,545**	**418,819**
Private debt securities	**12/29/16**	**120,589**	**112,605**	**7,984**	**–**	**120,589**
Equity securities	**12/29/16**	**27,263**	**27,263**	**–**	**–**	**27,263**
AFS investments:						
Government securities	**12/29/16**	**36,900,930**	**33,482,484**	**3,418,446**	**–**	**36,900,930**
Private debt securities	**12/29/16**	**28,325,207**	**25,661,556**	**2,663,651**	**–**	**28,325,207**
Equity securities*	**12/29/16**	**439,819**	**439,819**	**–**	**–**	**439,819**
		₱67,546,027	**₱61,024,020**	**₱6,460,462**	**₱61,545**	**₱67,546,027**
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	**12/29/16**	**₱231,977**	**–**	**₱231,977**	**–**	**₱231,977**
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	**12/29/16**	**₱24,074,898**	**₱21,183,585**	**₱3,807,936**	**–**	**₱24,991,521**
Loans and Receivables:**						
Receivables from customers	**12/29/16**	**362,702,715**	**–**	**–**	**368,405,370**	**368,405,370**
Unquoted debt securities	**12/29/16**	**3,227,376**	**–**	**–**	**3,247,498**	**3,247,498**
		₱390,004,989	**₱21,183,585**	**₱3,807,936**	**₱371,652,868**	**₱396,644,389**
Nonfinancial Assets						
Investment property:***						
Land	**12/29/16**	**13,341,300**	**–**	**–**	**18,800,199**	**18,800,199**
Buildings and improvements	**12/29/16**	**2,633,830**	**–**	**–**	**3,364,011**	**3,364,011**
		₱15,975,130	**–**	**–**	**₱22,164,210**	**₱22,164,210**
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	**12/29/16**	**₱62,731,586**	**–**	**–**	**₱62,154,985**	**₱62,154,985**
Bills payable	**12/29/16**	**32,327,358**	**–**	**–**	**32,641,258**	**32,641,258**
Subordinated debt	**12/29/16**	**3,497,798**	**–**	**–**	**3,551,484**	**3,551,484**
		₱98,556,742	**–**	**–**	**₱98,347,727**	**₱98,347,727**

* *Excludes unquoted available-for-sale securities (Note 9)*
** *Net of allowance for credit losses (Note 10)*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost (Note 13)*

	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:						
Government securities	12/29/2015	₱3,968,214	₱2,636,413	₱1,331,801	₱–	₱3,968,214
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
Equity securities	12/29/2015	199,708	199,708	–	–	199,708
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

(Forward)

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	Parent Company 2015					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
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 (Note 9)*
** *Net of allowance for credit losses (Note 10)*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost (Note 13)*

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 are determined based on published NAVps as of reporting date.

As of December 31, 2016 and 2015, 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.

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	
	2016	2015	**2016**	2015
Financial assets				
Balance at beginning of year	**₱5,843,569**	₱5,339,628	**₱63,332**	₱71,160
Fair value changes recognized in profit or loss	**(1,787)**	503,941	**(1,787)**	(7,828)
Change arising from sale of direct interest in a subsidiary	**(5,780,237)**	–	**–**	–
Balance at end of year	**₱61,545**	₱5,843,569	**₱61,545**	₱63,332

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Financial liabilities				
Balance at beginning of year	**₱5,780,237**	₱5,268,468	**₱–**	₱–
Fair value changes recognized in profit or loss	**–**	511,769	**–**	–
Change arising from sale of direct interest in a subsidiary	**(5,780,237)**	–	**–**	–
Balance at end of year	**₱–**	₱5,780,237	**₱–**	₱–

Equity and/or Credit-Linked Notes are shown as '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 follow:

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 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*

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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*

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 follows:

Valuation Techniques	
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 ₱800 to ₱100,000
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.

Significant Unobservable Inputs	
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 T-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.

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

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

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

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

Business segment information of the Group follows:

	2016					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Net interest margin						
Third party	**₱1,136,370**	**₱15,027,877**	**₱3,014,495**	**₱126,606**	**₱261,154**	**₱19,566,502**
Inter-segment	**5,345,226**	**(7,756,129)**	**2,410,903**	**–**	**–**	**–**
Net interest margin after inter-segment transactions	**6,481,596**	**7,271,748**	**5,425,398**	**126,606**	**261,154**	**19,566,502**
Other income	**1,896,868**	**4,274,575**	**2,284,097**	**3,323,121**	**(136,649)**	**11,642,012**
Segment revenue	**8,378,464**	**11,546,323**	**7,709,495**	**3,449,727**	**124,505**	**31,208,514**
Other expenses	**(8,207,826)**	**(3,611,997)**	**(200,330)**	**(3,423,737)**	**576,949**	**(14,866,941)**
Segment result	**₱170,638**	**₱7,934,326**	**₱7,509,165**	**₱25,990**	**₱701,454**	**₱16,341,573**
Unallocated expenses						**(8,258,520)**
Net income before income tax						**8,083,053**
Income tax						**1,517,030**
Net income from continuing operations						**6,566,023**
Net income from discontinued operations						**619,563**
Non-controlling interest						**(38,122)**
Net income for the year attributable to equity holders of the Parent Company						**₱7,147,464**
Other segment information						
Capital expenditures	**₱1,063,897**	**₱5,723**	**₱961**	**₱510,870**	**₱–**	**₱1,581,451**
Unallocated capital expenditure						**852,941**
Total capital expenditure						**₱2,434,392**
Depreciation and amortization	**₱493,221**	**₱22,318**	**₱2,663**	**₱644,739**	**₱–**	**₱1,162,941**
Unallocated depreciation and amortization						**391,704**
Total depreciation and amortization						**₱1,554,645**
Provision for (reversal of) impairment, credit and other losses	**₱360,089**	**₱2,529,286**	**₱300**	**₱4,233**	**₱319,056**	**₱3,212,964**

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

	2015					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱2,396,903	₱11,614,343	₱3,177,360	₱239,257	₱263,976	₱17,691,839
Inter-segment	4,287,196	(4,915,106)	627,910	–	–	–
Net interest margin after inter-segment transactions	6,684,099	6,699,237	3,805,270	239,257	263,976	17,691,839
Other income	1,413,242	4,103,084	2,195,452	1,693,160	545,862	9,950,800
Segment revenue	8,097,341	10,802,321	6,000,722	1,932,417	809,838	27,642,639
Other expenses	(7,808,713)	(935,445)	(118,411)	(3,061,754)	(1,076,767)	(13,001,090)
Segment result	₱288,628	₱9,866,876	₱5,882,311	(₱1,129,337)	(₱266,929)	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 interest						(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	₱121,557	₱250,092	₱1,308,896
Unallocated capital expenditure						589,574
Total capital expenditure						₱1,898,470
Depreciation and amortization	₱558,046	₱132,559	₱6,440	₱542,347	₱143,101	₱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)	₱220,261	₱319,926	₱568,180

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

	2014					
	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
Net income from discontinued operations						264,161
Non-controlling interest						(136,376)
Net income for the year attributable to equity holders of the Parent Company						₱5,358,669

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	2014					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
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 adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2016					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱368,781,391**	**₱359,553,260**	**₱212,189,932**	**₱25,351,620**	**(₱213,533,306)**	**₱752,342,897**
Unallocated assets						**1,422,213**
Total assets						**₱753,765,110**
Segment liabilities	**₱528,797,409**	**₱57,719,741**	**₱64,033,215**	**₱37,602,324**	**(₱213,885,651)**	**₱474,267,038**
Unallocated liabilities						**169,557,166**
Total liabilities						**₱643,824,204**

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

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

<u>Geographical Segments</u>

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**	
	2016	2015	**2016**	2015	**2016**	2015
Philippines	**₱310,067,651**	₱297,495,756	**₱615,084,923**	₱550,838,120	**₱2,195,996**	₱1,879,019
Asia (excluding Philippines)	**6,225,748**	6,063,370	**24,392,446**	20,378,499	**232,949**	167
USA and Canada	**77,790,006**	74,359,768	**4,245,479**	3,661,259	**461**	19,284
United Kingdom	**2,649,627**	728,454	**101,356**	53,998	**4,986**	–
	₱396,733,032	₱378,647,348	**₱643,824,204**	₱574,931,876	**₱2,434,392**	₱1,898,470

* *Gross of allowance for impairment and credit losses (Note 16), unearned and other deferred income (Note 10), and accumulated amortization and depreciation (Notes 11, 13, and 14)*

	Credit Commitments		**External Revenues**		
	2016	2015	**2016**	2015	2014
Philippines	**₱27,995,354**	₱16,083,883	**₱29,124,972**	₱25,580,852	₱24,650,375
Asia (excluding Philippines)	**467,830**	465,026	**1,267,659**	1,308,540	1,184,773
USA and Canada	**4,197**	796	**668,833**	598,662	534,838
United Kingdom	**–**	–	**147,050**	154,585	200,884
	₱28,467,381	₱16,549,705	**₱31,208,514**	₱27,642,639	₱26,570,870

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, 2016 and 2015, 30.11% and 8.69% of the Group's Due from BSP are placed under the Term Deposit Facility (TDF) with the BSP. Due from BSP bear annual interest rates ranging from 2.50% to 3.50% in 2016 and 2.00% to 2.50% in 2015 and 2014.

As of December 31, 2016 and 2015, 29.64% and 7.32% of the Parent Company's Due from BSP are placed under the TDF with the BSP. TDFs bear annual interest rates ranging from 2.50% to 3.50% in 2016 and 2.00% to 2.50% in 2015 and 2014.

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

The Group's interbank loans receivable include foreign currency-denominated placements amounting to ₱7.8 billion as of December 31, 2016 and ₱5.8 billion as of December 31, 2015. The Group's and the Parent Company's peso-denominated interbank loans receivables bear interest ranging from 2.56% to 3.19% in 2015, and from 3.00% to 3.19% in 2014; and from 0.01% to 4.40%, 0.01% to 0.35%, and 0.08% to 0.25% for foreign-currency denominated placements in 2016, 2015 and 2014, respectively.

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

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Interbank loans receivable	**₱7,791,108**	₱5,800,383	**₱7,907,366**	₱5,958,526
Less: Interbank loans receivable not considered as cash and cash equivalents	**547,222**	–	**554,526**	46,302
	₱7,243,886	₱5,800,383	**₱7,352,840**	₱5,912,224

Securities held under agreements to resell are peso-denominated placements with carrying value of ₱2.0 billion and ₱14.6 billion as of December 31, 2016 and 2015, respectively. The Group's and the Parent Company's peso-denominated securities held under repurchase agreements bear interest ranging from 3.00% to 4.00% in 2016 and 4.00% in 2015. The fair value of the treasury bills pledged under these agreements as of December 31, 2016 and 2015 amount to ₱2.0 billion and ₱14.5 billion, respectively.

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9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Financial assets at FVPL	**₱1,913,864**	₱4,510,545	**₱1,880,071**	₱4,492,864
AFS investments	**67,340,739**	68,341,024	**65,819,735**	66,734,752
HTM investments	**24,174,479**	23,231,997	**24,074,898**	23,137,643
	₱93,429,082	₱96,083,566	**₱91,774,704**	₱94,365,259

Financial Assets at FVPL
This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Government securities	**₱1,313,400**	₱3,968,214	**₱1,313,400**	₱3,968,214
Derivative assets (Notes 23 and 36)	**419,122**	181,348	**418,819**	181,142
Private debt securities	**120,589**	143,800	**120,589**	143,800
Equity securities	**54,609**	199,922	**27,263**	199,708
Investment in UITFs	**6,144**	17,261	–	–
	₱1,913,864	₱4,510,545	**₱1,880,071**	₱4,492,864

As of December 31, 2016 and 2015, unrealized loss on government and private debt securities recognized by the Group and the Parent Company amounted to ₱66.9 million and ₱261.5 million, respectively.

The carrying amount of equity securities includes unrealized loss of ₱21.5 million and ₱53.3 million as of December 31, 2016 and 2015, respectively, for the Group and unrealized loss of ₱32.0 million and ₱12.0 million as of December 31, 2016 and 2015, respectively, for the Parent Company.

In 2016, 2015, and 2014, the nominal interest rates of government securities range from 2.75% to 10.63%, 2.13% to 10.63%, and 2.75% to 8.88%, respectively.

In 2016, 2015, and 2014, the nominal interest rates of private debt securities range from 5.50% to 7.38%, 4.80% to 7.38%, and 4.25% to 7.38%, respectively.

AFS Investments
This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Government debt securities (Notes 19 and 33)	**₱37,834,559**	₱45,260,397	**₱36,900,930**	₱44,075,209
Private securities	**28,841,070**	22,252,980	**28,325,207**	22,035,585
Equity securities - net of allowance for impairment losses (Note 16)				
Quoted	**493,958**	653,931	**439,819**	450,749
Unquoted	**171,152**	173,716	**153,779**	173,209
	₱67,340,739	₱68,341,024	**₱65,819,735**	₱66,734,752

In 2016, the Group and the Parent Company recognized impairment losses on equity securities amounting to ₱15.9 million and ₱15.6 million, respectively. In 2015, the Group and the Parent Company recognized impairment losses on equity securities amounting to ₱0.2 million (Note 16).

The movements in net unrealized loss on AFS investments of the Group are as follows:

	2016			2015			2014		
	Parent Company	**NCI**	**Total**	Parent Company	NCI	Total	Parent Company	NCI	Total
Balance at the beginning of the year	**(₱3,030,588)**	**₱168,630**	**(₱2,861,958)**	(₱2,336,142)	₱179,878	(₱2,156,264)	(₱3,581,865)	₱158,990	(₱3,422,875)
Changes in fair values of AFS investments	**1,009,783**	–	**1,009,783**	(171,907)	(9,641)	(181,548)	2,286,623	19,514	2,306,137
Provision for impairment (Note 16)	**15,856**	–	**15,856**	230	–	230	1,423	–	1,423
Realized gains	**(1,364,066)**	**(360)**	**(1,364,426)**	(777,890)	(4,175)	(782,065)	(1,171,221)	(2,932)	(1,174,153)
Amortization of net unrealized loss on AFS investments reclassified as HTM	**144,657**	**1,079**	**145,736**	136,804	2,568	139,372	119,839	4,306	124,145
Share in net unrealized losses of an associate (Note 12)	**(245,867)**	–	**(245,867)**	–	–	–	–	–	–
Effect of disposal group classified as held-for-sale (Note 37)	–	**(169,349)**	**(169,349)**	115,430	–	115,430	–	–	–
	(439,637)	**(168,630)**	**(608,267)**	(697,333)	(11,248)	(708,581)	1,236,664	20,888	1,257,552
Income tax effect (Note 31)	**286**	–	**286**	2,887	–	2,887	9,059	–	9,059
Balance at end of year	**(₱3,469,939)**	**₱–**	**(₱3,469,939)**	(₱3,030,588)	₱168,630	(₱2,861,958)	(₱2,336,142)	₱179,878	(₱2,156,264)

The changes in the net unrealized loss in AFS investments of the Parent Company follow:

	2016	2015 (As restated)	2014 (As restated)
Balance at the beginning of the year	**(₱3,030,588)**	(₱2,336,142)	(₱3,581,865)
Changes in fair values of AFS investments	**1,008,908**	(192,809)	2,139,842
Provision for impairment (Note 16)	**15,601**	230	1,423
Realized gains	**(1,350,453)**	(756,777)	(1,128,511)
Amortization of net unrealized loss on AFS investments reclassified as HTM	**140,341**	126,531	102,615
Share in net unrealized losses of subsidiaries and an associate (Note 12)	**(253,748)**	51,906	121,295
Effect of disposal group classified as held-for-sale (Note 37)	**–**	73,586	–
	(3,469,939)	(3,033,475)	(2,345,201)
Income tax effect (Note 31)	**–**	2,887	9,059
Balance at end of year	**(₱3,469,939)**	(₱3,030,588)	(₱2,336,142)

As of December 31, 2016 and 2015, 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 counterparties amounted to ₱9.8 billion and ₱8.5 billion, respectively (Note 19). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the counterparties have the right to hold the securities and sell them as settlement of the repurchase agreement. There are no other significant terms and conditions associated with the pledged investments.

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. As of December 31, 2015, the carrying value and fair value of these securities amounted to ₱873.0 million and ₱974.4 million, respectively (Note 35). As of December 31, 2016, a compromise agreement on the settlement of loans has been made and said Surety Bond was no longer renewed by PNB Gen.

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HTM Investments
As of December 31, 2016, HTM investments of the Group and the Parent Company consist of government securities amounting to ₱24.2 billion and ₱24.1 billion, respectively.

As of December 31, 2015, HTM investments of the Group and the Parent Company consist of government securities and private debt securities amounting to ₱23.2 billion and ₱23.1 billion, respectively.

As of December 31, 2016 and 2015, 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 counterparties amounted to ₱15.3 billion and ₱7.5 billion, respectively (Note 19).

Reclassification of Financial Assets
On March 3 and 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, 2016, the carrying values and fair values of the Group's and Parent Company's reclassified investment securities amounted to ₱20.1 billion and ₱21.4 billion, respectively. As of December 31, 2015, the carrying values and fair values of the reclassified investment securities amounted to ₱20.3 billion and ₱21.8 billion, respectively, for the Group and ₱20.2 billion and ₱21.7 billion, respectively, for the Parent Company. 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 ₱0.3 billion in 2016 and ₱0.8 billion in 2015.

Interest Income on Trading and Investment Securities
This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
AFS investments	**₱2,262,857**	₱2,443,660	₱1,953,437	**₱2,212,466**	₱2,407,634	₱1,968,228
HTM investments	**926,652**	925,334	794,541	**926,131**	924,462	725,613
Financial assets at FVPL	**837,085**	373,042	244,886	**837,085**	373,042	244,886
	₱4,026,594	₱3,742,036	₱2,992,864	**₱3,975,682**	₱3,705,138	₱2,938,727

Effective interest rates range from 1.31% to 5.93%, 1.03% to 5.62%, and 2.58% to 5.62% in 2016, 2015 and 2014, respectively, for peso-denominated AFS investments.

Effective interest rates range from 1.29% to 5.30%, 1.10% to 5.39%, and 2.06% to 5.83% in 2016, 2015 and 2014, respectively, for foreign currency-denominated AFS investments.

HTM investments bear effective annual interest rates ranging from 3.60% to 5.64% in 2016, 2015 and 2014, respectively.

Trading and Investment Securities Gains (Losses) - net
This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Financial assets at FVPL:						
Held-for-trading	**(₱6,113)**	(₱175,161)	₱197,224	**(₱6,113)**	(₱175,290)	₱196,597
Designated at FVPL	**(3,202)**	–	1,751	**–**	–	–
AFS investments	**1,362,462**	761,191	1,159,492	**1,350,453**	756,777	1,128,511
Derivative financial instruments (Note 23)	**25,174**	(11,709)	(90,761)	**25,174**	(11,709)	(90,761)
	₱1,378,321	₱574,321	₱1,267,706	**₱1,369,514**	₱569,778	₱1,234,347

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Receivable from customers:				
Loans and discounts	**₱392,159,433**	₱333,910,923	**₱350,840,183**	₱305,051,911
Customers' liabilities on letters of credit and trust receipts	**8,830,606**	10,501,665	**8,600,938**	10,162,498
Credit card receivables	**7,102,207**	5,363,750	**7,102,207**	5,363,750
Bills purchased (Note 22)	**3,596,589**	3,832,905	**3,379,721**	3,498,652
Lease contracts receivable (Note 30)	**3,049,375**	3,686,791	**100,109**	101,709
Customers' liabilities on acceptances (Note 19)	**1,659,340**	344,816	**1,659,340**	344,816
	416,397,550	357,640,850	**371,682,498**	324,523,336
Less unearned and other deferred income	**1,489,955**	1,834,517	**1,116,929**	1,427,774
	414,907,595	355,806,333	**370,565,569**	323,095,562
Unquoted debt securities	**6,972,710**	4,245,069	**6,914,864**	4,245,069
Other receivables:				
Accounts receivable	**9,385,522**	8,212,190	**3,423,593**	3,102,573
Sales contract receivables	**7,449,020**	5,491,409	**7,397,664**	5,487,416
Accrued interest receivable	**3,703,763**	4,968,236	**3,485,881**	4,829,204
Miscellaneous	**501,675**	429,923	**443,289**	401,142
	21,039,980	19,101,758	**14,750,427**	13,820,335
	442,920,285	379,153,160	**392,230,860**	341,160,966
Less allowance for credit losses (Note 16)	**14,892,814**	13,428,014	**14,032,122**	12,860,728
	₱428,027,471	₱365,725,146	**₱378,198,738**	₱328,300,238

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

Below is the reconciliation of loans and receivables as to classes:

	Consolidated 2016							
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**	**Unquoted Debt Securities**	**Others**	**Total**
Receivable from customers:								
Loans and discounts	**₱329,917,238**	**₱20,117,661**	**₱7,346,757**	**₱34,336,857**	**₱440,920**	**₱–**	**₱–**	**₱392,159,433**
Customers' liabilities on letters of credit and trust receipts	**8,830,606**	–	–	–	–	–	–	**8,830,606**
Credit card receivables	**66,258**	–	–	**6,888,616**	**147,333**	–	–	**7,102,207**
Bills purchased (Note 22)	**3,383,938**	**212,651**	–	–	–	–	–	**3,596,589**
Lease contracts receivable (Note 30)	**3,049,375**	–	–	–	–	–	–	**3,049,375**
Customers' liabilities on acceptances (Note 19)	**1,659,340**	–	–	–	–	–	–	**1,659,340**
	346,906,755	**20,330,312**	**7,346,757**	**41,225,473**	**588,253**	–	–	**416,397,550**
Less unearned and other deferred income	**1,044,476**	**433,275**	**11,258**	**785**	**161**	–	–	**1,489,955**
	345,862,279	**19,897,037**	**7,335,499**	**41,224,688**	**588,092**	–	–	**414,907,595**
Unquoted debt securities	–	–	–	–	–	**6,972,710**	–	**6,972,710**
Other receivables:								
Accounts receivable	–	–	–	–	–	–	**9,385,522**	**9,385,522**
Sales contract receivables	–	–	–	–	–	–	**7,449,020**	**7,449,020**
Accrued interest receivable	–	–	–	–	–	–	**3,703,763**	**3,703,763**
Miscellaneous	–	–	–	–	–	–	**501,675**	**501,675**
	345,862,279	**19,897,037**	**7,335,499**	**41,224,688**	**588,092**	**6,972,710**	**21,039,980**	**442,920,285**
Less allowance for credit losses (Note 16)	**6,846,958**	**96,030**	**170,175**	**1,241,394**	**19,014**	**3,687,488**	**2,831,755**	**14,892,814**
	₱339,015,321	**₱19,801,007**	**₱7,165,324**	**₱39,983,294**	**₱569,078**	**₱3,285,222**	**₱18,208,225**	**₱428,027,471**

	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

	Parent Company 2016							
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**	**Unquoted Debt Securities**	**Others**	**Total**
Receivable from customers:								
Loans and discounts	**₱319,861,682**	**₱20,117,661**	**₱7,346,757**	**₱3,100,426**	**₱413,657**	–	–	**₱350,840,183**
Customers' liabilities on letters of credit and trust receipts	**8,600,938**	–	–	–	–	–	–	**8,600,938**
Credit card receivables	**66,258**	–	–	**6,888,617**	**147,332**	–	–	**7,102,207**
Bills purchased (Note 22)	**3,167,071**	**212,650**	–	–	–	–	–	**3,379,721**
Lease contracts receivable (Note 30)	**100,109**	–	–	–	–	–	–	**100,109**
Customers' liabilities on acceptances (Note 19)	**1,659,340**	–	–	–	–	–	–	**1,659,340**
	333,455,398	**20,330,311**	**7,346,757**	**9,989,043**	**560,989**	–	–	**371,682,498**
Less unearned and other deferred income	**671,450**	**433,275**	**11,258**	**785**	**161**	–	–	**1,116,929**
	332,783,948	**19,897,036**	**7,335,499**	**9,988,258**	**560,828**	–	–	**370,565,569**
Unquoted debt securities	–	–	–	–	–	**6,914,864**	–	**6,914,864**
Other receivables:								
Accounts receivable	–	–	–	–	–	–	**3,423,593**	**3,423,593**
Sales contract receivables	–	–	–	–	–	–	**7,397,664**	**7,397,664**
Accrued interest receivable	–	–	–	–	–	–	**3,485,881**	**3,485,881**
Miscellaneous	–	–	–	–	–	–	**443,289**	**443,289**
	332,783,948	**19,897,036**	**7,335,499**	**9,988,258**	**560,828**	**6,914,864**	**14,750,427**	**392,230,860**
Less allowance for credit losses (Note 16)	**6,687,544**	**96,030**	**170,175**	**890,093**	**19,012**	**3,687,488**	**2,481,780**	**14,032,122**
	₱326,096,404	**₱19,801,006**	**₱7,165,324**	**₱9,098,165**	**₱541,816**	**₱3,227,376**	**₱12,268,647**	**₱378,198,738**

	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

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 in 'Loans and Receivables') and liabilities in connection with the sale of the Parent Company's 60.00% equity in Maybank.

As of December 31, 2015, the balance of these receivables amounted to ₱3.7 billion (₱1.8 billion is included under 'Loans and discounts' and ₱1.9 billion is included under 'Accrued interest receivable') while the transferred liabilities amounted to ₱3.4 billion (₱1.8 billion is included under 'Bills payable to BSP and local banks' - Note 19 and ₱1.6 billion is included under 'Accrued interest payable' - Note 20). The excess of the transferred receivables over the transferred liabilities is fully covered by an allowance for credit losses amounting to ₱0.3 billion as of December 31, 2015.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

In 2016, the Group and the Parent Company applied the transferred liabilities against the principal and interest components of the transferred receivables. As of December 31, 2016, the remaining receivables amounted to ₱0.3 billion, which is fully covered by an allowance.

Unquoted debt instruments

Unquoted debt instruments include the zero-coupon notes received by the Parent Company from Special Purpose Vehicle (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, 2016 and 2015, the notes are carried at their recoverable values.

Lease contract receivables

An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Minimum lease payments				
Due within one year	**₱1,177,612**	₱1,428,529	**₱23,509**	₱17,909
Due beyond one year but not over five years	**1,127,371**	1,498,041	**40,100**	35,900
Due beyond five years	**36,500**	47,900	**36,500**	47,900
	2,341,483	2,974,470	**100,109**	101,709
Residual value of leased equipment				
Due within one year	**249,923**	225,590	–	–
Due beyond one year but not over five years	**457,969**	486,731	–	–
	707,892	712,321	–	–
Gross investment in lease contract receivables (Note 30)	**₱3,049,375**	₱3,686,791	**₱100,109**	₱101,709

Interest income

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Receivable from customers and sales contract receivables	**₱19,635,249**	₱17,074,179	₱14,650,909	**₱16,874,365**	₱15,092,695	₱13,491,902
Unquoted debt securities	**51,160**	63,478	521,555	**49,499**	58,568	502,891
	₱19,686,409	₱17,137,657	₱15,172,464	**₱16,923,864**	₱15,151,263	₱13,994,793

As of December 31, 2016 and 2015, 75.24% and 82.84%, respectively, of the total receivable from customers of the Group were subject to interest repricing. As of December 31, 2016 and 2015, 76.23% and 76.18%, 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 2.30% to 8.75% in 2016, 1.10% to 7.00% in 2015, and 2.51% to 9.00% in 2014 for foreign currency-denominated receivables, and from 1.00% to 35.00% in 2016, 0.50% to 15.25% in 2015, and 0.03% to 23.04% in 2014 for peso-denominated receivables.

Sales contract receivables bear fixed interest rate per annum ranging from 5.00% to 21.00%, 3.30% to 21.00%, and 5.05% to 21.00% in 2016, 2015 and 2014, respectively.

Interest income accrued on impaired loans and receivable of the Group and Parent Company amounted to ₱103.7 million in 2016, ₱217.0 million in 2015, and ₱274.8 million in 2014. (Note 16).

<u>BSP Reporting</u>

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			
	2016		2015		**2016**		2015	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Financial intermediaries	**₱64,806,163**	**15.56**	₱38,910,047	10.88	**₱64,415,801**	**17.33**	₱38,565,876	11.88
Wholesale and retail	**61,414,279**	**14.75**	51,740,591	14.47	**57,682,565**	**15.52**	47,900,547	14.76
Electricity, gas and water	**49,814,968**	**11.96**	49,944,409	13.96	**49,687,531**	**13.37**	49,873,733	15.37
Manufacturing	**39,939,856**	**9.59**	42,115,959	11.78	**37,085,522**	**9.98**	38,252,329	11.79
Transport, storage and communication	**36,542,499**	**8.78**	29,358,316	8.21	**34,276,937**	**9.22**	27,136,991	8.36
Public administration and defense	**24,676,655**	**5.93**	26,128,861	7.31	**24,601,304**	**6.62**	26,128,860	8.05
Agriculture, hunting and forestry	**5,490,920**	**1.32**	6,211,092	1.74	**5,044,898**	**1.36**	5,690,508	1.76
Secondary target industry:								
Real estate, renting and business activities	**59,701,406**	**14.34**	45,723,378	12.78	**53,719,909**	**14.45**	38,240,191	11.78
Construction	**16,819,358**	**4.04**	11,697,215	3.27	**14,574,409**	**3.92**	9,898,467	3.05
Others	**57,191,446**	**13.73**	55,810,982	15.60	**30,593,622**	**8.23**	42,835,834	13.20
	₱416,397,550	**100.00**	₱357,640,850	100.00	**₱371,682,498**	**100.00**	₱324,523,336	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			
	2016		2015		**2016**		2015	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱62,257,711**	**14.95**	₱57,028,872	15.94	**₱45,697,957**	**12.30**	₱42,625,055	13.13
Chattel mortgage	**33,531,566**	**8.05**	17,162,402	4.80	**25,326,989**	**6.81**	10,723,203	3.30
Bank deposit hold-out	**14,034,793**	**3.38**	1,924,828	0.54	**13,938,107**	**3.75**	1,924,828	0.59
Shares of stocks	**1,681,531**	**0.40**	889,340	0.25	**1,681,531**	**0.45**	694,769	0.22
Others	**38,699,661**	**9.29**	30,352,753	8.49	**35,368,522**	**9.52**	26,431,424	8.15
	150,205,262	**36.07**	107,358,195	30.02	**122,013,106**	**32.83**	82,399,279	25.39
Unsecured	**266,192,288**	**63.93**	250,282,655	69.98	**249,669,392**	**67.17**	242,124,057	74.61
	₱416,397,550	**100.00**	₱357,640,850	100.00	**₱371,682,498**	**100.00**	₱324,523,336	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.

Non-performing Loans (NPL) of the Parent Company as to secured and unsecured follows:

	2016	2015
Secured	**₱4,918,225**	₱5,888,561
Unsecured	**3,853,334**	3,090,858
	₱8,771,559	₱8,979,419

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

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 ten percent (10.00%) 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, 2016 and 2015, based on the revised definition of NPLs under Circular No. 772, NPLs of ₱8.8 billion and ₱8.9 billion, respectively which the Parent Company reported to the BSP are gross of specific allowance amounting to ₱8.3 billion and ₱8.1 billion, respectively. Most of these loans are secured by real estate or chattel mortgages.

As of December 31, 2016 and 2015, gross and net NPL ratios of the Parent Company were 2.31% and 0.18%, and 2.61% and 0.25%, respectively.

Restructured loans of the Group and the Parent Company as of December 31, 2016 and 2015 amounted to ₱1.5 billion and ₱1.6 billion, respectively.

11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated 2016						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Long-term Leasehold Land**	**Construction In-progress**	**Leasehold Improvements**	**Total**
Cost							
Balance at beginning of year	**₱15,552,766**	**₱6,894,418**	**₱4,686,714**	**₱553,988**	**₱341,366**	**₱841,052**	**₱28,870,304**
Additions/transfers	**–**	**206,910**	**965,326**	**–**	**669,094**	**187,009**	**2,028,339**
Disposals/transfers/others	**(4,082,341)**	**(1,383,567)**	**(704,936)**	**13,282**	**(312,329)**	**66,556**	**(6,403,335)**
Balance at end of year	**11,470,425**	**5,717,761**	**4,947,104**	**567,270**	**698,131**	**1,094,617**	**24,495,308**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**2,641,945**	**3,105,944**	**23,595**	**–**	**509,279**	**6,280,763**
Depreciation and amortization	**–**	**235,546**	**623,153**	**5,199**	**–**	**149,779**	**1,013,677**
Disposals/transfers/others	**–**	**(306,325)**	**(811,426)**	**4,508**	**–**	**(11,477)**	**(1,124,720)**
Balance at end of year	**–**	**2,571,166**	**2,917,671**	**33,302**	**–**	**647,581**	**6,169,720**
Allowance for Impairment Losses (Note 16)	**121,033**	**107,200**	**–**	**–**	**–**	**–**	**228,233**
Net Book Value at End of Year	**₱11,349,392**	**₱3,039,395**	**₱2,029,433**	**₱533,968**	**₱698,131**	**₱447,036**	**₱18,097,355**

	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)	(36,121)	(382,562)	–	(328,352)	(24,033)	(772,255)
Cumulative translation adjustment	–	(3,102)	1,697	17,907	–	594	17,096
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	–	49,010	(281,903)	–	–	(17,486)	(250,379)
Cumulative translation adjustment	–	(3,639)	(537)	9,109	–	150	5,083
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

	Parent Company 2016					
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Construction In-progress**	**Leasehold Improvements**	**Total**
Cost						
Balance at beginning of year	**₱13,380,915**	**₱6,831,425**	**₱3,936,183**	**₱341,366**	**₱726,223**	**₱25,216,112**
Additions/transfers	**–**	**206,910**	**716,982**	**669,094**	**147,352**	**1,740,338**
Disposals/transfers/others	**(2,114,746)**	**(1,550,138)**	**(706,311)**	**(312,328)**	**2,849**	**(4,680,674)**
Balance at end of year	**11,266,169**	**5,488,197**	**3,946,854**	**698,132**	**876,424**	**22,275,776**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**2,621,673**	**2,747,940**	**–**	**437,600**	**5,807,213**
Depreciation and amortization	**–**	**234,210**	**476,638**	**–**	**124,619**	**835,467**
Disposals/transfers/others	**–**	**(337,825)**	**(759,246)**	**–**	**(3,113)**	**(1,100,184)**
Balance at end of year	**–**	**2,518,058**	**2,465,332**	**–**	**559,106**	**5,542,496**
Allowance for Impairment Losses (Note 16)	**121,033**	**107,200**	**–**	**–**	**–**	**228,233**
Net Book Value at End of Year	**₱11,145,136**	**₱2,862,939**	**₱1,481,522**	**₱698,132**	**₱317,318**	**₱16,505,047**

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	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

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 ₱234.9 million and ₱548.9 million as of December 31, 2016 and 2015, respectively.

Gain on disposal of property and equipment in 2016, 2015 and 2014 amounted to ₱1.2 million, ₱7.7 million, and ₱12.1 million, respectively, for the Group and ₱1.5 million, ₱3.7 million and ₱12.4 million, respectively, for the Parent Company (Note 13).

Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Continuing operations:						
Depreciation						
Property and equipment	**₱1,013,677**	₱830,663	₱795,065	**₱835,467**	₱710,542	₱674,965
Investment properties (Note 13)	**226,545**	162,097	190,727	**206,472**	149,309	183,382
Chattel mortgage	**22,000**	35,285	23,455	**22,001**	33,748	23,281
Amortization - Intangible assets (Note 14)	**292,423**	424,176	472,684	**279,643**	412,180	460,582
	1,554,645	1,452,221	1,481,931	**1,343,583**	1,305,779	1,342,210
Discontinued operations:						
Property and Equipment (Note 37)	**4,707**	10,704	14,039	**–**	–	–
	₱1,559,352	₱1,462,925	₱1,495,970	**₱1,343,583**	₱1,305,779	₱1,342,210

Certain property and equipment of the Parent Company with carrying amount of ₱178.5 million and ₱180.8 million are temporarily idle as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, property and equipment of the Parent Company with gross carrying amounts of ₱3.3 billion and ₱3.4 billion, respectively, are fully depreciated but are still being used.

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

				Percentage of Ownership			
				2016		2015	
Subsidiaries	**Nature of Business**	**Country of Incorporation**	**Functional Currency**	**Direct**	**Indirect**	Direct	Indirect
PNB Savings Bank (PNBSB)*	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 Inc.(PNB Gen)	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) [(a)]	Remittance	- do -	USD	–	**100.00**	–	100.00
PNB Remittance Co. (Nevada) [(b)]	Remittance	-do-	USD	–	**100.00**	–	100.00
PNB RCI Holding Co. Ltd. [(b)]	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) [(c)]	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)* [(d)]	Banking	People's Republic of China	USD	**99.04**	–	99.04	–
PNB-IBJL Leasing and Finance Corporation (PILFC)[(e)]	Leasing/Financing	Philippines	Php	**75.00**	–	75.00	–
PNB-IBJL Equipment Rentals Corporation[(f)]	Rental	- do -	Php	–	**75.00**	–	75.00
Allianz-PNB Life Insurance, Inc. (APLII) (formerly PNB LII) *[(g)]	Insurance	- do -	Php	**44.00**	–	80.00	–
Allied Leasing and Finance Corporation (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)] *Owned through PNB IIC*
[(b)] *Owned through PNB RCI*
[(c)] *Owned through PNB RCI Holding Co. Ltd.*
[(d)] *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.*
[(e)] *Formerly Japan-PNB Leasing*
[(f)] *Formerly Japan-PNB Equipment Rentals Corporation. Owned through PILFC*
[(g)] *As of December 31, 2015, APLII was classified as a disposal group held for sale and as a discontinued operation. The acquisition of the shares of APLII by Allianz SE was completed on June 6, 2016. As of December 31, 2016, the Group owns 44.0% interest in APLII and is presented as investment in an associate in the statement of financial position.*

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The details of this account follow:

	Consolidated		Parent Company		
	December 31				January 1
	2016	2015	2016	2015 (As restated)	2015 (As restated)
Investment in Subsidiaries					
PNB SB	**₱–**	₱–	**₱10,935,041**	₱10,935,041	₱10,935,041
ACB	–	–	**6,087,520**	6,087,520	5,485,747
PNB IIC	–	–	**2,028,202**	2,028,202	2,028,202
PNB Europe PLC	–	–	**1,006,537**	1,006,537	1,006,537
ABCHKL	–	–	**947,586**	947,586	947,586
PNB GRF	–	–	**753,061**	753,061	753,061
PNB Gen	–	–	**600,000**	600,000	600,000
PNB Holdings	–	–	**377,876**	377,876	377,876
PNB Capital	–	–	**350,000**	350,000	350,000
ABUK	–	–	**320,858**	320,858	320,858
OHBVI	–	–	**291,841**	291,841	291,840
PILFC	–	–	**181,942**	181,942	218,331
ALFC	–	–	**148,400**	148,400	148,400
PNB Securities	–	–	**62,351**	62,351	62,351
PNB Forex, Inc.	–	–	**50,000**	50,000	50,000
APLII	–	–	**–**	481,068	1,327,083
PNB Corporation - Guam	–	–	**7,672**	7,672	7,672
	–	–	**24,148,887**	24,629,955	24,910,585
Investment in an Associate	**2,728,089**	–	**2,728,089**	–	–
Accumulated equity in net earnings of subsidiaries and an associate:					
Balance at beginning of year	–	–	**1,455,689**	1,875,373	935,968
Equity in net earnings for the year	**49,325**	–	**255,292**	251,852	1,007,198
Transfer to 'Investment in an associate'		–	**(347,023)**	–	–
Transfer to 'Assets of a disposal group held for sale'	–	–	**–**	(326,948)	–
Transfer to 'Reserves of a disposal group held for sale'	–	–	**–**	(85,106)	–
Sale of direct interest in a subsidiary	–	–	**–**	(79,482)	–
	49,325	–	**1,363,958**	1,635,689	1,943,166
Dividends received for the year	–	–	**(66,125)**	(180,000)	(67,793)
	49,325	–	**1,297,833**	1,455,689	1,875,373
Accumulated share in:					
Net unrealized losses on available-for-sale investments (Note 9)	**(245,867)**	–	**(261,483)**	(7,735)	(59,641)
Remeasurement losses on retirement plan	**1,208**	–	**(31,363)**	(37,932)	(43,003)
Accumulated translation adjustments	–	–	**477,908**	457,755	(128,457)
	(244,659)	–	**185,062**	412,088	(231,101)
	₱2,532,755	₱–	**₱28,359,871**	₱26,497,732	₱26,554,857

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, 2016 and 2015, 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.

Material non-controlling interests

The financial information as of December 31, 2016 and 2015 of subsidiaries which have material NCI is provided below.

Proportion of equity interest held by non- controlling interests

		Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
	Principal Activities	2016	2015	2016	2015	2016	2015
ABCHKL	Banking	**49.00%**	49.00%	**₱1,427,340**	₱1,322,771	**₱41,667**	₱80,376
APLII	Insurance	**–**	20.00%	**–**	414,828	**–**	71,586

The following tables present financial information of subsidiaries with material non-controlling interests as of December 31, 2016 and 2015:

	2016	2015	
	ABCHKL	APLII	ABCHKL
Statement of Financial Position			
Current assets	**₱7,528,024**	₱9,973,869	₱6,288,564
Non-current assets	**3,877,748**	13,552,891	4,309,709
Current liabilities	**8,244,753**	9,264,101	7,722,515
Non-current liabilities	**164,164**	12,188,520	176,225
Statement of Comprehensive Income			
Revenues	**345,376**	2,361,982	404,547
Expenses	**260,342**	2,004,051	240,514
Net income	**85,034**	357,931	164,033
Total comprehensive income (loss)	**134,237**	(61,693)	125,354
Statement of Cash Flows			
Net cash provided by operating activities	**116,786**	1,210,588	200,843
Net cash provided used in investing activities	**(69,200)**	(815,306)	(640)
Net cash used in financing activities	**–**	–	193,904

As of December 31, 2016 and 2015, the non-controlling interests in respect of ALFC, PILFC, ACB and OHBVI is not material to the Group.

Investment in APLII

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 APLII 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 branch network of the Parent Company and PNB SB.

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As of December 31, 2015, the carrying value of the 51% equity interest in APLII amounting to ₱1.2 billion was classified as "Assets of Disposal Group Held for Sale" in the separate statement of financial position.

The sale of APLII was completed on June 6, 2016 for a total consideration of USD66.0 million (₱3.1 billion). Pursuant to the sale of APLII, the Parent Company also entered into a distribution agreement with APLII where the Parent Company will allow APLII to have exclusive access to the distribution network of the Parent Company and its subsidiary, PNB Savings Bank, over a period of 15 years. Both the share purchase agreement and distribution agreement have provisions referring to one another; making the distribution agreement an integral component of the sale transaction. Accordingly, the purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in APLII and the Exclusive Distribution Rights (EDR) amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively.

The Parent Company will also receive variable annual and fixed bonus earn out payments based on milestones achieved over the 15-year term of the distribution agreement.

The Parent Company recognized gain on sale of the 51.00% interest in APLII amounting to ₱400.3 million, net of taxes and transaction costs amounting to ₱276.7 million and ₱153.3 million, respectively. The consideration allocated to the EDR was recognized as "Other Deferred Revenue" and will be amortized to income over 15 years from date of sale.

Prior to the sale of shares to Allianz SE, the Parent Company acquired additional 15.00% stockholdings from the minority shareholders for a consideration amounting to ₱292.4 million between June 2, 2016 and June 5, 2016.

Consequently, the Parent Company accounted for its remaining 44.00% ownership interest in APLII as an associate. At the date of loss of control, the Parent Company's investment in APLII was remeasured to ₱2.7 billion based on the fair value of its retained equity. The Parent Company recognized gain on remeasurement amounting to ₱1.6 billion in the statement of income in 2016.

The fair value of the retained equity was based on a combination of the income approach and market approach.

On September 21, 2016, the SEC approved the amendment of PNB Life Insurance, Inc.'s article of incorporation to reflect the change in corporate name to Allianz-PNB Life Insurance, Inc.

Summarized financial information of APLII as of December 31, 2016 are as follows:

Current assets	₱14,812,452
Noncurrent assets	9,602,162
Current liabilities	14,287,861
Noncurrent liabilities	7,995,855
Equity	2,130,898

Summarized statement of income of APLII for the seven months ended December 31, 2016 follows:

Revenues	₱1,164,407
Costs and expenses	(1,022,543)
Income before tax	141,684
Provision for income tax	(29,762)
Net income	112,101
Other comprehensive loss	(556,042)
Total comprehensive income	(₱443,941)
Group's share of comprehensive income for the period	(₱195,334)

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 an increase 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, 2016, 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

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of 15.00% equity ownership amounted to ₱102.6 million and the Parent Company recognized loss from disposal amounting to ₱12.2 million in its statement of income. This sale was accounted for as an equity transaction which resulted in a decrease of other equity adjustment amounting to ₱0.5 million in the consolidated statement of financial position.

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, 2016 and 2015, the total assets of banking subsidiaries amounted to ₱59.8 billion and ₱57.1 billion, respectively; and ₱6.9 billion and ₱30.8 billion for insurance subsidiaries, respectively.

13. Investment Properties

Breakdown of investment properties:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Properties held for lease	**₱4,821,335**	₱–	**₱5,137,644**	₱1,974,560
Foreclosed assets	**11,519,917**	13,230,005	**10,837,486**	12,692,271
Total	**₱16,341,252**	₱13,230,005	**₱15,975,130**	₱14,666,831

The composition of and movements in this account follow:

	Consolidated		
	2016		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱14,287,746**	**₱3,989,636**	**₱18,277,382**
Additions	**386,491**	**295,019**	**681,510**
Disposals/transfers/others	**1,634,996**	**777,643**	**2,412,639**
Balance at end of year	**16,309,233**	**5,062,298**	**21,371,531**
Accumulated Depreciation			
Balance at beginning of year	**₱–**	**₱1,753,738**	**₱1,753,738**
Depreciation (Note 11)	**–**	**226,545**	**226,545**
Disposals/transfers/others	**–**	**(246,345)**	**(246,345)**
Balance at end of year	**–**	**1,733,938**	**1,733,938**
Allowance for Impairment Losses (Note 16)	**2,999,854**	**296,487**	**3,296,341**
Net Book Value at End of Year	**₱13,309,379**	**₱3,031,873**	**₱16,341,252**

(Forward)

	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

	Parent Company		
	2016		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱16,096,896**	**₱3,760,994**	**₱19,857,890**
Additions	**352,577**	**256,621**	**609,198**
Disposals/Transfers/Others	**(108,319)**	**609,954**	**501,635**
Balance at end of year	**16,341,154**	**4,627,569**	**20,968,723**
Accumulated Depreciation			
Balance at beginning of year	**–**	**1,705,410**	**1,705,410**
Depreciation (Note 11)	**–**	**206,472**	**206,472**
Disposals/Transfers/Others	**–**	**(219,361)**	**(219,361)**
Balance at end of year	**–**	**1,692,521**	**1,692,521**
Allowance for Impairment Losses (Note 16)	**2,999,854**	**301,218**	**3,301,072**
Net Book Value at End of Year	**₱13,341,300**	**₱2,633,830**	**₱15,975,130**

	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

(Forward)

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	Parent Company		
	2015		
	Land	Buildings and Improvements	Total
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

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 ₱155.4 million and ₱150.0 million, as of December 31, 2016 and 2015, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group that were impaired amounted to ₱7.0 billion and ₱7.5 billion as of December 31, 2016 and 2015, respectively. For the Parent Company, the total recoverable value of certain investment properties that were impaired amounted to ₱6.9 billion and ₱7.3 billion as of December 31, 2016 and 2015, 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 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 value of ₱54.5 million were leased out under operating leases and have been transferred to investment properties in 2015.

In 2016, the Group and the Parent Company reclassified certain properties from 'Property and equipment' to 'Investment property' with aggregate carrying amount of ₱4.7 billion and ₱3.2 billion, respectively. These properties mainly consist of the office spaces in the Allied Bank Center in Makati leased out and land in Buendia, Makati being held for future development.

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 ₱13.6 million, ₱30.5 million and ₱26.4 million in 2016, 2015, and 2014, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱201.8 million, ₱192.4 million and ₱134.3 million in 2016, 2015, and 2014, 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 ₱8.3 million, ₱20.4 million and ₱23.3 million in 2016, 2015, and 2014, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱201.6 million, ₱182.7 million and ₱132.6 million in 2016, 2015, and 2014, respectively.

Net gains on sale or exchange of assets
This account consists of:

	Consolidated			**Parent Company**		
	2016	2015	2014	**2016**	2015	2014
Net gains from sale of investment property (Note 34)	**₱2,343,634**	₱1,435,798	₱1,072,653	**₱2,387,472**	₱1,400,650	₱1,058,574
Net gains from foreclosure and repossession of investment property	**165,570**	152,061	368,341	**128,927**	152,553	364,745
Net gains from sale of property and equipment (Note 11)	**1,157**	7,659	12,053	**1,462**	3,741	12,407
Net gains from sale of receivables (Note 34)	**–**	–	–	**–**	24,441	–
	₱2,510,361	₱1,595,518	₱1,453,047	**₱2,517,861**	₱1,581,385	₱1,435,726

14. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	Consolidated				
	2016				
	Intangible Assets				
	Core Deposit	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱1,830,957**	**₱4,120,689**	**₱13,375,407**
Additions	**–**	**–**	**406,053**	**406,053**	**–**
Write-offs	**–**	**–**	**(894)**	**(894)**	**–**
Cumulative translation adjustment	**–**	**–**	**3,146**	**3,146**	**–**
Balance at end of year	**1,897,789**	**391,943**	**2,239,262**	**4,528,994**	**13,375,407**
Accumulated Amortization					
Balance at beginning of year	**549,304**	**378,153**	**750,354**	**1,677,811**	**–**
Amortization (Note 11)	**189,779**	**13,790**	**88,854**	**292,423**	**–**
Cumulative translation adjustment	**–**	**–**	**(3,609)**	**(3,609)**	**–**
Balance at end of year	**739,083**	**391,943**	**835,599**	**1,966,625**	**–**
Net Book Value at End of Year	**₱1,158,706**	**₱–**	**₱1,403,663**	**₱2,562,369**	**₱13,375,407**

	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

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	Parent Company				
	2016				
	Intangible Assets				
	Core Deposit	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱1,701,224**	**₱3,990,956**	**₱13,515,765**
Additions	–	–	**404,837**	**404,837**	–
Write-offs	–	–	**(15)**	**(15)**	–
Cumulative translation adjustment	–	–	**186**	**186**	–
Balance at end of year	**1,897,789**	**391,943**	**2,106,232**	**4,395,964**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**549,304**	**378,153**	**717,253**	**1,644,710**	**₱–**
Amortization (Note 11)	**189,779**	**13,790**	**76,074**	**279,643**	–
Cumulative translation adjustment	–	–	**160**	**160**	–
Balance at end of year	**739,083**	**391,943**	**793,487**	**1,924,513**	–
Net Book Value at End of Year	**₱1,158,706**	**₱–**	**₱1,312,745**	**₱2,471,451**	**₱13,515,765**

	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

Core deposit (CDI) and customer relationship (CRI)
CDI and CRI are the intangible assets acquired through the merger of the Parent Company with ABC. CDI includes the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertains to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments.

Software cost
Software cost as of December 31, 2016 and 2015 includes capitalized development costs amounting to ₱1.2 billion and ₱797.7 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 interest in the acquiree at proportionate share of identifiable assets and liabilities.

The business combination resulted in recognition of goodwill which is determined as follows:

Purchase consideration transferred	₱41,505,927
Add: Proportionate share of the non-controlling interest in the net assets of ABC	2,768,380
Acquisition-date fair value of previously held interest in subsidiaries	2,471,630
Less: Fair values of net identifiable assets and liabilities assumed	33,370,530
Goodwill	₱13,375,407

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 and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2016			2015		
	Retail Banking	**Corporate Banking**	**Treasury**	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	**11.17%**	**11.19%**	**8.99%**	11.21%	13.11%	7.82%
Projected growth rate	**6.50%**	**6.50%**	**6.50%**	6.03%	6.03%	6.03%

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,

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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	
	2016	2015	**2016**	2015
Financial				
Return checks and other cash items	**₱249,528**	₱103,667	**₱254,420**	₱95,886
Checks for clearing	**198,109**	119,134	**198,109**	119,134
Security deposits	**109,944**	78,922	**71,713**	38,775
Receivable from SPV	**500**	500	**500**	500
Others	**10,186**	748	**6,535**	356
	568,267	302,971	**531,277**	254,651
Non-financial				
Creditable withholding taxes	**4,193,254**	3,770,716	**4,187,074**	3,675,683
Real estate inventories held under development	**728,752**	1,235,530	**728,752**	1,235,530
Deferred reinsurance premium	**627,861**	786,287	**–**	–
Deferred benefits	**532,938**	401,231	**458,119**	326,380
Prepaid expenses	**470,882**	395,671	**330,930**	328,489
Documentary stamps on hand	**214,969**	221,088	**212,145**	134,459
Stationeries and supplies	**64,900**	78,764	**59,433**	72,798
Chattel mortgage properties-net of depreciation	**36,586**	51,086	**35,046**	47,848
Other investments	**22,201**	37,664	**18,862**	16,696
Miscellaneous	**401,510**	339,411	**729,324**	159,795
	7,293,853	7,317,448	**6,759,685**	5,997,678
	7,862,120	7,620,419	**7,290,962**	6,252,329
Less allowance for impairment losses (Note 16)	**770,662**	840,151	**738,088**	835,042
	₱7,091,458	₱6,780,268	**₱6,552,874**	₱5,417,287

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, 2016 and 2015.

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 car plan which shall be amortized monthly.

Chattel mortgage properties
As of December 31, 2016 and 2015, accumulated depreciation on chattel mortgage properties acquired by the Group and the Parent Company in settlement of loans amounted to ₱79.1 million and ₱36.5 million, respectively.

As of December 31, 2016 and 2015, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired amounted to ₱2.1 million and ₱9.8 million, 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 Bank. Collections from OPII in 2016, 2015 and 2014 amounting to ₱500.0 million, ₱353.0 million and ₱27.0 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.

16. Allowance for Impairment and Credit Losses

Provision for impairment, credit and other losses
This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Continuing operations:						
Provision for impairment	**₱114,448**	₱449,698	₱293,384	**₱113,593**	₱322,649	₱495,674
Provision for credit losses	**2,696,693**	860,393	1,912,663	**1,192,348**	513,697	1,600,957
Provision for (reversal of) other losses (Note 35)	**401,553**	(741,911)	58,568	**401,553**	(741,911)	58,568
	3,212,694	568,180	2,264,615	**1,707,494**	94,435	2,155,199
Discontinued operations:						
Provision for credit losses (Note 37)	**4,704**	32,765	–	**–**	–	–
	₱3,217,398	₱600,945	₱2,264,615	**₱1,707,494**	₱94,435	₱2,155,199

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Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated					
	2016			2015		
	AFS Investments	Loans and Receivables	Other Assets*	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	₱930,111	₱13,428,014	₱500	₱929,881	₱12,435,509	₱500
Provisions	15,856	2,680,837	–	32,995	860,163	–
Accretion on impaired loans (Note 10)	–	(103,715)	–	–	(217,097)	–
Accounts charged-off	–	(1,282,872)	–	–	(543,736)	–
Transfers and others	(70,492)	170,550	–	–	893,175	–
Effect of disposal group classified as held for sale (Note 37)	–	–	–	(32,765)	–	–
Balance at end of year	₱875,475	₱14,892,814	₱500	₱930,111	₱13,428,014	₱500

**Pertains to 'Receivable from SPV'*

	Parent Company					
	2016			2015		
	AFS Investments	Loans and Receivables	Other Assets*	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	₱930,111	₱12,860,728	₱500	₱929,881	₱11,946,142	₱500
Provisions	15,601	1,176,747	–	230	513,467	–
Accretion	–	(103,715)	–	–	(216,973)	–
Accounts charged-off	–	(419,978)	–	–	(463,112)	–
Transfers and others	(70,492)	518,340	–	–	1,081,204	–
Balance at end of year	₱875,220	₱14,032,122	₱500	₱930,111	₱12,860,728	₱500

**Pertains to 'Receivable from SPV'*

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated					
	2016			2015		
	Property and Equipment	Investment Properties	Other Assets	Property and Equipment	Investment Properties	Other Assets
Balance at beginning of year	₱461,077	₱3,293,639	₱839,651	₱229,506	₱3,757,220	₱457,646
Provisions (reversals)	–	141,740	(27,292)	5,372	319,880	124,446
Disposals	–	(331,094)	–	–	(475,243)	(90)
Transfers and others	(232,844)	192,056	(42,197)	226,199	(308,218)	257,649
Balance at end of year	₱228,233	₱3,296,341	₱770,162	₱461,077	₱3,293,639	₱839,651

	Parent Company					
	2016			2015 (As restated - Note 2)		
	Property and Equipment	Investment Properties	Other Assets	Property and Equipment	Investment Properties	Other Assets
Balance at beginning of year	₱264,701	₱3,485,649	₱834,542	₱228,453	₱3,760,466	₱452,324
Provisions (reversals)	–	140,883	(27,290)	5,372	315,514	1,763
Disposals	–	(331,094)	–	–	(475,243)	(90)
Transfers and others	(36,468)	5,634	(69,664)	30,876	(115,088)	380,545
Balance at end of year	₱228,233	₱3,301,072	₱737,588	₱264,701	₱3,485,649	₱834,542

The movements in allowance for credit losses for loans and receivables by class follow:

	Consolidated							
	2016							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Balance at beginning of year	₱5,186,186	₱159,047	₱148,602	₱1,113,167	₱23,066	₱3,619,267	₱3,178,679	₱13,428,014
Provisions (reversals)	2,646,019	(60,691)	7,855	345,819	(1,375)	68,221	(325,011)	2,680,837
Accretion on impaired loans (Note 10)	(98,161)	–	(7,478)	1,855	69	–	–	(103,715)
Accounts charged off	(886,304)	–	–	(304,081)	(1,534)	–	(90,953)	(1,282,872)
Transfers and others	(782)	(2,326)	21,196	84,634	(1,212)	–	69,040	170,550
Balance at end of year	₱6,846,958	₱96,030	₱170,175	₱1,241,394	₱19,014	₱3,687,488	₱2,831,755	₱14,892,814
Individual impairment	₱4,508,372	₱–	₱67,637	₱49,861	₱14,940	₱3,687,488	₱1,761,208	₱10,089,506
Collective impairment	2,338,586	96,030	102,538	1,191,533	4,074	–	1,070,547	4,803,308
	₱6,846,958	₱96,030	₱170,175	₱1,241,394	₱19,014	₱3,687,488	₱2,831,755	₱14,892,814
Gross amounts of loans and receivables subject to individual impairment	₱5,573,463	₱–	₱130,523	₱81,276	₱15,155	₱6,914,864	₱1,763,012	₱14,478,293

	Consolidated							
	2015							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
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	₱11,313,673

	Parent Company							
	2016							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Balance at beginning of year	₱5,038,887	₱159,047	₱148,602	₱995,020	₱23,064	₱3,619,267	₱2,876,841	₱12,860,728
Provisions (reversals)	1,178,626	(60,691)	7,855	327,211	(1,375)	68,221	(343,100)	1,176,747
Accretion on impaired loans (Note 10)	(98,161)	–	(7,478)	1,855	69	–	–	(103,715)
Accounts charged off	(24,221)	–	–	(304,075)	(1,534)	–	(90,148)	(419,978)
Transfers and others	592,413	(2,326)	21,196	(129,918)	(1,212)	–	38,187	518,340
Balance at end of year	₱6,687,544	₱96,030	₱170,175	₱890,093	₱19,012	₱3,687,488	₱2,481,780	₱14,032,122
Individual impairment	₱4,045,946	₱–	₱67,637	₱575	₱14,940	₱3,687,488	₱1,649,393	₱9,465,979
Collective impairment	2,641,598	96,030	102,538	889,518	4,072	–	832,387	4,566,143
	₱6,687,544	₱96,030	₱170,175	₱890,093	₱19,012	₱3,687,488	₱2,481,780	₱14,032,122
Gross amounts of loans and receivables subject to individual impairment	₱4,412,364	₱–	₱130,523	₱1,075	₱14,940	₱6,914,864	₱1,649,393	₱13,123,159

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	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

17. **Deposit Liabilities**

As of December 31, 2016 and 2015, noninterest-bearing deposit liabilities amounted to ₱19.9 billion and ₱23.8 billion, respectively, for the Group and ₱15.8 billion and ₱23.6 billion, respectively, for the Parent Company. The remaining deposit liabilities of the Group generally earn annual fixed interest rates ranging from 0.00% to 6.23% in 2016, 0.05% to 5.00% in 2015 and 0.05% to 6.11% in 2014 for peso-denominated deposit liabilities, and from 0.00% to 3.71% in 2016, 0.00% to 2.25% in 2015 and 0.02% to 2.26% in 2014 for foreign currency-denominated deposit liabilities. The remaining deposit liabilities of the Parent Company generally earn annual fixed interest rates ranging from 0.01% to 6.23% in 2016, 0.10% to 5.00% in 2015, and 0.10% to 6.11% in 2014 for peso-denominated deposit liabilities, and from 0.02% to 4.00% in 2016, 0.00% to 2.25% in 2015 and 0.02% to 2.26% in 2014 for foreign-currency denominated deposit liabilities.

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.

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.

Available reserves booked under 'Due from BSP' are as follows:

	2016	2015
Parent Company	**₱87,099,952**	₱73,403,945
PNB SB	**1,895,909**	886,496
	₱88,995,861	₱74,290,441

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:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value **2016**	Carrying Value 2015
December 6, 2016	June 6, 2022	₱5,380,000	3.25%	Quarterly	**₱5,343,041**	₱–
December 12, 2014	June 12, 2020	7,000,000	4.13%	Quarterly	**6,967,077**	₱6,958,411
October 21, 2013	April 22, 2019	4,000,000	3.25%	Quarterly	**3,986,777**	3,981,365
August 5, 2013	February 5, 2019	5,000,000	3.00%	Quarterly	**4,985,977**	4,979,615
November 18, 2011	February 17, 2017	3,100,000	5.18%	Quarterly	**3,099,272**	3,094,836

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 ₱0.50 million subject to applicable laws, rules and regulations, as the same may be amended from time to time.

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(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		
	2016	2015	2014	**2016**	2015	2014
Savings	**₱2,124,979**	₱1,677,307	₱1,680,386	**₱2,074,446**	₱1,646,552	₱1,677,129
Time	**798,894**	463,980	354,016	**431,161**	292,707	196,795
LTNCDs	**764,230**	752,562	637,957	**764,230**	752,563	637,957
Demand	**92,139**	86,170	116,041	**87,029**	81,898	103,075
	₱3,780,242	₱2,980,019	₱2,788,400	**₱3,356,866**	₱2,773,720	₱2,614,956

In 2016, 2015 and 2014, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱25.3 million, ₱16.9 million and ₱22.8 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱97.9 million and ₱85.8 million as of December 31, 2016 and 2015, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Derivative liabilities (Notes 23 and 36)	**₱232,832**	₱135,193	**₱231,977**	₱135,009

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Bills payable to:				
BSP and local banks (Note 34)	**₱26,575,781**	₱17,580,304	**₱23,121,171**	₱14,784,750
Foreign banks	**7,632,548**	7,676,238	**9,188,027**	9,269,456
Others	**18,279**	150,864	**18,160**	230,865
	34,226,608	25,407,406	**32,327,358**	24,285,071
Acceptances outstanding (Note 10)	**1,659,340**	344,816	**1,659,340**	344,816
	₱35,885,948	₱25,752,222	**₱33,986,698**	₱24,629,887

Foreign currency-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.05% to 2.00%, 0.01% to 2.50% and 0.03% to 2.50% in 2016, 2015 and 2014, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest of 0.63% in 2016 and from 0.38% to 0.63% and 0.63% to 2.00% in 2015 and 2014, respectively.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.8 billion as of December 31, 2015 which were applied against the principal component of the transferred receivables in May 2016 (Note 10).

Bills payable to foreign banks consist of various repurchase agreements and a three-year syndicated borrowing, with carrying value of ₱7.4 billion and ₱7.0 billion as of December 31, 2016 and 2015, respectively.

Significant terms and conditions of the three-year syndicated borrowing include the following:

(1) The lenders agree to provide the Parent Company with a term loan facility of up to $150.00 million. The Parent Company must repay all utilized loans at April 24, 2018, the final maturity date, which is three years from the agreement date.

(2) The borrowing bears interest at 1.38% over USD LIBOR. The Parent Company may select an interest period of one or three months for each utilization, provided that the interest period for a utilization shall not extend beyond the final maturity date.

(3) The Parent Company shall ensure that so long as any amount is of the facility is utilized, the Common Equity Tier 1 Risk Weighted Ratio, the Tier 1 Risk Weighted Ratio, and the Qualifying Capital Risk Weighted Ratio will, at all times, be equal to or greater than the percentage prescribed by BSP from time to time. Failure to comply with such financial covenants will result to cancellation of the total commitments of the lenders and declare all or part of the loans, together with accrued interest, be immediately due and payable.

(4) The Parent Company may voluntarily prepay whole or any part of any loan outstanding and in integral multiples of $1.00 million, subject to prior notice of the Agent for not less than 15 business days. Prepayment shall be made on the last day of an interest period applicable to the loan. Mandatory prepayment may occur if a change of control or credit rating downgrade occurs. In this case, the lenders may cancel the facility and declare all outstanding loans, together with accrued interest, immediately due and demandable.

As of December 31, 2016 and 2015, the Parent Company has complied with the above debt covenants.

As of December 31, 2016 and 2015, the unamortized transaction cost of the syndicated borrowing amounted to ₱32.7 million and ₱54.9 million, respectively.

As of December 31, 2016, bills payable with a carrying amount of ₱20.6 billion is secured by a pledge of certain AFS investments with carrying value and fair value of ₱10.0 billion and ₱9.8 billion and HTM investments with carrying value and fair value of ₱14.5 billion and ₱15.3 billion, respectively (Note 9).

As of December 31, 2015, bills payable with a carrying amount of ₱12.8 billion is secured by a pledge of certain AFS investments 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).

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Following are the significant terms and conditions of the repurchase agreements 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 USD1.4 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		
	2016	2015	2014	**2016**	2015	2014
Subordinated debt (Note 21)	**₱416,871**	₱661,304	₱757,000	**₱416,871**	₱661,304	₱660,222
Bills payable	**526,755**	321,128	94,741	**492,650**	296,399	139,741
Others	**53,995**	47,563	5,186	**50,088**	45,470	1,151
	₱997,621	₱1,029,995	₱856,927	**₱959,609**	₱1,003,173	₱801,114

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Accrued taxes and other expenses	**₱4,281,609**	₱3,845,382	**₱3,664,288**	₱3,340,821
Accrued interest	**662,017**	2,029,846	**567,327**	2,030,912
	₱4,943,626	₱5,875,228	**₱4,231,615**	₱5,371,733

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Financial liabilities:				
Promotional expenses	**₱405,651**	₱284,281	**₱405,651**	₱284,281
Rent and utilities payable	**324,878**	103,043	**284,826**	90,454
Information technology-related expenses	**122,039**	194,974	**120,719**	193,889
Management, directors and other professional fees	**110,611**	148,935	**93,689**	128,855
Repairs and maintenance	**60,640**	22,511	**60,640**	21,920
	1,023,819	753,744	**965,525**	719,399

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**₱1,506,395**	₱1,441,417	**₱1,475,124**	₱1,416,521
PDIC insurance premiums	**517,145**	470,701	**494,466**	459,901
Employee benefits	**373,167**	298,183	**343,008**	282,674
Other taxes and licenses	**243,134**	398,455	**86,610**	81,966
Reinstatement premium	**56,922**	9,676	–	–
Other expenses	**561,027**	473,206	**299,555**	380,360
	3,257,790	3,091,638	**2,698,763**	2,621,422
	₱4,281,609	₱3,845,382	**₱3,664,288**	₱3,340,821

The Parent Company's accrued interest payable includes the transferred liabilities from Maybank amounting to ₱1.6 billion as of December 31, 2015 which were applied against the interest component of the transferred receivables in May 2016 (Note 10).

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

21. Subordinated Debt

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2016	Carrying Value 2015
June 15, 2011	June 15, 2021	₱6,500,000	6.750%	Quarterly	**₱–**	₱6,494,324
May 9, 2012	May 9, 2022	3,500,000	5.875%	Quarterly	**3,497,798**	3,492,103
		₱10,000,000			**₱3,497,798**	₱9,986,427

<u>5.875% ₱3.5 Billion Subordinated Notes</u>
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 6.05%.

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.

In a resolution dated January 26, 2017, the BSP Monetary Board approved the request of the Parent Company to exercise its call option on the ₱3.5 Billion Subordinated Notes, subject to compliance of relevant regulations. The 2012 Notes will be redeemed on May 10, 2017 at an amount equal to the aggregate issue price of the Notes plus accrued and unpaid interest thereon up to but excluding May 10, 2017 (Call Option Amount). The Call Option Amount shall be paid to all noteholders on record as of April 25, 2017. No transfers shall be allowed from April 25 to May 9, 2017.

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.

On June 16, 2016, the Parent Company exercised its call option and paid ₱6.5 billion to all noteholders as of June 1, 2016.

As of December 31, 2016 and 2015, the unamortized transaction cost of subordinated debt amounted to ₱2.2 million and ₱13.6 million, respectively.

In 2016, 2015 and 2014, amortization of transaction costs amounting to ₱11.4 million, ₱16.9 million and ₱15.8 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		Parent Company	
	2016	2015	**2016**	2015
Financial				
Accounts payable	**₱7,652,222**	₱6,825,663	**₱6,375,193**	₱6,179,304
Insurance contract liabilities	**4,581,800**	4,719,336	**–**	–
Bills purchased - contra (Note 10)	**3,260,308**	3,418,002	**3,254,224**	3,411,729
Manager's checks and demand drafts outstanding	**1,174,872**	937,799	**1,003,755**	915,764
Other dormant credits	**928,582**	753,338	**918,217**	734,346
Due to other banks	**923,777**	461,100	**763,046**	517,261
Deposits on lease contracts	**805,377**	854,817	**35,769**	37,448
Accounts payable - electronic money	**791,223**	556,618	**791,223**	556,618
Payment order payable	**292,336**	407,196	**292,336**	407,196
Margin deposits and cash letters of credit	**174,206**	182,640	**162,972**	168,820
Commission payable	**94,618**	132,059	**–**	–
Transmission liability	**31,732**	24,976	**–**	–
Deposit for keys on safety deposit boxes	**14,140**	14,217	**14,140**	14,217
	20,725,193	19,287,761	**13,610,875**	12,942,703

(Forward)

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Nonfinancial				
Retirement benefit liability (Note 29)	**₱3,138,824**	₱2,955,003	**₱3,063,243**	₱2,889,735
Provisions (Note 35)	**1,300,290**	898,737	**1,300,290**	898,737
Reserve for unearned premiums	**1,075,732**	1,191,405	**–**	–
Other deferred revenue (Note 12)	**939,672**	–	**939,672**	–
Due to Treasurer of the Philippines	**543,002**	438,943	**542,501**	438,451
Withholding tax payable	**230,044**	224,523	**220,859**	209,567
Deferred tax liabilities (Note 31)	**152,532**	152,585	**–**	–
SSS, Philhealth, Employer's Compensation Premiums and Pag-IBIG Contributions Payable	**28,327**	29,092	**27,404**	24,237
Miscellaneous	**431,757**	480,235	**323,116**	265,701
	7,840,180	6,370,523	**6,417,085**	4,726,428
	₱28,565,373	₱25,658,284	**₱20,027,960**	₱17,669,131

Other deferred revenue pertains to the allocated portion of the consideration received for the disposal of APLII related to the Exclusive Distribution Right (Note 12). In 2016, amortization of other deferred revenue amounting to ₱36.6 million was recognized under 'Service fees and commission income.'

'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, 2016 and 2015 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2016			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱99	₱3,766	49.99	200,498
EUR	94	48	1.05	979
HKD	630	–	0.13	412,710
CAD	277	–	0.74	1,861
GBP	–	160	1.23	2,595
SELL:				
USD	46,155	10,601	49.85	382,664
CAD	873	258	0.74	4,263
GBP	5,227	–	1.24	9,550
SGD	–	361	0.69	5,573
HKD	–	1,032	0.13	144,748
EUR	740	–	1.05	4,000
JPY	45,957	504	0.01	16,524,949
AUD	483	–	0.74	450
Interest rate swaps	257,042	216,102		
Warrants	61,545	–		
	₱419,122	₱232,832		

**The notional amounts and average forward rates pertain to original currencies.*

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	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.

	Parent Company 2016			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	**₱–**	**₱3,766**	**49.99**	**196,998**
CAD	**277**	**–**	**0.74**	**1,861**
GBP	**–**	**160**	**1.23**	**2,595**
HKD	**520**	**–**	**0.13**	**58,154**
EUR	**–**	**48**	**1.05**	**358**
SELL:				
USD	**46,155**	**10,093**	**49.85**	**336,314**
CAD	**873**	**258**	**0.74**	**4,263**
GBP	**5,227**	**–**	**1.24**	**9,550**
SGD	**–**	**361**	**0.69**	**5,573**
EUR	**740**	**–**	**1.05**	**4,000**
HKD	**–**	**711**	**0.13**	**117,609**
JPY	**45,957**	**478**	**0.01**	**16,524,949**
AUD	**483**	**–**	**0.74**	**450**
Interest rate swaps	**257,042**	**216,102**		
Warrants	**61,545**	**–**		
	₱418,819	**₱231,977**		

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

(Forward)

	Parent Company 2015			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
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.

As of December 31, 2016 and 2015, the Parent Company holds 306,405 shares of ROP Warrants Series B1 at their fair value of USD1.2 million and USD1.3 million, respectively.

The table below shows the rollforward analysis of net derivatives assets (liabilities) as of December 31, 2016 and 2015:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Balance at the beginning of the 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
Changes in fair value				
Currency forwards and spots*	**(723,245)**	(571,666)	**(723,245)**	(571,649)
Interest rate swaps and warrants**	**25,174**	(11,709)	**25,174**	(11,709)
	(698,071)	(583,375)	**(698,071)**	(583,358)
Availments (Settlements)	**838,206**	537,882	**838,780**	537,826
Balance at end of year:				
Derivative assets	**419,122**	181,348	**418,819**	181,142
Derivative liabilities	**232,832**	135,193	**231,977**	135,009
	₱186,290	₱46,155	**₱186,842**	₱46,133

* *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					
	2016			2015		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱11,014,663**	**₱–**	**₱11,014,663**	₱15,220,536	₱–	₱15,220,536
Due from BSP	**127,337,861**	**–**	**127,337,861**	81,363,444	–	81,363,444
Due from other banks	**22,709,805**	**–**	**22,709,805**	18,287,308	–	18,287,308
Interbank loans receivable	**7,791,108**	**–**	**7,791,108**	5,800,383	–	5,800,383
Securities held under agreements to resell	**1,972,310**	**–**	**1,972,310**	14,550,000	–	14,550,000
Financial assets at FVPL	**1,913,864**	**–**	**1,913,864**	4,510,545	–	4,510,545
AFS investments - gross (Note 9)	**1,891,137**	**66,325,077**	**68,216,214**	2,915,170	66,355,965	69,271,135
HTM investments	**–**	**24,174,479**	**24,174,479**	68,173	23,163,824	23,231,997

(Forward)

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

	Consolidated					
	2016			2015		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Loans and receivables - gross (Note 10)	**₱176,048,393**	**₱267,653,955**	**₱443,702,348**	₱159,032,473	₱221,242,883	₱380,275,356
Other assets - gross (Note 15)	**482,548**	**85,719**	**568,267**	252,366	50,605	302,971
	351,161,689	**358,239,230**	**709,400,919**	302,000,398	310,813,277	612,813,675
Nonfinancial Assets						
Property and equipment - gross (Note 11)	**–**	**24,495,308**	**24,495,308**	–	28,870,304	28,870,304
Investments in Subsidiaries and an Associate - gross (Note 12)	**–**	**2,532,755**	**2,532,755**	–	–	–
Investment properties - gross (Note 13)	**–**	**21,371,531**	**21,371,531**	–	18,277,382	18,277,382
Deferred tax assets	**–**	**1,482,214**	**1,482,214**	–	1,173,575	1,173,575
Goodwill (Note 14)	**–**	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets (Note 14)	**–**	**4,528,994**	**4,528,994**	–	4,120,689	4,120,689
Residual value of leased assets (Note 10)	**249,923**	**457,969**	**707,892**	225,590	486,731	712,321
Other assets - gross (Note 15)	**5,620,466**	**1,673,387**	**7,293,853**	5,787,465	1,529,983	7,317,448
	5,870,389	**69,917,565**	**75,787,954**	6,013,055	67,834,071	73,847,126
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)			**20,063,525**			18,952,992
Unearned and other deferred income (Note 10)			**1,489,955**			1,834,517
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**9,870,283**			9,712,312
			₱753,765,110			₱679,687,737
Financial Liabilities						
Deposit liabilities	**₱537,325,097**	**₱33,178,290**	**₱570,503,387**	₱446,102,751	₱39,834,430	₱485,937,181
Financial liabilities at FVPL	**232,832**	**–**	**232,832**	126,075	9,118	135,193
Bills and acceptances payable	**25,066,507**	**10,819,441**	**35,885,948**	5,836,838	19,915,384	25,752,222
Subordinated debt	**–**	**3,497,798**	**3,497,798**	–	9,986,427	9,986,427
Accrued interest payable (Note 20)	**662,017**	**–**	**662,017**	465,324	1,564,522	2,029,846
Accrued other expenses payable (Note 20)	**1,023,819**	**–**	**1,023,819**	753,744	–	753,744
Other liabilities (Note 22):						
Accounts payable	**7,624,523**	**27,699**	**7,652,222**	6,825,663	–	6,825,663
Insurance contract liabilities	**4,565,925**	**15,875**	**4,581,800**	4,528,298	191,038	4,719,336
Bills purchased – contra	**3,260,308**	**–**	**3,260,308**	3,418,002	–	3,418,002
Managers' checks and demand drafts outstanding	**1,174,872**	**–**	**1,174,872**	937,799	–	937,799
Dormant credits	**11,744**	**916,838**	**928,582**	116,337	637,001	753,338
Due to other banks	**923,777**	**–**	**923,777**	461,100	–	461,100
Deposit on lease contracts	**268,754**	**536,623**	**805,377**	249,885	604,932	854,817
Accounts payable – electronic money	**791,223**	**–**	**791,223**	556,618	–	556,618
Payment order payable	**292,336**	**–**	**292,336**	407,196	–	407,196
Margin deposits and cash letters of credit	**174,206**	**–**	**174,206**	182,640	–	182,640
Commission payable	**94,618**	**–**	**94,618**	132,059	–	132,059
Transmission liability	**31,732**	**–**	**31,732**	24,976	–	24,976
Deposit for keys on safety deposit boxes	**14,140**	**–**	**14,140**	14,217	–	14,217
	583,538,430	**48,992,564**	**632,530,994**	471,139,522	72,742,852	543,882,374
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	**3,257,790**	**–**	**3,257,790**	1,177,015	1,914,623	3,091,638
Income tax payable	**195,240**	**–**	**195,240**	134,720	–	134,720
Other liabilities (Note 22)	**2,882,530**	**4,957,650**	**7,840,180**	2,799,195	3,571,328	6,370,523
	6,335,560	**4,957,650**	**11,293,210**	4,110,930	5,485,951	9,596,881
Liabilities of disposal group classified as held for sale (Note 37)	**–**	**–**	**–**	21,452,621	–	21,452,621
	₱589,873,990	**₱53,950,214**	**₱643,824,204**	₱496,703,073	₱78,228,803	₱574,931,876

	Parent Company					
	2016			2015 (As Restated - Note 2)		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱10,626,525**	**₱–**	**₱10,626,525**	₱12,598,715	₱–	₱12,598,715
Due from BSP	**123,799,952**	**–**	**123,799,952**	79,203,948	–	79,203,948
Due from other banks	**12,831,514**	**–**	**12,831,514**	11,450,573	–	11,450,573
Interbank loans receivable	**7,907,366**	**–**	**7,907,366**	5,958,526	–	5,958,526
Securities held under agreements to resell	**1,972,310**	**–**	**1,972,310**	14,550,000	–	14,550,000
Financial assets at FVPL	**1,880,071**	**–**	**1,880,071**	4,492,864	–	4,492,864
AFS investments - gross (Note 9)	**1,612,001**	**65,082,954**	**66,694,955**	2,026,914	65,637,949	67,664,863
HTM investments	**–**	**24,074,898**	**24,074,898**	4,706	23,132,937	23,137,643
Loans and receivables - gross (Note 10)	**158,852,021**	**234,495,768**	**393,347,789**	146,526,387	196,062,353	342,588,740
Other assets - gross (Note 15)	**467,146**	**64,131**	**531,277**	220,054	34,597	254,651
	319,948,906	**323,717,751**	**643,666,657**	277,032,687	284,867,836	561,900,523
Nonfinancial Assets						
Property and equipment– gross (Note 11)	**–**	**22,275,776**	**22,275,776**	–	25,216,112	25,216,112
Investment properties– gross (Note 13)	**–**	**20,968,723**	**20,968,723**	–	19,857,890	19,857,890
Deferred tax assets	**–**	**1,014,308**	**1,014,308**	–	936,492	936,492
Investments in Subsidiaries and an Associate (Note 12)	**–**	**28,359,871**	**28,359,871**	–	26,497,732	26,497,732
Goodwill (Note 14)	**–**	**13,515,765**	**13,515,765**	–	13,515,765	13,515,765
Intangible assets (Note 14)	**–**	**4,395,964**	**4,395,964**	–	3,990,956	3,990,956
Other assets– gross (Note 15)	**6,123,328**	**636,357**	**6,759,685**	5,470,227	527,451	5,997,678
	6,123,328	**91,166,764**	**97,290,092**	5,470,227	90,542,398	96,012,625
Asset of disposal group classified as held for sale (Note 37)	**–**	**–**	**–**	1,172,963	–	1,172,963
Less: Allowance for impairment and credit losses (Note 16)			**19,174,735**			18,376,231
Unearned and other deferred income (Note 10)			**1,116,929**			1,427,774
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**9,159,530**			9,157,333
			₱711,505,555			₱630,124,773
Financial Liabilities						
Deposit liabilities	**₱501,442,928**	**₱40,747,695**	**₱542,190,623**	₱434,664,563	₱35,829,825	₱470,494,388
Financial liabilities at FVPL	**231,977**	**–**	**231,977**	125,891	9,118	135,009
Bills and acceptances payable	**21,876,831**	**12,109,867**	**33,986,698**	4,714,503	19,915,384	24,629,887
Subordinated debt	**–**	**3,497,798**	**3,497,798**	–	9,986,427	9,986,427
Accrued interest payable (Note 20)	**567,327**	**–**	**567,327**	466,390	1,564,522	2,030,912
Accrued other expenses payable (Note 20)	**965,525**	**–**	**965,525**	719,399	–	719,399
Other liabilities (Note 22):						
Accounts payable	**6,375,193**	**–**	**6,375,193**	6,179,304	–	6,179,304
Bills purchased - contra	**3,254,224**	**–**	**3,254,224**	3,411,729	–	3,411,729
Managers' checks and demand drafts outstanding	**1,003,755**	**–**	**1,003,755**	915,764	–	915,764
Dormant credits	**1,731**	**916,486**	**918,217**	108,827	625,519	734,346
Accounts payable - electronic money	**791,223**	**–**	**791,223**	556,618	–	556,618
Due to other banks	**763,046**	**–**	**763,046**	517,261	–	517,261
Payment order payable	**292,336**	**–**	**292,336**	407,196	–	407,196
Margin deposits and cash letters of credit	**162,972**	**–**	**162,972**	168,820	–	168,820
Deposit on lease contracts	**–**	**35,769**	**35,769**	–	37,448	37,448
Deposit for keys on safety deposit boxes	**14,140**	**–**	**14,140**	14,217	–	14,217
	537,743,208	**57,307,615**	**595,050,823**	452,970,482	67,968,243	520,938,725
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	**₱2,698,763**	**₱–**	**₱2,698,763**	₱824,541	₱1,796,881	₱2,621,422
Income tax payable	**60,898**	**–**	**60,898**	55,180	–	55,180
Other liabilities	**1,619,827**	**4,797,258**	**6,417,085**	1,373,445	3,352,983	4,726,428
	4,379,488	**4,797,258**	**9,176,746**	2,253,166	5,149,864	7,403,030
	₱542,122,696	**₱62,104,873**	**₱604,227,569**	₱455,223,648	₱73,118,107	₱528,341,755

25. Equity

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

	Shares		Amount	
	2016	2015	**2016**	2015
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**	1,249,139,678	**49,965,587**	49,965,587
	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)
	1,249,139,678	1,249,019,678	**₱49,965,587**	₱49,955,642

The Parent Company shares are listed in the PSE. As of December 31, 2016 and 2015, the Parent Company had 29,853 and 29,985 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.

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 Bank shall offer new common shares for subscription, in such number corresponding to the number of shares being offered.

In February 2014, the Bank 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 Bank 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 Bank. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Bank. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. It also strengthened the Bank'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, 2016 and 2015 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:

	2016	2015
Reserve for trust business (Note 33)	**₱493,658**	₱474,263
Reserve for self-insurance	**80,000**	80,000
	₱573,658	₱554,263

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.

Other Equity Reserves
On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock to be sourced from open market at fair value. Acquisition and distribution of the estimated 3.0 million shares shall be done based on a predetermined schedule over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. The Parent Company recognized other employee benefit expense in relation to the grant of centennial bonus amounting to ₱105.7 million in 2016 in the statement of income and a corresponding increase in equity of the same amount in the statement of financial position as of December 31, 2016 based on ₱70.0 per share, the projected fair value at grant date based on an independent, short-term forecast by a stock broker.

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, 2016 and 2015, 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).

	2016		2015	
Consolidated	**Actual**	**Required**	Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱104,103.60**		₱97,272.25	
Less: Regulatory Adjustments to CET 1	**24,454.28**		22,978.47	
Total CET1 Capital	**79,649.32**		74,293.78	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**79,649.32**		74,293.78	
Add: Tier 2 Capital	**4,308.03**		13,763.24	
Total qualifying capital	**₱83,957.35**	**₱50,410.11**	₱88,057.03	₱45,766.26
Risk weighted assets	**₱504,101.07**		₱457,662.62	
Tier 1 capital ratio	**15.80%**		16.23%	
Total capital ratio	**16.65%**		19.24%	

	2016		2015	
Parent			Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱101,545.14**		₱94,044.29	
Less: Regulatory Adjustments to CET 1	**49,874.81**		47,596.44	
Total CET1 Capital	**51,670.33**		46,447.86	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**51,670.33**		46,447.86	
Add: Tier 2 Capital	**3,866.45**		13,417.01	
Total qualifying capital	**₱55,536.78**	**₱45,131.25**	₱59,864.87	₱41,504.86
Risk weighted assets	**₱451,312.51**		₱415,048.57	
Tier 1 capital ratio	**11.45%**		11.19%	
Total capital ratio	**12.31%**		14.42%	

The Group and its individually regulated subsidiaries/operations have complied with all externally imposed capital requirement throughout the year.

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.

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The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% 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, 2016 and 2015 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 Bank's surplus available for dividend declaration.

A portion of a Group's surplus corresponding to the net earnings of the subsidiaries amounting to ₱2.7 billion and ₱2.6 billion as of December 31, 2016 and 2015, respectively, is not available for dividend declaration. The accumulated earnings become available for dividends upon receipt of cash dividends from subsidiaries.

Cash Dividends

On July 22, 2016, the BOD declared and approved cash dividend declaration of one peso (₱1.0) per share or a total of ₱1.3 billion out of the unrestricted surplus of the Parent Company as of March 31, 2016, to all stockholders of record as of August 19, 2016, and was paid on September 15, 2016. On August 19, 2016, the Parent Company received the approval from the BSP on the said dividend declaration.

Merger Incentives

In connection with the merger of the Parent Company with ABC, the BSP gave certain incentives and 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 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		
	2016	2015	2014	**2016**	2015 (As Restated)	2014 (As Restated)
Return on average equity (a/b)	**6.69%**	6.19%	6.06%	**6.84%**	6.19%	6.18%
a) Net income	**₱7,185,586**	₱6,311,595	₱5,495,045	**₱7,147,566**	₱6,113,607	₱5,358,754
b) Average total equity	**107,348,384**	101,908,372	90,699,918	**104,530,502**	98,815,521	86,747,677
Return on average assets (c/d)	**1.00%**	0.97%	0.89%	**1.07%**	1.01%	0.93%
c) Net income	**₱7,185,586**	₱6,311,595	₱5,495,045	**₱7,147,566**	₱6,113,607	₱5,358,754
d) Average total assets	**716,726,424**	652,566,785	620,860,726	**670,815,164**	605,346,798	578,081,537
Net interest margin on average earning assets (e/f)	**3.16%**	3.22%	3.13%	**3.01%**	3.16%	3.21%
e) Net interest income	**₱19,566,502**	₱17,691,839	₱16,458,662	**₱17,057,909**	₱15,712,416	₱15,153,084
f) Average interest earning assets	**618,625,074**	549,237,255	525,995,312	**567,286,721**	496,470,744	472,784,065

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)

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26. Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Remittance	**₱830,032**	₱739,779	₱735,420	**₱460,899**	₱363,822	₱344,045
Deposit-related	**643,991**	1,076,041	984,541	**618,972**	1,050,546	960,199
Credit-related	**503,891**	500,852	387,535	**498,514**	479,174	374,698
Commissions	**448,089**	820,497	641,216	**305,574**	685,396	539,146
Interchange fees	**389,179**	317,509	203,501	**389,179**	317,509	203,501
Trust fees (Note 33)	**311,882**	256,203	230,111	**311,882**	256,203	230,111
Underwriting fees	**187,133**	327,400	136,265	**-**	–	–
Credit card-related	**61,584**	62,071	84,899	**61,584**	62,071	84,899
Miscellaneous	**194,177**	212,546	142,961	**84,654**	141,251	135,563
	₱3,569,958	₱4,312,898	₱3,546,449	**₱2,731,258**	₱3,355,972	₱2,872,162

Commissions include those income earned for services rendered on opening 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.

The interchange fees and rewards revenue were generated from the credit card business acquired by the Parent Company through rewards revenue.

'Miscellaneous' includes income from security brokering activities and other fees and commission.

27. Net Insurance Premium and Benefits and Claims

Net Insurance Premium
This account consists of:

	2016	2015	2014
Gross earned premiums	**₱2,356,996**	₱2,431,033	₱1,682,368
Reinsurers' share of gross earned premiums	**(1,727,170)**	(1,890,569)	(1,274,095)
	₱629,826	₱540,464	₱408,273

Net Insurance Benefits and Claims
This account consists of:

	2016	2015	2014
Gross insurance contract benefits and claims paid	**₱787,537**	₱1,653,355	₱1,453,605
Reinsurers' share of gross insurance contract benefits and claims paid	**(304,382)**	(1,045,150)	(1,109,404)
Gross change in insurance contract liabilities	**(69,051)**	(529,863)	(1,011,013)
Reinsurers' share of change in insurance contract liabilities	**(158,406)**	358,545	762,950
	₱255,698	₱436,887	₱96,138

28. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015 (As Restated – Note 2)	2014 (As Restated – Note 2)
Income from SPV	**₱500,000**	₱353,000	₱27,000	**₱500,000**	₱353,000	₱27,000
Recoveries	**405,363**	162,430	171,392	**251,805**	90,179	168,724
Rental income	**376,631**	338,055	634,397	**275,317**	266,067	363,956
Penalty charges	**40,388**	30,799	11,027	**40,388**	30,799	11,027
Customs Fees	**18,983**	14,801	11,702	**18,984**	14,801	11,702
Dividends	**17,854**	22,190	2,409	**14,716**	18,338	11,951
Sales deposit forfeiture	**15,772**	12,023	12,250	**15,772**	12,023	12,250
Referral and trust fees	**2,811**	2,382	1,993	–	–	–
Recovery from insurance claim (Note 34)	–	709,160	–	–	709,160	–
Gain on redemption of Victorias Milling common shares (Note 34)	–	–	622,983	–	–	622,983
Others	**164,565**	74,919	646,262	**77,965**	5,306	122,204
	₱1,542,367	₱1,719,759	₱2,141,415	**₱1,194,947**	₱1,499,673	₱1,351,797

'Others' consist of marketing allowance and income from wire transfers.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Secretarial, janitorial and messengerial	**₱1,305,081**	₱1,105,946	₱1,031,126	**₱1,256,605**	₱1,066,364	₱997,624
Insurance	**1,128,939**	1,078,679	949,743	**1,044,959**	1,027,759	913,679
Marketing expenses	**1,064,993**	764,767	540,544	**988,160**	731,870	523,658
Information technology	**499,319**	489,036	396,818	**471,262**	465,872	375,945
Management and other professional fees	**433,398**	323,979	338,947	**374,649**	268,137	266,756
Litigation expenses	**323,726**	235,526	229,886	**304,783**	224,669	216,741
Travelling	**248,433**	229,251	222,552	**223,896**	209,116	201,922
Postage, telephone and cable	**207,828**	216,189	180,893	**158,841**	166,034	135,873
Entertainment and representation	**99,024**	86,095	146,950	**89,944**	72,799	126,698
Repairs and maintenance	**82,113**	81,711	79,664	**82,113**	81,711	79,664
Freight	**45,727**	34,195	46,723	**43,986**	32,556	35,043
Fuel and lubricants	**21,237**	25,476	54,721	**17,521**	24,275	54,027
Miscellaneous	**682,926**	648,694	522,035	**547,469**	540,824	23,252
	₱6,142,744	₱5,319,544	₱4,740,602	**₱5,604,188**	₱4,911,986	₱3,950,882

'Miscellaneous' includes stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

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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	
	2016	2015	**2016**	2015
Retirement benefit liability (included in 'Other liabilities')	**₱3,138,824**	₱2,955,003	**₱3,063,243**	₱2,889,735
Net plan assets (included in 'Other assets')	**2,714**	3,045	**–**	–
	₱3,136,110	₱2,951,958	**₱3,063,243**	₱2,889,735

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, 2016 and 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).

The latest actuarial valuations for these retirement plans were made as of December 31, 2016. The following table shows the actuarial assumptions as of December 31, 2016 and 2015 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company					
			ABC		PNB		EIP	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Discount rate	**4.65% - 5.01%**	4.31% - 4.62%	**4.81%**	4.38%	**4.81%**	4.38%	**4.81%**	4.38%
Salary rate increase	**5.00% - 8.00%**	5.00% - 8.00%	**6.00%**	5.00%	**6.00%**	5.00%	**–**	–

The changes in the present value obligation and fair value of plan assets are as follows:

	Consolidated												
	2016												
		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2016	**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, 2016**
Present value of pension obligation	**₱6,823,317**	**₱533,442**	**₱–**	**₱326,287**	**₱859,729**	**(₱579,110)**	**₱–**	**(₱58,823)**	**₱467,429**	**₱408,606**	**₱–**	**₱–**	**₱7,512,542**
Fair value of plan assets	**3,871,359**	**–**	**–**	**186,219**	**186,219**	**(579,110)**	**(50,134)**	**–**	**–**	**(50,134)**	**–**	**948,098**	**4,376,432**
	₱2,951,958	**₱533,442**	**₱–**	**₱140,068**	**₱673,510**	**₱–**	**₱50,134**	**(58,832)**	**₱467,429**	**₱458,740**	**₱–**	**(₱948,098)**	**₱3,136,110**

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

	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**	Others***	Contributions by employer	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)	(34,084)	879,035	3,871,359
	₱2,861,578	₱628,059	₱6,759	₱136,880	₱771,698	₱–	₱335,775	₱93,289	(₱334,797)	₱94,267	₱103,450	(₱879,035)	₱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 APLII in 2015*
*** *Others consist of retirement of a disposal group classified as held for sale and retirement previously included in accrued expenses*

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	Parent Company 2016												
		Net benefit costs*					Remeasurement losses in other comprehensive income						
	January 1, 2016	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, 2016
Present value of pension obligation	₱6,666,412	₱492,729	₱–	₱319,738	₱812,467	(₱576,395)	₱–	(₱17,649)	₱435,427	₱417,778	₱–	₱–	₱7,320,262
Fair value of plan assets	3,776,677	–	–	181,658	181,658	(576,395)	(46,429)	–	–	(46,429)	–	921,508	4,257,019
	₱2,889,735	₱492,729	₱–	₱138,080	₱630,809	₱–	46,429	(₱17,649)	₱435,427	₱464,207	₱–	(₱921,508)	₱3,063,243

* 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	₱587,218	₱6,455	₱290,683	₱884,356	(₱469,129)	₱–	₱77,139	(₱321,702)	(₱244,563)	₱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	₱587,218	₱6,455	₱134,165	₱727,838	₱–	334,812	₱77,139	₱(321,702)	₱90,249	₱125,273	(₱850,622)	₱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

The Group and the Parent Company expect to contribute ₱934.5 million and ₱920.9 million, respectively, to the defined benefit plans in 2017. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2016 is 17.0 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Less than one year	₱347,321	₱330,098	₱341,323	₱325,319
More than one year to five years	1,671,800	1,632,402	1,646,006	1,599,833
More than five years to 10 years	3,393,078	3,371,760	3,338,327	3,291,709
More than 10 years to 15 years	4,877,000	4,557,857	4,687,986	4,421,078
More than 15 years	22,189,610	16,973,725	20,268,606	16,081,829

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2016	2015	2016	2015
Cash and cash equivalents	₱2,101,820	₱1,871,868	₱2,042,229	₱1,828,922
Equity investments				
Financial institutions (Note 34)	491,884	468,461	491,884	468,461
Others	8,346	13,382	5,440	5,263
Debt investment				
Private debt securities	1,373,837	1,050,312	1,354,853	1,026,929
Government securities	261,749	278,674	244,533	258,215
Investment in UITFs	122,356	175,228	101,572	175,228
Loans and receivables	3,713	4,006	3,713	4,006
Interest and other receivables	14,699	11,163	14,299	10,904
	4,378,404	3,873,094	4,258,523	3,777,928
Accrued expenses	(1,972)	(1,735)	(1,505)	(1,251)
	₱4,376,432	₱3,871,359	₱4,257,018	₱3,776,677

All equity and debt investments held have quoted prices in active markets. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the 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, 2016 and 2015 includes investments in the Parent Company shares of stock with fair value amounting to ₱491.9 million and ₱468.5 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

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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:

	2016			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱774,902)**	**+1.00%**	**(₱751,438)**
	-1.00%	**913,564**	**-1.00%**	**884,722**
Salary increase rate	**+1.00%**	**830,911**	**+1.00%**	**803,116**
	-1.00%	**(724,710)**	**-1.00%**	**(701,513)**
Employee turnover rate	**+10.00%**	**(66,070)**	**+10.00%**	**(52,572)**
	-10.00%	**66,070**	**-10.00%**	**52,572**

	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)
Employee turnover rate	+10.00%	(54,767)	+10.00%	(42,004)
	-10.00%	54,767	-10.00%	42,004

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

30. Leases

Operating Leases

Group as Lessee

The Parent Company leases the premises occupied by majority of its branches (about 32.22% 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 25 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 5.00% to 10.00%.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱824.7 million, ₱881.5 million and ₱1.1 billion in 2016, 2015 and 2014, respectively, for the Group, of which ₱787.7 million, ₱727.6 million and ₱705.3 million in 2016, 2015, and 2014, respectively, pertain to the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follow:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Within one year	**₱439,613**	₱470,777	**₱319,498**	₱396,330
Beyond one year but not more than five years	**988,042**	781,652	**766,990**	671,367
More than five years	**280,004**	118,186	**212,890**	22,183
	₱1,707,659	₱1,370,615	**₱1,299,378**	₱1,089,880

Group as Lessor

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5% per year). In 2016, 2015 and 2014, total rent income (included under 'Miscellaneous income') amounted to ₱376.6 million, ₱338.1 million and ₱634.4 million, respectively, for the Group and ₱275.3 million, ₱266.1 million and ₱364.0 million, respectively, for the Parent Company (Note 28).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		**Parent Company**	
	2016	2015	**2016**	2015
Within one year	**₱313,458**	₱183,496	**₱164,501**	₱22,654
Beyond one year but not more than five years	**302,910**	169,379	**265,821**	12,110
More than five years	**34,849**	9,835	**16,155**	9,835
	₱651,217	₱362,710	**₱446,477**	₱44,599

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 bank'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**	
	2016	2015	**2016**	2015
Within one year	**₱1,738,954**	₱1,654,119	**₱23,509**	₱17,909
Beyond one year but not more than five years	**1,273,921**	1,984,772	**40,100**	35,900
More than five years	**36,500**	47,900	**36,500**	47,900

(Forward)

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	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Gross investment in finance lease contracts receivable (Note 10)	**₱3,049,375**	₱3,686,791	**₱100,109**	₱101,709
Less amounts representing finance charges	**355,743**	62,206	**56,880**	62,206
Present value of minimum lease payments	**₱2,693,632**	₱3,624,585	**₱43,229**	₱39,503

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		
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014
Continuing operations:						
Current						
Regular	**₱1,058,065**	₱756,033	₱767,085	**₱880,828**	₱501,682	₱652,067
Final	**665,615**	504,618	665,813	**429,058**	512,401	674,058
	1,723,680	1,260,651	1,432,898	**1,309,886**	1,014,083	1,326,125
Deferred	**(206,650)**	314,598	(108,782)	**(81,514)**	96,238	43,082
	1,517,030	1,575,249	1,324,116	**1,228,372**	1,110,321	1,369,207
Discontinued operations:						
Current						
Regular	**1,671**	5,839	5,084	**–**	–	–
Final	**296,126**	38,466	38,088	**276,748**	–	–
	297,797	44,305	43,172	**276,748**	–	–
Deferred	**(91,299)**	–	–	**–**	–	–
	206,498	44,305	43,172	**276,748**	–	–
Total	**₱1,723,528**	₱1,619,554	₱1,367,288	**₱1,505,120**	₱1,110,321	₱1,369,207

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015 (As Restated - Note 2)
Deferred tax asset on:				
Allowance for impairment, credit and other losses	**₱5,142,623**	₱4,852,727	**₱4,695,139**	₱4,695,139
Accumulated depreciation on investment properties	**521,069**	512,973	**511,623**	511,623
Deferred revenue	**97,622**	–	**97,622**	–
Net retirement liability	**20,218**	16,474	**–**	–
Excess of net provision for unearned premiums per PFRS over tax basis	**7,498**	6,339	**–**	–
Deferred reinsurance on commission	**5,884**	20,560	**–**	–
Accrued expenses	**4,806**	1,060	**–**	–
Unamortized past service cost	**4,224**	–	**–**	–
Unrealized loss on AFS investment	**1,116**	830	**830**	830
NOLCO	**–**	94,944	**–**	–
Unrealized trading loss on FVPL	**–**	10	**–**	–
Others	**54,053**	10,655	**10,188**	10,556
	5,859,113	5,516,572	**5,315,402**	5,218,148
Deferred tax liability on:				
Fair value adjustment on investment properties	**1,448,798**	1,593,081	**1,448,798**	1,584,385
Fair value adjustments due to business combination	**1,043,112**	1,137,326	**1,043,112**	1,137,326
Revaluation increment on land and buildings*	**736,436**	736,436	**736,436**	736,436
Unrealized foreign exchange gains	**664,971**	578,555	**665,237**	577,007
Gain on remeasurement of a previously held interest	**160,272**	–	**164,429**	–
Unrealized trading gains on financial assets at FVPL	**105,646**	53,132	**105,646**	53,132
Lease income differential between finance and operating lease method	**45,662**	21,646	**–**	–
Deferred acquisition cost	**19,354**	17,835	**–**	–
Temporary difference associated with investments in disposal group classified as held for sale	**–**	91,299	**–**	95,456
Others	**152,648**	113,687	**137,436**	97,914
	4,376,899	4,342,997	**4,301,094**	4,281,656
	₱1,482,214	₱1,173,575	**₱1,014,308**	₱936,492

* *Balance includes deferred tax liability amounting to ₱736.4 million acquired from business combination*

As of December 31, 2016 and 2015, the Group's net deferred tax liabilities as disclosed in 'Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million and on accelerated depreciation on property and equipment amounting to ₱6.1 million.

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Benefit from deferred tax charged directly to OCI during the year follows:

	Consolidated			Parent Company		
	2016	2015	2014	**2016**	2015	2014
Net unrealized losses (gains) on AFS investments	**₱286**	₱2,887	₱9,059	**₱–**	₱2,887	₱9,059
Remeasurement losses on retirement plan	**2,204**	2,277	9,334	**–**	2,277	9,334

The movements in the net deferred tax assets of the Group include impact of CTA amounting to ₱8.2 million in 2016 and 2015. The movements in the net deferred tax asset of the Parent Company include impact of CTA amounting to ₱3.7 million and ₱0.4 million in 2016 and 2015, 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 gross deferred tax assets of ₱5.3 billion and ₱5.2 billion as of December 31, 2016 and 2015, 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	
	2016	2015	**2016**	2015
Allowance for impairment and credit losses	**₱1,676,551**	₱1,193,391	**₱1,112,654**	₱1,060,122
Retirement liability	**919,382**	778,925	**918,973**	778,925
Unamortized past service cost	**603,280**	551,466	**603,280**	551,466
Accrued expenses	**442,562**	426,911	**442,537**	424,956
NOLCO	**439,659**	426,913	**–**	–
Unearned income	**122,269**	112,500	**122,269**	112,500
Derivative liabilities	**69,593**	40,503	**69,593**	40,503
Provision for IBNR	**65,000**	19,500	**–**	–
Conveyance of real estate inventories held for sale	**34,321**	–	**34,321**	–
Other equity reserves	**31,701**	–	**31,701**	–
Others	**4,244**	15,807	**4,242**	13,347
	₱4,408,562	₱3,565,916	**₱3,339,570**	₱2,981,819

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2013	₱942,021	₱942,021	₱–	2016
2014	170,349	–	170,349	2017
2015	289,320	–	289,320	2018
2016	3,204	–	3,204	2019
	₱1,404,894*	₱942,021	₱462,873	

**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 as of December 31, 2016 and 2015, respectively, and net operating loss carryforwards for California state tax purposes of USD4.1 million as of December 31, 2016 and 2015, respectively.

Unrecognized Deferred Tax Liabilities
As of December 31, 2016, there was a deferred tax liability of ₱665.6 million (₱788.2 million in 2015) for temporary differences of ₱2.2 billion (₱2.6 billion in 2015) 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		
	2016	2015	2014	**2016**	2015 (As Restated - Note 2)	2014 (As Restated - Note 2)
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
FCDU income before tax	**(3.68)**	(4.62)	(6.05)	**(3.78)**	(5.10)	(6.19)
Net non-deductible expenses	**6.90**	10.14	16.34	**6.23**	8.12	19.91
Optional standard deduction	**(0.02)**	(0.38)	0.02	**–**	–	–
Tax-exempt income	**(7.82)**	(6.85)	(7.09)	**(9.22)**	(8.63)	(20.97)
Tax-paid income	**(2.19)**	(3.77)	(4.14)	**(1.91)**	(3.15)	(3.04)
Net unrecognized deferred tax assets	**(3.84)**	(3.66)	(8.65)	**(3.88)**	(5.87)	0.64
Effective income tax rate	**19.35%**	20.86%	20.43%	**17.44%**	15.37%	20.35%

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 ₱99.0 million in 2016, ₱86.1 million in 2015, and ₱147.0 million in 2014 for the Group, and ₱89.9 million in 2016, ₱72.8 million in 2015, and ₱126.7 million in 2014 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:

	2016	2015	2014
a) Net income attributable to equity holders of the Parent Company	**₱7,147,464**	₱6,113,508	₱5,358,669
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,140**	1,249,020	1,163,938
c) Basic/Diluted earnings per share (a/b)	**₱5.72**	₱4.89	₱4.60

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Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2016	2015	2014
a) Net income attributable to equity holders of the Parent Company	**₱6,551,658**	₱5,827,163	₱5,147,340
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,140**	1,249,020	1,163,938
c) Basic/Diluted earnings per share (a/b)	**₱5.24**	₱4.67	₱4.42

As of December 31, 2016, 2015 and 2014, 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 ₱75.2 billion and ₱78.7 billion as of December 31, 2016 and 2015, respectively (Note 35). In connection with the trust functions of the Parent Company, government securities amounting to ₱924.8 million and ₱747.8 million (included under 'AFS Investments') as of December 31, 2016 and 2015, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2016, 2015 and 2014 amounting to ₱311.9 million, ₱256.2 million and ₱230.1 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 ₱19.4 million, ₱16.6 million and ₱13.6 million in 2016, 2015 and 2014, 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.

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. As of December 31, 2016 and 2015, the Group and Parent Company were in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Total Outstanding DOSRI Accounts*	**₱11,900,939**	₱7,681,274	**₱11,900,939**	₱7,681,274
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**2.89%**	2.14%	**3.23%**	2.36%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**2.89%**	2.14%	**3.23%**	2.36%
Percent of DOSRI accounts to total loans	**2.89%**	2.14%	**3.23%**	2.36%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.02%**	0.02%	**0.02%**	0.02%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.01%**	0.01%	**0.01%**	0.01%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	**0.01%**	0.01%	**0.01%**	0.01%

**Includes outstanding unused credit accommodations of ₱178.7 million as of December 31, 2016 and ₱291.5 million as of December 31, 2015.*

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% of a bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% 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.

	2016		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit Liabilities		**₱120,074**	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Interest expense	**₱5,633**		Interest expense on deposits
Net withdrawals	**110,585**		Net withdrawals during the period

(Forward)

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED)

	2016		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Subsidiaries			
Receivables from customers		**₱2,014,333**	Term loan maturing in 2017 with 3.85% nominal rate; Revolving credit lines with interest rate of 2.90% maturity of three months; Unsecured
Loan releases	**₱6,876,000**		
Loan collections	**6,740,334**		
Loan commitments		**7,433,296**	Omnibus line; credit line
Interbank loans receivable		**116,393**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.20% to 0.30% and maturity terms ranging from 30 to 150 days
Availments	**1,349,191**		
Settlements	**1,390,990**		
Due from other banks		**428,290**	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		**2,849**	Interest accrual on receivables from customers and interbank loans receivable
Deposit liabilities		**5,465,222**	Peso and foreign currency denominated demand, savings and time deposits with annual fixed interest rates ranging from 0.125% to 1.125% and maturities from 30 to 365 days
Net withdrawals	**501,832**		Net withdrawals during the period
Bills payable		**1,776,997**	Foreign currency-denominated bills payable with interest rates ranging from 0.20% to 2.00% and maturity terms ranging from 30 to 183 days
Availments	**1,971,729**		
Settlements	**2,097,198**		
Due to other banks		**45,211**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		**9,261**	Accrued interest on deposit liabilities and bills payable
Rental deposit		**10,900**	Advance rental deposit received for 2 years and 3 mos.
Interest income	**75,684**		Interest income on receivable from customers, due from other banks and interbank loans receivable
Interest expense	**149,832**		Interest expense on deposit liabilities and bills payable
Rental income	**55,003**		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Securities transactions			
Purchases	**1,549,350**		Outright purchase of securities
Sales	**1,218,139**		Outright sale of securities
Trading loss	**965**		Loss from sale of investment securities
Affiliates			
Receivables from customers		**19,404,084**	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% with maturity terms ranging from 90 days to 12 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	**13,803,372**		
Loan Collections	**12,567,911**		
Loan commitments		**2,941,216**	Omnibus line; credit line
Investment in non-marketable equity securities		**269,719**	Common shares with acquisition costs ranging from ₱5.00 to ₱100.00 per share
Sales contract receivable		**2,257,651**	Purchase of the Parent Company's investment properties on installment; secured with interest rate of 6.00%, maturity of five years
Accrued interest receivable		**26,739**	Accrued interest on receivables from customers
Rental deposits		**10,171**	Advance rental and security deposits received for two months, three months and two years
Operating lease		**7,575**	Lease contract for 5 years

(Forward)

	2016		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Deposit liabilities		**₱10,918,370**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.75% and maturity terms ranging from 30 days to 365 days
Net deposits	**₱3,499,520**		Net deposits during the period
Accrued interest payable		**52**	Accrued interest payable from various deposits
Interest income	**388,599**		Interest income on receivable from customers
Interest expense	**75,633**		Interest expense on deposit liabilities
Gain on sale of investment property	**1,281,742**		20.00% to 30.00% downpayment; 80.00% to 70.00% balance payable in 5 years. Interest-bearing at 6.00%
Rental income	**53,253**		Monthly rent income from related parties
Rental expense	**13,213**		Monthly rent payments with term ranging from 24 to 240 months
Miscellaneous expense	**438**		Claims expense, comprehensive insurance, service and referral fees
Securities transactions			
Purchases	**1,216**		Outright purchase of securities
Sales	**1,216**		Outright sale of securities
Trading gains	**–**		Gain from sale of investment securities
Associate			
Deposit liabilities		**352,146**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Other liabilities		**115**	Various manager's check related premium insurance
Interest expense	**29,440**		Interest expense on deposit liabilities
Rental income	**10,158**		Rental income from a five-year lease agreement, monthly rental subject to 5% escalation rate
Key Management Personnel			
Loans to officers		**14,941**	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	**2,057**		Settlement of loans and interest
Other equity reserves		**105,670**	Other employee benefit expense in relation to the grant of centennial bonus based on ₱70.0 per share
Transactions of subsidiaries with other related parties			
Due from banks		**940,860**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Deposit liabilities		**940,053**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Other liabilities		**1,133**	Various manager's check
Interest income	**4,524**		Interest income on receivable from customers
Interest expense	**19,051**		Interest expense on bills payable
Miscellaneous income	**5**		Premiums collected

	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 deposit liabilities
Net withdrawals	4,743,187		Net withdrawals during the period

(Forward)

NOTES TO FINANCIAL STATEMENTS
(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

	2015		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Receivables from customers		₱1,878,667	Term loan maturing in 2017 with 3.85% nominal rate;
Loan releases	₱5,650,750		Revolving credit lines with interest rate of 3.00
Loan collections	9,982,760		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
Availments	1,041,975		with interest rates ranging from 0.03% to 0.35% and
Settlements	940,815		maturity terms ranging from 15 to 150 days
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
Net deposits	2,045,599		Net deposits during the period
Bills payable		1,902,466	Foreign currency-denominated bills payable with
Availments	3,296,949		interest rates ranging from 0.20% to 2.50% and
Settlements	3,648,952		maturity terms ranging from 30 to 365 days
Due to other banks		252,997	Foreign currency-denominated clearing accounts used for funding and settlements 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 receivables 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 three years year lease agreement, with escalation rate of 10.00% per annum
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
Affiliates			
Receivables from customers		18,168,623	Secured by hold-out on deposits, government
Loan releases	15,858,440		securities, real estate and mortgage trust indenture;
Loan collections	8,888,360		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 payments 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 ₱100.00 per share

(Forward)

	2015		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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.
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.
Net deposits	₱1,329,040		Net deposits during the period
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
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
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 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

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The related party transactions shall be settled in cash. There are no provisions for credit losses in 2016 and 2015 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 where 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 being 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, 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, 2016 and 2015, the Parent Company's financial assets at FVPL include equity securities traded through PNB Securities with a fair value of ₱27.2 million and ₱199.7 million, respectively. The Parent Company recognized trading losses amounting to ₱13.5 million in 2016 and trading gains amounting to ₱7.2 million and ₱19.5 million in 2015 and 2014, respectively 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 ₱3.50 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 ₱4.54 per share resulting in a gain of ₱735.4 million recorded under 'Trading and investment securities gains - net' in the statement of income of the Parent Company. The sale of VMC shares to LTG was facilitated by PNB Securities.

Compensation of Key Management Personnel
The compensation of the key management personnel for the Group and Parent Company follows:

	2016	2015	2014
Short-term employee benefits (Note 20)	**₱581,302**	₱589,199	₱459,759
Post-employment benefits	**61,544**	51,365	47,844
	₱642,846	₱640,564	₱507,603

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 2016 and 2015, total per diem given to the BOD amounted to ₱43.2 million and ₱42.0 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 Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the Joint Venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs. These Joints Arrangements qualify as Joint Operations under PFRS 11.

In July 2016, the Bank executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

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 ₱5.2 billion in July and August 2016 and ₱5.0 billion on July 15, 2015. 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 in 2016 and 2015. In 2016 and 2015, the Parent Company recognized gain of ₱18.3 million and ₱24.4 million, 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 amount it charges it customers.

Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These are payable on a monthly basis.

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PNB SB has available credit lines with the Parent Company amounting to ₱1.3 billion and ₱300.0 million as of December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, the credit lines remain undrawn.

Claim from PNB Gen
In 2015, the Parent Company recognized income amounted to ₱716.2 million under 'Miscellaneous income' arising from the fire insurance claims of the Parent Company from PNB Gen on 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 PNB Trust Banking Group (TBG). The fair values and carrying values of the funds of the Parent Company amounted to ₱4.3 billion and ₱3.8 billion as of December 31, 2016 and 2015, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		Parent Company	
	2016	2015	**2016**	2015
Investment in PNB Shares	**₱491,884**	₱468,461	**₱491,884**	₱468,461
Deposits with PNB	**330,716**	342,767	**330,678**	342,722
Investment in UITFs	**122,306**	166,258	**101,572**	153,857
Total Fund Assets	**₱904,906**	₱977,486	**₱924,134**	₱965,040
Unrealized gain (loss) on HFT (PNB shares)	**₱23,423**	(₱252,248)	**₱23,423**	(₱252,248)
Interest income	**15,602**	13,427	**14,952**	11,188
	39,025	(238,821)	**38,375**	(241,060)
Trust fees	**(4,821)**	(4,854)	**(4,912)**	(4,577)
Fund income (loss)	**₱34,204**	(₱243,675)	**₱33,463**	(₱245,637)

As of December 31, 2016 and 2015, the retirement fund of the Group and the Parent Company include 9,008,864 PNB shares classified under HFT. 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.

Movements of provisions for legal claims for the Group and the Parent Company are as follows:

	2016	2015
Balance at beginning of the year	**₱898,737**	₱1,640,648
Provisions (reversals) during the year (Note 16)	**401,553**	(741,911)
Balance at the end of the year	**₱1,300,290**	₱898,737

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	
	2016	2015	**2016**	2015
Trust department accounts (Note 33)	**₱75,238,152**	₱78,708,656	**₱75,238,152**	₱78,708,656
Derivative forwards	**40,000,448**	32,378,255	**34,886,157**	26,907,910
Interest rate swaps	**33,610,720**	9,317,880	**33,610,720**	9,317,880
Standby letters of credit	**26,232,306**	22,031,604	**26,133,083**	21,916,691
Deficiency claims receivable	**22,337,807**	21,562,415	**22,285,950**	21,541,459
Unutilized credit card lines	**27,018,318**	15,725,684	**27,018,318**	15,725,684
Derivative spots	**2,358,455**	5,526,044	**2,358,455**	5,526,044
Inward bills for collection	**1,001,375**	356,152	**974,300**	248,839
Outward bills for collection	**282,212**	320,428	**117,898**	89,201
Confirmed export letters of credit	**100,461**	88,409	**100,461**	88,409
Unused commercial letters of credit	**50,062**	48,957	**50,062**	48,957
Shipping guarantees issued	**13,716**	10,033	**13,716**	10,033
Items held as collateral	**1,237**	42	**1,225**	31
Other credit commitments (Note 9)	**–**	974,377	**–**	974,377
Other contingent accounts	**2,073,225**	298,336	**2,068,481**	296,174

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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

2016

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets	**₱28,500,758**	**(₱28,152,954)**	**₱347,804**	**₱199,855**	–	**₱147,949**
Securities sold under agreements to repurchase (Notes 8)	**1,972,310**	–	**1,972,310**	–	**1,968,603***	**3,707**
Total	**₱30,473,068**	**(₱28,152,954)**	**₱2,320,114**	**₱199,855**	**₱1,968,603**	**₱151,656**

** Included in bills and acceptances payable in the statements of financial position*

2015

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Securities sold under agreements to repurchase (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*

Financial liabilities

2016

Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱15,217,658**	**(₱15,449,106)**	**(₱231,448)**	**₱273,191**	**₱–**	**₱–**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**20,635,171**	–	**20,635,171**	–	**24,657,929**	–
Total	**₱35,852,829**	**(₱15,449,106)**	**₱20,403,723**	**₱273,191**	**₱24,657,929**	**₱–**

** Included in bills and acceptances payable in the statements of financial position*

2015

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱216,636	₱–	₱216,636	₱465	₱250,830	₱–
Securities sold under agreements to repurchase (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*

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 Held for Sale

As disclosed in Note 12, the Group entered into a share purchase agreement with Allianz SE for the sale of 51% equity interest in APLII on December 21, 2015. As a result, APLII was classified as a disposal group held for sale and as a discontinued operation. The Group reclassified all the assets and liabilities of APLII 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 business of APLII represented the entirety of the Group's life insurance business until December 21, 2015. With APLII being classified as a discontinued operation in 2015, the consolidated statement of income and comprehensive income were presented to show the discontinued operations separately from the continued operations.

On June 6, 2016, the sale of APLII was completed. The Group recognized gain on sale amounting to ₱834.5 million recognized in "Net Income from Discontinued Operations" in the consolidated statement of income.

The results of operation of APLII follow:

	2016	2015	2014
Interest Income on			
Loans and receivables	**₱7,610**	₱20,343	₱18,707
Trading and investment securities	**195,605**	443,116	396,586
Deposits with banks and others	**5,151**	3,504	323
	208,366	466,963	415,616
Net Service Fees And Commission Income	**(67,591)**	(281,639)	(335,635)
Net insurance premium	**508,770**	1,716,308	1,604,500
Net insurance benefits and claims	**441,090**	1,290,439	1,191,359
Net Insurance premium	**67,680**	425,869	413,141
Other Income			
Trading and investment securities gains - net	**1,800**	20,874	14,661
Foreign exchange gains (losses) - net	**(876)**	11,806	(1,999)
Miscellaneous	**80,667**	149,061	101,111
Total Operating Income	**290,046**	792,934	606,895
Operating Expenses			
Compensation and fringe benefits	**71,741**	223,322	166,757
Taxes and licenses	**16,759**	39,570	36,544
Occupancy and equipment-related costs	**7,610**	9,764	9,196
Depreciation and amortization	**4,707**	10,704	14,039
Provision for impairment, credit and other losses	**4,704**	32,765	–
Miscellaneous	**39,692**	74,573	73,026
Total Operating Expense	**145,213**	390,698	299,562
Results from Operating Activities	**144,833**	402,236	307,333
Provision for income tax	**21,049**	44,305	43,172

(Forward)

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

	2016	2015	2014
Results from Operating Activities, net of tax	**₱123,784**	₱357,931	₱264,161
Gain on Sale of Discontinued Operation	**834,535**	–	–
Transaction Costs	**153,307**	–	–
Provision for Income Tax	**185,449**	–	–
Net Income from Discontinued Operations	**₱619,563**	₱357,931	₱264,161
Attributable to:			
Equity holders of the Parent Company	**₱594,806**	₱286,345	₱211,328
Non-controlling interests	**24,757**	71,586	52,833
	₱619,563	₱357,931	₱264,161

The major classes of assets and liabilities of APLII classified as disposal group held for sale to equity holders of the Parent follows:

	2016	2015
Assets		
Cash and other cash items	**₱546,621**	₱642,544
Financial assets at fair value through profit or loss	**14,506,651**	13,634,687
AFS investments	**7,922,461**	7,468,653
HTM investments	**1,254,898**	1,269,398
Other receivables	**473,259**	437,210
Property and equipment - net	**31,931**	29,546
Other assets	**41,791**	44,719
	₱24,777,612	₱23,526,757
Liabilities		
Financial liabilities at fair value through profit or loss:	**₱14,475,772**	₱13,725,321
Accrued taxes, interest and other expenses	**76,938**	161,817
Insurance contract liability	**7,097,270**	6,837,144
Other liabilities	**577,348**	728,339
	₱22,227,328	₱21,452,621
Net assets of disposal group held for sale	**2,550,284**	2,074,136
Amounts included in accumulated OCI:		
Net unrealized gain on AFS investments	**₱34,876**	(₱115,430)
Remeasurement losses on retirement plan	**(18,070)**	(18,070)
	₱16,806	(₱133,500)

Cash flows from (used in) discontinued operations follow:

	2016	2015	2014
The net cash flows directly associated with disposal group:			
Operating	**₱171,535**	₱1,210,588	₱1,535,951
Investing	**(267,458)**	(903,161)	(1,395,508)
	(₱95,923)	₱307,427	₱140,443

38. **Notes to Statements of Cash Flows**

The Group applied creditable withholding taxes against its income tax payable amounting to ₱882.2 million, ₱504.0 million and ₱582.6 million in 2016, 2015 and 2014, respectively. The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱869.9 million, ₱498.3 million and ₱566.3 million in 2016, 2015, and 2014, respectively.

In 2015, the Group classified APLII as disposal group held for sale and as discontinued operation and classified assets, liabilities, and reserves of APLII amounting to ₱23.5 billion, ₱21.5 billion, and ₱0.1 billion, respectively, as held for sale.

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 property while ₱74.0 million were reclassified by the Group from investment property to property and equipment (Notes 11 and 13).

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.

In 2016, the Group and the Parent Company reclassified certain properties from 'Property and equipment' to 'Investment property' with aggregate carrying amount of ₱4.7 billion and ₱3.2 billion, respectively. These properties mainly consist of the office spaces in the Allied Bank Center in Makati leased out and land in Buendia, Makati being held for future development.

For the Group, investment properties acquired through foreclosure and rescission amounted to ₱0.7 billion, ₱0.5 billion and ₱1.3 billion in 2016, 2015 and 2014, respectively. For the Parent Company, investment properties acquired through foreclosure and rescission amounted to ₱0.6 billion, ₱0.4 billion, and ₱1.2 billion in 2016, 2015 and 2014, respectively.

In 2016, collections booked under accounts payable from sold and turned over units pertaining to the joint venture with EPPI amounting to ₱174.9 million were applied against receivables for sold real estate inventories held for sale with carrying value of ₱422.3 million. The Group and the Parent Company also recognized sales contract receivables amounting to ₱459.1 million for the remaining unpaid balance for the said units. The resulting gain from the transaction amounted to ₱211.7 million.

In 2016, the Group and the Parent Company applied transferred payables from Maybank amounting to ₱1.8 billion under bills payable and ₱1.6 billion under accrued interest payable against the principal and accrued interest components of the transferred receivables.

Interest income of the Group includes fair value amortization of loans and receivables amounting to ₱9.2 million, ₱16.9 million, and ₱27.5 million in 2016, 2015 and 2014, respectively.

Interest expense of the Group includes fair value amortization of deposit liabilities amounting to ₱30.3 million, ₱80.4 million, and ₱249.7 million in 2016, 2015 and 2014, respectively.

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Depreciation and amortization expenses include fair value amortization of property and equipment, investment properties and intangible assets amounting to ₱338.6 million, ₱352.4 million and ₱648.9 million in 2016, 2015 and 2014, respectively.

39. **Approval of the Release of the Financial Statements**

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on February 24, 2017.

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 2016 (in absolute amounts).

1. Taxes and licenses

	Amount
Gross receipts tax	₱1,094,128,139
Documentary stamp taxes	1,585,000,000
Real estate tax	139,145,101
Local taxes	47,910,475
Others	93,269,874
	₱2,959,453,589

2. Withholdings taxes

	Remitted	Outstanding
Withholding Taxes on Compensation and Benefits	₱1,076,620,698	₱175,968,775
Final income taxes withheld on interest on deposits and yield on deposit substitutes	351,743,603	38,607,512
Expanded withholding taxes	164,229,237	14,294,521
VAT withholding taxes	2,488,464	262,670
Other Final Taxes	63,218,988	2,678,612
	₱1,658,300,990	₱231,812,090

Tax Cases and Assessments

As of December 31, 2016, 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.

SCOPE OF BUSINESS

The Philippine National Bank, the country's first universal bank, is the fourth largest privately-owned Philippine commercial bank. 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, electronic filing and payment system for large taxpayers, and UITF ATMs. 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 and affiliate, 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 and Hong Kong; 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).

Item 6. Management's Discussion and Analysis

Management's Discussion and Analysis

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

2016 vs. 2015

The Group's consolidated assets reached at ₱753.8 billion as of December 31, 2016, 10.9% or ₱74.1 billion higher compared to ₱679.7 billion reported as of December 31, 2015. Changes (more than 5%) in assets were registered in the following accounts:

- Due from Bangko Sentral ng Pilipinas, Due from Other Banks and Interbank Loans Receivable also registered increases as of December 31, 2016, by ₱45.9 billion, ₱4.4 billion and ₱2.0 billion, respectively from ₱81.4 billion, ₱18.3 billion and ₱5.8 billion, respectively as of December 31, 2015. On the other hand, Cash and Other Cash Items decreased by ₱4.2 billion from ₱15.2 as of December 31, 2015.

- Loans and Receivables registered an increase at ₱428.0 billion or ₱62.3 billion higher than the ₱365.7 billion as of December 31, 2015 level mainly due to loan releases in the current year to various corporate borrowers.

- Financial Assets at Fair Value Through Profit or Loss at ₱1.9 billion as of December 31, 2016 was lower by 57.8% or ₱2.6 billion from ₱4.5 billion in 2015 attributed mainly due to the sale of various investment securities.

- Securities Held Under Agreements to Resell as of December 31, 2016 of ₱2.0 billion which represents lending transactions of the Bank with the BSP is lower by ₱12.6 billion compared to the ₱14.6 billion as of December 31, 2015.

- Investment Properties increased by ₱3.1 billion from ₱13.2 billion as of December 31, 2015 to ₱16.3 billion as of December 31, 2016 due to the following transactions:

  - reclassification of ₱3.2 billion Allied Bank Center from Property and Equipment
  - reclassification of ₱2.0 billion of other bank properties
  - disposal of ₱1.8 billion worth of foreclosed properties.
  - reclassification of ₱0.6 billion to Loans and Receivables

- Property and Equipment decreased by ₱4.0 billion from ₱22.1 billion as of December 31, 2015 to ₱18.1 billion as of December 31, 2016 mainly due to the reclassification of certain properties to Investment Properties as discussed in previous paragraph.

- Asset held for distribution

  On December 21, 2015, the Parent Company entered into a 15-year exclusive partnership with Allianz SE under the following arrangements:

  - Allianz SE will acquire 12,750 shares representing 51.00% stockholdings of PNB Life Insurance Inc. (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 branch network of the Parent Company and PNB SB.

  This required the reclassification of the accounts of PNB Life in the December 31, 2015 Financial Statement as assets for distribution. The necessary regulatory approvals have been obtained and the above sale agreement was implemented on June 6, 2016.

- The ₱2.5 billion Equity Investments pertains to the remaining investment of the Bank in Allianz PNB Life Insurance, Inc. now accounted for as an Investment in Associate as of December 31, 2016.

- Intangible Assets , Deferred Tax Assets and Other Assets were higher by ₱0.2 billion, ₱0.3 billion and ₱0.3 billion from ₱2.4 billion to ₱2.6 billion, ₱1.2 billion to ₱1.5 billion and ₱6.8 billion to ₱7.1 billion, respectively.

Consolidated liabilities went up by 12.0% or ₱68.9 billion from ₱574.9 billion as of December 31, 2015 to ₱643.8 billion as of December 31, 2016. Major changes in liability accounts were as follows:

- Deposit liabilities totaled ₱570.5 billion, ₱84.6 billion higher compared to its year-end 2015 level of ₱485.9 billion. Increases were registered in Demand, Savings and Time by ₱7.3 billion, ₱53.4 billion and by ₱23.8 billion, respectively.

- Bills and Acceptances Payable increased by ₱10.1 billion, from ₱25.8 billion to ₱35.9 billion, mainly accounted for by various borrowings from other banks.

- Financial liabilities at Fair value through profit or loss was higher at ₱0.2 billion as of December 31, 2016 from last year's ₱0.1 billion.

- Other Liabilities increased by ₱2.9 billion from ₱25.7 billion to ₱28.6 billion.

- Accrued Expenses decreased by ₱1.0 billion from ₱5.9 billion as of December 31, 2015 to ₱4.9 billion as of December 31, 2016.

- Subordinated Debt decreased from ₱10.0 billion as of December 31, 2015 to ₱3.5 billion as of December 31, 2016. On June 16, 2016, PNB exercised its Call Option on its ₱6.5 billion 6.75% Lower Tier 2 Unsecured Subordinated Notes.

- Decrease in Liabilities Held for Distribution was also attributed to sale of 51% equity in PNB Life as explained above under Assets Held for Distribution account.

Total equity accounts stood at ₱109.9 billion from ₱104.8 billion as of December 31, 2015, or higher by ₱5.1 billion attributed to current year's net income of ₱7.2 billion and increase in Net Unrealized Loss on Available for Sale Investments of ₱0.5 billion, ₱0.3 billion in Accumulated Translation Adjustment partly offset by the declaration of ₱1.3 billion cash dividends in September 2016, decrease of ₱0.4 billion in remeasurement losses on retirement plan, decrease of ₱0.6 billion in Reserves of a Disposal Group Held for Distribution and decrease in Non-controlling interest by ₱0.4 billion

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 ₱24.5 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 15.6% 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 ₱49.2 million from ₱85.5 million to ₱134.7 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
- ₱0.1 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 ₱0.7 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.

Results of Operations

2016 vs 2015

- For the year ended December 31, 2016, the Bank's consolidated net income stood at ₱7.2 billion, ₱0.9 billion higher compared to the ₱6.3 billion net income for the same period last year.

- Net interest income totaled ₱19.6 billion, higher by 10.7% or ₱1.9 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio and investment securities which accounted for ₱2.6 billion and ₱0.3 billion increase in interest income, respectively, partly offset by the decline in income from deposits with banks by ₱0.2 billion. Total interest income was up by ₱2.6 billion from ₱21.7 billion to ₱24.3 billion. Total interest expense however, was also higher at ₱4.8 billion or by ₱0.8 billion from ₱4.0 billion last year.

  Other income significantly increased to ₱8.6 billion from ₱5.1 billion compared to same period last year mainly due to the ₱0.9 billion gains from sale of foreclosed assets and from ₱0.8 billion, ₱0.3 billion and ₱1.5 billion increases in the Trading and Investment Securities gains, Foreign exchange gains and Miscellaneous Income, respectively. Increase in Miscellaneous income was due to the ₱1.6 billion gain on sale of the Bank's 51% interest in PNB Life to Allianz, one of the largest global insurance companies.

- Net service fees and commission income and net insurance premium were at ₱2.7 billion and ₱0.3 billion, respectively, for the year ended December 31, 2016.

- Administrative and other operating expenses amounted to ₱23.1 billion for the year ended December 31, 2016, ₱4.2 billion higher compared to the same period last year. Increases were registered in provision for impairment, credit and other losses of ₱2.6 billion mainly due to reversal of ₱1.0 billion in 2015 of provision for possible liability in view of court ruling favorable to the Bank and increases and additional ₱1.6 billion in provision for impairment and credit losses. Compensation and fringe benefits, Taxes and Licenses and Miscellaneous Expenses also increased by ₱1.6 billion.

- Income from discontinued operations in the current year pertains to the net income realized from the sale of 51% interest in PNB Life implemented in June 2016.

- Total Comprehensive Income for the year ended December 31, 2016 amounted to ₱6.7 billion, ₱0.5 billion higher compared to the ₱6.2 billion for the same period last year mainly due to the increase in net income of ₱0.9 billion, net unrealized gain on Available for Sale Securities of ₱0.4 billion partly offset by decreases in remeasurement gains on retirement plan of ₱0.5 billion, translation adjustment by ₱0.4 billion, and ₱0.1 billion in non-controlling interests.

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 ₱1.9 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.

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.

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 16.65%, 19.24% and 20.60% as of December 31, 2016, 2015 and 2014, respectively, above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2016, 2015 and 2014:

CAPITAL ADEQUACY RATIO

(Amounts in Million)	CONSOLIDATED			PARENT		
	2016	2015	2014	2016	2015	2014
A. Tier 1 Capital	**104,103.597**	**97,272.252**	**93,899.128**	**101,545.136**	**94,044.294**	**90,782.607**
A.1 Common Equity Tier 1 (CET1) Capital	**104,103.597**	**97,272.252**	**93,899.128**	**101,545.136**	**94,044.294**	**90,782.607**
Paid-up common stock	49,965.587	49,965.587	49,965.587	49,965.587	49,965.587	49,965.587
Common stock dividends distributable	0.000	0.000	0.000	0.000	0.000	0.000
Additional paid-in capital 1/	31,331.251	31,331.251	31,331.251	31,331.251	31,331.251	31,331.251
Deposit for common stock subscription	0.000	0.000	0.000	0.000	0.000	0.000
Retained earnings	24,866.360	18,277.578	13,368.528	25,215.142	17,799.075	12,689.560
Undivided profits 2/	0.000	0.000	0.000	0.000	0.000	0.000
Other comprehensive income	(4,634.165)	(4,720.666)	(3,469.641)	(4,966.844)	(5,051.619)	(3,203.791)
Minority interest in subsidiary banks w hich are less than w holly-ow ned	2,574.564	2,418.502	2,703.403	0.000	0.000	0.000
A.2 Regulatory Adjustments to CET1 Capital	24,454.278	22,978.468	22,391.624	49,874.807	47,596.437	45,931.470
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	2.583	1.515	1.906	2.583	1.515	1.906
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	2,014.333	1,958.667	1,575.000	2,014.333	1,878.667	1,575.000
Deferred tax assets 9/	4,350.895	3,478.712	3,810.979	4,006.138	3,257.313	3,567.215
Goodw ill 10/	13,515.765	13,515.765	13,515.765	13,515.765	13,515.765	13,515.765
Other intangible assets 11/	1,424.055	1,670.277	2,033.313	1,333.201	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 goodw ill, if any (for solo basis only and as applicable) 13/	0.000	0.000	0.000	25,678.974	25,141.007	24,066.287
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodw ill, if any (for both solo and consolidated bases and as applicable) 13/	281.443	2,351.483	1,452.612	458.609	2,226.357	1,264.252
Significant minority investments (10%-50% of of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodw ill, if any (for both solo and consolidated bases) 13/	2,863.271	0.000	0.000	2,863.271	0.000	0.000
Other equity investments in non-financial allied undertakings and non-allied undertakings	1.933	1.933	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 goodw ill, if any (for both solo and consolidated bases)	0.000	0.116	0.116	0.000	0.116	0.116
A.3 TOTAL COMMON EQUITY TIER 1 CAPITAL (A.1 minus A.2)	79,649.319	74,293.784	71,507.504	51,670.329	46,447.857	44,851.137
A.4 Additional Tier 1 (AT1)	0.000	0.000	0.000	0.000	0.000	0.000
A.5 Regulatory Adjustments to Additional Tier 1 (AT1) Capital	0.000	0.000	0.000	0.000	0.000	0.000
A.6 TOTAL ADDITIONAL TIER 1 CAPITAL (A.4 minus A.5)	0.000	0.000	0.000	0.000	0.000	0.000
A.7 TOTAL TIER 1 CAPITAL (Sum of A.3 and A.6)	79,649.319	74,293.784	71,507.504	51,670.329	46,447.857	44,851.137
B. Tier 2 (T2) Capital						
B.1 Tier 2 (T2) Capital	4,308.027	13,763.244	13,040.320	3,866.446	13,417.009	12,833.101
Instruments issued by the bank that are eligible as Tier 2 capital (**Unsecured Subordinated Debt - Eligible until 31 December 2015 as per BSP Memorandum No. M2013-008 dated 05 March 2013)**	0.000	9,986.427	9,970.136	0.000	9,986.427	9,969.498
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-w eighted assets computed per Part III, Item B.)	4,016.302	3,485.092	2,778.459	3,574.721	3,138.857	2,571.878
B.2 Regulatory Adjustments to Tier 2 capital	0.000	0.000	0.000	0.000	0.000	0.000
B.3 TOTAL TIER 2 CAPITAL	4,308.027	13,763.244	13,040.320	3,866.446	13,417.009	12,833.101
TOTAL QUALIFYING CAPITAL	**83,957.346**	**88,057.028**	**84,547.824**	**55,536.775**	**59,864.866**	**57,684.238**
The risk-weighted assets of the Group and Parent Company as of Year Ending 2016, 2015, and 2014 are as follows:						
Risk-weighted on Balance sheet assets:	446,101.620	405,219.194	359,881.507	397,730.498	366,857.832	329,029.139
20%	13,482.401	7,358.947	3,948.319	11,676.125	6,677.082	3,845.662
50%	24,819.389	16,841.447	15,558.027	22,328.759	15,459.492	13,799.102
75%	18,761.908	16,119.608	14,282.083	18,039.059	14,063.362	13,705.209
100%	371,161.410	345,521.954	297,726.532	330,044.869	312,532.594	270,610.938
150%	17,876.512	19,377.239	28,366.547	15,641.686	18,125.303	27,068.228
Off-Balance sheet assets:	13,052.998	7,669.446	5,914.306	12,953.775	7,554.533	5,750.879
20%	0.000	127.791	64.024	0.000	127.791	64.024
50%	31.543	4,577.949	1,671.841	31.543	4,577.949	1,671.841
75%	173.496	344.806	442.532	173.496	344.807	442.532
100%	12,847.959	2,618.900	3,735.909	12,748.736	2,503.986	3,572.482
150%	0.000	0.000	0.000	0.000	0.000	0.000
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-	1,622.161	1,304.542	1,497.381	1,622.161	1,304.541	1,497.381
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	498.213	499.469	275.678	471.136	471.965	254.248
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	0.000	0.000	0.000	0.000	0.000	0.000
Total Risk-Weighted Securitization Exposures	0.000	0.000	0.000	0.000	0.000	0.000
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	0.000	0.000	0.000	0.000	0.000	0.000
Total Credit Risk Weighted Assets	461,274.992	414,692.651	367,568.872	412,777.570	376,188.871	336,531.647
Market Risk Weighted Assets	2,752.606	3,428.025	4,532.456	2,703.429	3,067.984	4,233.579
Operational Risk-Weighted Assets	40,073.477	39,541.943	38,234.751	35,831.511	35,791.717	34,261.055
Total Risk Weighted Assets	504,101.075	457,662.619	410,336.079	451,312.510	415,048.571	375,026.281
Capital Ratios						
Common Equity Tier 1 Ratio	**15.80%**	**16.23%**	**17.43%**	**11.45%**	**11.19%**	**11.96%**
Capital Conservation Buffer	**9.80%**	**10.23%**	**11.43%**	**5.45%**	**5.19%**	**5.96%**
Tier 1 Capital Ratio	**15.80%**	**16.23%**	**17.43%**	**11.45%**	**11.19%**	**11.96%**
Total Capital Adequacy Ratio	**16.65%**	**19.24%**	**20.60%**	**12.31%**	**14.42%**	**15.38%**

- Asset Quality

  The Group's non-performing loans (gross of allowance for impairment losses) decreased to ₱8.8 billion as of December 31, 2016 compared to ₱9.0 billion as of December 31, 2015. NPL ratios of the Bank based on BSP guidelines, net of valuation reserves is better than industry average at 0.18% as at December 31, 2016, compared to 0.25% at end of 2015. Gross NPL ratio is at 2.31% at end of 2016 and 2.61% at end of 2015.

- Profitability

	Year Ended	
	12/31/16	12/31/15
Return on equity (ROE)[1/]	6.8%	6.4%
Return on assets(ROA)[2/]	1.0%	1.0%
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 December 31, 2016 was 31.8% compared to 30.6% as of December 31, 2015. Ratio of current assets to current liabilities was at 60.2% as of 31 December 2016 compared to 64.1% as of December 31, 2015.

- Cost Efficiency

  The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 63.8% for the year ended December 2016 compared to 69.3% 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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Circumferential Road, Brgy. Dalig, Antipolo, Rizal
Tel. Nos. 697-0060 / 697-0041
Fax No. 697-4440

ANTIPOLO-MASINAG
Silicon Valley Bldg., 169 Sumulong Highway Mayamot, Antipolo City
Tel. Nos. 682-3012 / 681-5846

ANTIPOLO-P. OLIVEROS
89 P. Oliveros St., Kapitoloyo Arcade, San Roque, Antipolo City, Rizal
Tel. Nos. 697-2015 / 697-2018

ANTIPOLO-SUMULONG-MASINAG
F. N. Crisostomo Bldg. 2, Sumulong Highway, Mayamot, Antipolo City, Rizal
Tel. Nos. 682-3461 / 682-3463
Fax No. 645-0886

BGC-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

BGC-INFINITY
G/F, 101 The Infinity Tower, 26th Street, Fort Bonifacio, Taguig City
Tel. Nos. 553-9709 / 553-9711

BGC-LUXE RESIDENCES
Shop 2, The Luxe Residences, 28th St., corner 4th Ave., Bonifacio Global City, Taguig
Tel. Nos. 808-0721 / 808-1454

BGC-MCKINLEY HILL
G/F, Unit B, Mc Kinley Hill 810 Bldg. Upper McKinley Road, McKinley Town Center, Fort Bonifacio Taguig City
Tel. Nos. 552-1515 / 555-0651

BINONDO-MASANGKAY
916 G. Masangkay St., Binondo, Manila
Tel. Nos. 244-8748 / 242-8243
Fax No. 244-8737

BINONDO-NUEVA
Lot 17-18, Blk. 2037, Yuchengco (formerly Nueva) St. & Tomas Pinpin St., Binondo, Manila
Tel. Nos. 242-8451 / 242-8452

BINONDO-PLAZA DEL CONDE
G/F, San Fernando Towers, Plaza del Conde St., Binondo, Manila
Tel. Nos. 243-6576 / 243-6581
Fax No. 243-6580

BINONDO-QUINTIN PAREDES
Alliance Bldg., 410 Quintin Paredes St. Binondo, Manila
Tel. Nos. 241-2384 / 241-2284 241-2277 / 241-2356
Fax No. 241-2285

BINONDO-REINA REGENTE
1067 Don Felipe St., (near corner Reina Regente), Binondo, Manila
Tel. Nos. 243-8478 / 242-9493

BINONDO-SAN FERNANDO
452 San Fernando St. cor. Elcano St., Binondo, Manila
Tel. Nos. 244-8950 / 242-8450 242-8449

BINONDO-SAN NICOLAS
534 Gedisco Towers, Asuncion St., San Nicolas, Manila
Tel. Nos. 243-3329 / 244-8963 244-8964

CAINTA-FELIX AVE.-SAN ISIDRO
F. P. Felix Avenue, Brgy. San Isidro, Cainta, Rizal 1900
Tel. Nos. 645-7361 / 645-7341 645-6026

CAINTA-ORTIGAS AVE. EXT.
Paramount Plaza, Km. 17, Ortigas Ave. Ext., Brgy. Sto. Domingo, Cainta, Rizal
Tel. Nos. 535-0802 / 535-0794
TELEFAX 535-0796

CAINTA-SAN ISIDRO
RRCG Transport Bldg., Km. 18 Ortigas Avenue Extension, Brgy. San Isidro, Cainta, Rizal
Tel. Nos. 470-8642 / 997-8103

CAINTA-VILLAGE EAST
G/F, Arellano Bldg., Felix Ave. cor. Village East Ave., Cainta, Rizal
Tel. Nos. 656-8639 / 656-8633
Fax No. 656-8581

CALOOCAN-A. MABINI
451 A. Mabini corner J. Rodriguez St., Caloocan City
Tel. Nos. 288-6486 / 288-6729

CALOOCAN-EDSA BALINTAWAK
337-339 EDSA corner, Don Vicente Ang St., Caloocan City
Tel. Nos. 366-9407 / 364-2646

CALOOCAN-GRACE PARK-3RD AVE.
126 Rizal Avenue Ext., Between 2nd and 3rd Avenue, Grace Park, Caloocan City
Tel. Nos. 990-3449 / 990-7977

CALOOCAN-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

CALOOCAN-GRACE PARK-10TH AVE.
354 A-C 10th Ave., Grace Park, Caloocan City
Tel. Nos. 365-8578 / 365-6173

CALOOCAN-MC ARTHUR HIGHWAY
G/F, The Grandz Commercial Bldg., Calle Cuatro, Mc Arthur Highway, Caloocan City
Tel. Nos. 366-5988 / 366-8413
Fax No. 366-5989

CALOOCAN-MONUMENTO
419 D&I Bldg., EDSA, Caloocan City
Tel. Nos. 361-6448 / 364-0906

CALOOCAN-RIZAL AVE. EXT.
1716 Rizal Ave. Ext. corner L. Bustamante St., Caloocan City
Tel. Nos. 361-0287 / 366-8416 366-8414
Fax No. 361-0286

CALOOCAN-SAMSON ROAD
149 Samson Road corner P. Bonifacio St., Caloocan City
Tel. No. 367-6659
Fax No. 367-7136

CALOOCAN-SANGANDAAN
Gen. San Miguel St., Brgy. 4, Zone 1, Sangandaan, Dist. II, Caloocan City
Tel. Nos. 288-2450 / 288-2446

DIVISORIA-168 MALL
Stall 3S-04, 168 Shopping Mall, Sta. Elena, Soler Sts., Binondo, Manila
Tel. No. 254-5279 254-7479

DIVISORIA-ELCANO
706-708 Elcano St., Binondo, Manila
Tel. Nos. 243-5852 / 243-5853

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

DIVISORIA-STO. CRISTO-C.M. RECTO
869 Sto. Cristo St., Binondo, Manila
Tel. Nos. 242-6319 / 242-8135 247-4470

GREENHILLS-CLUB FILIPINO DRIVE
G/F, One Kennedy Place, Club Filipino Drive Greenhills, San Juan City
Tel. Nos. 725-4341 / 725-5929 725-5084

GREENHILLS-ORTIGAS AVE.
G/F, Limketkai Bldg., Ortigas Ave., Greenhills, San Juan
Tel. Nos. 723-0907 / 723-5291 723-7801/ 726-7574 726-8995
Fax No. 725-5702

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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

LAS PIÑAS-AGUILAR AVENUE
G/F, Las Piñas Doctors' Hospital, Aguilar Ave., Citadella Subd., Las Piñas City
Tel. Nos. 826-9716 / 826-9734 826-9706

LAS PIÑAS-ALABANG
Don Mariano Lim Industrial Compound, Alabang Zapote Rd. cor. Concha Cruz Rd., Las Piñas
Tel. No. 772-2709
Fax No. 772-2706

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

LAS PIÑAS-ALMANZA UNO
Hernz Arcade, Alabang-Zapote Road, Almanza, Las Piñas City 1750
Tel. Nos. 800-0597 / 806-6905

LAS PIÑAS-CITY HALL
#19 Alabang Zapote Road, Pamplona II, Las Piñas City
Tel. Nos. 871-1745 / 871-3149

LAS PIÑAS-NAGA ROAD
Lot 2A, Naga Road corner DBP Extension, Pulang Lupa Dos, Las Piñas City
Tel. Nos. 804-1021 / 804-1022

LAS PIÑAS-PAMPLONA
267 Alabang Zapote Road, Pamplona Tres, Las Piñas City
Tel. Nos. 847-9373 / 847-9010

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Fax No. 871-4105

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G/F, 112 All Seasons Building, Aguirre St., Legaspi Village, Makati City
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MAKATI-ALLIED BANK 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-AMORSOLO
114 Don Pablo Building, Amorsolo St., Legaspi Village, Makati City
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Fax No. 893-0358

MAKATI-AYALA AVE.
G/F, VGP Center, 6772 Ayala Avenue, Makati City
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MAKATI-BANGKAL
G/F, E. P. Hernandez Bldg., 1646 Evangelista St., Bangkal, Makati City
Tel. Nos. 889-0395 / 889-0396 889-0389

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Tel. Nos. 519-8042 / 519-8276

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MAKATI-BUENDIA-DIAN
56 Gil Puyat Ave., Buendia, Makati City
Tel. Nos. 845-1540 / 845-1541
Fax No. 845-1542

MAKATI-BUENDIA-EDISON
Visard Bldg, #19 Sen. Gil Puyat Ave. Makati City
Tel. Nos. 843-5889 / 844-9958 844-9956

MAKATI-BUENDIA-PETRON MEGA PLAZA
G/F, Petron Mega Plaza Bldg., 358 Sen. Gil Puyat Avenue, Makati City
Tel. Nos. 886-3379 / 886-3377 886-3383

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Tel. Nos. 822-7994 / 822-7996 822-7975

MAKATI-CHINO ROCES AVE. EXT.
GA Building, 2303 Don Chino Roces Ave. Ext., Makati City
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Fax No. 840-3796

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2284 Allegro Center, Chino Roces Avenue Extension, Makati City
Tel. Nos. 897-0980 / 897-0982

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G/F, Classica Tower Condominium, 114 HV Dela Costa St., Salcedo Village, Makati City
Tel. Nos. 887-0029 / 887-0023
Fax No. 887-0024

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G/F, 114 Charter House Building, Legaspi St., Legaspi Village, Makati City
Tel. Nos. 892-6094 / 892-6341
Fax No. 892-6092

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Pacmac Bldg., 23 EDSA Guadalupe, Makati City
Tel. Nos. 882-4636 / 882-1904

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VMC Bldg. Legaspi and Sotto Sts., Legaspi Village, Makati City
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G/F, LPL Mansions Condominium, 122 L.P. Leviste St., Salcedo Village, Makati City 1227
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MAKATI-METROPOLITAN AVENUE
G/F,1012 BUMA Bldg., Metropolitan Avenue, San Antonio Village, Makati City
Tel. Nos. 897-3910 / 897-5815
Fax No. 897-4408

MAKATI-PASONG TAMO
2233 Chino Roces Avenue, Makati City
Tel. Nos. 813-4013 / 813-4012
Fax No. 893-9206

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Corner Angono & Cardona Streets, 1210 J.P. Rizal St., Makati City
Tel. No. 899-1430 / 896-4592
Fax No. 897-9932

MAKATI-ROCKWELL CENTER
Stall No. RS-03, G/F Manansala Tower Estrella St. cor. Joya Drive, Rockwell Center, Makati City
Tel. Nos. 5512001 / 5518978

MAKATI-SALCEDO ST.-LEGASPI VILLAGE
First Life Center, 174 Salcedo St., Legaspi Village, Makati City
Tel. No. 893-7841 / 893-6783

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Fax No. 887-7772

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157 Gov. Pascual Avenue, Acacia, Malabon City
Tel. No. 288-5106
Fax No. 288-5105

MALABON-POTRERO
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Tel. Nos. 291-2742 / 444-6263 447-4291

MALABON-RIZAL AVE.
701 Rizal Avenue Ext., corner Magsaysay St., Malabon City
Tel. Nos. 281-5859/ 281-3230
Fax No. 281-3338

MANDALUYONG SHAW-ACACIA LANE
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Fax No. 532-4225

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Tel. Nos. 661-9466 / 570-3134

MANDALUYONG SHAW-STARMALL
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Fax No. 726-7351

MANDALUYONG-BONI AVENUE
654 Boni Ave., Mandaluyong City
Tel. Nos. 531-4833 / 531-8930 532-4022

MANDALUYONG-HIGHWAY HILLS
471 Shaw Blvd., Mandaluyong City
Tel. Nos. 534-8020 / 533-4243

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G/F, B. Guerrero Complex, 123 Pioneer St., Mandaluyong City
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MANDALUYONG-WACK-WACK
G/F, Summit One Tower, 530 Shaw Blvd., Mandaluyong City
Tel. Nos. 533-7093 / 533-1808
Fax No. 717-0898

MANILA-ADRIATICO-HARRISON PLAZA
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MANILA-ARRANQUE
1427 Citiriser Building, Soler St., Sta. Cruz, Manila
Tel. Nos. 733-2671 / 733-2691 733-2677

MANILA-BALIC-BALIC
AGB Bldg., 1816 G. Tuason, cor. Prudencio Sts., Balic-Balic, Sampaloc, Manila
Tel. Nos. 781-3010 / 781-3011

MANILA-BAMBANG-MASANGKAY
G/F, ST Condominium, 1480 G. Masangkay St., Sta. Cruz, Manila
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Fax No. 254-2503

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Citidorm Blumentritt, 1848 Blumentritt corner Leonor Rivera Sts., Sta. Cruz, Manila
Tel. Nos. 732-7150 / 732-7156

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G/F, Cafetorium Building, BSP Complex, A. Mabini cor. P. Ocampo Sts., Malate, Manila
Tel. Nos. 708-7680 / 708-7682 521-5583

MANILA-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

MANILA-CENTURY PARK HOTEL
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

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1710 Dapitan St. near cor.
M. dela Fuente St., Sampaloc, Manila
Tel. Nos. 741-7672 / 741-9829
Fax No. 731-5925

MANILA-EARNSHAW
1357 Earnshaw cor. Jhocson Sts.,
Sampaloc, Manila
Tel. No. 742-7971
Fax No. 742-7975

MANILA-ERMITA-ROXAS BLVD.
Roxas Blvd. cor. Arquiza St.,
Ermita, Manila
Tel. Nos. 254-7631 / 254-7630
254-7632 / 254-7634
Fax No. 254-7635

MANILA-ERMITA U.N. AVE.
Physician's Tower, 533 U.N. Avenue
cor. San Carlos Sts., Ermita, Manila
Tel. Nos. 525-0859 / 524-7851
Fax No. 525-0857

MANILA-ESCOLTA
G/F, Regina Bldg., Escolta, Manila
Tel. Nos. 241-4279 / 242-8358
241-4239

MANILA-ESPAÑA
Unit 104, St. Thomas Square,
1150 España Blvd., cor Padre
Campa St., Sampaloc East, Manila
Tel. Nos. 735-6590 / 735-6592
735-6593

MANILA-FLORENTINO TORRES
740 Florentino Torres St.,
Sta. Cruz, Manila 1003
Tel. Nos. 734-2462 / 733-6682

MANILA-FUGOSO ST.
JT Centrale, No. 1686, Brgy. 311,
Zone 31, V. Fugoso cor.
Felix Huertas Sts., Sta. Cruz, Manila
Tel. Nos. 733-7544 / 733-1693
Fax No. 733-4853

MANILA-INTRAMUROS-CATHEDRAL
707 Shipping Center Condominium,
A. Soriano Jr. St., Intramuros, Manila
Tel. Nos. 527-5994 / 527-5694
Fax No. 527-5693

MANILA-INTRAMUROS-FORT SANTIAGO
G/F, Marine Technology Bldg.,
Cor. A Soriano Ave. & Arzobispo Sts.,
Intramuros, Manila
Tel. Nos. 527-7385 / 527-1255
527-7380

MANILA-J. ABAD SANTOS-BAMBANG
Unit B, Dynasty Towers, J. Abad
Santos corner Bambang Sts., Manila
Tel. Nos. 255-2237 / 255-2238
253-5606

MANILA-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

MANILA-JOSE ABAD SANTOS
1450-1452 Coyuco Bldg.,
Jose Abad Santos, Tondo, Manila
Tel. Nos. 256-8905 / 256-9893

MANILA-LEON GUINTO
G/F Marlow Bldg.,
2120 Leon Guinto St., Malate Manila
Tel. Nos. 559-8956 / 559-8955
567-4548

MANILA-LUNETA-T.M. KALAW
National Historical Institute (NHI)
Compound., T.M. Kalaw St.,
Ermita, Manila
Tel. Nos. 524-8926 / 524-2774
Fax No. 524-2879

MANILA-MACEDA-LAON LAAN
G/F, Maceda Place Bldg., Laong-Laan
cor. Maceda St., Sampaloc, Manila
Tel. Nos. 732-9617 / 749-0038
743-1355

MANILA-MALATE-ADRIATICO
G/F, Pearl Garden Hotel,
1700 M. Adriatico cor. Malvar Sts.,
Malate, Manila
Tel. Nos. 526-0382 / 521-0861
Fax No. 525-1460

MANILA-MALATE-TAFT
Mark 1 Building, 1971 Taft Avenue,
Malate , Manila 1004
Tel. Nos. 354-0710 / 354-4447

MANILA-MORAYTA
929 Consuelo Building,
Nicanor Reyes St., Sampaloc, Manila
Tel. Nos. 735-1227 / 733-3511
Fax No. 735-4572

MANILA-NORTHBAY
511 Honorio Lopez Blvd.,
Balut, Tondo, Manila
Tel. Nos. 253-8471 / 251-9212
Fax No. 251-7309

MANILA-ONGPIN
Prestige Tower, 919 Ongpin St.,
Sta Cruz, Manila
Tel. Nos. 733-7198 / 733-7931
Fax No. 733-7204

MANILA-PACO-PEDRO GIL
756 Pedro Gil cor. Pasaje-Rosario Sts.,
Paco, Manila
Tel. Nos. 525-5641 / 525-7820
Fax No. 523-1514

MANILA-PADRE FAURA
PAL Learning Center Bldg.,
540 Padre Faura cor. Adriatico Sts.,
Ermita, Manila
Tel. No. 526-4461
Fax No. 526-4458

MANILA-PADRE RADA
647 RCS Bldg., Padre Rada St.,
Tondo, Manila
Tel. Nos. 245-0050 / 245-0243
Fax No. 245-0309

MANILA-PANDACAN
Jesus Street, cor. T. San Luis,
Pandacan, Manila
Tel. Nos. 564-0217 / 564-0870
563-1031

MANILA-PGH
PGH Compound, Taft Avenue,
Ermita, Manila
Tel. Nos. 524-3565 / 523-9110
524-3558

MANILA-PORT AREA
G/F Bureau of Customs Compound,
South Harbor, Port Area, Manila
Tel. Nos. 527-0259 / 527-4432
527-4433

MANILA-QUIAPO-C. PALANCA
201 C. Palanca corner Quezon Blvd.,
Quiapo, Manila
Tel. Nos. 733-1730 / 733-1960
Fax No. 733-1821

MANILA-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

MANILA-RIZAL AVE.-HERRERA
Rizal Avenue corner Saturnino
Herrera St., Sta. Cruz, Manila
Tel. Nos. 254-2519 / 254-2520

MANILA-RIZAL AVE.-LAGUNA
2229-2231 Rizal Avenue,
Sta. Cruz, Manila
Tel. Nos. 257-1053 / 257-1054

MANILA-SAN ANDRES
1155 Swanson Building,
cor. Linao Street, San Andres, Manila
Tel. Nos. 524-6632 / 525-6673
Fax No. 522-2057

MANILA-T. ALONZO
905 T. Alonzo cor. Ongpin Sts.,
Sta. Cruz, Manila
Tel. Nos. 733-9572 / 733-9571
Fax No. 734-3239

MANILA-TAFT AVE.-ONE ARCHERS
G/F, One Archers' Place
Condominium, 2311 Taft Avenue,
Malate, Manila
Tel. No. 708-0147
Fax No. 708-2203

MANILA-TONDO-PRITIL
1941-1943 Juan Luna St.,
Tondo, Manila
Tel. Nos. 253-5324 / 253-7107
251-8986

MANILA-TONDO-TAYUMAN
MTSC Bldg., Juan Luna cor.
Capulong Ext., Tondo, Manila 1012
Tel. Nos. 252-9639 / 252-9669

MANILA-TUTUBAN MALL
LS 31 Podium Level, Tutuban Prime
Block Mall, Tutuban Center,
CM Recto, Manila
Tel. Nos. 253-5324 / 253-7107
251-8986

MANILA-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

MANILA-U.N. AVENUE
G/F UMC Bldg.,
900 U.N. Avenue, Ermita, Manila
Tel. Nos. 521-4826 / 524-6723
521-7637

MANILA-VITO CRUZ
550 Pablo Ocampo cor. Mabini Sts.
Malate, Manila
Tel. Nos. 708-9350 / 708-9360

MARIKINA-A. TUAZON
Gil Fernando Ave. cor. Chestnut St.,
Brgy. San Roque, Marikina City
Tel. Nos. 646-4957 / 646-1805
TELEFAX 646-7302

MARIKINA-CALUMPANG
G/F RBI Center Building,
Calderon St. cor. J.P. Rizal St.
Brgy. Calumpang, Marikina City
Tel. No. 218-9064

MARIKINA-CONCEPCION
Bayan-Bayanan Ave. cor. Eustaquio
St., Concepcion, Marikina City
Tel. Nos. 942-0425 / 942-2842
Fax No. 341-3293

MARIKINA-SHOE AVE.
Shoe Ave. corner W. Paz St.,
Sta. Elena, Marikina City 1800
Tel. Nos. 681-0701 / 681-0702
681-0699

MUNTINLUPA-ALABANG-MADRIGAL BUSINESS PARK
G/F, Page 1 Building, 1215 Acacia
Avenue, Madrigal Business Park,
Ayala Alabang, Muntinlupa
Tel. Nos. 807-6065 / 842-3550

MUNTINLUPA-BAYANAN
Allied Bank Building, National Road,
Bayanan, Muntinlupa City
Tel. Nos. 862-0430 / 862-0431
862-0432

MUNTINLUPA-BELLEVUE-FILINVEST
G/F, Bellevue Hotel, North Bridgeway,
Northgate Cyberzone,
Filinvest Corporate City, Alabang,
Muntinlupa City
Tel. Nos. 771-2421 / 771-2427
771-2429

MUNTINLUPA-EAST SERVICE ROAD
Uratex Bldg., Km. 23, East Service
Road, Brgy. Cupang, Muntinlupa City
Tel. Nos. 403-2598 / 823-6635

MUNTINLUPA-FILINVEST AVENUE
BC Group Center, Filinvest Avenue &
East Asia Drive, Filinvest Corporate
City, Muntinlupa City
Tel. Nos. 836-7768 / 836-8048
836-8578

MUNTINLUPA-POBLACION
G/F, Arbar Building, National Highway,
Poblacion, Muntinlupa City
Tel. Nos. 861-2988 / 861-2990

MUNTINLUPA-STARMALL ALABANG
Upper Ground Level, Starmall
Alabang, South Superhighway,
Alabang, Muntinlupa City, 1770
Tel. Nos. 828-5023 / 555-0668

NAIA 1-ARRIVAL AREA
Arrival Area Lobby,
NAIA Complex, Pasay City
Tel. Nos. 879-6040 / 831-2640

NAIA 1-DEPARTURE AREA
Departure Area, NAIA Terminal Bldg.,
Imelda Ave., Parañaque,
Metro Manila
Tel. No. 832-2660
Fax No. 832-2606

NAIA 2-DEPARTURE AREA
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
Arrival Area Lobby, NAIA Terminal 3
Complex, Pasay City
Tel. Nos. 8777-888
(MIAA Trunk line)
loc. 8272 / 785-6018
(direct line)

NAVOTAS-FISH PORT
Bulungan cor Daungan Ave.,
Navotas Fish Port Complex, North Bay
Boulevard South, Navotas City
Tel. Nos. 351-4650 / 351-4649

NAVOTAS-M. NAVAL
865 M. Naval St.,
Navotas City, Metro Manila
Tel. Nos. 281-8934 / 281-9001
Fax No. 282-4021

PARAÑAQUE-BETTER LIVING
50 ABC Bldg., Doña Soledad Ave.,
Better Living Subd., Parañaque City
Tel. Nos. 824-3472 / 822-6086
Fax No. 822-6084

PARAÑAQUE-BF HOMES-AGUIRRE AVENUE
47 Aguirre Ave. corner Tirona St.,
BF Homes, Parañaque City 1718
Tel. Nos. 478-8878 / 808-1145

PARAÑAQUE-BF HOMES-PHASE 3
CFB Building, 322 Aguirre Avenue,
BF Homes, Parañaque
Tel. Nos. 808-6408 / 808-6563
Fax No. 856-4021

PARAÑAQUE-BF HOMES-PRES. AVENUE
43-C President Avenue,
BF Homes, Parañaque City
Tel. Nos. 807-3540 / 809-2523
Fax No. 809-2524

PARAÑAQUE-BICUTAN-DOÑA SOLEDAD
VCD Building, 89 Doña Soledad
Avenue, Betterliving Subdivision,
Bicutan, Parañaque City
Tel. No. 824-4955
Fax No. 824-4953

PARAÑAQUE-BICUTAN-WEST SERVICE ROAD
Km. 16, West Service Road,
South Super Highway,
Bicutan, Parañaque City
Tel. Nos. 403-9198 / 511-7193
511-1890

PARAÑAQUE-EAST SERVICE ROAD
Iba corner Malugay Sts.,
East Service Road,
Brgy. San Martin de Porres,
United Parañaque, Metro Manila
Tel. Nos. 551-0508 / 824-3891
Fax No. 821-3087

PARAÑAQUE-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

PARAÑAQUE-SUCAT-A. SANTOS
G/F, Kingsland Bldg.,
Dr. A. Santos Avenue,
Sucat, Parañaque
Tel. Nos. 826-1931 / 826-1921

PARAÑAQUE-SUCAT-EVACOM
G/F, AC Raftel Center,
8193 Dr. A. Santos Ave.,
Sucat Road, Paranaque City
Tel. Nos. 820-0180 / 820-0181

PASAY-BACLARAN
2976 Mexico Avenue, Pasay City
Tel. Nos. 832-0394 / 831-5264
Fax No. 832-0391

PASAY-CARTIMAR
SATA Corp. Bldg.,
2217 Cartimar-Taft Avenue,
Pasay City
Tel. Nos. 834-0765 / 833-2268

PASAY-DOMESTIC AIRPORT RD.
G/F, PAL Data Center Bldg.,
Domestic Airport Road, Pasay City
Tel. Nos. 805-1423 / 851-4377
Fax No. 851-4375

PASAY-EDSA
765 EDSA, Malibay, Pasay City
Tel. Nos. 889-0952 / 889-0955
Fax No. 889-0963

PASAY-EDSA EXTENSION
235-A Loring St., Pasay City
Tel. Nos. 659-5586 / 551-2728
Fax No. 833-8620

PASAY-GSIS
Level 1 GSIS Bldg., Financial Center,
Roxas Blvd., Pasay City
Tel. No. 891-6345

PASAY-LIBERTAD
277 P. Villanueva St.,
Libertad, Pasay City
Tel. Nos. 551-2370 / 833-2415
Fax No. 551-2369

PASAY-ROXAS BLVD.
Suite 101, CTC Building,
2232 Roxas Boulevard, Pasay City
Tel. Nos. 832-3901 / 832-3902
551-0238

PASAY-TAFT
2482 Taft Avenue, Pasay City
Tel. Nos. 833-2413 / 833-2414
Fax No. 831-5986

PASAY-VILLAMOR AIR BASE
G/F Airmens Mall Bldg.,
cor. Andrews & Sales Sts.,
Villamor Air Base, Pasay City
Tel. Nos. 854-0055 / 854-1675

PASIG-C. RAYMUNDO
G/F, JG Bldg., C. Raymundo Ave.,
Maybunga, Pasig City
Tel. Nos. 656-9199
TELEFAX 656-9570

PASIG-JULIA VARGAS
Lot 5, Block 13-A, Julia Vargas and
Jade Drive, Brgy. San Antonio,
Ortigas Center, Pasig City
Tel. Nos. 547-4506

PASIG-KAPASIGAN
Emiliano A. Santos Bldg., A. Mabini
cor. Dr. Sixto Antonio Ave., Pasig City
Tel. No. 643-6225

PASIG-KAPITOLYO
G/F, Westar Bldg., 611 Shaw Blvd.,
Pasig City 1600
Tel. No. 636-7465

PASIG-ORTIGAS CENTER
G/F, JMT Bldg., ADB Avenue,
Ortigas Center, Pasig City
Tel. Nos. 635-3719 / 633-8189

PASIG-ORTIGAS EXT.
103 B. Gan Building, Ortigas Ave. Ext.,
Rosario, Pasig City
Tel. Nos. 641-0704 / 641-0706
6410705

PASIG-ORTIGAS GARNET
Unit 104, Taipan Place Building,
Emerald Ave., Ortigas Center,
Pasig City
Tel. Nos. 637-5851 / 637-9061
Fax No. 637-5852

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. 3, Frontrera Verde Drive,
Ortigas Center, Pasig City
Tel. Nos. 656-1235 / 656-9126

Q.C.-A. BONIFACIO
789 A. Bonifacio Ave.,
Brgy. Pag-Ibig sa Nayon,
Balintrawak, Quezon City
Tel. No. 415-6002
Fax No. 363-6052

Q.C.-ACROPOLIS
251 TriQuetra Bldg.,
E. Rodriguez Jr. Ave.,
Brgy. Bagumbayan, Quezon City
Tel. Nos. 395-5118 / 421-0405
421-0425
Fax No. 395-5117

Q.C.-ALI MALL
Alimall II Bldg., Gen. Romulo Ave.
cor. P. Tuazon Blvd., Cubao,
Quezon City
Tel. Nos. 912-1655 / 912-6655

Q.C.-BANAWE
210 Banawe Street, Brgy. Tatalon,
Quezon City
Tel. Nos. 712-9630 / 743-9164
743-3678
Fax No. 712-9502

Q.C.-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

Q.C.-BATASANG PAMBANSA
Main Entrance, Batasan Pambansa
Complex, Constitutional Hills,
Quezon City
Tel. Nos. 951-7590 / 951-7591

Q.C.-BSP
Bangko Sentral ng Pilipinas,
Security Plant Complex, East Avenue,
Diliman, Quezon City
Tel. No. 926-4881

BRANCHES AND OFFICES

Q.C.-COA
COA Building, Commonwealth
Avenue, Quezon City
Tel. Nos. 932-9027 / 932-9026

Q.C.-COMMONWEALTH AVENUE
G/F, KC Square Bldg.,
529 Commonwealth Avenue.,
Quezon City
Tel. Nos. 932-1891 / 951-4893

Q.C.-CUBAO MAIN
cor. Gen. Araneta St. & Aurora Blvd.,
Cubao, Quezon City
Tel. Nos. 911-2916 / 912-1938

Q.C.-CUBAO-HARVARD
SRMC Bldg., 901 Aurora Blvd.,
cor. Harvard & Stanford Sts.,
Cubao, Quezon City
Tel. Nos. 912-2577 / 913-1068
912-3070 / 912-2571
Fax No. 913-4503

Q.C.-DEL MONTE
116 Del Monte Ave.
cor. D. Tuazon St., Brgy. Maharlika,
Quezon City
Tel. Nos. 742-3360 / 742-3361
742-3364

Q.C.-DEL MONTE-FRISCO
972 Del Monte Ave.,
corner San Pedro Bautista St.,
SFDM, Quezon City
Tel. Nos. 372-5784 / 372-5786
Fax No. 372-5785

Q.C.-DELTA
101-N dela Merced Bldg.,
West Avenue corner Quezon
Avenue, Quezon City
Tel. Nos. 372-1539 / 372-1540
372-1541

Q.C.- DON ANTONIO HEIGHTS
30 G/F, Puno Foundation Bldg.,
Brgy. Holy Spirit, Quezon City
Tel. Nos. 952-2741 / 952-2740

Q.C.-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

Q.C.-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

Q.C.-E. RODRIGUEZ SR. AVE.-BANAWE
322 E. Rodriguez Sr. Ave.,
New Manila, Quezon City
Tel. Nos. 740-7875 to 76
740-5259

Q.C.-EASTWOOD
MDC 100 Building, Mezzanine Level,
Unit M3, E. Rodriguez, Jr. Ave.,
corner Eastwood Ave.,
Brgy. Bagumbayan, Libis, Q.C 11
Tel. Nos. 961-0514 / 961-0309

Q.C.-EDSA ROOSEVELT
1024 Global Trade Center Bldg.,
EDSA, Quezon City
Tel. Nos. 332-3014 / 332-3067
332-4446

Q.C.-EDSA-ETON CENTRIS
G/F One Cyberpod Centris,
EDSA Eton Centris, cor. EDSA &
Quezon Ave., Quezon City
Tel. Nos. 332-5368 / 332-6258
332-6665

Q.C.-ELLIPTICAL ROAD
Elliptical Road cor. Kalayaan Avenue,
Diliman, Quezon City
Tel. Nos. 920-3353 / 924-2660
924-2663

Q.C.-ETON-CORINTHIAN
Unit 78 E-Life, Eton Cyberpod
Corinthian, EDSA cor. Ortigas Ave.,
Brgy. Ugong Norte, Quezon City
Tel. Nos. 470-6264

Q.C.-EVER GOTESCO
Lower G/F, Stall No. 20, Ever Gotesco
Commonwealth, Quezon City
Tel. Nos. 932-6633 / 951-7342

Q.C.-FAIRVIEW-COMMONWEALTH
70 Commonwealth Ave., Fairview
Park Subd., Fairview, Quezon City
Tel. No. 938-7099
Fax No. 938-7098

Q.C.-FAIRVIEW-REGALADO AVE.
No. 41, Regalado Ave.,
West Fairview, Quezon City
Tel. Nos. 939-8003 / 938-7429
431-2955

Q.C.-FRISCO
Unit E/F, MCY Bldg.,
#136 Roosevelt Ave.,
SFDM, Quezon City
Tel. Nos. 373-6604 / 373-6605

Q.C.-GALAS
20 A. Bayani St., corner Bustamante,
Galas, Quezon City
Tel. Nos. 781-9475 / 781-9476
781-9477

Q.C.-GILMORE
Gilmore IT Center
No. 08, Gilmore Ave., cor 1st St.
New Manila, Quezon City
Tel. Nos. 722-2324 / 722-2479

Q.C.-GRACE VILLAGE
G/F, TSPS Bldg., Christian
cor. Grace Sts., Grace Village,
Quezon City
Tel. Nos. 367-8465 / 367-9325
Fax No. 367-9321

Q.C.-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

Q.C.-KAMIAS
99-101 Ground Floor, Topaz Bldg.,
Kamias Road, Quezon City
Tel. Nos. 924-8920 / 928-3659
Fax No. 928-3804

Q.C.-KAMUNING
118 Kamuning Road, Quezon City
Tel. Nos. 922-5804 / 924-8917
928-0117

Q.C.-KATIPUNAN-AURORA BLVD.
Aurora Blvd., near PSBA,
Brgy. Loyola Heights, Quezon City
Tel. Nos. 421-2331 / 421-2330
Fax No. 421-2329

Q.C.-KATIPUNAN-LOYOLA HEIGHTS
335 Agcor Bldg., Katipunan Ave.,
Loyola Heights, Quezon City
Tel. Nos. 929-8814 / 433-2021
433-2022

Q.C.-KATIPUNAN-ST. IGNATIUS
G/F, Linear Building,
142 Katipunan Road, Quezon City
Tel. Nos. 912-8077 / 912-8078

Q.C.- LAGRO
BDI Center Inc., Lot 33, Blk. 114,
Regalado Ave., Greater Lagro,
Quezon City
Tel. Nos. 930-3105 to 3106

Q.C.-LAGRO-QUIRINO
Km. 21, Lester Bldg., Quirino
Highway, Lagro, Quezon City
Tel. Nos. 419-6527 / 939-1160

Q.C.-MATALINO
21 Tempus Bldg., Matalino St.,
Diliman, Quezon City
Tel. Nos. 920-7158 / 920-7165
Fax No. 924-8919

Q.C.-MINDANAO AVE.
888 Yrreverre Square Bldg.,
Mindanao Ave., Brgy. Talipapa,
Novaliches, Quezon City
Tel. Nos. 983-0376 / 456-8582

Q.C.-MWSS
MWSS Compound, Katipunan Road,
Balara, Quezon City
Tel. Nos. 927-5443 / 922-3765
922-3764

Q.C.-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

Q.C.-NEW MANILA
322 E. Rodriguez Sr. Ave.,
New Manila, Quezon City
Tel. Nos. 727-5250 / 727-5259
724-5531 / 724-5249

Q.C.-NFA
SRA Building, Brgy. Vastra,
North Avenue, Quezon City
Tel. Nos. 928-4274 / 928-3604

Q.C.-NIA
EDSA corner NIA Road, Brgy. Piñahan,
Diliman, Quezon City
Tel. Nos. 927-2987 / 927-4391
Fax No. 928-6776

Q.C.-NOVALICHES-GULOD
903 Quirino Highway, Brgy. Gulod,
Novaliches, Quezon City
Tel. Nos. 936-1008 / 936-1547
930-6036
Fax No. 930-6037

Q.C.-NOVALICHES-TALIPAPA
513 Quirino Highway, Talipapa,
Novaliches, Quezon City
Tel. Nos. 984-6505 / 984-0024

Q.C.-NPC
Agham Road, Diliman, Quezon City
Tel. Nos. 927-8842 / 927-8829

Q.C.-P. TUAZON
279 P. Tuazon Blvd.,
Cubao, Quezon City
Tel. Nos. 913-3344 / 913-3346
913-3347
Fax No. 911-9909

Q.C-PROJECT 3-AURORA BLVD.
1003 Aurora Blvd. cor. Lauan St.,
Quirino Dist., Quezon City
Tel. No. 913-8735
Fax No. 913-5117

Q.C-PROJECT 8
Mecca Trading Bldg., Congressional
Avenue., Project 8, Quezon City
Tel. Nos. 426-2236 / 924-2563

Q.C-QUADRANGLE
Unit I, Paramount Bldg., EDSA corner
West Ave., Quezon City
Tel. Nos. 927-4134 / 928-4820
Fax No. 920-1390

Q.C-RETIRO
422 N.S. Amoranto St.,
Edificio Enriqueta Bldg.,
Sta. Mesa Heights, Quezon City
Tel. Nos. 732-9067 / 415-8020

Q.C.-ROCES AVENUE
Units 16 & 17, The Arcade at
68 Roces, Don Alejandro Roces
Avenue, Brgy. Obrero, Quezon City
Tel. Nos. 373-6021 / 373-6022
373-6024

Q.C.-ROOSEVELT AVENUE
256 Roosevelt Ave., San Francisco
del Monte, Quezon City
Tel. Nos. 374-3573 / 374-3574
374-0921/ 374-2717
Fax No. 374-3571

Q.C-SSS DILIMAN
G/F, SSS Building., East Avenue,
Diliman, Quezon City
Tel. Nos. 927-2804 / 433-1688
433-1716

Q.C-TANDANG SORA
102 cor. San Miguel Village and
Tandang Sora Ave.
Brgy. Pasong Tamo, Quezon City
Tel. Nos. 939-5094 / 454-4773

Q.C-TIMOG
G/F, Newgrange Bldg.,
32 Timog Ave., Brgy. Laging Handa
Quezon City
Tel. Nos. 373-9041 / 373-9043
373-9045

Q.C.-UERMMMC
UERMMMC, No. 64 Aurora Blvd.,
Brgy. Doña Imelda, Quezon City
Tel. Nos. 716-2419 / 714-3728
716-1964
Fax No. 714-3729

Q.C-UP CAMPUS
No. 3 Apacible St., UP Campus,
Diliman, Quezon City 1101
Tel. Nos. 927-0452 / 927-4713

Q.C.-VISAYAS AVENUE
Wilcon City Center, 121 Visayas Ave.,
Brgy. Bahay Toro, Quezon City
Tel. Nos. 926-1586 / 926-1656
Fax No. 926-1630

Q.C.-VISAYAS CONGRESSIONAL
#22 RTS Building, Congressional Ave.,
Quezon City
Tel. Nos. 426-7300 / 426-2429

Q.C.-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

Q.C.-WEST AVENUE
92 West Ave., Quezon City
Tel. Nos. 929-3185 / 921-1915

Q.C.-WEST TRIANGLE
1396 Quezon Ave., Quezon City
Tel. Nos. 373-0770 / 373-0763
373-8612 / 413-8541
413-8540
Fax No. 373-8613

Q.C-ZABARTE
1131 Quirino Highway,
Brgy. Kaligayahan,
Novaliches, Quezon City
Tel. No. 417-3314 (Bayantel)
Fax No. 461-3582

RIZAL-ANGONO
Quezon Ave. cor. E. Dela Paz St.,
Brgy. San Pedro, Angono, Rizal
Tel. Nos. 295-0431 / 295-4646
451-0720
TELEFAX 451-2548

RIZAL-MONTALBAN
E. Rodriguez Ave., corner Midtown
Subdivision, Rosario, Rodriguez, Rizal
Tel. Nos. 470-1661 / 942-7210

RIZAL-SAN MATEO
19 Gen. Luna St.,
Brgy. Banaba, San Mateo, Rizal
Tel. Nos. 570-2010 / 570-2011

RIZAL-TANAY
Tanay New Public Market Road
Brgy. Plaza Aldea, Tanay, Rizal
Tel. Nos. 654-0211 / 654-0221
693-1191

RIZAL-TAYTAY
Ilog Pugad National Road,
Brgy. San Juan, Taytay, Rizal
Tel. No. 781-8223

SAN JUAN- ANNAPOLIS
G/F, Continental Plaza, Annapolis St.,
Greenhills, San Juan
Tel. Nos. 723-5267 / 723-0902
723-0903
Fax No. 723-0904

SAN JUAN-F. BLUMENTRITT
213 F. Blumentritt St.,
cor. Lope K. Santos, San Juan City
Tel. Nos. 727-3643 / 724-6717

TAGUIG- FTI COMPLEX
Lot 55, G/F Old Admin Bldg.,
FTI Complex, Taguig City
Tel. Nos. 822-2012 / 822-2013

VALENZUELA-GEN. T. DE LEON
4024 General T. de Leon Street,
Brgy. Gen. T. de Leon, Valenzuela City
Tel. No. 921-9486
Fax No. 921-4030

VALENZUELA-KARUHATAN
313 San Vicente St. corner Mc Arthur
Highway, Karuhatan, Valenzuela City
Tel. Nos. 292-9131 / 291-2826
291-2827

VALENZUELA-MALINTA
Moiriah's Building, 407 McArthur
Highway, Malinta, Valenzuela City
Tel. Nos. 293-6267 / 291-2576
Fax No. 291-2508

VALENZUELA-MC ARTHUR
101 McArthur Highway,
Bo. Marulas, Valenzuela City
Tel. Nos. 291-6574 / 291-6568
Fax No. 291-6567

VALENZUELA-PASO DE BLAS
179 Paso de Blas, Valenzuela City
Tel. No. 291-1101
Fax No. 291-1102

Luzon Branches

ABRA-BANGUED
McKinley corner Peñarrubia Streets,
Zone 4, Bangued, Abra , 2800
Tel. Nos. (074) 752-8440
(074) 752-8441

ABRA-BANGUED-MAGALLANES
Taft cor. Magallanes Sts.,
Zone 5, Bangued, Abra
Tel. No. (074) 752-8435
Fax No. (074) 752-8436

AGOO-CONSOLACION
Cor. 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 CITY-QUEZON AVE.
Quezon Avenue, Poblacion,
Alaminos City, Pangasinan
Tel. No. (075) 552-7028

ALBAY-DARAGA
Baylon Compound, Market Site,
Rizal St., Daraga, Albay
Tel. No. (052) 483-3703

ALBAY-LIGAO
San Jose St., Dunao,
Ligao City, Albay
Tel. No. (052) 485-2974

ALBAY-POLANGUI
National Road, Ubaliw,
Polangui, Albay
Tel. No. (052) 486-2114

ALBAY-TABACO
Ziga Avenue, Cor. Bonifacio St.,
Tayhi, Tabaco City
Tel. No. (052) 487-5053

ANGELES-MC ARTHUR HIGHWAY
V&M Bldg., McArthur Highway,
Brgy. Sto. Cristo, Angeles City
Tel. Nos. (045) 888-6687
(045) 888-7539
Fax No. (045) 888-7539

ANGELES-STO. ROSARIO
730 Sto. Rosario St., Angeles City,
Pampanga 2009
Tel. Nos. (045) 888-8811
(045) 888-8800

BACOOR CITY-AGUINALDO HI-WAY
KM 17, Aguinaldo Highway,
Bacoor, Cavite
Tel. Nos. (046) 471-2678
(046) 471-1150

BACOOR CITY-MOLINO
I.K. Commercial Bldg.,
Villa Maria Subd., Molino Highway,
Molino III, Bacoor Cavite
Tel. No. (046) 477-0302
Fax No. (046) 477-0821

BACOOR CITY-PANAPAAN
San Miguel Commercial Building,
215 E. Aguinaldo Highway,
Barangay Panapaan I, Bacoor, Cavite
Tel. No. (046) 417-3089
Fax No. (046) 417-3189

BAGUIO CITY-CENTER MALL
G/F, Baguio Center Mall,
Magsaysay Ave., Baguio City
Tel. Nos. (074) 442-7348
(074) 442-7349
Fax No. (074) 442-7350

BAGUIO CITY-MAGSAYSAY AVE.
G/F, Lyman Ogilby Centrum Bldg.,
358 Magsaysay Ave.,
Baguio City 2600
Tel. Nos. (074) 445-2248
(074) 300-3163

BAGUIO CITY-NAGUILIAN ROAD
G/F, High Country Inn,
Naguilian Road, Baguio City
Tel. No. (074) 300-4330
Fax No. (074) 446-0270

BAGUIO CITY-RIZAL PARK
Travelite Express Hotel,
along Shuntug St. cor. Fernando
G. Bautista Drive, Baguio City
Tel. Nos. (074) 447-3509
(074) 447-3360

BAGUIO CITY-SESSION ROAD
51 Session Road, Corner Upper
Mabini St., Baguio City
Tel. Nos. (074) 442-4244
(074) 442-3833

BATAAN-BALANGA
Zulueta St., Poblacion,
Balanga, Bataan 2100
Tel. Nos. (047) 237-2218
(047) 791-1204

BATAAN-DINALUPIHAN
BDA Bldg., San Ramon Highway,
Dinalupihan, Bataan 2110
Tel. Nos. (047) 481-1361
(047) 481-3906

BRANCHES AND OFFICES

BATAAN-MARIVELES-BEPZ
Bataan Economic Zone, Luzon Ave.,
Marivels, Bataan 2106
Tel. No. (047) 935-4070 (TELEFAX)
(047) 935-4071

BATAAN-ORANI
Agustina Bldg., McArthur Highway,
Parang-Parang, Orani, Bataan
Tel. Nos. (047) 431-3445
(047) 431-1378

BATANES-BASCO
NHA Bldg., Caspo Fiesta Road,
Kaychanarianan, Basco, Batanes
Tel. No. 0998 984-1005

BATANGAS-BALAYAN
147 Plaza Mabini,
Balayan, Batangas
Tel. No. (043) 407-0230
(043) 211-4331

BATANGAS CITY-KUMINTANG
JPA AMA Bldg., National Highway,
Kumintang Ilaya, Batangas City
Tel. Nos. (043) 722-2705
(043) 722-2706

BATANGAS CITY-P. BURGOS
Unit G1E, G/F Expansion Area,
Nuciti Central Mall, P. Burgos St.,
Batangas City, Batangas
Tel. Nos. (043) 723-7037
(043) 723-0226

BATANGAS CITY-PALLOCAN WEST
GF, MAJ Bldg., National Highway,
Pallocan West, Batangas City
Tel. No. (043) 318-2356

BATANGAS-BAUAN-J.P. RIZAL
G/F, ADD Building, J.P. Rizal St.,
Poblacion, Bauan, Batangas
Tel. Nos. (043) 728-0026
(043) 728-0027

BATANGAS-LEMERY
Humarang Bldg., corner Ilustre Ave.,
and P. De Joya St., Lemery Batangas
Tel. Nos. (043) 740-0443
(043) 214-2273

BATANGAS-NASUGBU
J. P. Laurel corner F. Alix Sts.,
Nasugbu, Batangas
Tel. Nos. (043) 416-0065 (telefax)
(043) 416-0070

BATANGAS-TANAUAN
G/F V. Luansing Bldg., J.P. Laurel
Highway, Tanauan City, Batangas
Tel. Nos. (043) 784-8668
(043) 784-8680

BENGUET-LA TRINIDAD
Benguet State University Compound,
Brgy. Balili, Kilometer 5, La Trinidad,
Benguet 2601
Tel. Nos. (074) 422-1135
(074) 309-1453

BULACAN-BALAGTAS
G/F D & A Bldg., McArthur Highway,
San Juan, Balagtas, Bulacan
Tel. Nos. (044) 769 -1398
(044) 693-1680

BULACAN-BALIUAG
015 Rizal St., San Jose,
Baliuag, Bulacan
Tel. Nos. (044) 766 2454
(044) 673-1950

BULACAN-BOCAUE
JM Mendoza Building, McArthur
Highway, Lolomboy, Bocaue, Bulacan
Tel. Nos. (044) 692-2416
(044) 815-0282
Fax No. (044) 692-1674

BULACAN-PLARIDEL
Cagayan Valley Road, Banga 1st,
Plaridel, Bulacan
Tel. No. (044) 795-0090
Fax No. (044) 795-0274

BULACAN-ROBINSONS PULILAN
Robinsons Mall Pulilan, Maharlika
Highway, Cutcut, Pulilan, Bulacan
Tel. Nos. (044) 815-4234
(044) 676-0391

BULACAN-SAN RAFAEL
San Rafael Public Market, Cagayan
Valley Road, Brgy. Cruz na Daan,
San Rafael, Bulacan
Tel. Nos. (044) 815-5341
0922 472-0544

BULACAN-STA. MARIA
Jose Corazon De Jesus St.,
Poblacion, Sta. Maria, Bulacan
Tel. Nos. (044) 893-0589
(044) 641-1555

CABANATUAN-CENTRAL MARKET
Corner Paco Roman and
Del Pilar Sts., Cabanatuan City
Nueva Ecija
Tel. Nos. (044) 463-2048
(044) 600-4832

CABANATUAN-DICARMA
R. Macapagal Bldg., Brgy. Dicarma,
Maharlika Highway, Cabanatuan City,
Nueva Ecija
Tel. Nos. (044) 463-8095
(044) 600-4885

CABANATUAN-MAHARLIKA
Km. 114 Maharlika Highway,
De Guzman Bldg., Brgy. Bernardo,
Cabanatuan City, Nueva Ecija
Tel. Nos. (044) 463-0347
(044) 463-0348
Fax No. (044) 467-0349

CAGAYAN-APARRI
J.P. Rizal St., Aparri, Cagayan 3515
Tel. No. (078) 888-2115

CAGAYAN-SANCHEZ MIRA
C-2 Maharlika Highway
Sanchez Mira, Cagayan 3518
Tel. No. (078) 396-0496

CAGAYAN-TUAO
GF, Villacete Bldg., National Highway,
Pata, Tuao, Cagayan
Tel. Nos. (078) 373-1162
(078) 373-1163
0917-620-3695

CAGAYAN-TUGUEGARAO-BONIFACIO
Bonifacio St., Tuguegarao City,
Cagayan 3500
Tel. Nos. (078) 844-1832
(078) 844-0225

CAGAYAN-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

CAMARINES NORTE-DAET-CARLOS II
Carlos II St., Brgy. 3,
Daet, Camarines Norte
Tel. No. (054) 721-2480
Fax No. (054) 440-9930

CAMARINES NORTE-DAET-PIMENTEL AVE.
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

CAMARINES SUR-GOA
Juan Go Bldg., cor. Rizal
& Bautista Sts., Goa, Camarines sur
Tel. No. (054) 453-1150

CAMARINES SUR-PILI
Cu Bldg, Old San Roque
Pili, Camarines Sur
Tel. No. (054) 477-7179

CANDON CITY-NAT'L. HI-WAY
National Highway, Brgy. San Juan,
Candon City, Ilocos Sur
Tel. No. (077) 644-0249

CANDON CITY-SAN ANTONIO
National Highway cor. Dario St.,
San Antonio, Candon City 2700
Tel. No. (077) 674-1291

CATANDUANES-VIRAC
055 Quezon Ave., Brgy. Salvacion,
Virac, Catanduanes
Tel. No. 0999 593-7856 (Branch)

CAVITE CITY-CARIDAD
P. Burgos Avenue, Caridad,
Cavite City
Tel. Nos. (046) 431-0136
(046) 431-2026

CAVITE-CARMONA
767 Brgy. Maduya
Carmona, Cavite
Tel. Nos. (046) 413-2700
(046) 413-0007

CAVITE-GEN. TRIAS
129 Governor's Drive, Manggahan,
General Trias, Cavite
Tel. No. (046) 416-3084
Fax No. (046) 416-3081

CAVITE-IMUS-AGUINALDO
Sayoc Abella Bldg.,
E. Aguinaldo Highway, Imus, Cavite
Tel. Nos. (046) 471-0189
(046) 471-0289
Fax No. (046) 471-0389

CAVITE-IMUS BAYAN
GF, J. Antonio Bldg.,
1167 Gen. Aguinaldo Highway,
Bayan Luma 7, Imus, Cavite 4103
Tel. Nos. (046) 471-4088
(046) 471-1009

CAVITE-KAWIT-BINAKAYAN
Allied Bank Bldg., Gen. Tirona,
Highway, Balsahan, Binakayan,
Kawit, Cavite
Tel. No. (046) 434-1617
Fax No. (046) 434-7264

CAVITE-NAIC
P. Poblete Street, Ibayo Silangan,
Naic, Cavite
Tel. Nos. (046) 856-1398
(046) 412-0018

CAVITE-ROSARIO-CEPZ
Gen. Trias Drive, Rosario, Cavite,
Tel. Nos. (046) 437-6072
(046) 437-6606

CAVITE-SILANG
166 J.P. Rizal St., Silang, Cavite
Tel. Nos. (046) 414-0660
(046) 414-0661

CAVITE-TANZA
G/F, Annie's Plaza Building,
A. Soriano Highway, Daang Amaya,
Tanza, Cavite
Tel. No. (046) 481-8892
Fax No. (046) 481-8893

DAGUPAN CITY-A.B. FERNANDEZ
A. B. Fernandez Ave., Dagupan City
Tel. Nos. (075) 522-2371
(075) 529-0892
(075) 522-2371

DAGUPAN CITY-A.B. FERNANDEZ-NABLE
A. B. Fernandez Ave., cor. Nable St.,
Dagupan City, Pangasinan
Tel. Nos. (075) 515-3792
(075) 522-5494

DAGUPAN CITY-PEREZ BLVD.
Orient Pacific Building, Perez Blvd.,
cor. Rizal Ext., Dagupan City
Tel. Nos. (075) 522-8729
(075) 515-3321

DASMARIÑAS-AGUINALDO HI-WAY
G/F LCVM Bldg., Aguinaldo Highway,
Zone IV, Dasmariñas, Cavite City
Tel. Nos. (046) 416-7046
(046) 402-2016

DASMARIÑAS-SALITRAN
Michael's Bldg., Aguinaldo Highway,
Salitran, Dasmariñas City, Cavite
Tel. Nos. (046) 416-5827
(046) 416-5806

IFUGAO-LAGAWE
JDT Bldg., Inguiling Drive,
Poblacion East, Lagawe, Ifugao
Tel. Nos. 0917 857-4610
0926 933-4630

ILOCOS NORTE-BATAC
cor. San Marcelino and
Concepcion Sts., Batac, Ilocos Norte
Tel. Nos. (077) 792-3437
(077) 617-1309

ILOCOS NORTE-PASUQUIN
Farmers Trading Center Bldg.,
Maharlika Highway, Poblacion 1,
Pasuquin, Ilocos Norte
Tel. No. (077) 775-0119

ILOCOS SUR-NARVACAN
Annex Bldg., Narvacan Municipal
Hall, Sta. Lucia, Narvacan, Ilocos Sur
Tel. No. (077) 732-5760

IRIGA CITY-SAN ROQUE
Highway 1, San Roque,
Iriga City, Camarines Sur
Tel. Nos. (054) 299-2408
(054) 456-1622

ISABELA-ALICIA
Armando & Leticia de Guia Bldg.,
San Mateo Road, Antonio,
Alicia, Isabela
Tel. No. (078) 323-2343

ISABELA-CAUAYAN
Maharlika Highway,
cor. Cabanatuan Rd.,
Cauayan, Isabela 3305
Tel. No. (078) 652-2125

ISABELA-CAUAYAN-MAHARLIKA HI-WAY
Disston Bldg., Maharlika Highway,
Brgy. San Fermin, Cauayan, Isabela
Tel. Nos. (078) 652-2144
Fax Nos. (078) 652-4200
(078) 652-2243

ISABELA-CENTRO ILAGAN
J. Rizal St., Centro, Ilagan City,
Isabela 3300
Tel. No. (078) 622-2568

ISABELA-ILAGAN
Old Capitol Site Calamagui 2,
Ilagan City, Isabela 3300
Tel. No. (078) 624-2136

ISABELA-ROXAS
Cor. Don Mariano Marcos Ave. &
Bernabe Sts., Roxas, Isabela 3320
Tel. No. 0917 873-7855

ISABELA-SANTIAGO-MAHARLIKA
Marcos Highway cor. Camacam St.,
Centro East, Santiago City
Isabela 3311
Tel. No. (078) 682-8196

ISABELA-SANTIAGO-PANGANIBAN
Municipal Integrated Parking Bldg.,
Panganiban St., Brgy. Centro East,
Santiago City, Isabela
Tel. No. (078) 305-1627
Fax No. (078) 682-8276

KALINGA-TABUK
I-Square Bldg., Provincial Road,
Poblacion Centro, Tabuk City, Kalinga
Tel. No. 0917 575-1722

LA UNION-SAN FERNANDO PLAZA
Quezon Ave., City of San Fernando,
La Union 2500
Tel. Nos. (072) 242-1446
(072) 242-0908

LA UNION-SAN FERNANDO-QUEZON AVE.
612 Quezon Ave., San Fernando,
La Union
Tel. Nos. (072) 888-3327
(072) 700-4137
Fax No. (072) 242-4811

LAGUNA-BIÑAN
Ammar Commercial Center,
Nepa National Highway,
Brgy. Sto. Domingo, Biñan, Laguna
Tel. Nos. (049) 411-3785

LAGUNA-CABUYAO-ABI
Asia Brewery Complex,
National Highway, Brgy. Sala,
Cabuyao, Laguna
Tel. Nos. (02) 816-5558
(02) 816-5132
(049) 531-2359

LAGUNA-CABUYAO-CENTRO MALL
Unit 124, Centro Mall,
Brgy. Pulo, Cabuyao, Laguna
Tel. Nos. (049) 837-7368
(049) 534-4340
Fax No. (02) 520-8642

LAGUNA-CALAMBA CROSSING
G/F, Unit Building, J. Alcasid
Business Center, Crossing
Calamba City, Laguna
Tel. Nos. (049) 508-0986
(049) 834-2409

LAGUNA-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

LAGUNA-CALAMBA-PARIAN
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

LAGUNA-CALAMBA-POBLACION
Burgos St., Calamba City
Tel. Nos. (049) 545-1865
(049) 545-1864

LAGUNA-PASEO DE SANTA ROSA
Blk. 5 Lot 3B, Sta. Rosa Estate 2-A,
Balibago, Tagaytay Road,
Bo. Sto. Domingo
Sta. Rosa City, 4026 Laguna
Tel. Nos. (049) 508-1065
(049) 508-1067

LAGUNA-SAN PABLO CITY
M. Paulino St., San Pablo City,
Laguna
Tel. Nos. (049) 562-4522
(049) 562-0608

LAGUNA-SAN PABLO CITY COLAGO
Mary Grace Building,
Colago Ave. cor. Quezon Ave.,
San Pablo City, Laguna
Tel. Nos. (049) 562-7904
(049) 562-7905

LAGUNA-SAN PEDRO
KM 30 National Highway,
San Pedro, Laguna
Tel. Nos. (02) 868-9968
(02) 847-8829

LAGUNA-SAN PEDRO-NAT'L. HIGHWAY
Km. 31, National Highway,
Brgy. Nueva, San Pedro, Laguna
Tel. Nos. (02) 808-4275 / 847-5120
(02) 847-5121
Fax No. (02) 808-4274

LAGUNA-SAN PEDRO-NUEVA
JRJ Building, National Highway,
Brgy. Nueva, San Pedro, Laguna
Tel. Nos. (02) 808-6252 / 808-6253
(02) 808-6254
Fax No. (02) 808-6251

LAGUNA-SINILOAN
G. Redor St., Siniloan, Laguna
Tel. Nos. (049) 523-0705
(049) 5013601

LAGUNA-STA. CRUZ-P. GUEVARRA
Pedro Guevarra Avenue Brgy. Uno,
Sta. Cruz, Laguna
Tel. Nos. (049) 501-1945
(049) 501 0551

LAGUNA-STA. CRUZ-REGIDOR
37 A. Regidor St., Sta. Cruz, Laguna,
Tel. Nos. (049) 501-3526
(049) 501-1901

LAGUNA-STA. ROSA
National Highway, Balibago City of
Sta Rosa, Laguna
Tel. Nos. (049) 837-2602
(02) 520-8160

LAGUNA-UPLB
Andres P. Aglibut Ave.,
UPLB Batong Malake,
Los Baños, Laguna
Tel. Nos. (049) 536-2733
(049) 536-2880

LAOAG CITY-CASTRO
F.R. Castro St., Brgy. 17,
Laoag City, Ilocos Norte
Tel. Nos. (077) 772-0139
(077) 772-0339
Fax No. (077) 771-4116

LAOAG CITY-J.P. RIZAL
Brgy. 10, Trece Martires St. corner
J.P. Rizal St., Laoag City 2900
Tel. Nos. (077) 772-0144
(077) 772-0145

LEGAZPI CITY-ALBAY CAPITOL
ANST Bldg. II, Rizal St., Brgy. 14,
Albay District., Legaspi City
Tel. Nos. (052) 480-3497
(052) 820-1434

LEGAZPI CITY-DON B. ERQUIAGA
Corner Don B. de Erquiaga and
Rizal Sts., Legaspi City 4500
Tel. No. (052) 480-7898

LEGAZPI CITY-IMPERIAL
35 F. Imperial St.,
Legaspi City, Albay
Tel. Nos. (052) 429-1595
(052) 480-7645
Fax No. (052) 480-6133

LIPA CITY-AYALA HIGHWAY
K-Pointe Plaza, Ayala Highway,
Brgy. Sabang, Lipa City, Batangas
Tel. Nos. (043) 757-2144
(043) 312-3303
Fax No. (043) 757-2145

LIPA CITY-B. MORADA
B. Morada Ave., Lipa City, Batangas
Tel. Nos. (043) 756-1119
(043) 756-1116

LUCENA CITY-ENRIQUEZ
Enriquez corner Enverga Sts.,
Poblacion, Lucena City, Quezon
Tel. Nos. (042) 373-1264
(042) 373-5283 (telefax)
(042) 373-5284

LUCENA CITY-QUEZON AVE.
Quezon Ave., Brgy IX, Lucena City
Tel. Nos. (042) 710-3703
(042) 710-3305

BRANCHES AND OFFICES

MALOLOS CITY-MCARTHUR HI-WAY
FC Bldg., KM 40, McArthur Highway, Sumapang Matanda, Malolos City, Bulacan
Tel. Nos. (044) 791-6408
(044) 791-6413

MALOLOS CITY-STO. NIÑO
Sto. Niño, Malolos City, Bulacan
Tel. Nos. (044) 794-1387
(044) 791-0494

MARINDUQUE-BOAC
Gov. Damian Reyes St., Murallon, Boac, Marinduque
Tel. Nos. (042) 332-1365
(042) 311-1426

MARINDUQUE-STA. CRUZ
G/F, RMR Bldg., Quezon St., Brgy. Maharlika, Sta. Cruz, Marinduque
Tel. No. 0917 873-7879

MASBATE CITY
Quezon St., Brgy. Pating, Masbate City, Masbate
Tel. Nos. (056) 333-2238
(056) 333-4507

MEYCAUAYAN CITY
Sawmill Bldg., McArthur Highway Saluysoy, Meycauayan, Bulacan
Tel. Nos. (044) 228-3411
(044) 840–0393

MEYCAUAYAN CITY-ESPERANZA MALL
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

MOUNTAIN PROVINCE-BONTOC
G/F Mt. Province Commercial Center, Poblacion, Bontoc, Bontoc, Mountain Province
Tel. Nos. (074) 462-4008
0939 925-0807

NAGA CITY-GEN. LUNA
Gen. Luna St., Brgy. Abella, Naga City, Camarines Sur
Tel. No. (054) 473-9072

NAGA CITY-MAGSAYSAY AVE.
G/F G Square Bldg., Magsaysay Ave. corner Catmon II St., Balatas, Naga City, Camarines Sur
Tel. Nos. (054) 473-5558
(054) 472-3088

NAGA CITY-PANGANIBAN
DECA Corporate Center, Panganiban Drive, Brgy. Tinago, Naga City, Camarines Sur
Tel. Nos. (054) 472-4801
(054) 473-9082

NUEVA ECIJA-GAPAN-POBLACION
Tinio Street, Poblacion, Gapan City, Nueva Ecija
Tel. Nos. (044) 486-0315
(044) 486-0314
Fax No. (044) 486-1337

NUEVA ECIJA-GAPAN-SAN VICENTE
Tinio Street, San Vicente, Gapan City, Nueva Ecija
Tel. Nos. (044) 486-0281
(044) 486-1063

NUEVA ECIJA-GUIMBA
CATMAN Bldg., Provincial Road, corner Faigal St., Saranay District, Guimba, Nueva Ecija
Tel. No. (044) 958-3049

NUEVA ECIJA-MUÑOZ
D. Delos Santos St. cor. Tobias St., Science City of Muñoz, Nueva Ecija
Tel. Nos. (044) 456-0283
(044) 456-0142

NUEVA ECIJA-SAN JOSE
Maharlika Highway cor. Cardenas St., San Jose City, Nueva Ecija 3121
Tel. No. (044) 511-1301

NUEVA ECIJA-STA. ROSA
G/F, JNB Bldg., Brgy. Cojuangco, Sta. Rosa, Nueva Ecija
Tel. Nos. (044) 940-0478
(044) 311-0263

NUEVA VIZCAYA-BAYOMBONG
J.P. Rizal St., District 4, Bayombong, Nueva Vizcaya
Tel. Nos. (078) 321-2454
(078) 321-2278

NUEVA VIZCAYA-SOLANO
Maharlika National Highway, Solano, Nueva Vizcaya
Tel. No. (078) 326-5505
Fax No. (078) 326-5525

OCC. MINDORO-MAMBURAO
National Road, Brgy. Payompon, Mamburao, Occidental Mindoro
Tel. No. (043) 711-1078

OCC. MINDORO-SAN JOSE
Quirino corner M.H. Del Pilar Sts., Brgy. 6, San Jose, Occidental Mindoro 5100
Tel. No. (043) 491-1834

OLONGAPO CITY-MAGSAYSAY DRIVE
YBC Mall, 97 Magsaysay Drive, East Tapinac, Olongapo City
Tel. Nos. (047) 222-2583 (telefax)
(047) 223-3215

OLONGAPO CITY-RIZAL AVE.
2440 Rizal Ave., East Bajac-Bajac, Olongapo City, Zambales 2200
Tel. Nos. (047) 222-8343
(047) 223-4989

OLONGAPO CITY-SUBIC BAY
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 (telefax)

OR. MINDORO-CALAPAN
J.P. Rizal St., Camilmil, Calapan City, Oriental Mindoro
Tel. Nos. (043) 441-0081
(043) 288-4055

OR. MINDORO-PINAMALAYAN
Mabini St., Zone IV Pinamalayan, Oriental Mindoro
Tel. No. (043) 284-3254

PAMPANGA-APALIT
Mc Arthur Highway, San Vicente, Apalit, Pampanga
Tel. Nos. (045) 652-0049
(045) 879-0082

PAMPANGA-CLARK FIELD
Clark Center II, Retail 4 & 5, Berthaphil III, Jose Abad Santos Ave., Clark Freeport Zone, 2023
Tel. Nos. (045) 599-2228
(045) 599-3043

PAMPANGA-GUAGUA
PNB Guagua Bldg., Brgy. Sto. Cristo, Guagua, Pampanga 2003
Tel. Nos. (045) 900-0149
(045) 901-0140

PAMPANGA-LUBAO
OG Road, Ela Paz Arcade, Brgy. Sta. Cruz, Lubao, Pampanga 2005
Tel. Nos. (045) 971-5020 (telefax)
(045) 971-5021

PAMPANGA-MABALACAT-DAU
MacArthur Highway, Dau, Mabalacat, Pampanga 2010
Tel. Nos. (045) 892-2538
(045) 624-0490

PAMPANGA-MABALACAT-MABIGA
Destiny Building, McArthur Highway, Brgy. Mabiga, Mabalacat, Pampanga
Tel. Nos. (045) 625-5255
(045) 625-4911

PAMPANGA-MACABEBE
S & B Building, San Gabriel, Macabebe, Pampanga
Tel. Nos. (045) 435-0147
(045) 435-0932

PANGASINAN-BAYAMBANG
Prime Bldg., Rizal St., Zone 2, Bayambang, Pangasinan
Tel. Nos. (075) 636-2789
(075) 696-2186

PANGASINAN-LINGAYEN
Avenida Rizal East cor. Maramba Blvd., Lingayen, Pangasinan
Tel. Nos. (075) 542-6020
(075) 662-0238

PANGASINAN-MANGALDAN
G/F, Abad Biascan Bldg., Rizal St., Poblacion, Mangaldan, Pangasinan
Tel. No. (075) 522-3885
Fax No. (075) 513-4911

PANGASINAN-ROSALES
McArthur Highway, Carmen East, Rosales, Pangasinan
Tel. No. (075) 632-1765

PANGASINAN-SAN CARLOS CITY
Plaza Jaycee, San Carlos City, Pangasinan
Tel. Nos. (075) 532-2353
(075) 532-3366
Fax No. (075) 955-5012

PANGASINAN-TAYUG
PNB Tayug Branch Bldg., Zaragoza Street, Poblacion, Tayug, Pangasinan 2445
Tel. Nos. (075) 572-4428
(075) 572-3710

QUEZON-ATIMONAN
Our Lady of the Angels Parish Compund, Quezon Street, Atimonan, Quezon
Tel. Nos. (042) 511-1051
(042) 316-5329

QUEZON-CANDELARIA
Poblacion, Candelaria, Quezon,
Fax No. (042) 741-1432

QUEZON-GUMACA
Andres Bonifacio St., Brgy. San Diego, Poblacion, Gumaca, Quezon
Tel. Nos. (042) 317-6429
(042) 421-1011

QUEZON-LOPEZ
San Francisco St., Talolong Lopez, Quezon
Tel. Nos. (042) 841-1180
0971 589-6486

ROMBLON-ODIONGAN
#15 J.P. Laurel St., cor. M. Formilleza St., Ligaya, Odiongan, Romblon
Tel. Nos. (042) 567-5220 loc. 6452

ROMBLON-REPUBLIKA
SAL Building, Republika St., Brgy. 1, Romblon, Romblon
Tel. No. 0917-8737-668

SAN FERNANDO CITY-A. CONSUNJI
A. Consunji St., Sto. Rosario, City of San Fernando, Pampanga
Tel. Nos. (045) 961-2419
(045) 860-0485

SAN FERNANDO CITY-DOLORES
Units 4 & 5 G/F, Peninsula Plaza Bldg., McArthur Highway, Dolores, City of San Fernando, Pampanga
Tel. Nos. (045) 961-1505
(045) 860-1145

SAN FERNANDO CITY-EAST GATE
East Gate City Walk Commercial Center, Olongapo Gapan Rd., San Jose, City of San Fernando, Pampanga
Tel. Nos. (045) 966-3436
(045) 875-6770

SAN FERNANDO CITY-MCARTHUR HI-WAY
LNG Bldg., Mc Arthur Highway, Brgy. Dolores, City of San Fernando, Pampanga
Tel. No. (045) 961-2608
Fax No. (045) 961-2592

SAN FERNANDO CITY-SAN AGUSTIN
G/F, Tagle Bldg., McArthur Highway, Brgy. San Agustin, City of San Fernando, Pampanga
Tel. Nos. (045) 435-2305
(045) 455-3684

SAN JOSE DEL MONTE-QUIRINO HI-WAY
Dalisay Bldg., Quirino Highway, Tungkong Mangga, City of San Jose Del Monte, Bulacan
Tel. No. (044) 815-0174

SORSOGON CITY-MAGSAYSAY
Doña Neneng Bldg., Magsaysay St., Sorsogon City
Tel. Nos. (056) 421-5205
(056) 421-5648

SORSOGON CITY-RIZAL
Rizal St., Sorsogon City
Tel. No. (052) 421-5207

SORSOGON-BULAN
Zone 4 Tomas de Castro St., Bulan, Sorsogon
Tel. Nos. (056) 555-2222
(056) 555-2223

TAGAYTAY-AGUINALDO
E. Aguinaldo Highway, Kaybagal South, Tagaytay City
Tel. Nos. (046) 413-0143
(046) 413-0144

TAGAYTAY-MENDEZ
Vistamart Bldg., Gen. E. Aguilnado Highway, Mendez Crossing West, Tagaytay City
Tel. Nos. (046) 413-0384
(046) 413-2499

TARLAC CITY-F. TAÑEDO
F. Tañedo St., San Nicolas, Tarlac City
Tel. Nos. (045) 982-1315
(045) 982-2805

TARLAC CITY-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

TARLAC-CAMILING
Rizal St., Camiling, Tarlac
Tel. Nos. (045) 934-0499
(045) 934-0169
Fax No. (045) 934-0888

TARLAC-CAPAS-STO. DOMINGO
Capas Comm'l Complex, Sto. Domingo II, Capas, Tarlac
Tel. No. (045) 491-7920
Fax No. (045) 491-7922

TARLAC-CONCEPCION
A. Dizon St., San Nicolas, Concepcion, Tarlac 2316
Tel. Nos. (045) 923-0690
(045) 923-0153

TARLAC-PANIQUI
M.H. Del Pilar St., corner McArthur Highway, Paniqui Tarlac
Tel. No. (045) 931-0383

URDANETA CITY-ALEXANDER
AAG Bldg. 2, Alexander St., Urdaneta City, Pangasinan
Tel. Nos. (075) 529-2113
(075) 529-0034

URDANETA CITY-NANCAYASAN
Mc Arthur Highway, Nancayasan, Urdaneta City, Pangasinan 2428
Tel. No. (075) 568-2451
(075) 656-2613

VIGAN CITY-FLORENTINO
Leona Florentino St., Vigan City, Ilocos Sur 2700
Tel. Nos. (077) 722-2515
(077) 722-2517

VIGAN CITY-QUEZON AVE.
36 Quezon Ave., Vigan City, Ilocos Sur
Tel. No. (077) 632-1110
Fax No. (077) 722-2611

ZAMBALES-IBA-R. MAGSAYSAY AVE.
1032 R. Magsaysay Ave., Zone I, Iba, Zambales 2201
Tel. Nos. (047) 811-1586
(047) 811-2721

ZAMBALES-STA. CRUZ
Brgy. Hall, Poblacion South, Sta. Cruz, Zambales 2213
Tel. Nos. (047) 831-2468
(047) 831-1063

Visayas Branches

AKLAN-KALIBO-MARTELINO
0624 S. Martelino St., Kalibo, Aklan
Tel. Nos. (036) 500-8220
(036) 268-4820
Fax No. (036) 268-8220

AKLAN-KALIBO-PASTRANA
0508 G. Pastrana St., Kalibo, Aklan
Tel. Nos. (036) 268-7471
(036) 262-4811

ANTIQUE-SAN JOSE
Calixto O. Zaldivar St., San Jose de Buenavista, Antique
Tel. Nos. (036) 540-9133
(036) 540-9597

ANTIQUE-T. A. FORNIER
T. A. Fornier St., Bantayan, San Jose, Antique 5700
Tel. No. (036) 540-8469

BACOLOD-ARANETA
Araneta Ave., near cor. Luzuriaga St., Bacolod City, Negros Occidental
Tel. Nos. (034) 435-0646
(034) 707-7118

BACOLOD-EAST-BURGOS
G/F, Besca Properties Bldg., Burgos Extension, Bacolod City, Negros Occidental
Tel. Nos. (034) 433-0931
(034) 432-0398

BACOLOD-HILADO
Hilado corner L.N. Agustin Sts., Bacolod City
Tel. Nos. (034) 433-4047
(034) 704-2280

BACOLOD-LACSON
10th Lacson St., Bacolod City
Tel. Nos. (034) 434-8007
(034) 432-0605

BACOLOD-LIBERTAD
Penghong Bldg., Poinsetia St., Libertad Ext., Bacolod City, Negros Occidental
Tel. Nos. (034) 433-9643
(034) 433-9645

BACOLOD-LUZURIAGA
Cor. Luzuriaga and Araneta Sts., Bacolod City
Tel. Nos. (034) 4347706
(034) 4332476

BACOLOD-NEGROS CYBER CENTRE
Negros First Cyber Centre Bldg., Lacson cor. Hernaez St., Bacolod City, Negros Occidental
Tel. Nos. (034) 433-4046
(034) 707-7959

BILIRAN-NAVAL
Ballesteros St. cor. Caneja St., Naval, Biliran
Tel. Nos. (053) 500-9025
(053) 500-9024

BOHOL-TUBIGON
Corner Cabangbang Avenue & Jesus Vaño Street, Centro Tubigon, Bohol, Philippines
Tel. Nos. (038) 508-8228
(038) 508-8027

BOHOL-UBAY
G/F LM Commercial Bldg., National Highway cor. Tan Pentong St., Poblacion, Ubay, Bohol
Tel. Nos. (038) 518-2032
(038) 518-2035

BORACAY-STATION 1
Venue One Hotel, Main Road, Station I, Balabag, Boracay Island, Malay, Aklan
Tel. Nos. (036) 288-3669
(036) 288-9138

BORACAY-STATION 2
Brgy. Balabag, Boracay Island, Malay, Aklan
Tel. Nos. (036) 288-3026
(036) 288-3412
Fax No. (036) 288-3048

CAPIZ ROXAS-C.M. RECTO
Cor. CM Recto & G. Del Pilar Streets, Brgy. III, Roxas City, Capiz 5800
Tel. Nos. (036) 522-9330
(036) 621-0789

CAPIZ ROXAS DOWNTOWN
Roxas Ave., Roxas City, Capiz
Tel. Nos. (036) 621-1112
(036) 522-1005
Fax No. (036) 621-2749

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-BANAWA
One Pavilion Mall, R. Duterte St., Banawa, Cebu City, 6000
Tel. Nos. (032) 260-0833
(032) 260-0834

CEBU-BANILAD-MA. LUISA PARK
Gov. M. Cuenco Ave., cor. Paseo Saturnino St., Banilad, Cebu City
Tel. Nos. (032) 345-4828
(032) 416-0988
(032) 346-7305

BRANCHES AND OFFICES

CEBU-BANILAD-FORTUNA
AS Fortuna St., Banilad,
Mandaue City, Cebu
Tel. Nos. (032) 346-6184
(032) 416-1670
(032) 346-6183

CEBU-BANTAYAN
J.P. Rizal St., Ticad,
Bantayan, Cebu City
Tel. Nos. (032) 460-9275
(032) 316-5564

CEBU-BOGO
Cor. R. Fernan & San Vicente Sts.,
Bogo City, Cebu
Tel. Nos. (032) 434-8721
(032) 434-7240

CEBU-CARBON
41-43 Plaridel St., Ermita, Cebu City
Tel. Nos. (032) 256-1219
(032) 254-6117
(032) 416-9484

CEBU-CARCAR
Jose Rizal St., Poblacion 1,
Carcar City, Cebu
Tel. No. (032) 487-9058
Fax No. (032) 487-9057

CEBU-COLON
G/F J. Avela Bldg., Collonade Mall
Oriente, Colon St., Cebu City
Tel. No. (032) 253-0728
Fax No. (032) 416-8794

CEBU-CONSOLACION
Consolacion Government Center,
Extension, Poblacion, Orientation
Consolacion, Cebu City
Tel. Nos. (032) 564-2426
(032) 423-9243

CEBU-DANAO
Juan Luna St., Danao City, Cebu
Tel. Nos. (032) 343-0077
(032) 343-0074

CEBU-ESCARIO
G/F, Capitol Square,
N. Escario Street, Cebu City
Tel. Nos. (032) 412-4813
Fax No. (032) 254-0051

CEBU-FUENTE OSMEÑA
BF Paray Bldg., Osmeña Blvd.,
Cebu City
Tel. Nos. (032) 253-0349
(032) 253-4467

CEBU-JAKOSALEM
D. Jakosalem cor. Legaspi Sts.,
Cebu City
Tel. Nos. (032) 412-1114
(032) 412-1115
Fax No. (032) 256-3356

CEBU-LAHUG
G/F Juanita Bldg., Escario St.,
Cor. Gorordo Ave., Brgy. Camputhaw,
Lahug, Cebu City
Tel. Nos. (032) 232-2786
(032) 412-2573
(032) 233-8252

CEBU-LAPU-LAPU MARKET
Mangubat cor. Rizal Sts.,
Lapu-Lapu City, Cebu
Tel. Nos. (032) 340-1087
(032) 340-8552
Fax No. (032) 340-5626

CEBU-LAPU-LAPU-PAJO
M.L. Quezon National Highway,
Pajo, Lapu-lapu City
Tel. Nos. (032) 340-5571
Fax Nos. (032) 340-8347
(032) 340-8351

CEBU-LAPU-LAPU-PUSOK
M. L. Quezon National Highway
Pusok, Lapu-Lapu City, Cebu
Tel. Nos. (032) 494-0029
(032) 340-5626

CEBU-LILOAN
Units 11-12, G/F, Gaisano Grand
Liloan, Barangay Poblacion,
Liloan, Cebu
Tel. No. (032) 424-3661

CEBU-M.C. BRIONES
Corner M.C. Briones and
Jakosalem Streets, Cebu City
Tel. No. (032) 255-1699
(032) 253-7676

CEBU I. T. 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
(032) 239-4299

CEBU-MACTAN INT'L AIRPORT
L/G Waterfront Mactan Casino Hotel,
Airport Rd., Pusok, Lapu-Lapu City,
Cebu
Tel. Nos. (032) 340-1589
(032) 340-0072

CEBU-MAMBALING
GF, Supermetro Mambaling,
F. Llamas St., corner Cebu South
Road, Basak, San Nicolas, Cebu City
Tel. Nos. (032) 414-6037
(032) 261-5845

CEBU-MANDAUE CENTRO
G/F M2, Gaisano Grand Mall,
Mandaue Centro, A. Del Rosario St.,
Mandaue City 6014, Cebu
Tel. Nos. (032) 346-7613
(032) 346-7612

CEBU-MANDAUE-A. CORTES
A. Cortes Ave., Ibabaw,
Mandaue City, Cebu
Tel. Nos. (032) 420-1907
(032) 346-7591

CEBU-MANDAUE-LOPEZ JAENA
JD Building, Lopez Jaena Street,
Tipolo, Mandaue City
Tel. Nos. (032) 346-2827
(032) 346-7473

CEBU-MANDAUE-NORTH ROAD
101-A G/F Insular Square,
North Road, Basak, Mandaue City
Tel. Nos. (032) 239-1719
(053) 328-0177

CEBU-MANDAUE-SUBANGDAKU
National Highway, Subangdaku,
Mandaue City, Cebu
Tel. No. (032) 422-5550
Fax No. (032) 346-2581

CEBU-MEPZ
1st Ave., MEPZ 1, Ibo,
Lapu-Lapu City, Cebu 6015
Tel. Nos. (032) 340-0072
(032) 840-1589
(032) 494-0100

CEBU-MINGLANILLA
Ward 4, Poblacion, Minglanilla, Cebu
Tel. No. (032) 272-8781
Fax No. (032) 490-0823

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

CEBU-TABUNOK NAT'L. HI-WAY
Paul Sy Bldg., National Highway,
Tabunok, Talisay City
Tel. Nos. (032) 272-6434
(032) 272-6435
(032) 491-7077

CEBU-TABUNOK-TALISAY
Viva Lumber Bldg., Talisay,
Tabunok, Cebu
Tel. Nos. (032) 491-7167
(032) 491-7168
Fax No. (032) 272-4422

CEBU-TALAMBAN
Leyson St., Talamban, Cebu City
Tel. Nos. (032) 345-3701
(032) 416-0388

CEBU-TOLEDO
Rafols St., Poblacion,
Toledo City, Cebu
Tel. Nos. (032) 322-5613
(032) 467-8194

CEBU UPTOWN
G/F, Visayas Community Medical
Center Mixed Use Bldg.,
Osmeña Blvd., Cebu City
Tel. Nos. (032) 253-1662 to 63
(032) 415-5711

DUMAGUETE CITY-LOCSIN
33 Dr. V. Locsin St., Dumaguete City,
Negros Oriental
Tel. Nos. (035) 422-6181
(035) 225-3903
(035) 225-0520

DUMAGUETE CITY-SILLIMAN AVE.
Silliman Avenue cor. Real St.,
Dumaguete City, Negros Oriental
Tel. Nos. (035) 4229176
(035) 422-9658

DUMAGUETE CITY-SOUTH ROAD
Manhattan Suites, South Rd.,
Calindagan, Dumaguete City,
Negros Oriental
Tel. Nos. (035) 420-5017
(035) 420-5018

EASTERN SAMAR-BORONGAN CITY
Real St., Brgy. Songco,
Borongan City, Eastern Samar
Tel. Nos. (055) 560-9041
(055) 261-2013

EASTERN SAMAR-GUIUAN
San Nicolas St., cor. Guimbaolibot St.,
Guiuan, Eastern Samar 6809
Tel. Nos. 0917 873-7432
0947 990-1678

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. Nos. (033) 321-5420
(033) 517-7888

ILOILO-GEN LUNA-VALERIA
Cor. Gen Luna & Valeria Street,
Brgy. Danao, Iloilo City
Tel. Nos. (033) 337-2476 / 1705

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-JARO
#8 Lopez Jaena St., Jaro, Iloilo City
Tel. No. (033) 329-0750

ILOILO-JARO HECHANOVA
P.T. Española Bldg., Gran Plains Subd.,
Brgy. M.V. Hechanova, Jaro, Iloilo city
Tel. Nos. (033) 320-3348
(033) 508-7560
(033) 320-3336

ILOILO-LA PAZ
G/F, Inayan Bldg., cor. Huevana &
Rizal Sts., La Paz, Iloilo City 5000
Tel. Nos. (033) 320-1506
(033) 501-9950

ILOILO-LEDESMA
Ledesma cor. Quezon Sts.,
Brgy. Ed Ganzon, Iloilo
Tel. Nos. (033) 508-7128
(033) 337-7933
(033) 337-6756
(033) 508-7128
Fax No. (033) 338-0628

ILOILO-MIAG-AO
One TGN Building, cor. Noble &
Sto. Tomas Sts., Miagao., Iloilo
Tel. Nos. (033) 315-8201
(033) 513-7440

ILOILO-PASSI CITY
5037 F. Palmares Street, Passi City,
Iloilo (beside St. William Parish
Church)
Tel. Nos. (033) 311-5466
(033) 536-8220

ILOILO-PLAZA LIBERTAD
JM Basa Street, Iloilo City 5000
Tel. Nos. (033) 338-0818
(033) 336-9144

ILOILO-POTOTAN
Guanco St., Pototan, Iloilo
Tel. Nos. (033) 529-7423
(033) 529-8785

ILOILO-STA. BARBARA
Liz Complex, Bangga Dama,
Brgy. Bolong Oeste,
Sta. Barbara, Iloilo
Tel. Nos. (033) 523-9258
(033) 523-9248
(033) 523-9145
(033) 523-0755

LEYTE-BAYBAY CITY
148 R. Magsaysay Ave.,
Baybay, Leyte
Tel. No. (053) 563-9769
Fax No. (053) 335-2013

LEYTE-ORMOC CITY-BONIFACIO
Cor. Cata-ag & Bonifacio Sts.,
Ormoc City, Leyte
Tel. Nos. (053) 561-9757
(053) 255-4304

LEYTE-ORMOC CITY-REAL
Real St., Ormoc City, Leyte
Tel. Nos. (053) 255-5237
Fax No. (053) 561-9578

LEYTE-PALOMPON
Ground Floor, Municipal Bldg.,
Rizal St., Palompon, Leyte 6538
Tel. Nos. (053) 555-9041
(053) 338-2104

NEGROS OCC.-BINALBAGAN
Don Pedro R. Yulo St., Binalbagan,
Negros Occidental 6107
Tel. No. (034) 388-8261
(034) 388-8271

NEGROS OCC.-CADIZ CITY
Cor. Luna and Cabahug Sts.,
Cadiz City, Negros Occidental 6121
Tel. Nos. (034) 720-7846
(034) 493-1217

NEGROS OCC.-KABANKALAN CITY
NOAC National Highway,
cor. Guanzon St., Kabankalan City
Tel. Nos. (034) 471-2193
(034) 746-7028

NEGROS OCC.-LA CARLOTA CITY
Cor. La Paz and Rizal Sts.,
La Carlota City
Tel. Nos. (034) 460-2222
(034) 460-3320

NEGROS OCC.-SAN CARLOS CITY
V. Gustilo St., San Carlos City
Tel. No. (034) 729-9411

NEGROS OCC.-SILAY CITY
Rizal St., Silay City
Tel. Nos. (034) 495-2050
(034) 495-4984

NEGROS OCC.-VICTORIAS CITY
Cor. Ascalon and Montinola Sts.,
Victorias City
Tel. Nos. (034) 399-2907
(034) 399-2716

NEGROS OR.-BAIS CITY
Rosa Dy-Teves Bldg.,
Quezon St., Bais City
Tel. Nos. (035) 402-9343
(035) 408-8214

NEGROS OR.-BAYAWAN
National Highway cor. Mabini St.,
Brgy. Suba, Bayawan City
Tel. No. (035) 430-0351

NEGROS OR.-GUIHULNGAN
New Guihulngan Public Market,
S. Villegas St., Guihulngan,
Negros Oriental
Tel. No. (035) 410-4171

NEGROS OR.-TANJAY
Magallanes cor. E. Romero Sts.,
Tanjay City, Negros Oriental
Tel. No. (035) 415-8184
Fax No. (035) 527-0209

NORTHERN SAMAR-CATARMAN
Cor. Carlos P. Garcia & Jacinto St.,
Brgy. Narra, Catarman 6400,
Northern Samar
Tel. Nos. (055) 500-9003
(055) 215-8453

PALAWAN-PUERTO PRINCESA-RIZAL AVE.
Brgy. Mangahan, Rizal Ave.,
Puerto Princesa City, Palawan
Tel. Nos. (048) 433-6617
(048) 433-6618
(048) 723-6617

PALAWAN-PUERTO PRINCESA-VALENCIA
Rizal Avenue cor. Valencia St.,
Brgy. Tagumpay, Puerto Princesa City,
Palawan
Tel. Nos. (048) 434-3742
(048) 433-2421

SAMAR-CALBAYOG CITY
Maharlika Highway, Brgy. Obrero,
Calbayog City, Leyte
Tel. Nos. (055) 209-1250
(055) 209-1305

SAMAR-CATBALOGAN CITY
Imelda Park Site, Catbalogan,
Western Samar 6700
Tel. Nos. (053) 543-8399
(053) 251-2034

SIQUIJOR-LARENA
Roxas St., Larena, Siquijor
Tel. No. (035) 377-2018

SOUTHERN LEYTE-MAASIN CITY
Cor. Allen & Juan Luna St.,
Brgy. Tunga-tunga,
Maasin City, Leyte 6608
Tel. No. (053) 381-2113
Fax No. (053) 570-9625

SOUTHERN LEYTE-SOGOD
No. 006 Osmeña St., Brgy Zone 2,
Sogod, Southern Leyte
Tel. Nos. (053) 577-8909
(053) 382-2444

TACLOBAN CITY-JUSTICE ROMUALDEZ
Justice Romualdez St.,
Tacloban City, Leyte
Tel. Nos. (053) 523-3611
(053) 325-5180

TACLOBAN CITY-RIZAL AVE.
G/F, Washington Trading Bldg.,
Rizal Ave., Tacloban City, Leyte 6500
Tel. Nos. (053) 325-8123
(053) 523-7895

TACLOBAN CITY-ZAMORA
111 Zamora St., Tacloban City, Leyte
Tel. Nos. (053) 832-1445
(053) 325-5147
(053) 321-2053

TAGBILARAN-ALTURAS MALL
G/F, Stall 10, Alturas Mall,
C. P. Garcia Ave., M.H. del Pilar &
B. Inting Sts., Tagbilaran City, Bohol
Tel. Nos. (038) 411-5432
Globeline : 501-9472
Fax No. (038) 411-3355

TAGBILARAN-C.P. GARCIA AVE.
C. P. Garcia Ave. cor. J. A. Clarin St.,
Poblacion, Tagbilaran City, Bohol
Tel. Nos. (038) 501-9540
(038) 441-4196

TAGBILARAN-ISLAND CITY MALL
Upper Ground Floor 33-34,
Island City Mall, Dampas District,
Tagbilaran City
Tel. Nos. (038) 411-0155
(038) 411-0156
(038) 501-0056

Mindanao Branches

AGUSAN DEL SUR-BAYUGAN CITY
Mendoza Square, Narra Avenue,
Poblacion, Bayugan City,
Agusan del Sur
Tel. No. (085) 343-6887

AGUSAN DEL SUR-SAN FRANCISCO
Roxas St., Brgy 4, San Francsico,
Agusan del Sur
Tel. Nos. (085) 343-8019
(085) 839-0156

BASILAN-ISABELA-STRONG BLVD.
Strong Blvd., Isabela, Basilan
Tel. No. BM-0917 873-7952

BASILAN-ISABELA-ROXAS
Roxas Ave., Isabela City,
Basilan Province
Tel. Nos. (062) 200-7259
(062) 200-7265

BUKIDNON-MARAMAG
J. Tan Bldg., Sayre Highway,
North Poblacion, Maramag,
Bukidnon
Tel. No. (088) 222-2148

BUTUAN CITY-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

BUTUAN CITY-MONTILLA
Montilla Blvd., Brgy. Dagohoy,
Butuan City, Agusan del Norte
Tel. No. (085) 342-5800

CAMIGUIN-MAMBAJAO
Cor. Gen. Aranas & Burgos Sts.,
Brgy. Poblacion, Mambajao,
Camiguin
Tel. No. (088) 387-1080 / 1081

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CDO-CARMEN
REGO Building, 296 Agoho Drive, Carmen, Cagayan de Oro City, Misamis Oriental
Tel. Nos. (088) 858-3158
(088) 858-9573

CDO-COGON
JR Borja cor. V. Roa Sts., CDO City, Misamis Oriental
Tel. Nos. (088) 857-1911
(08822) 726-443
(08822) 722-246
Fax No. (088) 857-5804

CDO-CORRALES-CHAVES
Corrales Ave., cor. T. Chavez St., Cagayan de Oro City, Misamis Oriental
Tel. Nos. (08822) 729-500
(088) 857-5684

CDO-LAPASAN
Lim Ket Kai Drive, Lapasan, CDO City, Misamis Oriental
Tel. No. (08822) 723-992
Fax No. (088) 856-4732

CDO-LIMKETKAI DRIVE
Limketkai Center, Lapasan, Cagayan de Oro City, Misamis Oriental
Tel. No. (08822) 722-872

CDO-LIMKETKAI MALL NORTH CONCOURSE
G/F North Concourse, Limketkai Mall, Limketkai Center, Lapasan, Cagayan de Oro City, Misamis Oriental
Tel. No. (088) 857-4149

CDO-TIANO
Tiano Brothers cor. Cruz Taal Sts., CDO City, Misamis Oriental
Tel. No. (08822) 722-816
(088) 856-1146
Fax No. (08822) 722-861

COTABATO CITY-DOROTHEO
Alejandro Dorotheo St., cor. Corcuera St., Cotabato City North Cotabato
Tel. Nos. (064) 421-3309
(064) 421-2834
Fax No. (064) 421-2506

COTABATO CITY-MAKAKUA
39 Makakua St., Cotabato City, Maguindanao
Tel. Nos. (064) 421-8756
(064) 421-3309
(064) 421-2696

COTABATO CITY-S.K. PENDATUN
Quezon Ave., Cotabato City
Tel. Nos. (064) 421-1066
(064) 421-8099
Fax No. (064) 421-5099

DAVAO-AGDAO
Chavez Bldg., Lapu-Lapu St., Agdao, Davao City
Tel. No. (082) 221-1025
Fax No. (082) 221-8617

DAVAO-ATENEO
G/F Community Center, Ateneo de Davao University, E. Jacinto Street, Davao City
Tel. Nos. (082) 221-8047
(082) 221-8024

DAVAO-BANGOY
Roman Paula Bldg., C. Bangoy Street, Davao City
Tel. Nos. (082) 221-9539
(082) 221-9540
(082) 221-9538

DAVAO-C.M. RECTO
CM Recto St., Davao City
Tel. Nos. (082) 222-1818
(082) 221-0069

DAVAO-CABAGUIO AVE.
HPC Bldg., Cabaguio Avenue, Brgy. Gov. Paciano Bangoy, Davao City
Tel. No. (082) 272-3605
Fax No. (082) 272-3606

DAVAO-CALINAN
LTH Building, Davao-Bukidnon Highway, Calinan, Davao City
Tel. Nos. (082) 285-4564
(082) 285-4569

DAVAO-DIVERSION ROAD
G/F D3GY10 Building, Davao Diversion Road, Carlos P. Garcia Highway, Buhangin, Davao City
Tel. Nos. (082) 241-1988
(082) 241-0970

DAVAO-LANANG
Km. 7, Lanang, Davao City
Tel. No. (082) 235-0116
Fax No. (082) 235-0117

DAVAO-MAGSAYSAY-LIZADA
R. Magsaysay Ave., cor. Lizada St., Davao City
Tel. No. (082) 227-2123
Fax No. (082) 222-1812

DAVAO-MATINA-GSIS
HIJ Bldg., McArthur Highway, Brgy. Matina, Davao City
Tel. Nos. (082) 299-2852
(082) 299-2850

DAVAO-MATINA-MCARTHUR HIGHWAY
80 Lua Building, McArthur Highway, Matina, Davao City
Tel. No. (082) 297-5638
Fax No. (082) 297-5537

DAVAO-MONTEVERDE CHINATOWN
42 T. Monteverde cor. S. Bangoy Sts., Davao City
Tel. No. (082) 226-2753
Fax No. (082) 227-2687

DAVAO-MONTEVERDE-SALES
Mintrade Bldg., Monteverde St., cor. Sales St., Davao City, Davao del Sur
Tel. No. (082) 222-0514

DAVAO-OBRERO
G/F JJ Commune Bldg., Loyola St., Bo. Obrero, Davao City
Tel. Nos. (082) 224-2474
(082) 224-2479

DAVAO-SAN PEDRO
San Pedro St., Davao City
Tel. No. (082) 221-7977
Fax No. (082) 221-2230

DAVAO-SAN PEDRO-C.M. RECTO
San Pedro St., cor. C.M. Recto St., Davao City, Davao del Sur
Tel. Nos. (082) 226-2541
(082) 227-2971

DAVAO-SASA
Carmart Bldg., Km 8, Sasa, Davao City
Tel. Nos. (082) 233-0585
(082) 233-0584

DAVAO-STA. ANA
Bonifacio Tan Bldg., Rosemary cor. Bangoy Sts., Sta. Ana Dist., Davao City, Davao del Sur
Tel. Nos. (082) 221-1851
(082) 226-3145

DAVAO-TORIL
Anecita G. Uy Bldg., Saavedra St., Toril, Davao City, Davao del Sur
Tel. Nos. (082) 291-0030
(082) 291-0028

DAVAO DEL NORTE-PANABO
G/F Gaisano Grand Mall of Panabo, Quezon St., Brgy. Sto. Niño, Panabo City, Davao Del Norte
Tel. Nos. (084) 645-0027
(084) 645-0028

DAVAO DEL NORTE-TAGUM-APOKON
GL 04-06 Gaisano Grand Arcade, Apokon Road corner Lapu-Lapu Ext., Brgy. Visayan Village, Tagum City, Davao Del Norte
Tel. No. (084) 216-7056
Fax No. (084) 216-7057

DAVAO DEL NORTE-TAGUM-RIZAL
Rizal St., Magugpo, Poblacion, Tagum City, Davao del Norte
Tel. Nos. (084) 655-6550
(084) 216-9371

DAVAO DEL SUR-DIGOS
Quezon Avenue, Digos, Davao del Sur
Tel. Nos. (082) 553-2543
(082) 553-2187

DAVAO ORIENTAL-MATI
Rizal Ext., Brgy. Central, Mati, Davao Oriental
Tel. Nos. (087) 388-3799
(087) 388-3366

DIPOLOG CITY-GEN. LUNA
Gen. Luna St. cor. C.P. Garcia Sts., Dipolog City, Zamboanga del Norte
Tel. Nos. (065) 212-4827
(065) 212-7212
Fax No. (065) 212-2557

DIPOLOG CITY-RIZAL
Rizal Ave. cor. Osmeña St., Dipolog City, Zamboanga del Norte
Tel. Nos. (065) 908-2600
(065) 212-2573
Fax No. (065) 212-2572

GENERAL SANTOS-CITY HALL DRIVE
Osmeña St., City Hall Drive, General Santos City, South Cotabato
Tel. Nos. (083) 552-2858
(083) 552-3254

GENERAL SANTOS-KCC MALL
Unit 108 Lower G/F KCC Mall of Gensan, Jose Catolico Sr. Ave., General Santos City, South Cotabato
Tel. Nos. (083) 554-9092
(083) 554-9093

GENERAL SANTOS-P. ACHARON
Pedro Acharon Blvd., General Santos City, South Cotabato
Tel. Nos. (083) 553-6626
(083) 301-5108
Fax No. (083) 552-4201

GENERAL SANTOS-SANTIAGO
RD Realty Development Bldg., Santiago Blvd., General Santos City, South Cotabato
Tel. No. (083) 302-5281
Fax No. (085) 302-5283

ILIGAN CITY-AGUINALDO
Cor. Gen. Aguinaldo & Labao Sts., Poblacion, Iligan City, Lanao del Norte
Tel. Nos. (063) 223-8182
(063) 221-2803

ILIGAN CITY-PALA-O
G/F Iligan Day Inn Bldg., Benito S. Ong St., Pala-O, Iligan City, Lanao del Norte
Tel. Nos. (063) 221-3206
(063) 223-8183

ILIGAN CITY-QUEZON
Quezon Ave., Poblacion, Iligan City, Lanao del Norte
Tel. No. (063) 221-2840
Fax No. (063) 221-9528

JOLO-AROLAS
Gen. Arolas corner Magno Sts., Jolo, Sulu
Tel. Nos. (085) 341-8911
local 2179 & 2180

KORONADAL CITY-MORROW
Morrow St., Koronadal, South Cotabato
Tel. Nos. (083) 228-3727
(083) 228-6059
(083) 228-3726

KORONADAL CITY-POBLACION
Gen. Santos Drive, Brgy. Zone 1, Koronadal City, South Cotabato
Tel. No. (083) 228-2652
Fax No. (083) 228-2651

LANAO DEL NORTE-MARANDING
National Highway, Maranding, Lala, Lanao del Norte
Tel. No. (063) 388-7156
Fax No. (063) 388-7155

MALAYBALAY CITY-FORTICH
Fortich cor. Kapitan Juan Sts., Brgy. 7, Malaybalay City, Bukidnon
Tel. Nos. (088) 221-3336
(088) 813-2051
(088) 221-2117
Fax No. (088) 221-2167

MALAYBALAY CITY-RIZAL
Flores Bldg., cor. Rizal & Tabios Sts., Brgy. 5, Malaybalay City, Bukidnon
Tel. No. (088) 813-2459

MARAWI CITY-MSU EXT. OFFICE
Right Wing, Dimaporo Gymnasium, MSU-Main Campus, Brgy. Rapasun, Sikap, Marawi City, Lanao del Sur
Tel. No. (063) 876-0024

MARAWI CITY-PEREZ
Perez St., Poblacion, Marawi City, Lanao del Sur
Tel. No. (063) 876-0014

MISAMIS ORIENTAL-GINGOOG CITY
National Highway, Brgy. 23, Gingoog City, Misamis Oriental
Tel. Nos. (088) 861-0210
(088) 427-728 / 7455

NORTH COTABATO-KIDAPAWAN
Quezon Blvd., Kidapawan City, North Cotabato
Tel. Nos. (064) 577-1696
(064) 577-5118

NORTH COTABATO-MIDSAYAP
Quezon Avenue, Midsayap, North Cotabato
Tel. Nos. (064) 229-8004
(064) 229-8539
(064) 229-8459

OROQUIETA CITY-SEN. JOSE OZAMIS
Sen. Jose Ozamis St., Lower Lamac, Oroquieta City, Misamis Occidental
Tel. Nos. (088) 531-2055
(088) 531-1052

OZAMIS CITY-BURGOS
Gomez cor. Burgos Sts., 50th Brgy., Ozamis City, Misamis Occidental
Tel. Nos. (088) 521-1511
(088) 521-0433

OZAMIS CITY-RIZAL AVE.
Rizal Ave., Aguada, Ozamis City, Misamis Occidental
Tel. No. (088) 521-1556

PAGADIAN CITY-PAJARES
F.S. Pajares Ave. cor. Cabrera St., Brgy. San Francisco, Pagadian City, Zamboanga del Sur
Tel. No. (062) 214-1373
Fax No. (062) 214-3322

PAGADIAN CITY-RIZAL AVE.
Rizal, Ave., Balangasan District, Pagadian City, Zamboanga del Sur
Tel. Nos. (062) 215-1162
(062) 214-1309 / 2493

PAGADIAN CITY-RIZAL AVE. EXT. OFFICE
G/F Gaisano Capital Pagadian, Rizal Avenue, San Pedro District, Pagadian City
Tel. No. (062) 215-2760

SULTAN KUDARAT-ISULAN
Aristoza Bldg., National Highway, Isulan, Sultan Kudarat
Tel. Nos. (064) 201-3427
(064) 201-3428

SULTAN KUDARAT-TACURONG
Alunan Highway, Tacurong City, Sultan Kudarat
Tel. Nos. (064) 562-0112
(064) 200-3471
Fax No. (064) 384-1688

SURIGAO CITY-GAISANO CAPITAL
Gaisano Capital, KM 4, National Highway, Barangay Luna, Surigao City
Tel. No. (086) 231-5109

SURIGAO CITY-RIZAL
45 Rizal St., Brgy. Washington, Surigao City, Surigao del Norte
Tel. Nos. (086) 826-4335
(086) 231-7822

SURIGAO CITY-SAN NICOLAS
San Nicolas St., Brgy. Washington, Surigao City, Surigao del Norte
Tel. Nos. (086) 826-8001
(086) 231-7282

SURIGAO DEL SUR-BISLIG CITY
Cor. Abarca & Espiritu Sts., Mangagoy, Bislig, Surigao del Sur
Tel. Nos. (086) 853-4149
(086) 628-2333

SURIGAO DEL SUR-TANDAG CITY
Napo, National Highway, Tandag, Surigao del Sur
Tel. Nos. (086) 211-2558
(086) 211-3695

TAWI-TAWI BONGAO
Datu-Halun St., Bongao, Tawi-Tawi
Tel. No. (068) 268-1048

VALENCIA CITY-MABINI
Tamaylang Bldg., Mabini Street, Poblacion, Valencia City, Bukidnon
Tel. No. (088) 222-2695
Fax No. (088) 828-1313

ZAMBOANGA DEL NORTE-LILOY
Chan Bldg., Baybay, Liloy Zamboanga del Norte
Tel. No. (065) 906-9095

ZAMBOANGA DEL NORTE-SINDANGAN
Corner Rizal & Bonifacio Sts. Poblacion, Sindangan Zamboanga del Norte
Tel. Nos. (065) 224-2017
(065) 224-2018

ZAMBOANGA DEL SUR-MOLAVE
Mabini St., Molave Zamboanga del Sur
Tel. Nos. (062) 225-1223
(062) 225-1958

ZAMBOANGA SIBUGAY-BUUG
National Highway, Poblacion, Buug, Zamboanga, Sibugay
Fax No. (062) 344 - 8131

ZAMBOANGA SIBUGAY-IPIL
National Highway, Poblacion, Ipil, Zamboanga Sibugay
Tel. No. (062) 333-2240
Fax No. (062) 333-2343

ZAMBOANGA-CANELAR
G/F Blue Shark Hotel, Mayor Jaldon St., Canelar, Zamboanga City
Tel. Nos. (062) 991-1584
(062) 991-9876

ZAMBOANGA-CLIMACO
JNB Bldg., Buenavista St., Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 991-1643
(062) 993-1033

ZAMBOANGA-J.S. ALANO
J.S. Alano St., Zamboanga City Zamboanga del Sur
Tel. Nos. (062) 992-4813
(062) 991-6098
(062) 991-5031

ZAMBOANGA-KCC MALL
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

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-TETUAN
G/F, AL Gonzalez & Sons Bldg. Veterans Ave., Zamboanga City 7000
Tel. Nos. (062) 955-1318
(062) 992-4481

ZAMBOANGA-VETERANS AVENUE
G/F Zamboanga Doctors' Hospital, Annex Bldg., Veterans Ave., Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 993-0858
(062) 993-2260

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