



Office of the EVP and Chief Financial Officer

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March 28, 2016

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HEAD, DISCLOSURE DEPARTMENT
Philippine Stock Exchange
3/F The Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

MS. VINA VANESSA S. SALONGA
Philippine Dealing & Exchange Corporation
37th Floor, Tower 1, The Enterprise Center
6766 Ayala Avenue corner Paseo de Roxas
Makati City

Mesdames,

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 141 of the Corporation Code of the Philippines, we provide you the SEC Form 17-A report of the Philippine National Bank as of December 31, 2015.

Thank you,

Very truly yours,


NELSON C. REYES
EVP & Chief Financial Officer

COVER SHEET

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S.E.C. Registration Number

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Company's Full Name)

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

MARLYN M. PABRUA

Contact Person

891-60-40

Company Telephone Number

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3	1
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Month Day
Fiscal Year

17 - A

FORM TYPE

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Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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SEC Number AS096-005555
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**PHILIPPINE NATIONAL BANK
AND SUBSIDIARIES**

(Company's Full Name)

Pres. Diosdado P. Macapagal Boulevard, Pasay City

(Company's Full Address)

891-6040 to 70

(Telephone Number)

(Calendar Year Ended)

SEC FORM 17-A REPORT

Form Type

(Amendment Designation (if applicable))

December 31, 2015

Period Ended Date

LISTED

(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION
CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended December 31, 2015
2. SEC ID No. AS096-005555 3. BIR Tax Identification No. 000-188-209
4. Exact name of issuer as specified in its charter: Philippine National Bank
5. Philippines 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
Incorporation or organization
7. PNB Financial Center, Pres. Diosdado P. Macapagal Blvd, Pasay City 1300
Address of principal office Postal Code
8. (632)/891-60-40 up to 70
Issuer's telephone number, including area code
9. N/A
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares Issued</u>
Common Stock, P40 par value	1,249,139,678 shares

11. Are any or all of these securities listed on a Stock Exchange.
Yes [] No []

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

Philippine Stock Exchange Common Stock

12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11 (a) – 1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such report)
Yes [] No []
- (b) has been subject to such filing requirements for the past ninety (90) days
Yes [] No []

13. Aggregate market value of the voting stock held by non-affiliates: **₱64,955,263,256.00***

**1,249,139,678 common shares @ ₱52.00 trading price of PNB shares as of December 31, 2015*

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

A. Business Development

The Philippine National Bank (PNB or the “Bank”), the country’s first universal bank, is the fourth largest private local commercial bank in terms of assets as of December 31, 2015. PNB will celebrate its Centennial Year of serving the Filipino people in July 2016. For 100 years, PNB stands proud as an institution of stability and security for many Filipinos. With its century of banking history and experience, PNB is poised to move forward to becoming a more dynamic, innovative and service-focused bank, providing service excellence to Filipinos all over the world.

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

On February 9, 2013, the Bank concluded its planned merger with Allied Banking Corporation (ABC) as approved and confirmed by the Board of Directors of the Bank and of ABC on January 22 and January 23, 2013, respectively. The respective shareholders of the Bank and 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 Merger was approved on June 24, 2008 by the affirmative vote of ABC and the Bank’s respective shareholders, representing at least two-thirds of the outstanding capital stock of both banks.

Last February 2014, the Bank successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of P40.00 per share at a price of P71.00 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 P11.6 billion. The Offer strengthened the Bank’s capital position under the Basel III standards, which took effect on January 1, 2014.

Last April 2015, PNB successfully closed and signed a USD 150 million 3-year syndicated term loan facility with a large group of international and regional banks. The facility was launched at USD 150 million and attracted total commitments of USD 220 million at close of syndication, representing an oversubscription of about 1.5 times with lending commitments received from 10 regional and international banks. This marks PNB’s return to the syndicated loan market after more than a decade, the last being in 1998. The diversity of the syndicate of lenders is an affirmation of the growing international market appetite for assets from the Philippines. The success of the transaction is a strong acknowledgment of the capital market’s confidence in the credit strength of the Bank.

PNB further strengthened its distinct franchise over the Global Filipino market segment. It maintains the widest network of overseas branches and offices serving as primary contact points for overseas Filipinos. The Bank has expanded its reach even further into non-traditional contact channels in the form of partner agent agreements and distribution thru convenience stores and other similar retail outlets. PNB continued to innovate its remittance products and services with the launch of PNB Web Remit in the last quarter of 2013 that enables customers to conduct online remittance transactions anywhere and anytime. The Bank continued to make headway in deepening its relationship with its Global Filipino customers by offering other products and services such as personal, home and auto loans including credit cards. PNB has a strong affinity with the Global Filipino market and continues to enrich the lives of Filipinos worldwide. In order to further strengthen its foothold in the overseas market, the Bank partnered with Wells Fargo & Company to provide Filipinos in the US a new way of sending remittances to the Philippines. OFWs can now send money to their families and friends in the Philippines using Wells Fargo's extensive network of more than 9,000 stores and 12,500 ATMs across 39 states in the US.

Last December 2015, Allianz and PNB have reached an agreement to enter into a 15-year exclusive distribution partnership and for Allianz to acquire 51 percent of PNB Life Insurance Inc., the life insurance subsidiary of PNB. The joint venture company will operate under the name of "Allianz PNB Life Insurance, Inc." An important part of the joint venture between Allianz and PNB is a 15-year bancassurance agreement, which will provide Allianz exclusive access to more than 660 branches located nationwide, and four million customers. Under the terms of the agreed transaction, Allianz will acquire 51 percent and management control of PNB Life. The closing of the transaction is subject to regulatory approval.

In affirmation of the Bank's well-managed operations, PNB received awards from the Bangko Sentral ng Pilipinas (BSP) and other international award-giving bodies. In 2012 and 2013, the BSP awarded PNB as the Top Commercial Bank in Generating Remittances from Overseas Filipinos for two years in a row. In the 2014 BSP Stakeholders' Ceremony, the Bank was recognized as the Outstanding PhilPass REMIT Participant. In recognition of PNB's innovative products, the Bank together with PNB Life was also accorded the Excellence in Business Model Innovation Award during the 2014 Retail Banker International Asian Trailblazer Awards for its Healthy Ka Pinoy Emergency Card which was launched in 2013 in the market. PNB was also awarded by the Asian Banking and Finance Awards as the "Best Website for 2015 Philippines" in honor of the Bank's concerted efforts to address the ever-evolving needs of its clients. BancNet on its 25th Anniversary also awarded PNB as the "Top Inter-Bank Fund Transfer (IBFT) Transferee." Last October 2, 2015, PNB was awarded the Excellence in Retail Financial Services award under the "Best Remittance Business in the Philippines" category by The Asian Banker. This is in recognition of the value-added differentiation that the Bank provides to the overseas Filipinos beyond remittance to include financial services such as Own-a-Philippine Home Loan, Pangarap Loan and Overseas Bills Payable System as well as other innovative products like Healthy Ka Pinoy medical card and ATM Safe insurance.

PNB remained at the forefront of the debt capital market as the Bank led 19 corporate finance deals worth more than P108 billion in the power, infrastructure, telecommunications and real estate industries in 2015. As a clear demonstration of the Bank's commitment in offering competitive financing structures to clients while contributing to economic development and nation building, PNB and its wholly-owned subsidiary PNB Capital and Investment Corporation were recognized internationally last October 30, 2015 when they won four awards from The Asset Triple A Asia Infrastructure Awards in Hong Kong. The awards were given for the following deals: 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.

Last October 2015, Fitch Ratings gave PNB a credit rating of "BB" with a stable outlook, reflecting the Bank's strong franchise and high capital ratios. This credit rating is two notches below investment grade level and higher than the current credit rating of S&P at "B+" which is four notches below investment grade. Last May 2015, Moody's Investors Service has also 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.

B. Business Description

1. Products and Services

PNB, through its Head Office and 665 domestic branches/offices and 75 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to large corporate, middle-market, small and medium enterprises (SMEs) and retail customers, including OFWs, as well as to the Philippine National Government, national government agencies (NGAs), local government units (LGUs) and Government Owned and Controlled Corporations (GOCCs) in the Philippines. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services.

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

Institutional Banking Group

The Bank's Institutional Banking Group (IBG) is responsible for credit relationships with large corporate, middle-market and SMEs, as well as with the Government, government-related agencies, GOCCs and financial institutions.

Retail Banking Group

The Retail Banking Group (RBG) principally focuses on retail deposit products (i.e., current accounts, savings accounts and time deposit and other accounts) and services. While the focal point is the generation of lower cost of funding for the Bank's operations, the RBG also concentrates on the cross-selling of other bank products and services to its customers by transforming its domestic branch distribution channels into a sales-focused organization.

Consumer Finance Group

The Consumer Finance Group provides multi-purpose personal loans, home mortgage loans, motor vehicle financing and credit card services to the Bank's retail clients. Effective August 1, 2014, PNB's thrift bank subsidiary took over the management of PNB's consumer loans.

Global Filipino Banking Group

The Global Filipino Banking Group covers the Bank's overseas offices which essentially provide convenient and safe remittance services to numerous OFWs abroad and full banking services in selected jurisdictions. It also provides consumer financing through the Pangarap Loan and Own a Philippine Home Loan which are available to OFWs.

Treasury Group

The Treasury Group is principally responsible for managing the Bank's funding and liquidity requirements as well as its investment and trading portfolio. The Group engages in interbank borrowing and lending activities, fixed income securities trading and foreign exchange spot and swap dealing. It also oversees the Bank's long-term funding requirements and enters into derivative transactions for the hedging requirements of some of the banks sophisticated corporate accounts.

Trust Banking Group

The Bank, through its Trust Banking Group (TBG), provides a wide range of personal and corporate trust and fiduciary banking services and products. Personal trust products and services include living trust accounts, educational trust, estate planning, guardianship, insurance trust, and investment portfolio management. Corporate trust products and services include trusteeship, securitization, investment portfolio management, administration of employee benefits, pension and retirement plans, and trust indenture services for local corporations. Trust agency services include acting as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank.

Credit Management Group

The Credit Management Group is primarily responsible in providing credit management services in the form of credit rating and scoring, financial evaluation and credit risk assessment, credit policy formulation, credit investigation and appraisal and risk asset acceptance criteria development. It focuses on sound credit underwriting and monitoring guidelines and practices to ensure a healthy loan portfolio for the Bank.

Remedial Management Group

The Remedial Management Group is primarily responsible in managing problem accounts and reducing the nonperforming loans of the Bank. It determines and formulates the appropriate settlement plan for the immediate resolution of each work-out account.

Special Assets Management Group

The Special Assets Management Group (SAMG) is responsible for the overall supervision of the Bank's foreclosed assets (ROPA).

2. Competition

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as, the recent mergers and consolidations in the banking industry. As of the latest available data from the BSP, there were 40 universal and commercial banks, of which 17 are private domestic banks, 3 are government banks and 20 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks also offer a wider range of commercial banking services and products, have larger lending limits and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Tan Group of Companies and with its Government customers, as well as builds on relationships with the Bank's other key customers.

The Bank also faces competition in its operations overseas. In particular, the Bank's stronghold in the remittance business in 16 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks.

As of December 31, 2015, the Bank has a distribution network of 665 branches and offices and 937 ATMs nationwide. The Bank is the fourth largest local private commercial bank in the Philippines in terms of local branches and the fourth largest in terms of consolidated total assets, net loans and receivables, capital and deposits. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

The Bank and its subsidiaries (the Group) offer a wide range of financial services in the Philippines. The percentage contributions of the Group's offices in Asia, the Canada and USA, United Kingdom and Other European Union Countries to the Group's revenue, for the years 2015, 2014, 2013 are as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Asia (excluding the Philippines)/ Middle East	5%	4%	5%
Canada and USA	2%	2%	2%
United Kingdom & Other European Union Countries	1%	1%	1%

Please refer to Note 6 of the Audited Financial Statements.

4. New Products and Services

The Bank launched the following products and services in 2015:

PNB Bank on Wheels

True to its philosophy of prioritizing its customers, PNB created the Bank on Wheels project to provide Filipinos easy access to their banking needs anytime, anywhere. Now revolutionized to meet the evolving needs of the market, Bank on Wheels was re-launched last December 11, 2015 to provide cash services when clients need it most.

PNB Smart Loans

PNB introduced in November 2015 innovative terms for housing and motor vehicle loans which will be aligned to the borrowers' capability to generate cash flows.

Credit Loan Program for Electric Cooperatives

This loan program shall be available to Electric Cooperatives who meet the Target Market Risk Acceptance Criteria (TMRAC) and pass the final screening through the Credit Evaluation Checklist (CEC) required under this program.

The facilities available for this program are the following with a minimum loan amount of P5 Million and maximum of P100 Million.

1. Standby Letter of Credit (SBLC)
2. Revolving Credit Line (RCL)

PNB SSS Pensioners Loan (SSSPL)

PNB SSS Pensioners Loan Program which is exclusively for SSS Pensioner provides a better alternative to the exorbitant financing the pensioners get from smaller lending institutions. The loan has low interest rate, no processing fee, free insurance and emergency health card and fast processing. The loan program is most appropriate to come from PNB considering the significant number of pension accounts maintained with PNB.

Imaged SOA Retrieval via Customer Login

Provides enrolled customers the facility to view and download the PDF files of their monthly Statement of Accounts via login to the bank's SFTP folder.

Power Earner 5 plus 1 (PNB Savings Bank)

Power Earner 5 plus 1 is a 5-year and 1-day Time Deposit that offers a higher yielding rate, a fixed income through monthly credit of interest. The interest earned shall be withholding tax-free for individual depositors provided there is no pre-termination made. It was launched last February 2015.

PNB Unit Investment Trust Fund (UITF) ATM Investment Facility

Launched in November 2015, the UITF ATM Facility gave PNB the distinction of being the first and only bank that offers investments in UITFs via the ATM channel. The UITF ATM Facility aims to further expand the distribution channel of the PNB UITF's, thus enhancing PNB TBG's competitive position vis-a-vis other banks. The launching of the PNB UITF ATM Facility is also in line with the bank's commitment towards making UITF investments more accessible to its clients.

Anti-Skimming Protection Solution (SPS)

All new ATM units acquired by the Bank and currently being installed have a real-time detection of the presence of a fraudulent device on the ATMs that can manage response to a potential skimming attack before it occurs.

Adoption of Triple Data Encryption Standard (3DES)

The Bank replaced all Single DES ATMs in March 2015 with 3DES, a more secure form of encryption and has the advantage of proven reliability against attacks. This is in line with BSP Circular No. 808 pertaining to the Guidelines on Information Technology Risk Management for all Banks and other BSP Supervised Institutions.

5. Related Party Transactions (Please refer to Item 12. Certain Relationships and Related Transactions)**6. Patents, Trademarks, Licenses, Franchises, Concessions and Royalty Agreements**

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

7. Government Approval of Principal Products or Services

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

8. Estimate of Amount Spent for Research and Development Activities

The Bank provides adequate budget for the development of new products and services which includes hardware and system development, continuous education and market research. Estimated amount spent for 2015, 2014 and 2013 totaled ₱372.7 million, ₱373.4 million and ₱363.0 million, respectively.

9. Number of Employees

The total employees of the Bank as of 31 December 2015 is 8,349 wherein 3,729 were classified as Bank officers and 4,620 as rank and file employees broken down as follows:

	Total
Officers:	
Vice President and up	147
Senior Assistant Vice President to Assistant Manager	3,582
Sub-total	3,729
Rank and File	4,620
Total	8,349

The Bank shall continue to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency. Foremost among these initiatives are the upgrade of its Systematics core banking system and the new branch banking system which are expected to bring about a gradual reduction in the number of employees in the support group upon full implementation.

With regard to the Collective Bargaining Agreement (CBA), the Bank's regular rank and file employees are represented by two (2) existing unions under the merged bank, namely: Allied Employee Union (ABEU) and Philnabank Employees Association (PEMA).

The Bank has not suffered any strikes, and the Management of the Bank considers its relations with its employees and the Union as harmonious and mutually beneficial.

10. Risk Management

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

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

Strong independent oversight has been established at all levels within the group. The bank's Board of Directors has delegated specific responsibilities to various board committees which are integral to the PNB's risk governance framework and allow executive management, through management

committees, to evaluate the risks inherent in the business and to manage them effectively. There are nine (9) Board Sub-Committees designated by the PNB Board of Directors to provide oversight and strengthen the functions accordingly. Please see diagram below.

Board of Directors	Board Policy Committee (BPC) ¹
	Executive Committee (ExCom) ¹
	Corporate Governance Committee
	Board Audit and Compliance Committee
	Risk Oversight Committee
	Trust Committee
	Board Oversight – Domestic & Foreign Offices/Subs Committee (BDFOS)
	Board Oversight Related Party Transaction Committee (BRPTC)
	Board Information Technology Governance Committee (BITGC)

Figure 1: Board Level Committees

¹While the first line of defense in risk management lies primarily on the bank’s risk taking units as well as the bank’s support units, the Risk Management Group is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained.

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer (CRO) who is directly reporting to the Risk Oversight Committee. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group is independent from the business lines and organized into the following divisions: Credit Risk Division, BASEL and ICAAP Implementation Division, Market & ALM Division, Operational Risk Division, Information Security / Technology Risk (IS/TR) Management, Trust and Fiduciary Risk Division and Business Intelligence & Warehouse Division. IS/TR is also responsible for overseeing and monitoring the group’s business continuity program.

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

The bank’s governance policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. 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. This ensures that the risk management and monitoring is embedded at the moment of origination.

¹ Board Committee changes effected in Jan 2016. Board ICAAP Steering Committee functions are now subsumed into the Board Policy Committee. Board Credit Committee has been renamed to Executive Committee with expanded functions.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the Business Units and presented to the Risk Oversight Committee for endorsement for final Board Approval.

In line with the integration of the BSP required ICAAP (internal capital adequacy assessment process) and risk management processes, PNB currently monitors 10 Material Risks (three for Pillar 1 and seven for Pillar 2). These material risks are as follows:

Pillar 1 Risks:

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

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest rate risk in banking book (IRRBB)
6. Liquidity risk
7. Reputational/customer franchise risk
8. Strategic business risk
9. Information technology risk/ information security risk (includes Core Banking Implementation Risk)
10. New regulations risk

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

Credit Risk

Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty/ies failure to perform and meet the terms of its contract. It arises any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet (*BSP Circular No. 510, dated February 03, 2006*).

Counterparty Risks: Counterparty risk is the potential exposure a party will bear if the other party to any financial contract will be unable to fulfill its obligations under the contract's specifications. Counterparty risk can be divided into two types: pre-settlement risk (PSR) and settlement risk (SR).

Country Risks: Country risk refers to uncertainties arising from economic, social and political conditions of a country which may cause obligors in that country to be unable or unwilling to fulfill their external obligations.

Credit Concentration Risks: arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are

large enough relative to a bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. The objective of concentration risk management is to lessen the Bank's potential credit default by maintaining risk exposure within acceptable and bearable concentration limit. Thus, to attain this objective, the Bank needs to manage the concentration risk inherent in the entire portfolio.

1. Credit Policies and Procedures

All credit risk policies issued by the regulatory bodies (i.e., BSP, SEC, PDIC, BIR, etc.) automatically form part of the Bank's board-approved risk policies. These risk policies reflect the Bank's lending profile and focus on:

- the risk tolerance and/or risk appetite
- the required return on asset that the Bank expects to achieve
- the adequacy of capital for credit risk

2. Credit Risk Functional Organization

The credit risk functional organization of the Bank conforms to BSP regulations. This ensures that the risk management function is independent of the business line. In order to maintain a system of "checks and balances", the Bank observes three (3) primary functions involved in the credit risk management process, namely:

- risk-taking personnel
- risk management function
- the compliance function

The risk-taking personnel are governed by a code of conduct for account officers and related stakeholders set to ensure maintenance of the integrity of the Bank's credit risk management culture.

The approving authorities are clearly defined in the Board-approved Manual of Signing Authority (MSA).

3. Credit Limit Structure

The Bank adopts a credit limit structure (regulatory and internal limits) as a quantitative measure of the risk tolerance duly approved by the Board. Breaches in the limits are monitored via the monthly credit dashboard reported to the Risk Oversight Committee.

4. Stringent Credit Evaluation

Repayment capacity of prospective borrowers is evaluated using an effective internal risk rating model for corporate and commercial accounts with asset size of over ₱15 million and appropriate credit scoring program for small accounts with asset size of ₱15 million and below and consumer loans. These models are validated to determine predictive ability.

5. Reporting System

An effective management information system (MIS) is in place and, at a minimum, has the capacity to capture accurate credit risk exposure/position of the Bank in real time. A monthly credit dashboard is used as the reporting tool for appropriate and timely risk management process.

6. Remedial Management System

A work-out system for managing problem credits is in place. Among others, these are renewals, extension of payment, restructuring, take-out of loans by other banks, and regular review of the sufficiency of valuation reserves.

7. Event-driven Stress Testing

Techniques are conducted to determine the payment capacity of affected borrowers' accounts. A Rapid Portfolio Review Program is in place to quickly identify possible problem credits on account of evolving events, both domestic and global. Results of the stress testing show minimum impact and have no material effect on the Bank's NPL ratio and capital adequacy ratio (CAR).

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 and off balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position-taking in the interest rate, foreign exchange, equity, and commodities markets (BSP Circular No. 544, Series of 2006).

Price Risk in the Trading Portfolio : 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. To calculate the potential risks in the trading portfolio, the Bank employs the Value-at-Risk (VAR) methodology both using parametric approach and Historical Simulation approach with 99% confidence level. The Bank assumes a one (1) day holding period (equities and FX VAR) to a ten (10) day holding period for fixed income VAR, nonetheless a one-day VAR is computed for each portfolio. The validity of the assumptions underlying the Parent Company's VAR models can only be checked by appropriate back testing procedures. Back testing is a formal statistical framework that consists of verifying that actual losses are within the projected VAR approximations. The Parent Company adopts both the clean back testing and dirty back testing approaches approach in back testing.

VAR limits have been established annually and exposures against the VAR limits are monitored on a daily basis. The Bank also employs the stop-loss monitoring tools to monitor the exposure in the price risks. Stop-loss limits are set up to prevent actual losses resulting from mark-to-market. 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.

Structural Market Risk : Structural interest rate risk arises from mismatches in the interest profile of the Bank's assets and liabilities. To monitor the structural interest rate risk, the Bank uses a repricing gap report wherein the repricing characteristics of its balance sheet positions are analyzed to come up with a repricing gap per tenor bucket. The total repricing gap covering the one-year period is multiplied by the assumed change in interest rates based on observed volatility at 99% confidence level to obtain an approximation of the change in net interest earnings. Limits have been set on the tolerable level of Earnings-at-Risk (EAR). Compliance with the limits is monitored regularly. The Bank has also monitored its long-term exposure in interest rates which outlines the long-term assets and long-term liabilities according to next repricing date.

Liquidity and Funding Risk: Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the bank's inability to meet its obligations when they fall due. Liquidity obligations arise from withdrawal of deposits, extension of credit, working capital requirements and repayment of other obligations. The Bank seeks to manage its liquidity through active management of liabilities, regular analysis of the availability of liquid asset portfolios as well as regular testing of the availability of money market lines and repurchase facilities aimed to address any unexpected liquidity situations. The tools used for monitoring liquidity include gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of sufficiency of liquid assets over deposit liabilities and regular monitoring of concentration risks in deposits by tracking accounts with large balances. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the Bank.

Operational Risk

The Bank adopts the following definition of Operational risk:

BSP Cir No. 900, series of 2016, on Guidelines on Operational Risk Management: "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.

1. **People Risk**

In most reference books and articles, it is mentioned that the most dynamic of all sources of operational risk factors is the people risk factor. Internal controls are often blamed for operational breakdowns, whereas the true cause of many operational losses can be traced to people failures. Every Chief Executive Officer has argued that people are the most important resource, yet the difficulty in measuring and modeling people risk has often led management to shy away from the problem when it comes to evaluating this aspect of operational risk.

In PNB, operational losses may be attributed to human error which can be brought about by inadequate training and management. This issue is being addressed through formal means (continuously conducting trainings) or informal means (monthly meetings and discussing issues at hand). These trainings also address the issue of relying on key performers instead of cross-training each team member.

Further, there is the risk of "non-fit" personnel being "forced" to occupy positions they are not qualified for. Annual evaluation and the implementation of balanced scorecards are used to ensure that ill-fitted personnel are re-trained, re-tooled or re-skilled to equip them better.

2. **Process Management Risk**

In financial institutions, most processes are designed with audited fail-safe features and checking procedures. Since processes interact with other risky variables - the external environment, business strategy and people - it is difficult to sound the all-clear. However, processes can make the institution vulnerable in many ways. Further, because of numerous internal and external reporting changes, the risk inherent in the utilization of "excel spreadsheet" for generating reports is all too imminent in the various business and support units of the bank. To address this risk, the Bank has documented policies and procedures

duly approved by the Board. Fail safe checks and balances are also instituted to ensure that transactions / reports are completed with 2 or more “eyes” that oversee correctness and accuracy. The Internal Audit Group, as well as the various officers tasked with the review function, regularly monitors the implementation of these documented policies and procedures.

3. Business Strategy Risk

Strategic Risk can arise when the direction/strategy of a bank can lead to non-achievement of business targets. This results from a new focus of a business sector without consolidating it with the Bank’s overall business plan and strategy. At PNB, strategy risk is managed through each business sector performing “actual vs. targets” sessions with and reporting to the Board of Directors through regular management profitability reporting sessions. In addition, coordination between business sectors is done through regular meetings by the Senior Management Team to ensure that overall business targets are continually revisited.

4. Business Environment Risk

Banks tend to have the least control over this source of operational risk yet it still needs to be managed. Business environment risk can arise from unanticipated legislative changes such as consumer affairs, physical threats such as bank robberies, terrorists’ attacks, natural disasters and regulatory required financial report change, new or otherwise.

New competitive threats such as faster delivery channels, new products, new entrants and the ever-increasing rationalization of the banking industry are driving banks to become much more nimble-footed. The flexibility required to remain in the game leads some banks to take shortcuts that eventually expose them to some new source of operational risk.

At PNB, we have become fully involved and engaged in the Product Management Business Framework where old and new products alike are monitored by assigned product managers who coordinate with the various business sector heads in achieving the Bank’s business plan. Further, a Product Committee composed of senior management has been created and meets regularly to ensure that business environment is closely monitored as to competition and delivery channels and that overall service standards are kept at acceptable levels.

5. Business Continuity Risk/Natural Events and Man-made Risk

The Bank recognizes that risks relating to natural, function-specific and man-made threats like the possibility of terrorist activities are possible. Business Continuity Risk is defined as any event that has a negative impact on the bank operations which could result in operational interruption, loss of or damage to critical infrastructure and the like.

The Bank has formulated the Business Continuity Plan (BCP) both on an enterprise-wide level as well as business unit level with the objective to define the critical procedures to be followed to recover critical functions on an acceptable limited basis in the event of abnormal or emergency conditions and other crisis. This means that the plan should provide provisions 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.

The Bank's BCP is tested at least on an annual basis with the following activities involved:

- Business Impact Analysis
- Risk Assessment of the Threats to Business
- Call Tree Test
- Table Top Test
- Alternate Site Test

6. Information Technology / Information Security Risk

The bank is on high gear in the implementation of the new core banking system with target live date by February 2017. The Bank recognizes the risk on IT/IS including the core banking implementation risk. It is in this regard that constant monitoring is observed thru the creation of Project Management Office (PMO). Progress reports are submitted to/discussed with the Project Steering Committee (composed of members of the senior management). Regular reports are also submitted to the Board IT Governance Committee and the Board to provide updates and reasonable assurance that risks identified are mitigated if not fully controlled. Tools being used to conduct the assessment are as follows:

- Regular Reports to Project Steering Committee
- IT Project Risk Assessment
- Project Health Check

Information Security Risk is the risk to organizational operations (including mission, functions, image, and reputation), organizational assets, and individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). This covers data or information being processed, in storage or in transit. Cyber threats involving use of social engineering which may involve psychological manipulation of clients and personnel into performing actions and /or divulging confidential information. Social Engineering can result in various key risk indicators – phishing, spamming, dumpster diving, direct approach, baiting, spying & eaves dropping, among others. This can result to negative financial impact to both client and the bank. PNB has institutionalize various risk mitigating tools and activities to minimize, if not, eliminate the said cyber threats – installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). The Bank has also implemented segmentation to control access within a given segment. Policy on regular change of password is implemented to prevent password guessing or unauthorized access. Policy on password tries is limited to prevent brute-force attack. Education / InfoSec Awareness is also constantly conducted.

Regulatory Capital Requirements under BASEL III – Pillar 1

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

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

Credit Risk-Weighted Assets as of December 31, 2015

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

	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	13,744		13,744	13,400	344				
Due from BSP	81,320		81,320	81,320					
Due from Other Banks	22,621		22,621		10,404	5,114		7,103	
Financial Asset at FVPL	17		17					17	
Available for Sale	69,356	10,335	59,021	17,327	3,268	8,763	0	29,663	0
Held to Maturity (HTM)	23,732	6,042	17,690	6,855	0	10,583	0	252	0
Unquoted Debt Securities	522	0	522					522	
Loans & Receivables	357,498	23,446	334,052	3,160	22,779	9,223	21,493	276,613	784

Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	14,567		14,567	14,567					
Sales Contracts Receivable	4,332		4,332					3,327	1,005
Real & Other Properties Acquired	11,130		11,130						11,130
Other Assets									
Total On-Balance Sheet Asset	598,839	39,823	559,016	136,629	36,795	33,683	21,493	317,497	12,919
Risk Weighted Asset - On-Balance Sheet				0	7,359	16,841	16,120	345,522	19,377
Total Risk Weighted Off-Balance Sheet Asset				0	127	4,578	345	2,619	0
Counterparty Risk Weighted Asset in Banking Book				0	89	1,216	0	0	
Counterparty Risk Weighted Asset in Trading Book				0	25	44	431	0	

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

Market Risk-Weighted Assets as of December 31, 2015

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

other hand, equities portfolio are charged 8% for both specific and general market risk while FX exposures are charged 8% for general market risks only.

Capital Requirements by Market Risk Type under Standardized Approach

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

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

Interest Rate Exposures

Specific Risk

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

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

Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		-	0.1	-	7.69	16.4	24.0

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱130.2 million. In terms of weighted position, the greater portion of the Bank's capital charge comes from the Over 7 to 10 year-time bucket at ₱30.2 million as well as Over 15 years to 20 years bucket at ₱30.3 million or a combined capital charge of ₱60.5 million. This is closely followed by the inventory under Over 5 years to 7 years bucket at ₱27.4 million. The Bank's portfolio also includes exposures under the Over 20 years' time band with applicable 6% risk weight or capital charge of ₱15.4 million.

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

Total		17,110.94	870.6		133.4	3.6	
Overall Net Open Position							129.8
Vertical Disallowance							0.4
Horizontal Disallowance							-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							130.2

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is ₱34.2 million. The exposures is concentrated under the Over 10 to 15 years buckets with risk weight of 4.5% and corresponding capital charge of at ₱16.5 million. The balance is distributed across the other time buckets up to Over 20 years with capital charge ranging from ₱0.6million to ₱2.8million.

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

Horizontal Disallowance						1.2
TOTAL GENERAL MARKET RISK CAPITAL CHARGE						34.2

General Market Risk – Third currencies

The Bank is likewise exposed to general market risks interest rate of various third currencies in Japanese Yen (JPY), Singapore Dollar (SGD) and Hongkong Dollar (HKD). Market Risk capital charge under these currencies range from ₱0.04 million to ₱3.4 million or combined capita charge of ₱4.01 million.

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

Equity Exposures as of December 31, 2015

The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is ₱39.9 million or total risk-weighted equity exposures of ₱399.3 million

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

Foreign Exchange Exposures as of December 31, 2015

The Bank's exposure to Foreign Exchange (FX) Risk carries a capital charge of ₱49.8 million based on an 8% risk weight. This would translate to risk-weighted FX exposure of ₱622.1 million. Majority of the exposure comes from FX assets and FX liabilities in USD/PHP. The Bank also holds third currencies in JPY, CHF, GBP, EUR, CAD, AUD, SGD and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2015)							
		Closing Rate USD/PHP:				47.06	
Nature of Item	Currency	In Million USD Equivalent			Total Net Long/(Short) Positions	In Million Pesos	
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options			Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates				
		1	2	3			
A. Currency							
A.1 U.S. Dollar	USD	4.8	6.6		11.3	533.7	
A.2 Japanese Yen	JPY	0.5			0.5	22.1	
A.3 Swiss Franc	CHF	0.3			0.3	12.3	
A.4 Pound Sterling	GBP	-1.3			-1.3	-59.7	
A.5 Euro	EUR	0.0			0.0	1.4	
A.6 Canadian Dollar	CAD	0.1			0.1	6.6	
A.7 Australian Dollar	AUD	0.2			0.2	7.5	
A. 8 Singapore Dollar	SGD	0.2			0.2	7.6	
A. 9 Foreign currencies not separately specified above		0.7			0.7	30.9	

A. 10 Sum of net long positions	622.1
A.11 Sum of net short positions	-59.7
B. Overall net open positions	622.1
C. Risk Weight	8%
D. Total Capital Charge For Foreign Exchange Exposures (B. times C.)	49.8
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)	62.2
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)	622.1
G. Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (Part IV.3a, Item F)	-
H. Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)	622.1

Note: Overall net open position shall be the greater of the absolute value of the sum of the net long position or the sum of net short position.

Operational Risk – Weighted Assets (Basic Indicator Approach)

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, 2015	Gross Income	Capital Requirement (15% x Gross Income)
2012 (Year 3)	23,033.734	3,455.060
2013 (Year 2)	18,172.063	2,725.809
2014 (last year)	22,061.312	3,309.197
Average for 3 years		3,163.355
Adjusted Capital Charge	Average x 125%	3,954.194
Total Operational Risk weighted Asset		39,541.943

The following represent the Bank's significant subsidiaries:

Domestic Subsidiaries:

PNB Savings Bank (PNBSB) is a wholly-owned subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC). PNBSB traces its roots from First Malayan Development Bank which Allied Banking Corporation (ABC) bought in 1986 to reinforce its presence in the countryside. In 17 January 1996, it was renamed First Allied Savings Bank following the grant of license to operate as a savings bank. It was in the same year that the Monetary Board of the BSP granted a foreign currency deposit license. In 1998, First Allied Savings Bank changed its name to Allied Savings Bank to further establish its association with the parent ABC. With the merger of PNB and ABC in 2013, Allied Savings Bank became a wholly owned subsidiary of PNB. In November 2014, Securities and Exchange Commission approved the change of name of Allied Savings Bank to PNB Savings Bank.

PNBSB closed the year 2015 with total resources of ₱22.7 billion, up 8% from the previous year. Total deposits closed the year with ₱11.1 billion, the bulk of which 71% were in high cost funds maintained in Angat Savings and Power Earner 5+1, a special savings account and a long term deposits, respectively. This product continues to attract new customers and fresh funds given its competitive pricing versus other banks' equivalent product lines. Power Earner 5+1 had ₱ 4.0 billion and Angat Savings had ₱3.0 billion in deposit portfolio. Other deposit products are regular savings, demand deposit, checks plus, time deposit and NOW accounts. Cash Card was positioned for those segments of the market demanding a no maintaining balance account required for payroll, transfer of funds for allowances, and even remittances.

Total loan portfolio registered ₱19.1 billion by the end of 2015 was more than doubled the ₱9.0 billion level in 2014. Of the total loan portfolio, 93% comprised of consumer loans which is the thrust of the bank as the lending arms of PNB, parent bank, for the consumer loans.

PNBSB posted a net income of ₱167.0 million in 2015, higher by ₱57.0 million than ₱110.0 million in 2014. Its net interest income of ₱ 1.0 billion was up year-on-year by 54% while pre-tax profits improved by 43% to close at ₱253.2 million. Return-on-equity stood at 1.5% lower than previous year due to capital infusion of P10.0 billion. The well capitalized PNB Savings Bank's capital adequacy ratio (CAR) reached 56% and is well above the minimum required by the BSP. PNBSB ended the year with a network of 36 branches strategically located across Metro Manila, Southern & Northern Tagalog Regions, Bicol, Western Visayas and Northern Mindanao.

PNB General Insurers Co., Inc. (PNBGen) is a subsidiary of the Bank established in 1991. It is a non-life insurance company that offers coverage for Fire and allied perils, Marine, Motor Car, Aviation, Surety, Engineering, Accident insurance and other specialized lines. PNBGen is a dynamic company providing and continuously developing a complete range of highly innovative products that will provide total protection to its customers at competitive terms. It started operations with an initial paid-up capital of ₱13 million. As of 31 December 2015, PNBGen's paid-up capital was ₱912.6 million, one of the highest in the industry. Total Assets reached ₱7.05 billion with a total Net Worth of ₱555.51 million.

For the year ended 31 December 2015, the company sustained a Net Loss of ₱490.50 million after provision of ₱145.47 million, from a Net Income of ₱5.3 million in 2014.

PNB Life Insurance, Inc. traces its roots to New York Life Insurance Philippines, Inc. (NYLIP), the Philippine subsidiary of US-based New York Life International, LLC. NYLIP commenced operations in the Philippines in August 2001.

In February 2003, Allied Banking Corporation acquired a minority interest in NYLIP and started bancassurance operations in its branches nationwide.

In June 2007, New York Life International, LLC because of its Asian strategy divested all its interests in NYLIP in favor of Allied Bank and its principals, making the company a majority-owned subsidiary of Allied Bank.

In May 2008, NYLIP changed its corporate name to PNB Life Insurance Inc. to reflect the change in ownership and in anticipation of the merger of Allied Bank and Philippine National Bank. This change in branding demonstrates the new owners' commitment to the Philippine Life Insurance market niche, its dynamism and growth prospects.

In October 2009, the Philippine National Bank acquired a minority stake in PNB Life paving the way for the expansion of bancassurance operations of PNB Life to PNB branches nationwide.

In February 2013, the merger of ABC and PNB, with PNB as the surviving entity further strengthened the bancassurance partnership with PNB Life which benefited from the resulting synergy and increased operational efficiency. This positive development set the stage for the introduction to the bank clients of competitive investment-linked Insurance products, designed to meet changing client needs for complete financial solutions.

As PNB Life expands its reach to more Filipino families, the company has set up Regional Business Centers (RBCs) in San Fernando City, La Union to cover Northern Luzon; San Fernando City, Pampanga to serve Central Luzon; Naga City to serve Southern Luzon; Zamboanga City to cater Western Mindanao; Davao City to cover Eastern Mindanao; Cebu City to serve Eastern Visayas; Iloilo City to accommodate Western Visayas. In Metro Manila, it has business centers in Binondo in the City of Manila for West Metro Manila, while the offices in Quezon City Circle and Cubao seek to serve North and East Metro Manila, respectively.

In December 2015, an agreement to enter into an exclusive distribution partnership was reached with global insurance firm Allianz SE. Under the terms of the agreement, Allianz will acquire 51% of PNB Life. An important aspect of the joint venture is a 15-year bancassurance agreement. The closing of the transaction is subject to regulatory approvals.

Ranked among the top 10 life insurance companies in the Philippines, PNB Life is a leading provider of Variable Life Products, complemented by our full line of individual and group life protection offerings. All our products and services are designed to meet the lifetime financial planning, wealth accumulation, and protection needs of every Filipino. PNB Life is truly "Providing New Beginnings in your Life" as we vigorously aim to be the dominant provider of Financial Security to Filipinos Worldwide.

PNB Capital and Investment Corporation (PNB Capital), a wholly-owned subsidiary of the Bank, is an investment house with a non-quasi-banking license. It was incorporated on 30 June 1997 and commenced operations on 8 October 1997. It is licensed to operate as an investment house by the SEC with the Certificate of Registration No. 01-2008-00234. It renewed its license on 27 November 2015.

As of 31 December 2015, PNB Capital had an authorized and paid-up capital of ₱350 million or 3,500,000 shares at ₱100.00 par value. Its principal business is to provide investment banking services which include debt and equity underwriting, private placement, loan arrangement, loan syndication, project financing and general financial advisory services, among others. The company is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. PNB Capital distributes its structured and packaged debt and equity securities by tapping banks, trust companies, insurance companies, retail investors, brokerage houses, funds and other entities that invest in such securities.

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

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

- ensuring that the staff is well-trained and capable, at the functional and technical level, to provide the services offered;
- understanding the clients' specific needs and goals;
- clarifying and documenting all goals, methodologies, deliverables, timetables and fees before commencing on a project or engagement and including several indemnity clauses to protect PNB Capital from being held liable for actions and situations beyond its control. These indemnity clauses are revised and improved upon after each engagement, as and when new protection clauses are identified; and
- all transactions are properly documented and approved by the Investment Committee and/or Board of Directors.

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

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

PNB-IBJL Leasing and Finance Corporation operates as a financing company under Republic Act No. 8556 (the amended Finance Company Act). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-IBJL Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade

receivables and installment papers) and Floor Stock Financing (short-term loan against assignment of inventories, e.g., motor vehicles).

Majority of the principal products or services are in peso leases and loans. Foreign currency (US dollar and Japanese yen) leases and loans are mostly funded by IBJL.

On April 3, 2014, the PNB-IBJL Leasing and Finance Corporation's Board and stockholders approved the increase of the company's authorized capital from ₱150 million to ₱1.0 billion, representing 10,000,000 shares with par value of ₱100 per share, in preparation for the declaration of stock dividends. On June 27, 2014, PNB-IBJL Leasing and Finance Corporation's Board approved the declaration of 2 shares to 1 share stock dividends to stockholders of record as of June 30, 2014.

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

On January 13, 2015, the Securities and Exchange Commission approved the increase in its authorized capital stock from ₱150.0 million (1.5 million shares) to ₱1.0 billion (10.0 million shares). Subsequently, the stock dividends declaration was implemented with the issuance of 300,000 new shares on January 23, 2015.

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

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

As of December 31, 2015, PNB-IBJL Leasing and Finance Corporation's consolidated total assets and total equity stood at ₱7.2 billion and ₱779.0 million, respectively. Its unaudited consolidated net income for the year ended December 2015 was ₱164.7 million.

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

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

As of December 31, 2015, it had a paid-up capital of ₱27.5 million and total capital of ₱55.9 million. Its total assets and unaudited net income for the year ended December 31, 2015 were ₱404.4 million and ₱7.7 million, respectively.

Allied Leasing and Finance Corporation ("ALFC") became a majority-owned (57%) subsidiary of PNB by virtue of the merger between PNB and Allied Bank In February 2013. It was incorporated on 29 December 1978. The company is authorized by the SEC to operate as a financing company in accordance with the provisions of Republic Act No. 5980, as amended by R.A. 8856, otherwise known as the Financing Company Act. It started operations on 25 June 1980. On 16 October 1996, the authorized capital was increased to ₱500 million divided into 5 million shares with ₱100.00 par value per share. As of 31 December 2014, ALFC's paid-up capital amounted to ₱152.50 million.

PNB Holdings Corporation (PHC), a wholly-owned subsidiary of the Bank, was established on 20 May 1920 as Philippine Exchange Co., Inc. The Securities and Exchange Commission (SEC) approved the extension of the corporate life of PNB Holdings for another fifty (50) years effective 20 May 1970. In 1991, it was converted into a holding company and was used as a vehicle for the Bank to go into the insurance business.

As of 31 December 2015, PHC had an authorized capital of ₱500.0 million or 5,000,000 shares at ₱100 par value per share. As of 31 December 2015, total paid-up capital of PHC was ₱255.1 million while additional paid-in capital was ₱3.6 million, while total assets and total capital were ₱335.8 million and ₱335.1 million, respectively, and net loss was ₱1.1 million.

PNB Securities, Inc. (PNBSI) was incorporated in January 18, 1991 and is a member of the Philippine Stock Exchange, Inc. As a securities dealer, it is engaged in the buying and selling of securities listed in the Philippine Stock Exchange, Inc. either for its own account as Dealer or for account of its customers as Broker. It is a wholly-owned subsidiary of the PNB and ranked 41st among 132 active members in the Philippine Stock Exchange, Inc. with 0.18% market share in terms of value turn-over as of Dec. 31, 2015.

- a. As of 31 December 2015, it has a total paid-up capital of ₱100.0 million with total assets and total capital of ₱301.1 million and ₱178.6 million, respectively. It ended year 2015 with a net income of P8.4 million.
- b. The PNBSI has no bankruptcy, receivership, or similar proceedings in the past three (3) years.
- c. There are no material reclassifications, merger, consolidation, or purchase/sale of a significant asset not in the ordinary course of business.

PNBSI's company's strength is anchored on the support of PNB, its ultimate Parent Company.

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

PNB Forex, Inc. (PFI), a wholly-owned subsidiary of the Bank which was incorporated on 13 October 1994 as a trading company, was engaged in the buying and selling of foreign currencies in the spot market for its own account and on behalf of others. The company temporarily ceased its operations in foreign currency trading as of 1 January 2006. It derives 100% of its revenues from interest income earned from the cash/funds held by the corporation. On 16 December 2013, the PFI's Board of Directors approved the dissolution of the company. Last 17 March 2014, the Office of the City Treasurer of Pasay City approved the company's application for retirement of business. The company is now applying for tax clearance with the Bureau of Internal Revenue.

As of December 31, 2015, unaudited total assets and total equity of PFI were ₱56.7 million and ₱56.0 million, respectively. For the year ended 31 December 2015, unaudited net income was ₱64,540.24

Bulawan Mining Corporation, a wholly-owned subsidiary of the Bank, was incorporated in the Philippines on 12 March 1985. It is authorized to explore and develop land for mining claims and sell and dispose such mining claims.

PNB Management and Development Corporation, a wholly-owned subsidiary of the Bank, was incorporated in the Philippines on 6 February 1989 primarily to own, acquire, hold, purchase, receive, sell, lease, exchange, mortgage, dispose of, manage, develop, improve, subdivide, or otherwise deal in real estate property, of any type and/or kind of an interest therein, as well as build, erect, construct, alter, maintain, or operate any subdivisions, buildings and/or improvements. It is also authorized to explore and develop land mining claims and to sell/dispose such mining claims.

Foreign Subsidiaries:

Allied Commercial Bank (ACB) became a majority-owned commercial bank subsidiary of PNB by virtue of the merger between PNB and ACB in February 2013. It is the former Xiamen Commercial Bank, the name change having been effected in August 2001. It obtained its commercial banking license in July 1993 and opened for business in October 1993.

ACB maintains its head office in Xiamen, in Fujian Province, a southeastern commercial city of China. In 2003, ACB opened a branch in Chongqing, a southwestern industrial city of Sichuan.

The commercial banking license granted to ACB allows it to offer full banking services in foreign currency to resident and non-resident natural persons including compatriots from Hong Kong, Macau and Taiwan. It also allows ACB to service foreign trade and loan requirements of enterprises owned by local residents.

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a private limited company incorporated in Hong Kong in 1978 and is licensed as a restricted license bank under the Hong Kong Banking Ordinance. By virtue of the merger between PNB and Allied Bank in February 2013, PNB now owns 51% of ABCHK. The registered office address is 1402 World-Wide House, 19 Des Voeux Road Central HK SAR.

It provides a full range of commercial banking services predominantly in Hong Kong, which include lending and trade financing, documentary credits, participation in loans syndications and other risks, deposit taking, money market and foreign exchange operations, money exchange, investment and general corporate services.

ABCHKL has one branch license and a wholly owned subsidiary (“Group”). The subsidiary, ACR Nominees Limited, is a private limited company incorporated in Hong Kong which provides non-banking general services to its customers.

There were no significant changes in the nature of the Group’s principal activities during the year.

PNB International Investment Corporation (PNB IIC), formerly Century Bank Holding Corporation, a wholly-owned subsidiary of the Bank, is a U.S. non-bank holding company incorporated in California on 21 December 1979. It changed its name to PNB International Investment Corporation on 1 December 1999.

PNB IIC owns **PNB Remittance Centers, Inc.** (PNB RCI) which was incorporated in California on 19 October 1990. PNB RCI is a company engaged in the business of transmitting money to the Philippines. As of 31 December 2015, PNB RCI has 20 branches in 6 states. PNB RCI owns **PNB RCI Holding Company, Ltd.** which was incorporated in California on 18 August 1999 and **PNB Remittance Company, Nevada** (PNB RCN) which was incorporated in Nevada on 12 June 2009. PNB RCN is engaged in the business of transmitting money to the Philippines. PNB RCI Holding

Company, Ltd. is the holding company for **PNB Remittance Company Canada** (PNB RCC). PNB RCC is also a money transfer company incorporated in Canada on 26 April 2000. PNB RCC has 7 branches in Canada as of year-end 2015.

PNB RCI is regulated by the U.S. Internal Revenue Service and the Department of Financial Institutions of the State of California and other state regulators of financial institutions while PNBRCN is regulated by the Nevada Department of Business and Industry – Division of Financial Institutions. PNB RCC is regulated by the Office of the Superintendent of Financial Institutions of Canada and Financial Transactions and Reports Analysis Centre of Canada.

PNB IIC does not actively compete for business, being only a holding company. PNB RCI, PNB RCN and PNB RCC have numerous competitors from local U.S. banks, Philippine bank affiliates doing business in North America, as well as other money transfer companies like Western Union, Money Gram, Lucky Money and LBC.

Philippine National Bank (Europe) Plc (PNB Europe) was originally set up as a PNB London Branch in 1976. In 1997, it was converted as wholly-owned subsidiary bank of PNB, incorporated in the United Kingdom with a full banking license. It is also authorized to provide cross-border services to 19 members states of European Economic Area (EEA). In 2007, PNB Europe opened its branch in Paris, France, where it is engaged in remittance services. PNB Europe is regulated by the Financial Conduct Authority and authorized and regulated by the Prudential Regulation Authority. PNB Europe Paris branch is governed by the Banque de France.

In April 2014, Allied Bank Phils (UK). was merged with PNBE Plc.

PNB Global Remittance & Financial Company (HK) Limited (PNB Global), a wholly-owned subsidiary of the Bank, is registered with the Registrar of Companies in Hong Kong. On 1 July 2010, PNB Global took the remittance business of PNB Remittance Center, Ltd. with the former as the surviving entity. It now operates as a money lender and remittance company. As of 31 December 2015, it maintains seven (7) offices in Hong Kong. Its remittance business is regulated by the Customs and Excise Department of Hong Kong.

Effective August 2012, PNB Global launched its tie-up arrangement with Western Union strengthening its cash pick-up services throughout the Philippines.

Item 2. Properties

PNB's corporate headquarters, the PNB Financial Center, is housed in a sprawling modern eleven (11)-storey building complete with all amenities, located at a well-developed reclaimed area of 99,999 square meters of land on the southwest side of Roxas Boulevard, Pasay City, Metro Manila, bounded on the west side by the Pres. Diosdado P. Macapagal Boulevard and on the north side by the World Trade Center building. The PNB Financial Center is located in a property where bustling cultural, financial and tourism activities converge. It also houses PNB's domestic subsidiaries. Some office spaces are presently leased to various companies/private offices. The said property is in good condition and has no liens and encumbrances.

Disclosed in Exhibit I is the list of Bank-owned properties as of December 31, 2015.

The Bank leases the premises occupied by some of its branches. Lease contracts are generally for periods ranging from 1 to 25 years and are renewable upon mutual agreement of both parties under certain terms and conditions.

Disclosed in Exhibit II is the list of Bank's branches that are under lease as of December 31, 2015.

The Bank does not have any current plans to acquire any property within the next twelve (12) months.

Information related to Property and Equipment is shown under Note 10 of the Audited Financial Statements of the Bank and Subsidiaries.

Item 3. Legal Proceedings

The Bank is a party to various legal proceedings which arise in the ordinary course of its operations. The Bank 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 its Financial Statements.

Item 4. Submission of Matters to a Vote of Security Holders

There was no matter submitted to a vote of the security holders during the fourth (4th) quarter of the year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

A. Market Price of and Dividends on Registrant’s Common Equity and Related Stockholders

1. Market Information

The PNB Common shares are listed and traded at 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:

	<u>2014</u>		<u>2015</u>		February 2016	
	High	Low	High	Low	High	Low
Jan – Mar/Feb	87.20	75.56	87.50	76.70	52.50	51.70
Apr – Jun	94.95	81.50	79.00	62.00		
July – Sep	91.50	85.95	68.90	49.50		
Oct – Dec	88.30	76.50	54.50	49.60		

The trading price of each PNB common share as of February 29, 2015 was ₱52.00.

2. Holders

There are 29,985 shareholders as of December 31, 2015. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

No.	Stockholders	Common Shares ^{1/}	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Non-Filipino)	116,921,488	9.3601612421
2	Key Landmark Investments, Ltd.	109,115,864	8.7352812437
3	PCD Nominee Corporation	100,080,817	8.0119796659
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

^{1/} This includes the 423,962,500 common shares issued to the stockholders of Allied Banking Corporation (ABC) relative to the merger of PNB and ABC as approved by the Securities and Exchange Commission (SEC) on January 17, 2013.

3. Dividends

The Bank has not declared any cash dividends on its common equity for the fiscal years 2014 and 2015.

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

4. Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction

On August 4, 2015, the SEC issued the Certificate of Permit to Offer Securities for Sale authorizing the sale of 423,962,500 common shares of the Bank with a par value of ₱40.00 per share. The Certificate covers the shares to be issued to the shareholders of ABC pursuant to the merger of the Bank and ABC which was approved by the SEC on January 17, 2013. The application for listing of the said Shares was already filed with the Philippine Stock Exchange.

5. Computation of Public Ownership

As of December 31, 2015, PNB's Public Ownership Level is 21.03%, which is above the minimum percentage of ten percent (10%) public ownership requirement for a listed company, in compliance with the requirement of the Philippine Stock Exchange (PSE).

6. Description of PNB's Securities

- As of December 31, 2015, PNB's authorized capital stock amounted to ₱70,000,000,040.00 divided into 1,750,000,001 common shares having a par value of ₱40.00 per share.
- The total number of common shares outstanding as of December 31, 2015 is 1,249,139,678. This includes the 423,962,500 common shares issued relative to the merger of PNB and Allied Banking Corporation subject of the Registration Statement approved by the Securities and Exchange Commission and the application for listing filed with the Philippine Stock Exchange.
- As of December 31, 2015, a total of 1,131,961,525 common shares (or 90.62%) are held by Filipino-Private Stockholders while the remaining 117,178,153 common shares (or 9.38%) are held by Foreign-Private Stockholders. PNB has a total of ₱49,965,587,120.00 subscribed capital.

- The Bank’s stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bank’s unissued capital stock or in support of an increase in capital. (*Article Seven of PNB’s Amended Articles of Incorporation*)
- At each meeting of the stockholders, every stockholder entitled to vote on a particular question involved shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors. (*Section 4.9 of PNB’s Amended By-Laws*)
- Section 24 of the Corporation Code of the Philippines provides that “*x x x every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed by the by-laws, in his own name on the stock books of the corporation x x x and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal x x x.*”

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).

Financial Condition

2015 vs. 2014

The Group’s consolidated assets stood at ₱679.7 billion as of December 31, 2015, 8.7% or ₱54.3 billion higher compared to ₱625.4 billion total assets reported as of December 31, 2014. Changes (more than 5%) in assets were registered in the following accounts:

- Due from Other Banks registered an increase of ₱2.7 billion from ₱15.6 billion as of December 31, 2014. On the other hand, Due from Bangko Sentral ng Pilipinas decreased by ₱24.4 billion from ₱105.8 billion as of December 31, 2014 due to lower Special Deposit Account placement in 2015. Interbank Loans Receivable also decreased by ₱1.9 billion from ₱7.7 billion as of December 31, 2014.
- Financial Assets at Fair Value Through Profit or Loss (FAFVPL) were lower at ₱4.5 billion, from ₱17.4 billion as of December 31, 2014, mainly due to reclassification of the ₱13.8 billion “Segregated Fund Assets” of PNB Life from FAFVPL to “Assets of Disposal Group Classified as Held for Sale” in line with the requirements of PFRS 5, Non-current Assets Held for Sale and Discontinued Operations. This arose following an agreement entered into between the Bank and Allianz last December 2015 for Allianz SE to acquire 51% ownership in PNB Life Insurance. PFRS 5 requires assets and liabilities of PNB Life, together with the results of operations of a disposal group, to be classified separately from continuing operations.

- Securities Held Under Agreements to Resell as of December 31, 2015 of ₱14.6 billion represents lending transactions of the Bank with the BSP.
- Available for Sale Investments and Held to Maturity Investment were higher at ₱68.3 billion and ₱23.2 billion as of December 31, 2015, respectively, from their ₱63.1 billion and ₱23.0 billion levels as of December 31, 2014, an improvement of ₱5.2 billion and ₱0.2 billion, respectively, due mainly to acquisition of various investments securities.
- Loans and Receivables reached ₱365.7 billion, posting a significant growth of 15.7% or ₱49.4 billion compared to the ₱316.3 billion December 2014 level mainly due to loan releases implemented in the current year to various corporate borrowers.
- Investment Properties decreased by ₱7.0 billion from ₱20.2 billion as of December 31, 2014 to ₱13.2 billion as of December 31, 2015, due to the following transactions:
 - sale of ₱1.0 billion Heritage Park lots
 - reclassification of ₱2.0 billion foreclosed properties to Bank Premises
 - reclassification of ₱1.2 billion properties entered into contractual agreements with real estate developers, and
 - disposal of ₱2.8 billion worth of foreclosed properties.
- Property and Equipment increased by ₱2.5 billion from ₱19.6 billion as of December 31, 2014 to ₱22.1 billion as of December 31, 2015 mainly due to the reclassification of certain foreclosed properties as discussed in previous paragraph which shall be used as bank premises.
- Intangible assets grew by ₱0.1 billion from ₱2.3 billion as of December 31, 2014 to ₱2.4 billion as of December 31, 2015 mainly due to the recording of costs incurred in the ongoing upgrading of the core banking system of the Bank which is targeted for completion in 2017.
- Deferred Tax Assets was lower by ₱0.3 billion from ₱1.5 billion as of December 31, 2014 to ₱1.2 billion as of December 31, 2015.
- “Assets of Disposal Group Classified as Held for Sale” amounting to ₱23.5 billion pertains to assets of PNB Life which was presented under a separate line item in the financial statements in view of the sale agreement entered into between the Bank and Allianz last December 2015 as earlier discussed.
- Other assets was higher at ₱6.8 billion, or by ₱1.6 billion from last year’s level mainly due to reclassification of ₱1.2 billion properties entered into contractual agreements with real estate developers from Investment Properties to Other Assets.

Consolidated liabilities went up by ₱48.5 billion or 9.2% from its ₱526.4 billion level as of December 31, 2014 to ₱574.9 billion as of December 31, 2015. Major changes in liability accounts were as follows:

- Financial liabilities at Fair value through profit or loss declined from ₱10.9 billion as of December 31, 2014 to ₱0.1 billion this year mainly due to reclassification of the ₱10.8 billion “Segregated Fund Liabilities” of PNB Life from FLFVPL to “Liabilities of Disposal Group Classified as Held for Sale” in line with the sale agreement with Allianz.

- Deposit liabilities totaled ₱485.9 billion, ₱38.3 billion higher compared to its year-end 2014 level of ₱447.6 billion. Increases were registered in Demand by ₱8.4 billion, Savings by ₱22.2 billion and Time deposits by ₱7.7 billion.
- Bills and Acceptances Payable increased by ₱6.7 billion, from ₱19.1 billion to ₱25.8 billion, mainly accounted for by various borrowings from other banks. Accrued Expenses Payable also increased from ₱5.4 billion to ₱5.9 billion as of December 31, 2015.
- “Liabilities of Disposal Group Classified as Held for Sale” amounting to ₱21.5 billion pertains to liabilities of PNB Life which was presented under a separate liability line item also in view of the sale agreement with Allianz SE.
- Income Tax Payable increased by ₱49 million from ₱85 million to ₱134 million.
- Reduction of ₱7.7 billion in other liabilities was also attributed to reclassification of certain other liability accounts of PNB Life under a separate line item in the balance sheet as held for sale.

Total equity accounts now stood at ₱104.8 billion from ₱99.1 billion as of December 31, 2014, or an improvement of ₱5.7 billion mainly attributed to the following:

- current year’s net income of ₱6.3 billion
- additional translation gain pertaining to equity investments in foreign subsidiaries of ₱0.7 billion
- ₱0.6 billion reserves of a disposal group held for sale pertaining to other comprehensive income of PNB Life presented under a separate line item in equity

These were partly offset by additional unrealized losses on mark to market of Available for sale investments of ₱1.4 billion.

2014 vs. 2013

The Group’s consolidated assets reached ₱625.4 billion as of December 31, 2014, higher by ₱9.1 billion compared to ₱616.3 billion total assets reported by the Bank as of December 31, 2013. Changes (more than 5%) in assets were registered in the following accounts:

- Loans and Receivables (L&R) expanded to ₱316.3 billion in December 2014, ₱42.0 billion or 15.3% higher as compared to its December 2013 level of ₱274.3 billion mainly due to loan releases implemented in the current year to various corporate borrowers.
- Financial Assets at Fair Value Through Profit or Loss at ₱17.4 billion grew by 48.7% or ₱5.7 billion from ₱11.7 billion attributed mainly to purchases of various investment securities and increase in segregated fund assets.
- Interbank Loans Receivable was at ₱7.7 billion as of December 31, 2014, a decrease of ₱0.7 billion from ₱8.4 billion as of December 31, 2013 due mainly to maturing interbank lending transactions to various banks.
- Available for Sale Investments went down to ₱63.1 billion as of December 31, 2014, ₱17.2 billion lower than the ₱80.3 billion level as of December 31, 2013 attributable mainly to the

reclassification of ₱18.3 billion investment securities to Held to Maturity Investments two years after the sale of a significant amount of Held to Maturity Securities in October 2011. Held to Maturity Investments now stood at ₱23.0 billion.

- Due from BSP decreased by ₱47.4 billion from ₱153.2 billion to ₱105.8 billion accounted for by Special Deposit Accounts which dropped by ₱51.5 billion to fund various loan releases. Cash and Other Cash Items increased by ₱2.8 billion from ₱11.8 billion to ₱14.6 billion. Due from Other Banks went up by ₱0.7 billion from ₱14.9 billion to ₱15.6 billion.
- Investment Properties decreased by ₱1.2 billion from ₱21.5 billion to ₱20.3 billion due to disposal of foreclosed properties
- Intangible assets were lower at ₱2.3 billion in view of the amortization of merger-related core deposits and customer relations intangibles.
- Other assets and Deferred Tax Assets were higher by ₱1.8 billion and ₱0.2 billion from ₱3.4 billion to ₱5.2 billion and from ₱1.3 billion to ₱1.5 billion, respectively.

Consolidated liabilities decreased by ₱7.5 billion from ₱533.9 billion as of December 31, 2013 to ₱526.4 billion as of December 31, 2014. Major changes in liability accounts were as follows:

- Deposit Liabilities was lower by ₱14.8 billion from ₱462.4 billion to ₱447.6 billion. Demand deposits declined by ₱23.8 billion. The decline in deposits was due to a shift of funds by depositors to the stock rights offer of the Bank in the 1st quarter of this year. ₱6.75 billion LTNCD were redeemed in March and October 2014.
- Financial liabilities at Fair value through profit or loss was higher at ₱10.9 billion from last year's ₱8.1 billion attributed to the increase in segregated fund liabilities of PNB Life.
- Bills and Acceptances Payable increased by ₱5.9 billion from ₱13.2 billion to ₱19.1 billion accounted for by interbank borrowings under repurchase agreement with foreign banks. Income Tax Payable increased by ₱38 million from ₱48 million to ₱86 million

Total equity accounts improved by ₱16.8 billion, from ₱82.3 billion as of December 31, 2013 to a high of ₱99.1 billion as of December 31, 2014 on account of significant increases attributed to the following:

- ₱11.6 billion proceeds from the issuance of 162.9 million common shares in line with the stock rights offering in February 2014
- ₱5.5 billion net income for the twelve months period ended December 31, 2014
- ₱1.2 billion increase in net unrealized gain/(loss) on AFS adjustments and ₱0.2 billion increase in non-controlling interests.

Offset by the ₱1.0 billion downward adjustment in remeasurement losses on Retirement Plan, ₱0.4 billion decline in FX translation.

2013 vs. 2012

As of end of the first year of PNB-Allied Bank merger, the Group's consolidated assets expanded to ₱616.3 billion as of December 31, 2013, ₱288.0 billion or 87.7% higher compared to ₱328.3 billion of PNB as of December 31, 2012. The increase is inclusive of some ₱198.2 billion assets of the former ABC at fair values of February 9, 2013, the effective date of the merger.

Changes (more than 5%) in assets were registered in the following accounts:

- Cash, Due from BSP and Due from Banks of the merged Bank totaled ₱179.9 billion, 284.4% or ₱133.1 billion higher compared to the December 31, 2012 level of ₱46.8 billion. The increase came from Deposits with the BSP which grew by ₱116.0 billion while the increases in Cash and Other Cash Items and Due from Banks accounts of ₱6.2 billion and ₱10.8 billion respectively, pertain mainly to ABC accounts which were brought in to the merged Bank.
- Interbank Loans Receivable was at ₱8.4 billion as of December 31, 2013 or a decrease of 27.0% compared to the December 31, 2012 level of ₱11.5 billion due mainly to interbank lending transactions to various banks in December 2012.
- Securities Held Under Agreements to Resell as of December 31, 2012 of ₱18.3 billion represents lending transactions of the Bank with the BSP.
- Financial Assets at Fair Value Through Profit or Loss at ₱11.7 billion grew by ₱7.7 billion from ₱4.0 billion accounted for by the ₱7.1 billion Segregated Fund Assets designated as financial asset at FVPL. This account refers to the considerations from unit-linked insurance contracts received by PNB Life Insurance, Inc. (PNB Life) in designated funds. Segregated fund assets and the corresponding segregated fund liabilities are designated as financial assets and liabilities at FVPL and are evaluated at fair value basis in accordance with a documented risk management or investment strategy.
- Available for Sale Investments went up to ₱80.3 billion as of December 31, 2013, ₱13.3 billion or 19.9% higher than the ₱67.0 billion level as of December 31, 2012 considering net acquisition of various securities as well as AFS securities holdings from the former ABC.
- Loans and Receivables now stood at ₱274.3 billion, from ₱144.2 billion as of December 31, 2012 attributable mainly to the ₱92.3 billion total loans brought in by the former ABC to the merged Bank, of which more than 80% are corporate accounts. New loan releases to various corporate borrowers also contributed to the increase in Loans and Receivables.
- Investment Properties was ₱21.5 billion, up by ₱6.0 billion from the ₱15.5 billion reported as of December 31, 2012. This came from the ₱5.7 billion ROPA accounts of the former ABC.
- Property and Equipment (PPE) amounted to ₱19.8 billion as of December 31, 2013, an increase of ₱6.4 billion from the December 31, 2012 level of ₱13.4 billion on account of the merged PPE accounts of former ABC.
- Investment in Associate had a zero balance as of December 31, 2013 compared to the ₱2.4 billion as of December 31, 2012 primarily due to the increase in ownership of PNB in ACB from 39% to 90% after the merger. Since ACB is now a subsidiary, the investment of PNB in ACB is now consolidated line-by-line in the financial statements. Moreover, the ₱5.0 million remaining investment in an associate as of December 31, 2013 was included under Other Assets.
- The ₱13.4 billion Goodwill as of December 31, 2013 represents the difference between the fair value of the identified ABC net assets and liabilities at the time of the merger and the market value of the 423.962 million PNB shares issued in line with the merger.
- Of the ₱2.4 billion Intangible Assets, ₱2.0 billion represents customer relationship and core deposits acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic

- benefits embodied in the asset will flow to the Group.
- Other Assets and Deferred Tax Assets amounted to ₱3.4 billion and ₱1.3 billion as of December 31, 2013 compared to ₱1.8 billion and ₱2.9 billion as of December 31, 2012, respectively.
 - The total consolidated liabilities of the merged bank increased by ₱242.2 billion from ₱291.7 billion as of December 31, 2012 to ₱533.9 billion of the merged Bank as of December 31, 2013. Major changes in liability accounts were as follows:
 - Deposit Liabilities, representing 87% of total liabilities of the merged Bank stood at ₱462.4 billion, higher by ₱221.5 billion compared to the December 2012 level of ₱240.9 billion, attributed to ABC deposit balances. Demand, Savings and Time deposits increased by ₱97.2 billion, ₱92.7 billion and ₱31.6 billion, respectively.
 - Financial Liabilities at FVPL increased by ₱1.6 billion to ₱8.1 billion as of December 31, 2013 from ₱6.5 billion as of December 31, 2012. The increase was primarily due to the ₱7.3 billion segregated fund liabilities from ABC subsidiary PNB Life partly offset by the redemption of the ₱6.0 billion subordinated notes issued on June 19, 2009. The subordinated note and segregated fund liabilities are part of a group of financial instruments that are managed on a fair value basis, in accordance with the Group's documented risk management and investment strategy.
 - Accrued Expenses Payable and Other Liabilities also increased from ₱3.9 billion and ₱17.3 billion respectively, to ₱5.5 billion and ₱34.8 billion, respectively as of December 31, 2013. Increase in Other Liabilities of ₱17.7 billion came mainly from the other liabilities of the former ABC.
 - Income Tax Payable decreased by ₱0.1 billion from ₱0.2 billion to ₱0.1 billion
 - The consolidated equity now stood at ₱82.3 billion as of December 31, 2013, up by ₱45.7 billion from ₱36.5 billion as of December 31, 2012. The increase in capital accounts was accounted for by the following:
 - ₱41.4 billion market value of 423,962,500 PNB common shares issued in line with the PNB-ABC merger
 - ₱5.2 billion net income for the year ended December 31, 2013
 - ₱1.3 billion increase in the accumulated translation adjustment account.
 - ₱3.0 billion increase in non-controlling interest

partly offset by:

- ₱4.6 billion mark-to-market loss on AFS
- ₱0.5 billion additional actuarial losses taken up in compliance with PAS 19.

Results of Operations

2015 vs 2014

- For the year ended December 31, 2015, the Bank recorded a net income of ₱6.3 billion, ₱0.8 billion higher compared to the ₱5.5 billion net income for the same period last year.
- Net interest income totaled ₱17.7 billion, higher by ₱1.2 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio which accounted for ₱2.0 billion increase in interest income partly offset by the decline in income

from deposits with banks by ₱1.1 billion. Total interest income was up by ₱1.6 billion from ₱20.1 billion to ₱21.7 billion. Total interest expense however, was slightly higher at ₱4.0 billion or by ₱0.4 billion from ₱3.6 billion last year, resulting to improvement in Net Interest Margin.

- Other income this year declined to ₱5.1 billion from ₱6.2 billion last year mainly due to the ₱0.7 billion trading gains recognized last year on the sale of a minority equity holdings and the continued reduction in treasury related income in the current year. The decline in other income was partly offset by growth in gains from sale of foreclosed assets of ₱0.1 billion in the current year.
- Net service fees and commission income and net insurance premium were at ₱3.6 billion and ₱0.1 billion, respectively, for the year ended December 31, 2015.
- Administrative and other operating expenses was slightly lower this year at ₱18.9 billion compared to ₱19.2 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 ₱3.5 billion worth of LTNCDs with a coupon rate of 7% issued by the ABC. These funds were replaced with an issuance of ₱7.0 billion worth of LTNCDs with a coupon rate of 4.125% which will mature in June 2020. Furthermore, interest on borrowings also declined as a result of the redemption of unsecured subordinated debts totaling ₱10.5 billion in 2013 (₱4.5 billion, 7.13% redeemed in March 2013 and ₱6.0 billion, 8.5% redeemed in June 2013).
- Fee-based and other income decreased by ₱1.6 billion to ₱6.2 billion from ₱7.8 billion for the same period last year. The decrease was attributed to lower gains from Trading and Investment Securities which declined by ₱3.3 billion, partly offset by the ₱0.1 billion, ₱0.9 billion and ₱0.7 billion increases in Foreign Exchange Gains, Net gain on sale or exchange of assets and Miscellaneous Income, respectively.

- Net service fees and commission income and net insurance premium were at ₱2.9 billion and ₱0.3 billion, respectively, for the period ended December 31, 2014.
- Administrative and other operating expenses totaled ₱19.2 billion for the year ended December 31, 2014, ₱2.3 billion more than last year's ₱16.9 billion. Increases were registered in Compensation and Fringe Benefits by ₱1.5 billion partly due to implementation of the 2014 Collective Bargaining Agreement effective July 2014. Provision for impairment and credit losses also increased by ₱1.5 billion to ₱2.3 billion from ₱0.8 billion last year. Partly offset by ₱0.2 billion decreases in depreciation and amortization and ₱0.5 billion miscellaneous expenses.
- Total Comprehensive Income for the twelve months period ended December 31, 2014 amounted to ₱5.4 billion, ₱3.8 billion higher compared to the ₱1.6 billion for the same period last year. Current year's comprehensive income came mainly from the net income totaling ₱5.5 billion and net unrealized gain on available-for-sale securities by ₱1.2 billion, offset by ₱0.4 billion in accumulated translation adjustments, ₱1.0 billion re-measurement losses on retirement plan taken up in the current year.

2013 vs. 2012

- For the year 2013, the net income of the merged bank reached ₱5.2 billion, ₱0.5 billion higher compared to ₱4.7 billion reported by PNB in 2012. The figure would have been much higher if not for the ₱865.5 million accrual on casualty losses (e.g. for typhoon Yolanda/Santi and for the Bohol earthquake) taken up in the later part of 2013.
- Net interest income amounted to ₱13.5 billion for the year ended December 31, 2013, almost double the ₱7.0 billion net interest income for the same period last year due to the expansion of the loan portfolio. Interest income was up by ₱6.8 billion from ₱11.4 billion to ₱18.2 billion. Interest expense however was also higher at ₱4.7 billion or by ₱0.3 billion from ₱4.4 billion last year.
- Fee-based and other income was higher by ₱0.2 billion at ₱7.8 billion for the year ended December 31, 2013 from ₱7.6 billion for the same period last year. Increases were registered in Net Gain on Sale of exchange of Assets, Foreign Exchange Gains and Miscellaneous by ₱159 million, ₱62 million and ₱843 million, respectively, while Trading and Investment Securities Gains declined by ₱746 million.
- Net service fees and commission income and net insurance premium were at ₱2.7 billion and (₱0.9 billion), respectively, for the period ended December 31, 2013.
- Administrative and other operating expenses of the merged bank totaled ₱16.9 billion in 2013, ₱6.0 billion more than last year's ₱10.9 billion. Increases were registered in Compensation and Fringe Benefits by ₱2.3 billion, Taxes and Licenses by ₱0.6 billion, Occupancy and Equipment-related Costs by ₱0.5 billion, Depreciation and Amortization by ₱0.8 billion and Other Miscellaneous Expenses by ₱1.8 billion, respectively.
- Provision for Income Tax was at ₱1.2 billion and ₱0.9 billion for the years ended December 31, 2013 and 2012, respectively with the increase primarily due to higher taxable revenues during the current period.
- Total Comprehensive Income for the year ended December 31, 2013 amounted to ₱1.6 billion, ₱3.1 billion lower compared to the ₱4.7 billion total comprehensive income reported for the period ending December 31, 2012. Comprehensive income came mainly from the net income totaling ₱5.2 billion and accumulated translation adjustments related to foreign operations which contributed ₱1.2 billion, reduced by the ₱4.4 billion decline in market value of available-for-sale securities and the ₱0.5 billion re-measurement losses on retirement plan taken up in the current year.

Key Performance Indicators

- **Capital Adequacy/Capital Management**

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

The Sub-Committee shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business
- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the bank.
- Report to the ALCO the Bank's capital ratio and position based the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis.
- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed.
 - The Sub-Committee will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan
 - In case of capital sourcing, the Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising.
- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds.
 - The Sub-Committee shall determine the Bank's internal thresholds and shall endorse same to the Board ICAAP Steering Committee / Board.
- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

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

Regulatory Qualifying Capital

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

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

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

- a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all time;
- b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
- c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

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

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

Under BSP Circular No. 360, effective July 1, 2003, the capital-to-risk assets ratio (CAR) is to be inclusive of a market risk charge. In August 2006, the BSP issued Circular No. 538 which contains the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations. Under the revised framework, capital requirements for operational risk, credit derivatives and securitization exposures are to be included in the calculation of the Parent Company's capital adequacy. The revised framework also prescribes a more granular mapping of external credit ratings to the capital requirements and recognizes more types of financial collateral and guarantees as credit risk mitigants. Changes in the credit risk weights of various assets, such as foreign currency denominated exposures to the Philippine National Government, non-performing exposures and ROPA, were also made. Exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit assessment institutions. Credit risk-weights range from 0.00% to 150.00% depending on the type of exposure and/or credit assessment of the obligor. The new guidelines took effect last July 1, 2007.

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 19.24%, 20.60% and 19.68% as of December 31, 2015, 2014 and 2013, respectively, improving and well above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2015, 2014 and 2013 (amounts in billions):

CAPITAL ADEQUACY RATIO (CAR)

Amounts in Million

	Consolidated			Solo		
	2015	2014	2013	2015	2014	2013
Tier 1 (core) Capital / CET1 under BASEL III	97,272.252	93,899.128	81,927.249	94,044.294	90,782.607	79,100.512
Common stock	49,965.587	49,965.587	43,448.337	49,965.587	49,965.587	43,448.337
Additional Paid In Capital	31,331.251	31,331.251	26,499.909	31,331.251	31,331.251	26,499.909
Retained Earnings	18,277.578	13,368.528	9,568.295	17,799.075	12,689.560	9,002.417
Other comprehensive income	(4,720.666)	(3,469.641)		(5,051.619)	(3,203.791)	
Cumulative Foreign Currency Translation			(209.578)			149.849
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,418.502	2,703.403	2,620.286	-	-	-
Deductions from Tier 1 Capital / CET1 under BASEL III	22,978.468	22,391.624	19,715.452	47,596.437	45,931.470	19,385.053
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1.515	1.906	54.051	1.515	1.906	54.051
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	1,958.667	1,575.000		1,878.667	1,575.000	
Deferred income tax	3,478.712	3,810.979	3,896.944	3,257.313	3,567.215	3,566.545
Goodwill	13,515.765	13,515.765	15,764.457	13,515.765	13,515.765	15,764.457
Other intangible assets	1,670.277	2,033.313		1,573.764	1,938.996	
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	-		25,141.007	24,066.287	
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	2,351.483	1,452.612		2,226.357	1,264.252	
Other equity investments in non-financial allied undertakings and non-allied undertakings	1.933	1.933		1.933	1.933	
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	0.116	0.116		0.116	0.116	
Gross Tier 1 Capital / CET1 Capital under BASEL III	74,293.784	71,507.504	62,211.797	46,447.857	44,851.137	59,715.459
Additional Tier 1 Capital (AT1) under BASEL III	-	-	-	-	-	-
TOTAL TIER 1 CAPITAL	74,293.784	71,507.504	-	46,447.857	44,851.137	-
Upper Tier 2 Capital (BASEL II)	-	-	2,903.298	-	-	2,792.410
Appraisal Increment Reserve, Bank Premises auth. By MB	291.725	291.725	291.725	291.725	291.725	291.725
General loan loss provision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)	3,485.092	2,778.459	2,611.573	3,138.857	2,571.878	2,500.685
Lower Tier 2 Capital (limited to 50% of Tier 1 Capital) (BASEL II)	-	-	9,953.651	-	-	9,953.651
Unsecured Subordinated Debt	9,986.427	9,970.136	9,953.651	9,986.427	9,969.498	9,953.651
Total Tier 2 Capital	13,763.244	13,040.320	12,856.949	13,417.009	12,833.101	12,746.061
Deductions from Qualifying Capital (BASEL II)	-	-	623.123	-	-	14,735.834
Gross Tier 2 Capital (limited to 100% of Tier 1 Capital) under BASEL II / TOTAL TIER 2 CAPITAL Under BASEL III	13,763.244	13,040.320	12,856.949	13,417.009	12,833.101	12,746.061
TOTAL QUALIFYING CAPITAL	88,057.028	84,547.824	74,445.623	59,864.866	57,684.238	57,725.686
The risk-weighted assets of the Group and Parent Company as of December 31, 2015, 2014 and 2013 are as follows:						
Risk-weighted on:						
Balance sheet assets:	405,219.194	359,881.507	319,474.854	366,857.832	329,029.139	292,664.636
20%	7,358.947	3,948.319	3,365.582	6,677.082	3,845.662	2,438.801
50%	16,841.447	15,558.027	13,963.631	15,459.492	13,799.102	12,821.113
75%	16,119.608	14,282.083	15,492.672	14,063.362	13,705.209	15,028.768
100%	345,521.954	297,726.532	249,165.915	312,532.594	270,610.938	225,933.829
150%	19,377.239	28,366.547	37,487.054	18,125.303	27,068.228	36,442.125
Off-Balance sheet assets:	7,669.446	5,914.306	7,835.140	7,554.533	5,750.879	7,224.489
20%	127.791	64.024	34.381	127.791	64.024	34.381
50%	4,577.949	1,671.841	2,331.258	4,577.949	1,671.841	2,331.258
75%	344.806	442.532	519.572	344.807	442.532	519.572
100%	2,618.900	3,735.909	4,949.929	2,503.986	3,572.482	4,339.278
150%	-	-	-	-	-	-
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	1,304.542	1,497.381	599.806	1,304.541	1,497.381	599.806
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	499.469	275.678	9.914	471.965	254.248	-
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	-	-	-	-	-	-
Total Credit Risk Weighted Assets	414,692.651	367,568.872	327,919.714	376,188.871	336,531.647	300,488.931
Market Risk Weighted Assets	3,428.025	4,532.456	9,337.189	3,067.984	4,233.579	3,828.952
Operational Risk-Weighted Assets	39,541.943	38,234.751	40,938.779	35,791.717	34,261.055	36,178.156
Total Risk Weighted Assets	457,662.619	410,336.079	378,195.681	415,048.571	375,026.281	340,496.038
Capital Ratios						
CET1 Capital (BASEL III)	16.233%	17.427%		11.191%	11.959%	
Capital Conversion Buffer (BASEL III)	10.233%	11.427%		5.191%	5.959%	
Tier 1 capital ratio	16.233%	17.427%	16.367%	11.191%	11.959%	15.374%
Tier 2 capital ratio (not disclosed under BASEL III)			3.317%			1.580%
CAR	19.241%	20.605%	19.684%	14.424%	15.381%	16.953%

- Asset Quality

The Group's non-performing loans (gross of allowance for impairment losses) decreased to ₱9.0 billion as of 31 December 2015 compared to ₱9.9 billion as of 31 December 2014. NPL ratios based on BSP guidelines are now 0.25% (net of valuation reserves) and 2.61% (at gross), from 0.92% and 3.42%, respectively in December 2014.

- Profitability

	<u>Year Ended</u>	
	<u>12/31/15</u>	<u>12/31/14</u>
Return on equity (ROE) ^{1/}	6.2%	6.1%
Return on assets(ROA) ^{2/}	1.0%	0.9%
Net interest margin(NIM) ^{3/}	3.2%	3.2%

^{1/}Net income divided by average total equity for the period indicated

^{2/}Net income divided by average total assets for the period indicated

^{3/}Net interest income divided by average interest-earning assets

- Liquidity

The ratio of liquid assets to total assets as of 31 December 2015 was 30.5% compared to 34.1% as of 31 December 2014. Ratio of current assets to current liabilities was at 63.3% as of 31 December 2015 compared to 64.7% as of 31 December 2014.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 69.3% for the year ended December 2015 compared to 65.3% for the same period last year.

Known trends, demands, commitments, events and uncertainties

The Bank presently has more than adequate liquid assets to meet known funding requirements and there are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity.

Events that will trigger direct or contingent financial obligation

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements, including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Material off-balance sheet transactions, arrangement or obligation

The following is a summary of various commitments and contingent liabilities of the Group as of December 31, 2015 and 2014 at their equivalent peso contractual amounts:

	12/31/2015	12/31/2014
	(In Thousand Pesos)	
Trust department accounts	₱78,708,656	₱65,817,031
Derivative forwards	32,378,255	14,510,895
Standby letters of credit	22,031,604	11,281,048
Deficiency claims receivable	21,562,415	21,292,747
Credit card lines	15,725,684	13,996,427
Interest rate swaps	9,317,880	14,141,390
Derivative spots	5,526,044	4,420,167
Other credit commitments	974,377	974,377
Inward bills for collection	356,152	676,610
Outward bills for collection	320,428	430,230
Other contingent accounts	298,336	326,693
Confirmed export letters of credit	88,409	490,015
Unused commercial letters of credit	48,957	44,280
Shipping guarantees issued	10,033	32,732
Items held as collateral	42	51

Capital Expenditures

The Bank has committed on investing in the upgrade plan of its Systematics core banking system running on the IBM z-series mainframe, as well as on a new branch banking system. This is a top priority enterprise-wide project that will require major capital expenditures within the next three (3) years. For this project and other medium scale projects requiring information technology solutions, expected sources of funds will come from the sale of acquired assets and funds generated from the Bank's operations.

Significant Elements of Income or Loss

Significant elements of net income of the Bank came from its continuing operations.

Seasonal Aspects

There was no seasonal aspect that had material effect on the Bank's financial condition or results of operations.

Item 7. Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries, which comprise the Statements of Financial Position as at December 31, 2015 and 2014 and January 1, 2014, and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for each of the three (3) years in the period ended December 31, 2015 and a Summary of Significant Accounting Policies and other explanatory information, Notes to Financial Statements, Independent Auditors' Report and the Statement of Management's Responsibility are filed as part of this SEC 17-A report for the year ended December 31, 2015.

Item 8. Information on Independent Accountant and Changes in/disagreements with Accountants on Accounting/Financial Disclosure

A. Independent Public Accountants

SyCip Gorres Velayo & Co., CPAs (SGV) is the current external auditor of the Bank and its domestic subsidiaries for the calendar year 2015. Representatives of SGV are expected to be present at the stockholders meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Vicky Lee Salas is the engagement partner of the Bank for the year 2015.

The Bank intends to retain SGV & Co. as its external auditor for the year 2016. This requires the endorsement of the Board Audit and Compliance Committee with the approval of the Board of Directors and ratification by the Stockholders during the Annual Stockholders' Meeting of the Bank.

B. Audit and other related fees

The following are the engagement fees billed and paid for each of the last two fiscal years for the professional services rendered by the Bank's external auditor, SyCip Gorres Velayo and Co. :

2015 **Audit**

- ₱14.582 million engagement fee for the audit of the Bank's Financial Statements as of December 31, 2015 (inclusive of out-of-pocket expenses (OPE) but excluding Value Added Tax (VAT).

2014 **Audit**

- ₱12.802 million engagement fee for the audit of the Bank's Financial Statements as of December 31, 2014 (inclusive of out-of-pocket expenses (OPE) but excluding Value Added Tax (VAT).
- ₱6.350 million engagement fee for the review of Financial Statements as of June 30, 2014 and engagement fee for the issuance of Comfort Letter related to the offering of PNB LTNCD Long Term Negotiable Certificates of Time Deposit (LTNCD) in June 2014.

2013 **Audit**

- P5.992 million engagement fee for the audit of the Bank's Financial Statements as of December 31, 2013 (inclusive of out-of-pocket expenses (OPE) but excluding Value Added Tax (VAT).

Other related fees

- P13.305 million engagement fee for the review of Financial Statements as of March 31, 2013 and June 30, 2013 and issuance of comfort letter relative to the issuance of P5.0 billion Long Term Negotiable Certificates of Time Deposit (LTNCD) in July 2013 and P5.0 billion LTNCD in October 2013.
- P6.160 million engagement fee for the review of Financial Statements as of March 31, 2013 and 2012 relative to the Purchase Price Allocation.
- P10.500 million engagement fee for the review of the Financial Statements and issuance of comfort letter relative to the Stock Rights Offering of PNB.
- P1.232 million engagement fee for the review of Financial Statements of the Trust Banking Group for the year 2013.

There are no fees billed for the last two (2) years for tax accounting performed by the Bank's external auditor.

The approval of audit engagement fees is based on the Bank's existing Manual of Signing Authority.

C. Changes in Accounting Policies and Disclosures

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

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010-2012 Cycle
 - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
 - PFRS 3 *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
 - PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
 - PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
 - PAS 24, *Related Party Disclosures – Key Management Personnel*
- Annual Improvements to PFRSs 2011 – 2013 Cycle
 - PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
 - PFRS 13, *Fair Value Measurement - Portfolio Exceptions*
 - PAS 40, *Investment Property*

D. Disagreements with Accountants

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

In compliance with SEC Rule 68, as amended, and BSP Circular 660, Series of 2009, there is no need at this time to change the audit partner for the Bank. Ms. Vicky B. Lee-Salas, SGV's Leader for Market Group 5 and one of the more experienced audit partners in the banking industry, was the audit partner-in-charge for the year 2015.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers

A. Name, position, age, date of assumption and citizenship of Directors and Executive Officers as of December 31, 2015

Board of Directors^{2/}

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date last Elected</u>	<u>Date first Elected</u>	<u>Citizenship</u>
Florencia G. Tarriela	Independent Director and Chairperson of the Board of Directors Member of the Board Credit and Policy Committee, Corporate Governance Committee, Risk Oversight Committee, Board ICAAP Steering Committee and Board Oversight Committee – Domestic and Overseas Offices and Subsidiaries	69	5/26/2015	5/29/2001	Filipino
Felix Enrico R. Alfiler	Independent Director and Vice Chairman of the Board Chairman of the Board Credit and Policy Committee and Corporate Governance Committee Member of the Board Audit and Compliance Committee, Board Oversight Committee – Domestic and Overseas Offices and Subsidiaries, and Board Oversight RPT Committee	66	5/26/2015	1/1/2012	Filipino
Florido P. Casuela	Director Chairman of the Executive Committee and Risk Oversight Committee Member of the Board Audit and Compliance Committee, Board ICAAP Steering Committee, and Board IT Governance Committee	74	5/26/2015	5/30/2006	Filipino
Leonilo G. Coronel	Director Chairman of the Trust Committee and Board IT Governance Committee Member of the Executive Committee, Risk Oversight Committee and Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries	69	5/26/2015	5/28/2013	Filipino
Reynaldo A. Maclang	Director Member of the Board Credit and Policy Committee, Executive Committee, Corporate Governance Committee, Board ICAAP Steering Committee,	77	5/26/2015	2/9/2013	Filipino

^{2/} The directors are elected either by the stockholders (under section 5.3 of the PNB By-Laws) or by the Board of Directors (under Section 5.7 of the said By-Laws).

^{3/} Independent Director – As used in Section 38 of the Securities Regulation Code, an Independent Director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date last Elected</u>	<u>Date first Elected</u>	<u>Citizenship</u>
Estelito P. Mendoza	Director	86	5/26/2015	1/1/2009	Filipino
Christopher J. Nelson	Director Member of the Board Credit and Policy Committee, Board Audit and Compliance Committee, Corporate Governance Committee, Risk Oversight Committee, Board Oversight Committee – Domestic and Foreign and Board IT Governance Committee	56	5/26/2015	5/24/2014	British
Federico C. Pascual	Independent Director Chairman of the Board Oversight RPT Committee Member of the Board Credit Committee, Board Audit and Compliance Committee, Corporate Governance Committee, Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries	73	5/26/2015	5/27/2014	Filipino
Cecilio K. Pedro	Independent Director Member of the Trust Committee and Board IT Governance Committee	62	5/26/2015	2/28/2014	Filipino
Washington Z. Sycip	Director	94	5/26/2015	12/8/1999	Filipino American
Harry C. Tan	Director Member of the Board Credit and Policy Committee, Board Credit Committee, Risk Oversight Committee and Board Audit and Compliance Committee	69	5/26/2015	2/9/2013	Filipino
Lucio C. Tan	Director	81	5/26/2015	12/8/1999	Filipino
Lucio K. Tan, Jr.	Director Member of the Executive Committee, Corporate Governance Committee and Board It Governance Committee	49	5/26/2015	9/28/2007	Filipino
Michael G. Tan	Director Chairman of the Board ICAAP Steering Committee Member of the Board Credit and Policy Committee, Executive Committee and Corporate Governance Committee and Board IT Governance Committee	49	5/26/2015	2/9/2013	Filipino
Deogracias N. Vistan	Independent Director Chairman of the Board Audit and Compliance Committee, Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries Member of the Board Credit and Policy Committee, Board ICAAP Steering Committee, Corporate Governance Committee and Board Oversight RPT Committee	71	5/26/2015	7/15/2011	Filipino

None of the above-mentioned Directors is an appointed official or employee of any agency of the Government of the Philippines.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date Appointed</u>	<u>Citizenship</u>
Maria Katrina y. Ilarde	Corporate Secretary	32	6/26/2015	Filipino
Ruth Pamela E. Tanghal	Assistant Corporate Secretary	47	6/29/2015	Filipino
Joseph T. Chua	Board Advisor	59	5/26/2015	Filipino
Manuel T. Gonzales	Board Advisor	78	10/01/2013	Filipino
William T. Lim	Board Advisor	75	1/25/2013	Filipino

Executive Officers

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date of Assumption</u>	<u>Citizenship</u>
Reynaldo A. Maclang	President	77	5/26/2015	Filipino
Canon C. Audencial, Jr.	Executive Vice President Head of the Institutional Banking Group	57	8/5/2013	Filipino
Horacio E. Cebrero III	Executive Vice President Head of the Treasury Group	53	7/19/2010	Filipino
Christopher C. Dobles	Executive Vice President Chief Security Officer and Head of the Corporate Security Group	72	2/9/2013	Filipino
Jovencio B. Hernandez	Executive Vice President President PNB Savings Bank	62	2/8/2010	Filipino
Nelson C. Reyes	Executive Vice President Chief Financial Officer and Head of the Financial Management and Controllership Group	51	1/1/2015	Filipino
Bernardo H. Tocmo	Executive Vice President Head of the Retail Banking Group	54	10/1/2015	Filipino
Yolanda M. Albano	First Senior Vice President Head of the Commercial Banking Group	65	2/9/2013	Filipino
Alice Z. Cordero	First Senior Vice President Chief Compliance Officer, Corporate Governance Executive and Head of the Global Compliance Group	58	6/16/2010	Filipino
Socorro D. Corpus	First Senior Vice President Head of the Human Resource Group	64	2/9/2013	Filipino
Zacarias E. Gallardo, Jr.	First Senior Vice President	66	10/01/2012	Filipino
Miguel Angel G. Gonzalez	First Senior Vice President Chief Credit Officer and Head of the Credit Management Group	57	3/3/2010	Filipino
John Howard D. Medina	First Senior Vice President Head of the Global Operations Group	46	2/11/2013	Filipino
Edgardo T. Nallas	First Senior Vice President President of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation	58	5/1/2013	Filipino

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date of Assumption</u>	<u>Citizenship</u>
Benjamin J. Oliva	First Senior Vice President Head of the Global Filipino Banking Group	63	9/10/2012	Filipino
Aida M. Padilla	First Senior Vice President Head of the Remedial Management Group	66	4/26/2009	Filipino
Carmela A. Pama	First Senior Vice President Chief Risk Officer and Head of the Risk Management Group	59	10/9/2006	Filipino
Emmanuel German V. Plan II	First Senior Vice President Head of the Special Asset Management Group	63	6/8/2009	Filipino
Manuel C. Bahena, Jr.	Chief Legal Counsel Senior Vice President	54	2/11/2013	Filipino
Emeline C. Centeno	Senior Vice President Head of the Corporate Planning and Research Division	57	6/1/2003	Filipino
Dioscoro Teodorico L. Lim	Senior Vice President Chief Audit Executive and Head of the Internal Audit Group	61	2/9/2013	Filipino
Maria Paz D. Lim	Senior Vice President Corporate Treasurer	55	6/23/2006	Filipino
Norman Martin C. Reyes	Senior Vice President Chief Marketing Officer and Head of the Marketing Group	50	1/16/2015	Filipino
Roberto S. Vergara	First Vice President Chief Trust Officer and Head of Trust Banking Group	64	1/16/2015	Filipino
Constantino Yap	Vice President Head of Information Technology Group	52	7/1/2013	Filipino

B. Profile of Directors and Executive Officers together with their business experience covering at least the past five (5) years

Name	FLORENCIA G. TARRIELA
Age	69
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines * Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination
Current Position in the Bank	Chairman of the Board/Independent Director
Date of First Appointment	<ul style="list-style-type: none"> * May 29, 2001 (as Director) * May 24, 2005 (as Chairman of the Board) * May 30, 2006 (as Independent Director)
Directorship in Other Listed Companies	Independent Director of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> * Independent Director of PNB Capital and Investment Corporation, PNB Life Insurance, Inc., PNB International Investments Corporation, and LT Group, Inc. * Columnist for “Business Options” of the Manila Bulletin and “FINEX Folio” of Business World * Director/Vice President of Tarriela Management Company and Director/Vice President/ Assistant Treasurer of Gozon Development Corporation * Life Sustaining Member of the Bankers Institute of the Philippines 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	<ul style="list-style-type: none"> * Former Undersecretary of Finance * Alternate Board Member of the Monetary Board of the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation * Former Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N. A.

Awards/Citations	* 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement
Name	FELIX ENRICO R. ALFILER
Age	66
Nationality	Filipino
Education	Bachelor of Science and Masters in Statistics from the 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	<ul style="list-style-type: none"> * Chairman/Independent Director of PNB RCI Holdings Co., Ltd. * Independent Director of PNB-IBJL Leasing and Finance Corporation, PNB Savings Bank and PNB International Investments Corp.
Other Previous Positions	<ul style="list-style-type: none"> * Senior Advisor to the World Bank Group Executive Board in Washington, D.C. * Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization * Director of the Bangko Sentral ng Pilipinas * Assistant to the Governor of the Central Bank of the Philippines * Senior Advisor to the Executive Director at the International Monetary Fund Associate Director at the Central Bank * Head of the Technical Group of the CB Open Market Committee * Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts * Advisor at Lazaro Tiu and Associates, Inc. * President of Pilgrims (Asia Pacific) Advisors, Ltd. * President of the Cement Manufacturers Association of the Philippines (CeMAP) Board Member of the Federation of Philippine Industries (FPI)

- * Vice President of the Philippine Product Safety and Quality Foundation, Inc.
- * Convenor for Fair Trade Alliance.

Name	FLORIDO P. CASUELA
Age	74
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines * Masters in Business Administration from the University of the Philippines * Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania
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	<ul style="list-style-type: none"> * Chairman of PNB Securities, Inc. * Director of PNB Savings Bank, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., PNB Life Insurance, Inc., and Surigao Micro Credit Corporation * Senior Adviser of the Bank of Makati, Inc.
Other Previous Positions	<ul style="list-style-type: none"> * Former President of Maybank Philippines, Inc., Land Bank of the Philippines, and Surigao Micro Credit Corporation * Senior Adviser in the Bangko Sentral ng Pilipinas. * Senior Executive Vice President of United Overseas Bank (Westmont Bank) * Executive Vice President of PDCP (First Bank) * Senior Vice President of Philippine National Bank * First Vice President of Bank of Commerce * Vice President of Metropolitan Bank & Trust Co. * Special Assistant to the Chairman of the National Power Corporation

	<ul style="list-style-type: none"> * Audit Staff of Joaquin Cunanan, CPAs
Awards/Citations	<ul style="list-style-type: none"> * One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration * Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter
Name	LEONILO G. CORONEL
Age	69
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University * Advance Management Program of the University of Hawaii
Current Position in the Bank	Director
Date of First Appointment	May 28, 2013
Directorship in Other Listed Companies	Independent Director of Megawide Construction Corporation
Other Current Positions	<ul style="list-style-type: none"> * Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation * Independent Director of DBP-Daiwa Capital Markets Phil. * Director of Software Ventures International
Other Previous Positions	<ul style="list-style-type: none"> * Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation * Director/Treasurer of Philippine Depository and Trust Corporation * Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council * Managing Director of BAP-Credit Bureau * President of Cebu Bankers Association * Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation * Worked with Citibank, Manila for twenty (20) years, occupying various positions.
Awards/Citations	Fellow of the Australian Institute of Company Directors in 2002

Name	REYNALDO A. MACLANG
Age	77
Nationality	Filipino
Education	Bachelor of Laws from the Ateneo de Manila University
Current Position in the Bank	President of the Bank/Director
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 Savings Bank, PNB Global Remittance and Financial Co., HK, Ltd., Bulawan Mining Corporation, PNB Management & Development Corporation and PNB Forex, Inc. * Director of the Bankers Association of the Philippines, Asian Bankers Association, and Bancnet, Inc., where he is also a Treasurer.
Other Previous Positions	* President of Allied Savings Bank from 1986 to 2001 * President of Allied Banking Corporation from 2001 to 2009 * Director of Allied Banking Corporation (ABC), PNB Life Insurance, Inc., PNB Italy SpA, PNB International Investments Corporation, PNB Holdings Corporation, PNB Securities, Inc., PNB Forex, Inc., and Eton Properties Philippines, Inc.

Name	ESTELITO P. MENDOZA
Age	86
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Laws (cum laude) from the University of the Philippines * Master of Laws from the Harvard University
Current Position in the Bank	Director
Date of First Appointment	January 1, 2009
Directorship in Other Listed Companies	Director of San Miguel Corporation and Petron Corporation
Other Current Positions	<ul style="list-style-type: none"> * Chairman of Prestige Travel, Inc. * Director of Philippine Airlines, Inc. * Practicing lawyer for more than sixty (60) years
Other Previous Positions	<ul style="list-style-type: none"> * Professorial Lecturer of law at the University of the Philippines * Undersecretary of Justice, Solicitor General and Minister of Justice * Member of the Batasang Pambansa and Provincial Governor of Pampanga * Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.
Awards/Citations	<ul style="list-style-type: none"> * Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University, University of Manila, Angeles University Foundation and the University of the East * Doctor of Humane Letters degree by the Misamis University * Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns * University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

Name	CHRISTOPHER J. NELSON
Age	56
Nationality	British
Education	<ul style="list-style-type: none"> * Bachelor of Arts and Masters of Arts in History from Emmanuel College, Cambridge University, U.K., * Diploma in Marketing from the Institute of Marketing, Cranfield, U.K.
Current Position in the Bank	Director
Date of First Appointment	<p>March 21, 2010 (Director)</p> <p>May 27, 2014 (Board Advisor)</p> <p>May 26, 2015 (Director)</p>
Directorship in Other Listed Companies	None
Other Current Positions	<ul style="list-style-type: none"> * Director of PNB Holdings Corporation. * Chairman of Lux Et Sal Corporation * Director of the Philippine Band of Mercy, the Federation of Philippine Industries, Bellagio 3 Condominium Association, Inc., and Greenlands Community * Member of the Board of Trustees of the American Chamber Foundation Philippines, Inc., and British Chamber of Commerce of the Philippines, where he is also the Chairman * Member of the Society of Fellows of the Institute of Corporate Directors.
Other Previous Positions	<ul style="list-style-type: none"> * Trustee of Tan Yan Kee Foundation * Director of the American Chamber of Commerce of the Philippines, Inc. * President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years * Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

Name	FEDERICO C. PASCUAL
Age	73
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Masters of Laws in 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	<ul style="list-style-type: none"> * Chairman/Independent Director of PNB General Insurers Co., Inc. * Independent Director of PNB International Investments Corporation and PNB Holdings Corporation * President/Director of Tala Properties, Inc. and Woldingham Realty, Inc. * Director of Global Energy Growth System and Apo Reef World Resort * Proprietor of Green Grower Farm * Partner of the University of Nueva Caceres in Bataan.
Other Previous Positions	<ul style="list-style-type: none"> * President and General Manager of Government Service Insurance System * President and CEO of Allied Banking Corporation * Various positions with PNB for twenty (20) years in various positions, including as Acting President, CEO and Vice Chairman * President and Director of Philippine Chamber of Commerce and Industry * Chairman of National Reinsurance Corporation and PNOC-AFC * Co-Chairman of the Industry Development Council of the Department of Trade and Industry * Treasurer of BAP-Credit Guarantee * Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB,

Bankard, Philippine International Trading Corporation,
 Philippine National Oil Corporation and Certified Data
 Centre Professional

Name	CECILIO K. PEDRO
Age	62
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Management from the Ateneo de Manila University * Honorary Doctorate of Philosophy in Technological Management from the Technological University of the Philippines
Current Position in the Bank	Independent Director
Date of First Appointment	February 28, 2014
Other Current Positions	<ul style="list-style-type: none"> * Chief Executive Officer (CEO)/President of Lamoayan Corporation * Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc. * Director of CATS Motors, Manila Doctors Hospital and Philippine Business for Social Progress * Independent Director of PNB Savings Bank * Chairman of the Deaf Evangelistic Alliance Foundation, Inc. * Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.
Other Previous Positions	<ul style="list-style-type: none"> * CEO/President of Aluminum Container, Inc. * Director of DBS Philippines, Inc. (formerly Bank of Southeast Asia, Inc.)
Awards/Citations	<ul style="list-style-type: none"> * Recipient of the Ten Outstanding Young Men in the field of Business Entrepreneurship, Aurelio Periquet Award on Business Leadership, Ateneo Sports Hall of Fame, CEO Excel Award, Ozanam Award for Service, Entrepreneur of the Year for Social Responsibility, Ten Outstanding Manileños, and PLDT SME Nation and Go Negosyo's Grand MVP Bossing Award * Recognized by the House of Representative for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012

Name	WASHINGTON Z. SYCIP
Age	94
Nationality	Filipino-American
Education	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Founder of SGV Group * One of the founders and Chairman Emeritus of the Asian Institute of Management * Member of the Board of Overseers of the Graduate School of Business at Columbia University * Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France * Honorary Life Trustee of The Asia Society * Member of the Board of Directors of a number of other major corporations in the Philippines and other parts of the world
Other Previous Positions	<ul style="list-style-type: none"> * President of the International Federation of Accountants * Member of the International Advisory Board of the Council on Foreign Relations * Vice Chairman of the Board of Trustees of The Conference Board * Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange * Served in the international boards of the American International Group, AT&T, Australia & New Zealand Bank, Caterpillar, Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others. * Board of Trustees of the Ramon Magsaysay Award Foundation and Eisenhower Exchange Fellowship

Awards/Citations	<ul style="list-style-type: none"> * Order of Lakandula, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011 * Lifetime Achievement Award given by Columbia Business School and Asia Society * Ramon Magsaysay Award for International Understanding * Management Man of the Year given by the Management Association of the Philippines * Officer's Cross of the Order of Merit given by the Federal Republic of Germany * Star of the Order of Merit Conferred by the Republic of Australia * Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden
Name	HARRY C. TAN
Age	69
Nationality	Filipino
Education	Bachelor of Science in Chemical Engineering, Mapua Institute of Technology
Current Position in the Bank	Director
Date of First Appointment	February 9, 2013
Directorship in Other Listed Companies	Director of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> * Chairman of Bulawan Mining Corporation and PNB Global Remittance and Financial Company (HK) Limited * Director of PNB Management Development Corporation and PNB Savings Bank * Chairman for the Tobacco Board of Fortune Tobacco International Corporation * President of Landcom Realty Corporation and Century Park Hotel * Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc. * Managing Director/Vice Chairman of The Charter House Inc. * Director of various private firms which include Asia

Brewery, Inc., Dominion 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, Phillip Morris Fortune Tobacco Corporation, Inc., and Allied Commercial Bank

Other Previous Positions	<ul style="list-style-type: none"> * Director of Allied Banking Corporation * Director of Philippine Airlines * Director of MacroAsia Corporation
Name	LUCIO C. TAN
Age	81
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	<ul style="list-style-type: none"> * Chairman and CEO: LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation
Other Current Positions	<ul style="list-style-type: none"> * Chairman and CEO of Philippine Airlines, Inc. * Chairman/President: Tangent Holdings Corporation and Lucky Travel Corporation * Chairman: Eton Properties Philippines, Inc., Asia Brewery, Inc., Tanduay Distillers, Inc., Fortune Tobacco Corporation, PNB Life Insurance, Inc., Allied Leasing and Finance Corporation, Allied Commercial Bank, PNB Savings Bank, and Allied Banking Corporation (HK) Ltd. * President: Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation * Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. * Founder and Vice Chairman of the Foundation for

	Upgrading the Standard of Education, Inc.
	* Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President
Other Previous Positions	* Chairman: Allied Banking Corporation
Awards/Citations	* Various honorary degrees for his outstanding achievements and leadership in the Philippines and other parts of the world
Name	LUCIO K. TAN, JR.
Age	49
Nationality	Filipino
Education	<ul style="list-style-type: none"> * 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
Other Current Positions	<ul style="list-style-type: none"> * President/Director of Tanduay Distillers, Inc. and Eton Properties Philippines, Inc. * Director of Bulawan Mining Corporation, PNB Capital and Investment Corporation, PNB Forex, Inc., PNB Management and Development Corporation, PNB Savings Bank, Allied Leasing and Finance Corporation, PNB Global Remittance and Financial Company (HK) Ltd., and Allied Banking Corporation (HK) Limited * Director of Phillip Morris Fortune Tobacco Corporation, 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, Allied Leasing and Finance Corporation, and Allied Banking Corporation (HK) Limited
	* EVP and Director of Fortune Tobacco Corporation
Other Previous Positions	* President and Chief Executive Officer of MacroAsia Corporation * Director of Tanduay Distillers, Inc. * Executive Vice President of Fortune Tobacco Corporation
Name	MICHAEL G. TAN
Age	49
Nationality	Filipino
Education	Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	Director
Date of First Appointment	February 9, 2013
Directorship in Other Listed Companies	* President of LT Group, Inc. * Director of PAL Holdings, Inc. and Victorias Milling Corporation
Other Current Positions	* Chairman of PNB Holdings Corporation and PNB Management and Development Corporation * Director of PNB Forex, Inc., Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited * Chief Operating Officer of Asia Brewery, Inc. * Director of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Grandway Konstruct, Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Alliedbankers Insurance Corporation
Other Previous	* Director of Allied Banking Corporation (ABC) from

Positions	January 30, 2008 until the ABC's merger with PNB on February 9, 2013
Name	DEOGRACIAS N. VISTAN
Age	71
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts and Bachelor of Science in Business Administration, De La Salle University * Masters in Business Administration, Wharton Graduate School
Current Position in the Bank	Independent Director
Date of First Appointment	August 1, 2011
Directorship in Other Listed Companies	Independent Director of Lorenzo Shipping
Other Current Positions	<ul style="list-style-type: none"> * Chairman and an Independent Director of PNB International Investments Corporation * Independent Director of PNB Capital and Investment Corporation * Chairman of V & A Foods Corporation and Pinoy Micro Enterprise Foundation * Director of U-Bix Corporation * Member of the Board of Trustees of the Ramon Magsaysay Award Foundation * Advisor of Mitsubishi Motors Philippines Corporation
Other Previous Positions	<ul style="list-style-type: none"> * Chairman of United Coconut Planters Bank * Vice Chairman of Metropolitan Bank and Trust Company * President of Equitable-PCI Bank, Solidbank Corporation, Land Bank of the Philippines and FNCR Finance * Member of the Board of Trustees, Landbank Countryside Development Foundation, Inc. * Various management positions in Citibank Manila, Cebu and New York * Presidential Consultant on Housing President of the Bankers Association of the Philippines

Name	MAILA KATRINA Y. ILARDE
Age	32
Nationality	Filipino
Education	* Bachelor of Science in Legal Management, De La Salle University * Juris Doctor, Ateneo de Manila University School of Law
Current Position in the Bank	Corporate Secretary
Date of First Appointment	June 29, 2015
Other Previous Positions	* Senior Associate, Roxas De Los Reyes Laurel Rosario & Leagogo * Assistant Corporate Secretary, Ionics, Inc. * Assistant Corporate Secretary, Ionics EMS, Inc.

Name	RUTH PAMELA E. TANGHAL
Age	47
Nationality	Filipino
Education	* Bachelor of Science in Mathematics, Notre Dame University * LIB, Notre Dame University
Current Position in the Bank	Assistant Corporate Secretary
Date of First Appointment	June 29, 2015
Other Current Positions	* Director, E.C. Tanghal & Co., Inc.
Other Previous Positions	* Documentation Lawyer, PNB Legal Group * Director/Corporate Secretary, Rural Bank of Cotabato, Inc. * Director, Rural Bankers Association of the Philippines, Inc.

Board of Advisors:

Name	JOSEPH T. CHUA
Age	59
Nationality	Filipino
Education	<ul style="list-style-type: none">* Bachelor of Arts in Economics and Bachelor of Science in Business Management from the De La Salle University* Masters in International Finance from the University of Southern California
Current Position in the Bank	Board Advisor
Date of First Appointment	May 26, 2015
Current Positions	<ul style="list-style-type: none">* 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	<ul style="list-style-type: none">* Chairman of MacroAsia Mining Corporation* Director of Philippine National Bank* Director/Chief Operating Officer of MacroAsia Corporation* Managing Director of Goodwind Development Corporation

Name	MANUEL T. GONZALES
Age	78
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Commerce from the De La Salle University * Masters of Arts in Economics from Ateneo De Manila University
Current Position in the Bank	Board Advisor
Date of First Appointment	October 1, 2013
Current Positions	<ul style="list-style-type: none"> * Director of Allied Leasing and Finance Corporation * Director of Alliedbankers Insurance Corporation
Other Previous Positions	<ul style="list-style-type: none"> * Director of Allied Banking Corporation * Member, Management Association of the Philippines (MAP) * Member, Financial Executives of the Philippines (FINEX) * Member, European Chamber of Commerce of the Philippines (ECCP) * Member, Bankers Institute of the Philippines

Name	WILLIAM T. LIM
Age	75
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Chemistry from Adamson University
Current Position in the Bank	Board Advisor
Date of First Appointment	January 25, 2013
Previous Positions	<ul style="list-style-type: none"> * 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

CENON C. AUDENCIAL, JR., 57, Filipino, Executive Vice President, is the Head of the Institutional Banking Group. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group, and was a Relationship Manager in Citytrust Banking Corporation. Before his 20-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

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

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

NELSON C. REYES, 51, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as the Chief Financial Officer. Prior to joining the Bank, he was the Chief Financial Officer of the Hongkong and Shanghai Banking Corporation (HSBC), Ltd., Philippine Branch, a position he held since 2004. He was also a Director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned 28 years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia,

Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

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

YOLANDA M. ALBANO, 65, Filipino, First Senior Vice President, is the Head of the Bank's Commercial Banking Group. She was previously the First Senior Vice President and Head of ABC Institutional Banking Group, comprised of the Account Management Division and the Merchant Banking Division. She joined ABC in 1977, starting off as an Account Officer at the Business Development Division and moving on as the Head of the Credit and Research Department, concurrent Head of the Corporate Affairs Department, Head of the Account Management Division, and ultimately, Head of the Institutional Banking Group. At present, she is a member of the Financial Executives Institute of the Philippines (FINEX). She is a member of the Board of Trustees of the College of the Holy Spirit, Manila and a past President of the Bank Marketing Association of the Philippines (BMAP) and the Credit Management Association of the Philippines (CMAP). She is also a past President of the College of the Holy Spirit Alumnae Foundation. Ms. Albano completed her Bachelor of Arts degree in Economics in three (3) years with a Dean's Award for Academic Excellence from the University of the Philippines.

ALICE Z. CORDERO, 58, Filipino, First Senior Vice President, was appointed the Chief Compliance Officer of the Bank on June 16, 2010 with oversight on the Bank, including all subsidiaries, affiliates and foreign branches. She is concurrently the Corporate Governance Executive of the Bank. She obtained Bachelor of Science degree in Business Economics from the University of the Philippines. She has earned units in Masters in Business Administration at the Ateneo Graduate School of Business. Prior to joining the Bank, she was the Chief Compliance Officer of ABC (2007-2010). She worked with Citibank N.A - Manila Branch

(1988-2007) for nineteen (19) years and held various senior positions in the Consumer Banking Group, including Compliance and Control Director (1999-2005) and concurrent Regional Compliance and Control Director for Philippines and Guam (2004). Her 35 years of banking experience include working for ABC (1979-1983; 2007-2010), First National Bank of Chicago - Manila Branch (1983-1986), Far East Bank and Trust Company (1986-1988) and Citibank N.A. - Manila Branch (1988-2007), where she held department head positions in Credit Policy, Credit & Research Management, Financial Control, Corporate Regulatory Reporting, Asset Strategy, Business Development, Risk Management and Compliance.

SOCORRO D. CORPUS, 64, Filipino, First Senior Vice President, is the Head of the Human Resource Group. She is a graduate of Assumption College with a Bachelor of Arts degree, Major in Psychology, and an Associate in Commercial Science degree. She has been an HR practitioner for over 35 years. She started her career with China Banking Corporation in 1973 as an HR specialist prior to joining the ABC in 1977 as an Assistant Manager. Her professional affiliations include the following: founding member and a board member of the Organization Development Professional Network (ODPN), past President and member of the Bankers' Council for People Management, member of the Personnel Management Association of the Philippines, and the regular bank representative to the Banking Industry Tripartite Council.

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

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

EDGARDO T. NALLAS, 58, Filipino, is the President and CEO of PNB-IBJL Leasing and Finance Corporation and its subsidiary, PNB-IBJL Equipment Rentals Corporation. He has 39 years of experience in various areas of banking, particularly in human resources management, account management, branch banking, leasing and finance. He was formerly the Head of PNB Human Resources Group with the rank of First Senior Vice President. He obtained his Bachelor of Arts degree in Economics (Accelerated) from the De La Salle University in 1977 and has

earned units in Masters in Business Administration from said school. He started his career in Human Resource in 1977 with PhilBanking Corporation. Prior to PNB, he held various HR positions at SolidBank Corporation (1992–1995), BA Savings Bank (1997) and Philippine Bank of Communications (1998–2005).

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 when he handled Corporate Banking. He joined Citibank, NA in 1988, where he exhibited his expertise in sales and headed different sales divisions (Loans, Cards and Citiphone Banking). He became a Director for various divisions such as Country Asset Sales, Credit Cards Business, Business Development and Personal Loans from November 1999 to January 2006. In January 2006, he was hired by Citibank Savings, Inc. as the Director for Personal Loans and moved back to Citibank, NA as Business Development Director in February 2007. He was rehired by Citibank Savings, Inc. as its President in December 2007. From June 2009 to July 2011, he held concurrent positions as Commercial Banking Director of Citibank NA and board member of Citibank Savings, Inc. In September 2011, he has been a designate Consultant for Consumer Banking of United Coconut Planters Bank. Mr. Oliva joined PNB on September 10, 2012.

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

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

EMMANUEL GERMAN V. PLAN II, 63, Filipino, First Senior Vice President, is the Head of the Special Assets Management Group. He holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of Santo Tomas and took up masteral studies at the Letran College. Prior to joining the Bank, he was Senior Vice President of the Special Assets Group of ABC. He concurrently held the position of Senior Vice President of State Investment Trust and State Properties Corporation. He also acted as Managing Director of Bear Stearns State Asia and Northeast Land Development Corporation. He has exposure in investment banking, account management, and credit and collection. He has been involved in acquired assets management and in real estate development since 1997. Mr. Plan is also into social, religious and charitable undertakings through his active involvement in different educational and religious foundations like Sambayan Educational Foundation, Inc., LSQC Scholarship Foundation, UST-EHSGAA and Magis Deo, to name a few.

MANUEL C. BAHENA, JR., 54, Filipino, Senior Vice President, is the Chief Legal Counsel of the Bank. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are the Corporate Partnership for Management in Business, Inc.; Orixo 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, 57, Filipino, Senior Vice President, is the Head of the Corporate Planning and Research Division. She obtained her Bachelor of Science in Statistics degree (Dean's Lister) and completed the coursework in Masters of Arts in Economics (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division and the Corporate Planning Division before assuming her present position as Head of the Corporate Planning and Research Group. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

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

MARIA PAZ D. LIM, 55, Filipino, Senior Vice President, is the Corporate Treasurer. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University Graduate School of Business. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of

Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position. She is also currently the Treasurer of PNB Capital and Investment Corporation.

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

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

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

C. Independent Directors

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

The independent directors act as Chairman of the Board, Board Credit & Policy Committee, Corporate Governance/Nomination/Remuneration Committee, Board Oversight Committee – Domestic and Foreign Subsidiaries/Affiliates, Board Audit and Compliance Committee and Board Oversight Related Party Transaction (RPT) Committee. The independent directors are also members of four other board committees such as the Board ICAAP Steering Committee, Trust Committee, Board IT Governance Committee and the Risk Oversight Committee. The latter board committee Chairman is a non-executive director and former president of a government bank with universal banking license.

D. Identify Significant Employees

There is no person who is not an executive officer who is expected to make a significant contribution to the business.

E. Family Relationship

Directors Harry C. Tan and Lucio C. Tan are brothers. Directors Lucio K. Tan, Jr. and Michael G. Tan are sons of Mr. Lucio C. Tan. Director Joseph T. Chua is a son in law of Mr. Lucio C. Tan.

F. Involvement in Certain Proceedings

Neither the directors nor any of the executive officers have, for a period covering the past five (5) years, reported:

- i. any petition for bankruptcy filed by or against a business with which they are related as a general partner or executive officer;
- ii. any criminal conviction by final judgment or being subject to a pending criminal proceeding, domestic or foreign;
- iii. being subject to any order, judgment, or decree, of a competent court, domestic or foreign, permanently or temporarily enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities; or
- iv. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

G. Brief Description of Any Material Pending Legal Proceedings to which the Registrant or any of its Subsidiaries is a Party

The Bank and some of its subsidiaries are parties to various legal proceedings which arose in the ordinary course of their operations. None of such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Bank and its subsidiaries or their financial condition.

Item No. 10 – Executive Compensation

A. Executive Compensation

The Annual compensation of executive officers consists of a 16-month guaranteed cash emolument. There are no other arrangements concerning compensation for services rendered by Directors or executive officers to the Bank and its subsidiaries.

B. Compensation of Directors

The Directors receive a reasonable per diem for each attendance at a Board meeting or any meeting of the Board Committees. Total per diem given to the Board of Directors of the Bank amounted to ₱41.95 million in 2015 from ₱44.325 million in 2014.

C. Summary of Compensation Table

Annual Compensation (In Pesos)					
Name and Principal Position	Year	Salary	Bonus	Others	Total
Reynaldo A. Maclang President					
Four most highly compensated executive officers other than the CEO					
1. Cenon C. Audencial, Jr. Executive Vice President					
2. Horacio E. Cebrero III Executive Vice President					
3. Christopher C. Dobles Executive Vice President					
4. Nelson C. Reyes Executive Vice President					
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2014	50,690,483	12,041,581	-	62,732,064
	Actual 2015	58,902,884	14,500,000	-	75,300,000
	Projected 2016	70,700,000	23,600,000	-	94,300,000
All other officers and directors (as a group unnamed)	Actual 2014	2,606,668,197	843,788,872	-	3,450,457,069
	Actual 2015	3,280,311,093	1,012,500,000	-	4,140,500,000
	Projected 2016	3,936,500,000	1,143,500,000	-	5,080,000,000

D. Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

E. Warrants and Options Outstanding: Repricing

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

Item No. 10A – Remuneration Policy

PNB's remuneration policy manifests the Bank's belief that the quality of its human resource is a key competitive edge in the industry. As such, the Bank maintains remuneration and benefits program that attracts, motivates, and retains talents and develops their potentials. The Bank's remuneration and benefits program aims to 1) ensure compliance with requirements of labor and other regulatory laws; 2) establish competitiveness with peer groups in the industry; and c) strengthen alignment with and accomplishment of the Bank's business strategies.

The following are the features of the Bank's remuneration policy for Directors and Officers:

I. Emolument and Fringe Benefits of the Board of Directors

- Cash Emolument in the form of Per Diem for every Board and Board Committee meeting
- Non-Cash Benefit in the form of Healthcare Plan, Group Life Insurance, and Group Accident Insurance

II. Officers' Compensation and Benefits

1. Monetary Emoluments

- Monthly compensation in the form of monthly basic pay which is reviewed annually and subject to the adjustment thru merit increase effective July 1 based on Officer's performance and achievements
- Bonuses equivalent to four (4) months Basic Salary per year
- Allowances to cover business-related expenses, official travel, social and recreational activities (i.e., summer outing/Christmas party) and relocation expenses
- Service Incentive in the form of cash award upon reaching milestones in length of service (i.e., 10th, 15th, 20th, 25th, 30th, 35th and 40th year of service)

2. Non-Cash Benefits

- Healthcare Plan in the form of hospitalization, consultation and other medical benefits for the Officer and two (2) of his/her primary dependents
- Group Life Insurance coverage in amounts based on the Officer's rank
- Group Accident Insurance coverage in amounts based on the officer's rank
- Leave Privileges in the form of leave with pay benefits for the following purposes: a) vacation; b) sick; c) maternity; d) paternity; e) birthday; f) bereavement; g) solo parent; h) emergency; i) special leave for female employees; j) special leave privilege for victims under the "Anti-Violence Against Women and their Children Act".
- Car Plan in the form of car cost-sharing scheme based on the officer's rank

3. Fringe Benefits

- Loan Facilities available for the following purposes: a) housing; b) car financing; c) general purpose

4. Retirement Benefits

- Retirement benefits equivalent to applicable monthly pay per year of service for those who attained the required age or minimum length of service under the Plan.

Item 11 – Security Ownership

9B: **Security Ownership of Certain Record and Beneficial Owners** *(more than 5% of any class of voting securities as of December 31, 2015)*

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
All Seasons Realty Corporation - Makati City - 8,191,895 shares Shareholder	Owned and Controlled by LT Group, Inc.	Filipino	747,326,928	59.8273308551%
Allmark Holdings Corporation - Quezon City – 16,967,394 shares Shareholder		Filipino		
Caravan Holdings Corporation - Marikina City - 67,148,224 shares Shareholder		Filipino		
Donfar Management Ltd. - Makati City – 25,173,588 shares Shareholder		Filipino		
Dunmore Development Corp. (X-496) - Makati City - 12,395,850 shares Shareholder		Filipino		

<p>Dynaworld Holdings, Inc. - Pasig City - 9,323,108 shares</p> <p>Shareholder</p>		Filipino		
<p>Fast Return Enterprises, Ltd. - Makati City - 14,865,453 shares</p> <p>Shareholder</p>		Filipino		
<p>Fil-Care Holdings, Inc. - Quezon City - 20,836,937 shares</p> <p>Shareholder</p>		Filipino		
<p>Fragile Touch Investment Ltd. - Makati City - 18,581,537 shares</p> <p>Shareholder</p>		Filipino		
<p>Ivory Holdings, Inc. - Makati City - 16,997,821 shares</p> <p>Shareholder</p>		Filipino		
<p>Kenrock Holdings Corporation - Quezon City – 21,301,405 shares</p> <p>Shareholder</p>		Filipino		
<p>Kentwood Development Corp. - Pasig City - 14,112,105 shares</p> <p>Shareholder</p>		Filipino		

<p>Key Landmark Investments, Ltd. - British Virgin Islands - 109,115,864 shares</p> <p>Shareholder</p>		Filipino		
<p>La Vida Development Corp. - Quezon City - 16,052,705 shares</p> <p>Shareholder</p>		Filipino		
<p>Leadway Holdings, Inc. - Quezon City – 53,470,262 shares</p> <p>Shareholder</p>		Filipino		
<p>Mavelstone International Ltd. - Makati City - 24,213,463 shares</p> <p>Shareholder</p>		Filipino		
<p>Merit Holdings and Equities Corporation - Quezon City – 14,233,686 shares</p> <p>Shareholder</p>		Filipino		
<p>Multiple Star Holdings Corporation - Quezon City – 25,214,730 shares</p> <p>Shareholder</p>		Filipino		
<p>Pioneer Holdings Equities, Inc. - Pasig City - 28,044,239 shares</p> <p>Shareholder</p>		Filipino		

Profound Holdings, Inc. - Mandaluyong City - 14,935,099 shares Shareholder		Filipino		
Purple Crystal Holdings, Inc. - Mandaluyong City - 19,980,373 shares Shareholder		Filipino		
Safeway Holdings & Equities, Inc. - Quezon City - 9,864,499 shares Shareholder		Filipino		
Society Holdings Corporation - Quezon City - 14,162,708 shares Shareholder		Filipino		
Solar Holdings Corporation - Pasig City - 67,148,224 shares Shareholder		Filipino		
Total Holdings Corporation - Pasig City - 13,095,263 shares Shareholder		Filipino		
True Success Profits, Ltd. - British Virgin Islands - 67,148,224 shares Shareholder		Filipino		

Uttermost Success, Ltd. - Makati City - 24,752,272 shares Shareholder		Filipino		
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9C: Security Ownership of Management (*Individual Directors and Executive Officers as of 31 December 2015*)

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Florencia G. Tarriela Chairman Independent Director	2 shares ₱80.00 (R)	Filipino	0.0000001601
Felix Enrico R. Alfiler Independent Director	10,215 shares ₱408,600.00 (R)	Filipino	0.0008177628
Florido P. Casuela Director	133 shares ₱5,320.00 (R)	Filipino	0.0000106473
Leonilo G. Coronel Director	1 share ₱40.00 (R)	Filipino	0.0000000801
Reynaldo A. Maclang Director	155 shares ₱6,200.00 (R)	Filipino	0.0000124085
Estelito P. Mendoza Director	1,150 shares ₱46,000.00 (R)	Filipino	0.0000920634
Christopher J. Nelson Director	100 shares ₱4,000.00 (R)	British	0.0000080055
Federico C. Pascual Independent Director	39 shares ₱1,560.00 (R)	Filipino	0.0000031221

Cecilio K. Pedro Independent Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0004002755
Washington Z. SyCip Director	39,111 shares ₱1,564,440.00 (R)	Filipino- American	0.0031310350
Harry C. Tan Director	230 shares ₱9,200.00 (R)	Filipino	0.0000184127
Lucio C. Tan Director	14,843,119 shares ₱593,724,760.00 (R)	Filipino	1.1882673540
Lucio K. Tan, Jr. Director	2,300 shares ₱92,000.00 (R)	Filipino	0.0001841267
Michael G. Tan Director	250 shares ₱10,000.00 (R)	Filipino	0.0000200138
Deogracias N. Vistan Independent Director	100 shares ₱4,000.00 (R)	Filipino	0.0000080055
<i>Sub-total</i>	14,901,905 shares ₱596,076,200.00 (R)		1.1929734731
All Directors & Executive Officers as a Group	14,924,647 shares ₱596,985,880.00 (R)		1.1947940861

7. Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more PNB shares.

D. Changes in Control

There has been no change in control in the bank for the year 2015.

Item 12. Certain Relationships and Related Transactions

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, 2015 and 2014, the Group and Parent Company were in compliance with such regulations.

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

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

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which include three (3) independent directors and 2 non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the committee is an independent director and appointed by the Board.

Information related to transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) is shown under Note 34 of the Audited Financial Statements of the Bank and Subsidiaries and Exhibit IV of the Supplementary Schedules Required by SRC Rule 68 Annex E.

PART IV – CORPORATE GOVERNANCE

Item 13 – Corporate Governance

Please refer to the attached Annual Corporate Governance Report (ACGR)

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

A. Exhibits

- Exhibit I List of Bank Owned Properties as of December 31, 2015
- Exhibit II List of Branches under Lease as of December 31, 2015
- Exhibit III Statement of Management’s Responsibility, Report of Independent Auditors and Audited Financial Statements of Philippine National Bank and its Subsidiaries as of December 31, 2015 and 2014 and January 1, 2014 and for each of the three years ended in the period December 31, 2014 and Notes to Financial Statements.
- Exhibit IV Supplementary Schedules Required by SRC Rule 68 Annex E
 Schedule of Retained Earnings Available for Dividend Declaration
 Map showing relationships between and among parent, subsidiaries, an associate, and joint venture
 Schedule of all effective standards and interpretations under PFRS
 Financial Ratios

B. Reports on SEC Form 17-C


SEC 17-C FOR THE YEAR 2014

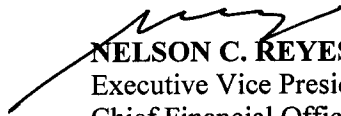
DATE	PARTICULARS
January 30, 2015	a. Retirement of Mr. Zacarias E. Gallardo, Jr., First Senior Vice President, on December 31, 2014 and his engagement as a consultant effective on January 1, 2015 b. Resignation of Ms. Doris S. Te, Corporate Secretary, effective at the close of business hours of June 1, 2015
February 27, 2015	Holding of the Annual Stockholders’ Meeting of the Bank on May 26, 2015 at the Century Park Hotel; Record date will be on April 27, 2015
March 27, 2015	Notation of the end of the management contract of Mr. Ramon L. Lim, First Senior Vice President of the Bank, effective as of the close of business hours of March 31, 2015
March 31, 2015	a. Nominees for the Board of Directors of the Philippine National Bank for the year 2015-2016 b. Re-election of independent directors
April 16, 2015	Press Release of the Bank re: Philippine National Bank Posts Php5.5 Billion Net Income in 2014
April 29, 2015	Press Release of the Bank re: PNB Inks First Syndicated Loan After More Than A Decade

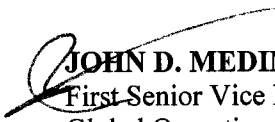
May 15, 2015	Press Release of the Bank re: PNB Posts P1.2 Billion Net Income in First Quarter of 2015
May 26, 2015	<p>Result of the Annual Stockholders' Meeting:</p> <ol style="list-style-type: none"> Election of the Members of the Board of Directors Appointment of SGV & Co. as the Bank's External Counsel <p>Result of the Organizational Board Meeting:</p> <ol style="list-style-type: none"> Appointment of Chairman, Vice Chairman and Key Corporate Officers Appointment of Chairpersons/Members of various Board Committees
May 26, 2015	Press Release of the Bank re: Moody's Upgrades Credit Rating of PNB
June 26, 2015	<p>Board approval of the following:</p> <ol style="list-style-type: none"> Sale of PNB's Heritage Park inventory covered by 3,827 Heritage Park Investment Certificates for P1.0 Billion in favor of PhilPlans First, Inc. Additional Members to Board Committees Hiring of Atty. Maila Katrina Y. Ilarde as the Corporate Secretary of the Bank
June 29, 2015	Appointment of Atty. Ruth Pamela E. Tanghal as Assistant Corporate Secretary
July 24, 2015	<p>Promotion of the following senior officers from First Vice President to Senior Vice President:</p> <ol style="list-style-type: none"> Mr. Manuel C. Bahena, Jr., Chief Legal Counsel and Group Head, Legal Group; and Mr. Florencio C. Lat, Division Head, Asset Sales Documentation & Support Division and concurrent Head of Asset Management Operations Division, Special Assets Management Group
July 28, 2015	Effectivity of the promotion of Messrs. Bahena and Lat as Senior Vice President - August 1, 2015
August 4, 2015	Press Release of the Bank: PNB First Half 2015 Operating Results
September 24, 2015	<ol style="list-style-type: none"> Hiring of Mr. Bernardo H. Tocmo as Group Head of the Retail Banking Group, with the rank of Executive Vice President (EVP), effective October 1, 2015; Secondment of Mr. Jovencio DB. Hernandez, EVP, as President of PNB Savings Bank (PNB SB), effective October 1, 2015; and Change of secondment appointment of Ms. Mary Ann A. Santos, Senior Vice President, from Acting President to Head of Bank Banking Group of PNB SB, effective October 1, 2015.
October 2, 2015	Press Release of the Bank: PNB Announces Key Appointments for Retail Banking Group and PNB Savings Bank
November 5, 2015	Press Release of the Bank: PNB's Net Income in First Nine Months of 2015 up 27% to ₱4.7 Billion


December 18, 2015	<ul style="list-style-type: none"> a. Promotion of Ms. Humildad M. Santelices as Senior Vice President of the Bank effective January 1, 2016 b. Purchase of 4,999 shares of the minority stockholders of PNB Life Insurance, Inc.
December 21, 2015	Sale of 12,750 Shares of Stock of PNB Life Insurance, Inc.
December 22, 2015	Press Release of the Bank: Allianz enters into a long-term partnership with Philippine National Bank and acquires 51 percent of PNB Life Insurance, Inc.

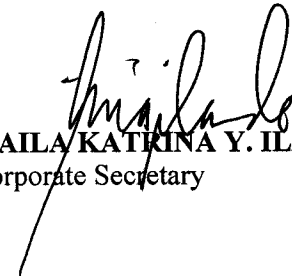
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Philippine National Bank by the undersigned, thereunto duly authorized, in the City of Pasay on March __, 2016.


REYNALDO A. MACLANG
 President


NELSON C. REYES
 Executive Vice President &
 Chief Financial Officer


JOHN D. MEDINA
 First Senior Vice President
 Global Operations Group
 (Principal Operating Officer)


MARLYN M. PABRUA
 Senior Vice President & Controller
 (Principal Accounting Officer)



MAILA KATRINA Y. ILARDE
 Corporate Secretary

MAR 28 2016

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

<u>Names</u>	<u>Passport No./ SSS No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Reynaldo A. Maclang	EC0299319	February 14, 2014	DFA Manila
Nelson C. Reyes	EC3050873	December 20, 2014	DFA NCR South
John D. Medina	EB6456110	October 1, 2012	DFA NCR East
Maila Katrina Y. Ilarde	EB8739835	July 22, 2013	DFA Manila
Marlyn M. Pabrua	03-4445825-3	N/A	N/A

Notary Public


ATTY. VANESSA NEILNA P. ANDRADE
 Commission No. 16-08; Roll No. 50458
 Notary Public for Pasay City until 12/31/17
 9th Flr., PNB Financial Center
 Pres. D. P. Macapagal Blvd., Pasay City
 PTR No. 4739877/01-07-16/Pasay City
 IBP No. 1012929/12-14-15/Tarlac

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 Book No. II
 Series of 2016

**PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2015**

Branch Name	Address
<u>Metro Manila</u>	
ANGONO	Quezon Ave. cor. E. Dela Paz St., Brgy. San Pedro, Angono, Rizal
ARRANQUE	1427 Citiriser Building, Soler St., Sta. Cruz, Manila
AYALA AVE.	G/F, VGP Center, 6772 Ayala Avenue, Makati City
BAYANAN-MUNTINLUPA	Allied Bank Building, National Road, Bayanan, Muntinlupa City
BETTER LIVING	50 ABC Bldg., Doña Soledad Ave., Better Living Subd., Parañaque City
BINONDO CENTER	Alliance Bldg., 410 Quintin Paredes St., Binondo, Manila
BUENDIA	56 Gil Puyat Ave., Buendia, Makati City
CALOOCAN	Gen. San Miguel St., Brgy. 4, Zone 1, Sangandaan, Dist. II, Caloocan City
CALOOCAN CENTER	1716 Rizal Ave. Ext. corner L. Bustamante St., Caloocan City
CUBAO	cor Gen. Araneta St. and Aurora Blvd., Cubao, Quezon City
DAPITAN	1710 Dapitan St. near cor. M. dela Fuente St., Sampaloc, Manila
DIVISORIA-STO. CRISTO	767 Sto. Cristo cor. M. delos Santos Sts., Divisoria, Manila
EARNSHAW	1357 Earnshaw corner Jhocson Sts., Sampaloc, Manila
FELIX AVENUE	F. P. Felix Avenue, Brgy. San Isidro, Cainta, Rizal 1900
J. ABAD SANTOS	Unit B, Dynasty Towers, J. Abad Santos corner Bambang Sts., Manila
KAMUNING	118 Kamuning Road, Quezon City
LAS PIÑAS	#19 Alabang Zapote Road, Pamplona II, Las Piñas City
MAIN	G/F, PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City
MAKATI CENTER	G/F Allied Bank Center, 6754 Ayala Ave. cor. Legazpi St., Makati City
MAKATI POBLACION	1204 JP Rizal St., corner Angono & Cardona Streets, Makati City
MAKATI-C. PALANCA	G/F, Unit G1 and G2, BSA Suites, G103 C. Palanca cor. dela Rosa St., Makati City
MALABON	F. Sevilla Blvd., Brgy. Tañong, Malabon City
MALABON-RIZAL AVE.	701 Rizal Avenue Ext., corner Magsaysay St., Malabon City
MANDALUYONG	471 Shaw Blvd., Mandaluyong City
MARIKINA-A. TUAZON	Gil Fernando Ave. cor. Chestnut St., Brgy. San Roque, Marikina City
NAVOTAS	865 M. Naval St., Navotas, Metro Manila
NEW MANILA	322 E. Rodriguez Sr. Ave., New Manila, Quezon City
NIA	EDSA corner Nia Road, Brgy. Piñahan, Diliman, Quezon City
NOVALICHES-QUIRINO	903 Quirino Hi-way, Brgy. Gulod, Novaliches, Quezon City
ORTIGAS	G/F, JMT Bldg., ADB Avenue, Ortigas Center, Pasig City
P. TUAZON	279 P. Tuazon Blvd., Cubao, Quezon City
PACO	756 Pedro Gil cor. Pasaje-Rosario Sts., Paco, Manila
PASAY	2976 Mexico Avenue, Pasay City
PASIG-SHAW	G/F, Jade Center Condominium, 105 Shaw Blvd., Brgy. Oranbo, Pasig City
PETRON MEGA PLAZA	G/F, Petron Mega Plaza Bldg., 358 Sen. Gil Puyat Avenue, Makati City
PLAZA DEL CONDE	G/F, San Fernando Towers, Plaza del Conde St., Binondo, Manila
PROJECT 3-AURORA BLVD.	1003 Aurora Blvd. cor. Luan St., Quirino Dist., Quezon City

**PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2015**

Branch Name	Address
QUADRANGLE	Unit I, Paramount Bldg., EDSA corner West Ave., Quezon City
QUEZON CITY CIRCLE	Elliptical Road cor. Kalayaan Avenue, Diliman, Quezon City
RIZAL AVENUE	Rizal Avenue corner Saturnino Herrera St., Sta. Cruz, Manila
SAN LORENZO	G/F, Jackson Bldg., 926 A. Arnaiz Avenue, Makati City
VALENZUELA	313 San Vicente St. corner Mc Arthur Highway, Karuhatan, Valenzuela City
VALENZUELA-MC ARTHUR	101 McArthur Hi-way, Bo. Marulas, Valenzuela City
WACK WACK	G/F, Summit One Tower, 530 Shaw Blvd., Mandaluyong City
WEST AVENUE	92 West Ave., Quezon City
WEST TRIANGLE	1396 Quezon Ave., Quezon City
<u>Northern Luzon</u>	
AGOO	Verceles St., Consolacion, Agoo, La Union
ALAMINOS	Quezon Avenue, Poblacion, Alaminos City, Pangasinan
ANGELES	730 Sto. Rosario St., Angeles City, Pampanga 2009
APARRI	J.P.Rizal St., Aparri, Cagayan 3515
BAGUIO	51 Session Road, Corner Upper Mabini St., Baguio City
BALANGA	Zulueta St., Poblacion, Balanga, Bataan 2100
BALIUAG	015 Rizal St., San Jose, Baliuag, Bulacan
BANGUED	McKinley corner Peñarrubia Streets, Zone 4, Bangued, Abra , 2800
BANGUED-MAGALLANES	Taft cor. Magallanes Sts., Zone 5, Bangued, Abra
BASCO	NHA Bldg., Caspo Fiesta Road Kaychanarianan, Basco, Batanes
BATAC	cor San Marcelino and Concepcion Sts., Batac, Ilocos Norte
BAYOMBONG	J.P. Rizal St., District 4, Bayombong, Nueva Vizcaya
CABANATUAN	Corner Paco Roman and Del Pilar Sts., Cabanatuan City, Nueva Ecija
CANDON	National Highway cor. Dario St., San Antonio, Candon City 2700
CANDON-NATL HI-WAY	National Hi-way, Brgy. San Juan, Candon City, Ilocos Sur
CAUAYAN	Maharlika Hi-way cor Cabanatuan Rd., Cauayan, Isabela 3305
CONCEPCION	A. Dizon St., San Nicolas, Concepcion, Tarlac 2316
DAGUPAN	A.B. Fernandez Ave., Dagupan City
DAU	MacArthur Highway, Dau, Mabalacat, Pampanga 2010
GAPAN	Tinio Street, San Vicente, Gapan City, Nueva Ecija
GAPAN-POBLACION	Tinio Street, Poblacion, Gapan City, Nueva Ecija
GUAGUA	PNB Guagua Bldg., Brgy. Sto. Cristo, Guagua, Pampanga 2003
IBA	1032 R. Magsaysay Ave., Zone I, Iba, Zambales 2201
ILAGAN	Old Capitol Site Calamagui 2, Ilagan City, Isabela 3300
LA UNION	Quezon Ave., City of San Fernando, La Union
LAOAG	Brgy. 10, Trece Martires St. Corner J.P. Rizal St., Laoag City 2900
LINGAYEN	Avenida Rizal East cor. Maramba Blvd., Lingayen, Pangasinan
MALLIG PLAINS	Cor. Don Mariano Marcos Ave. & Bernabe Sts., Roxas, Isabela 3320

**PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2015**

Branch Name	Address
MALOLOS	Sto. Niño, Malolos City, Bulacan
MEYCAUAYAN	Mc Arthur Highway, Saluysoy, Meycauayan City, Bulacan
MUÑOZ	D. Delos Santos St. cor. Tobias St., Science City of Muñoz, Nueva Ecija
OLONGAPO	2440 Rizal Ave., East Bajac-Bajac, Olongapo City, Zambales 2200
PANQUI	M.H. Del Pilar St., corner Mc Arthur Hi-way, Paniqui Tarlac
ROSALES	MC Arthur Highway, Carmen East, Rosales, Pangasinan
SAN FERNANDO	A. Consunji St., Sto. Rosario, City of San Fernando, Pampanga
SAN FERNANDO-LA UNION	612 Quezon Ave., San Fernando, La Union
SAN JOSE N. ECIJA	Maharlika Hi-way Cor. Cardenas St., San Jose City, Nueva Ecija 3121
SANTIAGO	Marcos Highway cor. Camacam St., Centro East, Santiago City, Isabela 3311
SOLANO-MAHARLIKA HI-WAY	Maharlika National Highway, Solano, Nueva Vizcaya
TARLAC	F. Tanedo St., San Nicolas, Tarlac City
TAYUG	PNB Tayug Branch Bldg., Zaragoza Street, Poblacion, Tayug, Pangasinan 2445
TUGUEGARAO	Bonifacio St., Tuguegarao City, Cagayan 3500
URDANETA	Mc Arthur Highway, Nancayasan, Urdaneta City, Pangasinan 2428
VIGAN	Leona Florentino St., Vigan City, Ilocos Sur 2700
Southern Luzon	
BACCOOR	KM 17, Aguinaldo Highway, Bacoor, Cavite
BALAYAN	147 Plaza Mabini, Balayan, Batangas
CALAMBA	Burgos St., Calamba City
CALAPAN	J.P.Rizal St. Camilmil, Calapan City, Oriental Mindoro
CANDELARIA	National Road, Poblacion, Candelaria, Quezon
CAVITE	P. Burgos Avenue, Caridad, Cavite City
DAET	Carlos II St., Brgy. 3, Daet, Camarines Norte
DARAGA	Baylon Compound, Market Site, Rizal St., Daraga, Albay
IRIGA	Highway 1, San Roque, Iriga City, Camarines Sur
KAWIT	Allied Bank Bldg., Gen. Tirona Highway, Balsahan, Binakayan, Kawit, Cavite
LEGASPI	Corner Rizal and Gov. Forbes Sts., Brgy. Baybay, Legaspi City
LIPA	B. Morada Ave., Lipa City, Batangas
LOPEZ	San Francisco St. Talolong Lopez Quezon
LUCENA	Quezon Ave., Brgy IX, Lucena City
MAMBURAO	National Road, Brgy. Payompon, Mamburao, Occidental Mindoro
MANGARIN	Quirino corner M.H. Del Pilar Sts., Brgy. 6, San Jose, Occidental Mindoro 5100
MASBATE	Quezon St., Brgy. Pating, Masbate City, Masbate
NAGA	Gen. Luna St., Brgy. Abella, Naga City, Camarines Sur
ODIONGAN	#15 J.P. Laurel St., cor M. Formilleza St., Ligaya, Odiongan, Romblon
PUERTO PRINCESA	Valencia St. cor. Rizal Avenue, Brgy. Tagumpay, Puerto Princesa City, Palawan
PUERTO PRINCESA-RIZAL AVE.	Rizal Ave., Brgy. Mangahan, Puerto Princesa City, Palawan

**PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2015**

Branch Name	Address
SAN PABLO	M. Paulino St., San Pablo City, Laguna
SAN PEDRO	KM 30 National Hi-way, San Pedro, Laguna
SILANG	166 J.P. Rizal St., Silang, Cavite
SORSOGON	Rizal St., Sorsogon City
STA. CRUZ	Pedro Guevarra Avenue Brgy. Uno Sta. Cruz, Laguna
TABACO	Ziga Avenue, Cor. Bonifacio St., Tayhi, Tabaco City
TAGAYTAY-AGUINALDO	E. Aguinaldo Hi-way, Kaybagal South, Tagaytay City
Visayas	
ANTIQUE	T. Fournier St., Bantayan, San Jose, Antique 5700
BACOLOD-ARANETA	Araneta Ave., near cor. Luzuriaga St., Bacolod City, Negros Occidental
BACOLOD-NEGROS CYBER CENTRE	Negros First Cyber Centre Bldg., Lacson cor. Hernaez St., Bacolod City, Negros Occidental
BAYAWAN	National Highway cor Mabini St., Brgy. Suba, Bayawan City
BAYBAY-MAGSAYSAY	148 R. Magsaysay Ave., Baybay, Leyte
BINALBAGAN	Don Pedro R. Yulo St., Binalbagan, Negros Occidental 6107
BORACAY	<u>Branch – Brgy. Balabag, Boracay Island, Malay, Aklan</u>
BORONGAN	Real St., Brgy Songco, Borongan City, Samar
CADIZ	Cor Luna and Cabahug Sts., Cadiz City, Negros Occidental 6121
CALBAYOG	Maharlika Highway, Brgy Obrero, Calbayog City, Leyte
CATARMAN	Cor. Jacinto & Carlos P Garcia St., Brgy Narra, Catarman, Nothern Samar
CATBALOGAN	Imelda Park Site, Catbalogan, Western Samar 6700
CEBU	Corner M.C. Briones and Jakosalem Streets, Cebu City
CEBU-MOALBOAL	G/F, Stall MBL-GFS 7, 8 & 9, Gaisano Grand Mall, Poblacion East, Moalboal, Cebu
DANA O	Juan Luna St., Danao City, Cebu
DUMAGUETE	Siliman Avenue cor Real St., Dumaguete City, Negros Oriental
DUMAGUETE-LOCSIN	33 Dr. V. Locsin St., Dumaguete City, Negros Oriental
ILOILO	Cor. Gen Luna & Valeria Street, Iloilo City
ILOILO-LEDESMA	Ledesma cor. Quezon Sts., Brgy. Ed Ganson, Iloilo
JAKOSALEM	D. Jakosalem cor. Legaspi Sts., Cebu City
KABANKALAN	NOAC National Highway cor Guanzon St., Kabankalan City
KALIBO	0508 G. Pastrana St., Kalibo, Aklan
LAPU-LAPU *	Manuel L. Quezon National Highway, Pajo, Lapulapu City
LARENA	Roxas St., Larena, Siquijor
LUZURIAGA	Cor Luzuriaga and Araneta Sts., Bacolod City
MAASIN	Cor. Allen & Juan Luna St., Brgy. Tunga-tunga, Maasin City, Leyte
NAVAL	Cor. Caneja & Ballesteros Sts., Naval, Biliran Province 6543 ,Leyte
ORMOC	Cor. Cata-ag & Bonifacio Sts., Ormoc City, Leyte
PASSI	5037 F. Palmares Street, Passi City, Iloilo (beside St. William Parish Church).
PLAZA LIBERTAD	JM Basa Street, Iloilo City 5000

**PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2015**

Branch Name	Address
POTOTAN	Guanco St., Pototan, Iloilo
ROXAS	Cor. CM Recto & G. Del Pilar Streets, Brgy. III, Roxas City, Capiz 5800
ROXAS DOWNTOWN	Roxas Ave., Roxas City, Capiz
SAN CARLOS	V. Gustilo St., San Carlos City
SILAY	Rizal St., Silay City
TACLOBAN	Cor. Sto. Niño & Justice Romualdez Sts., Tacloban City, Leyte 6500
TACLOBAN-ZAMORA	111 Zamora St., Tacloban City, Leyte
TAGBILARAN	C. P. Garcia Ave. cor. J. A. Clarin St., Poblacion, Tagbilaran City, Bohol
TANJAY	Magallanes cor. E. Romero Sts, Tanjay City, Negros Oriental.
TOLEDO	Rafols St., Poblacion, Toledo City, Cebu
TUBIGON	Corner Cabangbang Avenue & Jesus Vaño Street, Centro, Tubigon, Bohol, Philippines
VICTORIAS	Cor. Ascalon and Montinola Sts., Victorias City
<u>Mindanao</u>	
AGUSAN DEL SUR	Roxas St., Brgy 4, San Francisco, Agusan del Sur
BASILAN	Strong Blvd., Isabela, Basilan
BASILAN- ROXAS	Roxas Ave., Isabela City, Basilan Province
BISLIG	Cor. Abarca & Espiritu Sts., Mangagoy, Bislig, Surigao del Sur
BUTUAN	Montilla Blvd., Brgy. Dagohoy, Butuan City, Agusan del Norte
BUUG	National Highway, Poblacion, Buug, Zamboanga, Sibugay
CAGAYAN DE ORO	Corrales Ave., cor. T. Chavez St., Cagayan de Oro City, Misamis Oriental
CDO-COGON	JR Borja cor. V. Roa Sts., CDO City, Misamis Oriental
CDO-DIVISORIA	Tiano Brothers cor. Cruz Taal Sts., CDO City, Misamis Oriental
CDO-LAPASAN	Lim Ket Kai Drive, Lapasan, CDO City, Misamis Oriental
COTABATO	39 Makakua St., Cotabato City, Maguindanao
COTABATO-DOROTHEO	Alejandro Dorotheo St. cor. Corcuera St., Cotabato City, North Cotabato
DAVAO	San Pedro St., cor. C.M. Recto St., Davao City, Davao del Sur
DAVAO-CM RECTO	CM Recto St., Davao City
DAVAO-SAN PEDRO	San Pedro St., Davao City
DIGOS	Quezon Avenue, Digos, Davao del Sur
DIPOLOG	Gen. Luna St. cor. C.P. Garcia Sts., Dipolog City, Zamboanga del Norte
GENERAL SANTOS	City Hall Dr. Osmena St., General Santos City, South Cotabato
GINGOOG	National Highway, Brgy. 23, Gingoog City, Misamis Oriental
ILIGAN	Cor. Gen. Aguinaldo & Labao Sts., Poblacion, Iligan City, Lanao del Norte
IPIL	National Hi-way, Poblacion, Ipil, Zamboanga Sibugay
JOLO	Serantes St., Jolo, Sulu
JOLO-AROLAS	Gen. Arolas corner Magno Sts., Jolo, Sulu
KIDAPAWAN	Quezon Blvd., Kidapawan City, North Cotabato
KORONADAL	Morrow St., Koronadal, South Cotabato

**PHILIPPINE NATIONAL BANK
LIST OF BANK OWNED PROPERTIES
AS OF DECEMBER 31, 2015**

Branch Name	Address
KORONADAL-POBLACION	Gen. Santos Drive, Brgy. Zone 1, Koronadal City, South Cotabato
LIMKETKAI CENTER	Limketkai Center, Lapasan, Cagayan de Oro City, Misamis Oriental
MAMBAJAO	Cor. Gen. Aranas & Burgos Sts., Brgy. Poblacion, Mambajao, Camiguin
MARANDING	National Highway, Maranding, Lala, Lanao del Norte
MARAWI	Perez St., Poblacion, Marawi City, Lanao del Sur
MATI	Rizal Ext., Brgy. Central, Mati, Davao Oriental
MIDSAYAP	Quezon Avenue, Midsayap, North Cotabato
MOLAVE	Mabini St., Molave, Zamboanga del Sur
OROQUIETA	Sen. Jose Ozamis St., Lower Lamac, Oroquieta City, Misamis Occidental
OZAMIS	Rizal Ave., Aguada, Ozamis City, Misamis Occidental
PAGADIAN	Rizal, Ave., Balangasan District, Pagadian City, Zamboanga del Sur
PAGADIAN-PAJARES	F.S. Pajares Ave. cor. Cabrera St., Brgy. San Francisco, Pagadian City, Zamboanga del Sur
SK PENDATUN	Quezon Ave., Cotabato City
SURIGAO	45 Rizal St., Brgy. Washington, Surigao City, Surigao del Norte
TACURONG	Alunan Highway, Tacurong City, Sultan Kudarat
TAGUM	Rizal St., Magugpo, Poblacion, Tagum City, Davao del Norte
TANDAG	Napo, National Highway, Tandag, Surigao del Sur
TAWI-TAWI	Bagay St., Poblacion, Bongao, Tawi-Tawi
TAWI-TAWI BONGAO	Datu-Halun St., Bongao, Tawi-Tawi
ZAMBOANGA	J.S. Alano St., Zamboanga City, Zamboanga del Sur
ZAMBOANGA-SUCABON	Mayor MS Jaldon St., Zamboanga City, Zamboanga del Sur

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2015

Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
<u>Metro Manila</u>			
168 MALL	Stall 3S-04, 168 Shopping Mall, Sta. Elena, Soler Sts., Binondo, Manila	154,247.74	30-Sep-16
A. BONIFACIO	789 A. Bonifacio Ave. Brgy. Pag-Ibig sa Nayon, Balintawak, Quezon City	107,520.00	14-May-19
ACROPOLIS	251 TriQuetra Bldg., E. Rodriguez Jr. Ave., Brgy. Bagumbayan, Quezon City	170,000.00	31-Oct-20
ADRIATICO	G/F, Pearl Garden Hotel, 1700 M. Adriatico cor. Malvar Sts., Malate, Manila	203,700.00	30-Jun-24
AGUILAR AVENUE-LAS PIÑAS	G/F, Las Piñas Doctors' Hospital, Aguilar Ave., Citadella Subd., Las Piñas City	150,741.54	14-Mar-16
AGUIRRE	G/F, 112 All Seasons Building, Aguirre St., Legaspi Village, Makati City	119,142.01	27-Sep-19
ALABANG	G/F, Page 1 Building, 1215 Acacia Avenue, Madrigal Business Park, Ayala Alabang,	165,820.60	15-Mar-17
ALABANG-LAS PIÑAS	Don Mariano Lim Industrial Compound, Alabang Zapote Rd. cor. Concha Cruz Rd., Las	100,000.00	31-Dec-17
ALI MALL	Alimall II Bldg., Gen. Romulo Ave., cor P. Tuazon Blvd., Cubao, Quezon City	92,399.72	30-Sep-15
ALMANZA	Hernz Arcade, Alabang-Zapote Road, Almanza, Las Piñas City 1750	118,543.51	31-Mar-18
AMORSOLO	114 Don Pablo Building, Amorsolo St., Legaspi Village, Makati City	194,201.78	31-Jul-16
ANNAPOLIS	G/F, Continental Plaza, Annapolis St., Greenhills, San Juan	137,812.50	28-Feb-18
ANTIPOLO	89 P. Oliveros St., Kapitolyo Arcade, San Roque, Antipolo City, Rizal	80,000.00	31-Dec-19
ANTIPOLO-CIRCUMFERENTIAL	Circumferential Road, Brgy. Dalig, Antipolo, Rizal	9,000.00	21-Apr-16
AURORA BLVD.-KATIPUNAN	Aurora Blvd., near PSBA, Brgy. Loyola Heights, Quezon City	38,587.50	14-Nov-16
BALIC-BALIC	AGB Bldg., 1816 G. Tuason cor. Prudencio Sts., Balic-Balic, Sampaloc, Manila	77,175.00	31-Mar-18
BAMBANG MASANGKAY	G/F, ST Condominium, 1480 G. Masangkay St., Sta. Cruz, Manila	133,705.69	29-Feb-16
BANAWE	210 Banawe Street, Brgy. Tatalon, Quezon City	147,000.00	31-Dec-19
BANAWE-N. ROXAS	395 Prosperity Bldg. Center, Banawe cor. N. Roxas Street, Quezon City	210,000.00	31-Dec-19
BANGKAL	G/F, E. P. Hernandez Bldg., 1646 Evangelista St., Bangkal, Makati City	92,137.50	31-Oct-17
BATASANG PAMBANSA	Main Entrance, Batasan Pambansa Complex, Constitutional Hills, Quezon City	3,400.00	12-Feb-17
BEL-AIR MAKATI	52 Jupiter St., Bel-Air, Makati City	250,000.00	05-Jun-21
BELLEVUE-FILINVEST	G/F, Bellevue Hotel, North Bridgeway, Northgate Cyberzone, Filinvest Corporate City,	189,000.00	31-Jul-19
BENAVIDEZ	Unit G-1D, G/F BSA Mansion, 108 Benavidez St., Legaspi Village, Makati City	115,473.09	14-Jun-16
BF HOMES	43-C President Avenue, BF Homes, Parañaque City	93,712.50	31-Dec-18
BF HOMES-AGUIRRE AVENUE	47 Aguirre Ave. corner Tirona St., B.F. Homes, Parañaque City 1718	79,763.50	12-Jul-17
BF HOMES-PHASE 3	47 Aguirre Ave. corner Tirona St., BF Homes, Parañaque City 1718	99,225.00	31-Dec-18
BICUTAN	VCD Building, 89 Doña Soledad Avenue Betterliving Subdivision, Bicutan, Parañaque	60,000.00	24-May-16
BICUTAN-WEST SERVICE ROAD	Km. 16, West Service Road, South Super Highway, Bicutan, Parañaque City	60,775.31	31-Dec-17
BINONDO	452 San Fernando St. cor. Elcano St., Binondo, Manila	169,400.00	31-Dec-16
BINONDO-NUEVA	Lot 17-18, Blk. 2037, Yuchengco (formerly Nueva) St. & Tomas Pinpin St., Binondo,	158,260.50	30-Nov-20
BLUMENTRITT	Citidorm Blumentritt, 1848 Blumentritt corner Leonor Rivera Sts., Sta. Cruz, Manila	90,000.00	30-Nov-19
BLUMENTRITT-RIZAL AVE. EXT.	2229-2231 Rizal Avenue, Sta. Cruz, Manila	88,200.00	31-Dec-17
BONI AVENUE	654 Boni Ave., Mandaluyong City	128,784.62	31-Dec-16
BONIFACIO GLOBAL CITY	Shop 2, The Luxe Residences 28th St., cor 4th Ave., Bonifacio Global City, Taguig	288,144.00	30-Nov-19
BSP SU	G/F, Cafetorium Building, BSP Complex, A. Mabini cor. P. Ocampo Sts. Malate, Manila	12,000.00	30-Jun-16
C. PALANCA	201 C. Palanca corner Quezon Blvd., Quiapo, Manila	132,300.00	30-Nov-18

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2015

Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
CAINTA	RRCG Transport Bldg., Km. 18 Ortigas Avenue Extension, Brgy. San Isidro, Cainta,	65,000.00	08-Sep-16
CAINTA - FELIX AVE.	G/F, Arellano Bldg., Felix Ave., cor. Village East Ave., Cainta, Rizal	56,453.34	15-Feb-17
CAINTA-ORTIGAS AVE. EXTENSION	Paramount Plaza, Km. 17, Ortigas Ave. Ext., Brgy. Sto. Domingo, Cainta, Rizal	110,617.50	11-Dec-20
CALOOCAN-A.MABINI	451 A. Mabini corner J. Rodriguez St., Caloocan City	80,357.14	14-Feb-18
CARTIMAR-TAFT	SATA Corp. Bldg., 2217 Cartimar-Taft Avenue, Pasay City	105,140.25	15-Oct-19
CENTURY PARK	G/F, Century Park Hotel, M. Adriatico cor. P. Ocampo Sts., Malate, Manila	227,850.00	28-Feb-19
CHINO ROCES AVENUE EXT.	GA Building, 2303 Don Chino Roces Ave. Ext., Makati City	99,237.69	15-May-16
CM RECTO	G/F, Dr. Lucio C. Tan Bldg., UE Manila Annex, C.M. Recto, Manila	84,560.85	12-Jul-20
COA	COA Building, Commonwealth Avenue, Quezon City	53,556.15	31-Dec-18
COMMONWEALTH	G/F, KC Square Bldg., 529 Commonwealth Avenue, Quezon City	85,730.40	01-Dec-19
CONGRESSIONAL	149 Congressional Ave., Project 8, Quezon City	119,326.68	19-Apr-17
CUBAO-HARVARD	SRMC Bldg., 901 Aurora Blvd. cor Harvard & Stanford Sts., Cubao, Quezon City	100,000.00	30-Sep-16
DASMA-MAKATI	2284 Allegro Center, Chino Roces Avenue Extension, Makati City	122,492.50	31-Oct-20
DEL MONTE	116 Del Monte Ave. cor. D. Tuazon St., Brgy. Maharlika, Quezon City	132,490.18	31-Jul-16
DELTA	101-N dela Merced Bldg., West Avenue corner Quezon Avenue, Quezon City	95,408.99	31-Aug-16
DIVISORIA	869 Sto. Cristo St., Binondo, Manila	100,000.00	06-Sep-20
DIVISORIA MARKET	706-708 Elcano St., Binondo, Manila	30,579.55	28-Feb-15
DIVISORIA-JUAN LUNA	CK Bldg., 750 Juan Luna St., Binondo, Manila	130,277.25	31-Mar-18
DOMESTIC AIRPORT	G/F, PAL Data Center Bldg., Domestic Airport Road, Pasay City	15,769.28	31-Jan-14
DON ANTONIO HEIGHTS	30 G/F, Puno Foundation Bldg., Brgy. Holy Spirit, Quezon City	59,172.00	30-Nov-11
E. RODRIGUEZ -G. ARANETA	599 B, G. Araneta Ave. cor. E. Rodriguez Sr. Ave., Doña Imelda, Quezon City	40,516.88	31-Aug-17
E. RODRIGUEZ SR. AVE.-BANAUW	97 ECCOI Building, E. Rodriguez Sr. Avenue, Brgy. Tatalon, Quezon City 1102	46,800.00	31-Aug-16
E. RODRIGUEZ SR. AVENUE	1706 Rimando Building, E. Rodriguez Sr. Ave., Cubao, Quezon City	97,655.47	31-May-16
EASTWOOD CITY	MDC 100 Building, Mezzanine Level, Unit M3, E. Rodriguez Jr. Ave., corner Eastwood A	239,982.40	22-Apr-19
EDISON-BUENDIA	Visard Bldg, #19 Sen. Gil Puyat Ave., Makati City	85,344.00	07-Feb-16
EDSA BALINTAWAK	337-339 EDSA corner, Don Vicente Ang St., Caloocan City	96,000.00	10-Jun-19
EDSA EXTENSION	235-A Loring St., Pasay City	129,868.34	28-May-19
EDSA ROOSEVELT	1024 Global Trade Center Bldg., EDSA, Quezon City	139,162.10	31-Jan-19
EDSA-CALOOCAN	462 G/F, Insular Life Bldg., cor. B. Serrano, EDSA, Caloocan City	86,691.42	31-Jul-20
EDSA-ETON CYBERPOD CENTRIS	G/F, One Cyberpod Centris, EDSA Eton Centris, cor. EDSA & Quezon Ave., Quezon	108,050.60	31-Mar-20
ELCANO	706-708 Elcano St., Binondo, Manila	120,608.32	30-Nov-17
ERMITA-ROXAS BOULEVARD	Roxas Boulevard corner Arquiza St., Ermita, Manila	243,581.00	15-Jan-21
ERMITA-U.N.	Physician's Tower, 533 U.N. Avenue, cor. San Carlos Sts., Ermita, Manila	151,648.87	31-Jan-18
ESCOLTA	G/F, Regina Bldg., Escolta, Manila	202,447.26	30-Sep-20
ESPAÑA	Unit 104, St. Thomas Square, 1150 España Blvd., cor Padre Campa St., Sampaloc East,	51,850.50	15-Mar-18
ESPAÑA-WELCOME ROTONDA	10 Doña Natividad Bldg., Quezon Ave., Welcome Rotonda, Quezon City	70,000.00	28-Feb-16
ETON-BELTON YAKAL	Unit 5A, Belton Place Makati, Pasong Tamo corner Yakal Sts., Makati City	121,738.59	30-Jun-20
ETON-CORINTHIAN	Unit 78 E-Life, Eton Cyberpod Corinthian, EDSA cor. Ortigas Ave., Brgy. Ugong Norte,	129,105.50	14-Mar-20

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
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Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
EVER GOTESCO	Lower G/F, Stall No. 20, Ever Gotesco Commonwealth, Quezon City	43,444.22	06-Mar-16
FAIRVIEW	No. 41, Regalado Ave., West Fairview, Quezon City	86,900.00	31-May-16
FAIRVIEW-COMMONWEALTH	70 Commonwealth Ave., Fairview Park Subd., Fairview, Quezon City	79,000.00	31-Mar-18
FILINVEST AVENUE	BC Group Center, Filinvest Avenue & East Asia Drive, Filinvest Corporate City, Alabang,	184,137.86	15-Jan-17
FORT BONIFACIO-INFINITY	G/F, 101 The Infinity Tower, 26th Street, Fort Bonifacio, Taguig City	239,200.00	15-May-16
FORT BONIFACIO-MCKINLEY HILL	G/F, Unit B, McKinley Hill 810 Bldg., Upper McKinley Road, McKinley Town Center, Fc	295,900.00	07-Apr-16
FRISCO	Unit E/F, MCY Bldg., #136 Roosevelt Ave., SFDM, Quezon City	40,518.00	19-Oct-19
FRISCO-SFDM	972 Del Monte Ave., corner San Pedro Bautista St., SFDM, Quezon City	86,821.87	23-Jan-18
FTI	Lot 55, G/F Old Admin Bldg., FTI Complex, Taguig City	80,996.80	07-Jul-19
G. ARANETA	1-B Dolores Go Buidling, G. Araneta Ave., Quezon City	121,501.80	10-May-19
GALAS	20 A. Bayani St., corner Bustamante, Galas, Quezon City	84,878.27	31-May-16
GEN. T. DE LEON	4024 General T. de Leon Street, Brgy. Gen. T. de Leon,	64,827.00	31-Jul-16
GILMORE	Gilmore IT Center No. 08, Gilmore Ave., cor 1st St., New Manila, Quezon City	167,388.38	31-Dec-19
GOV. PASCUAL	157 Gov. Pascual Avenue, Acacia, Malabon City	49,498.28	15-Jun-18
GRACE PARK	354 A-C 10th Ave., Grace Park, Caloocan City	73,920.00	13-May-19
GRACE PARK-3RD AVE.	126 Rizal Avenue Ext., Between 2nd and 3rd Avenue, Grace Park, Caloocan City	97,240.50	31-Oct-16
GRACE PARK-7TH AVE.	322 Rizal Ave. Ext. near corner, 7th Avenue, Grace Park, Caloocan City	70,000.00	31-Jul-17
GRACE VILLAGE	G/F, TSPS Bldg., Christian cor. Grace Sts., Grace Village, Quezon City	107,854.25	31-Dec-16
GRANADA	G/F, Xavier Hills Condominium, 32 Granada cor. N. Domingo Sts., Brgy Valencia,	134,361.51	29-Feb-20
GREENBELT	G/F, 114 Charter House Building, Legaspi St., Legaspi Village, Makati City	92,386.74	30-Sep-16
GREENHILLS	G/F, One Kennedy Place, Club Filipino Drive Greenhills, San Juan City	273,346.70	31-May-25
GREENHILLS CENTER	G/F, Limketkai Bldg., Ortigas Ave., Greenhills, San Juan City	306,605.25	18-Jun-18
GSIS	Level 1 GSIS Bldg., Financial Center, Roxas Blvd., Pasay City	109,347.15	31-May-18
GUADALUPE	Pacmac Bldg., 23 EDSA Guadalupe, Makati City	72,551.38	19-Oct-16
HARRISON PLAZA	RMSC Bldg., M. Adriatico St., Malate, Manila	Rent free	09-Jan-20
INTRAMUROS	G/F, Marine Technology Bldg. Cor. A Soriano Ave. & Arzobispo Sts., Intramuros,	142,412.26	30-Jun-19
INTRAMUROS-CATHEDRAL	707 Shipping Center Condominium, A. Soriano Jr. St., Intramuros, Manila	113,536.35	30-Nov-19
J.P. LAUREL	G/F, Gama Bldg., J. P. Laurel cor. Minerva Sts., San Miguel, Manila	118,077.75	28-Feb-19
JADE-ORTIGAS	Antel Global Corporate Center Building, Jade Drive, Ortigas Center, Pasig City	118,355.58	29-Feb-16
KAMIAS	99-101 Ground Floor, Topaz Bldg., Kamias Road, Quezon City	99,484.44	31-May-19
KAPASIGAN	Emiliano A. Santos Bldg., A. Mabini cor. Dr. Sixto Antonio Ave., Pasig City	210,000.00	30-Sep-20
KATIPUNAN	335 Agcor Bldg., Katipunan Ave., Loyola Heights, Quezon City	169,205.16	31-Dec-16
KATIPUNAN-ST. IGNATIUS	G/F, Linear Building, 142 Katipunan Road, Quezon City	97,500.00	31-Jan-19
LAGRO	BDI Center Inc., Lot 33, Blk. 114, Regalado Ave., Greater Lagro, Quezon City	144,005.12	16-Sep-18
LAGRO-QUIRINO	Km. 21, Lester Bldg., Quirino Highway, Lagro, Quezon City	112,266.00	30-Jun-19
LAS PIÑAS-ALMANZA	Consolidated Asiatic Project, Inc. Bldg., Alabang-Zapote Road, Brgy. Almanza Uno, Las l	144,257.40	31-Mar-17
LEGASPI VILLAGE	First Life Center 174 Salcedo St., Legaspi Village, Makati City	117,467.37	15-Oct-19
LEON GUINTO	G/F, Marlow Bldg., 2120 Leon Guinto St., Malate Manila	187,393.34	15-Jul-20

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LUNETA	National Historical Institute (NHI) Compound, T.M. Kalaw St., Ermita, Manila	40,000.00	26-Apr-18
MACEDA-LAONG LAAN	G/F, Maceda Place Bldg., Laong-Laan cor. Maceda St., Sampaloc, Manila	86,905.80	14-Sep-19
MALATE-TAFT	Mark 1 Building, 1971 Taft Avenue, Malate, Manila 1004	133,928.57	17-Jul-16
MALINTA	Moiriah's Building, 407 Mc Arthur Highway, Malinta, Valenzuela City	88,853.50	31-Aug-20
MANDALUYONG SHAW	VSK Building, 2 Acacia Lane corner Shaw Blvd., Mandaluyong City	115,473.12	15-Jun-19
MARIKINA	Shoe Ave. corner W. Paz St., Sta. Elena, Marikina City 1800	205,838.29	14-Nov-20
MARIKINA-CONCEPCION	Bayan-Bayanan Ave. cor. Eustaquio St., Concepcion, Marikina City	162,067.50	30-Jun-17
MARIKINA-STA. ELENA	314 J. P. Rizal St., Bgy. Sta. Elena, Marikina City	65,000.00	31-Jul-18
MASANGKAY	916 G. Masangkay St., Binondo, Manila	155,247.84	30-Nov-16
MASINAG	Silicon Valley Bldg., 169 Sumulong Highway, Mayamot, Antipolo City	67,915.20	31-Dec-16
MASINAG-SUMULONG	F. N. Crisostomo Bldg. 2, Sumulong Highway, Mayamot, Antipolo City, Rizal	84,000.00	28-Feb-20
MATALINO	21 Tempus Bldg., Matalino St., Diliman, Quezon City	91,111.49	30-Jun-16
METROPOLITAN AVENUE	G/F, 1012 BUMA Bldg., Metropolitan Avenue, San Antonio Village, Makati City	103,621.91	17-Oct-16
MINDANAO AVE.	888 Yrreverre Square Bldg., Mindanao Ave., Brgy. Talipapa, Novaliches, Quezon City	81,260.04	30-Jun-16
MONTALBAN	E. Rodriguez Ave., corner Midtown Subdivision, Rosario, Rodriguez, Rizal	72,930.38	31-May-16
MONUMENTO	419 D&I Bldg., EDSA, Caloocan City	112,000.00	30-Jun-17
MORAYTA	929 Consuelo Building, Nicanor Reyes St., Sampaloc, Manila	141,230.25	31-Jul-17
MUNTINLUPA	G/F, Arbar Building, National Highway, Poblacion, Muntinlupa City	84,341.25	18-Jun-19
MWSS	MWSS Compound, Katipunan Road, Balara, Quezon City	84,821.70	01-Jan-17
N.S. AMORANTO	Unit 103, "R" Place Building, 255 N.S. Amoranto Sr. Avenue, Quezon City	98,091.59	31-May-18
NAGA ROAD-LAS PIÑAS	Lot 2A, Naga Road corner DBP Extension, Pulang Lupa Dos, Las Piñas City	44,800.00	12-Apr-22
NAIA	Arrival Area Lobby, NAIA Complex, Pasay City	9,959.40	31-Dec-15
NAIA 1	Departure Area, NAIA Terminal Bldg., Imelda Ave., Parañaque City, Metro Manila	28,927.80	31-Aug-11
NAIA 2	NAIA Centennial Terminal II, Northwing Level Departure Intl., Bldg., Pasay City	21,438.56	31-Dec-14
NAIA 3	Arrival Area Lobby, NAIA Terminal 3 Complex, Pasay City	21,736.00	31-Dec-15
NAVOTAS-FISH PORT	Bulungan cor Daungan Ave., Navotas Fish Port Complex, North Bay Boulevard South,	17,947.20	17-Mar-18
NFA	SRA Building, Brgy. Vastra, North Avenue, Quezon City	33,720.96	31-Aug-16
NORTHBAY	511 Honorio Lopez Blvd., Balut, Tondo, Manila	38,408.48	31-Oct-20
NOVALICHES	513 Quirino Highway, Talipapa, Novaliches, Quezon City	53,000.00	24-Feb-20
NPC	Agham Road, Diliman, Quezon City	156,697.20	25-Nov-18
ONGPIN	Prestige Tower, 919 Ongpin St., Sta. Cruz, Manila	151,011.10	18-Apr-18
ORTIGAS CENTER-GARNET	Unit 104, Taipan Place Building, Emerald Ave., Ortigas Center, Pasig City	127,338.75	15-Oct-17
OYSTER PLAZA	Unit D1, Oyster Plaza Bldg., Ninoy Aquino Ave., Brgy. San Dionisio, Paranaque City	72,930.38	31-Oct-15
PADRE FAURA	PAL Learning Center Bldg., 540 Padre Faura cor. Adriatico Sts., Ermita, Manila	86,908.70	30-Jun-16
PADRE RADA	647 RCS Bldg., Padre Rada St., Tondo, Manila	184,481.23	31-Oct-19
PAMPLONA	267 Alabang-Zapote Road, Pamplona Tres, Las Piñas City	104,186.25	07-Feb-18
PANDACAN	Jesus Street, Cor. T. San Luis, Pandacan, Manila	63,720.22	31-Oct-20
PASAY-EDSA	765 EDSA, Malibay, Pasay City	106,203.83	14-Sep-18

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Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
PASAY-LIBERTAD	244 P. Villanueva St., Libertad, Pasay City	93,593.99	30-Dec-16
PASAY-TAFT	2482 Taft Avenue, Pasay City	176,400.00	31-Jan-18
PASIG	G/F, Westar Bldg., 611 Shaw Blvd., Pasig City 1600	133,827.27	30-Sep-17
PASIG-C. RAYMUNDO	G/F, JG Bldg., C. Raymundo Ave., Maybunga, Pasig City	73,169.43	31-Aug-20
PASIG-ORTIGAS EXT.	103 B. Gan Building, Ortigas Ave. Ext., Rosario, Pasig City	111,300.00	31-Aug-18
PASIG-SANTOLAN	Amang Rodriguez Ave., Brgy. Dela Paz, Santolan, Pasig City	102,052.91	07-Dec-18
PASIG-TIENDESITAS	G/F, Units 4-5, Silver City Bldg., No. 03, Frontera Verde Drive, Ortigas Center, Pasig	176,100.00	29-Sep-20
PASO DE BLAS	179 Paso de Blas, Valenzuela City	110,000.00	31-May-19
PASONG TAMO	2233 Chino Roces Avenue, Makati City	118,656.56	29-Jun-16
PGH	PGH Compound, Taft Avenue, Ermita, Manila	334,800.00	01-Nov-13
PIONEER	G/F, B. Guerrero Complex, 123 Pioneer St., Mandaluyong City	120,000.00	14-Apr-19
PLAZA STA. CRUZ	740 Florentino Torres St., Sta. Cruz, Manila 1003	144,735.61	14-Sep-22
PORT AREA	G/F, Bureau of Customs Compound, South Harbor, Port Area, Manila	92,702.46	23-Nov-18
POTRERO	A & S Building, 189 McArthur Highway, Potrero, Malabon City	78,100.34	12-Apr-20
PRITIL	MTSC Bldg., Juan Luna cor. Capulong Ext., Tondo, Manila 1012	102,678.57	31-Oct-20
PROJECT 8	Mecca Trading Bldg., Congressional Avenue, Project 8, Quezon City	80,000.00	01-Jun-16
QUIAPO	516 Evangelista cor. Ronquillo Sts., Quiapo, Manila	132,490.18	15-Feb-16
REINA REGENTE	1067 Don Felipe St., (near corner Reina Regente), Binondo, Manila	72,930.38	31-Mar-16
REMEDIOS	G/F, Royal Plaza Twin Towers Condominium, 648 Remedios cor. Ma. Orosa Sts.,	97,240.50	31-Aug-15
RETIRO	422 N.S. Amoranto St., Edificio Enriqueta Bldg., Sta. Mesa Heights, Quezon City	138,567.71	15-Apr-18
ROCES AVENUE	54 Don Alejandro Roces Ave., Quezon City	41,000.00	31-Aug-14
ROCKWELL CENTER	Stall No. RS-03, G/F, Manansala Tower, Estrella St., Rockwell Center, Makati City	196,734.63	31-Mar-18
ROOSEVELT	256 Roosevelt Ave., San Francisco del Monte, Quezon City	147,000.00	30-Apr-19
ROXAS BLVD.	Suite 101, CTC Building 2232 Roxas Boulevard, Pasay City	119,125.00	28-Feb-17
SALCEDO VILLAGE	G/F, LPL Mansions Condominium, 122 L.P. Leviste St., Salcedo Village, Makati City	173,088.98	19-Apr-16
SALCEDO-DELA COSTA	G/F, Classica Tower Condominium, 114 H.V. Dela Costa St., Salcedo Village, Makati City	95,659.20	30-Apr-19
SAMSON ROAD	149 Samson Road corner P. Bonifacio St., Caloocan City	80,405.74	31-Jan-19
SAN ANDRES	1155 Swanson Building cor. Linao Street, San Andres, Manila	102,876.48	31-Jul-20
SAN JUAN	213 F. Blumentritt St. cor. Lope K. Santos, San Juan City	70,420.35	31-Mar-18
SAN LORENZO-ARNAIZ	G/F, Power Realty Bldg., 1012 A. Arnaiz Avenue, Brgy. San Lorenzo, Makati City	81,033.75	30-Jun-16
SAN MATEO	19 Gen. Luna St., Brgy. Banaba, San Mateo, Rizal	49,835.76	31-Oct-16
SAN NICOLAS	534 Gedisco Towers, Asuncion St., San Nicolas, Manila	170,093.09	31-Mar-19
SHANGRI-LA PLAZA	Unit AX 116 P3 Carpark Bldg., Shangri-la Annex Plaza Mall, Edsa corner Shaw Blvd., M	131,054.00	30-Sep-20
SHAW BLVD.	Starmall cor. EDSA Shaw Blvd., Mandaluyong City	102,101.10	31-Jul-15
SHAW BLVD.-PRINCETON	G/F, Sun Plaza Bldg., 1505 Princeton St. cor. Shaw Blvd., Mandaluyong City	172,500.00	30-May-17
SSS DILIMAN	G/F, SSS Building, East Avenue Diliman, Quezon City	172,800.00	31-Jan-18
STARMALL ALABANG	Upper Ground Level, Starmall Alabang, South Superhighway, Alabang, Muntinlupa City,	43,200.00	14-Aug-16
SUCAT	G/F, Kingsland Bldg., Dr. A. Santos Avenue, Sucat, Parañaque City	127,310.00	31-Oct-20

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SUCAT-EVACOM	G/F, AC Raftel Center, 8193 Dr. A. Santos Ave., Sucat Road, Paranaque City	158,015.81	30-May-19
T. ALONZO	905 T. Alonzo cor. Ongpin Sts., Sta. Cruz, Manila	179,025.00	31-Mar-20
TAFT AVENUE	G/F, One Archers' Place Condominium, 2311 Taft Avenue, Malate, Manila	114,595.38	30-Nov-20
TANAY	Tanay New Public Market Road, Brgy. Plaza Aldea, Tanay, Rizal	40,000.00	29-Oct-17
TANDANG SORA	102 cor. San Miguel Village and Tandang Sora Ave., Brgy. Pasong Tamo, Quezon City	60,500.00	25-Sep-16
TAYTAY	Ilog Pugad National Road, Brgy. San Juan, Taytay, Rizal	36,538.25	22-Oct-18
THE FORT-BURGOS CIRCLE	Unit GF-4, The Fort Residences, 30th St., corner 2nd Avenue, Padre Burgos Circle,	257,571.42	30-Nov-17
TIMOG	G/F, Newgrange Bldg., 32 Timog Ave., Brgy. Laging Handa, Quezon City	84,000.00	13-Nov-16
TONDO	1941-1943 Juan Luna St., Tondo, Manila	103,318.03	31-Oct-17
TUTUBAN	LS 31 Podium Level, Tutuban Prime Block Mall, Tutuban Center, C.M. Recto, Manila	104,500.52	14-Jun-17
TUTUBAN-ABAD SANTOS	1450-1452 Coyuco Bldg., Jose Abad Santos, Tondo, Manila	55,645.87	31-Aug-16
U.E. RECTO	G/F, Dalupan Bldg., University of the East, 2219 Claro M. Recto Ave., Manila	61,528.50	31-Mar-20
U.N. AVENUE	G/F, UMC Bldg., 900 U.N. Avenue, Ermita, Manila	80,801.32	30-Nov-17
UNITED PARAÑAQUE	Iba corner Malugay Sts., East Service Road, Brgy. San Martin de Porres, United	69,457.50	30-Nov-17
UP CAMPUS	No. 3 Apacible St., UP Campus, Diliman, Quezon City 1101	476,437.50	31-Dec-17
URATEX-EAST SERVICE ROAD	Uratex Bldg., Km. 23, East Service Road, Brgy. Cupang, Muntinlupa City	53,697.00	13-Aug-18
VILLAMOR AIR BASE	G/F, Airmens Mall Bldg. cor Andrews & Sales Sts., Villamor Air Base, Pasay City	16,350.00	31-Dec-15
VISAYAS CONGRESSIONAL	#22 RTS Building, Congressional Ave., Quezon City	95,206.79	15-Mar-16
VITO CRUZ	550 Pablo Ocampo cor. Mabini Sts., Malate, Manila	100,713.38	31-Aug-16
ZABARTE	1131 Quirino Hi-way, Brgy. Kaligayahan, Novaliches, Quezon City	85,323.04	31-Jul-16
ZAPOTE	99 Real Street, Alabang-Zapote Road, Pamplona 1, Las Piñas City	84,234.58	04-Dec-18
<u>Northern Luzon</u>			
ABANAO	90 NRC Bldg., Abanao St., Baguio City	93,571.20	15-Oct-18
AGOO-SAN ANTONIO	B&D Bldg. National Highway, San Antonio, Agoo, La Union 2504	100,000.00	31-Dec-24
ANGELES-MC ARTHUR	F. Navarro Bldg., MacArthur Highway, Brgy. Salapungan, Angeles City, Pampanga	146,250.00	31-Jul-20
APALIT	Mc Arthur Highway, San Vicente, Apalit, Pampanga	11,576.25	31-Jul-18
BAGUIO-CENTER MALL	G/F, Baguio Center Mall, Magsaysay Ave., Baguio City	126,000.00	31-Mar-19
BALAGTAS	G/F D & A Bldg., Mc Arthur Highway, San Juan, Balagtas, Bulacan	45,982.14	30-Jun-20
BAYAMBANG	Prime Bldg., Rizal St., Zone 2, Bayambang, Pangasinan	64,000.00	18-May-17
BEPZ	Bataan Economic Zone, Luzon Ave., Marivels, Bataan 2106	61,778.00	07-Mar-19
BOCAUE	JM Mendoza Building, McArthur Hi-way, Lolomboy, Bocaue, Bulacan	72,930.38	07-Oct-17
BONTOC	G/F Mt. Province Commercial Center, Poblacion, Bontoc, Bontoc, Mountain Province	27,030.00	10-Sep-16
CABANATUAN-MAHARLIKA HIC	Km. 114 Maharlika Highway, Cabanatuan, Nueva Ecija	60,000.00	30-Apr-19
CAMILING-RIZAL	Rizal St., Camiling, Tarlac	23,841.82	15-Mar-16
CAPAS	Capas Comm'l Complex, Sto. Domingo, Capas, Tarlac	68,645.72	15-Oct-16
CAUAYAN-MAHARLIKA HI-WAY	Disston Bldg., Maharlika Highway, Bgy. San Fermin, Cauayan, Isabela	84,000.00	31-Mar-19
CENTRO ILAGAN	J. Rizal St., Centro, Ilagan City, Isabela 3300	31,500.00	04-Aug-18

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AS OF DECEMBER 31, 2015

Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
CLARK FIELD	Retail 4 & 5, Berthaphil III, Clark Field Center 2, Jose Abad Santos Ave., Clark Field	US\$2,100	31-May-19
DAGUPAN-FERNANDEZ	A. B. Fernandez Ave., cor. Noble St., Dagupan City, Pangasinan	90,000.00	31-Dec-19
DINALUPIHAN	BDA Bldg., San Ramon Highway, Dinalupihan, Bataan 2110	44,642.86	20-Mar-17
DOLORES	Units 4 & 5 G/F, Peninsula Plaza Bldg., Mc Arthur Highway, Dolores, City of San	73,420.72	31-May-19
EAST GATE CITY WALK	East Gate CW Commercial Center, Olongapo Gapan Rd., San Jose, City of San Fernando,	62,390.62	15-Jun-18
GUIMBA	CATMAN Bldg., Provincial Road corner Faigal St., Saranay District , Guimba, Nueva	39,600.00	30-Sep-17
LA TRINIDAD	Benguet State University Compound, Brgy. Balili, Kilometer 5, La Trinidad, Benguet	31,794.40	05-Oct-27
LAGAWE	JDT Bldg., Inguling Drive, Poblacion East, Lagawe, Ifugao	16,000.00	10-Nov-18
LAOAG-CASTRO	F.R. Castro St., Brgy. 17, Laoag City, Ilocos Norte	99,225.00	31-Mar-19
LUBAO	OG Road, Ela Paz Arcade, Brgy. Sta. Cruz, Lubao, Pampanga	46,189.24	31-Dec-20
MABALACAT	Destiny Building, Brgy., Mabiga, Mabalacat, Pampanga	50,594.28	31-Jan-21
MACABEBE	Y N CEE Commercial Bldg., Poblacion, San Gabriel, Macabebe, Pampanga	40,000.00	27-Mar-21
MAGSAYSAY AVE.	G/F, Lyman Ogilby Centrum Bldg., 358 Magsaysay Ave., Baguio City 2600	85,800.00	21-May-17
MALOLOS-MC ARTHUR	FC Bldg., Km 40, McArthur Hi-way, Sumapang Matanda, Malolos City, Bulacan	80,223.41	31-Dec-16
MANGALDAN	G/F, Abad Biascan Bldg., Rizal St.,Poblacion, Mangaldan, Pangasinan	55,315.15	30-Mar-20
MEYCAUAYAN-ESPERANZA	G/F, Stalls 8 & 9, Esperanza Mall, McArthur Highway, Brgy. Calvario, Meycauayan,	81,554.39	31-Oct-16
NAGUILIAN ROAD-BAGUIO	G/F, High Country Inn, Naguilian Road, Baguio City	81,033.75	31-Oct-16
NARVACAN	Annex Bldg., Narvacan Municipal Hall, Sta. Lucia, Narvacan, Ilocos Sur	49,107.14	01-Sep-17
NORTH ZAMBALES	Brgy. Hall, Poblacion South, Sta. Cruz, Zambales	13,392.86	31-Dec-17
OLONGAPO-MAGSAYSAY	YBC Mall, 97 Magsaysay Drive, East Tapinac, Olongapo City	154,350.00	31-May-18
ORANI	Agustina Bldg., McArthur Highway, Parang-Parang, Orani, Bataan	36,000.00	17-Nov-18
PASUQUIN	Farmers Trading Center Bldg., Maharlika Hi-way, Poblacion 1, Pasuquin, Ilocos Norte	20,000.00	12-Feb-22
PEREZ BLVD.-DAGUPAN	Orient Pacific Building, Perez Blvd. cor. Rizal Ext., Dagupan City	75,245.63	31-Mar-17
PLARIDEL	Cagayan Valley Road, Banga 1st, Plaridel, Bulacan	19,292.30	30-Jul-17
ROBINSONS PULILAN	Robinsons Mall Pulilan, Maharlika Highway, Cutcut, Pulilan, Bulacan	41,110.69	21-Dec-19
SAN AGUSTIN	G/F, Tagle Bldg., McArthur Hi-way, Bgy. San Agustin, City of San Fernando, Pampanga	104,742.00	15-Aug-18
SAN CARLOS-PANGASINAN	Plaza Jaycee, San Carlos City, Pangasinan	60,272.94	14-Aug-19
SAN FERNANDO-MC ARTHUR	LNG Bldg., Mc Arthur Highway, Brgy. Dolores, City of San Fernando, Pampanga	77,638.33	31-Jul-18
SAN JOSE DEL MONTE	Dalisay Bldg., Quirino Hi-way, Tungkong Mangga, City of San Jose Del Monte, Bulacan	75,000.00	31-Dec-19
SAN RAFAEL	San Rafael Public Market, Cagayan Valley Road, Brgy. Cruz na Daan, San Rafael,	55,800.00	30-Nov-25
SANCHEZ MIRA	C-2 Maharlika Highway, Sanchez Mira, Cagayan 3518	29,464.28	02-Dec-22
SANGITAN	R. Macapagal Bldg., Maharlika Highway, Brgy. Dicarma, Cabanatuan City	52,175.20	31-Aug-16
SANTIAGO-PANGANIBAN	Municipal Integrated Parking Bldg., Panganiban St., Brgy. Centro East, Santiago City,	5,023.50	28-Aug-15
SOLANO	National Highway, Poblacion South, Solano, Nueva Vizcaya	44,642.86	31-Aug-17
STA. MARIA	Jose Corazon De Jesus St., Poblacion, Sta. Maria, Bulacan	75,000.00	30-Sep-18
STA. ROSA-NUEVA ECIJA	G/F, JNB Bldg., Brgy. Cojuangco, Cagayan Valley Road, Sta. Rosa, Nueva Ecija	43,758.23	30-Sep-16
SUBIC	Lot 5 Retail 2, Times Square Mall, Sta. Rita Road, Subic Bay Freeport Zone, Olongapo	66,862.50	08-Oct-16
TABUK	I-Square Bldg., Provincial Road, Poblacion Centro, Tabuk City, Kalinga	49,098.00	20-Dec-20

PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
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Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
TARLAC-ZAMORA	A & E Bldg., Unit 123, #06 Zamora St., Brgy. San Roque, Tarlac City	75,581.39	31-Oct-17
TUAO	GF, Villacete Bldg., National Highway, Pata, Tuao, Cagayan	12,000.00	23-Sep-18
TUGUEGARAO-BRICKSTONE MA	G/F, Brickstone Mall, Km. 482, Maharlika Highway, Pengue Ruyu, Tuguegarao City,	72,201.07	15-Nov-20
URDANETA-ALEXANDER	AAG Bldg. 2, Alexander St., Urdaneta City, Pangasinan	86,821.88	14-Dec-17
VIGAN-QUEZON AVE.	36 Quezon Ave., Vigan City, Ilocos Sur	93,712.50	30-Apr-18
<u>Southern Luzon</u>			
ALBAY CAPITOL	ANST Bldg. II, Rizal St., Brgy. 14, Albay District., Legaspi City	60,372.90	12-Feb-19
ATIMONAN	Our Lady of the Angels Parish Compund, Quezon Street, Atimonan, Quezon	35,000.00	15-Jul-20
BACOR-PANAPAAN	San Miguel Commercial Building, 215 E. Aguinaldo Highway, Barangay Panapaan I,	75,245.63	13-May-17
BATANGAS	Unit G1E, G/F Expansion Area, Nuciti Central Mall, P. Burgos St., Batangas City,	117,820.70	22-Mar-20
BATANGAS-KUMINTANG	JPA AMA Bldg., National Hi-way, Kumintang Ilaya, Batangas City	60,000.00	28-Feb-20
BATANGAS-PALLOCAN WEST	GF, MAJ Bldg., National Highway, Pallocan West, Batangas City	70,000.00	26-Jun-19
BAUAN	G/F, ADD Building, J.P. Rizal St., Poblacion, Bauan, Batangas	31,250.00	02-Aug-16
BIÑAN	Ammar Commercial Center, Nepa National Highway, Brgy. Sto. Domingo, Biñan,	76,500.00	31-Mar-23
BOAC	Gov. Damian Reyes St., Murallon, Boac, Marinduque	26,785.20	31-Jul-19
BULAN	Zone 4 Tomas de Castro St., Bulan, Sorsogon	40,516.88	31-Jul-17
CABUYAO	Asia Brewery Complex, National Hi-way, Brgy. Sala, Cabuyao, Laguna	38,778.53	31-Mar-16
CABUYAO-CENTRO MALL	Unit 124, Centro Mall, Brgy. Pulo, Cabuyao, Laguna	59,400.00	21-Jun-20
CALAMBA CROSSING	G/F, Unit Building, J. Alcasid Business Center, Crossing Calamba City, Laguna	90,405.00	14-Mar-16
CALAMBA-BUCAL	GF, Prime Unit 103 Carolina Center Bldg. COR. Ipil-ibil St., Brgy. Bucal, Calamba,	72,629.69	30-Nov-18
CALAMBA-NATL HI-WAY	G/F, Sta. Cecilia Business Center II, Brgy. Parian, Calamba City, Laguna	39,000.00	15-Oct-16
CARMONA	9767 Brgy. Maduya, Carmona, Cavite	66,150.00	30-Apr-18
CAVITE-DASMARIÑAS	G/F LCVM Bldg., Aguinaldo Hi-Way Zone IV, Dasmariñas, Cavite City	143,545.76	21-Dec-20
CEPZ	Gen. Trias Drive, Rosario, Cavite	26,032.76	13-Feb-17
DAET-PIMENTEL	F. Pimentel Ave. cor. Dasmariñas St., Daet, Camarines Norte	79,000.00	15-Mar-20
DASMARIÑAS-SALITRAN	Michael's Bldg., Aguinaldo Highway, Salitran, Dasmariñas City, Cavite	57,821.43	25-Oct-20
GEN. TRIAS	129 Governor's Drive, Manggahan, General Trias, Cavite	59,484.38	31-Aug-18
GOA	Juan Go Bldg., cor. Rizal & Bautista Sts., Goa, Camarines sur	37,500.00	31-Aug-17
GUMACA	Andres Bonifacio St., Brgy. San Diego Poblacion, Gumaca, Quezon	80,000.00	29-Nov-20
IMUS	GF, J. Antonio Bldg. 1167 Gen. Aguinaldo Highway, Bayan Luma 7, Imus, Cavite 4103	125,355.00	11-Nov-16
IMUS-AGUINALDO	Sayoc Abella Bldg., E. Aguinaldo Hi-way, Imus, Cavite	91,162.97	30-Aug-20
LEGAZPI-IMPERIAL	35 F. Imperial St., Legaspi City, Albay	67,200.00	31-May-17
LEMERY	Humarang Bldg., Corner Ilustre Ave. and P. De Joya St., Lemery Batangas	76,000.00	30-Jun-16
LIGAO	San Jose St., Dunao, Ligao City, Albay	56,000.00	30-Sep-17
LIPA - AYALA HI-WAY	K-Pointe Plaza, Ayala Hi-way, Brgy. Sabang, Lipa City, Batangas	75,000.00	31-Oct-20
LUCENA-ENRIQUEZ	Enriquez corner Enverga Sts., Poblacion, Lucena City, Quezon	70,000.00	15-Sep-17
MAHARLIKA	G/F, Kadiwa Building, Brgy. Maharlika, Sta. Cruz, Marinduque	39,025.80	20-Jun-15

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LIST OF BRANCHES UNDER LEASE
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Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
MOLINO	I.K. Commercial Bldg., Villa Maria Subd., Molino Highway, Molino III, Bacoor Cavite	74,842.50	31-May-19
NAGA-MAGSAYSAY	G/F G Square Bldg., Magsaysay Ave. corner Catmon II St., Balatas, Naga City,	75,000.00	14-Apr-19
NAGA-PANGANIBAN	DECA Corporate Center, Panganiban Drive, Brgy. Tinago, Naga City, Camarines Sur	75,600.00	23-Feb-18
NAIC	P. Poblete Street, Ibayo Silangan, Naic, Cavite	68,000.00	14-Feb-17
NASUGBU	J. P. Laurel corner F. Alix Sts., Nasugbu, Batangas	70,000.00	31-May-19
PACITA COMPLEX	JRJ Building, National Highway, Brgy. Nueva, San Pedro, Laguna	52,000.00	31-May-16
PASEO DE SANTA ROSA	Blk. 5 Lot 3B, Sta. Rosa Estate 2-A, Balibago, Tagaytay Road, Bo. Sto. Domingo, Sta.	135,000.00	14-May-16
PILI	Cu Bldg, Old San Roque, Pili, Camarines Sur	60,648.00	31-Aug-17
PINAMALAYAN	Mabini St., Zone IV, Pinamalayan, Oriental Mindoro	37,991.71	30-Sep-20
POLANGUI	National Road, Ubaliw, Polangui, Albay	33,928.57	30-Apr-18
ROMBLON	SAL Building, Republika St., Brgy. 1, Romblon, Romblon	18,700.00	11-Oct-19
SAN PABLO-COLAGO AVE.	Mary Grace Building, Colago Ave. cor. Quezon Ave., San Pablo City, Laguna	54,697.78	30-Nov-16
SAN PEDRO-NATL HI-WAY	Km. 31, National Highway, Brgy. Nueva, San Pedro, Laguna	71,662.50	28-Feb-18
SINILOAN	G. Redor St. Siniloan, Laguna	77,058.80	17-Jan-16
SORSOGON-MAGSAYSAY	2nd Floor, PNB Sorsogon Branch Rizal St., Sorsogon City, Sorsogon	110,250.00	15-Dec-18
STA. CRUZ-REGIDOR	37 A. Regidor St., Sta. Cruz, Laguna	90,000.00	21-Feb-19
STA. ROSA	NATIONAL HIGHWAY BALIBAGO CITY OF STA ROSA LAGUNA	82,000.00	10-Jun-16
TAGAYTAY	Vistamart Bldg., Gen. E. Aguinaldo Highway, Mendez Crossing West, Tagaytay City	62,500.00	29-Nov-19
TANAUAN	G/F V. Luansing Bldg, J.P. Laurel Highway, Tanauan City, Batangas	70,312.50	21-Aug-16
TANZA	G/F, Annie's Plaza Building, A. Soriano Highway, Daang Amaya, Tanza, Cavite	62,400.00	15-Oct-20
UP LOS BAÑOS	LANZONES ST. UPLB COLLEGE LOS BANOS, LAGUNA	72,489.55	month-to-month
VIRAC	055 Quezon Ave., Brgy Salvacion, Virac, Catanduanes	free BOT	21-Jul-18
Visayas			
A. CORTES	A. Cortes Ave., Ibabaw, Mandaue City, Cebu	96,032.77	29-Feb-16
BACOLOD	10th Lacson St., Bacolod City	P99/year	12-Aug-65
BACOLOD EAST	G/F, Besca Properties Bldg., Burgos Extension, Bacolod City, Negros Occidental	59,481.40	25-Oct-19
BACOLOD-HILADO	Hilado corner L.N. Agustin Sts., Bacolod City	44,100.00	19-Feb-17
BACOLOD-LIBERTAD	Penghong Bldg., Poinsetia St., Libertad Ext., Bacolod City, Negros Occidental	54,697.78	03-Nov-16
BACOLOD-NEGROS CYBER CEN	Negros First Cyber Centre Bldg., Lacson cor. Hernaez St., Bacolod City, Negros	58,000.00	12-Jul-18
BAIS	Rosa Dy-Teves Bldg, Quezon St., Bais City	26,785.71	30-Nov-16
BANILAD	Gov. M. Cuenco Ave., cor. Paseo Saturnino St., Banilad, Cebu City	117,315.00	28-Feb-20
BANILAD-FORTUNA	AS Fortuna St., Banilad, Mandaue City, Cebu	50,000.00	31-Mar-17
BANTAYAN	J.P. Rizal St., Ticad, Bantayan, Cebu City	53,340.00	21-Jun-25
BOGO	Cor. R. Fernan & San Vicente Sts., Bogo City, Cebu	24,310.12	16-Apr-16
CARBON	41-43 Plaridel St., Ermita, Cebu City	108,000.00	31-Oct-19
CARCAR	Jose Rizal St., Poblacion I, Carcar City, Cebu	69,283.86	21-Feb-16
CEBU BUSINESS PARK	Unit F, Upper G/F, FLB Corporate Center, Archbishop Reyes Avenue, Cebu Business	131,560.00	06-Dec-20

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Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
CEBU IT PARK	G/F, TGU Tower, Cebu IT Park, Salinas Drive cor. J.M del Mar St., Apas, Cebu City	209,700.00	15-Dec-17
CEBU-ESCARIO	G/F, Capitol Square, N. Escario Street, Cebu City	78,750.00	30-Aug-20
CEBU-MOALBOAL	G/F, Stall MBL-GFS 7, 8 & 9, Gaisano Grand Mall, Poblacion East, Moalboal, Cebu	54,000.00	16-Mar-20
CENTRO MANDAUE	G/F M2, Gaisano Grand Mall, Mandaue Centro, A. Del Rosario St., Mandaue City 6014,	97,500.00	26-Feb-17
COLON	G/F J. Avela Bldg., Collonade Mall Oriente, Colon St., Cebu City	134,300.00	31-Dec-18
CONSOLACION	Consolacion Government Center Extension, Poblacion, Orientation, Consolacion, Cebu	66,000.00	02-Aug-20
DOWNTOWN TACLOBAN	G/F, Washington Trading Bldg., Rizal Ave., Tacloban City, Leyte 6500	100,160.19	22-Oct-16
DUMAGUETE-SOUTH ROAD	Manhattan Suites, South Rd, Calindagan, Dumaguete City, Negros Oriental	67,142.25	14-Oct-17
FUENTE OSMEÑA	BF Paray Bldg., Osmena Blvd., Cebu city	130,000.00	25-May-18
GUIHULNGAN	New Guihulngan Public Market, S. Villegas St., Guihulngan, Negros Oriental	18,000.00	08-Feb-18
GUIUAN	Cor. San Nicolas & Guimbaolibot Sts., Guiuan, Eastern Samar 6809	35,718.24	31-Oct-19
ILOILO-ALDEGUER	St. Catherine Arcade, Aldeguer St.,	80,000.00	15-Nov-21
ILOILO-DIVERSION ROAD	Unicom Bldg., Sen. Benigno Aquino Ave. (Diversion Road), Brgy. San Rafael,	47,103.00	02-Oct-19
ILOILO-GEN. LUNA	Go Sam Building, Gen. Luna St., Iloilo City	65,000.00	17-Dec-16
ISLAND CITY MALL-TAGBILARA	Upper Ground Floor 33-34, Island City Mall, Dampas District, Tagbilaran City	55,048.50	31-Jul-16
JARO	#8 Lopez Jaena St., Jaro, Iloilo City	108,528.00	02-May-16
JARO-LEDESMA	Simeon Ledesma St., Jaro, Iloilo City	66,852.84	28-Feb-17
KALIBO-MARTELINO	0624 S. Martelino St., Kalibo, Aklan	37,685.24	30-Nov-20
LA CARLOTA	Cor La Paz and Rizal Sts., La Carlota City	33,693.83	31-May-16
LA PAZ	Inayan Bldg., cor. Huevana & Rizal Sts., La Paz, Iloilo City 5000	58,600.00	31-Dec-18
LAHUG	G/F Juanita Bldg., Escario St. Cor. Gorordo Ave., Brgy. Camputhaw, Lahug, Cebu City	59,400.00	07-Feb-16
LAPU-LAPU MARKET	Mangubat cor. Rizal Sts., Lapu-Lapu City, Cebu	25,639.73	31-Dec-22
MAMBALING	GF, Supermetro Mambaling, F. Llamas St., corner Cebu South Road, Basak, San Nicolas,	67,744.22	28-Oct-16
MANDAUE	JD Building, Lopez Jaena Street, Tipolo, Mandaue City, Cebu 6014	84,917.84	14-Apr-20
MANDAUE-SUBANGDAKU	KRC Building, Lopez Jaena St., Subangdaku, Mandaue City, Cebu	62,865.38	15-Aug-16
MEPZ	1st Ave., MEPZ 1, Mactan Island, Lapu-Lapu City, Cebu 6015	12,438.68	19-Jul-19
MIAG-AO	One TGN Building, Cor. Noble & Sto. Tomas Sts., Miagao., Iloilo	42,446.25	15-May-18
MINGLLANILLA	Ward 4, Poblacion, Minglanilla Cebu	60,196.50	14-Oct-17
NORTH ROAD-MANDAUE	Insular Square, 31 JP Rizal St., MandaueCity	74,363.63	28-Feb-18
ONE PAVILION MALL-CEBU CITY	One Pavilion Mall, R. Duterte St., Banawa, Cebu City, 6000	69,484.50	07-Oct-17
ORMOC-REAL	Narcisa Codilla Building, Real St., Ormoc City., Leyte	60,775.31	30-Sep-16
PALOMPON	Ground Floor, Municipal Bldg., Rizal St., Palompon, Leyte	15,000.00	16-May-18
PUSOK	M. L. Quezon National Highway, Pusok, Lapu-Lapu City, Cebu	23,579.48	29-Feb-16
SAN JOSE-ANTIQUÉ	Calixto O. Zaldivar St., San Jose de Buenavista, Antique	61,990.00	11-Jun-20
SOGOD	No. 006 Osmeña St., Brgy Zone 2, Sogod, Southern Leyte	1,000.00	23-Dec-17
STA. BARBARA	Liz Complex, Bangga Dama, Brgy. Bolong Oeste, Sta. Barbara, Iloilo	64,639.87	31-Oct-18
TABUNOK	Paul Sy Bldg., National Highway, Tabunok, Talisay City	80,454.00	16-Jan-21
TABUNOK-TALISAY	Viva Lumber Bldg., Talisay, Tabunok, Cebu	56,000.00	17-Jun-19

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Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
TAGBILARAN-DEL PILAR	C.P. Garcia Ave., cor. MH del Pilar St., Tagbilaran City, Bohol	70,000.00	31-Jul-12
TALAMBAN	Leyson St., Talamban, Cebu City	61,740.00	15-Aug-18
UBAY-BOHOL	G/F LM Commercial Bldg., National Hi-way Cor. Tan Pentong St., Poblacion, Ubay, Bohol	50,711.88	11-Jun-18
UPTOWN CEBU	G/F, Visayas Community Medical Center Mixed Use Bldg., Osmeña Blvd., Cebu City	142,848.00	29-Feb-20
<u>Mindanao</u>			
AGDAO-LAPU-LAPU	Chavez Bldg., Lapu-Lapu St., Agdao, Davao City	84,000.00	30-Nov-19
ATENEO DE DAVAO-JACINTO	G/F, Community Center, Ateneo de Davao University, Jacinto St., Davao City	60,168.00	10-Oct-25
BANGOY	Roman Paula Bldg., 35-37 C. Bangoy Street, Davao City.	66,000.00	24-Apr-19
BAYUGAN	Mendoza Square, Narra Avenue, Poblacion, Bayugan City, Agusan del Sur	42,525.00	31-Aug-19
BUTUAN-J.C. AQUINO	J.C. Aquino Avenue, Butuan City, Agusan del Norte	66,150.00	31-Mar-17
CARMEN	REGO Building, 296 Agoho Drive, Carmen, Cagayan de Oro City,	71,428.57	25-Oct-20
CLIMACO	JNB Bldg., Buenavista St., Zamboanga City, Zamboanga del Sur	79,860.00	24-Jun-17
DADIANGAS	RD Realty Development Bldg., Santiago Blvd., General Santos City, South Cotabato	55,125.00	28-Feb-18
DAVAO-CALINAN	LTH Building, Davao-Bukidnon Highway, Calinan, Davao City	37,044.00	30-Nov-17
DAVAO-DIVERSION ROAD	Doors 2 & 3, Gimenes Bldg., Carlos Garcia Hi-way (Diversion Road) Buhangin, Davao	47,600.00	14-Jul-19
DAVAO-LANANG	Km. 7, Lanang, Davao City	52,500.00	24-Jul-19
DAVAO-OBRRERO	G/F JJ Commune Bldg., Loyola St., Bo. Obrero, Davao City	72,828.00	30-Jun-18
DIGOS-GEN. LUNA	Gonzales Building, Gen. Luna St., Digos City, Davao del Sur	40,262.42	30-Sep-20
DIPOLOG-RIZAL	Rizal Ave. cor. Osmena St., Dipolog City, Zamboanga del Norte	98,398.13	16-Apr-17
GAISANO CAPITAL-SURIGAO	Gaisano Capital, KM 4, National Highway, Barangay Luna, Surigao City	35,663.00	10-Jul-17
GENERAL SANTOS-ACHARON	Pedro Acharon Blvd., General Santos City, South Cotabato	21,533.40	30-Jun-16
ILIGAN-QUEZON	Quezon Ave., Poblacion, Iligan City, Lanao del Norte	92,610.00	31-Oct-16
ISULAN	Aristoza Bldg., National Highway, Isulan, Sultan Kudarat	38,808.00	31-May-17
KCC MALL DE ZAMBOANGA	Upper Ground Floor, KCC Mall de Zamboanga, Gov. Camins St., Brgy. Camino Nuevo,	17,280.00	28-Feb-17
KCC MALL-GEN. SANTOS CITY	Unit 018 Lower G/F KCC Mall of Gensan, Jose Catolico Sr. Ave. General Santos City,	98,435.17	10-Apr-16
LILOY	Chan Bldg., Baybay, Liloy, Zamboanga del Norte	35,000.00	30-Apr-20
LIMKETKAI MALL-NORTH CONC	G/F North Concourse, Limketkai Mall, Limketkai Center, Lapasan, Cagayan de Oro City,	174,567.97	31-Oct-16
MALAYBALAY	Flores Bldg., cor. Rizal & Tabios Sts., Brgy. 5, Malaybalay City, Bukidnon	54,000.00	30-Apr-17
MALAYBALAY-FORTICH	Fortich cor. Kapitan Juan Sts., Brgy 7, Malaybalay City, Bukidnon	42,350.00	31-Mar-18
MATINA	HIJ Bldg., Mc Arthur Highway, Brgy. Matina, Davao City	55,357.14	01-May-18
MATINA CROSSING	80 Lua Building, Mc Arthur Highway, Matina, Davao City	40,000.00	14-Sep-20
MONTEVERDE	Mintrade Bldg., Monteverde St. cor. Sales St., Davao City, Davao del Sur	94,905.05	31-Mar-17
MONTEVERDE-BANGOY	42 T. Monteverde cor. S. Bangoy Sts., Davao City	119,590.94	13-Mar-20
OZAMIS-GOMEZ	Gomez cor. Burgos Sts., 50th Brgy., Ozamis City, Misamis Occidental	52,500.00	30-Sep-18
PALA-O	G/F Iligan Day Inn Bldg., Benito S. Ong St., Pala-O, Iligan City, Lanao del Norte	48,616.07	30-Sep-17
PANABO CITY	G/F Gaisano Grand Mall of Panabo, Quezon St., Brgy. Sto. Niño, Panabo City, Davao	56,223.25	30-Nov-16
SASA	Carmart Bldg., Km 8, Sasa, Davao City	41,659.54	14-Nov-18

**PHILIPPINE NATIONAL BANK
LIST OF BRANCHES UNDER LEASE
AS OF DECEMBER 31, 2015**

Branch Name	ADDRESS	Monthly Rent (In Pesos)	Expiration of Lease
SINDANGAN	Corner Rizal & Bonifacio Sts., Poblacion, Sindangan, Zamboanga del Norte	10,368.00	11-Aug-22
STA. ANA DAVAO	Bonifacio Tan Bldg., Rosemary cor. Bangoy Sts., Sta. Ana Dist., Davao City, Davao del	57,375.00	30-Apr-18
STA. ANA-MAGSAYSAY	R. Magsaysay Ave. cor. Lizada St., Davao City	115,473.09	24-May-16
SURIGAO-WASHINGTON	San Nicolas St., Brgy. Washington, Surigao City, Surigao del Norte	112,815.00	31-Mar-16
TAGUM-APOKON	GL 04-06 Gaisano Grand Arcade, Apokon Road corner Lapu-Lapu Ext., Brgy. Visayan Village, Tagum City, Davao Del Norte	52,093.13	15-Sep-17
TETUAN	G/F, AL Gonzalez & Sons Bldg., Veterans Ave., Zamboanga City 7000	62,012.50	02-Apr-17
TORIL	Anecita G. Uy Bldg., Saavedra St., Toril, Davao City, Davao del Sur	60,062.68	01-Jun-17
VALENCIA	Tamay Lang Bldg., G. Lavina St., Poblacion, Valencia, Bukidnon	65,595.63	20-Apr-17
VALENCIA-MABINI	Tamaylang Bldg., Mabini Street, Poblacion, Valencia City, Bukidnon	58,593.75	28-Feb-21
ZAMBOANGA-CANELAR	G/F Blue Shark Hotel, Mayor Jaldon St., Canelar, Zamboanga City	53,146.83	31-Aug-22
ZAMBOANGA-NUÑEZ EXT.	Ciudad Medical, Zamboanga Nuñez Ext., Camino Nuevo, Zamboanga City	60,000.00	31-May-16
ZAMBOANGA-SAN JOSE	San Jose, Zamboanga City, Zamboanga del Sur	30,000.00	22-Apr-19
ZAMBOANGA-VETERANS AVENUE	G/F Zamboanga Doctors' Hospital, Annex Bldg., Veterans Ave., Zamboanga City, Zamboanga del Sur	73,856.48	15-May-17

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

CONSOLIDATED CHANGES IN THE
ANNUAL CORPORATE GOVERNANCE REPORT
FOR THE YEAR 2015


1. Report is Filed for the Year: **2015**
2. Exact Name of Registrant as Specified in its Charter: **PHILIPPINE NATIONAL BANK**
3. **PNB Financial Center**
President Diosdado Macapagal Boulevard
Pasay City, Metro Manila
Address of Principal Office
1300
Postal Code

4. SEC Identification Number: **AS096-005555**
5. (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: **000-188-209**
7. **(632) 891-6040 to 70 / (632) 526-3131 to 70**
Issuer's Telephone number, including area code
8. **Not Applicable**
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	15
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Actual number of Directors for the year 2015	15
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(a) Composition of the Board (updated - 2015)

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
1. Florencia G. Tarriela	ID	N/A	Mr. Reynaldo A. Maclang, None	May 29, 2001	May 26, 2015 (4 years)	Annual Meeting	14 yrs. 7 mos.
2. Felix Enrico R. Alfiler	ID	N/A	Mr. Reynaldo A. Maclang, None	Dec. 16, 2011	May 26, 2015 (4 years)	Annual Meeting	4 yrs.
3. Florido P. Casuela	NED	N/A	Mr. Reynaldo A. Maclang	May 30, 2006	May 26, 2015	Annual Meeting	9 yrs. 7 mos.
4. Leonilo G. Coronel	NED	N/A	Mr. Reynaldo A. Maclang	May 28, 2013	May 26, 2015	Annual Meeting	2 yrs. 7 mos.
5. Reynaldo A. Maclang	ED	N/A	Mr. Reynaldo A. Maclang	February 9, 2013	May 26, 2015	Annual Meeting	2 yrs. 10 mos.
6. Estelito P. Mendoza	NED	N/A	Mr. Reynaldo A. Maclang	Dec. 23, 2008	May 26, 2015	Annual Meeting	7 yrs.
7. Christopher J. Nelson	NED	N/A	Mr. Reynaldo A. Maclang	May 26, 2015	May 26, 2015	Annual Meeting	7 mos.
8. Federico C. Pascual	ID	N/A	Mr. Reynaldo A. Maclang, None	May 27, 2014	May 26, 2015 (1 year)	Annual Meeting	1 yr. 7 mos.
9. Cecilio K. Pedro	ID	N/A	Mr. Reynaldo A. Maclang, None	February 28, 2014	May 26, 2015 (1 year)	Annual Meeting	1 yr. 10 mos.
10. Washington Z. Sycip	NED	N/A	Mr. Reynaldo A. Maclang	Dec. 8, 1999	May 26, 2015	Annual Meeting	16 yrs.
11. Harry C. Tan	NED	N/A	Mr. Reynaldo A. Maclang	February 9, 2013	May 26, 2015	Annual Meeting	2 yrs. 10 mos.
12. Lucio C. Tan	NED	N/A	Mr. Reynaldo A. Maclang	Dec. 8, 1999	May 26, 2015	Annual Meeting	16 yrs.
13. Lucio K. Tan, Jr.	NED	N/A	Mr. Reynaldo A. Maclang	Sept. 28, 2007	May 26, 2015	Annual Meeting	8 yrs. 3 mos.
14. Michael G. Tan	NED	N/A	Mr. Reynaldo A. Maclang	February 9, 2013	May 26, 2015	Annual Meeting	2 yrs. 10 mos.
15. Deogracias N. Vistan	ID	N/A	Mr. Reynaldo A. Maclang, None	July 15, 2011	May 26, 2015 (4 years)	Annual Meeting	4 yrs. 5 mos.

FLORENCIA G. TARRIELA, 68, Filipino, has been serving as Chairman of the Board of the Bank since May 24, 2005, and as an Independent Director since May 30, 2006. She also serves as Independent Director of PNB Capital and Investment Corporation, PNB Life Insurance, Inc., PNB International Investments Corporation, and LT Group, Inc. She obtained her Bachelor of Science in Business Administration degree, Major in Economics, from the University of the Philippines and her Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination. Ms. Tarriela is currently a columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World. She is a Director/Vice President of Tarriela Management Company and Director/Vice President/ Assistant Treasurer of Gozon Development Corporation. She is a Life Sustaining Member of the Bankers Institute of the Philippines and FINEX, where she is also a Director, and a Trustee of TSPI Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc. Ms. Tarriela was formerly an Undersecretary of Finance, and an alternate Board Member of the Monetary Board of

¹Reckoned from the election immediately following January 2, 2012.

the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation. She was formerly Deputy Country Head, Managing Partner and the first Filipino female Vice President of Citibank N. A. Ms. Tarriela is a co-author of several inspirational books - "Coincidence or Miracle? Books I, II, III ("Blessings in Disguise"), and IV ("Against All Odds"), and gardening books - "Oops-Don't Throw Those Weeds Away!" and "The Secret is in the Soil". She is an environmentalist and practices natural ways of gardening.

FELIX ENRICO R. ALFILER, 66, Filipino, was elected as Vice Chairman/Independent Director of the Bank effective on January 1, 2012. He completed his undergraduate and graduate studies in Statistics at the University of the Philippines in 1973 and 1976, respectively. He undertook various continuing education programs, including financial analysis and policy, at the IMF Institute of Washington, D.C. in 1981 and on the restructured electricity industry of the UK in London in 1996. He has published articles relating to, among others, the globalization of the Philippine financial market, policy responses to surges in capital inflows and the Philippine debt crisis of 1985. He is currently the Chairman/Independent Director of PNB RCI Holdings Co., Ltd. and an Independent Director of PNB-IBJL Leasing and Finance Corporation, PNB Savings Bank and PNB International Investments Corp. He previously held various distinguished positions, namely: Philippine Representative to the World Bank Group Executive Board in Washington, D.C., Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization, Director of the Bangko Sentral ng Pilipinas, Assistant to the Governor of the Central Bank of the Philippines, Advisor to the Executive Director at the International Monetary Fund, Associate Director at the Central Bank and Head of the Technical Group of the CB Open Market Committee. Mr. Alfiler was also the 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. In the private sector, Mr. Alfiler was an Advisor at Lazaro Tiu and Associates, Inc., President of Pilgrims (Asia Pacific) Advisors, Ltd., President of the Cement Manufacturers Association of the Philippines (CEMAP), Board Member of the Federation of Philippine Industries (FPI), and Vice President of the Philippine Product Safety and Quality Foundation, Inc. and Convenor for Fair Trade Alliance.

FLORIDO P. CASUELA, 74, Filipino, has been serving as a Director of the Bank since May 30, 2006. A Certified Public Accountant, he obtained his degree in Bachelor of Science in Business Administration, Major in Accounting, and his Masters in Business Administration from the University of the Philippines. He took the Advanced Management Program for Overseas Bankers conducted by the Philadelphia National Bank in conjunction with the Wharton School of the University of Pennsylvania. Mr. Casuela was one of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration. He is currently the Chairman of PNB Securities, Inc. He is also a Director of PNB Savings Bank, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., PNB Life Insurance, Inc., and Surigao Micro Credit Corporation. He is a Senior Consultant of the Bank of Makati, Inc. and a Director of Sagittarius Mines, Inc. as well as its subsidiaries, namely: Hillcrest, Inc., where he is also the President, and Pacificrim Land Realty Corporation, where he is the Chairman. He is a Trustee of the LBP Countryside Development Foundation, Inc. He was formerly the President of Maybank Philippines, Inc., Land Bank of the Philippines, and Surigao Micro Credit Corporation. He was also a Senior Executive Vice President of United Overseas Bank (Westmont Bank), Executive Vice President of PDCP (First Bank), Senior Vice President of Philippine National Bank, First Vice President of Bank of Commerce and Vice President of Metropolitan Bank & Trust Co. Mr. Casuela worked as a Special Assistant to the Chairman of the National Power Corporation and an Audit Staff of Joaquin Cunanan, CPAs. He also held various positions and was a Senior Adviser in the Bangko Sentral ng Pilipinas.

LEONILLO G. CORONEL, 69, Filipino, was elected as a Director of the Bank on May 28, 2013. He obtained his Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University and finished the Advance Management Program of the University of Hawaii. He became a Fellow of the Australian Institute of Company Directors in 2002. Presently, he is the Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation. He is an Independent Director of DBP-Daiwa Capital Markets Phil., Megawide Construction Corporation and Electronic Network of Cash Tellers. He is also a Director of Software Ventures International. Prior to his present positions, Mr. Coronel was Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation. He also previously served as a Director/Treasurer of Philippine Depository and Trust Corporation, a Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council, a Managing Director of BAP-Credit Bureau and the President of Cebu Bankers Association. He was a Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation. He also worked with Citibank, Manila for twenty (20) years, occupying various positions.

REYNALDO A. MACLANG, 77, Filipino, was appointed as the Bank's President on May 27, 2014 after serving as a Director of the Bank since February 9, 2013. He holds a Bachelor of Laws degree from the Ateneo de Manila University. He is currently the Chairman of PNB (Europe) Plc and a member of the Board of Directors of Allied Leasing & Finance Corporation, PNB Savings Bank, PNB Global Remittance and Financial Co., HK, Ltd., Bulawan Mining Corporation, PNB Management & Development Corporation and PNB Forex, Inc. He is also a Director of the Bankers Association of the Philippines, Asian Bankers Association, and Bancnet, Inc., where he is also a Treasurer. He was previously a Director of Allied Banking Corporation (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. He has been with ABC since 1977 and was formerly the President of Allied Savings Bank from 1986 to 2001. He then became the President of ABC from 2001 up to 2009. Previous to that, he was connected with other commercial banks and practiced law.

ESTELITO P. MENDOZA, 85, Filipino, was elected as a Director of the Bank on January 1, 2009. He obtained his Bachelor of Laws degree (cum laude) from the University of the Philippines and Master of Laws degree from the Harvard Law School. A practicing lawyer for more than sixty years, he has been consistently listed for several years as a "Leading Individual in Dispute Resolution" among lawyers in the Philippines in international/regional directories of lawyers. He has also been a Professional Lecturer of law at the University of the Philippines, and served as Undersecretary of Justice, Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was the 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. He is currently the Chairman of Prestige Travel, Inc. He also serves as a member of the Board of Directors of Philippine Airlines, Inc., San Miguel Corporation, and Petron Corporation. He has been awarded a Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University, University of Manila, Angeles University Foundation and the University of the East, and a Doctor of Humane Letters degree by the Misamis University. He is a recipient of a

Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and the University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award".

CHRISTOPHER J. NELSON, 56, British, was appointed as a Director of the Bank on May 26, 2015. He holds Bachelor of Arts and Masters of Arts degrees in History from Emmanuel College, Cambridge University, U.K., and a Diploma in Marketing from the Institute of Marketing, Cranfield, U.K. He is currently a Director of PNB Holdings Corporation. Prior to joining the Bank, he was President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years. He has an extensive 31 years of experience in the tobacco business, 25 years of which were with Philip Morris International, holding various management positions including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa. Mr. Nelson is actively involved in various business and non-profit organizations that work for the social and economic upliftment of communities. He is the Chairman of Lux Et Sal Corporation and a Director of the Philippine Band of Mercy, the Federation of Philippine Industries, and Bellagio 3 Condominium Association, Inc. He is a member of the Board of Trustees of the American Chamber Foundation Philippines, Inc., and British Chamber of Commerce of the Philippines, where he is also the Chairman. He was also a former Trustee of Tan Yan Kee Foundation and Director of the American Chamber of Commerce of the Philippines, Inc. Mr. Nelson is a member of the Society of Fellows of the Institute of Corporate Directors.

FEDERICO C. PASCUAL, 73, Filipino, was elected as Independent Director of the Bank on May 27, 2014. He obtained his Bachelor of Laws degree from the University of the Philippines. He took his Masters of Laws, Corporate and Labor Laws in Columbia University. Presently, he is the Chairman/Independent Director of PNB General Insurers Co., Inc. and Independent Director of PNB International Investments Corporation and PNB Holdings Corporation. He is the President/Director of Tala Properties and Woldingham Realty, Inc. He is also a Director of Global Energy Growth System and Apo Reef World Resort, the proprietor of Green Grower Farm, and a Partner of the University of Nueva Caceres in Bataan. Mr. Pascual was previously the President and General Manager of Government Service Insurance System and the President and CEO of ABC. He worked with Philippine National Bank for twelve (12) years in various capacities, including as Acting President, CEO and Vice Chairman. Mr. Pascual previously served as the President and Director of Philippine Chamber of Commerce and Industry, Chairman of National Reinsurance Corporation and PNOC-AFC, co-Chairman of the Industry Development Council of the Department of Trade and Industry, and Treasurer of BAP-Credit Guarantee. He was also a 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, PDPC Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, Philippine National Oil Corporation and Certified Data Centre Professional. He is active in various professional and social organizations.

CECILIO K. PEDRO, 62, Filipino, was elected as Independent Director of the Bank on February 28, 2014. He obtained his Bachelor of Science degree in Business Management from the Ateneo de Manila University in 1975 and Honorary Doctorate of Philosophy in Technological Management from the Technological University of the Philippines in March 2006. He is the Chief Executive Officer (CEO)/President of Lamoian Corporation. He is also the Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc., and a Director of CATS Motors, Manila Doctors Hospital and Philippine Business for Social Progress. He is an Independent Director of PNB Savings Bank. He was formerly the CEO/President of Aluminum Container, Inc. and a Director of DBS Philippines, Inc. (formerly Bank of Southeast Asia, Inc.). Mr. Pedro has received various distinguished awards, namely, 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. He was also recognized by the House of Representative for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012. He is currently involved in various socio-civic organizations. He is the Chairman of the Deaf Evangelistic Alliance Foundation, Inc. and the Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.

WASHINGTON Z. SYCIP, 94, Filipino-American, has been serving as a Director of the Bank since December 8, 1999. He is the founder of SGV Group. He is also one of the founders and Chairman Emeritus of the Asian Institute of Management; a member of the Board of Overseers of the Graduate School of Business at Columbia University; the Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France; and a Honorary Life Trustee of The Asia Society. He is a member of the Board of Directors of a number of other major corporations in the Philippines and other parts of the world. Mr. SyCip has served as President of the International Federation of Accountants, a member of the International Advisory Board of the Council on Foreign Relations, Vice Chairman of the Board of Trustees of The Conference Board, and Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange. He also 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. He was a member of the Board of Trustees of the Ramon Magsaysay Award Foundation and Eisenhower Exchange Fellowship. Among his awards are the Order of Lakandula, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011; Lifetime Achievement Award given by Columbia Business School and Asia Society; Ramon Magsaysay Award for International Understanding; the Management Man of the Year given by the Management Association of the Philippines; the 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; and the Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden.

HARRY C. TAN, 69, Filipino, was appointed as a Director of the Bank on February 9, 2013 after serving as a Director of ABC since November 1999. He holds a Bachelor of Science degree in Chemical Engineering from Mapua Institute of Technology. Mr. Tan is currently the Chairman of Bulawan Mining Corporation and PNB Global Remittance and Financial Company (HK) Limited and a Director of PNB Management Development Corporation and PNB Savings Bank. He is the President of Landcom Realty Corporation and Century Park Hotel, and the Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City Inc. He is also the Managing Director/Vice Chairman of The Charter House Inc. and is a member of the Board of Directors of various private firms which include Asia Brewery, Inc., Dominion Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Basic Holdings Corporation, Asian Alcohol Corporation, Pan Asia Securities Inc., Tanduy Distillers, Inc., Manufacturing Services and Trade Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Absolut Distillers, Inc., MacroAsia Corporation, Tanduy Brands International Inc., Alliedbankers Insurance Corp., Allied Banking Corporation (Hong Kong) Limited, Phillip Morris Fortune Tobacco Corporation, Inc., and LT Group, Inc. He is also the Chairman for the Tobacco Board of Fortune Tobacco International Corporation.

LUCIO C. TAN, 81, Filipino, has been serving as a Director of the Bank since December 8, 1999. He studied at Far Eastern University and later earned his Chemical Engineering degree from the University of Sto. Tomas (UST). In 2003, he earned the degree of Doctor of Philosophy, Major in Commerce, from UST. From humble origins, Dr. Tan became the Chairman of ABC. He is presently the Chairman and CEO of LT Group, Inc., Philippine Airlines, Inc., Lucky Travel Corporation, Eton Properties Philippines, Inc., and PAL Holdings, Inc. He is the Chairman of Asia Brewery, Inc., Basic Holdings Corporation, Himmel Industries, Inc., Fortune Tobacco Corporation, PNB Life Insurance, Inc., Allied Leasing and Finance Corporation, Allied Commercial Bank, PNB Savings Bank and Allied Banking Corporation (HK) Ltd. Dr. Tan is also the Chairman/President of Tangent Holdings Corporation and the President of Grandspan Development Corporation and Tanduy Distillers, Inc. Despite Dr. Tan's various business pursuits, he continues to share his time and resources with the community. In 1986, he founded the Tan Yan Kee Foundation, Inc., of which he is Chairman and President. He is likewise Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. He is the founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. Dr. Tan received various honorary degrees for his outstanding achievements and leadership in the Philippines and other parts of the world.

LUCIO K. TAN, JR., 49, Filipino, has been serving as a Director of the Bank since September 28, 2007. He obtained his Bachelor of Science degree in Civil Engineering (Minors in classical Chinese Mandarin and Mathematics) from the University of California Davis in 1991. He completed the academic requirements for his Executive Masters in Business Administration (EMBA) at the Hong Kong University of Science and Technology (Business School) and J.L. Kellogg School of Management of Northwestern University in 2006. He also attended courses in Basic and Intermediate Japanese Language. Mr. Tan is currently the President of Tanduy Distillers, Inc. and Eton Properties Philippines, Inc. He is a member of the Board of Directors of Bulawan Mining Corporation, PNB Capital and Investment Corporation, PNB Forex, Inc., PNB Management and Development Corporation, Phillip Morris Fortune Tobacco Corporation, Inc., Philippine Airlines, Inc., PAL Holdings, Inc., Air Philippines Corporation, MacroAsia Corporation, LT Group, Inc., Alliedbankers Insurance Corporation, Foremost Farms, Inc., PNB Savings Bank, Allied Leasing and Finance Corporation, Victorias Milling Company, PNB Global Remittance and Financial Company (HK) Ltd., Allied Banking Corporation (HK) Limited, 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., Tanduy Brands International, Inc., The Charter House, Incorporated, and Himmel Industries, Incorporated. He is an Executive Vice President (EVP) and Director of Fortune Tobacco Corporation.

MICHAEL G. TAN, 49, Filipino, was elected as a Director of the Bank on February 9, 2013. He is the President of LT Group, Inc., the holding firm of the Lucio Tan Group of Companies. He also served as a Director of ABC from January 30, 2008 until the ABC's merger with PNB on February 9, 2013. He is the Chairman of PNB Holdings Corporation and PNB Management and Development Corporation. He is also a Director of PNB Forex, Inc., Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd., and Alliedbankers Insurance Corp. He is a Director and the Chief Operating Officer of Asia Brewery, Inc. and a member of the Board of Directors of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., PAL Holdings, 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, Allied Banking Corp. (Hong Kong) Limited, and Victorias Milling Company. He holds a Bachelor of Applied Science degree in Civil Engineering from the University of British Columbia, Canada.

DEOGRACIAS N. VISTAN, 71, Filipino, was elected as an Independent Director of the Bank on August 1, 2011. He obtained his Bachelor of Arts and Bachelor of Science degrees in Business Administration from the De La Salle University and earned his Masters in Business Administration from Wharton Graduate School. Mr. Vistan's extensive banking experience includes being Chairman of United Coconut Planters Bank (2003-2004), Vice Chairman of Metropolitan Bank and Trust Company (2000-2001), and President of Equitable-PCI Bank (2001-2002), Solidbank Corporation (1992-2000) and Land Bank of the Philippines (1986-1992). He also served as President of FNCB Finance (1979-1980). Mr. Vistan held various management positions in Citibank Manila, Cebu and New York (1968-1986). He is a former Presidential Consultant on Housing (2002-2003) and President of the Bankers Association of the Philippines (1997-1999). He is the Chairman and an Independent Director of PNB International Investments Corporation and an Independent Director of PNB Capital and Investment Corporation. He is also the Chairman of V & A Foods Corporation and Pinoy Micro Enterprise Foundation and a Director of Lorenzo Shipping Corporation and U-Bix Corporation. He is currently a member of the Board of Trustees of the Ramon Magsaysay Award Foundation and Landbank Countryside Development Foundation, Inc. and an Advisor of Mitsubishi Motors Philippines Corp.

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities. (updated - 2015)

The Board of Directors ("Board") and Management of the Philippine National Bank ("PNB" or "Bank") 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 its Revised Corporate Governance Manual ("Manual"). The Bank subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business; dealing fairly with its clients, investors, stockholders, the communities 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. Internally, it follows a philosophy of rational check and balances as well as structured approach to its business operations.

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

The Bank recognizes that the most cogent proof of good corporate governance is visible to the eyes of its investors. Therefore, the following provisions regarding the Shareholders' Rights and Protection of Minority Stockholders' Interest are included in the Bank's Revised Corporate Governance Manual, for the guidance of all internal and external parties concerned, as governance covenant between the Bank and all its investors:

- (1) Right to vote on all matters that requires their consent or approval
 - Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- (2) Right to inspect corporate books and records
 - All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
- (3) Right to information
 - The shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealings with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.
 - The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate purposes; and
 - The minority shareholders shall have access to any information relating to matters for which management is accountable.
- (4) Appraisal right
 - The shareholders shall have the appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code, under certain circumstances.
- (5) Right to dividends
 - Dividends shall be declared and paid out of the surplus profits of the Bank as often and at such times as the Board may determine and in accordance with the provisions of the law and regulations of the Bangko Sentral ng Pilipinas.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders rights and allow possibilities to seek redress for any violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions, subject to legal constraints.

All material information about the Bank which could adversely affect its viability or the interest of its stockholders and other stakeholders shall be publicly disclosed to the regulators in a timely manner. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the Annual Report.

The Board is primarily accountable to the stockholders. The Board shall commit at all times to fully disclose material information dealings for the interest of the stakeholders. It shall be the Board's responsibility to foster the long-term success of the Bank, its subsidiaries and affiliates; and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, for the best interest of the Bank, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large.

Title X – Section 81 of the Corporation Code of the Philippines allows a stockholder to exercise his right to dissent and demand payment of the fair value of his shares in certain instances, to wit: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such stockholder or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the company's properties; or (3) in cases of merger or consolidation. Under Section 42 of the Corporation Code, a stockholder is likewise given an appraisal right in cases where a corporation decides to invest its funds in another corporation or business. The stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.

- (c) How often does the Board review and approve the vision and mission?

The review of the vision and mission is done every year at the start of the strategic planning process as all objectives, KRAs and performance indicators are aligned with the strategic directions of the Bank as articulated in the vision-mission statements.

A more structured review of the vision and mission for possible revision is conducted at the start of the crafting of a long-range plan such as the five-year development plan of the Bank or the crafting of the integration plan of the merged Bank.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group² (updated – 2015)

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Florencia G. Tarriela	PNB Capital and Investment Corporation PNB Life Insurance, Inc. PNB International Investments Corporation	Chairman/ID ID ID
Felix Enrico R. Alfiler	PNB RCI Holdings Co., Ltd. PNB-IBJL Leasing and Finance Corporation PNB International Investments Corporation PNB Savings Bank	Chairman/ID ID ID ID
Florido P. Casuela	PNB Securities, Inc. PNB RCI Holdings Co., Ltd. PNB International Investments Corporation PNB Life Insurance, Inc. PNB Savings Bank	Chairman NED NED NED NED
Leonilo G. Coronel	PNB-IBJL Leasing and Finance Corporation PNB-IBJL Equipment Rentals Corporation	Chairman/ID Chairman/ID
Reynaldo A. Maclang	PNB (Europe) Plc PNB Savings Bank Allied Leasing and Finance Corporation PNB Forex, Inc. Bulawan Mining Corporation PNB Management Development Corporation PNB Global Remittance and Financial Co., (HK) Ltd.	Chairman Vice Chairman NED NED NED ED ED
Estelito P. Mendoza	None	Not Applicable
Christopher J. Nelson	PNB Holdings Corporation	NED
Federico C. Pascual	PNB General Insurers Co., Inc. PNB Holdings Corporation PNB International Investments Corporation	Chairman/ID ID ID
Cecilio K. Pedro	PNB Savings Bank	ID
Washington Z. Sycip	None	Not Applicable
Harry C. Tan	PNB Global Remittance and Financial Co., (HK) Ltd. Bulawan Mining Corporation PNB Management Development Corporation PNB Savings Bank Allied Commercial Bank Allied Banking Corporation (HK) Ltd.	Chairman Chairman NED NED NED NED
Lucio C. Tan	Allied Leasing and Finance Corporation PNB Life Insurance, Inc. PNB Savings Bank Allied Commercial Bank Allied Banking Corporation (HK) Ltd.	Chairman Chairman Chairman Chairman Chairman
Lucio K. Tan, Jr.	PNB Capital and Investments Corporation PNB Forex, Inc. Bulawan Mining Corporation PNB Management Development Corporation Allied Leasing and Finance Corporation PNB Savings Bank Allied Commercial Bank Allied Banking Corporation (HK) Ltd. PNB Global Remittance and Financial Co., (HK) Ltd.	NED NED NED NED NED NED NED NED NED

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Michael G. Tan	PNB Management Development Corporation	Chairman
	PNB Holdings Corporation	Chairman
	PNB Forex, Inc.	NED
	Bulawan Mining Corporation	NED
	PNB Savings Bank	NED
	Allied Commercial Bank	NED
	PNB Global Remittance and Financial Co., (HK) Ltd.	NED
Deogracias N. Vistan	Allied Banking Corporation (HK) Ltd.	NED
	PNB International Investments Corporation	Chairman/ID
	PNB Capital and Investment Corporation	ID

(ii) Directorship in Other Listed Companies (updated – 2015)

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Florencia G. Tarriela	LT Group, Inc.	ID
Leonilo G. Coronel	Megawide Construction Corporation	ID
Estelito P. Mendoza	San Miguel Corporation	NED
	Petron Corporation	NED
Washington Z. Sycip	Belle Corporation	ID
	Cityland Development Corporation	Chairman
	First Philippine Holdings Corporation	ID
	Lopez Holdings Corporation	ID
	LT Group, Inc.	NED
	MacroAsia Corporation	NED
Harry C. Tan	Metro Pacific Investments Corporation	ID
	LT Group, Inc.	Vice Chairman
Lucio C. Tan	PAL Holdings, Inc.	Chairman and CEO
	LT Group, Inc.	Chairman and CEO
	MacroAsia Corporation	Chairman/NED
Lucio K. Tan, Jr.	MacroAsia Corporation	NED
	LT Group, Inc.	NED
	PAL Holdings, Inc.	NED
	Victorias Milling Corporation	NED
Michael G. Tan	LT Group, Inc.	ED
	PAL Holdings, Inc.	NED
	Victorias Milling Company	NED
Deogracias N. Vistan	Lorenzo Shipping Corporation	ID

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Lucio C. Tan	LT Group, Inc. (LTG) (indirect – beneficial owner)	Mr. L. Tan is the Chairman and CEO of LTG.
Harry C. Tan		Mr. H. Tan is the Vice Chairman of LTG.
Lucio K. Tan, Jr.		Mr. L. Tan, Jr. is a director of LTG.
Washington Z. SyCip		Mr. SyCip is a director of LTG.
Michael G. Tan		Mr. M. Tan is the President and COO of LTG.
Florencia G. Tarriela		Ms. Tarriela is an independent director of LTG.

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines: (updated – 2015)

	Guidelines	Maximum Number of Directorships in other companies
Executive Director (ED)/ Chief Executive Officer (CEO) Non-Executive Director (NED)	PNB Revised Corporate Governance Manual	The following guidelines shall be considered in the determination of the number of directorship in the Board: (i) nature of the business of the corporations in which the director is a director; (ii) age of the director; (iii) number of directorship/ active membership and officership in other corporations or organizations; and (iv) possible conflict of interest. In general, the optimum number shall be related to the capacity of a director to perform his duties diligently.
	Guidelines	Maximum Number of Directorships in other companies
	Sec. X145 of the Manual of Regulations for Bank (MORB) re: Interlocking Directorships and/or Officerships	Subject to MORB restrictions which state that “except as may be authorized by the Monetary Board or as otherwise provided in the MORB, there shall be no concurrent directorship or interlocking directorship and officership between banks or between a bank and a quasi-bank (QB) or a non-bank financial institution (NBFI)”.
	PNB Revised Corporate Governance Manual	An Independent Director (ID) can be elected to a maximum of five (5) companies within a single business conglomerate, i.e., parent company, subsidiary or affiliate. ID of the bank may only serve as such for a total of five (5) consecutive years. ID shall be ineligible for re-election unless he has undergone a “cooling off” period for two (2) years. After the two (2) year “cooling off” period, an ID can be re-elected and serve for another five (5) consecutive years and shall be perpetually barred from being elected as such after serving for ten (10) years.

(e) Shareholding in the Company (updated – 2015)

Complete the following table on the members of the company’s Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Florencia G. Tarriela	2	0	0.0000001601
Felix Enrico R. Alfiler	0	10,215 (PCD Nominee Corporation – Filipino)	0.0008177628
Florido P. Casuela	0	133 (PCD Nominee Corporation – Filipino)	0.0000106473
Leonilo G. Coronel	0	1 (PCD Nominee Corporation – Filipino)	0.0000000801
Reynaldo A. Maclang	155	0	0.0000124085
Estelito P. Mendoza	0	1,150 (PCD Nominee Corporation – Filipino)	0.0000920634
Christopher J. Nelson	0	100 (PCD Nominee Corporation – Non-Filipino)	0.0000080055
Federico C. Pascual	38	1 (PCD Nominee Corporation – Filipino)	0.0000031222
Cecilio K. Pedro	5,000	0	0.0004002755
Washington Z. Sycip	39,111	0	0.0031310350
Harry C. Tan	230	0	0.0000184127
Dr. Lucio C. Tan	14,843,119	0	1.1882673540
Lucio K. Tan, Jr.	2,300	0	0.0001841267
Michael G. Tan	250	0	0.0000200138
Deogracias N. Vistan	0	100 (PCD Nominee Corporation – Filipino)	0.0000080055
TOTAL	14,890,205	11,700	1.1929734731

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Florencia G. Tarriela
CEO/President	Reynaldo A. Maclang

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role Accountabilities Deliverables	<ol style="list-style-type: none"> To call for a meeting of stockholders; To call, convene and preside over all meetings of the Board of Directors whenever he may deem it necessary, either on his own initiative, or upon the request of the President, or two members of the Board; and the stockholders in accordance with the Amended By-Laws; To supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, management and the directors; To provide leadership in the Board of Directors. The chairperson of the Board shall ensure effective functioning of the Board, including maintaining a relationship of trust with the Board members; To ensure that the Board takes an informed decision. The chairperson of the Board shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process; To maintain qualitative and timely lines of communication and information between the Board and management; To assist in ensuring compliance with the PNB Group guidelines on corporate governance; and To perform such other functions as are assigned to him by law or by the Board of Directors. 	<p>The President of the Bank shall, among other power and duties inherent in his office, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct and supervise the operations and administration of the Bank. Particularly, he shall have the powers and duties as follows:</p> <ol style="list-style-type: none"> To execute all contracts and to enter into all authorized transactions in behalf of the bank; To exercise, as Chief Executive Officer, the power of supervision and control over decisions or actions of subordinate officers and all other powers that may be granted by the Board; To recommend to the Board the appointment, promotion or removal of all officers of the Bank with the rank of at least Vice President or its equivalent; To appoint, promote or remove employees and officers of the Bank except those who are to be appointed or removed by the Board of Directors; To transfer, assign and reassign officers and personnel of the Bank in the interest of the service; To report periodically to the Board of Directors on the operations of the Bank; To submit annually a report on the result of the operations of the Bank to the stockholders of the Bank; and To delegate any of his powers, duties and functions to any official of the Bank, with the approval of the Board of Directors.

- 3) Explain how the Board of Directors plan for the succession of the CEO/Managing Director/President and the top key management positions? (updated – 2015)

It is one of the duties and responsibilities of the Board of Directors (“Board”) to oversee the selection and performance of senior management. The Board is responsible for the appointment of competent, professional, honest and highly-motivated management team at all times; adoption of an effective succession planning program for management; monitoring and assessment of the performance of the management team based on established performance standards that are consistent with the Bank’s strategic objectives; and the conduct of a regular review of PNB Group policies with the management team. The Board shall also ensure that senior management expertise and knowledge shall remain relevant given the Bank’s strategic objectives, complexity of operation and people risk.

The PNB Board of Directors has approved the adoption/implementation of the harmonized PNB Succession Management Program (SMP). The PNB SMP was established to ensure the availability of talents who have the potential and the required competencies, and ready to assume vacant positions as the need arises due to organizational exigencies, particularly for key/critical positions identified by the Talent Board. The process involves the following steps: (1) identification of key/critical positions, (2) nomination of candidates, (3) talent audit, (4) learning and development, (5) talent review, (6) engagement, and (7) placement.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. (updated – 2015)

The Bank welcomes diversity in the Board of Directors. It is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations, such as the International Monetary Fund (IMF) and World Bank. Furthermore, it is composed of individuals with distinct finance, marketing, audit, risk and legal competencies. This broad and collective range of expertise provides value in strengthening and upholding good corporate governance practices of the Bank. There are no policies which limit or restrict membership in the Board on account of age, gender, nationality or race.

The Bank's Board of Directors is chaired by a woman, Ms. Florencia G. Tarriela, who is likewise an Independent Director. Further, the Bank's Board of Directors consists of former Bank presidents and well respected finance professionals (Ms. Florencia G. Tarriela, Mr. Florido P. Casuela, Mr. Leonilo G. Coronel, Mr. Federico C. Pascual, Mr. Deogracias N. Vistan 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 (Harry C. Tan, Lucio K. Tan, Jr. and Mr. Michael G. Tan).

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. Majority of the directors of the Bank have been senior officers, presidents and/or directors of other financial institutions, with integrity, decade of experience and technical expertise in banking and finance.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	The President of the Bank shall, among other powers and duties inherent in his office, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct and supervise the operations and administration of the Bank.	The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and values. Further, the Board of Directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day-to-day affairs of the Bank, its subsidiaries and affiliates.	Recognizing the importance of the role of independent directors (ID), the Board has elected the independent directors to act as Chairman of the Board and various board committees.
Accountabilities	Particularly, he shall have the power and duty:		
Deliverables	<ol style="list-style-type: none"> To execute all contracts and to enter into all authorized transactions in behalf of the Bank. To exercise, as Chief Executive Officer, the power of supervision and control over decisions and actions of subordinate officers and all other powers that may be granted by the Board. To recommend to the Board the appointment, promotion or removal of all officers of the Bank with the rank of Vice President or its equivalent. To appoint, promote or remove employees and officers of the Bank, except those who are to be appointed or removed by the Board of Directors. To transfer, assign and reassign officers and personnel of the Bank in the interest of the service. To report periodically to the Board of Directors on the operations of the Bank. To submit annually a report on the result of the operations of the Bank 	<p>The Board shall formulate the Bank's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance of PNB Group.</p> <p>It shall be the Board's responsibility to foster the long-term success of the Bank, its subsidiaries and affiliates and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives, for the best interest of PNB Group, its stockholders and other stakeholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large.</p> <p>Below are the specific roles, accountabilities and deliverables of the Non-Executive Directors:</p> <ol style="list-style-type: none"> To approve and monitor the implementation of strategic objectives. To approve and oversee the implementation of policies governing 	<p>In the various board committees, the independent directors play an active role in the formulation of the business strategies and priorities of the Bank, its subsidiaries and affiliates.</p> <p>The Board and the Committees continue to review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework in the Bank, its subsidiaries, and affiliates.</p>

	<p>to the stockholders of the Bank; and</p> <p>8. To delegate any of his powers, duties and functions to any official of the Bank, with the approval of the Board of Directors.</p>	<p>major areas of operations enterprise wide.</p> <p>3. To approve and oversee the implementation of risk management policies.</p> <p>4. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the Bank, including its trust operations and international operations, to anticipate and prepare for possible threats to its operational and financial viability.</p> <p>5. Adopt and maintain adequate risk management policy.</p> <p>6. To oversee selection and performance of senior management.</p> <p>7. To consistently conduct the affairs of the Bank, its subsidiaries and affiliates with a high degree of integrity.</p> <p>8. To define appropriate governance policies and practices for the PNB Group and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.</p> <p>9. To constitute committees to increase efficiency and allow deeper focus in specific areas.</p> <p>10. To effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.</p> <p>11. In PNB Group structures, the Board of Directors of the Bank shall have the overall responsibility for defining an appropriate corporate governance framework that shall contribute to the effective oversight over entities in the PNB Group. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</p> <p>12. Implement a process for selection of Directors, who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies.</p> <p>13. Ensure the PNB Group faithful compliance with all applicable laws, regulations and best business practices.</p> <p>14. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the PNB Group.</p> <p>15. Identify the stakeholders in the community in which the PNB Group operates or which are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.</p> <p>16. Adopt a system of check and balance within the Board.</p> <p>17. Formulate and implement policies</p>	
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Provide the company's definition of "independence" and describe the company's compliance to the definition. (updated – 2015)

Independence means the exercise of independent judgment. A director should view each problem or situation objectively. When a disagreement with others occurs, a director should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollary, a director should support plans and ideas that will be beneficial to the Bank.

The Bank fully complies with the definition of independence by having Independent Directors (IDs) in its Board. As defined in Section 38 of the Securities Regulation Code (SRC), an ID means a person who, apart from his fees and shareholdings, is independent of management, and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Bank.

An Independent Director shall refer to a person who (a) is not and has not been an officer or employee of the bank, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election; (b) is not a director or officer of the related companies of the Bank's majority stockholder; (c) is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the Bank, or in any of its related companies or of its majority corporate shareholders; (d) is not a relative, legitimate or common-law of any director, officer or majority shareholder of the Bank or any of its related companies. For this purpose, relatives refer to the spouse, parent, child, brother, sister, parent-in-law, son-/daughter-in-law, and brother-/sister-in-law; (e) is not acting as a nominee or representative of any director or substantial shareholder of the Bank, any of its related companies or any of its substantial shareholders; (f) is not retained as professional adviser, consultant, agent or counsel of the Bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the

institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Bank is compliant with the term limit of independent directors imposed by BSP Circular No. 749, Series of 2012 and SEC Memorandum Circular No. 9, Series of 2011.

Section 2.6 of the Revised Corporate Governance Manual provides the term limits for independent directors (ID) as follows: (a) ID can be elected to only five (5) companies of the conglomerate, parent bank and its subsidiaries and affiliates; (b) ID of the Bank may only serve as such for a total of five (5) consecutive years. ID shall be ineligible for reelection unless he has undergone a "cooling off" period of two (2) years; and (c) After the two-year cooling off period, an ID can be reelected and to serve for another five (5) consecutive years and shall be perpetually barred from being elected as such after serving for ten (10) years.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal (updated – 2015)

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Joseph T. Chua	Director	May 26, 2015	Expiration of term

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	The Corporate Governance Committee (acting as the Bank's Nomination Committee) receives and considers the shortlist of the candidates nominated to sit as members of the Board of Directors. In compliance with Subsection X141.2 of the MORB of the BSP re: Qualifications of a Director and in accordance with the procedures for the nomination and election of independent directors set forth in Rule 38 of the Securities Regulation Code which was incorporated in the PNB By-Laws, the Corporate Governance Committee determines whether the nominees are fit and proper and qualified to be elected as member of the Board. The nominee will then be recommended for election by the Board and/or stockholders during the Annual Stockholders' Meeting.	In compliance with subsection X141.2 of the MORB of the BSP, a director of the Bank shall have the following qualifications: 1. He must be a holder of at least one (1) share of stock of the Bank; 2. He shall be at least a college graduate or have at least five (5) year-experience in business to substitute for such formal education; 3. He shall be at least twenty-five (25) years old at the time of his election or appointment; 4. He must have attended a special seminar on corporate governance for board of Directors conducted or accredited by the BSP and SEC: Provided, That incumbent Directors must attend said seminar within a period of six (6) months from date of election; 5. He must be fit and proper for the position of a director of the bank, proven to possess integrity/probity, physical / mental fitness, competence, relevant education/ financial literacy/ training, diligence and knowledge/experience; 6. He shall be assiduous in his work habits; 7. Practical understanding of the business of the Bank; and 8. Membership in good standing in relevant industry, business or professional organizations.

		9. The members of the board of directors shall possess the foregoing qualifications for directors in addition to those required or prescribed under R.A. No. 8791 and other existing applicable laws and regulations.
b. Re-appointment		
(i) Executive Directors	- Same as above. -	- Same as above. -
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors		As enumerated under Subsection X141.3 of the MORB of the BSP, the Revised Manual of Corporate Governance of the Bank and Section 27 of the Corporation Code.
(ii) Non-Executive Directors		
(iii) Independent Directors		
d. Temporary Disqualification		
(i) Executive Directors		As enumerated under Subsection X141.3 of the MORB of the BSP and the Revised Manual of Corporate Governance of the Bank.
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors		As provided under Section 28 of the Corporation Code and in case of violation of any of the provisions of the Revised Manual of Corporate Governance of the Bank, the maximum penalty of removal from office shall be imposed to the directors.
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors		As enumerated in the Revised Corporate Governance Manual of the Bank, a temporary disqualified director shall, within sixty (60) business days from such disqualification, may take the appropriate action to remedy or correct his disqualification and to be re-instated to his position.
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors		In case of violation of any of the provisions of the Revised Manual of Corporate Governance of the Bank, the suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting (May 26, 2015)

Name of Director	Votes Received
Florencia G. Tarriela	1,038,871,055
Felix Enrico R. Alfiler	1,042,240,153
Florido P. Casuela	1,019,780,740
Leonilo G. Coronel	1,019,889,110
Reynaldo A. Maclang	1,019,907,488
Estelito P. Mendoza	1,013,293,973
Christopher J. Nelson	1,005,464,963

Federico C. Pascual	1,038,871,055
Cecilio K. Pedro	1,038,987,876
Washington Z. Sycip	1,019,858,579
Harry C. Tan	1,019,645,541
Lucio C. Tan	1,017,167,225
Lucio K. Tan, Jr.	1,002,754,018
Michael G. Tan	1,005,221,394
Deogracias N. Vistan	1,038,998,916

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

The Bank furnishes all of its directors with a copy of the specific duties and responsibilities of the Board of Directors as prescribed under Items "b" and "c" of Subsection X141.3 of the Manual of Regulations for Banks (MORB) at the time of their election. The directors concerned are each required to acknowledge receipt of the copies of such specific duties and responsibilities and certify that they fully understand the same. Copies of the acknowledgment and certification are then submitted to the BSP within 10 business days after the date of election.

- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years: (updated – 2015)

Participant(s)	Title of Seminar/ Date
2015	
Cecilio K. Pedro, Independent Director Harry C. Tan, Director	Corporate Governance Seminar by Risks, Opportunities, Assessment and Management (ROAM), Inc. on December 18, 2015
Florencia G. Tarriela, Chairman/Independent Director Felix Enrico R. Alfiler, Vice Chairman/Independent Director Florido P. Casuela, Director Leonilo G. Coronel, Director Reynaldo A. Maclang, President/Director Christopher J. Nelson, Director Federico C. Pascual, Independent Director Manuel T. Gonzales, Board Advisor Maila Katrina Y. Ilarde, Corporate Secretary Ruth Pamela E. Tanghal, Assistant Corporate Secretary Cenon C. Audencial, Jr., EVP Christopher C. Dobles, EVP Bernardo H. Tocmo, EVP Nelson C. Reyes, EVP Yolanda M. Albano, FSVP Alice Z. Cordero, FSVP Socorro D. Corpus, FSVP Miguel Angel G. Gonzalez, FSVP John Howard D. Medina, FSVP Benjamin S. Oliva, FSVP Aida M. Padilla, FSVP Carmela Leticia A. Pama, FSVP Emmanuel German V. Plan II, FSVP Emeline C. Centeno, SVP Maria Paz D. Lim, SVP Dioscoro Teodorico L. Lim, SVP Norman Martin C. Reyes, SVP Roberto S. Vergara, FVP Constantino T. Yap, VP	Annual Corporate Governance Training Program by Institute of Corporate Directors on December 10, 2015
Deogracias N. Vistan, Independent Director	Corporate Governance Seminar, December 9, 2015, SGV & Co. at New World Hotel
Estelito P. Mendoza, Director	Seminar on Corporate Governance, November 11, 2015, Risks, Opportunities, Assessment and Management (ROAM), Inc.
Lucio C. Tan, Director	Corporate Governance Board Effectiveness Best Practices Seminar,

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Lucio K. Tan, Jr., Director Michael G. Tan, Director	November 11, 2015, Center for Global Best Practices
Maila Katrina Y. Ilarde, Corporate Secretary	SEC – PSE Corporate Governance Forum, October 15, 2015, Securities and Exchange Commission
Norman Martin C. Reyes, SVP	Cash & Payments Philippines 2015, September 2-3, 2015, Cards and Payments Philippines
Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher C. Dobles, EVP Jovencio D. Hernandez, EVP Nelson C. Reyes, EVP Alice Z. Cordero, FSVP Socorro D. Corpuz, FSVP Miguel Angel G. Gonzalez, FSVP John Howard D. Medina, FSVP Benjamin S. Oliva, FSVP Aida M. Padilla, FSVP Carmela Leticia A. Pama, FSVP Manuel C. Bahena, Jr., SVP Emeline C. Centeno, SVP Dioscoro Teodorico L. Lim, SVP Maria Paz D. Lim, SVP Norman Martin C. Reyes, SVP Roberto S. Vergara, FVP	Assessment and Development Center Assessors Workshop, June 18, 2015, HR Avatar Philippines
Florencia G. Tarriela, Chairman/Independent Director Felix Enrico R. Alfiler, Vice Chairman/Independent Director Florido P. Casuela, Director Leonilo G. Coronel, Director Reynaldo A. Maclang, Director/ President Christopher J. Nelson, Director Federico C. Pascual, Independent Director Deogracias N. Vistan, Independent Director Joseph T. Chua, Board Advisor Manuel T. Gonzales, Board Advisor William T. Lim, Board Advisor Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher C. Dobles, EVP Jovencio D. Hernandez, EVP Nelson C. Reyes, EVP Alice Z. Cordero, FSVP Benjamin S. Oliva, FSVP Aida M. Padilla, FSVP Carmela Leticia A. Pama, FSVP Manuel C. Bahena, Jr, SVP Emeline C. Centeno, SVP Dioscoro Teodorico L. Lim, SVP Maria Paz D. Lim, SVP Norman Martin C. Reyes, SVP Roberto S. Vergara, FVP	Non-Life Insurance Seminar, June 2, 2015
Manuel C. Bahena, Jr., SVP	Mandatory Continuing Legal Education Lecture Series, March 3, 7, 14, 27 and 28, 2015, Ateneo Center for Continuing Legal Education and Research (ACCLER)
Emmanuel German V. Plan II, FSVP	What's in Store for the Real Estate Industry? Bubble or Bust?, March 11, 2015, Bankers Institute of the Philippines (BAIPHIL)
Emeline C. Centeno, SVP	Financial Regulatory Reform and Impact to Business Models & Transforming Risk Management Function to Align with Financial Regulatory Reform, March 6, 2015, BAIPHIL
Carmela Leticia A. Pama, FSVP	Updated Guidelines on Sound Credit Risk Management Seminar, February 16, 2015, BAIPHIL
Horacio E. Cebrero III, EVP	12 th Annual Asia-Pacific Investor Conference, February 10-12, 2015, Citigroup Manila
2014	
Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher C. Dobles, EVP Jovencio D. Hernandez, EVP Alice Z. Cordero, FSVP	Corporate Governance Seminar by Institute of Corporate Directors on November 26, 2014 at PNB Financial Center, Macapagal Blvd., Pasay City

Socorro D. Corpus, FSVP Zacarias E. Gallardo, Jr., FSVP Miguel Angel G. Gonzalez, FSVP John Howard D. Medina, FSVP Benjamin J. Oliva, FSVP Aida M. Padilla, FSVP Carmela Leticia A. Pama, FSVP Dioscoro Teodorico L. Lim, SVP Maria Paz D. Lim, SVP Manuel C. Bahena, Jr., FVP Josephine E. Jolejole, FVP	
Lucio K. Tan, Jr.	Corporate Governance Seminar on October 21, 2014, by Risk Opportunities, Assessment and Management (ROAM), Inc.
Estelito P. Mendoza	Corporate Governance Seminar on August 19, 2014, by SGV
Horacio E. Cebrero III, EVP Zacarias E. Gallardo, Jr., FSVP	BASEL III: What's Next Under the Capital, Leverage and Macro-Prudential Guidelines on August 7, 2014 at SGV, Makati City
Zacarias E. Gallardo, Jr., FSVP Manuel C. Bahena, Jr., FVP	Mentor Skills Development Workshop on July 15 and August 14, 2014 at PNB Makati Penthouse
Horacio E. Cebrero III, EVP Josephine E. Jolejole, FVP	Securitization in Housing Finance and Introduction to Concentration Risk on July 4, 2014 at SGV, Makati City
Cecilio K. Pedro	Orientation Course on Corporate Governance on June 5, 2014, by the Institute of Corporate Directors
Christopher C. Dobles, EVP	21st Asian Professional Security Association (APSA) International Conference & Secusafe by Secusafe Alliance Philippines on May 14-16, 2014 at Manila Hotel
Alice Z. Cordero, FSVP	Seminar on Concentration Risk and Related Party Transactions on April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City
Carmela Leticia A. Pama, FSVP Dioscoro Teodorico L. Lim, SVP	Concentration Risk and Related Party Transactions in April 25, 2014 by BAIPHIL at Mandarin Oriental Hotel, Makati City
Washington Z. Sycip	Corporate Governance Enhancement Session on Corporate Governance Requirements Under US Laws and Regulations (PLDT – Corporate Governance Seminar) on April 1, 2014 conducted by the Chief Corporate Governance Officer
Canon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher C. Dobles, EVP Jovencio D. Hernandez, EVP Alice Z. Cordero, FSVP Socorro D. Corpus, FSVP Zacarias E. Gallardo, Jr., FSVP Miguel Angel G. Gonzalez, FSVP John Howard D. Medina, FSVP Benjamin J. Oliva, FSVP Aida M. Padilla, FSVP Carmela Leticia A. Pama, FSVP Emmanuel German V. Plan II, FSVP Dioscoro Teodorico L. Lim, SVP Maria Paz D. Lim, SVP Manuel C. Bahena, Jr., FVP Josephine E. Jolejole, FVP Constantino T. Yap, VP	Leading Culture Change Workshop Series on March 24 & 31, 2014 by Ancilla Consulting at PNB Makati Penthouse, Makati City
Socorro D. Corpus, FSVP Maria Paz D. Lim, SVP	Comprehensive Competency-Based Learning and Assessment Framework in March 24 and 31, 2014 at PNB Makati Penthouse
Christopher J. Nelson	Distinguished Corporate Governance Speaker Seminar on February 5, 2014 by the Institute of Corporate Directors
Emmanuel German V. Plan II, FSVP	Architecture and Urban Planning: What Business Ladders Need to Know in 2014 in Makati City
2013	
Christopher J. Nelson, Director	Annual Working Session on November 15, 2013 by the Institute of Corporate Directors Breakfast Roundtable on June 17 and October 16, 2013 by the Institute of Corporate Directors Orientation Course on Corporate Governance on June 7, 2013 by the Institute of Corporate Directors

Florencia G. Tarriela Florido P. Casuela Harry C. Tan	Whole Brain Leadership Workshop on February 13, 2013 by the Institute of Corporate Directors
Florido P. Casuela	Breakfast Roundtable on February 8, 2013 by the Institute of Corporate Directors

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year (2015). (updated – 2015)

Name of Directors	Date of Training	Program	Name of Training Institution
2015			
Cecilio K. Pedro Harry C. Tan	December 18, 2015	Corporate Governance Seminar	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Florencia G. Tarriela Felix Enrico R. Alfiler Florido P. Casuela Leonilo G. Coronel Reynaldo A. Maclang Christopher J. Nelson Federico C. Pascual	December 10, 2015	Annual Corporate Governance Training Program	The Institute of Corporate Directors
Deogracias N. Vistan	December 9, 2015	Advance Corporate Governance Seminar	
Estelito P. Mendoza	November 11, 2015	Seminar on Corporate Governance	Risks, Opportunities, Assessment and Management (ROAM), Inc.
Lucio C. Tan Lucio K. Tan, Jr. Michael G. Tan	November 11, 2015	Corporate Governance Board Effectiveness Best Practices Seminar	Center for Global Best Practices
Washington Z. Sycip	Per SEC letter dated August 3, 2015, Director Sycip is exempted for attending a Corporate Governance Training for 2015 for his known probity and of a well-recognized stature, influence and reputation in the business community.		

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees: (updated – 2015)

Business Conduct & Ethics	Directors	Senior Management	Employees	Reference/Circular
(a) Conflict of Interest	Covered	Covered	Covered	Personal Investment Policy (Gen. Cir. 1-874/2013 dated May 16, 2013); Employee Handbook
(b) Conduct of Business and Fair Dealings		Covered	Covered	Personal Investment Policy (Gen. Cir. 1-874/2013 dated May 16, 2013)
(c) Receipt of gifts from third parties		Covered	Covered	Policy on Soliciting and/or Receiving Gifts (Gen. Cir. 1-866/2013 dated April 10, 2013)
(d) Compliance with Laws & Regulations		Covered	Covered	Manual of Policies on Human Resource Management and Development; Code of Conduct (Gen. Cir. 1-873/2013 dated May 16, 2013); Employee Handbook
(e) Respect for Trade Secrets/Use of Non-public Information	Covered	Covered	Covered	Personal Investment Policy (Gen. Cir. 1-874/2013 dated May 16, 2013); Confidentiality of Information (Gen. Cir. 1-878/2013 dated June 4, 2013), Employee Handbook
(f) Use of Company Funds, Assets and Information		Covered	Covered	Policy on Office Decorum (Gen. Cir. 1-878/2013 dated June 4, 2013); Employee Handbook
(g) Employment & Labor Laws & Policies		Covered	Covered	Manual of Policies on Human Resource Management and Development; Employee Handbook
(h) Disciplinary action		Covered	Covered	Code of Conduct (Gen. Cir. 1-873/2013 dated May 16, 2013); Employee Handbook
(i) Whistle Blower	Covered	Covered	Covered	Whistleblower Policy (Gen. Cir. 1-868/2013 dated April 12, 2013)
(j) Conflict Resolution		Covered	Covered	Code of Conduct (Gen. Cir. 1-873/2013 dated May 16, 2013)

- Personal Investment Policy – The purpose of PNB's Personal Investment Policy is to set forth prudent standards of behavior for all employees when conducting their personal investment transactions. Accordingly, the policy provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. PNB employees (officers and staff) 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.

The investments should not involve or appear to involve a conflict of interest with the activities of PNB or its customers. Employee investment decisions must be based solely on publicly available information, and should be oriented toward long term investment rather than short term speculation.

- Policy on Soliciting and/or Receiving Gifts – The Bank recognizes that maintaining good relationships with clients often require the exchange of gifts as token of appreciation. However, 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 whether in cash or in kind from clients, suppliers, and other business-related parties is strictly prohibited. Employees may be allowed to receive gifts/donations/sponsorship/financial assistance whether in cash or in kind from clients, suppliers, and other business-related parties, subject to various conditions.
- Code of Conduct Manual – The Code of Conduct (“Code”) is constituted to prescribe a moral code for PNB employees which would not only instill discipline among them but would yield higher productivity at the workplace and enhance and safeguard the corporate image of the Bank. While the Code defines the offenses as well as the corresponding disciplinary measures that may be imposed, its overall intent is more of prevention of the infraction rather than the administration of disciplinary measures. The Code defines and provides the standards of conduct expected of all employees and enumerates the act or omissions prejudicial to the interest of the Bank.
- Policy on Office Decorum – Bank employees should conduct themselves with proper decorum at all times within or outside the Bank premises in order to protect the good name of the Bank as well as to merit and maintain the trust and confidence not only of Bank clients or customers but the public in general. Proper office decorum includes, among others, the use of stationery and supplies and the principle of confidentiality of information.
- Whistleblower Policy – The Whistleblower Policy aims to: (1) encourage employees to report internally any suspected or actual commission of theft/fraud, violation of ethical standard, law, rule or regulations and/or any misconduct by its directors, officers or staff; (2) conduct a prompt and thorough investigation of any alleged/reported commission of theft/fraud and/or violation and take appropriate corrective action; (3) protect the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation; (4) reduce, if not eliminate, the occurrence of corporate fraud in line with sound banking practice and risk management; and (5) strengthen the Bank’s system on detection and prevention of corporate fraud.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes. The Bank’s human resource policies, including but not limited to, the Code of Conduct are disseminated by the Human Resource Group through e-mail, and posted through the Bank’s online intranet system, PNB Cybermag, which may be accessed by employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. (updated – 2015)

As required, each bank director and employee accomplishes an Acknowledgement Receipt certifying therein that he/she has been furnished with copies of the above mentioned manuals and policies; that he/she has fully read and understood the provisions embodied therein; and that he/she promises to abide with the rules/regulations of the said manuals and policies. Any failure to abide with the above mentioned manuals and policies is reported by the immediate supervisor and/or Head of Office concerned to the Human Resource Group (HRG) and/or Corporate Governance/Nomination/Remuneration Committee. A designated committee may subsequently validate/evaluate the report to determine if any sanction or disciplinary action should be taken against the erring employee or director.

4) Related Party Transactions

(a) Policies and Procedures (updated – 2015)

Describe the company’s policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Board of Directors, Management and employees of PNB Group committed themselves to adopt and adhere to the Related Party Transaction (RPT) Policy formulated in accordance with the requirements of SEC Revised Code of Corporate Governance; and BSP Guidelines in strengthening corporate governance on RPTs. The Bank recognizes that transactions between and among related parties create financial, commercial and economic benefits to individual institutions and to the entire PNB Group. RPTs are made substantially on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances; and ensure that these are conducted at arm’s length basis and could not materially interfere with or influence the exercise of the board’s judgment, in accordance with the existing RPT Policy guidelines. As such, RPTs are entered in the normal course of business, and upon terms not less favorable to the Bank than those terms and services offered to others or any unrelated third party or non-affiliate.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

	<p>The Board Oversight RPT Committee (BORC) governed by a Charter composed of at least five (5) regular members (3 IDs) and 2 Non-voting members (Chief Audit Executive and Chief Compliance Officer) was created to review, approve, note, ratify, endorse Bank's RPT dealings, as well as policy guidelines in handling the Bank transactions with the related parties.</p> <p>The Board, through the BORC, shall have overall responsibility in ensuring that transactions with related parties are done at arm's length basis and handled in a sound and prudent manner with a high degree of integrity; exercise sound and objective judgment; and compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.</p> <p>The RPT accounts are discussed, evaluated and endorsed by the BORC for approval of the Board. Any member of the Board who is a director of the transacting related party does not participate in the discussion and abstains from the voting on the account.</p>
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(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

Details of Conflict of Interest (Actual or Probable)	
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders. (updated – 2015)

Directors/Officers/Significant Shareholders	
Company	<p>Under Sec. 3.3 of the Bank's Revised Corporate Governance Manual, Directors must avoid conflicts or potential conflicts of interest. A conflict of interest occurs when an individual's private or related interests interfere in any way, or are perceived to interfere, with the interests of the Bank as a whole. A conflict situation can arise when a Director takes actions or has interests that may make it difficult for him to preserve his objectivity and carry out his tasks effectively. Conflicts of interests also arise when a Director, or a member of his family, receives improper personal benefits as a result of his position in the Bank.</p> <p>Any query about a Director's actual or potential conflict of interest with the Bank should be brought promptly to the attention of the Board Oversight RPT Committee and Corporate Governance/Nomination/Remuneration Committee, which will evaluate the situation and determine an appropriate course of action, including whether consideration or action by the Board is necessary. Directors involved in any conflict or potential conflict shall disassociate from participating in any decision related thereto.</p> <p>All Bank employees (officers and staff) have a duty to ensure than no personal transaction will be in conflict with their corporate and customer responsibilities. Accordingly, PNB employees shall not buy or sell a security on the basis of knowledge: (1) of a probable change in investment attitude and consequent action by the Bank with respect to that security; (2) that the Bank is effecting or proposes to effect transactions in the security or other transactions which may affect the price of the security to a material degree; or (3) that the Bank is contemplating a transaction of any kind that would have a material effect on a particular company or security.</p> <p>If actual or potential conflict of interest may arise on the part of the employee, he is obligated to disclose in writing to the Bank his participation, whether direct or indirect, in any endeavor which may constitute an actual or potential conflict of interest with that of the Bank and its subsidiaries or affiliates.</p>
Group	

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
None	Not Applicable	Not Applicable

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
None	Not Applicable	Not Applicable

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None that the Bank is aware of.	Not Applicable	Not Applicable

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	The Bank has adopted various communication systems to allow its stockholders and third parties, including regulatory authorities, to exercise their rights and communicate their concerns/queries to the Bank. The contact details of the Office of the Corporate Secretary and the stock transfer agent of the Bank are posted in the Bank's website for the easy reference of shareholders and other stakeholders. For regulatory issues, the Bank follows the procedure set forth by the concerned regulators.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year? (updated – 2015)

Yes. The meetings of the Board of Directors are scheduled at the beginning of the year.

The Corporate Secretary, through a Memorandum dated December 7, 2015, notified the Board of Directors and Senior Management of the schedule of meetings for the year 2016.

- 2) Attendance of Directors (updated – 2015)

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended
Chairman/Independent Director	Florencia G. Tarriela	May 26, 2015	16	16
Vice Chair/Independent Director	Felix Enrico R. Alfiler	May 26, 2015	16	15
Member	Florido P. Casuela	May 26, 2015	16	16
Member	Leonilo G. Coronel	May 26, 2015	16	16
Member	Reynaldo A. Maclang	May 26, 2015	16	14
Member	Estelito P. Mendoza	May 26, 2015	16	10
Member	Christopher J. Nelson*	May 26, 2015	9	9

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Independent Director	Federico C. Pascual	May 26, 2015	16	16
Independent Director	Cecilio K. Pedro	May 26, 2015	16	14
Member	Washington Z. Sycip	May 26, 2015	16	10
Member	Harry C. Tan	May 26, 2015	16	14
Member	Lucio C. Tan	May 26, 2015	16	10
Member	Lucio K. Tan, Jr.	May 26, 2015	16	15
Member	Michael G. Tan	May 26, 2015	16	15
Independent Director	Deogracias N. Vistan	May 26, 2015	16	16

* Elected on May 26, 2015 during the Annual Stockholders' Meeting of the Bank

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? (updated – 2015)

Non-executive directors may call a separate meeting, without the presence of any executive, every quarter, or as the need arises.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain. (updated – 2015)

Per Bank policy, Board decisions are made upon a quorum of two-thirds of the Board members present.

- 5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board? (updated – 2015)

The board papers for Board of Directors' meetings are provided to the Board five (5) working days in advance, whenever possible and appropriate. Should there be additional items taken up/endorsed after the initial delivery, materials referring to such additional items are promptly provided the Board of Directors at least one (1) day before the meeting.

- (b) Do board members have independent access to Management and the Corporate Secretary?

Yes. The Board members have independent access to Management and the Corporate Secretary to enable them to have complete information about the matters to be taken up during the meeting, or any action to be taken thereafter.

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The following are the duties of the Corporate Secretary as provided by the Bank's By-Laws and Revised Corporate Governance Manual:

- (1) Notify parties concerned of any stockholders and Board meetings;
- (2) Inform the members of the Board, in accordance with the Amended By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- (3) Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- (4) Ensure that all Board procedures, rules and regulations are strictly followed by the members;
- (5) Provide proper assistance to the members of the Board during all Board and Stockholders' meetings while they are in the performance of their duties and responsibilities under the law and the By-Laws;
- (6) Be responsible for the safekeeping and preservation of the integrity of the Minutes of the meetings, as well as the other official records pertaining to the duties and responsibilities of the Office of the Corporate Secretary;
- (7) Furnish all directors with a copy of the general responsibilities and specific duties and responsibilities of the Board of Directors prescribed under Manual of Regulations for Banks (MORB) Subsec. X141.3(b and c), as well as the specific duties and responsibilities of a director under Subsec. X141.3(d), within thirty (30) banking days from the time of election. Copies of the acknowledgement and certification by the Directors shall be submitted to the appropriate supervisory and examining department of SES-BSP within fifteen (15) banking days from date thereof;
- (8) Monitor the directors' compliance with the attendance requirements, and issue and submit to the Securities and Exchange Commission (SEC), on or before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C or in a separate filing;
- (9) Keep a list of the Bank's stockholders, their proxies and their stockholdings, maintain the stock transfer book/s and keep track of all outstanding certificates in the manner required by law and regulations, and
 - a. Ascertain the identity and citizenship of the transferee, voting trustee, or proxy of voting shares of stock of the Bank, and require them to submit or disclose such documents and information relative to their stockholdings or any voting trust arrangements thereto;
 - b. Require the transferee, voting trustee, proxy of voting shares of stock to disclose all information with respect to persons related to them within the fourth degree of consanguinity or affinity where they have controlling interest, and the extent thereof;
 - c. Require the transferee or recipient of voting shares of stock to execute an affidavit stating, among other things, that the

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

transferee or recipient of voting shares of stock is a bona fide owner of the said shares of stock, and that he/she acknowledges full awareness of (a) the prohibition against ownership of voting shares of stock in excess of the ceilings and/or (b) the requirement for prior Monetary Board approval for transactions resulting to significant ownership of voting shares of stock of a bank by any person, as provided in Subsec. X126.2 of the MORB and such other rules and regulations of the regulatory agencies, as may be amended from time to time;

- d. Promptly inform stockholders (a) who have reached any of the ceilings prescribed by laws/BSP regulations of their ineligibility to own or control more than applicable ceiling or (b) who would own voting shares of stock requiring prior Monetary Board approval;
- e. Disclose the ultimate beneficial owners of bank shares held in the name of Philippine Central Depository (PCD) Nominee Corporation in the annual (or quarterly whenever changes occur) report on Consolidated List of Stockholders and their Stockholdings (BSP 7-16-11), which report shall be made under oath by the corporate secretary;
- f. Submit financial statements, list of certain stockholders together with their stockholdings, as well as such other reports as prescribed/required by the regulatory agencies;
- g. Disclose any material transactions, events and information as required under the rules and regulations of the regulatory agencies; and
- h. Perform such other duties as are necessary or incidental to his office and those that may from time to time be required by the Board, as well as by the rules and regulations of the regulatory agencies.

(10) Exhibit loyalty to the mission, vision and objectives of the Bank; and

(11) Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

The Corporate Secretary prepares the Agenda for the Board and Board committee (Board Credit and Policy Committee, Executive Committee and Corporate Governance Committee) meetings, and assists the directors in attending seminars and trainings.

The Chief Compliance Officer is in charge in monitoring the Bank's compliance with the provisions and requirements of the Revised Corporate Governance Manual and relevant banking rules and regulations, as well as keeping the directors updated on any related statutory and regulatory changes.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. The Corporate Secretary of the Bank is a lawyer. She possesses appropriate administrative and interpersonal skills, and has a working knowledge on the operations of the Bank.

(e) Committee Procedures

Disclose whether there is a procedure that directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the procedures
Board Credit and Policy Committee	The respective committee secretariats send the materials to the members at least two days before the meeting.
Executive Committee	
Board Audit and Compliance Committee	Management members are likewise available should the directors require additional information.
Corporate Governance/ Nomination/ Remuneration Committee	
Risk Oversight Committee	
Trust Committee	
Board ICAAP Steering Committee	
Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries	
Board Oversight RPT Committee	
Board IT Governance Committee	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Directors are given the discretion to request for external advice whenever desired or necessary.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change: (updated – 2015)

There are several policy changes in the regular course of business for improved process and efficiency, as well as the alignment of policies of the Bank in view of the merger.

Existing Policies	Changes	Reason
Policy on Loans Against Pledge of Government Securities	Inclusion of government securities (GS) as one of the acceptable collaterals for loans and to set the approving authorities for the grant/approval of transactions against pledge of GS	GS are considered as non-risk assets. Risk of default is zero or very very unlikely.
Revised Policy on Own a Philippine Home Loan (OPHL) Program	Changes in the overview and basic policies of the OPHL Program and inclusion of the provisions on age requirement and on loans against Deed of Undertaking of accredited developers	To update the program features and align some provisions with the Policy on Sure Home Loan Program of the Bank
Dividend Policy	Adoption of internal dividend policy	To establish the guidelines on dividend declaration/pay out
Revised Related Party Transactions (RPTs) Policy	To identify covered related parties and set threshold considered significant RPTs	To rationalize the existing policy guidelines
Revised Policy on Management of Large Exposures and Credit Risk Concentrations	Amendment to the basic policies, implementing guidelines and reporting requirements	To comply with BSP Circular No. 855 dated October 29, 2014
Policy on Market Economic Value Equity (EVE)	Adoption of new policy	To measure the interest rate risk in the banking book in the long-term to supplement the earnings-at-risk calculation
Revisions to the PNB Singapore Branch Policy	Revisions in the various sections of the policy	To address the requirements of the Monetary Authority of Singapore, address the finding of Ernst and Young and align the manual with recent changes in the bank policy
Policy on Credit Risk Rating and Scoring Validation	Adoption of new policy	To ensure and increase the reliability of the credit risk rating and scoring model as well as to promote improvements and clearer understanding of strengths and weaknesses of the model
Amendments to the Policy for Availments in Excess of Approved Credit Facilities	Amendments to the guidelines (overview, basic policies, implementing guidelines and reporting requirements) and specific approving authorities	To harmonize credit policies and facilitate the loan approval process of loan accounts
Amendment to Selected Policies: a. Policy on Client Call Program b. Policy on Clean Up Period for Loans c. Policy on Collateral/Security – Real Estate d. Policy on Fire Insurance	<ul style="list-style-type: none"> - Frequency of client calls/plant visits - Changes in the type of loans that are exempted from the clean-up requirements - Surety bond requirement - Alignment/consolidation of the policy and inclusion of specific of specific approving authority 	<ul style="list-style-type: none"> - For flexibility. Frequency shall depend on the size, complexity or nature of the account - To include loans fully secured by GS/IMA/UITF and loans of borrowers with asset size of ₱15.0 Million and below whose credit score range from Excellent to Fair - Designation of officers who will determine the surety bond requirement for real estate collateral with Section 7 RA 26 annotation - To have one (1) policy for both PNB Pasay and PNB Makati
Amendments to the Policy on Transactions which Require Speed of Approval	Amendments to the implementing guidelines	To address concern on the approval of the transactions that need to be implement immediately
Amendments to Various Trading/Dealing Policies: a. After-Trading Hours Time Period Dealing Policy b. Policy on Off-Premises Dealing c. Overnight Trading Order/s Policy d. Policy on Trading of Php and USD Denominated Fixed Income Securities e. Investment and Trading Policy	Update in the policies in terms of reports, responsibilities and risk measures	To give dealers better guidance when trading and investing

Amendment to New Product Approval Process	Amendment to the approving authority	To facilitate timely approval of new treasury products
Updated Information Technology Guidelines on: a. System Development Life Cycle b. Logical Access Control	Revision/update to the guidelines	To align with the requirements of BSP Circular No. 808 and Enterprise Security Management Policy To strengthen control in accessing confidential information and/or customer data.
Amendments to the Policy Guidelines for Retail Banking Group Accounts: a. Second-Endorsed Checks for Deposit b. Loans Fully Secured by Holdout on Private Deposits c. Policy on Domestic Bills Purchase Line	Amendments to the approving authority Amendments to Loan Pricing and Penalty Amendments on checks eligible for purchase	To facilitate approvals and to streamline internal processes of the Bank
Amendments to the Guidelines on Selected Credit Policies and Approving Authorities for Specific Credit Transactions	- Amendments to the approving authority - Revisions/updates to the following policy guidelines: 1. Interim FS requirement 2. Amendment to terms and conditions of loan approvals 3. Penalty rates on past due obligations 4. Setting of Bank's industry credit exposure limits	To harmonize the credit policies, facilitate the approval process and expedite the turn around time of loan accounts
Credit Loan Program for Electric Cooperatives (ECs)	Adoption of new credit policy	To expand EC portfolio by speeding up marketing of financial solution to electric cooperatives
Amendments to Selected Credit Policies: a. StartUp/Pre-Operating Companies b. Counterparty Lines c. Term Lending d. Loans Against Pledge of Government Securities e. Collateral – Shares of Stocks/ Club Shares f. Revalidation and Grant of previously approved Case-to-Case Loans g. Collection Fees	Revisions/update to the credit guidelines	To streamline the credit process and loan approvals of the Bank

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	The remuneration for CEO is determined taking into consideration (a) his/her qualifications; (b) salary range for the rank and position; (c) result of a commissioned Banking Industry Compensation Survey; (d) budget; and (e) other factors which affect compensation	The remuneration to four (4) executives is determined taking into consideration (a) their qualifications; (b) salary range for the rank and position; (c) result of a commissioned Banking Industry Compensation Survey; (d) budget; and (e) other factors which affect compensation
(2) Variable remuneration	Not Applicable	Not Applicable
(3) Per diem allowance	Not Applicable	Not Applicable
(4) Bonus	The Bonus is based on the Bank's policy under PNB Board Resolution No. 12/07-24-09 of July 24, 2009 (re: "Amendment to the Compensation and Benefit Policy for Officers")	The Bonus is based on the Bank's policy under PNB Board Resolution No. 12/07-24-09 of July 24, 2009 (re: "Amendment to the Compensation and Benefit Policy for Officers")

(5) Stock Options and other financial instruments	Not Applicable	Not Applicable
(6) Others (specify)	Not Applicable	Not Applicable

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	The remuneration and structures are based on the Bank's policy under PNB Board Resolution No. 06/10-23-09 of October 23, 2009 (re: "Policy on Remuneration of Directors and Officers")	The remuneration and structures are based on the Bank's policy under PNB Board Resolution No. 06/10-23-09 of October 23, 2009 (re: "Policy on Remuneration of Directors and Officers")	The remuneration and structures are based on the Bank's policy under PNB Board Resolution No. 06/10-23-09 of October 23, 2009 (re: "Policy on Remuneration of Directors and Officers")
Non-Executive Directors			

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years. (updated – 2015)

Yes. Section 5.8 of the PNB's Amended By-Laws re: Compensation states that: "Directors, as such, shall receive such compensation for their services as may from time to time be fixed by the stockholders subject to the limitations set forth in Section 30 of the Corporation Code. Each director shall be entitled to a reasonable per diem, as may be determined by the Board."

Remuneration Scheme	Date of Stockholders' Approval
There has been no proposal on remuneration for directors presented to the stockholder for approval in the Annual Stockholders' Meetings held for the years 2013-2015. As of present, the directors do not receive any compensation apart from per diems.	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year: (updated - 2015)

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	-	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance	-	₱28,050,000.00	₱13,900,000.00
(d) Bonuses	-	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
Total		₱28,050,000.00	₱13,900,000.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-

3) Pension Plan/s Contributions	-	-	-
(d) Pension Plans, Obligations incurred	-	-	-
(e) Life Insurance Premium	₱1,850.00	₱11,900.00	₱4,100.00
(f) Hospitalization Plan	₱12,638.83	₱182,773.96	₱70,971.15
(g) Car Plan	-	-	-
(h) Others (Specify)	-	-	-
Total	₱14,488.83	₱194,673.96	₱75,071.15

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None	Not Applicable	Not Applicable

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year: (updated - 2015)

Name of Officer/Position	Total Remuneration
Audencial, Cenon, Jr. C.; Cebrero, Horacio III E.; Dobles, Christopher C.; Hernandez, Reyes, Nelson C.	₱78,504,053.00*

* Inclusive of the remuneration of the President

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board: (updated – February 2016)

Committee	No. of Members			Committee Charter
	Executive Director	Non-Executive Director	Independent Director	
Board Policy Committee	1	4	4	Yes
Executive Committee	1	6	0	Yes
Board Audit and Compliance Committee	0	3	2	Yes

Corporate Governance/Nomination Com	1	3	3	Yes
Risk Oversight Committee	0	4	1	Yes
Trust Committee	2*	1	2	Yes
Board Oversight Committee – Domestic & Foreign Offices/Subsidiaries	0	2	5	Yes
Board Oversight RPT Committee	2**	0	3	Yes
Board I.T. Governance Committee	0	5	0	Yes

(*) *Ex-officio members*

(**) *Non-Voting members*

BOARD COMMITTEES' FUNCTIONS/KEY RESPONSIBILITIES AND POWER/AUTHORITY (updated – 2015):

A. BOARD POLICY COMMITTEE (BPC)

Function: The Board CPC shall perform the functions and duties as the Board may delegate.

Key Responsibilities and Power/Authority:

1. To review, evaluate, approve and/or endorse for Board approval policies and procedures; as well as products and services to be offered to the Bank's domestic and overseas market, the manual
2. To determine the risk appetite and set limits on risk taking activities.
3. To evaluate and endorse for Board approval Annual Strategic Forecasts, Plans and Budget.
4. In coordination with the Board Audit and Compliance Committee, to conduct monthly/quarterly/periodic reviews of financial reports.

B. EXECUTIVE COMMITTEE (EXCOM)

Function: The Executive Committee shall perform the functions and duties as the Board may delegate.

Key Responsibilities and Power/Authority:

1. To exercise its authority to endorse or approve loan recommendations from the Corporate Banking Group (CBG), Commercial Banking Group (ComBG), Retail Banking Group (RBG), and Consumer Finance Group (CFG).
2. To approve, the restructuring, payment plan, compromise settlement or write-off of past due, problematic and remedial accounts.
3. To act on proposal for the lease, sale, disposal and any matter pertaining to Real and Other Properties Acquired (ROPAs).
4. To endorse for Board approval the establishment, relocation, renovation or closure of domestic and overseas branches/offices including the approval of the needed budget.
5. To approve disbursements.
6. To propose mergers and acquisitions and provide the budget thereof for Board approval.
7. To approve the purchase of real & personal property, divestiture or disposal of assets.
8. All credit transactions approved by the Executive Committee shall be submitted to the Board for notation.

C. BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)

Function: The purpose of the Board Audit and Compliance Committee is: (i) to assist the Board in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations. ; (ii) provide oversight functions over internal and external auditors and ensure that the internal and external auditors act independently from each other; (iii) provide oversight over compliance functions and/or oversee the compliance program; (iv) the annual independent audit of PNB's financial statements, engagement of the external auditors and the evaluation of the external auditor's qualifications, independence and performance; (v) compliance by PNB with legal and regulatory requirements, including PNB's disclosure controls and procedures; and (vi) fulfillment of the other responsibilities set out therein.

Key Responsibilities and Power/Authority:

1. On Financial Statements: (a) review the quarterly, semi-annual, annual and periodic financial statement signed by the CEO and CFO prior to submission to the Board; and (b) establish a system that addresses, in a timely and effective manner, findings or fraud or error on the financial statements.
2. As an oversight of the Bank's External Auditors.
3. As an oversight of the Bank's Internal Auditor.
4. As an oversight of the Bank's Chief Compliance Officer.
5. Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system including financial reporting control and information technology security.
6. Receive and review reports of internal and external auditors, compliance and regulatory agencies, where applicable and ensure that Management is taking appropriate corrective actions in a timely manner.
7. Conduct self-assessment of the performance of the Bank, BACC as a whole, as well as the individual performance of each committee member annually.
8. Review and evaluate the self-assessment of the performance of the Compliance and Audit Committees of the Bank's subsidiaries and

- affiliates to ensure that the respective Compliance and Audit Committee policies and activities are aligned with the Bank.
9. Review and assess the adequacy of the BACC Charter annually and recommend any proposed changes for approval of the Board of Directors.
 10. Establish effective audit programs that cover IT risk exposures throughout the Bank, risk-focused, promote sound IT controls, ensure the timely resolution of audit deficiencies and period reporting to the Board on the effectiveness of the Banks' IT risk management, internal controls, and IT governance.
 11. Shall 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.
 12. Shall have the sole authority to select, evaluate, appoint, dismiss, replace and re-appoint the external auditor (subject to stockholder ratification) based on fair and transparent criteria.
 13. Shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Committee.
 14. May form and delegate authority to sub-committees, comprised of one or more members of the Committee, as necessary or appropriate.
 15. Shall 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.
 16. Shall 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.

D. CORPORATE GOVERNANCE/NOMINATION/REMUNERATION COMMITTEE

Function: The Corporate Governance/Nomination/Remuneration Committee assists the Board of Directors in fulfilling its corporate governance responsibilities and ensures the Board's effectiveness and due observance of corporate governance principles and guidelines and the selection of members of the Board and senior executives of the Bank as well as in the appointment of the members of the respective Board committees.

Key Responsibilities and Power/Authority:

1. Review and evaluate the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors.
2. Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.
3. Ensure that the Bank shall have at least two (2) Independent Directors (IDs) or such IDs shall constitute at least twenty percent (20%) of the members of the Board, and that any fractional result from applying the required minimum proportion, shall be rounded-up to the nearest whole number.
4. Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualification.
5. Develop a form on full business interest disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.
6. Oversee the periodic performance evaluation of the Board and its committees and executive management.
7. Review and evaluate the annual self-assessment of the directors, board and committees prior to Board approval/notation.
8. Conduct an annual self-evaluation of the board committee's performance prior to Board approval/notation.
9. Decide the manner by which the Board's performance may be evaluated, as well as whether or not a director is able to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance, preparedness and participation).
10. Adopt internal guidelines that will determine the number of directorships of its members that can hold in other corporations and address the competing time commitments that are faced when directors of the Bank serve on multiple boards.
11. Make recommendation to the Board and formulate such policies regarding the continuing education of directors, assignment to Board Committees, succession plan for Board members and senior officers, and their remuneration commensurate with corporate and individual performance.
12. Review and formulate policies to strengthen provision on conflict of interest, salaries and benefits, promotion and career advancement of personnel concerned in line with the existing professional development program and succession plan for senior management.
13. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Bank's culture, financial capacity, business strategy and control environment.
14. Designate the amount of remuneration and fringe benefits, which shall be at a sufficient level to attract and retain directors and officers who are needed to run the Bank successfully.
15. Disallow any director to decide his or her own remuneration.
16. Provide in the Bank's annual reports, information and proxy statements a clear, concise and understandable disclosure of the aggregate compensation of its executive officers for the previous year and the ensuing year.
17. Establish strategic objectives and a set of corporate values that are communicated throughout the institution.
18. Set and enforce clear lines of responsibility and accountability throughout the Bank.
19. Ensure that the Board members are qualified for their positions, have a clear understanding of their role in corporate governance and are not subject to undue influence from Management or outside concerns.
20. Effectively utilize the work conducted by internal and external auditors in recognition of the important control function they provide.
21. Ensure that compensation approaches are consistent with the Bank's ethical values, objectives, strategy and control environment.
22. Conduct corporate governance in a transparent manner.
23. Receive and evaluate complaints regarding conflict of interest situations.

E. RISK OVERSIGHT COMMITTEE (ROC)

Functions: The BSP-mandated functions of the Risk Oversight Committee are as follows:

1. Identify and evaluate exposures – the ROC shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur (high probability) and are costly when they happen (high severity).
2. Develop risk management strategies – the ROC shall develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real.
3. Oversee the implementation of the risk management plan – the ROC shall conduct regular discussions on the Bank's current risk exposures based on regular management reports and assess how the concerned units or offices reduced these risks.
4. Review and revise the plan as needed – the ROC shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood or harm or loss.

Key Responsibilities: The duties and responsibilities of the ROC with respect to the different fields that it covers according to its charter are the following:

Operational and Legal Risks

1. Approve the basic structure of the framework for managing operational risk (i.e. arising from process, system, people and external event), which includes legal risk.
2. Mandated to be aware of the major aspects of the Bank's operational and legal risks, it shall: (a) review, on continuing basis, operational and legal risk exposures and loss events by major business lines; and (b) oversee the effective resolution, management and control of the Bank's operational and legal risk.
3. Assume an oversight role through the Chief Risk Officer and Chief Audit Executive with respect to the management's responsibility for maintaining and implementing effective policies and procedures for managing operational risk in all of the Bank's products, activities, processes and systems; and through the Chief Legal Counsel with respect to legal risk.

Strategic and Financial Risks

1. Assume an oversight role through the Head of Corporate Planning Division in monitoring the compatibility of the Bank's strategic goals, business strategies developed, resources deployed and quality of implementation.
2. Review and discuss with management the performance versus target of major business units. ROC may request management for an explanation on unfavourable variance and direct management to change certain policies and strategies.
3. Assess how the Bank generates income and analyze the sensitivity of the Bank's earnings given a set of business conditions.

Reputation Risk: Assume an oversight role through the Service Quality Officer in ensuring the abundance of caution in dealing with customers and the community, as well as the Bank's responsiveness in addressing negative public opinion.

Technology Risk: Assume an oversight role through the IT Governance Committee in ensuring that technology and information security risks are properly identified, monitored, reported and mitigated. This assumes that each member of the ROC:

1. Have the knowledge and skills necessary to understand and effectively manage technology-related risks.
2. Ensure that – (a) an effective technology planning process exists; (b) technology is implemented properly with appropriate controls; and (c) measurement and monitoring efforts effectively identify ways to manage risk exposure.
3. Review, recommend for Board approval, and monitor technology projects that may have significant impact on the Bank's operations, earnings or capital.
4. Establish clearly-defined measurement objectives and conduct periodic reviews to ensure that goals and standards established by management are met.

Compliance Risk: Assume an oversight role through the Chief Compliance Officer with respect to compliance with laws, rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

Trust Risk: Assumes the oversight role through the bank's Trust Risk Officer with the Corporate Risk Manager, for the identification, measurement, monitoring and control of operations of the Trust Banking Group. This is a specialized function that is distinct from Trust banking Operations.

Credit Risk

1. Oversee the Bank wide management of the credit risk internal in the entire portfolio and ensure the adequacy of provisions.
2. Ensure that the following sound and best practices in credit risk management are in place and conduct periodic review of the same: (a) policy and infrastructure; (b) sound credit granting process; (c) system for administration and monitoring of exposure; (d) portfolio management; (e) credit review; (f) review the adequacy of valuation reserves; and (g) work out system for managing problem credits.

Market Risk: Recommend for Board approval market risk policies and risk limits for all trading and balance sheet-related market risks and for investment securities activities.

Interest Rate Risk: Approve the methodology, models and assumptions used to measure market and interest rate risks.

Liquidity Risk: Review compliance with established limits.

Others: Performs such other functions as may be mandated by the Board and regulatory bodies relevant to risk management.

Power/Authority: The ROC has the authority to implement the following:

1. Direct management to submit regular reports on current risk exposures on operational, legal, compliance, strategic, reputation, technology and other risks as well to address said risks.
2. Approve or endorse for Board approval the proposed risk policies and procedures.
3. Access to all Bank's records and any officer or employee of the Bank, as it deems necessary.

F. TRUST COMMITTEE

Function: The Trust Committee provides direction for the trust business and management of trust assets, fiduciary accounts, investments and trust services.

Key Responsibilities and Power/Authority:

1. Acts within the sphere of authority as may be provided in the Amended By-Laws and/or as may be delegated by the Board of Directors, such as but not limited to the following:
 - (a) The formulation of specific policies with regard to: (i) correlation of the Trust Banking Group with other departments of the Bank; (ii) personnel; (iii) cost and charges; (iv) kinds of business to be accepted; (v) trust business development; (vi) work with other banks and/or financial institutions;
 - (b) The acceptance and closing of trust and other fiduciary accounts;
 - (c) The initial review of assets placed under the custody of the Trust Banking Group as trustee or fiduciary;
 - (d) The investment, reinvestment and disposition of funds or property;
 - (e) The review and approval of transactions between trust and/or fiduciary accounts; and
 - (f) The review of trust and other fiduciary accounts at least once every twelve (12) months to determine the advisability of retaining or disposing of the trust or fiduciary assets, and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship."
2. Reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank/NBFI. In discharging its functions, it shall:
 - (a) Ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations and prudent practices;
 - (b) Ensure that policies and procedures that translate the Board's objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective;
 - (c) Oversee the implementation of the risk management framework and ensure that internal controls are in place relative to fiduciary activities;
 - (d) Adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the Trust Banking Group to effectively carry out its functions;
 - (e) Oversee and evaluate performance of the Trust Officer; and
 - (f) Report regularly to the Board of Directors on matters arising from fiduciary activities.

G. BOARD OVERSIGHT COMMITTEE – DOMESTIC & FOREIGN OFFICES/SUBSIDIARIES

Function: The Board Oversight Committee was created 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.

Key Responsibilities and Power/Authority:

1. To provide oversight on the business plans, initiatives, overall business operations and regulatory compliance of the domestic subsidiaries and overseas offices to include foreign branches, subsidiaries, marketing desk offices and representative offices.
2. To establish the strategic objectives and the business priorities for the domestic subsidiaries and overseas offices that needs to be regularly communicated throughout the domestic subsidiaries and overseas offices. This will include the evaluation and approval of the Bank's short term, medium term and long term strategic plans and the supporting schedules as components of the major plans and key activities. On periodic basis, the Committee will require the re-forecasting of financial budgets/plans, capital/equity investments, contingency plans and significant changes in market positioning, budgets and re-alignment of the ICAAP Programs for specific business entities.
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 closer supervision by the Board and implementation of timely effective corrective actions and/or plans by senior management.
4. To conduct periodic financial performance and management profitability reviews and be informed of market and economic developments and changes in laws and regulatory environment for each of the domestic and overseas business legal vehicle, in coordination with the respective entity Board of Directors, other board committees and senior management group heads that provide oversight support to the domestic subsidiaries and overseas offices.
5. To review and approve business models/licenses, product programs, operations policy and procedures manuals, IT systems and developments, major marketing tie-ups/programs.
6. To review and evaluate qualification of key personnel recommended to be hired or appointed for the domestic subsidiaries and overseas

offices as well as those nominated to positions requiring the confirmation of the Board of Directors, and formulate policies for the continuing education of key officers in domestic subsidiaries and overseas offices, their assignment to management committees and the succession planning for the domestic subsidiaries and overseas offices senior management.

H. BOARD OVERSIGHT RPT COMMITTEE

Function: 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 of management, board members and shareholders.

Key Responsibilities and Power/Authority:

1. Oversee the evaluation of relevant related party transactions (RPT) that present the risk of potential abuse and ensure that rules and regulations, accounting standards in each jurisdiction are considered to properly and effectively implement the Bank's RPT policy guidelines;
2. Exercise sound and objective judgment on the related party transactions for the best interest of the Bank and that the processes and approvals are conducted at arm's length basis;
3. Endorse the related party transaction to the Board for approval.
4. Review and approve policy guidelines and implementing procedures in the handling of relevant RPTs by ensuring an effective compliance with existing laws, rules and regulations, accounting standards and global best practices;
5. Review and inform the Board in advance of any related party transaction causing material conflicts of interest, conclude the transaction with the approval of the Board through an effective monitoring system;
6. Oversee the proposed deals on RPTs clearly articulate the identity of the parties involved and the terms of transactions are made substantially on the same terms as other individuals and businesses of comparable risk;
7. Ensure Bank compliance with the disclosure and reporting of materially significant RPTs.

I. BOARD I.T. GOVERNANCE COMMITTEE

Function: The Board I.T. Governance Committee was created to assist the Board in performing its oversight functions in reviewing, approving and monitoring the Information Technology (IT) Risk Management Framework and IT Strategic Plan of the PNB Group.

Key Responsibilities and Power/Authority:

1. Oversee the development of the long-term and short-term Enterprise IT Strategic Plans.
2. Ensure that IT laws, IT regulatory guidelines and IT corporate standards are considered in the proper and effective implementation of IT risk management policies and procedures.
3. Endorse IT related plans, IT projects, IT policy guidelines and procedures to the Board for approval.
4. Has oversight of the IT Risk Management System.
5. Review and endorse for approval of the Board the Enterprise IT Strategic Plans of the Parent Bank, its subsidiaries and affiliates.
6. Evaluate and endorse for approval of the Board the IT Organizational Structure of the PNB Parent Bank and related entities belonging to the PNB Group - foreign branches, domestic and foreign subsidiaries and affiliates.
7. Review and endorse for approval of the Board the IT Risk Assessment of the PNB Group and its member entities.
8. Review and endorse for approval of the Board IT policy guidelines and implementing procedures in related to IT functions, processes and systems and ensuring adherence to existing laws, rules and regulations, and global best practices;
9. Review and inform the Board in a timely manner critical IT Projects and endorse approval of necessary IT budgets to support business plans and priorities.
10. Oversee that IT Project proposals are consistent with the overall IT Strategic Plans.
11. Monitor the IT Group performance, IT Projects and in-sourcing and out-sourcing activities of IT functions and services provided to related entities.
12. Review and monitor significant IT concerns and corrective actions arising from regulatory examinations, internal audits and external reviews.

2) Committee Members (updated – 2015)

(a) Board Credit and Policy Committee

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Felix Enrico R. Alfiler	May 26, 2015	38	36	95	7 mos.
Member (NED)	Florido P. Casuela	May 26, 2015	38	33	87	7 mos.
Member (ED)	Reynaldo A. Maclang	May 26, 2015	38	29	76	7 mos.
Member (NED)	Christopher J. Nelson	May 26, 2015	38	38	100	7 mos.
Member (ID)	Federico C. Pascual	May 26, 2015	38	37	97	7 mos.
Member (NED)	Harry C. Tan	May 26, 2015	38	26	68	7 mos.
Member (NED)	Michael G. Tan	May 26, 2015	38	27	71	7 mos.
Member (ID)	Florencia G. Tarriela	May 26, 2015	38	35	92	7 mos.
Member (ID)	Deogracias N. Vistan	May 26, 2015	38	35	92	7 mos.

(b) Executive Committee (formerly Board Credit Committee)

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Florido P. Casuela	May 26, 2015	30	28	93	7 mos.
Member (NED)	Leonilo G. Coronel	May 26, 2015	30	29	97	7 mos.
Member (ED)	Reynaldo A. Maclang	May 26, 2015	30	27	90	7 mos.
Member (NED)	Harry C. Tan	May 26, 2015	30	22	73	7 mos.
Member (NED)	Lucio C. Tan	June 26, 2015	25	5	20	6 mos.
Member (NED)	Lucio K. Tan, Jr.	May 26, 2015	30	11	37	7 mos.
Member (NED)	Michael G. Tan	May 26, 2015	30	20	67	7 mos.

(c) Board Audit and Compliance Committee (BACC)

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Deogracias N. Vistan	May 26, 2015	9	8	87	7 mos.
Member (ID)	Felix Enrico R. Alfiler	May 26, 2015	9	6	67	7 mos.
Member (NED)	Florido P. Casuela	May 26, 2015	9	9	100	7 mos.
Member (NED)	Christopher J. Nelson	May 26, 2015	9	9	100	7 mos.
Member (NED)	Harry C. Tan	May 26, 2015	9	1	11	7 mos.

The BACC shall be composed of at least three (3) Board of Directors, two (2) of whom shall be independent directors, including the Chairman, preferably with accounting, auditing or related financial management expertise or experience. The members of the BACC and the Committee Chair shall be appointed by the Board.

Disclose the profile and qualification of the Audit Committee members.

DEOGRACIAS N. VISTAN, 71, Filipino, was elected as an Independent Director of the Bank on August 1, 2011. He obtained his Bachelor of Arts and Bachelor of Science degrees in Business Administration from the De La Salle University and earned his Masters in Business Administration from Wharton Graduate School. Mr. Vistan's extensive banking experience includes being Chairman of United Coconut Planters Bank (2003-2004), Vice Chairman of Metropolitan Bank and Trust Company (2000-2001), and President of Equitable-PCI Bank (2001-2002), Solidbank Corporation (1992-2000) and Land Bank of the Philippines (1986-1992). He also served as President of FNCB Finance (1979-1980). Mr. Vistan held various management positions in Citibank Manila, Cebu and New York (1968-1986). He is a former Presidential Consultant on Housing (2002-2003) and President of the Bankers Association of the Philippines (1997-1999). He is the Chairman and an Independent Director of PNB International Investments Corporation and an Independent Director of PNB Capital and Investment Corporation. He is also the Chairman of V & A Foods Corporation and Pinoy Micro Enterprise Foundation and a Director of Lorenzo Shipping Corporation and U-Bix Corporation. He is currently a member of the Board of Trustees of the Ramon Magsaysay Award Foundation and Landbank Countryside Development Foundation, Inc. and an Advisor of Mitsubishi Motors Philippines Corp.

FELIX ENRICO R. ALFILER, 66, Filipino, was elected as Vice Chairman/Independent Director of the Bank effective on January 1, 2012. He completed his undergraduate and graduate studies in Statistics at the University of the Philippines in 1973 and 1976, respectively. He undertook various continuing education programs, including financial analysis and policy, at the IMF Institute of Washington, D.C. in 1981 and on the restructured electricity industry of the UK in London in 1996. He has published articles relating to, among others, the globalization of the Philippine financial market, policy responses to surges in capital inflows and the Philippine debt crisis of 1985. He is currently the Chairman/Independent Director of PNB RCI Holdings Co., Ltd. and an Independent Director of PNB-IBJL Leasing and Finance Corporation, PNB Savings Bank and PNB International Investments Corp. He previously held various distinguished positions, namely: Philippine Representative to the World Bank Group Executive Board in Washington, D.C., Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization, Director of the Bangko Sentral ng Pilipinas, Assistant to the Governor of the Central Bank of the Philippines, Advisor to the Executive Director at the International Monetary Fund, Associate Director at the Central Bank and Head of the Technical Group of the CB Open Market Committee. Mr. Alfiler was also the Monetary Policy Expert in the Economics Subcommittee 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. In the private sector, Mr. Alfiler was an Advisor at Lazaro Tiu and Associates, Inc., President of Pilgrims (Asia Pacific) Advisors, Ltd., President of the Cement Manufacturers Association of the Philippines (CeMAP), Board Member of the Federation of Philippine Industries (FPI), and Vice President of the Philippine Product Safety and Quality Foundation, Inc. and Convenor for Fair Trade Alliance.

FLORIDO P. CASUELA, 74, Filipino, has been serving as a Director of the Bank since May 30, 2006. A Certified Public Accountant, he obtained his degree in Bachelor of Science in Business Administration, Major in Accounting, and his Masters in Business Administration from the University of the Philippines. He took the Advanced Management Program for Overseas Bankers conducted by the Philadelphia National Bank in conjunction with the Wharton School of the University of Pennsylvania. Mr. Casuela was one of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration. He is currently the Chairman of PNB Securities, Inc. He is also a Director of PNB Savings Bank, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., PNB Life Insurance, Inc., and Surigao Micro Credit Corporation. He is a Senior Consultant of the Bank of Makati, Inc. and a Director of Sagittarius Mines, Inc. as well as its subsidiaries, namely: Hillcrest, Inc., where he is also the President, and Pacificrim Land Realty Corporation, where he is the Chairman. He is a Trustee of the LBP Countryside Development Foundation, Inc. He was formerly the President of Maybank Philippines, Inc., Land Bank of the

Philippines, and Surigao Micro Credit Corporation. He was also a Senior Executive Vice President of United Overseas Bank (Westmont Bank), Executive Vice President of PDCP (First Bank), Senior Vice President of Philippine National Bank, First Vice President of Bank of Commerce and Vice President of Metropolitan Bank & Trust Co. Mr. Casuela worked as a Special Assistant to the Chairman of the National Power Corporation and an Audit Staff of Joaquin Cunanan, CPAs. He also held various positions and was a Senior Adviser in the Bangko Sentral ng Pilipinas.

CHRISTOPHER J. NELSON, 56, British, was appointed as a Director of the Bank on May 26, 2015. He holds Bachelor of Arts and Masters of Arts degrees in History from Emmanuel College, Cambridge University, U.K., and a Diploma in Marketing from the Institute of Marketing, Cranfield, U.K. He is currently a Director of PNB Holdings Corporation. Prior to joining the Bank, he was President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years. He has an extensive 31 years of experience in the tobacco business, 25 years of which were with Philip Morris International, holding various management positions including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa. Mr. Nelson is actively involved in various business and non-profit organizations that work for the social and economic upliftment of communities. He is the Chairman of Lux Et Sal Corporation and a Director of the Philippine Band of Mercy, the Federation of Philippine Industries, and Bellagio 3 Condominium Association, Inc. He is a member of the Board of Trustees of the American Chamber Foundation Philippines, Inc., and British Chamber of Commerce of the Philippines, where he is also the Chairman. He was also a former Trustee of Tan Yan Kee Foundation and Director of the American Chamber of Commerce of the Philippines, Inc. Mr. Nelson is a member of the Society of Fellows of the Institute of Corporate Directors.

HARRY C. TAN, 69, Filipino, was appointed as a Director of the Bank on February 9, 2013 after serving as a Director of ABC since November 1999. He holds a Bachelor of Science degree in Chemical Engineering from Mapua Institute of Technology. Mr. Tan is currently the Chairman of Bulawan Mining Corporation and PNB Global Remittance and Financial Company (HK) Limited and a Director of PNB Management Development Corporation and PNB Savings Bank. He is the President of Landcom Realty Corporation and Century Park Hotel, and the Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City Inc. He is also the Managing Director/Vice Chairman of The Charter House Inc. and is a member of the Board of Directors of various private firms which include Asia Brewery, Inc., Dominion Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Basic Holdings Corporation, Asian Alcohol Corporation, Pan Asia Securities Inc., Tanduary Distillers, Inc., Manufacturing Services and Trade Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Absolut Distillers, Inc., MacroAsia Corporation, Tanduary Brands International Inc., Alliedbankers Insurance Corp., Allied Banking Corporation (Hong Kong) Limited, Phillip Morris Fortune Tobacco Corporation, Inc., and LT Group, Inc. He is also the Chairman for the Tobacco Board of Fortune Tobacco International Corporation.

Describe the Audit Committee's responsibility relative to the external auditor.

The Committee shall have the sole authority to select, evaluate, appoint, and replace the External Auditors subject to stockholder ratification. It shall recommend to the Board of Directors to grant the President the 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 of the BACC members. Provide oversight of the Bank's External Auditor. Discuss with the External Auditor before the audit commences the nature, scope of the audit. Responsible for the selection process and endorsement of the External Auditor to the Board for approval. Receive and review the reports of external auditor and ensure that Management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies. Evaluate and determine the non-audit work of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their total annual income and to the Bank's overall consultancy expenses.

(d) Corporate Governance Committee*

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Felix Enrico R. Alfiler	May 26, 2015	8	8	100	7 mos.
Member (ED)	Reynaldo A. Maclang	May 26, 2015	8	8	100	7 mos.
Member (NED)	Christopher J. Nelson	May 26, 2015	8	8	100	7 mos.
Member (NED)	Lucio K. Tan, Jr.	May 26, 2015	8	1	13	7 mos.
Member (NED)	Michael G. Tan	May 26, 2015	8	4	50	7 mos.
Member (ID)	Florencia G. Tarriela	May 26, 2015	8	8	100	7 mos.
Member (ID)	Deogracias N. Vistan	May 26, 2015	8	8	100	7 mos.

* The Corporate Governance Committee acted as the Bank's Nomination and Remuneration

(e) Risk Oversight Committee

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Florencia G. Tarriela*	May 26, 2015	6	6	100	7 mos.
Member (NED)	Leonilo G. Coronel	May 26, 2015	6	6	100	7 mos.
Member (NED)	Christopher J. Nelson	May 26, 2015	6	6	100	7 mos.
Member (NED)	Harry C. Tan	May 26, 2015	6	2	33	7 mos.
Member (ID)	Florido P. Casuela	May 26, 2015	6	6	100	7 mos.

* Ms. Florencia G. Tarriela was appointed as Chairman of the ROC on January 29, 2016.

(f) Trust Committee

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Leonilo G. Coronel	May 26, 2015	4	4	100	7 mos.
Member (ID)	Federico C. Pascual	May 26, 2015	4	4	100	7 mos.
Member (ID)	Cecilio K. Pedro	May 26, 2015	4	1	25	7 mos.
Ex-Officio Member	Reynaldo A. Maclang	May 26, 2015	4	4	100	7 mos.
Ex-Officio Member	Roberto S. Vergara	May 26, 2015	4	4	100	7 mos.

(g) Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries

Office	Name	Date of Last Appointment	No. of Meetings Held*	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Deogracias N. Vistan	May 26, 2015	7	7	100	7 mos.
Member (ID)	Felix Enrico R. Alfiler	May 26, 2015	7	5	71	7 mos.
Member (NED)	Leonilo G. Coronel	May 26, 2015	7	7	100	7 mos.
Member (NED)	Christopher J. Nelson	May 26, 2015	7	7	100	7 mos.
Member (ID)	Federico C. Pascual	May 26, 2015	7	7	100	7 mos.
Member (ID)	Cecilio K. Pedro	May 26, 2015	7	2	28	7 mos.
Member (ID)	Florencia G. Tarriela	June 26, 2015	6	6	100	6 mos.

(*) Domestic Subsidiaries

Office	Name	Date of Last Appointment	No. of Meetings Held*	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Deogracias N. Vistan	May 26, 2015	8	7	86	7 mos.
Member (ID)	Felix Enrico R. Alfiler	May 26, 2015	8	6	75	7 mos.
Member (NED)	Leonilo G. Coronel	May 26, 2015	8	7	86	7 mos.
Member (NED)	Christopher J. Nelson	May 26, 2015	8	8	100	7 mos.
Member (ID)	Federico C. Pascual	May 26, 2015	8	8	100	7 mos.
Member (ID)	Cecilio K. Pedro	May 26, 2015	8	2	25	7 mos.
Member (ID)	Florencia G. Tarriela	June 26, 2015	6	6	100	6 mos.

(*) Overseas Subsidiaries

(h) Board Oversight RPT Committee

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Federico C. Pascual	May 26, 2015	13	13	100	7 mos.
Member (ID)	Felix Enrico R. Alfiler	May 26, 2015	13	13	100	7 mos.
Member (ID)	Deogracias N. Vistan	May 26, 2015	13	12	92	7 mos.
Non-voting Member	Alice Z. Cordero	May 26, 2015	13	12	92	7 mos.
Non-voting Member	Dioscoro Teodorico L. Lim	May 26, 2015	13	13	100	7 mos.

(i) Board IT Governance Committee

Office	Name	Date of Last Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Leonilo G. Coronel	May 26, 2015	7	7	100	7 mos.
Member (NED)	Florido P. Casuela	May 26, 2015	7	7	100	7 mos.
Member (NED)	Christopher J. Nelson	May 26, 2015	7	7	100	7 mos.
Member (NED)	Lucio K. Tan, Jr.	May 26, 2015	7	2	29	7 mos.
Member (NED)	Michael G. Tan	May 26, 2015	7	3	43	7 mos.

3) Changes in Committee Members (updated - 2015)

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
1. Board Credit and Policy Committee	Florido P. Casuela	Appointed as regular member
	Christopher J. Nelson	Appointed as new members
	Federico C. Pascual	
	Lucio K. Tan, Jr.	Appointed to another committee
2. Executive Committee (formerly Board Credit Committee)	Lucio K. Tan, Jr.	Appointed as new member
	Lucio C. Tan	Appointed as new member
	Federico C. Pascual	Appointed to another committee
	Joseph T. Chua	Expiration of term
3. Board Audit and Compliance Committee	Christopher J. Nelson	Appointed as new member
	Federico C. Pascual	Appointed to another committee
4. Corporate Governance/ Nomination/ Remuneration Committee	Christopher J. Nelson	Appointed as new member
	Federico C. Pascual	Appointed to another committee
5. Risk Oversight Committee	Christopher J. Nelson	Appointed as new member
	Joseph T. Chua	Expiration of term
6. Trust Committee	Roberto S. Vergara	Appointed as ex-officio member replacing Ms. Josephine E. Jolejole
7. Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	Christopher J. Nelson	Appointed as new members
	Cecilio K. Pedro	
	Florencia G. Tarriela	Appointed as new member
8. Board IT Governance Committee	Joseph T. Chua	Expiration of term
	Christopher J. Nelson	Appointed as new members
	Lucio K. Tan, Jr.	
	Michael G. Tan	
	Florencia G. Tarriela	Appointed to another committee
	Cecilio K. Pedro	
Joseph T. Chua	Expiration of term	

4) Work Done and Issues Addressed (updated – 2015)

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Board Credit and Policy Committee (Board CPC)	<ol style="list-style-type: none"> 1. Reviewed, evaluated, approved and/or endorsed for Board approval policies and procedures, manuals for Bank products, and services to be offered to the Bank's domestic and overseas markets. 2. Reviewed, evaluated, approved and/or endorsed for Board approval credit lines, loans and other facilities. 3. Evaluated, approved and endorsed for Board approval such investments in bonds, share of stock or other financial assets. 4. Evaluated, approved and endorsed for Board approval any borrowing, issuance of capital market instruments and bonds, capital allocation and necessary equity raising exercise. 5. Evaluated and endorsed approval of the annual strategic forecasts, plans and budget of each business group. 6. Conducted periodic reviews of financial reports. 7. Endorsed for Board notation all credit transactions approved by the Board CPC. 	<ol style="list-style-type: none"> 1. To facilitate the approval process, expedite the turn-around time and be more competitive 2. Exposures to conglomerate accounts 3. Long-term exposure of the Bank 4. Key result areas of each group of the Bank specifically on its projects, plans and strategies 5. Identification of strength, weaknesses, opportunities and threats to the various business of the banks 6. Identification of opportunities in target industries 7. Remedial accounts and ROPA

	8. Notation of the result of examination of the Bangko Sentral ng Pilipinas	
Executive Committee (formerly Board Credit Committee)	<ol style="list-style-type: none"> 1. Endorsed and/or approved loan recommendations of not more than ₱1.0 Billion from Corporate Banking Group, Commercial Banking Group, Retail Banking Group and Consumer Banking Group. 2. Approved the restructuring, payment plan, extension, compromise/full- settlement or write-off of past due problematic and remedial accounts wherein the amount involved is not more than ₱500M. 3. Approved proposals for the lease, sale, disposal and any matter pertaining to ROPA with a value of not more than ₱500M. 4. Endorsed approval the establishment, relocation/ transfer, renaming, renovation or closure of domestic and overseas branches/offices including the approval of the needed budget. 5. Approved disbursements/ budget appropriation for various projects, promotional campaign and events of the Bank not exceeding ₱500M. 6. Approved the purchase of real and personal property or disposal of assets with a value of not more than ₱500M. 7. Endorsed for Board notation all credit transactions approved by the Excom. 	<ol style="list-style-type: none"> 1. Credit worthiness of the borrower 2. Growth of portfolio 3. Monitoring of the consumer banking portfolio and account officer/ relationship manager workload
Board Audit and Compliance Committee	<ol style="list-style-type: none"> 1. 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 2. Assessed the independence and effectiveness of the external auditors, tax preparers and consulting companies, and endorsed them to the Board of Directors 3. 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 4. Reviewed and approved the annual plans and programs for the Internal Audit Group and Global Compliance Group for 2015 5. Reviewed the results of audits and recommendations of the external auditors and their assessment of the overall quality of the Company's financial reporting process 6. Reviewed the performance of the Internal Audit Group and Global Compliance Group 7. Reviewed the 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 8. Approved enhancements in the Committee Charter 9. Approved amendments in the Internal Audit Group Manual 10. Reviewed significant revisions/updates in the Compliance Programs of PNB Parent Bank, its Subsidiaries and Affiliates including foreign branches 	<ol style="list-style-type: none"> 1. Compliance with accounting and reporting standards 2. Effectiveness of external auditors plans and that there is adequate coverage of their examination 3. Effectiveness of external auditors plans in relation to their respective mandates. 4. Resolution of audit observations and monitored the actions taken by Management to rectify outstanding issues 5. Adequate coverage of examination of business and operating units of the Bank and subsidiaries. Compliance with regulatory requirements. 6. Discussed all audit and compliance reports during the regular and special meetings. All open issues were tracked and documented in the minutes of meeting of the BACC until closure. 7. Adopted leading good governance practices. 8. Alignment of the IAG Manual with regulations and best practices. 9. Compliance with regulatory requirements.

<p>Corporate Governance/ Nomination/Remuneration Committee</p>	<ol style="list-style-type: none"> 1. Pre-screened, shortlisted and endorsed approval of the nomination of candidates to become a member of the Board of Directors 2. Reviewed and endorsed approval of new and/or amended policies relating to personnel of the Bank 3. Approved, noted, and/or endorsed approval of the hiring, resignation, promotion, extension of service, renewal of management contract, transfer, designation, appointment, secondment of Bank personnel 4. Endorsed approval of Directors and Officers (D & O) Liability Insurance Policy 5. Approved the creation and nomination of the members of the Corporate Social Responsibility (CSR) Committee 6. Reviewed and endorsed for approval the various table of organizations (TO) of the different groups of the Bank 7. Endorsed for approval the creation of Anti-Cyber Fraud Department 8. Approval of the salary structure of the grant of salary adjustment to rank and file employees 	<ol style="list-style-type: none"> 1. Review and evaluation of the qualifications of the nominees 2. Harmonization of policies and compliance with labor law 3. Review and evaluation of the qualifications of personnel 4. Consolidation of policy with higher insurance coverage but with a lower annual premium cost 5. To handle all matters related to CSR projects 6. To enable the group make decisions more efficiently, adapt to changes within the Bank and the industry and be more competitive 7. To have a dedicated team that will implement anti-cyber crime policies and enforcement, mitigate the various risk exposures to the customers, Bank employees and the PNB Group, as an institution 8. To be competitive and to retain good people
<p>Risk Oversight Committee</p>	<ol style="list-style-type: none"> 1. Endorsed/approved the following policies, limits, guidelines and manuals to address the material risks of the Bank: <ul style="list-style-type: none"> - Revised Credit Risk Management Manual - Annual Credit Review of the Loan Portfolio - Revised Off-Market Rates Tolerance Threshold (Result of Annual Review) - Proposed Revision in the Credit Risk Factors for FX Forwards - 2015 Annual Review of Treasury Value-at-Risk and Stop Loss Limits - 2015 Revised Liquidity Risk Management Manual - 2015 Annual Review of Maximum Cumulative Outflow (MCO) Limits - 2015 Revised Liquidity Contingency Plan (LCP) Manual - Proposed Revision in the Credit Risk Factors for Fixed Income Debt Securities - 2015 Revised Market Risk Management Manual - 2015 Maximum Cumulative Outflow (MCO) Limit - 2015 Earnings at Risk Limit - 2015 Revised Interest Rate Risk in the Banking Book Management Manual - Discussion on Interest Rate Risk Tool-Economic Value of Equity (EVE) - Liquidity Contingency Plan (LCP) as of September 30, 2015 and impact to the Maximum Cumulative Outflow - Merged Business continuity Plan (BCP) Manual of PNB Makati and 	<p>The ROC had provided directives and resolutions on a number of issues that raise risks on the Bank's credit profile, market positions, liquidity risk and interest rate risks, information security, business continuity, and overall operations as enumerated below:</p> <ul style="list-style-type: none"> - Closer monitoring of the Fixed income transactions of the Treasury marketing Group by presenting the fixed income deals of the Treasury marketing Group on a monthly basis. This is to send signals the ROC's tightening of the oversight function. - Reverse stress testing of the liquidity contingency plan to point out the maximum percentage of withdrawals which the Bank is vulnerable and the action to be taken to address the withdrawals. - Briefing on the new risk tool "Economic Value" of Equity which is a complementary tool in the oversight of the interest rate risk in the Banking Book. - Discussion and monitoring of the Bank's other material risks such as Litigation Risks and Customer Complaints Statistics - BCP updates and root causes of issues for unsuccessful units - Prevalence of cyber risks such as ATM Skimming, Credit Card frauds, hacking, phishing were noted both by the Bank and industry. Business units are made aware of these risks and are educated on how to battle them. Risks are maintained on a reasonable level and impacts of actual incidents are mitigated. - For operational loss incidents, recommendations were provided and actions taken by the business units were monitored - Discussion and monitoring of the Bank's

	<p>Pasay, and updated BCP Manuals of Overseas Branches/Offices, such as Singapore, Hong Kong and Guam</p> <ul style="list-style-type: none"> - Unified RCSA methodologies and templates, being a major tool for ICAAP and Operational purposes, resulting in a single RCSA for the Bank and its subsidiaries. Major changes also include migration from five-rating scale into just four, and the improvement of the assessment criteria. <ol style="list-style-type: none"> 2. Conducted Stress Testing on Large Individual, Conglomerate and Industry Exposures. 3. Conducted Rapid Loan Portfolio Review on the Effect of the Yuan Devaluation and Typhoon Lando, Effect of Decreasing Oil Price to PAL and Petron 4. Reviewed the Property Valuation and Appraisal Report Enhancement. 5. Monitored Intra-group accounts, connected counterparties and economic interdependent accounts 6. Model Validation of the Internal Credit Risk Rating 7. Gap Analysis on the BSP Circular 855 requirements – Guidelines on the Sound Credit Risk Management <p>Notation of minutes of the meeting and highlights of operations of the Bank's subsidiaries. Resource speakers from them were also invited to discuss important issues.</p>	<p>other material risks such as Litigation risks and Customer Complaints statistics</p>
Trust Committee	<ol style="list-style-type: none"> 1. Review and approval of various investments for both directional and discretionary accounts. 2. Acceptance and closing of various trust and other fiduciary accounts. 3. Approval of the rationalized UITF product plate; termination of PNB Plus and AUP Dollar Fund. 4. Approval on the amendments to the Declaration of Trust of various UITF to make the features of the products competitive and superior against its competitors. 5. Approval on the acquisition on new Trust System to replace existing system for operational efficiency and competitive advantage. 6. Approval on counterparty limits and equity accreditations. 7. Review and approval of transactions by and between trust accounts to fund the withdrawal of clients and realign the portfolio in accordance with the funds' strategy/guidelines. 	
Board ICAAP Steering Committee	<ol style="list-style-type: none"> 1. Oversight on the review and approval of the Bank's capital planning and risk assessment policies 2. Overall assessment and active oversight on the implementation of the Bank's Board-approved ICAAP 	<p>Provides suggestions and resolutions relative to the BSP Observations and Recommendations on the ICAAP Document</p>

Board Oversight Committee – Domestic & Foreign Offices/ Subsidiaries	As an oversight committee, monitor the performance of domestic subsidiaries on a regular basis more particularly on the following: 1. Financial performance for the month vs. budget 2. Status on attainment of strategic objectives 3. Major issues on compliance, audit and risk management.	
Board Oversight RPT Committee (BORC)	Related party transactions were reviewed, deliberated, approved/ noted by BORC; endorsed to the Board for final approval; and documented in the Minutes per Board approved policies and procedures.	Complied with the SEC and BSP rules and regulations on RPT.
Board IT Governance Committee	1. Review and endorsed for Board approval IT policy guidelines and implementing procedures relative to IT functions, processes and systems and ensuring adherence to existing laws, rules and regulations, and global best practices. 2. Reviewed and informed the Board in a timely manner critical IT Projects and endorsed approval of necessary IT budgets to support business plans and priorities; 3. Monitored the IT Group performance, IT projects and in-sourcing and out-sourcing activities of IT functions and services provided to related entities; 4. Reviewed and monitored significant IT concerns and corrective actions arising from regulatory examinations, internal audits and external reviews.	

5) Committee Program (updated – 2015)

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues Addressed
Board Credit and Policy Committee	Quarterly management profitability reporting Reports on various industries Review of imposed penalty for non-payment	Regular assessment of the Bank's performance. Continued search for opportunities in the target industries of the Bank for deeper penetration and identification of risk To avoid filing of legal actions by the borrower against the Bank or vice versa
Executive Committee (formerly Board Credit Committee)	Semi-annual review of portfolio	Monitoring of the consumer banking portfolio and identification of strengths, weaknesses, threats and opportunities
Board Audit and Compliance Committee (BACC)	The BACC holds regular monthly meetings to review and approve Internal Audit and Compliance reports. Special meetings are held to discuss quarterly financial statements submitted to regulators.	Significant issues the BACC is confronted with.
Corporate Governance/ Nomination/Remuneration Committee	Corporate Governance Seminar Institute of Corporate Directors (ICD) Programs	All board members and key senior officers , especially those who are new and have not yet attended the Corporate Governance Seminar, are enjoined to attend the seminars/ trainings at least once a year, in compliance with BSP requirement and SEC Memorandum Circular No. 20, Series of 2013. There are three (3) PNB board members and one (1) board advisor who are ICD Fellows. The other board members are encouraged to attend the ICD Programs and other corporate governance trainings and programs to strengthen the Bank's corporate governance.

Risk Oversight Committee	Coordinates preparation of the annual ICAAP program submitted to Bangko Sentral ng Pilipinas. Completion of Enterprise Information Security Policy. Endorses annual renewal of Risk Management Manuals, Policies on Procedures to further strengthen risk management practices of the Bank enterprise wide. Harmonized risk management policy guidelines for critical risk management reports under the Merged Bank.	
Trust Committee	Push of the Wealth Management Program of Trust Banking Group through Estate Planning targeting the retirees of the LT Group of Companies	
Board ICAAP Steering Committee	<p>Ensured that the PNB Group ICAAP Program involved active oversight on domestic and foreign subsidiaries.</p> <p>Focused on the seamless implementation of the Capital Contingency Plan to address new BSP regulations and align with recent Basel III developments.</p>	Implemented a well-defined Capital allocation for the subsidiaries aligned with Board approved Business Plans.
Board Oversight Committee – Domestic & Foreign Subsidiaries and Affiliates	<p>Expanded review & monitoring of monthly performance of oversea and domestic offices. Approved new strategic programs to further strengthen its operations to achieve long-term profitable operations via:</p> <ul style="list-style-type: none"> - New marketing programs, tools & strategies to sell PNB products & services supported by aggressive advertising. - Retention programs were approved to win back lost clients and deepen relationship with existing valued customers. - - New distribution channels for remittances through new technology i.e. web-based. 	Rolled-out revenue generating programs and effectively reduced overhead expenses to achieve desired rate of return.
Board Oversight RPT Committee	<p>Established a robust RPT framework to ensure proper monitoring of RPT dealings are approved by the Board through BORC per Board approved policy guidelines.</p> <p>Increased awareness of RPT policies and procedures and modified practices to align with new regulations.</p> <p>Conduct regular monthly meetings to review, approve and endorse RPT proposals to the Board for final approval.</p>	<p>Bank has fully adhered with the SEC/BSP/PSE regulations and enhanced practices to align with global best practices.</p> <p>Existing policies were modified and codified to provide clearer RPT guidelines.</p>

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the Bank: (updated – 2015)

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

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

Strong independent oversight has been established at all levels within the group. The Bank 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 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'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. There are ten (10) Board Committees as presented previously.

Board of Directors	Board Credit & Policy Committee
	Executive Committee
	Corporate Governance Committee
	Board Audit and Compliance Committee
	Risk Oversight Committee
	Board ICAAP Steering Committee
	Trust Committee
	Board Oversight Committee - Domestic and Overseas Subsidiaries and Branches
	Board Oversight Related Party Transaction Committee
	Board IT Governance Committee

Figure 1: Board Level Committees

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer (CRO) who reports directly to the Risk Oversight Committee. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group is independent from the business lines and organized into the following divisions: Credit Risk Division, BASEL and ICAAP Implementation Division, Market & ALM Division, Operational Risk Division, Information Security / Technology Risk Management, Trust and Fiduciary Risk Division and Business Intelligence & Warehouse Division.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the Business Units and presented to the Risk Oversight Committee for endorsement for final Board Approval.

- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof:

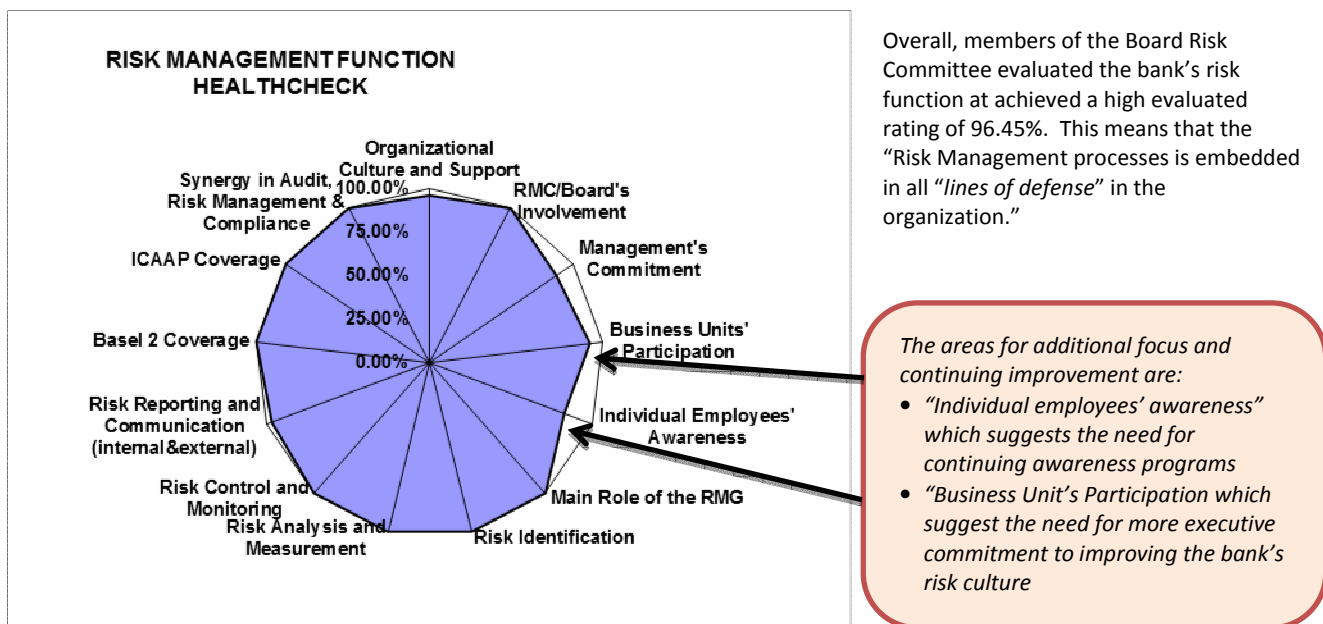


Figure 1: 2015 Overall Assessment of the Risk Management Function

Regular review and assessment of the Enterprise Risk Management Function is completed by both the senior management team (including 1-downs) and the Risk Oversight Committee members. The above evaluation refers to the review by the members of the Risk Oversight Committee.

(c) Period covered by the review;

One year.

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness?

Annually.

Summary of RM Function Evaluation - 2015		
	Score	Assessment
Organizational Culture and Support	96.00%	Effective RM process in place
RMC/Board's Involvement	100.0%	Very Effective RM process in place
Management's Commitment	88.13%	Effective RM process in place
Business Units' Participation	92.50%	Effective RM process in place
Individual Employees' Awareness	82.50%	Effective RM process in place
Main Role of the RMG	100.00%	Effective RM process in place
Risk Identification	100.00%	Very Effective RM process in place
Risk Analysis and Measurement	100.00%	Very Effective RM process in place
Risk Control and Monitoring	100.00%	Very Effective RM process in place
Risk Reporting & Communication (internal & external)	96.67%	Very Effective RM process in place
Basel 2 Coverage	100.00%	Very Effective RM process in place
ICAAP Coverage	100.00%	Very Effective RM process in place
Synergy in Audit, Risk Management & Compliance	100.00%	Very Effective RM process in place
Average Rating	96.45%	Very Effective RM process in place

Figure 2: Summary of RM Function Evaluation

(e) Where no review was conducted during the year, an explanation why not.

Not Applicable.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The following are the basic principles that the Bank must adhere to in conducting its business, with the objective of minimizing risks and optimizing return on capital:

- First, the Board of directors and its delegated committees have the responsibility of managing the Bank's overall strategies and objectives.
- Second, the Bank works on the basis that risk taking decisions should always be made by a committee consisting of at least three persons, and not by one person alone regardless of position.
- Third, the Bank has policies and procedures in place to guide line management in actually originating, approving and managing these risks.
- Fourth, the Board Risk Oversight Committee is designated by the PNB Board of Directors to assist the Board to oversee the risk profile and the development/maintenance of the risk management framework of PNB and its related allied subsidiaries and affiliates. It is

mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management.

- Final Approval of the Bank's overall risk framework is accomplished by the Board of Directors en banc.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Enterprise Risk Management (ERM) Framework	ERM Policy Document	To formalize the Bank's ERM Framework and to articulate the roles and responsibilities of the Board of Directors, management and employees, and relevant committees accordingly. It is intended that this framework will provide the overall guidance in the Risk Management functions of <u>identification, measurement, analysis, monitoring and control of risks</u> .
Market Risk	Market Risk Management Manual	The Market Risk Manual covers subsidiaries and affiliate with market risk exposure. This include Value At Risk (VaR) Monitoring and setting of VaR Limits
Liquidity Risk	Liquidity Risk Management Manual	The Liquidity Risk Management Manual covers subsidiaries and affiliate with funding liquidity risk exposure. This would include monitoring of liquidity gaps and the setting of cumulative liquidity gap limit up to one year.
Interest Rate Risk	Interest Rate Risk in the Banking Book	The Interest Rate Risk Management Manual covers subsidiaries and affiliate with exposure in net interest income arising from mismatch of repriceable assets and repriceable liabilities. This would include the monitoring of repricing gap and the setting of the Earnings at Risk Limit for the repricing gap per tenor bucket.
Market Risk Price Risk in the Trading Portfolio	<p>The Bank's trading positions are sensitive to changes in the market prices and rates. PNB is subject to trading market risk in its position taking activities for the fixed income, foreign exchange and equities markets.</p> <p>The Bank also employs the stop loss monitoring tool to monitor the exposure in the price risks. Stop loss limits are set up to prevent actual losses resulting from mark to market. To complement the VAR measure, the Bank performs stress testing and scenario analysis wherein the trading portfolios are valued under several market scenarios.</p>	<p>To calculate the risks in the trading portfolio, the Bank employs the Value at Risk (VAR) methodology with 99% confidence level and one holding period (equities and FX VAR) to ten day holding period for fixed income VAR.</p> <p>VAR limits have been established annually and exposures against the VAR limits are monitored on a daily basis. The VAR figures are back tested against actual (interest rates) and hypothetical profit and loss (FX and Equities) to validate the robustness of the VAR mode.</p>
Structural Market Risk	Structural interest rate risk arises from mismatches in the interest profile of the Bank's assets and liabilities. Limits have been set on the tolerable level of earnings at risk. Compliance to the limit is monitored regularly.	To monitor the structural interest rate risk, the Bank uses a re-pricing gap report wherein the repricing characteristics of its balance sheet positions are analyzed to come up with a repricing gap per tenor bucket. The total repricing gap covering the one-year period is multiplied by assumed change in interest rates based on observed volatility at 99% confidence level to obtain an approximation of the change in net interest earnings.
Liquidity and Funding Risk	The Bank seeks to manage its liquidity through active management of liabilities, regular analysis of the availability of liquid asset portfolio as well as regular testing of availability of money market lines and	The tools used for monitoring liquidity include gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of sufficiency of liquid assets over deposit liabilities and regular monitoring

	repurchase facilities aimed to address any unexpected liquidity situations.	of concentration risks in deposits by tracking accounts with large balances. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the Bank.
Credit Risk	All credit risk policies issued by the regulatory bodies (BSP, SEC, PDIC, BIR, etc.) automatically form part of the Bank's board-approved risk policies. These risk policies reflect the Bank's lending profile and focus on: a) the risk tolerance and/or risk appetite; b) the required return on asset that the Bank expects to achieve; c) the adequacy of capital for credit risk.	The Bank's credit risk weighted assets are continuously monitored to ensure that the exposures are kept within limits (both internal and external). Adherence to regulatory policies and requirements are also prioritized with a view to protecting Bank assets as well as servicing client's requirements
Operational Risk		
People Risk	HR Policies are defined to encompass all related personnel factors such as: hiring, training, compensation and benefits, performance management – to ensure the readiness of all bank personnel to perform the functions as designated.	a) Hiring: Continuous partnership between the HR Group and the lines of business and support units exist to ensure that the final accountability for hiring of personnel lies in the unit where each candidate is to be assigned. A thorough background check on each candidate is also accomplished to ensure this conforms with the bank's level of standards b) Training: each personnel is required to attend a specified number of hours on training (both internal and external. Training Workshops may also be conducted within the specific lines of business as the executive in charge sees fit. Specialized training is also given due focus where needed. c) Compensation & Benefits (C&B): A regular review of the Bank's overall C&B policies is accomplished with the assistance of 3 rd party subject matter experts to ensure that the Bank's benefits program is in line with the Board approved policies. d) Performance Management: A uniform standard of performance appraisal is applied to all personnel of the Bank based on an annual review of each employee's objectives. These objectives are reviewed by the seniors in charge to ensure that these are in line with the Bank's overall strategic and revenue and expense objectives. Annual evaluation and the implementation of balanced scorecards are used to ensure that ill-fitted personnel are either re-trained, re-tooled and re-skilled to equip them better.
Process Risk	Operational Policies and Procedures follow a formal process of approval via the Operations Committee. The OPCOM is a management level committee to ensure that most processes are designed with audited fail-safes and checking procedures.	The overall foundation of the formalized operational policies and procedures stems from a strict separation of functions by the revenue generating side and the implementation and systems side of the Bank. The Internal Audit Group, as well as the various officers tasked with the review function, regularly monitors the implementation of these documented policies and procedures.
Business Strategy Risk	Annual Strategic Planning Exercise is accomplished to document the bank's objectives for a minimum of 3 years. A quarterly review of the bank's profitability is accomplished accordingly	Strategic Risk can arise when the direction/strategy of the bank can lead to non-achievement of business targets. This results in a new focus of a business sector without consolidating this with the bank's overall business plan and strategy. At PNB, strategic risk is managed through each business sector performing "actuals vs targets"

		sessions with and report to the Board of Directors through regular Management Profitability Reporting Sessions. In addition, the coordination between business sectors are done through regular meetings by the Senior Management Team to ensure that overall business targets are continually revisited.
Business Environment Risk	Product Management Framework New Product Roll outs go through a rigorous process where elements such as: competition, regulations, legal, client acceptability, profitability – are taken into account.	Product Management Business Framework where old and new products alike are monitored by assigned product managers who are fully involved and engaged in coordinating with the various business sector heads in achieving the bank’s business plan. Further, a Product Committee composed of senior managers has been convened and meets regularly to ensure that business environment is closely monitored as to competition; delivery channels and over all service levels are kept at acceptable levels.
Information Technology Risk	Information Technology Strategic Plan is formulated in line with the overall bank’s business plan. This is formalized via the approval channel – Board IT Governance Committee and Board of Directors. Enterprise Project Management (EPMF) Framework for technology driven Projects where both the business, technology and support groups are involved	The Bank has institutionalized and implemented the board-level IT Governance Committee which is composed of members of the senior management team, who discuss the monthly ITG. Further, the Bank has formalized the Project Implementation Process (through the EPMF for defined systems implementation to include among others the creation of a PROJECT STEERING COMMITTEE to oversee the project’s progress and to ensure that the project’s objectives are achieved.
Information Security Risk	Enterprise Information Security Policies, the cornerstone of the Bank’s information security management system, is a component of an effective Corporate Governance. This communicates Management’s directives and support for PNB’s information security programs and strategies. The high level security policies stated herein are based on International Organization for Standardization (ISO) 27000 series of internationally-accepted information security and risk management standards, related laws and regulations.	Adoption of globally accepted ISMS (Information Security Management System – in compliance with BSP Circulars and ISO mandated functions) – is continuously reviewed and revised as necessary to ensure that the bank’s information assets are duly protected and that the risk of theft, leakage and fraud are minimized, and/or eliminated.
Business Continuity Risk	Business Continuity Program – administered throughout the organization where each business unit formulates individual BCP.	a) Call Tree Program (a component of the BCP) is administered throughout organization to ensure that each personnel stays connected when an emergency situation arises from natural and man-made disasters b) Business Impact Analysis – is accomplished on a regular basis to provide a central forum of prioritizing services whenever an emergency situation arises c) BCP Technical Tests are done on an annual basis to determine readiness of the bank’s applications and system for continued delivery of prioritized services

Note: The Bank applies the same risk management policy for both the Bank and its subsidiaries and affiliates as a Group.

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders’ voting power.

Risk to Minority Shareholders
Stockholders holding or representing at least two thirds (2/3) of the outstanding capital stock of the corporation may control the vote for matters such as the amendment of articles of incorporation, removal of directors, shorten or extend corporate term, increase or decrease capital, sale or other disposition of assets, invest corporate funds in another corporation or business or for any other purpose, declaration of dividends, merger or consolidation, voluntary dissolution, etc.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

The Enterprise Risk Management Function (ERM) in the Bank is managed through the continuous review, evaluation and agreement between the Board of Directors and management. The Board of Directors, through its various designated committees, provides policy directions, reviews performance and ensures that safe and sound management practices are always adhered to in all of the Bank's engagement and transactions.

For ERM, three (3) committees are tasked to oversee the Bank's risk management processes. These are embedded in the charters of (1) Risk Oversight Committee; (2) Board Audit and Compliance Committee; and (3) Corporate Governance Committee.

The ERM Framework is applied to both the Bank and its subsidiaries and affiliates both domestic and overseas. RMG provides the backbone to the Risk Overseers assigned in each of the business units to ensure that the risk management tools are uniformly adopted and executed.

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Market Risk		
Price Risk in the Trading Portfolio	The Bank's trading positions are sensitive to changes in the market prices and rates. PNB is subject to trading market risk in its position taking activities for the fixed income, foreign exchange and equities markets. The Bank also employs the stop loss monitoring tool to monitor the exposure in the price risks. Stop loss limits are set up to prevent actual losses resulting from mark to market. To complement the VAR measure, the Bank performs stress testing and scenario analysis wherein the trading portfolios are valued under several market scenarios.	To calculate the risks in the trading portfolio, the Bank employs the Value at Risk (VAR) methodology with 99% confidence level and one-day holding period (equities and FX VAR) to ten-day holding period for fixed income VAR. VAR limits have been established annually and exposures against the VAR limits are monitored on a daily basis. The VAR figures are back tested against actual (interest rates) and hypothetical profit and loss (FX and Equities) to validate the robustness of the VAR model.
Structural Market Risk	Structural interest rate risk arises from mismatches in the interest profile of the Bank's assets and liabilities. Limits have been set on the tolerable level of earnings at risk. Compliance to the limit is monitored regularly.	To monitor the structural interest rate risk, the Bank uses a re-pricing gap report wherein the repricing characteristics of its balance sheet positions are analyzed to come up with a repricing gap per tenor bucket. The total repricing gap covering the one-year period is multiplied by assumed change in interest rates based on observed volatility at 99% confidence level to obtain an approximation of the change in net interest earnings.
Liquidity and Funding Risk	The Bank seeks to manage its liquidity through active management of liabilities, regular analysis of the availability of liquid asset portfolio as well as regular testing of availability of money market lines and repurchase facilities aimed to address any unexpected liquidity situations.	The tools used for monitoring liquidity include gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of sufficiency of liquid assets over deposit liabilities and regular monitoring of concentration risks in deposits by tracking accounts with large balances. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the Bank.
Credit Risk	All credit risk policies issued by the regulatory bodies (BSP, SEC, PDIC, BIR, etc.) automatically form part of the Bank's board-approved risk policies. These risk policies reflect the Bank's lending profile and focus on:	The following credit risk management tools are in place: a) Credit Limit Structure: The Bank adopts a credit limit structure

	<p>a) the risk tolerance and/or risk appetite;</p> <p>b) the required return on asset that the Bank expects to achieve;</p> <p>c) the adequacy of capital for credit risk;</p>	<p>(regulatory and internal limits) as quantitative measure of the risk tolerance duly approved by the Board. Breaches in limits are monitored via the monthly credit dashboard reported at the Risk Oversight Committee.</p> <p>b) Stringent Credit Evaluation Repayment capacity of prospective borrowers are evaluated using an effective internal risk rating model for corporate and MSME accounts and appropriate credit scoring program for consumers loans. These models are validated to determine its predictive ability.</p> <p>c) Reporting System Effective Management Information System (MIS) are in place and, at a minimum, has the capacity to capture accurate credit risk exposure/position of the Bank real time. A monthly credit dashboard is used as the reporting tool for appropriate and timely risk management process.</p> <p>d) Remedial Management System Work-out system for managing problem credits are in place. Among others, these are renewals, extension of payment, restructuring, take-out of loans by other banks; and regular review of the sufficiency of valuation reserves.</p> <p>e) Event-Driven Stress Testing Techniques are conducted to determine the payment capacity of affected borrowers' accounts. A Rapid Portfolio Review program is in place to quickly identify possible problem credits on account of evolving events both domestic and global. Results of the stress testing shows minimum impact and have no material effect to Bank's NPL ratio and CAR.</p>
Operational Risk		
People Risk	<p>a) In PNB operational losses may be attributed to human error which can be brought about by inadequate training and management.</p> <p>b) Further, there is the risk of "non-fit" personnel being "forced" to occupy positions that they are not qualified for.</p>	<p>a) This issue is being addressed through formal (continuously conducting trainings) or informal (monthly meetings and discussing issues at hand) means. These trainings also address the issue of relying on key performers instead of cross training each team member.</p> <p>b) Annual evaluation and the implementation of balanced scorecards are used to ensure that ill-fitted personnel are either re-trained, re-tooled and re-skilled to equip them better.</p>
Process Risk	<p>Most processes are designed with audited fail-safes and checking procedures. Since processes interact with other risky variables - the external environment, business strategy and people – it is difficult to sound the all clear. However, processes can make an institution vulnerable in other ways.</p>	<p>The Bank has documented policies and procedures duly approved by the board. The Internal Audit Group as well as the various officers tasked with the review function regularly monitors the implementation of these documented policies and procedures.</p>
Business Strategy Risk	<p>Strategic Risk can arise when the direction/strategy of the bank can lead to non-achievement of business targets. This results in a new focus of a business sector without consolidating this with the bank's overall business plan and strategy.</p>	<p>At PNB, strategic risk is managed through each business sector performing "actuals vs targets" sessions with and report to the Board of Directors through regular Management Profitability Reporting Sessions. In addition, the coordination between business sectors are done through regular meetings by the senior management team to ensure that overall business targets are continually revisited.</p>

Business Environment Risk	<p>Banks tend to have the least control over this source of operational risk yet it still needs to be managed. Business environment risk can arise from unanticipated legislative changes such as consumer affairs, physical threats such as bank robberies, terrorist attacks, natural disasters and regulatory required financial report changes, new or otherwise.</p> <p>New competitive threats such as faster delivery channels, new products, new entrants and the ever-increasing rationalization of the banking industry are driving banks to become much more nimble-footed. The flexibility required to remain in the game leads some banks to take shortcuts that eventually expose them to some new source of operational risk.</p>	<p>At PNB, we have become fully involved and engaged in the Product Management Business Framework where old and new products alike are monitored by assigned product managers who coordinate with the various business sector heads in achieving the bank's business plan. Further, a Product Committee composed of senior managers has been convened and meets regularly to ensure that business environment is closely monitored as to competition; delivery channels and over all service levels are kept at acceptable levels.</p>
Information Technology Risk	<p>The growing dependence of financial institutions on IT systems is a key source of operational risk. Data corruption problems, whether accidental or deliberate, have been sources of embarrassing and costly operational mistakes. Losses may also result from a simple change in program, which end up being incorrectly tested prior to cut-over to production.</p>	<p>The Bank has institutionalized and implemented the IT Governance Committee which is composed of members of the senior management team, who discuss the monthly ITG Dashboard prior to it being presented to the Risk Oversight Committee with following focused topics:</p> <ul style="list-style-type: none"> a) Bank's IT Strategic Plan b) Incident Reporting c) Business Continuity Management d) Major IT Projects e) Enterprise Project Management <p>Further, the Bank has formalized the Project Implementation Process for defined systems implementation to include among others the creation of a Project Steering Committee to oversee the project's progress and to ensure that the project's objectives are achieved.</p>
Information Security Risk	<p>IS Risk is assessed as the unwanted or unintended negative impact or consequence to the bank as a result of exposure to vulnerability or threat to the bank's information assets.</p>	<p>Adoption of risk mitigation and management tools as follows:</p> <ul style="list-style-type: none"> a) Regular Vulnerability and Penetration Testing b) Increased Risk Awareness Campaign c) Tight Data Protection and Incident Management Reporting & corresponding Resolution Program d) Consistent Patch Management Program to prevent External and Internal Attacks e) Regular review of the Business Impact on security threats

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Note: The Bank applies the same risk control systems set up for both the Bank and its subsidiaries and affiliates as a Group.

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Risk Oversight Committee (ROC)	a) Approval of risk limits such as Value at Risk limits, Stop loss limits, credit risk factors, liquidity gap limits, earnings at risk limit.	<p>Functions: The BSP-mandated functions of the ROC are as follows:</p> <ul style="list-style-type: none"> a) Identify and evaluate exposures – The

	<ul style="list-style-type: none"> b) Approval of risk manuals c) Review and notation of current risk exposures via the risk dashboards. 	<p>ROC shall assess the probability of each risk becoming reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur (high probability) and are costly when they happen (high severity).</p> <ul style="list-style-type: none"> b) Develop risk management strategies – The ROC shall develop a written plan defining the strategies for managing and controlling the major risks. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if the risk becomes real. c) Oversee the implementation of the risk management plan – the ROC shall conduct regular discussions on the Bank’s current risk exposures based on regular management reports and assess how the concerned units or offices reduced these risks. d) Review and revise the plan as needed – The ROC shall evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit strategies, look for emerging or changing exposures, and stay abreast of developments that affect the likelihood or harm or loss.
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G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company:

Internal control system is a process designed and effected by the Board of Directors, Senior Management, and all levels of personnel to provide reasonable assurance on the achievement of objectives through efficient and effective operations; reliable, complete and timely financial and management information; and compliance with applicable laws, regulations, supervisory requirements, and the organization's policies and procedures. The internal control system shall embody management oversight and control culture; risk recognition and assessment; control activities; information and communication; and monitoring activities and correcting deficiencies.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate:

The Bank's overall risk management system, internal control systems and compliance with policies, procedures and regulations has remained satisfactory. PNB has an integrated bank-wide risk management process of comprehensive identification, assessment, mitigation and monitoring of all relevant material risks exposures of the Bank through individual unit's Risk and Control Self-Assessment (RCSA) process. The RCSA is an integral component of Enterprise Risk Management (ERM) and the Internal Capital Adequacy Assessment Process (ICAAP). The Board of Directors and senior management are consistent and diligent in the discharge of their oversight and governance functions over Bank's internal control system through regular monitoring of major issues of the Bank operations. Periodically, appropriate policies and procedures are issued to strengthen controls versus changes in the economic and regulatory environment.

Under the good governance of both the Board and the President/Chief Executive Officer and with the strong support of senior management to oversee the establishment, administration, and assessment of the Bank's system of risk management and control processes, PNB's internal control environment has been effective and dynamic to ensure the attainment of its business objectives.

(c) Period covered by the review:

One (1) year.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system:

Annually. The criteria for assessing the effectiveness of internal control system include, among others, the results of internal, external and BSP regulatory examinations, occurrence of fraud/irregularity and RCSA.

(e) Where no review was conducted during the year, an explanation why not. (updated – 2015)

Not applicable. Review was conducted in 2015.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
	<p>The Internal Audit Group (IAG) is headed by the Chief Audit Executive (CAE) reporting directly to the Board Audit and Compliance Committee (BACC). The Internal Audit functions include assessment of internal controls and the recommendations to implement constructive measures to ensure adequate control. It is also tasked to support the Bank's risk management activities and corporate governance initiatives. The functions and responsibilities of the Internal Audit Group and the Chief Audit Executive is covered by the audit charter and Internal Audit Manual which is revised and approved by the Board annually.</p> <p>The major functions that IAG performs are:</p> <ol style="list-style-type: none"> 1. Develop an audit charter, approved by both senior management and the BACC, for the internal auditing activity. 2. Develop, along with management, an organization model that can be used to map major processes/operations for the purpose of identifying the organization's auditable units. 3. Develop a risk assessment methodology for the auditable entities identified in the model of major processes/operations. 4. Develop an audit plan based on the risk assessment and requests from management and get it approved by the Board. 5. Work with senior management and the BACC to establish a reporting relationship that will ensure that audit recommendations receive appropriate attention. 6. Establish a Quality Assurance and Improvement Program (QAIP) for the internal auditing activity that provides assurance that the internal auditing activity: (a) performs in accordance with its charter; (b) adheres to the standards and the Code of Ethics; (c) operates in an effective and efficient manner; and (d) is perceived by the Board and management as adding value and improving an organization's operations. 7. The internal audit function shall be established centrally by the parent bank (PNB) and shall have authority over the group (PNB and its Subsidiaries). PNB IAG shall define the internal audit strategies, methodology and scope for PNB and its BSP-supervised domestic and overseas subsidiaries and branches. 8. For BSP-supervised subsidiaries with established internal audit functions, the internal audit of said entities shall closely coordinate with PNB IAG to ensure consistent adoption of audit methodologies and alignment of strategies and scope. 	In-house	Dioscoro Teodorico L. Lim	Functionally reporting to the Board through the BACC and administratively to the President

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes. The BACC Charter states, among others, that as part of the oversight function of the Bank's Internal Auditor, the BACC is:

"Responsible for the establishment of the Internal Audit Group and the appointment and replacement of the Chief Audit Executive (who will report directly to the BACC functionally) including annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process."

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Yes. The IAG Charter states that:

"The Chief Audit Executive (CAE) shall report directly/functionally to the Board Audit and Compliance Committee (BACC) and may report administratively to the President and Chief Executive Officer."

IAG shall have free and unrestricted access to the BACC and any other member of the Board of Directors as needed to fulfil its responsibilities.

Authority is granted for full, free and unrestricted access to any and all of the Bank's, its affiliates and subsidiaries' records, physical properties, and personnel relevant to any function under review. All employees are requested to assist IAG in fulfilling their staff function.

Documents and information given to internal auditors during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them."

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. (updated – 2015)

Name of Audit Staff	Reason
In summary, there were 24 additional auditors (18 newly hired and 6 transferees from other departments) while 10 auditors retired/resigned in 2015.	Turnover of auditors is considered a "normal attrition" scenario in a banking environment.

The BACC Charter state that as part of the oversight function of the Bank's Internal Auditor, the BACC is:

"Responsible for the establishment of the Internal Audit Group and the appointment and replacement of the Chief Audit Executive (who will report directly to the BACC functionally) including annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process."

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends. (updated -2015)

Progress Against Plans	The following are the accomplishment rates for 2015:				
		Budget	Actual	Variance	Accomplishment Rate
	Regular Audits	431	432	1	100.02%
	Spot Audits	307	330	23	107.00%
	Confirmation of Balances	525	554	29	106.00%
Issues⁶	None				
Findings⁷	94.8% resolution rate				

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

Examination Trends	<ul style="list-style-type: none"> • Regular Audits- • Spot Audits • Confirmation of Balances • Special Audits/Fraud Investigations/Request for Audit <p>The results of our internal control review and evaluation on operations of the bank units disclosed that the internal control environment of the Bank is considered effective as the units' ratings remained concentrated at Low Risk.</p>
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(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation." (updated – 2015)

Policies and Procedures	Implementation
Internal Audit Charter	<p>Implemented. Based on the assessment of an independent validator, IAG "Generally Conforms" to the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics, and the Definition of Internal Auditing.</p> <p>In 2015, the IAG likewise performed Self-Assessment and had assessed itself as "Generally Conforms" to the Standards, the Code of Ethics, and the Definition of Internal Auditing. Furthermore, the Self-Assessment will be subject to an independent validation by and an external party outside the Bank. Target date of completion is March 2016.</p>
Board Audit and Compliance Committee Charter	
Audit Risk Assessment	
Audit Planning and Monitoring of Accomplishment	
Pre-Engagement Activities	
Audit Fieldwork and Reporting of Results	
Audit Client Satisfaction Surveys	
Audit Sampling Methodology	
Audit Working Paper Preparation	
Audit Risk Rating System	
Internal and External Quality Assessment Reviews	
Monitoring of Outstanding Audit Issues	
Fraud Investigations	
Professional Development	
Consulting Activities	
Insourced Activities	
Performance Measures	

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Internal Auditors' performance is governed by the provisions of the International Standards for the Professional Practice of Internal Auditing and BSP prescribed standards and regulations, particularly on rotation of auditors.			<p>The credit rating agencies, investment banks, institutional and other potential investors request for data and information prior to their scheduled meetings with the Bank's senior officers.</p> <p>Information provided to them is cut-and-dried data that have already been previously disclosed to the Philippine Stock Exchange and to the public.</p> <p>No write-ups, analyses, opinions and judgments are included in the information provided to these agencies.</p>
Auditors are bound to carry out their functions in accordance with the Employee Discipline Policies and Procedures/Code of Conduct.			
Auditors shall not install nor develop policies and procedures, prepare reports, or execute activities that fall within the scope of its review.			
The Board Audit and Compliance Committee (BACC) shall have the sole authority to select, evaluate, appoint, dismiss, replace and re-appoint 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 tax compliance and all non-audit engagements with the External Auditors.	
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(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Revised Corporate Governance Manual has been disseminated and/or circularized to all directors, officers and employees of the Bank. Said Manual has been posted in the Bank's I-comply Site of Cybermag/Intranet and PNB Website which is accessible 24/7.

The Chairman, President & CEO and the Chief Compliance Officer of the Bank attest to the Bank's full compliance with the SEC Code of Corporate Governance.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	The Bank established Customer Service Policy Guidelines under Circular No. 1-774/2006 which will govern the conduct and manner by which all personnel render customer service to bank clients following the office decorum, standard greetings and spiels, as well as common courtesy.	The Bank continues to update the Customer Service Policy Guidelines issued in 2006. Gen Cir. 2-1653/2008 sets the standard for Service Quality. It sets forth the guiding principles of customer service, the protocols to be followed and the procedures for handling complaints. Further enhancements to this standard were issued, namely, Gen Cir. 2-1740/2009 announcing the Customer Service Hotlines and merging all helpdesks and Gen Cir. 2-1803/2010 which refined the procedures when replying to customer inquiries and/or complaints.
Supplier/contractor selection practice	The bank has an established guideline on the "Accreditation of Suppliers/ Contractors" per Sel. Cir. No. 8-169/2005 dated August 26, 2005 to ensure that the Bank, as much as possible/practicable, deals only with the best suppliers/contractors, pre-screened as to their capacity to deliver the best goods/services to the Bank at the lowest possible cost. The Bank has an established "Manual of Signing Authority (MSA)" as guide to the proper recommending and approving authority/ies in the procurement processes depending on the degree and amount involved on the items to be procured.	From among the list of accredited suppliers/contractors, Corporate Services Division (CSD) invites bidders to submit bids for a particular item/s to be procured. For purchases amounting to P5,000.00 and below, a telephone canvas is used; for over P5,000.00 but less than P5,000.00, a formal quotation is used; and for over P50,000.00, a sealed quotation is used. At least 3 bidders are gathered for each item purchased before an evaluation is made based on the terms of pricing and quality of goods/services offered, recommends to proper approving authority/ies (Heads of CSD/Heads of FAG/Bids and Awards Committee [BAC]/BCPC) the best complying bid/s and upon approval, award the transaction/s to the winning bidder/s.
Environmentally friendly value-chain	PNB participates in environmental protection projects of both the government and private sectors.	<ul style="list-style-type: none"> • PNB's Branches Grow Greener -- Tree Planting Project • Earth Hour • PNB/PAL Recycables Event • Pasay City Walang Plastikan Project (Anti-Plastic Bags Drive) <p>The Bank sponsors various tree/mangrove planting activities all over the country. These activities are conducted by branch personnel in various regions.</p>
Community interaction	PNB gets involved in community/school/health/relief/calamity assistance project.	<ul style="list-style-type: none"> • PNB Pagtutulungan ng Bayan outreach projects through distribution of relief goods • PNB Brigada Eskwela – volunteer work of employees to help prepare for school opening.

		<ul style="list-style-type: none"> • PNB Tan Yan Kee Philhealth Card Distribution Project – free health card for indigents • Young & Empowered Students for the Philippines (YESPH) • Various Pagtutulungan ng Bayan program. The program provides immediate assistance to victims of natural calamities, and various kinds of assistance to indigents and special communities in hospitals, hospices, orphanages, and other centers. • The Bank continues to grant scholarship to deserving students through the Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies. • In 2015, PNB is pursuing a Financial Literacy Program targeted at the youth, in partnership with the BSP. At the same time, the Bank continues to support initiative to build libraries in various schools in the countryside.
Anti-corruption programmes and procedures	<p>Under the Bank's Whistleblower Policy (as amended), employees can report or complain about internally any suspected or actual commission of theft/fraud, corruption, etc. The employee or the whistleblower is protected against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation. Hence, anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination/dismissal from the Bank service.</p> <p>Policy on Soliciting and/or Receiving Gifts under Gen. Cir. 1-866/2013. Soliciting gifts/ donations/ sponsorship whether in cash or in kind from clients, suppliers and other business-related parties is strictly prohibited.</p>	<p>A whistleblower can submit a confidential report on suspected or alleged actual event/violation to any head of Corporate Security Group, Legal Group, Internal Audit Group or Human Resource Group using the Disclosure of Violation/Complain Form. The Head of such group shall gather details and information and validate and determine the scope and nature of the complaint and forward the complaint to the Head of Corporate Security Group for further evaluation and thereafter prepare an Incident/Preliminary Report and submit the same to the Admin Investigation Committee for appropriate disposition. The identity of the whistleblower or complainant must be kept in strict confidence.</p> <p>Employees may be allowed to receive gifts/ donations/ sponsorship/ financial assistance whether in cash or in kind from clients, suppliers, and other business-related parties, subject to reporting to HRG using the Gift List Form for worth P2,000.00 and above; and more than P5,000.00 must be turned over to HRG for donation to any legitimate charitable institution. To instill professionalism, superiors/bosses are encouraged to return or decline gifts from subordinates with value of more than P2,000.00.</p>
Safeguarding creditors' rights	<p>The Bank adheres to the highest principles of good corporate governance as embodied in its By-Laws and Articles of Incorporation, Code of Conduct and Corporate Governance Manual.</p> <p>It subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business.</p>	

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? (updated – 2015)

Yes. The Bank's corporate social responsibility (CSR) programs are under the purview of the Office of the President of the Bank. The Bank has implemented the following CSR programs in 2014 and 2015:

<p>For the Year 2015:</p> <ul style="list-style-type: none"> • Young & Empowered Students for the Philippines (YESPH) • Pagtutulungan ng Bayan Outreach Projects <ul style="list-style-type: none"> - medical/funeral assistance to PNB employees and their families - cash assistance to employee-victims of Typhoon Lando
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- PNB-Tan Yan Kee Foundation, Inc. Partnership - TESDA Tacloban Motorcycle Repair Training

For the Year 2014:

- PNB Greener Path Project of NLEX
- Dr. Lucio Tan Legacy Forest Project
- Greener Project in Negros Oriental
- UPLB Coco-peration
- Tacloban Mangrove Project
- Assistance to Tacloban Elementary School
- Books Across the Seas Project
- Assistance to Sister of Mary Girstown Students
- PNB Gives Relief Goods to Caloocan Fire Victims
- PNB-PMAP Med Mission (Pagtutulungan ng Bayan)
- Typhoon Glenda/Mario (Pagtutulungan ng Bayan)
- Little Angels Home (Pagtutulungan ng Bayan)
- Donation to Tan Yan Kee Foundation

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

PNB recognizes and values its employees as its greatest asset. PNB also believes that the promotion of employee welfare can create happy, loyal and productive employees.

Therefore, PNB has institutionalized programs and policies that protect, enhance and nurture employees' health, safety and general welfare and the giving of awards/recognition through the following:

☞ Wellness/Insurance

- Coverage under a health care maintenance program (including employees' qualified dependents)
- Coverage under a group term life and accident insurance
- Conduct of annual physical exam; provision of gyms, badminton and basketball courts; grant of discounted rates for immunization/vaccination and other health/wellness products; conduct of lectures/fora on first aid, fitness/nutrition/diet, stress management and the like; conduct of annual fun runs and different sports tournaments
- Clinic with doctors, nurses and dentist to provide free medical and dental services and free medicines (pain reliever, anti-allergies, antibiotics, antispasmodic, anti-diarrhea etc.) at the Head Office; and provision of medicine cabinets/first-aid kits in branches

☞ General Welfare

- Annual Team Building activity for each Group/Unit/Branch and socialization events that promote camaraderie among employees such as Bank Anniversary and Christmas party
- Support and recognition to various clubs/associations/cooperative organized by employees that promote, encourage and conduct civic, social, cultural and sports activities, as well as savings and loan facilities among its members and provision of mini-grocery at the Head Office
- Chapel for spiritual meditation, worship and Eucharistic celebration (daily masses)
- Financial assistance and special moratorium on payment of employee fringe benefit loans for employees affected by calamity/natural disaster
- Scholarship for employees' qualified children
- Free shuttle bus service for Head Office employees (Macapagal Boulevard - Buendia LRT and EDSA-Taft MRT stations routes and back)
- Canteen with subsidized food rates and coffee shop at the Head Office
- Free parking space at the Head Office
- Employee Communications Program which includes: provision of bulletin boards; suggestion boxes; public announcement system; Intranet (e-mail) and on-line newsletters that disseminate Bank policies, corporate updates, job vacancies including tips on health and wellness as well as pointers on being prepared and safe before/during/after natural calamities (earthquake, typhoon, fire and floods)
- Special interest and foreign exchange rates and waiver of annual fee of the Bank's credit card for employees
- Office uniforms

☞ Safety/Security

- Regular fire and earthquake drill exercises
- 24/7 or round-the-clock security
- Top-of-the-line centralized alarm system and CCTV coverage
- Fumigation of building; regular maintenance of air-conditioning, lighting/electrical, alarm and elevator systems; cleaning of building premises; provision of walkways intended for Persons With Disability (PWD); provision of fire extinguishers and regular maintenance of building water-sprinklers; regular inspection of fire exits

☛ Awards/Recognition
Service Excellence Award for teams and individuals to recognize and further promote employees' excellence, productivity and professional growth; and Service Award to those who have been servicing the Bank for a number of years.

☛ Policy on Learning and Development
Learning and development activities are conducted for all levels of employees, taking into account their learning/training needs vis-a-vis the Bank's corporate mission, objectives, strategies and values. Learning and development shall be a shared responsibility among top management, middle management, supervisors, employees and training staff.

The learning programs in PNB are the following:

- Learning within the Bank (In-House)
- Learning outside the Bank
- Learning program abroad
- Orientation and Job Induction of new hires
- Student Trainee Program
- Junior Executive Development Institute
- Management Training Program/Fast Track Training Program
- Branch Operations Development Program
- Leadership Courses
- Human Resources Talent Management Program

☛ Employee-related approved Bank policies

- Policy on Resignation and Retirement
- Policy on Work Schedule
- Harmonization of Bank Policies on Grant of Bonuses
- Revisions on the PNB Policy on Transfer of Employee
- Harmonization Policy on PNB Employees Loans
- Policy on Special Leave – Anti-Violence Against Women
- Workplace Policy on HIV/AIDS
- Harmonization of PNB Policies on Leave Benefits
- Harmonization Policy on the Group Term Insurance
- Harmonized Policy on Christmas/Summer Allowance
- Workplace Policy on Breastfeeding
- Harmonized Policy on Overtime Pay and Allowance
- Policy on Bank Expense – Official Travel
- Policy on Employee Relocation/Dislocation
- Harmonized Policy on Maternity Leave Benefits

(b) Show data relating to health, safety and welfare of its employees. (updated – 2015)

☛ As of December 2015, there are 8,180 directors, officers and staff enrolled under the PNB Group Life Insurance and PNB Group Accident Insurance. A total of 8,682 principals are enrolled under the Bank's comprehensive health care maintenance program covering directors, officers, staff and retired employees with extended coverage. A total of 14,057 subsidized dependents are likewise enrolled under the Bank's healthcare program.

☛ A total of 185 PNB Maternity Benefits were processed and paid from January to December 2015.

☛ The Bank has adopted various health-care activities in the workplace (e.g. discounted vaccinations, lectures on health care or wellness program, etc.). The Bank also have accredited Health Maintenance Organization (HMO) – accredited physician and nurses who are assigned at the PNB Medical Clinics in Makati and Pasay to attend to various medical needs/consultations of employees. Medicines for minor illnesses (e.g. pain relievers, anti-allergies, antibiotics, anti-spasmodic, anti-diarrhea, etc.) are available at the clinics.

(c) State the company's training and development programmes for its employees. Show the data. (updated – 2015)

Course Title / Duration	Description	Objectives	Target Employees	No. of Runs	No. of Participants
Orientation Program for New Hires (5 days)	An induction program designed to establish an adequately-informed perspective of the Bank's corporate vision, mission, values, policies and procedures, benefits and provide the requisite knowledge on customer service through a workshop.	At the end of this program, the participants will 1. Be familiar with the bank's goals, history, organizational set-up, functions/ services of the divisions/ departments. 2. Be able to understand the Bank's personnel policies and procedures, employee benefits and other	Newly Hired Employees	9	271

		<p>employment-related matters.</p> <ol style="list-style-type: none"> 3. Be able to know what the Bank expects of you in terms of job performance and conduct. 4. Be able to demonstrate a positive work attitude through a deeper appreciation of the value of your work. 5. Be able to learn and practice the skills on quality customer service with the aim of: <ol style="list-style-type: none"> a. sustaining the Bank's competitiveness in the industry; and b. further strengthening the Bank's corporate image. 			
Selling 101 (1 day)	This one-day workshop is designed to enhance the selling skills competencies of the New Accounts Service Representatives for them to be able to develop a sales mindset.	<ol style="list-style-type: none"> 1. Review and connect the duties and responsibilities of NAC to Selling 2. Develop appreciation for professional selling as a form of service 3. Demonstrate essential skills in selling 	New Accounts Service Representatives	3	93
Self-Transformation and Rediscovery (STAR) Workshop (2 days)	<p>This two -day program was designed to provide the participants with the necessary tools to enhance their personal and corporate effectiveness through self-mastery, values clarification and the projection of a professional image.</p> <p><i>Program Outline:</i></p> <ul style="list-style-type: none"> • Self-Mastery (Self-Knowledge) • Personal Values • Self-Motivation • Habit • Effectiveness • Good grooming and proper hygiene • Corporate wardrobe and visual poise • Workplace etiquette and social graces • Professional image 	<ol style="list-style-type: none"> 1. Provide the participants with the necessary tools to enhance their personal and corporate effectiveness 2. Apply skills on how to achieve self-mastery 3. Rediscover personal and corporate values and integrate them with their actions 4. Set personal goals 5. Demonstrate ways on how to motivate oneself 	Officer Candidates	8	319
Leadership & Visioning Workshop (2 days)	This workshop aims to provide participants with an introduction to the basic concepts and principles of effective leadership and visioning	<ol style="list-style-type: none"> 1. Differentiate leadership and management 2. Describe the five sources of power and how each causes different follower behavior 3. Identify qualities associated with effective leaders 4. Enumerate and describe the different leadership 	Officer Candidates	8	319

		<p>styles and their application</p> <ol style="list-style-type: none"> 5. Develop an appreciation for having leadership vision 6. Prepare action plans to achieve goals and objectives 			
<p>POC (Planning, Organizing, Controlling) for Productivity</p> <p>(2 days)</p>	<p>This program provides participants with the necessary competencies for day-to-day supervision through the application of the management functions.</p>	<p>At the end of the program, participants would be able to:</p> <ol style="list-style-type: none"> 1. Explain the systems approach to management; 2. Explain the different transformational processes in management to include the basic competencies for each process; and 3. Apply the learnings in planning, organizing, and controlling through structured learning exercises and case studies. 	Officer Candidates	7	285
<p>Performance Management</p> <p>(2 days)</p>	<p>This course aims to provide the participants with the different management techniques necessary to achieve superior performance</p>	<p>At the end of the workshop, the participants would be able to:</p> <ol style="list-style-type: none"> 1. To explain the importance of performance management. 2. To identify the roles of the officer in performance management 3. To simulate a formal performance review. 	Officer Candidates	9	356
<p>Managing Effective Teams (MET)</p> <p>(2 days)</p>	<p>This module provides participants with the necessary competencies for the day-to-day supervision through the application of the management function and also gives emphasis on the conceptual framework in building the work team.</p>	<p>At the end of the program, the participants will be able to:</p> <ol style="list-style-type: none"> 1. Recognize the importance of building a team to accomplish goals. 2. Identify the different stages of team development. 3. Identify and practice the necessary skills in managing effective teams. 	Officer Candidates	8	319
<p>Managing People for Peak Performance (MP3)</p> <p>(3 days)</p>	<p>A 3-day comprehensive people-handling course designed to provide officers with the requisite knowledge and skills to effectively manage the performance of their direct reports. This workshop focuses on the principles of performance management, with emphasis on coaching and counseling.</p>	<p>At the end of this program, participants will be able to:</p> <ol style="list-style-type: none"> 1. appreciate the importance of managing employee performance, 2. enumerate and define the different performance management interventions, 3. distinguish work situations that will require coaching and/or counseling 4. identify and practice skills vital to successful coaching and counseling 	Officers	4	115

<p>Personal Effectiveness Program (PEP)</p> <p>(2days)</p>	<p>This program aims to enlighten participants on the various ways they can be more effective in virtually any aspect of their lives, simply by looking into the qualities that are already within them.</p> <p>Too often the barriers to being effective are put in place by none other than ourselves. The course will show that it is sometimes necessary to change ourselves if we want to make changes in our lives and everything in it.</p>	<p>At the end of the training, participants will be able to:</p> <ol style="list-style-type: none"> 1. Take better control of their personal and professional lives by possessing helpful effective paradigms and attitudes 2. Apply the Seven Habits of Highly Effective People as espoused by Stephen Covey 3. Make use of several useful tips for professionalism 	Staff Level	4	119
PNB CARES (1 day)	<p>This workshop aims to provide participants with the requisite knowledge and skills to effectively deliver quality customer service for both external and internal customers.</p>	<p>At conclusion of the course participants will be able to:</p> <ol style="list-style-type: none"> 1. Review the concepts and principles of quality customer service. 2. Describe the framework for delivering quality customer service 3. Demonstrate the steps in handling customer complaints 	Officers and Staff	16	507
Negotiation Skills Training (2 days)	<p>This practical two-day workshop will give participants the tools that are necessary in negotiations to help them identify what is really negotiable. In this highly interactive program, they will learn effective negotiating strategies and tactics. In addition, participants will learn how to read a situation and apply empathy to help minimize the downside risks and avoid bad results.</p>	<p>After the training program, participants should be able to:</p> <ol style="list-style-type: none"> 1. Identify the two main types of negotiations. 2. Describe types of power available to negotiators. 3. Explain guidelines to making concessions more effectively. 4. Demonstrate various response techniques to use during negotiations 	Officers	2	71
Effective Business Writing (2 days)	<p>In today's competitive working environment, it is essential to produce clear, concise and reader-friendly business writing to tight deadlines. Many employees may possess excellent spoken communication skills but often lack confidence when writing business documents. This course will help the participants to understand that writing effectively means delivering their message that is unambiguous, concise and direct to the point.</p>	<p>After the training program, participants should be able to:</p> <ol style="list-style-type: none"> 1. Develop a professional, reader-friendly written style when writing. 2. Organize ideas coherently when writing. 3. Improve written work as a result of practical writing exercises. 	Officer Candidates	8	319

Living Your Values Everyday (LIVE) (1 day)	A one-day program which aims to effect clarification and alignment in the value systems of the individual employee with the core values of the Bank.	At the end of the program, you will be able to: 1. Clarify your personal values 2. Appreciate the importance of values in life and work 3. Identify PNB's corporate values 4. Align your personal values with PNB's corporate values	Officers, Staff & Officer Candidates	39	1,455
Presentation Skills Training (2 days)	In this program, participants will learn how to conquer the podium and deliver presentations that get results. From dynamic introductions to powerful closings, participants will have an opportunity during this training to practice and refine their platform skills.	Upon completing this course participants will know how to: 1. Develop and organize a presentation for any audience and any event 2. Design visuals to enhance both the presenter's message & performance 3. Deliver visual information in a way that keeps the audience in sync 4. Handle tough questions 5. Master memorization techniques 6. Use humor effectively	Officer Candidates	7	283
Developing People (2 days)	This program aims to introduce participants to the different concepts of learning and people development.	1. Define training and appreciate its benefits 2. Explain the steps involved in the Training Cycle 3. Enumerate and describe the adult learning principles 4. Enumerate and apply the steps to On-The-Job-Coaching	Officer Candidates	7	285
Developing Roadmaps to Effectively Achieve Mastery (1 day)	To identify specific areas to self-regulate and provide participants with the necessary foundational skills to achieve self-mastery	At the end of the workshop, participants are expected to: 1. Identify and cherish persona dreams 2. Build on areas of strength and identify areas for improvement 3. Create your own goals/plans for professional and personal development 4. Identify roadblocks that impede performance and success and be empowered to make changes	Officer Candidates	3	144

<p>Preparing for Life's Second Wind</p> <p>(2 days)</p>	<p>This is a one and a half day program which aims to provide you with information to assist you in making sound decisions upon retirement. Topics of the program will cover the following:</p> <ul style="list-style-type: none"> • Lifestyle and Wellness • SSS Benefits • Determining One's Entrepreneurial Calling • Personal Finance Wellness • Estate Planning • Spiritual Balance in Retirement 	<ul style="list-style-type: none"> • To enable participants to make the transition from active work to retirement enjoyable and rewarding. • Specifically, for participants to acquire useful insights into the challenges and opportunities upon retirement. 	Potential Retirees	1	30
<p>Management Training Program (MTP)</p> <p>(80 days)</p>	<p>The Management Training Program (MTP) is a medium-term intensive leadership and management that aims to develop qualified rank-and-file employees to be highly competent officers of the Bank</p>	<p>General Objectives:</p> <ol style="list-style-type: none"> 1. Develop/enhance management capabilities of employees to render them more responsive to the demands of their job. 2. Develop employees for eventual advancement and/or increased responsibility. 3. Enhance the employees' capability to implement the organization's strategic plans. 4. Help the employee realize his career plans within the organization. 5. Increase the pool of promotable employees by developing sufficient resources at different levels of the Bank to meet management requirements at higher levels this ensuring orderly replacement of management talents. 	Officer Candidates	3	101
<p>Fast-Track Training Program (FTTP)</p> <p>65 days</p>	<p>The Fast-Track Training Program (FTTP) is a management development program for Branch Officers. It is designed to reinforce the competencies and expertise of high-potential rank-and-file employees in managing and servicing the Bank's business.</p>	<p>At the end of the program, the participants are expected to:</p> <ol style="list-style-type: none"> 1. Acquire knowledge of the Bank Products and Services and their specific features and peculiarities 2. Be familiarized with different aspects of banking such as: Branch Operations, Risk Management, Compliance and other technical aspects of banking. 3. Demonstrate the necessary competencies needed by a Branch Officer, such as Interpersonal and Communication skills, Selling skills, Product knowledge 	Officer Candidates	4	329

AML Compliance Seminar 1 Day	This course aims to provide basic money laundering training to both public and private sector officials in a better, quicker and more efficient way by making them familiar with many of the laws and regulations now enhanced to deter money laundering. It will give a holistic overview of money laundering standards and issues, including definitions, various processes of money laundering, and impact of money laundering on international development.	In this anti-money laundering course you will: 1. Describe money laundering and the challenges and risks involved in combating it 2. Recognize the key stages in money laundering and the principal techniques used by money launderers 3. Gain insight into how to establish and use customer profiles 4. Identify and report on suspicious activities 5. Articulate the objectives and principal elements of a "Know Your Customer" policy 6. Describe the key processes and technologies to fight money laundering 7. Comprehend local AML regulations and key reporting requirements	Officers & Staff	16	539
Teller Training Program (13 Days)	The Teller Training Program is a 13-day seminar for PNB Branch Tellers. The seminar includes topics on technical branch operation areas and customer service, emphasizing on tellering duties. Re-orientation of Bank Tellers on Company profile and HR related policies are also included in the seminar.	At the end of the 13-day seminar, the participants are expected to: 1. Know their duties and responsibilities as Bank Tellers 2. Identify the different Retail Cash Products and other Bank products 3. Be familiarized with the Clearing Operations and Teller System 4. Improve skills in tellering operations, such as in handling cash, verifying signatures, and detecting counterfeit money, KYC, and providing customer service. 5. Be re-oriented with the Company profile and HR policies	Tellers	4	138
New Accounts Seminar (7 days)	This course aims to provide participants with the knowledge and skills to efficiently handle the opening and servicing of accounts.	At the end of the course the participants should be able to : 1. Comply with Bank's guidelines, procedures and KYC Policy in opening and servicing of accounts. 2. Identify and discuss the Bank's products and services.	New Accounts Service Reps	3	112
Branch Operations Assistant (BOA) Seminar 3 days	A 3-day seminar designed to equip the participants with the knowledge and skills on branch accounting and clearing operations.	At the end of the course the participants should be able to : 1. Know their duties and responsibilities as Branch Operations Assistants. 2. Comply with standard procedures in accounting/ clearing operations, and reportorial requirements. 3. Acquire proficiency in the computation of	Branch Operations Assistants	2	49

		withholding taxes for submission to Head Office Accounting. 4. Identify risk areas in branch operations and understand the standard control procedures and their impact on overall branch operations.			
Advance Signature Verification Seminar (Outsourced) 1 day	A one-day seminar aimed at upgrading the knowledge and competence of our personnel in the area of signature verification. It also provides participants with current updates on the techniques used to determine forgeries and alterations.	At the end of the training, the participants should be able to : 1. Be familiar with different techniques used in forgery 2. Acquire requisite skills in determining forgeries and alterations	Branch Officers	8	384
Counterfeit Detection Seminar (Outsourced) 1 day	In the banking industry, expertise in counterfeit detection is very important especially to those personnel whose everyday task includes handling cash. The one-day seminar will be helpful in improving skills of those personnel on detecting genuine and counterfeit Peso, US Dollar, and other bills.	At the end of the training, the participants should be able to : 1. Be familiar with the security features of Peso, Dollar and other currencies. 2. Comply with the BSP Clean Note Policy. 3. Acquire knowledge on updated BSP Circulars governing Peso and Dollar currency.	Branch employees	8	411
First Aider Certification Program (2 days)	This program aims to certify and equip participants with office and industrial workers basic and practical lifesaving skills that can be applied during workplace emergencies.	At the end of this course, participants will be able to apply the different basic lifesaving skills for workplace emergencies.	Officers & Staff	2	74

- (d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures. (updated – 2015)

Awards/Recognition

Service Excellence Award for teams and individuals to recognize and further promote employees' excellence, productivity and professional growth; and Service Award to those who have been servicing the Bank for a number of years. Meritorious/exceptional performance is recognized through the Bank's semi-annual promotion.

Salary and Benefit Package

Salary and Benefit Package for rank and file employees is reviewed during Collective Bargaining Agreement (CBA) and/or as may be deemed necessary. For officers, compensation package is reviewed periodically based on performance.

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

Under the Bank's Whistleblower Policy (as approved under PNB Board Resolution No. 05/03-21-13 of March 21, 2013, as amended), employees can report or complain about internally any suspected or actual commission of theft/fraud, corruption, etc. The employee or the whistleblower is protected against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation. Hence, anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination/dismissal from the Bank service.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure (updated – 2015)

(a) Holding 5% shareholding or more (as of December 31, 2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corporation (Non-Filipino)	116,921,488	9.3601612421	Various
Key Landmark Investments, Ltd.	109,115,864	8.7352812437	Its stockholders
PCD Nominee Corporation (Filipino)	100,080,817	8.0119796659	Various
Solar Holdings Corporation	67,148,224	5.3755576884	Its stockholders
Caravan Holdings Corporation	67,148,224	5.3755576884	Its stockholders

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
No one from among the senior management of the banks owns 5% or more of the total outstanding and issued PNB shares	Not Applicable	Not Applicable	Not Applicable
TOTAL			

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	None
Details of whistle-blowing policy	None
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	None
Number of board of directors/commissioners meetings held during the year	None
Attendance details of each director/commissioner in respect of meetings held	None
Details of remuneration of the CEO and each member of the board of directors/commissioners*	None

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

- The dividend policy of the Bank is included in the Information Statement under Management Report.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.		
<ul style="list-style-type: none"> Engagement fee for the audit of the Bank's Financial Statements as of December 31, 2014 (inclusive of out-of-pocket expenses [OPE] but excluding Value Added Tax [VAT]) 	P12.802 million	-
<ul style="list-style-type: none"> Engagement fee for the review of the Financial Statements as of June 30, 2014 and engagement fee for the issuance of Comfort Letter related to the offering of PNB Long Term Negotiable Certificates of Time Deposit (LTNCD) in June 2014 	P6.350 million	-

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

1. Advisories (internal/external; branches) in formats depending on the message and purpose
2. Website
3. Social Media – Facebook and Twitter
4. Print Media
5. Radio
6. Letter Advices to Publics
7. Short Message Service
8. Electronic Channels – ATM, Phone, Mobile

5) Date of release of audited financial report: (updated – 2015)

March 27, 2015

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT (updated – 2015)

RPT	Relationship	Nature	Value

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

All Related Party Transactions (RPTs) are endorsed to the Board for approval through the Board Oversight RPT Committee (BORC) based on strict guidelines provided for in the RPT Policy Manual. These are captured in the RPT reports of BORC. This is also contained to RPT dealings disclosed in the Annual Report prepared by SGV and based on the Board approved PNB RPT Policy. Periodic reports of RPTs are likewise submitted to the BSP in compliance with its regulatory requirement.

The information relating to the DOSRI loans of the Group follows:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Total Outstanding DOSRI Accounts*	₱7,760,191	₱12,749,637
Percent of DOSRI accounts to total loans	2.35%	4.20%
Percent of unsecured DOSRI accounts to total DOSRI accounts	0.03%	0.01%
Percent of past due DOSRI accounts to total DOSRI accounts	0.00%	0.00%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	0.00%	0.00%

*Includes outstanding unused credit accommodations of ₱185.4 million as of September 30, 2015 and ₱198.7 million as of December 31, 2014.

Details on the significant related party transactions of the Group (the Bank and its subsidiaries) and the Bank are as follows (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Bank has control. Transactions reported under other related parties represent companies which are under common control of LTGI. (updated – 2015)

September 30, 2015			
Accounts	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Receivables from customers		₱ 20,419,671	Revolving credit lines, secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Housing loans to senior officers; Secured and unsecured; Lease option on car plan Unimpaired; With interest rates ranging from 0.50% to 10.00% with maturities ranging from 1 year to 25 years and payment terms ranging from monthly payment to quarterly payments
Loan commitments		1,897,449	Loan commitments
Interbank loans receivable		175,479	Money Market Line
Due from other banks		9,829,111	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		193,155	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		20,891	Interest accrual on receivables from customers
Deposit liabilities		12,584,270	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		4,223,906	Foreign currency-denominated bills payable with interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to other banks		168,500	Clearing accounts funding and settlement of remittances
Sales contract receivable		325,942	Purchased property as collateral; unimpaired; Monthly payment for 5 years with 6% interest.
Accrued interest payable		126,512	Accrued interest on deposit liabilities and bills payable
Other liabilities		657	Mortgage Redemption Insurance
Operating lease		202	Advance rental deposit received for 2 years and 3 mos.
Interest income	₱253,622		Interest income on receivables from customers
Interest expense	177,967		Interest expense on deposit liabilities and bills payable
Rental income	38,489		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum; Monthly rental income
Rent Expense	26,104		"Monthly rent payments to related parties with term ranging from 24 to 240 months"
Fees and commission expense	203,779		Expense on professional fees on service agreement
Other income	129,837		Premiums collected
Other expense	15,559		Claims expense, service and referral fees
Securities transactions:			
Purchases	2,766,018		Outright purchases of securities
Sales	1,463,319		Outright sale of securities
Trading gains	938		Gain from sale of investment securities
Loan releases	18,029,254		Loan drawdowns
Loan collections	11,779,567		Settlement of loans and interest
Net withdrawals	2,400,841		Net withdrawals for the period

December 31, 2014			
Accounts	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Receivables from customers		₱14,169,98	Revolving credit lines, secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Housing loans to senior officers; Secured and unsecured; Lease option on car plan Unimpaired; With interest rates ranging from 0.50% to 10.00% with maturities ranging from 1 year to 25 years and payment terms ranging from monthly payment to quarterly payments; Collateral includes bank deposit hold-out, real estate and chattel mortgages.
Loan commitments		1,743,51	Loan commitments
Due from other banks		1,094,26	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days

Accounts	December 31, 2014		
	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Accounts receivable		107,63	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		60,72	Interest accrual on receivables from customers
Deposit liabilities		14,985,11	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		1,725,69	Foreign currency-denominated bills payable with annual interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to other banks		183,43	Clearing accounts funding settlement of remittances
Accrued interest payable		28,51	Accrued interest on deposit liabilities and bills payable
Other liabilities		36,97	Charitable donations and liabilities for lease payments
Operating lease		20	Advance rental deposit received for 2 years and 3 months
Interest income	₱478,40		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	222,98		Interest expense on deposit liabilities and bills payable
Rental income	60,98		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum; Monthly rental income
Rent Expense	9,65		"Monthly rent payments to related parties with term ranging from 24 to 240 months
Fees and commission expense			Expense on professional fees on service agreement
Other income	17		Premiums collected
Other expense	4,02		Claims expense, service and referral fees
Trading gains	735,38		Sale of 161,978,996 common shares in VMC at current market price of P4.50 per share.
Gain on sale of convertible notes	608,43		Gain on sale of VMC convertible notes at the minimum bid price of P3.5 per share.
Securities transactions:			
Purchases	2,113,65		Outright purchases of securities
Sales	537,09		Outright sale of securities
Trading gains	14,75		Gain from sale of investment securities
Loan releases	17,223,81		Loan drawdowns
Loan collections	8,672,77		Settlement of loans and interest
Net deposits for the period	408,85		Net deposits for the period

The related party transactions shall be settled in cash. There are no provisions for credit losses for the nine-months ended September 30, 2015 and December 31, 2014 in relation to amounts due from related parties.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Section 4.6 of PNB Amended By-Laws states that "unless otherwise provided by law, a quorum at any stockholders' meeting shall consist of the stockholders representing a majority of the voting stock of the Bank present either in person or by proxy".
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Ratification in the Annual Stockholders' Meeting
Description	Ratification of the corporate acts is always part of the agenda of the Annual Stockholders' Meeting.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
Stockholders' rights concerning stockholders' meetings which are provided under the Corporation Code are afforded every stockholder of the Bank.	None

Dividends (updated – 2015)

Declaration Date	Record Date	Payment Date
Please see note below		

Note:

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, however, 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."

The Bank has not declared any cash or stock dividends on its common equity for the fiscal year 2015.

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings. (updated – 2015)

Measures Adopted	Communication Procedure
Adoption of SRC Rule 20 – Disclosures to Stockholders Prior to Meeting	Mailing of the Information Statement and Management Report together with the latest Audited Financial Statement to the stockholders at least 15 business days from the date of the stockholders' meeting.
Section 4.4, Article IV of the Bank's Amended By-Laws.	Publication of Notice of Meeting for one (1) week daily in at least one newspaper of newspaper of general circulation
Adoption of the Question and Answer Portion	Stockholders are allowed to take the floor and asked questions to the Chairman of the Board, the other directors or the officers of the Bank to air their concerns. If the queries cannot be addressed immediately on the floor, the stockholders are encouraged to dialogue with Management after the meeting.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Bank complies with the requirements under the Corporation Code in obtaining stockholders' approval for such decisions. Any amendment of the Bank's Articles of Incorporation, increase in capital stock or transfer of all or substantial sale of its assets required the vote of at least two-thirds of the outstanding capital stock.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? (updated - 2015)

- a. Date of sending out notices:

For the Annual Stockholders' Meeting held on May 26, 2015 - April 30 to May 5, 2015

In compliance with SRC Rule 20 (3)(c)(iv), the Information Statement, Management Report and written notice of the meeting was sent to the shareholders of record at least fifteen (15) business days prior to the date of the meeting. In addition, the notice of meeting was likewise published alternately for one (1) week from May 10 to 16, 2015 in seven (7) newspapers of general circulation in the Philippines, namely: Philippine Daily Inquirer, Philippine Star, Pilipino Star NGAYON, BusinessWorld, The Manila Times, Business Mirror and The Standard, in accordance with Section 4.4, Article IV of the Bank's Amended By-Laws.

- b. Date of the Annual/Special Stockholders' Meeting:

For the Annual Stockholders' Meeting - May 26, 2015

Section 4.2, Article IV of PNB Amended By-Laws states that "the annual meeting of the stockholders shall be held at the principal office of the Bank or any other place within Metro Manila as may be determined by the majority of the Board of Directors, on the last Tuesday of May of each year unless such day is a legal holiday in which case the business day next following shall be the meeting day for the particular year."

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting. (updated -2015)

There were no questions during the Annual Stockholders' Meeting held on May 26, 2015. However, two stockholders made the following comments:

- Mr. Mariano M. Soria, a stockholder and a retired Philnabanker, took the floor and congratulated the Board of Directors, Management and the ranks for the major accomplishments of the Bank in 2014. He said that it was not only the new Philnabankers who are proud of the achievements of the Bank but the retirees like him as well. He was thankful that the Bank is taking care of its people ever after they retire through the extension of the health maintenance organization (HMO) insurance plan for retirees.
- Mr. Albert Christian Silva, another stockholder, said that Management, particularly the President, should be commended for the 5% increase in net income and the improved ratings by Moody's and Standard & Poors.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Annual Stockholders' Meeting (May 26, 2015)			
Resolution	Approving	Dissenting	Abstaining
Confirmation of the Minutes of the 2014 Annual Stockholders' Meeting held on May 27, 2014	1,039,114,624	-	16,613,610
Notation of President's Report	1,038,830,704	-	16,897,530
Approval of the Bank's 2014 Annual Report	1,038,830,704	-	16,897,530
Approval of the ratification of all the acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2013 Annual Stockholders' Meeting	1,038,830,704	-	16,897,530
Approval of the Election of the following Directors:			
a) Florencia G. Tarriela	1,038,871,055	243,569	16,613,610
b) Felix Enrico R. Alfiler	1,042,240,153	836,741	12,651,340
c) Florido P. Casuela	1,019,780,740	19,333,884	16,613,610
d) Leonilo G. Coronel	1,019,889,110	19,225,514	16,613,610
e) Reynaldo A. Maclang	1,019,907,488	19,207,136	16,613,610
f) Estelito P. Mendoza	1,013,293,973	25,820,651	16,613,610
g) Christopher J. Nelson	1,005,464,963	33,649,661	16,613,610
h) Federico C. Pascual	1,038,871,055	243,569	16,613,610
i) Cecilio K. Pedro	1,038,987,876	126,748	16,613,610
j) Washington Z. Sycip	1,019,858,579	19,256,045	16,613,610
k) Harry C. Tan	1,019,645,541	19,469,083	16,613,610

l)	Dr. Lucio C. Tan	1,017,167,225	21,947,399	16,613,610
m)	Lucio K. Tan, Jr.	1,002,754,018	36,360,606	16,613,610
n)	Michael G. Tan	1,005,221,394	33,893,230	16,613,610
o)	Deogracias N. Vistan	1,038,998,916	115,708	16,613,610
	Appointment of External Auditor	1,038,852,677	261,947	16,613,610

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: (updated – 2015)

The results of the Annual Stockholders' Meeting (ASM) were disclosed to the Bank's regulators, i.e., the Philippine Stock Exchange (PSE), the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC) and the Philippine Dealing & Exchange Corporation (PDEX) as required. A press conference was also held after the ASM.

a) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	Not Applicable

b) Stockholders' Attendance

i. Details of Attendance in the Annual/Special Stockholders' Meeting Held: (updated – 2015)

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Florencia G. Tarriela, Independent Director Felix Enrico R. Alfiler, Independent Director Florido P. Casuela, Director Joseph T. Chua, Director Leonilo G. Coronel, Director Reynaldo A. Maclang, Director Estelito P. Mendoza, Director Federico C. Pascual, Independent Director Cecilio K. Pedro, Independent Director Michael G. Tan, Director Lucio K. Tan, Jr., Director Deogracias N. Vistan, Independent Director Christopher J. Nelson, Board Advisor William T. Lim, Board Advisor Manuel T. Gonzales, Board Advisor Doris S. Te, Corporate Secretary Cenon C. Audencial, Jr., EVP Horacio E. Cebrero III, EVP Christopher J. Dobles, EVP Jovencio B. Hernandez, EVP Nelson C. Reyes, EVP Yolanda M. Albano, FSVP Alice Z. Cordero, FSVP Zacarias E. Gallardo, Jr., FSVP Miguel Angel G. Gonzalez, FSVP John Howard D. Medina, FSVP Edgardo T. Nallas, FSVP Benjamin S. Oliva, FSVP Aida M. Padilla, FSVP Carmela A. Pama, FSVP Emmanuel German V. Plan II, FSVP Allan L. Ang, SVP Emeline C. Centeno, SVP Elisa M. Cua, SVP Christian Jerome Dobles, SVP Erwin C. Go, SVP	May 26, 2015	In person and by representative to act by written proxy	0.004%	84.516%	84.520%

Dioscoro Teodorico L. Lim, SVP Ma. Paz D. Lim, SVP Norman Martin C. Reyes, SVP Helen Y. Ang, FVP Manuel C. Bahena, Jr., FVP Josephine E. Jolejole, FVP Arsenia L. Matriano, FVP Nixon S. Ngo, FVP Roberto S. Vergara, FVP Janette Y. Abad Santos, VP Constantino T. Yap, VP						
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ii. Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

No, the Bank does not appoint an independent party to count and/or validate the votes for its Annual Stockholders' Meeting. This is handled by the Bank's stock transfer agent with the supervision of the Corporate Secretary.

In compliance with Section 4.7 of PNB By-Laws, all the proxies received will be validated by the Bank's Corporate Secretary at the office of the stock transfer agent. During the validation, the stock transfer agent will verify if the stockholder is included in the list of the stockholders as per record date, and if the signature appearing on the proxy letter tallies against his signature card on file.

iii. Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes. Section 4.9 (re: Voting of Shares in General) of the PNB's Amended By-Laws states that at each meeting of the stockholder, every stockholder entitled to vote on the particular question involved shall be entitled to one (1) vote for each share of stock standing in his name on the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors pursuant to Section 3.4 of the said Amended By-Laws.

The manner of voting and counting of votes are as follows:

- a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his name on record as of the close of business hours on record date. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before deadline of submission of proxies shall be honored for purposes of voting.
- b) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute those votes under the same principle among as many nominees as he shall see fit. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.
- c) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and may be done by show of hands.
- d) The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

c) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

Section 4.7, Article VII of the PNB Amended By-Laws:

Right to Vote; Proxies. Stockholders entitled to vote at a stockholders' meeting may vote either in person or by proxy the number of shares registered in their respective names in the Stock and Transfer Book of the Bank. Proxies shall be in writing, signed by the stockholder and duly presented to the Secretary for inspection and recorded not later than 5:00 o'clock in the afternoon five (5) calendar days prior to the date of the meeting. Unless otherwise provided in the proxy, it shall be valid for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.

Company's Policies	
Execution and acceptance of proxies	Stockholders entitled to vote at a stockholders' meeting may vote either in person or by proxy the number of shares registered in their respective names in the Stock and Transfer Book of the Bank.

Notary	Not required.
Submission of Proxy	Proxies shall be in writing, signed by the stockholder and duly presented to the Secretary for inspection and recorded not later than 5:00 o'clock in the afternoon five (5) calendar days prior to date of the meeting.
Several Proxies	Joint and alternative proxies are acceptable.
Validity of Proxy	Per SRC Rule 20(5)(F)(ii), no proxy shall confer authority to vote with respect to more than one meeting (and any adjournment thereof) unless a specific statement is made in the information statement and form of proxy that the proxy is valid for more than one meeting. Provided, however, that no proxy shall be valid and effective for a period longer than five (5) years from the date of the proxy; Per Sec. 58 of the Corporation Code, unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at any one time.
Proxies executed abroad	Acceptable.
Invalidated Proxy	In accordance with the rules under the Securities Regulation Code and the SEC Memorandum No. 5, Series of 1996.
Validation of Proxy	Done by the Corporate Secretary in coordination with the Stock Transfer Agent, usually the day after the deadline for the submission of proxies.
Violation of Proxy	In accordance with the rules under the Securities Regulation Code and the SEC Memorandum Circular No. 5, Series of 1996.

d) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
In compliance with SRC Rule 20 (3)(c)(iv), the Information Statement, Management Report and written notice of the meeting was sent to all shareholders of record at least fifteen (15) business days prior to the date of the meeting. In addition, the notice of meeting was likewise published for one (1) week daily in at least one newspaper of general circulation in the Philippines, in accordance with Section 4.4, Article IV of the Bank's Amended By-Laws.	The written notice of the meeting together with the Definitive Information Statement and Audited Financial Statement contained in a CD are physically mailed to the last known addresses on record of all the qualified stockholders through the Stock Transfer Agent. This is also disclosed to the regulators and uploaded to the Bank's website. The notice is also published alternately in newspapers of general circulation for one week.

e) Definitive Information Statements and Management Report (updated – 2015)

	Annual Stockholders' Meeting (May 26, 2015)
Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	30,110 stockholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	April 30 to May 5, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	April 30 to May 5, 2015
State whether CD format or hard copies were distributed	Distributed in CD format
If yes, indicate whether requesting stockholders were provided hard copies	Printed (hard) copies of the contents of the CD, i.e., Definitive Information Statement and Management Report, Secretary's Certificate certifying that none of the directors of the Bank are appointed officials of the Government, Statement of Management's Responsibility for Financial Statements, 2014 Audited Financial Statements, Supplemental Schedules and Notice to the Stockholders that the Bank will send out SEC Form 17-Q on or before May 19, 2015 were made available during the meeting.

f) Does the Notice of Annual/Special Stockholders' Meeting include the following: (updated – 2015)

	Special Stockholders' Meeting	Annual Stockholders' Meeting (May 26, 2015)
Each resolution to be taken up deals with only one item.	Not Applicable	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Not Applicable	Yes (indicated in the Definitive Information Statement attached to the Notice)
The auditors to be appointed or re-appointed.	Not Applicable	Yes (indicated in the Definitive Information Statement attached to the Notice)
An explanation of the dividend policy, if any dividend is to be declared.	Not Applicable	No dividend will be declared.
The amount payable for final dividends.	Not Applicable	Not Applicable
Documents required for proxy vote.	Not Applicable	Proxies are not solicited.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

Documents required for proxy vote - Stockholders were informed that they may issue and vote by proxies, but proxies were not solicited.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
Right to vote on all matters that require their consent or approval	Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
Right to inspect corporate books and records	All shareholders are allowed to inspect corporate books and records, including minutes of Board meetings and stock registries, in accordance with the Corporation Code and may access the annual reports, including financial statements, without cost or restrictions.
Right to Information	<p>The shareholders are provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Bank's shares, dealings with the Bank, relationships among directors and key officers, and the aggregate compensation of directors and officers.</p> <p>All other material information are disclosed to the regulators and uploaded to the Bank's website for easy access by all stockholders of the Bank.</p> <p>The minority shareholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.</p> <p>The minority shareholders have access to any information relating to matters for which Management is accountable.</p>
Appraisal Right	<p>The shareholders have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:</p> <ol style="list-style-type: none"> 1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any

	<p>stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence.</p> <p>2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and</p> <p>3. In case of merger or consolidation.</p>
Absence of Pre-emptive Right to Stock Issuances of the Corporation	The stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, and whether the same is issued from the Bank's unissued capital stock or in support of an increase in capital.
Rights to Dividends	Dividends shall be declared and paid out of the surplus profits of the Bank as often and at such times as the Board may determine and in accordance with the provisions of the law and regulations of the Bangko Sentral ng Pilipinas.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes. Any stockholder may nominate candidates for the Board.

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

External communications in the form of press releases or pronouncements to the market are coursed through the Marketing Group of the Bank. This covers, among others, write-ups on financials, products, tie-ups, etc. Press releases on financials and any other are approved by the President as endorsed by the Marketing Head and the sponsor of the information. The financial figures have to be signed off by the President, Chief Financial Officer and the Corporate Planning Head. All other required regulatory external pronouncements are released through the Corporate Secretary's Office and forwarded to the appropriate regulatory bodies or institutions.

All others which are at product level have to be signed off by the relevant unit/division involved in the particular communications and the Marketing Head.

Internal communications are handled through the Corporate Communications Unit under the Marketing Group. This involves the sending of e-mail blasts and the updating of the intranet website "Cybermag" as a marketing tool in disseminating information within the organization.

Information security guidelines are strictly prescribed and followed in disseminating information both for internal and external communications.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

FOR STOCKHOLDERS (updated – 2015)

	Details
(1) Objectives	To be able to give quality service and address all the concerns of the PNB stockholders.
(2) Principles	PNB is a customer-centered organization with a passion for service excellence.
(3) Modes of Communications	Verbal and written communications, including e-mail and fax.
(4) Investors Relations Officer	<p>Ms. Maila Katrina Y. Ilarde Corporate Secretary Tel.# (632) 834-0780 Email: ilardemk@pnb.com.ph</p> <p>PNB Stock Transfer Agent:</p> <p>Ms. Emylyn P. Audemard Corporate Services – PNB Trust Banking Group Tel.# (632) 891-6040 loc. 2307 Email: audemardep@pnb.com.ph; avilesjml@pnb.com.ph</p>

FOR OTHER STAKEHOLDERS

	Details
(1) Objectives	<ul style="list-style-type: none"> Promote investors' awareness and name recognition through participation in domestic and international conferences sponsored by fund managers. Improve investors' perception of PNB by keeping them abreast of the developments in the Bank through constant communications and maintaining cordial relations with them. Effectively address concerns/issues that could materially affect the Bank's good image, operations and viability.
(2) Principles	<ul style="list-style-type: none"> Accuracy and Timeliness <ul style="list-style-type: none"> To provide analysts/credit rating agencies/ investors with correct and up-to-date information on PNB. Transparency <ul style="list-style-type: none"> To disclose to investors relevant information on the Bank in line with the prescribed standard of disclosure by regulatory agencies. Consistency and Impartiality <ul style="list-style-type: none"> To make the same information accessible to all interested analysts/ credit rating agencies/investors through various modes of communication.
(3) Modes of Communications	<ul style="list-style-type: none"> Meetings with the President and other Senior Officers (as requested by investors) Teleconferences / phone calls Emails
(4) Investors Relations Officer	SVP Emeline C. Centeno Corporate Planning and Research Division Tel # 526-3131 local 2120/2084 Email address: centenoec@pnb.com.ph iru@pnb.com.ph

FOR PUBLIC IN GENERAL

	Details
(1) Objectives	<ul style="list-style-type: none"> To properly communicate corporate news, institutional advocacies and product campaigns to the general public and specific markets through appropriate and effective media channels. To provide the proper feedback channels to potential and existing clients and reply to queries in a timely manner. (Customer Service)
(2) Principles	<ul style="list-style-type: none"> Timeliness - Timely dissemination of information as required by the public. Effectivity - To reach the proper audience with the appropriate communication
(3) Modes of Communications	<ul style="list-style-type: none"> Internal and External Email Broadcasts Facebook Print Media Radio Letter Advices to Publics TV Advertisements (Local, Cable and Overseas) Press Releases Short message service alerts Electronic Channels – ATM, Phone, Mobile Websites and Social Networks
(4) Investors Relations Officer	SVP Norman Martin C. Reyes Chief Marketing Officer / Marketing Group Head Tel.# (632) 526-3131 loc. 4360 Email address: reyesnmc@pnb.com.ph <u>Customer Service</u> Hotline: (632) 573-8888 Email: customercare@pnb.com.ph

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- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? (updated – 2015)

The Bank has created a Capital Management sub-committee of the Asset/Liability Committee to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank. It is composed of the President, Chief Financial Officer, the Head of Treasury, the Head of Corporate Planning, and the President of PNB Capital and Investment Corporation.

The following are undertaken for the acquisition of substantial control in capital markets, merger with another bank and sale of substantial portion of corporate assets:

- a. Secure Board approval for the envisioned transaction.
- b. Request for engagement proposals from the following: (i) Financial Advisors (either for valuation purposes and/or for underwriting, or for the rendering of fairness opinion); (ii) Legal Advisors; and (iii) Independent Auditor.
- c. Do a comparative analysis of the proposals and prepare a recommendation to the Board of Directors.
- d. Get approval for their engagement.
- e. Evaluate the papers and secure the necessary approvals:
 - i. For the merger/ acquisition of substantial control: (a) Board approval; (b) Stockholders approval; (c) PDIC approval; (d) BSP approval; (e) SEC approval; and (f) approval from foreign regulatory authorities, whenever needed.
 - ii. For sale of substantial portion of corporate assets: (a) Board approval; and (b) BSP/other regulatory approvals, if needed.

BSP and SEC rules and regulations on mergers and acquisitions are strictly being followed by PNB.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

- 1) For the Merger of PNB and Allied Bank, Union Bank of Switzerland (UBS) was appointed by the Board of Directors to render a Fairness Opinion in accordance with SEC rules.
- 2) As a rule, PNB hires an advisor for a Fairness Opinion as necessary and on a per transaction basis. Hence, for prospective transactions, PNB will hire whoever is qualified to render Fairness Opinion following SEC rules regarding this matter.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company. (updated – 2015)

The Bank's CSR initiatives have been along three main focus areas:

1. Education, particularly for the youth. Along this line, the Bank continues to grant scholarship to deserving students through the Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies. In 2015, PNB is pursuing a Financial Literacy Program targeted at the youth, in partnership with the BSP. At the same time, the Bank continues to support initiatives to build libraries in various schools in the countryside.
2. Environmental protection. The Bank sponsors various tree/mangrove planting activities all over the country. These activities are conducted by branch personnel in various regions.
3. Humanitarian assistance during calamities and to indigents/those requiring special financial assistance. The Bank continues to support various employee-initiated CSR through the Pagtutulungan Ng Bayan program. The Program provides immediate assistance to victims of natural calamities, and various kinds of assistance to indigents and special communities in hospitals, hospices, orphanages, and other centers.

The Bank has formed a CSR Task Force to further provide direction and focus to its various CSR initiatives, particularly in the run up to PNB's centennial celebration in 2016.

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

The Board members conduct a self-assessment in order to evaluate performance for the previous year. The performance of the President/CEO, on the other hand, is evaluated by the Board of Directors.

Under the Bank's Revised Corporate Governance Manual (Manual), the Board established an evaluation system such as the Performance Evaluation Sheet to determine and measure their compliance with the Manual. Any violation thereof shall subject the responsible director, officer or employee to the penalty provided under Part 10 of the Manual.

The Performance Evaluation Sheet is divided into three parts, 1) Questions on Director's Individual Qualitative Performance; 2) Questions on the Board; and 3) Questions on the Board Committees. After the Directors' self-evaluation, the results are discussed and noted by the Corporate

Governance Committee before submission to the Board for notation.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
First Violation	Reprimand
Second Violation	Suspension (The duration will depend on the gravity of the violation)
Third Violation	Removal from the office (maximum penalty)



SECRETARY'S CERTIFICATE

I, **MAILA KATRINA Y. ILARDE**, Corporate Secretary of the Philippine National Bank ("PNB", the "Bank"), a universal banking corporation organized and existing under the laws of the Republic of the Philippines, with principal office address at the PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila, do hereby certify that during the meeting of the Board of Directors of the Bank on December 18, 2015, at which majority of the members were present, the following resolution was noted:

CONSOLIDATED CHANGES IN THE ANNUAL CORPORATE GOVERNANCE REPORT (ACGR) FOR 2015 – OFFICE OF THE CORPORATE SECRETARY -

BES RESOLUTION NO. 01/12-18-15


RESOLVED, AS IT IS HEREBY RESOLVED, that the Board note and confirm the Consolidated Changes in the Bank's Annual Corporate Governance Report (ACGR) for 2015, in compliance with SEC Memorandum Circular No. 12, Series of 2014, as recommended in the Memorandum of Ms. Maila Katrina Y. Ilarde, Corporate Secretary, dated December 9, 2015, and favorably endorsed by the Corporate Governance Committee on December 11, 2015 x x x.

IN WITNESS WHEREOF, I have hereunto affixed my signature this DEC 29 2015 in Pasay City, Metro Manila.


MAILA KATRINA Y. ILARDE
Corporate Secretary

SUBSCRIBED AND SWORN to before me this DEC 29 2015 in Pasay City, Metro Manila, Affiant exhibiting to me her T.I.N. 260-890-405.

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Series of 2015



ATTY. MARIA ROCELILA T. RAMIREZ
Commission No. 14-06; Roll No. 45158
Notary Public for Pasay City until 12/31/15
9th Floor PNB Financial Center
Pres. D.P. Macapagal Blvd., Pasay City
PTR No. 4203778/01-05-15/Pasay City
IBP No. 982954/01-06-15/RSM

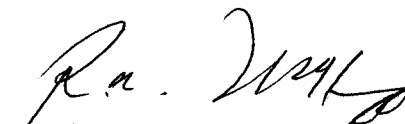
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


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

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

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has examined the consolidated and parent company financial statements of Philippine National Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


FLORENCIA G. TARRIELA
Chairman of the Board


REYNALDO A. MACLANG
President

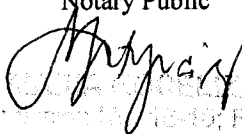

NELSON C. REYES
Executive Vice President & Chief Financial Officer

MAR 28 2016

SUBSCRIBED AND SWORN to before me this ____ day of March 2016 affiants exhibiting to me their Passport No., as follows:

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

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Notary Public

ATY. GREGORIO T. RAMIREZ
Com. No. 13-19, Roll No. 45158
Notary Public for Pasay City until 12/31/17
6111, PNB Financial Center
Plaza M. R. Macapagal Blvd., Pasay City
PTR No. 4738394/01-07-16/Pasay City
IBP No. 1012028/12-14-15/RSM

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	0	9	6	-	0	0	5	5	5	5
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COMPANY NAME

P	H	I	L	I	P	P	I	N	E		N	A	T	I	O	N	A	L		B	A	N	K		A	N	D		S
U	B	S	I	D	I	A	R	I	E	S																			

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

P	N	B		F	i	n	a	n	c	i	a	l		C	e	n	t	e	r	,		P	r	e	s	i	d	e	n
t		D	i	o	s	d	a	d	o		M	a	c	a	p	a	g	a	l		B	o	u	l	e	v	a	r	d

Form Type	Department requiring the report	Secondary License Type, If Applicable												
<table border="1" style="display: inline-table;"> <tr> <td>A</td><td>A</td><td>F</td><td>S</td> </tr> </table>	A	A	F	S	<table border="1" style="display: inline-table;"> <tr> <td></td><td></td><td></td><td></td> </tr> </table>					<table border="1" style="display: inline-table;"> <tr> <td></td><td></td><td></td><td></td> </tr> </table>				
A	A	F	S											

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	05/31	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Nelson C. Reyes		891-6040 to 70	

CONTACT PERSON'S ADDRESS

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Philippine National Bank and Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2015 and 2014, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 40 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas
Partner

CPA Certificate No. 86838

SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until April 30, 2016

Tax Identification No. 129-434-735

BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018

PTR No. 5321647, January 4, 2016, Makati City

March 2, 2016



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

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

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

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

(Forward)



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

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

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

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

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



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

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
(In Thousands)

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

(Forward)



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

See accompanying Notes to Financial Statements.



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

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, 2015, the LT Group, Inc. (LTG) held indirect ownership of 59.83% of the Parent Company's shares through various holding companies, while 17.37% of the Parent Company's shares were held by Philippine Central Depository Nominee Corporation. The remaining 22.80% of the Parent Company's shares were held by other stockholders holding less than 10.00% each of the Parent Company's shares. As of December 31, 2014, LTG held indirect ownership of 59.83% of the Parent Company's shares through its various subsidiaries, while 17.95% of the Parent Company's shares were held by various stockholders who issued proxies/special powers of attorney in favor of Director Lucio C. Tan. The remaining 22.22% of the Parent Company's shares were held by other stockholders.

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

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

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

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

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

Merger with Allied Banking Corporation

The respective shareholders of the Parent Company and Allied Banking Corporation (ABC), representing at least two-thirds of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on March 6, 2012. The original plan of the merger which was effected via a share-for-share exchange was approved by the affirmative vote of ABC and the Parent Company's respective shareholders, representing at least two-thirds of the outstanding capital stock of both banks, on June 24, 2008. Under the approved amended terms, the Parent Company will be the surviving entity. It will issue to ABC shareholders 130 Parent



Company common shares for every ABC common share and 22.763 Parent Company common shares for every ABC preferred share. Merger and business combination are terms used interchangeably within the accompanying financial statements and have the same meaning.

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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

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

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



Statement of Compliance

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

Presentation of Financial Statements

The statements of financial position of the Group and of the Parent Company are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

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

Basis of Consolidation

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

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

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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



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

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

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets and liabilities

Non-controlling Interests

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

Changes in Accounting Policies and Disclosures

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

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

Annual Improvements to PFRSs (2010-2012 cycle)

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



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

Annual Improvements to PFRSs (2011-2013 cycle)

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement – Portfolio Exception*
- PAS 40, *Investment Property*

Significant Accounting Policies

Business Combinations and Goodwill

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

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

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

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



excess of the aggregate consideration transferred, the gain is recognized in the consolidated statement of income.

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

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

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

Non-current Assets and Disposal Group Classified as Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. Such non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

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

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

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



A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

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

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

Foreign Currency Translation

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

Transactions and balances

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

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

FCDU and overseas subsidiaries

As at the reporting date, the assets and liabilities of the FCDU and overseas subsidiaries are translated into the Parent Company's presentation currency (the Philippine peso) at the closing rate prevailing at the reporting date, and their income and expenses are translated at the weighted average exchange rate for the year. Exchange differences arising on translation are taken directly to OCI under 'Accumulated Translation Adjustment'. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

Insurance Product Classification

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



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

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

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

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date, the date that an asset is delivered to or by the Group. Derivatives are recognized on trade date basis (i.e., the date that the Group commits to purchase or sell). Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities at amortized cost.

Derivatives recorded at FVPL

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



Financial assets or financial liabilities held-for-trading

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

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

Designated financial assets or financial liabilities at FVPL

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

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

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

HTM investments

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

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



Loans and receivables

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

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

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

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

AFS investments

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

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

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

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as 'Deposit Liabilities', 'Bills and Acceptances Payable', 'Subordinated Debt' and other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments



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

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

Reclassification of financial assets

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

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

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

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.

Life Insurance Contract Liabilities

Life insurance liabilities

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

Insurance contracts with fixed and guaranteed terms

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

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

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

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

Unit-linked insurance contracts

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

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



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

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

Nonlife Insurance Contract Liabilities

Provision for unearned premiums

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

Claims provision and IBNR losses

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

Liability Adequacy Test

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

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



losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Investments in Subsidiaries

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVPL and AFS investments, interest income is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Service fees and commission income

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

- a) *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, credit-related fees, trust fees, portfolio and other management fees, and advisory fees. However, commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.
- b) *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction.

Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees. Loan syndication fees are recognized in the statement of income when the syndication



has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

Interchange fee and revenue from rewards redeemed

'Interchange fees' are taken up as income under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed. Consideration received is allocated between the discounts earned, interchange fee and the points earned, with the consideration allocated to the points equal to its fair value. The fair value is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed. The deferred balance is included under 'Other Liabilities' in the statement of financial position.

Commissions earned on credit cards

Commissions earned are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

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

Commission earned on reinsurance

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

Dividend income

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

Trading and investment securities gains - net

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

Rental income

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

Income on direct financing leases and receivables financed

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



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

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Premiums revenue

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at end of reporting period are accounted for as provision for unearned premiums and presented as part of 'Other Liabilities' in the consolidated statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at the end of the reporting periods are accounted for as deferred reinsurance premiums shown as part of 'Other Assets' in the consolidated statement of financial position. The net changes in these accounts between ends of the reporting periods are credited to or charged against the consolidated statement of income for the period.

Other income

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

Expenses

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

Taxes and licenses

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

Policy Loans

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

Reinsurance

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

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



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

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

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

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

Deferred Acquisition Cost

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

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

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

Property and Equipment

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

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of



property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

The estimated useful lives follow:

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

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

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

Investment Properties

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

Foreclosed properties are classified under 'Investment Properties' upon:

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

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

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

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



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

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Other Properties Acquired

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

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

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

Intangible Assets

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

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

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

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

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



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

Software costs

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

Customer relationship and core deposit intangibles

Customer relationship intangibles (CRI) and core deposit intangibles (CDI) are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposit are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the commercial loans business is amortized on a straight-line basis over its useful life of 3 years while core deposit is amortized on a straight-line basis over its useful life of 10 years.

Impairment of Nonfinancial Assets

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

At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangibles and other properties acquired with finite useful lives may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the period in which it arises. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such reversal, the depreciation and amortization expense is adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.



Investment in subsidiaries

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

Goodwill

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

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Leases

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

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

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

Group as lessee

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

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



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

Group as lessor

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

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

Residual Value of Leased Assets and Deposits on Finance Leases

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Retirement Benefits

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling, if any. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.



Current tax

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

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

In the consolidated financial statements, deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Parent Company Shares Held by a Subsidiary

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



Earnings per Share

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

Dividends

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

Debt Issue Costs

Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the statement of financial position.

Borrowing Costs

Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method calculated in accordance with PAS 39 that the Group incurs in connection with borrowing of funds.

Events after the Reporting Date

Any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital Paid in Excess of Par Value' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Capital Paid in Excess of Par Value' account. If the 'Capital Paid in Excess of Par Value' is not sufficient, the excess is charged against the 'Surplus'.

'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.



Equity Reserves

The reserves recorded in equity in the statement of financial position include:

‘Remeasurement Losses on Retirement Plan’ which pertains to remeasurement comprising actuarial losses on the present value of the retirement obligation, net of return on plan assets.

‘Accumulated Translation Adjustment’ which is used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e., overseas branches and subsidiaries) to Philippine peso.

‘Net Unrealized Gain (Loss) on Available-for-Sale Investments’ reserve which comprises changes in fair value of AFS investments.

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Group’s financial statements are listed below. This listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PAS, PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective January 1, 2016

PAS 1, Presentation of Financial Statements – Disclosure Initiative (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating the material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose the fact as the amendments are considered to be clarifications that do not affect an entity’s accounting policies or accounting estimates.

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted.



PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants (Amendments)*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments)*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment in entity associate or joint venture to its interests in subsidiaries.

PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments)*

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*



- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
- PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- PAS 19, *Employee Benefits – regional market issue regarding discount rate*
- PAS 34, *Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’*

Effective January 1, 2018

PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The adoption will also have an effect on the Group’s determination of the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 by the International Accounting Standards Board (IASB) and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

IFRS 16, *Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.



The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

(a) Leases

Operating leases

Group as lessor

The Group has entered into commercial property leases on its investment properties and certain motor vehicles and items of machinery.

The Group has determined, based on an evaluation of the terms and conditions of the lease agreements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties and so accounts for these leases as operating leases.

Group as lessee

The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

Finance leases

Group as lessor

The Group, as lessor, has entered into lease arrangements on real estate, various machineries and other types of equipment. The Group has determined that it transfers all the significant risks and rewards of ownership of these properties and so accounts for these leases as finance lease.



(b) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models (Note 5). The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(c) Financial assets not quoted in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

(d) Embedded derivatives

Where a hybrid instrument is not classified as financial assets at FVPL, the Group evaluates whether the embedded derivative should be bifurcated and accounted for separately.

This includes assessing whether the embedded derivative has a close economic relationship to the host contract.

(e) Contingencies

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 35).

(f) Functional currency

PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity.

In making this judgment, the Group considers the following:

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

(g) Product classification

The Group classified its unit-linked products as insurance contracts due to the significant insurance risk at issue. All of the Group's unit-linked products are classified and treated as insurance contracts.

(h) Assessment of control over entities for consolidation

Where the Parent Company does not have majority of the voting interest over an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. This may include a contractual arrangement with the other voting shareholders of



the investee or rights arising from other contractual arrangements which give power to the Parent Company over the investee to affect its returns.

The Parent Company determined that it controls Oceanic Holding (BVI) Ltd. (OHBVI) through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

(i) *Assessment of joint control*

The Parent Company has certain joint arrangements with real estate companies for the development of its investment properties into residential/condominium units. In assessing joint control over these investees, the Parent Company assesses whether all the parties collectively control the arrangement. Further, the Parent Company determines the relevant activities of the arrangement and whether decisions around relevant activities require unanimous consent. The Parent Company also considers the scope of decision-making authority of the real estate companies in accordance with their respective contractual arrangements.

(j) *Assets and liabilities of disposal group classified as held for sale*

On December 21, 2015, the Parent Company entered into a 15-year exclusive partnership with Allianz SE (Singapore Branch) and for the latter to acquire 51.00% of PNB LII, the life insurance subsidiary of the Parent Company. The disposal is considered to meet the criteria to be classified as held for sale for the following reasons:

- Allianz SE will acquire 12,750 shares representing 51.00% stockholdings of PNB LII and will have management control over PNB LII;
- PNB LII shares are available for immediate sale and can be sold in its current condition, subject to terms that are usual and customary;
- The actions to complete the sale were initiated and the sale is expected to be completed by 2016.

For more details on the assets and liabilities of disposal group classified as held for sale, refer to Note 37.

Estimates

(a) *Credit losses on loans and receivables*

The Group reviews its impaired loans and receivables at each reporting date to assess whether additional provision for credit losses should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of required allowance. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance takes into consideration any deterioration in the loan or investment rating from the time the account was granted or amended and such other factors as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows and underlying property prices, among others.



Refer to Notes 10 and 15 for the carrying values of loans and receivables and receivable from Special Purpose Vehicle (SPV), respectively.

(b) Fair values of structured debt instruments and derivatives

The fair values of structured debt instruments and derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

To the extent practicable, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Notes 5 and 23 for information on the fair values of these instruments.

(c) Recognition of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Group and Parent Company's estimates of future taxable income indicate that certain temporary differences will be realized in the future. The amounts of recognized and unrecognized deferred tax assets are disclosed in Note 31.

(d) Fair valuation in business combination

The Group determines the acquisition-date fair values of identifiable assets acquired and liabilities assumed from the acquiree without quoted market price based on the following:

- for assets and liabilities that are short term in nature, carrying values approximate fair values
- for financial assets and liabilities that are long term in nature, fair values are estimated through the discounted cash flow methodology, using the appropriate market rates (e.g., current lending rates)
- for nonfinancial assets such as property and equipment and investment properties, fair values are determined based on appraisal valuation which follows sales comparison approach and depreciated replacement cost approach
- for deferred tax assets and liabilities, fair values are based on the tax benefit arising from future taxable income from the enlarged operations of the Parent Company

(e) Present value of retirement obligation

The cost of defined benefit pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

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



(f) Impairment of nonfinancial assets - property and equipment, investment in subsidiaries, investment properties, other properties acquired and intangibles

The Parent Company assesses impairment on its investments in subsidiaries whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries include the following:

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

The Group also assesses impairment on its nonfinancial assets (e.g., investment properties, property and equipment, other acquired properties and intangibles) and considers the following impairment indicators:

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

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties and land and building where recoverable amount is determined based on fair value less costs to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset or group of assets being assessed.

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

(g) Impairment of goodwill

The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support their carrying value. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Future cash flows from the business are estimated based on the theoretical annual income of the relevant CGUs. Average growth rate is derived from the long-term Philippine growth rate. The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Key assumptions in value-in-use calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

The carrying values of the Group's goodwill and key assumptions used in determining value-in-use are disclosed in Note 14.



(h) Aggregate reserves for life insurance

In determining the aggregate reserves for life policies estimates are made as to the expected number of deaths, illness or injury for each of the years in which PNB LII is exposed to risk. These estimates are based on standard mortality and morbidity tables as required by the Insurance Code (the Code). The estimated number of deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

In accordance with the provision of the Code, estimates for future deaths, illness or injury and investment returns are determined at the inception of the contract and are used to calculate the liability over the term of the contract. The interest rate used to discount future liabilities does not exceed 6.00% as required by the Code. Likewise, no lapse, surrender and expense assumptions are factored in the computation of the liability.

The carrying value of aggregate reserves for life policies is included in the 'Insurance contract liabilities' disclosed in Notes 22 and 37.

(i) Valuation of insurance contracts

Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty.

Nonlife insurance contract liabilities are not discounted for the time value of money. The main assumption underlying the estimation of the claims provision is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is mainly analyzed by accident years as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

The carrying values of total provisions for claims reported and claims IBNR are included in the 'Insurance contract liabilities' disclosed in Note 22.

(j) Estimated useful lives of property and equipment, investment properties, intangibles and chattel mortgage properties

The Group estimates the useful lives of its property and equipment, investment properties, intangibles and chattel mortgage properties.

This estimate is reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment, investment properties, intangibles and chattel mortgage properties.

Refer to Note 2 for the estimated useful lives of property and equipment, investment properties, intangibles and chattel mortgage properties. Refer to Notes 11, 13, 14 and 15 for the carrying values of property and equipment, investment properties, intangibles and chattel mortgage properties, respectively.



4. Financial Risk Management Objectives and Policies

Introduction

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

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either an ₱8.0 billion increase in risk weighted assets or a ₱1.0 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 bps.

Resulting from the assessments based on the premise identified above, the Parent Company agreed on the following ten (10) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the ICAAP document and required for monitoring.

Pillar 1 Risks:

1. Credit risk (includes counterparty and country risks)
2. Market risk
3. Operational risk

Pillar 2 Risks:

4. Credit concentration risk
5. Interest rate risk in banking book (IRRBB)
6. Liquidity risk
7. Reputational/customer franchise risk
8. Strategic business risk
9. Information technology risk/information security risk (includes core banking implementation risk)
10. New regulations risk

Managing the level of these risks as provided for by the Parent Company's Enterprise Risk Management (ERM) framework is critical to its continuing profitability. The Risk Oversight Committee (ROC) of the Parent Company's BOD determines the risk policy and approves the principles of risk management, establishment of limits for all relevant risks, and the risk control procedures. The ROC of the Parent Company is also responsible for the risk management of the Group.

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

The mandate of the RMG involves:

- Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and



- Establishing recommended limits based on the results of its analysis of exposures.

Credit Risk

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

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

The tools used by the Parent Company in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the Capital Adequacy Ratio (CAR) report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;
- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify the following:
 - a. portfolio growth
 - b. movement of loan portfolio (cash releases and cash collection for the month)
 - c. loss rate
 - d. recovery rate
 - e. trend of non-performing loans (NPLs)
 - f. concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Parent Company has moved one step further by collecting data on risk rating of loan borrowers with an asset size of ₱15.0 million and above as initial requirement in the Parent Company's model for internal Probability of Default (PD) and Loss Given Default (LGD).

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan.

Credit-related commitments

The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company.



To mitigate this risk the Parent Company requires hard collaterals, as discussed under *Collateral and other credit enhancement*, for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Unit-linked financial assets

The Group issues unit-linked insurance policies. In the unit-linked business, the policy holder bears the investment risk in the assets held in the unit-linked funds as the policy benefits are directly linked to the values of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

Collateral and other credit enhancement

As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Sector which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.



Maximum exposure to credit risk after collateral held or other credit enhancements

An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2015			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱14,550,000	₱14,516,223	₱33,777	₱14,516,223
Loans and receivables:				
Receivable from customers*:				
Business loans	290,095,409	251,693,476	232,049,711	58,045,698
Consumers	33,615,950	46,755,806	15,652,016	17,963,934
GOCCs and National Government				
Agencies (NGAs)	23,037,919	27,561,404	3,941,304	19,096,615
LGUs	7,792,655	1,430,738	7,050,998	741,657
Fringe benefits	552,079	829,780	246,613	305,466
Unquoted debt securities	4,245,069	3,434,914	810,155	3,434,914
Other receivable	19,101,758	8,553,573	14,856,651	4,245,107
	₱392,990,839	₱354,775,914	₱274,641,225	₱118,349,614

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

	Consolidated			
	2014			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Loans and receivables:				
Receivable from customers*:				
Business loans	₱241,963,174	₱152,970,231	₱180,555,455	₱61,407,719
Consumers	30,254,134	40,458,688	12,791,852	17,462,282
GOCCs and NGAs	20,440,576	222,869	20,226,009	214,567
LGUs	8,396,610	1,058,509	7,686,922	709,688
Fringe benefits	566,901	922,405	197,694	369,207
Unquoted debt securities	8,044,272	3,727,599	4,316,673	3,727,599
Other receivable	18,459,831	3,543,425	15,203,131	3,256,700
	₱328,125,498	₱202,903,726	₱240,977,736	₱87,147,762

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

	Parent Company			
	2015			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱14,550,000	₱14,516,223	₱33,777	₱14,516,223
Loans and receivables:				
Receivable from customers:				
Business loans	277,692,524	231,128,278	232,161,031	45,531,493
GOCCs and NGAs	23,037,919	27,561,404	3,941,304	19,096,615
Consumers	14,033,577	25,514,598	6,384,992	7,648,585
LGUs	7,792,655	1,430,738	7,050,998	741,657
Fringe benefits	538,887	820,321	242,878	296,009
Unquoted debt securities	4,245,069	3,434,914	810,155	3,434,914
Other receivable	13,820,335	8,544,352	9,584,448	4,235,887
	₱355,710,966	₱312,950,828	₱260,209,583	₱95,501,383



	Parent Company			
	2014			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Loans and receivables:				
Receivables from customers:				
Business loans	₱230,645,666	₱131,308,103	₱181,595,698	₱49,049,968
GOCCs and NGAs	20,440,576	222,869	20,226,009	214,567
Consumers	20,951,487	34,245,851	7,088,873	13,862,614
LGUs	8,396,610	1,058,509	7,686,922	709,688
Fringe benefits	553,393	912,946	193,649	359,744
Unquoted debt securities	7,744,272	3,727,599	4,016,673	3,727,599
Other receivables	12,235,532	3,069,914	9,165,618	3,069,914
	₱300,967,536	₱174,545,791	₱229,973,442	₱70,994,094

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 35 to the financial statements.

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty

For loans and receivables, the Parent Company sets an internal limit for group exposures which is equivalent to 100.00% of the single borrower's limit (SBL) for loan accounts with credit risk rating (CRR) 1 to CRR 5 or 50.00% of SBL if rated below CRR 5.

For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.



b. Geographic Concentration

The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

Consolidated				
2015				
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱346,480,786	₱76,378,062	₱98,214,655	₱521,073,503
Asia (excluding the Philippines)	17,732,943	12,884,161	14,081,917	44,699,021
Other European Union Countries	-	5,725,103	1,640,140	7,365,243
USA and Canada	776,838	957,062	5,079,342	6,813,242
United Kingdom	20,893	139,178	1,156,311	1,316,382
Middle East	1,365	-	12,108	13,473
	₱365,012,825	₱96,083,566	₱120,184,473	₱581,280,864

* *Loans and receivables exclude residual value of the leased asset (Note 10).*

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

Consolidated				
2014				
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱312,989,391	₱94,532,543	₱107,535,776	₱515,057,710
Asia (excluding the Philippines)	1,966,468	4,624,097	12,848,832	19,439,397
Other European Union Countries	-	2,619,545	1,836,912	4,456,457
USA and Canada	668,259	1,087,170	5,920,686	7,676,115
United Kingdom	9,531	550,074	1,921,417	2,481,022
Middle East	56,340	-	17,857	74,197
	₱315,689,989	₱103,413,429	₱130,081,480	₱549,184,898

* *Loans and receivables exclude residual value of the leased asset.*

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

Parent Company				
2015				
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱319,220,646	₱74,835,244	₱94,995,277	₱489,051,167
Asia (excluding the Philippines)	8,509,086	12,883,954	9,035,854	30,428,894
Other European Union Countries	-	5,725,103	1,639,322	7,364,425
USA and Canada	569,141	862,708	4,801,070	6,232,919
United Kingdom	-	58,250	814,433	872,683
Middle East	1,365	-	12,108	13,473
	₱328,300,238	₱94,365,259	₱111,298,064	₱533,963,561

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



Parent Company				
2014				
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱288,201,556	₱74,794,208	₱99,066,079	₱462,061,843
Asia (excluding the Philippines)	218,189	4,623,475	3,878,634	8,720,298
Other European Union Countries	–	2,619,545	1,804,225	4,423,770
USA and Canada	545,309	1,087,170	3,953,016	5,585,495
United Kingdom	–	542,771	409,227	951,998
Middle East	56,340	–	17,856	74,196
	₱289,021,394	₱83,667,169	₱109,129,037	₱481,817,600

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

c. Concentration by Industry

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

Consolidated				
2015				
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱38,776,292	₱8,420,062	₱24,088,110	₱71,284,464
Electricity, gas and water	49,526,664	1,799,906	3,591	51,330,161
Wholesale and retail	50,575,572	–	5,579	50,581,151
Manufacturing	40,697,028	30,611	27	40,727,666
Transport, storage and communication	28,872,881	1,661	599	28,875,141
Public administration and defense	25,294,475	–	–	25,294,475
Agriculture, hunting and forestry	5,996,258	–	75	5,996,333
Secondary target industry:				
Government	625,802	72,457,525	95,913,444	168,996,771
Real estate, renting and business activities	43,751,147	5,488,738	27,671	49,267,556
Construction	11,516,779	–	371	11,517,150
Others**	69,379,927	7,885,063	145,006	77,409,996
	₱365,012,825	₱96,083,566	₱120,184,473	₱581,280,864

* Loans and receivables exclude residual value of the leased asset.

** Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

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



	Consolidated			Total
	2014			
	Loans and receivables*	Trading and investment securities	Other financial assets***	
Primary target industry:				
Financial intermediaries	₱38,125,004	₱6,167,566	₱23,262,843	₱67,555,413
Electricity, gas and water	43,518,849	3,147,109	–	46,665,958
Wholesale and retail	43,900,100	–	–	43,900,100
Manufacturing	39,526,216	197,113	–	39,723,329
Transport, storage and communication	19,273,964	–	–	19,273,964
Public administration and defense	23,424,634	–	–	23,424,634
Agriculture, hunting and forestry	6,061,813	–	–	6,061,813
Secondary target industry:				
Government	4,904,316	66,196,124	105,773,685	176,874,125
Real estate, renting and business activities	39,119,461	7,813,496	–	46,932,957
Construction	8,503,212	–	–	8,503,212
Others**	49,332,420	19,892,021	1,044,952	70,269,393
	₱315,689,989	₱103,413,429	₱130,081,480	₱549,184,898

* Loans and receivables exclude residual value of the leased asset.

** Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

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

	Parent Company			Total
	2015			
	Loans and receivables*	Trading and investment securities	Other financial assets***	
Primary target industry:				
Financial intermediaries	₱38,440,318	₱8,173,172	₱17,409,518	₱64,023,008
Electricity, gas and water	49,463,182	1,799,906	3,591	51,266,679
Wholesale and retail	46,788,392	–	5,579	46,793,971
Manufacturing	37,203,799	30,611	27	37,234,437
Transport, storage and communication	27,034,887	1,661	599	27,037,147
Public administration and defense	25,294,475	–	–	25,294,475
Agriculture, hunting and forestry	5,519,770	–	75	5,519,845
Secondary target industry:				
Government	625,802	71,244,398	93,753,948	165,624,148
Real estate, renting and business activities	36,160,266	5,488,738	27,671	41,676,675
Construction	9,793,549	–	371	9,793,920
Others**	51,975,798	7,626,773	96,685	59,699,256
	₱328,300,238	₱94,365,259	₱111,298,064	₱533,963,561

* Loans and receivables exclude residual value of the leased asset.

** Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

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



	Parent Company			Total
	2014			
	Loans and receivables*	Trading and investment securities	Other financial assets***	
Primary target industry:				
Financial intermediaries	₱39,724,106	₱5,168,555	₱12,684,794	₱57,577,455
Electricity, gas and water	43,503,088	2,272,092	–	45,775,180
Wholesale and retail	40,653,462	–	–	40,653,462
Manufacturing	36,055,675	23,573	–	36,079,248
Transport, storage and communication	17,592,017	–	–	17,592,017
Public administration and defense	23,424,634	–	–	23,424,634
Agriculture, hunting and forestry	5,756,854	–	–	5,756,854
Secondary target industry:				
Government	4,505,316	62,241,630	95,415,467	162,162,413
Real estate, renting and business activities	31,604,945	7,323,927	–	38,928,872
Construction	7,264,299	–	–	7,264,299
Others**	38,936,998	6,637,392	1,028,776	46,603,166
	₱289,021,394	₱83,667,169	₱109,129,037	₱481,817,600

* Loans and receivables exclude residual value of the leased asset.

** Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.

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

The internal limit of the Parent Company based on the Philippine Standard Industry Classification (PSIC) sub-industry is 12.00% for priority industry, 8.00% for regular industry and 30.00% for power industry versus total loan portfolio.

Credit quality per class of financial assets

The credit quality of financial assets is assessed and managed using external and internal ratings. For receivable from customers classified as business loans, the credit quality is generally monitored using the 14-grade Credit Risk Rating (CRR) System which is integrated in the credit process particularly in loan pricing and allocation of valuation reserves. The model on risk ratings is assessed and updated regularly.

Validation of the individual internal risk rating is conducted by the Credit Management Division to maintain accurate and consistent risk ratings across the credit portfolio. The rating system has two parts, namely, the borrower's rating and the facility rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information such as industry outlook and market competition to provide the main inputs for the measurement of credit or counterparty risk.

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 that is sufficient to service its debt obligations.
- “Purpose” test - the loan must be obtained for a purpose consistent with the borrower’s general business.

LGU loans are backed-up by assignment of Internal Revenue Allotment. Consumer loans are covered by mortgages in residential properties and vehicles financed and guarantees from Home Guaranty Corporation. Fringe benefit loans are repaid through automatic salary deductions and exposure is secured by mortgage on house or vehicles financed.

The table below shows the Group’s and Parent Company’s receivable from customers, gross of allowance for credit losses and unearned and other deferred income, for each CRR as of December 31, 2015 and 2014, but net of residual values of leased assets.

	Consolidated			Total
	2015			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	
Rated Receivable from Customers				
1 – Excellent	₱4,090,408	₱–	₱–	₱4,090,408
2 - Super Prime	65,177,554	–	–	65,177,554
3 - Prime	55,509,700	193	–	55,509,893
4 - Very Good	29,059,432	467	–	29,059,899
5 - Good	53,997,893	159	76,066	54,074,118
6 - Satisfactory	31,701,037	8,355	85,648	31,795,040
7 - Average	19,304,040	1,260	–	19,305,300
8 - Fair	24,464,636	2,076	139,333	24,606,045
9 - Marginal	9,846,975	1,864	49,351	9,898,190
10 - Watchlist	18,884,955	89	3,000	18,888,044
11 - Special Mention	2,311,620	87,930	148,456	2,548,006
12 - Substandard	613,275	191,601	647,968	1,452,844
13 – Doubtful	–	26,301	1,306,189	1,332,490
14 - Loss	–	1,364,422	2,263,739	3,628,161
	314,961,525	1,684,717	4,719,750	321,365,992
Unrated Receivable from Customers				
Business Loans	15,144,231	150,695	46,282	15,341,208
Consumers	7,943,525	1,398,624	32,199	9,374,348
LGUs	7,697,189	26,597	65,424	7,789,210
GOCCs and NGAs	2,455,069	–	47,060	2,502,129
Fringe Benefits	518,923	10,725	25,994	555,642
	33,758,937	1,586,641	216,959	35,562,537
	₱348,720,462	₱3,271,358	₱4,936,709	₱356,928,529



	Consolidated			
	2014			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 - Excellent	₱3,657,571	₱-	₱-	₱3,657,571
2 - Super Prime	54,762,488	-	-	54,762,488
3 - Prime	44,606,966	2,888	-	44,609,854
4 - Very Good	12,837,284	-	-	12,837,284
5 - Good	28,228,002	282,709	-	28,510,711
6 - Satisfactory	42,311,285	188,422	92,201	42,591,908
7 - Average	24,743,740	182,178	128,080	25,053,998
8 - Fair	22,581,434	386,413	67,536	23,035,383
9 - Marginal	5,355,396	271,591	63,989	5,690,976
10 - Watchlist	10,361,643	98,829	9,559	10,470,031
11 - Special Mention	1,870,378	166,999	40,044	2,077,421
12 - Substandard	1,180,265	138,332	1,984,779	3,303,376
13 - Doubtful	-	216,519	1,289,539	1,506,058
14 - Loss	-	353,195	2,317,632	2,670,827
	252,496,452	2,288,075	5,993,359	260,777,886
Unrated Receivable from Customers				
Business Loans	10,193,630	621,987	1,070,600	11,886,217
Consumers	18,324,466	624,891	161,926	19,111,283
LGUs	8,142,342	168,926	78,855	8,390,123
GOCCs and NGAs	352,113	1,556	1,796,447	2,150,116
Fringe Benefits	532,407	10,832	23,917	567,156
	37,544,958	1,428,192	3,131,745	42,104,895
	₱290,041,410	₱3,716,267	₱9,125,104	₱302,882,781

	Parent Company			
	2015			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 - Excellent	₱3,944,861	₱-	₱-	₱3,944,861
2 - Super Prime	64,243,898	-	-	64,243,898
3 - Prime	54,377,704	193	-	54,377,897
4 - Very Good	27,568,487	467	-	27,568,954
5 - Good	33,868,924	159	-	33,869,083
6 - Satisfactory	23,798,683	3,019	23,432	23,825,134
7 - Average	18,649,361	1,260	-	18,650,621
8 - Fair	24,060,879	2,076	139,333	24,202,288
9 - Marginal	9,751,289	1,864	49,351	9,802,504
10 - Watchlist	17,897,858	-	3,000	17,900,858
11 - Special Mention	2,262,084	32,004	32,915	2,327,003
12 - Substandard	613,275	159,680	436,856	1,209,811
13 - Doubtful	-	15,218	1,025,278	1,040,496
14 - Loss	-	1,364,422	2,152,444	3,516,866
	281,037,303	1,580,362	3,862,609	286,480,274
Unrated Receivable from Customers				
Business Loans	17,735,218	150,695	46,282	17,932,195
Consumers	7,871,087	1,390,262	19,204	9,280,553
LGUs	7,697,189	26,597	65,424	7,789,210
GOCCs and NGAs	2,455,069	-	47,060	2,502,129
Fringe Benefits	505,730	10,725	22,520	538,975
	36,264,293	1,578,279	200,490	38,043,062
	₱317,301,596	₱3,158,641	₱4,063,099	₱324,523,336



	Parent Company			
	2014			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 - Excellent	₱3,657,571	₱-	₱-	₱3,657,571
2 - Super Prime	54,762,488	-	-	54,762,488
3 - Prime	44,523,797	2,437	-	44,526,234
4 - Very Good	12,827,900	-	-	12,827,900
5 - Good	28,170,284	279,126	-	28,449,410
6 - Satisfactory	28,099,674	150,445	11,330	28,261,449
7 - Average	19,915,688	182,178	128,080	20,225,946
8 - Fair	22,548,588	386,413	67,536	23,002,537
9 - Marginal	5,350,251	271,591	63,989	5,685,831
10 - Watchlist	10,190,059	48,419	-	10,238,478
11 - Special Mention	1,817,785	5,724	-	1,823,509
12 - Substandard	1,174,276	132,955	1,693,608	3,000,839
13 - Doubtful	-	177,857	1,260,247	1,438,104
14 - Loss	-	254,969	2,267,131	2,522,100
	233,038,361	1,892,114	5,491,921	240,422,396
Unrated Receivable from Customers				
Business Loans	9,640,046	621,988	1,070,600	11,332,634
Consumers	18,238,794	619,493	148,461	19,006,748
LGUs	8,142,342	168,926	78,855	8,390,123
GOCCs and NGAs	352,113	1,556	1,796,447	2,150,116
Fringe Benefits	518,899	10,832	23,917	553,648
	36,892,194	1,422,795	3,118,280	41,433,269
	₱269,930,555	₱3,314,909	₱8,610,201	₱281,855,665

Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due. The tables below show the aging analysis of past due but not individually impaired loans receivables per class.

	Consolidated				
	2015				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱59,704	₱10,508	₱26,437	₱1,685,805	₱1,782,454
Consumers	172,194	95,601	238,854	944,934	1,451,583
LGUs	-	-	-	26,597	26,597
GOCCs and NGAs	-	-	-	-	-
Fringe benefits	904	98	1,294	8,428	10,724
Total	₱232,802	₱106,207	₱266,585	₱2,665,764	₱3,271,358

	Consolidated				
	2014				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱1,564,077	₱158,535	₱281,636	₱844,243	₱2,848,491
Consumers	130,273	73,320	103,572	376,181	683,346
LGUs	61,776	-	-	110,266	172,042
GOCCs and NGAs	-	-	-	1,556	1,556
Fringe benefits	122	1,176	902	8,632	10,832
Total	₱1,756,248	₱233,031	₱386,110	₱1,340,878	₱3,716,267



Parent Company					
2015					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱12,079	₱9,841	₱26,437	₱1,681,269	₱1,729,626
Consumers	113,519	95,452	237,789	944,934	1,391,694
LGUs	-	-	-	26,597	26,597
GOCCs and NGAs	-	-	-	-	-
Fringe benefits	904	98	1,294	8,428	10,724
Total	₱126,502	₱105,391	₱265,520	₱2,661,228	₱3,158,641

Parent Company					
2014					
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱1,546,858	₱59,113	₱75,730	₱814,934	₱2,496,635
Consumers	86,158	73,320	102,400	371,966	633,844
LGUs	61,776	-	-	110,266	172,042
GOCCs and NGAs	-	-	-	1,556	1,556
Fringe benefits	122	1,176	902	8,632	10,832
Total	₱1,694,914	₱133,609	₱179,032	₱1,307,354	₱3,314,909

Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, the Parent Company uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1 and below - represents those investments which fall under any of the following grade:

- Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
- Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
- Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.



Below are the financial assets of the Group and the Parent Company, net of allowances, excluding receivable from customers, which are monitored using external ratings.

	Consolidated					
	2015					
	Rated			Subtotal	Unrated ^{5/}	Total
Aaa to Aa3	A1 to A3	Baa1 and below				
Due from BSP ^{1/}	₱-	₱-	₱-	₱-	₱81,363,444	₱81,363,444
Due from other banks	5,973,964	3,770,982	7,700,508	17,445,454	841,854	18,287,308
Interbank loans receivables	1,814,131	3,525,011	461,192	5,800,334	49	5,800,383
Securities held under agreements to resell	-	-	-	-	14,550,000	14,550,000
Financial assets at FVPL:						
Held-for-trading:						
Government securities	-	-	3,723,377	3,723,377	244,837	3,968,214
Equity securities	-	-	69	69	199,853	199,922
Derivative assets ^{2/}	12,391	10,458	35,242	58,091	123,257	181,348
Private debt securities	-	-	113,196	113,196	30,604	143,800
Designated at FVPL:						
Investment in Unit Investment Trust Funds (UITFs)	-	-	-	-	17,261	17,261
AFS investments:						
Government securities	1,829,038	-	28,625,851	30,454,889	14,805,508	45,260,397
Private debt securities	3,320,989	397,000	10,938,756	14,656,745	7,596,235	22,252,980
Quoted equity securities	-	-	203,182	203,182	450,749	653,931
Unquoted equity securities	-	-	508	508	173,208	173,716
HTM investments						
Government securities	94,354	4,706	23,132,937	23,231,997	-	23,231,997
Loans and receivables:						
Unquoted debt securities ^{3/}	-	-	75,394	75,394	550,408	625,802
Others ^{4/}	-	-	-	-	15,923,079	15,923,079

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).

^{3/} Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).

^{4/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

^{5/} As of December 31, 2015 and December 31, 2014, financial assets that are unrated are neither past due nor impaired.

	Consolidated					
	2014					
	Rated			Subtotal	Unrated ^{5/}	Total
Aaa to Aa3	A1 to A3	Baa1 and below				
Due from BSP ^{1/}	₱-	₱-	₱-	₱-	₱105,773,685	₱105,773,685
Due from other banks	2,488,321	3,970,843	4,687,276	11,146,440	4,444,966	15,591,406
Interbank loans receivables	3,565,703	3,136,915	-	6,702,618	968,819	7,671,437
Financial assets at FVPL:						
Held-for-trading:						
Government securities	-	-	5,712,101	5,712,101	419,177	6,131,278
Equity securities	284	-	69	353	210,481	210,834
Derivative assets ^{2/}	1,114	43,274	10,286	54,674	81,877	136,551
Private debt securities	-	-	-	-	218,193	218,193
Designated at FVPL:						
Segregated fund assets	-	10,654,770	-	10,654,770	-	10,654,770
AFS investments:						
Government securities	541,582	82,920	34,668,594	35,293,096	1,852,354	37,145,450
Private debt securities	691,350	1,057,523	2,988,178	4,737,051	18,971,107	23,708,158
Quoted equity securities	40,090	-	162,618	202,708	1,871,492	2,074,200
Unquoted equity securities	-	-	481	481	163,210	163,691
HTM investments:						
Government securities	-	4,472	22,826,242	22,830,714	89,592	22,920,306
Private debt securities	-	50,000	-	50,000	-	50,000

(Forward)



Consolidated 2014						
Rated						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated ^{5/}	Total
Loans and receivables:						
Unquoted debt securities ^{3/}	₱-	₱-	₱349,224	₱349,224	₱4,075,781	₱4,425,005
Others ^{4/}	3,858	1,636	200,966	206,460	15,249,487	15,455,947
^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.						
^{2/} Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).						
^{3/} Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).						
^{4/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).						
^{5/} As of December 31, 2015 and December 31, 2014, financial assets that are unrated are neither past due nor impaired.						

Parent Company 2015						
Rated						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated ^{5/}	Total
Due from BSP ^{1/}	₱-	₱-	₱-	₱-	₱79,203,948	₱79,203,948
Due from other banks	5,856,006	3,770,856	981,857	10,608,719	841,854	11,450,573
Interbank loans receivables	1,814,131	3,525,011	461,192	5,800,334	158,192	5,958,526
Securities held under agreements to resell	-	-	-	-	14,550,000	14,550,000
Financial assets at FVPL:						
Held-for-trading:						
Government securities	-	-	3,723,377	3,723,377	244,837	3,968,214
Equity securities	-	-	69	69	199,639	199,708
Derivative assets ^{2/}	12,228	10,415	35,242	57,885	123,257	181,142
Private debt securities	-	-	113,197	113,197	30,603	143,800
AFS investments:						
Government securities	727,525	-	28,542,175	29,269,700	14,805,509	44,075,209
Private debt securities	3,222,933	397,000	10,819,417	14,439,350	7,596,235	22,035,585
Quoted equity securities	-	-	-	-	450,749	450,749
Unquoted equity securities	-	-	-	-	173,209	173,209
HTM investments						
Government securities	-	4,706	23,132,937	23,137,643	-	23,137,643
Loans and receivables:						
Unquoted debt securities ^{3/}	-	-	75,394	75,394	550,408	625,802
Others ^{4/}	-	-	-	-	10,943,494	10,943,494
^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.						
^{2/} Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).						
^{3/} Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).						
^{4/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).						
^{5/} As of December 31, 2015 and December 31, 2014, financial assets that are unrated are neither past due nor impaired.						

Parent Company 2014						
Rated						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated ^{5/}	Total
Due from BSP ^{1/}	₱-	₱-	₱-	₱-	₱95,415,467	₱95,415,467
Due from other banks	1,063,178	2,320,424	1,253,345	4,636,947	376,410	5,013,357
Interbank loans receivables	3,565,703	3,136,915	-	6,702,618	968,819	7,671,437
Financial assets at FVPL:						
Held-for-trading:						
Government securities	-	-	5,712,101	5,712,101	419,177	6,131,278
Equity securities	-	-	69	69	210,481	210,550
Derivative assets ^{2/}	1,114	42,652	10,286	54,052	81,877	135,929
Private debt securities	-	-	-	-	218,193	218,193

(Forward)



Parent Company						
2014						
Rated						
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated ^{5/}	Total
AFS investments:						
Government securities	₱53,909	₱-	₱32,527,143	₱32,581,052	₱1,851,975	₱34,433,027
Private debt securities	533,148	950,699	2,983,073	4,466,920	15,893,523	20,360,443
Quoted equity securities	-	-	-	-	470,608	470,608
Unquoted equity securities	-	-	-	-	147,510	147,510
HTM investments:						
Government securities	-	4,472	21,555,159	21,559,631	-	21,559,631
Loans and receivables:						
Unquoted debt securities ^{3/}	-	-	49,224	49,224	4,075,782	4,125,006
Others ^{4/}	-	-	-	-	9,407,337	9,407,337

^{1/} 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

^{2/} Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).

^{3/} Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).

^{4/} Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

^{5/} As of December 31, 2015 and December 31, 2014, financial assets that are unrated are neither past due nor impaired.

Impairment assessment

The Group recognizes impairment or credit losses based on the results of specific (individual) and collective assessment of its credit exposures. A possible impairment has taken place when there are presence of known difficulties in the payment of obligation by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days). These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment or credit losses include:

a. Specific (individual) assessment

The Group assesses each individually significant credit exposure or advances for any objective evidence of impairment.

Among the items and factors considered by the Group when assessing and measuring specific impairment/credit allowances are:

- the going concern of the borrower's business;
- the ability of the borrower to repay its obligations during financial crises;
- the projected receipts or expected cash flows;
- the availability of other sources of financial support;
- the existing realizable value of collateral; and
- the timing of the expected cash flows.

The impairment or credit allowances, if any, are evaluated every quarter or as the need arise in view of favorable or unfavorable developments.



b. Collective assessment

Loans and advances that are not individually significant (e.g., credit cards, housing loans, car loans, development incentives loans, fringe benefit loans) and individually significant loans and advances where there is no apparent evidence of individual impairment are collectively assessed for impairment. A particular portfolio is reviewed every quarter to determine its corresponding appropriate allowances.

Impairment losses are estimated by taking into consideration the following information:

- historical losses of the portfolio;
- current adverse economic conditions that have direct impact on the portfolio;
- losses which are likely to occur but has not yet occurred; and
- expected receipts and recoveries once impaired.

Refer to Note 16 for the detailed information on the allowance for credit losses on loans and receivables and other financial assets.

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Parent Company's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Parent Company's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Parent Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the Parent Company on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.



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

	Consolidated					Total
	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	
Financial Assets						
COCI	₱15,220,536	₱-	₱-	₱-	₱-	₱15,220,536
Due from BSP and other banks	99,653,689	-	-	-	-	99,653,689
Interbank loans receivable	5,384,320	416,335	2	-	-	5,800,657
Securities held under agreements to resell	14,583,112	-	-	-	-	14,583,112
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3,979,182	-	-	-	-	3,979,182
Equity securities	199,922	-	-	-	-	199,922
Private debt securities	143,800	-	-	-	-	143,800
Derivative assets:						
Gross contractual receivable	16,817,945	2,059,068	28,125	41,474	348,870	19,295,482
Gross contractual payable	(16,752,755)	(2,040,301)	(18,692)	(27,122)	(275,264)	(19,114,134)
	65,190	18,767	9,433	14,352	73,606	181,348
Designated at FVPL:						
Investment in UITFs	17,261	-	-	-	-	17,261
AFS investments:						
Government securities	1,059,295	520,629	951,709	1,001,232	56,959,465	60,492,330
Private debt securities	183,767	534,094	307,439	11,562	27,717,072	28,753,934
Equity securities	-	-	-	-	827,647	827,647
HTM investments:						
Government securities	180,144	180,557	258,803	678,216	38,629,314	39,927,034
Loans and receivables:						
Receivables from customers	66,383,185	52,578,247	14,540,326	22,197,081	271,348,146	427,046,985
Unquoted debt securities	-	944	7,228	76,792	4,178,634	4,263,598
Other receivables	2,726,391	573,776	1,451,743	346,294	14,761,243	19,859,447
Other assets	128,387	2,300	1,405	1,141	50,605	183,838
Total financial assets	₱209,908,181	₱54,825,649	₱17,528,088	₱24,326,670	₱414,545,732	₱721,134,320
Financial Liabilities						
Deposit liabilities:						
Demand	₱110,029,680	₱-	₱-	₱-	₱-	₱110,029,680
Savings	260,880,163	25,250,869	11,251,179	5,732,360	13,745,867	316,860,438
Time	14,063,900	9,319,023	6,449,528	3,815,186	27,445,340	61,092,977
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	5,543,024	2,890,536	255,308	41,235	283,752	9,013,855
Gross contractual receivable	(5,500,389)	(2,829,870)	(246,017)	(27,122)	(275,264)	(8,878,662)
	42,635	60,666	9,291	14,113	8,488	135,193
Bills and acceptances payable	4,075,366	1,437,194	89,661	538,023	20,204,285	26,344,529
Subordinated debt	-	161,094	161,094	102,813	10,102,813	10,527,814
Accrued interest payable and accrued other expenses payable						
other expenses payable	1,019,379	158,692	17,574	23,423	1,564,522	2,783,590
Other liabilities	16,994,824	336,090	397,086	126,790	1,432,971	19,287,761
Total financial liabilities	₱407,105,947	₱36,723,628	₱18,375,413	₱10,352,708	₱74,504,286	₱547,061,982



Consolidated						
2014						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱14,628,489	₱-	₱-	₱-	₱-	₱14,628,489
Due from BSP and other banks	123,894,046	-	-	-	-	123,894,046
Interbank loans receivable	7,406,871	86,457	179,037	-	-	7,672,365
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3,858	26,681	252,547	242,633	7,889,921	8,415,640
Equity securities	210,834	-	-	-	-	210,834
Private debt securities	-	846	2,127	5,815	271,404	280,192
Derivative assets:						
Gross contractual receivable	4,094,309	145,455	61,912	-	566,494	4,868,170
Gross contractual payable	(4,074,679)	(138,707)	(57,565)	-	(460,668)	(4,731,619)
	19,630	6,748	4,347	-	105,826	136,551
Designated at FVPL						
Segregated fund assets	-	-	-	-	10,654,770	10,654,770
AFS investments:						
Government securities	130,676	587,215	1,313,252	1,087,497	44,142,188	47,260,828
Private debt securities	17,038	267,957	132,296	2,304,616	26,317,020	29,038,927
Equity securities	-	-	-	-	2,237,891	2,237,891
HTM investments:						
Government securities	17,407	162,811	221,300	627,002	35,936,853	36,965,373
Private debt securities	-	358	-	-	50,000	50,358
Loans and receivables:						
Receivables from customers	61,247,877	42,705,120	8,992,058	14,040,387	253,798,323	380,783,765
Unquoted debt securities	7,714	3,556,689	11,124	19,865	829,614	4,425,006
Other receivables	2,363,543	567,729	1,491,671	368,895	10,667,245	15,459,083
Other assets	943,966	-	-	-	101,486	1,045,452
Total financial assets	₱210,891,949	₱47,968,611	₱12,599,759	₱18,696,710	₱393,002,541	₱683,159,570
Financial Liabilities						
Deposit liabilities:						
Demand	₱101,561,040	₱-	₱-	₱-	₱-	₱101,561,040
Savings	210,066,893	33,071,856	16,375,209	13,484,009	22,428,474	295,426,441
Time	8,103,062	10,786,521	5,148,521	5,627,990	24,290,161	53,956,255
Financial liabilities at FVPL:						
Designated at FVPL:						
Segregated fund liabilities	-	-	-	-	10,817,122	10,817,122
Derivative liabilities:						
Gross contractual payable	6,828,368	55,354	22,594	290,680	490,151	7,687,147
Gross contractual receivable	(6,811,552)	(54,560)	(20,630)	(290,155)	(465,347)	(7,642,244)
	16,816	794	1,964	525	24,804	44,903
Bills and acceptances payable	7,712,722	997,205	1,334,892	31,139	8,974,100	19,050,058
Subordinated debt	-	161,094	161,094	322,188	10,497,311	11,141,687
Accrued interest payable and accrued						
other expenses payable	822,353	133,596	1,108	509	1,555,418	2,512,984
Other liabilities	17,900,338	456,986	300,231	407,896	6,699,582	25,765,033
Total financial liabilities	₱346,183,224	₱45,608,052	₱23,323,019	₱19,874,256	₱85,286,972	₱520,275,523



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						
COCI	₱12,598,715	₱-	₱-	₱-	₱-	₱12,598,715
Due from BSP and other banks	90,656,132	-	-	-	-	90,656,132
Interbank loans receivable	5,508,484	441,255	9,061	-	-	5,958,800
Securities held under agreements to resell	14,583,112	-	-	-	-	14,583,112
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3,979,182	-	-	-	-	3,979,182
Equity securities	143,800	-	-	-	-	143,800
Private debt securities	199,708	-	-	-	-	199,708
Derivative assets:						
Gross contractual receivable	15,866,204	2,057,068	20,125	41,474	348,870	18,333,741
Gross contractual payable	(15,801,188)	(2,038,302)	(10,723)	(27,122)	(275,264)	(18,152,599)
	65,016	18,766	9,402	14,352	73,606	181,142
AFS investments:						
Government securities	909,573	369,261	752,825	620,595	56,246,178	58,898,432
Private debt securities	183,767	534,094	269,017	994	27,546,996	28,534,868
Equity securities	-	-	-	-	623,958	623,958
HTM investments:						
Government securities	180,144	180,557	258,803	614,748	38,598,427	39,832,679
Loans and receivables:						
Receivables from customers	63,179,932	50,212,435	13,042,482	19,528,423	244,008,754	389,972,026
Unquoted debt securities	-	944	7,228	76,792	4,178,634	4,263,598
Other receivables	1,568,082	425,558	1,345,612	140,576	11,047,327	14,527,155
Other assets	96,073	2,300	1,405	1,142	34,597	135,517
Total financial assets	₱193,851,720	₱52,185,170	₱15,695,835	₱20,997,622	₱382,358,477	₱665,088,824
Financial Liabilities						
Deposit liabilities:						
Demand	₱108,667,550	₱-	₱-	₱-	₱-	₱108,667,550
Savings	256,194,773	25,250,869	11,251,179	5,732,360	13,745,867	312,175,048
Time	13,863,388	5,855,896	4,550,162	3,557,448	23,433,015	51,259,909
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	4,710,062	2,655,236	20,008	41,235	283,751	7,710,292
Gross contractual receivable	(4,667,535)	(2,594,639)	(10,723)	(27,122)	(275,264)	(7,575,283)
	42,527	60,597	9,285	14,113	8,487	135,009
Bills and acceptances payable	3,035,251	1,418,949	84,838	436,855	20,204,285	25,180,178
Subordinated debt	-	161,094	161,094	102,813	10,102,813	10,527,814
Accrued interest payable and accrued other expenses payable						
	991,128	156,705	14,717	23,239	1,564,522	2,750,311
Other liabilities	11,541,802	423,937	165,079	148,918	662,967	12,942,703
Total financial liabilities	₱394,336,419	₱33,328,047	₱16,236,354	₱10,015,746	₱69,721,956	₱523,638,522

Parent Company						
2014						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱13,865,078	₱-	₱-	₱-	₱-	₱13,865,078
Due from BSP and other banks	100,438,546	-	-	-	-	100,438,546
Interbank loans receivable	7,406,871	86,457	179,037	-	-	7,672,365
Financial assets at FVPL:						
Held-for-trading:						
Government securities	3,858	26,681	252,547	242,633	7,889,921	8,415,640
Equity securities	210,550	-	-	-	-	210,550
Private debt securities	-	846	2,127	5,815	271,404	280,192
Derivative assets:						
Gross contractual receivable	4,061,014	142,857	59,913	-	566,494	4,830,278
Gross contractual payable	(4,041,937)	(136,173)	(55,571)	-	(460,668)	(4,694,349)
	19,077	6,684	4,342	-	105,826	135,929

(Forward)



Parent Company						
2014						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
AFS investments:						
Government securities	₱127,914	₱566,071	₱1,250,462	₱1,067,278	₱41,522,808	₱44,534,533
Private debt securities	16,319	199,155	116,266	2,303,897	23,051,986	25,687,623
Equity securities	–	–	–	–	618,118	618,118
HTM investments:						
Government securities	16,625	73,928	185,895	576,167	33,985,398	34,838,013
Loans and receivables:						
Receivables from customers	58,870,339	42,138,186	8,516,073	13,317,620	237,005,081	359,847,299
Unquoted debt securities	7,714	3,256,689	11,124	19,865	829,614	4,125,006
Other receivables	931,896	441,818	1,186,144	59,625	6,787,855	9,407,338
Other assets	943,122	–	–	–	86,154	1,029,276
Total financial assets	₱182,857,909	₱46,796,515	₱11,704,017	₱17,592,900	₱352,154,165	₱611,105,506
Financial Liabilities						
Deposit liabilities:						
Demand	₱100,322,249	₱–	₱–	₱–	₱–	₱100,322,249
Savings	201,702,699	33,071,856	16,375,209	13,484,009	22,428,475	287,062,248
Time	5,403,728	7,561,927	3,164,797	5,211,736	27,019,957	48,362,145
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	6,780,719	54,347	15,000	290,680	490,151	7,630,897
Gross contractual receivable	(6,764,439)	(53,561)	(13,132)	(290,155)	(465,346)	(7,586,633)
	16,280	786	1,868	525	24,805	44,264
Bills and acceptances payable	7,114,721	240,205	59,892	28,530	11,082,696	18,526,044
Subordinated debt	56,750	461,094	161,094	322,188	10,497,311	11,498,437
Accrued interest payable and accrued						
other expenses payable	788,677	133,596	1,108	1,944	1,555,418	2,480,743
Other liabilities	12,023,817	423,937	165,079	148,918	471,054	13,232,805
Total financial liabilities	₱327,428,921	₱41,893,401	₱19,929,047	₱19,197,850	₱73,079,716	₱481,528,935

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

Trading market risk

Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk as a primary risk measurement tool. It adopts both the Parametric Value-at-Risk (VaR) methodology and Historical Simulation Methodology (with 99% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 261-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.



Objectives and limitations of the VaR methodology

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

VaR assumptions/parameters

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

Backtesting

The validity of the assumptions underlying the Parent Company's VaR models can only be checked by appropriate back testing procedures. Back testing is a formal statistical framework that consists of verifying that actual losses are within the projected VaR approximations. The Parent Company adopts both the clean back testing and dirty back testing approaches approach in back testing. Clean back testing, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty back testing, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon. This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the back testing results. For the year 2015 and 2014, the number of observations which fell outside the VaR is within the allowable number of exceptions in the green and yellow zones to conclude that there is no problem with the quality and accuracy of the VaR models at 99% confidence level. Nonetheless, closer monitoring and regular review of the model's parameters and assumptions are being conducted.

Stress Testing

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

VaR limits

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



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

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2015	₱1.99	₱296.83	₱8.81	₱307.63
Average Daily	3.67	306.33	8.99	318.99
Highest	14.52	420.79	10.50	392.93
Lowest	0.92	144.96	7.19	170.35

* FX VaR is the bankwide foreign exchange risk

** The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 29, 2014	₱3.77	₱230.99	₱7.76	₱242.52
Average Daily	3.28	234.50	8.73	246.51
Highest	10.96	395.29	12.60	349.12
Lowest	0.07	110.74	6.43	160.66

* FX VaR is the bankwide foreign exchange risk

** The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days

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

	2015	2014
End of year	₱1,303.05	₱812.47
Average Daily	1,249.75	1,416.60
Highest	1,444.14	2,631.36
Lowest	797.87	812.47

Structural Market Risk

Non-trading Market Risk

Interest rate risk

The Parent Company seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

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

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



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

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

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

	Consolidated					
	2015					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱23,068,982	₱2,139,755	₱441,737	₱414,746	₱226,955	₱26,292,175
Interbank loans receivable	5,251,490	158,192	390,702	-	-	5,800,384
Receivable from customers and other receivables - gross**	119,503,109	54,698,330	7,568,053	2,524,222	51,382,112	235,675,826
Total financial assets	₱147,823,581	₱56,996,277	₱8,400,492	₱2,938,968	₱51,609,067	₱267,768,385
Financial Liabilities*						
Deposit liabilities:						
Savings	₱82,042,319	₱26,460,116	₱18,737,481	₱19,104,851	₱12,364,766	₱158,709,533
Time	19,329,798	8,793,128	6,358,168	3,958,490	3,098,634	41,538,218
Bills and acceptances payable	3,850,446	1,080,637	1,006,011	1,140,959	18,674,168	25,752,221
Total financial liabilities	₱105,222,563	₱36,333,881	₱26,101,660	₱24,204,300	₱34,137,568	₱225,999,972
Repricing gap	₱42,601,018	₱20,662,396	(₱17,701,168)	(₱21,265,332)	₱17,471,499	₱41,768,413
Cumulative gap	42,601,018	63,263,414	45,562,246	24,296,914	41,768,413	-

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

** Receivable from customers excludes residual value of leased assets.

	Consolidated					
	2014					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱46,647,101	₱5,179,498	₱1,436,197	₱234,477	₱452,352	₱53,949,625
Interbank loans receivable	7,585,005	86,432	-	-	-	7,671,437
Receivables from customers and other receivables - gross**	109,681,648	52,668,132	10,239,290	10,042,060	30,295,753	212,926,883
Total financial assets	₱163,913,754	₱57,934,062	₱11,675,487	₱10,276,537	₱30,748,105	₱274,547,945
Financial Liabilities*						
Deposit liabilities:						
Savings	₱80,239,744	₱28,455,206	₱16,173,324	₱20,476,027	₱9,503,458	₱154,847,759
Time	13,973,220	6,782,382	5,619,511	4,134,468	3,374,672	33,884,253
Bills and acceptances payable	7,574,375	682,097	422,115	668,849	13,618,150	22,965,586
Total financial liabilities	₱101,787,339	₱35,919,685	₱22,214,950	₱25,279,344	₱26,496,280	₱211,697,598
Repricing gap	₱62,126,415	₱22,014,377	(₱10,539,463)	(₱15,002,807)	₱4,251,825	₱62,850,347
Cumulative gap	62,126,415	84,140,792	73,601,329	58,598,522	62,850,347	-

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

** Receivable from customers excludes residual value of leased assets.



Parent Company						
2015						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱17,271,237	₱-	₱-	₱24,707	₱-	₱17,295,944
Interbank loans receivable	5,409,633	158,192	390,702	-	-	5,958,527
Receivable from customers and other receivables - gross**	119,503,109	54,698,330	7,568,053	2,524,222	51,382,112	235,675,826
Total financial assets	₱142,183,979	₱54,856,522	₱7,958,755	₱2,548,929	₱51,382,112	₱258,930,297
Financial Liabilities*						
Deposit liabilities:						
Savings	₱78,666,283	₱26,460,116	₱18,737,481	₱19,104,851	₱12,364,766	₱155,333,497
Time	15,232,475	5,339,910	4,446,307	3,721,070	2,982,331	31,722,093
Bills and acceptances payable	3,257,332	351,318	479,587	283,413	20,258,236	24,629,886
Total financial liabilities	₱97,156,090	₱32,151,344	₱23,663,375	₱23,109,334	₱35,605,333	₱211,685,476
Repricing gap	₱45,027,889	₱22,705,178	(₱15,704,620)	(₱20,560,405)	₱15,776,779	₱47,244,821
Cumulative gap	45,027,889	67,733,067	52,028,447	31,468,042	47,244,821	-

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

** Receivable from customers excludes residual value of leased assets.

Parent Company						
2014						
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱32,989,879	₱-	₱-	₱-	₱23,478	₱33,013,357
Interbank loans receivable	7,585,005	86,432	-	-	-	7,671,437
Receivables from customers and other receivables - gross**	109,681,648	52,668,132	10,239,290	10,042,060	30,295,753	212,926,883
Total financial assets	₱150,256,532	₱52,754,564	₱10,239,290	₱10,042,060	₱30,319,231	₱253,611,677
Financial Liabilities*						
Deposit liabilities:						
Savings	₱72,848,966	₱28,455,206	₱16,173,324	₱20,476,027	₱9,503,458	₱147,456,981
Time	12,324,946	5,251,048	3,621,637	3,717,842	3,374,672	28,290,145
Bills and acceptances payable	6,970,251	128,026	-	-	11,423,046	18,521,323
Total financial liabilities	₱92,144,163	₱33,834,280	₱19,794,961	₱24,193,869	₱24,301,176	₱194,268,449
Repricing gap	₱58,112,369	₱18,920,284	(₱9,555,671)	(₱14,151,809)	₱6,018,055	₱59,343,228
Cumulative gap	58,112,369	77,032,653	67,476,982	53,325,173	59,343,228	-

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

** Receivable from customers excludes residual value of leased assets.

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2015 and 2014:

Consolidated				
	2015		2014	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	₱358,163	₱358,163	₱248,104	₱248,104
-50bps	(358,163)	(358,163)	(248,104)	(248,104)
+100bps	716,326	716,326	496,208	496,208
-100bps	(716,326)	(716,326)	(496,208)	(496,208)



	Parent Company			
	2015		2014	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	₱371,372	₱371,372	₱233,555	₱233,555
-50bps	(371,372)	(371,372)	(233,555)	(233,555)
+100bps	742,744	742,744	467,111	467,111
-100bps	(742,744)	(742,744)	(467,111)	(467,111)

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

Foreign currency risk

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

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

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

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



The table below summarizes the exposure to foreign exchange rate risk. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated		
	2015		
	USD	Others*	Total
Assets			
COCI and due from BSP	₱258,919	₱219,728	₱478,647
Due from other banks	6,933,845	9,466,865	16,400,710
Interbank loans receivable	673,317	1,006,287	1,679,604
Loans and receivables	14,467,955	6,681,557	21,149,512
AFS investments	525,369	926,685	1,452,054
Other assets	598,340	657,472	1,255,812
Total assets	23,457,745	18,958,594	42,416,339
Liabilities			
Deposit liabilities	7,690,547	4,892,062	12,582,609
Derivative liabilities	-	169	169
Bills and acceptances payable	3,430,079	258,265	3,688,344
Accrued interest payable	1,588,835	30,411	1,619,246
Other liabilities	857,501	554,743	1,412,244
Total liabilities	13,566,962	5,735,650	19,302,612
Net Exposure	₱9,890,783	₱13,222,944	₱23,113,727

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

	Consolidated		
	2014		
	USD	Others*	Total
Assets			
COCI and due from BSP	₱236,413	₱300,271	₱536,684
Due from other banks	1,490,604	3,300,703	4,791,307
Interbank loans receivable	2,043,978	432,160	2,476,138
Loans and receivables	7,172,786	688,378	7,861,164
Financial assets at FVPL	118,308	35,318	153,626
AFS investments	1,484,101	1,934,132	3,418,233
Other assets	90,953	54,013	144,966
Total assets	12,637,143	6,744,975	19,382,118
Liabilities			
Deposit liabilities	1,961,369	2,937,410	4,898,779
Bills and acceptances payable	2,977,373	112,963	3,090,336
Accrued interest payable	1,569,636	24,062	1,593,698
Other liabilities	2,357,493	144,011	2,501,504
Total liabilities	8,865,871	3,218,446	12,084,317
Net Exposure	₱3,771,272	₱3,526,529	₱7,297,801

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



	Parent Company		
	2015		
	USD	Others*	Total
Assets			
COCI and due from BSP	₱240,534	₱209,548	₱450,082
Due from other banks	3,150,831	7,252,392	10,403,223
Interbank loans receivable	673,317	1,006,287	1,679,604
Loans and receivables	13,308,152	268,445	13,576,597
AFS investments	483,277	845,757	1,329,034
Other assets	154,937	39,730	194,667
Total assets	18,011,048	9,622,159	27,633,207
Liabilities			
Deposit liabilities	2,081,030	2,665,794	4,746,824
Derivative liabilities	–	169	169
Bills and acceptances payable	3,168,703	109,284	3,277,987
Accrued interest payable	1,584,752	16,401	1,601,153
Other liabilities	143,346	201,555	344,901
Total liabilities	6,977,831	2,993,203	9,971,034
Net Exposure	₱11,033,217	₱6,628,956	₱17,662,173

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

	Parent Company		
	2014		
	USD	Others*	Total
Assets			
COCI and due from BSP	₱236,413	₱300,271	₱536,684
Due from other banks	1,377,664	1,908,867	3,286,531
Interbank loans receivable	2,043,978	432,160	2,476,138
Loans and receivables	6,635,805	274,499	6,910,304
Financial assets at FVPL	118,308	35,318	153,626
AFS investments	1,483,620	1,926,829	3,410,449
HTM investments	–	–	–
Other assets	27,376	9,696	37,072
Total assets	11,923,164	4,887,640	16,810,804
Liabilities			
Deposit liabilities	1,961,369	2,899,591	4,860,960
Bills and acceptances payable	2,486,218	15,029	2,501,247
Accrued interest payable	1,568,653	13,739	1,582,392
Other liabilities	2,357,448	103,314	2,460,762
Total liabilities	8,373,688	3,031,673	11,405,361
Net Exposure	₱3,549,476	₱1,855,967	₱5,405,443

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

Information relating to the Parent Company's currency derivatives is contained in Note 23. The Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱1.2 billion (sold) and ₱3.9 billion (bought) as of December 31, 2015 and ₱313.0 million (sold) and ₱3.5 billion (bought) as of December 31, 2014.



The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2015 and 2014 follow:

	2015	2014
US dollar - Philippine peso exchange rate	₱47.06 to USD1.00	₱44.72 to USD1.00

The following tables set forth the impact of the range of reasonably possible changes in the US dollar-Philippine peso exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2015 and 2014:

	2015			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱157,493	₱162,747	₱105,499	₱110,332
-1.00%	(157,493)	(162,747)	(105,499)	(110,332)
	2014			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱22,873	₱37,713	₱20,659	₱35,495
-1.00%	(22,873)	(37,713)	(20,659)	(35,495)

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

Capital management and management of insurance and financial risks

Governance framework

The Group has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It also supports the effective implementation of policies at the overall company and individual business unit levels.

The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

Regulatory framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The Group has an insurance business which is subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., fixed capitalization requirements, risk-based capital requirements).



Capital management

PNB LII's and PNB Gen's capital management framework is aligned with the statutory requirements imposed by the IC. To ensure compliance with these externally imposed capital requirements, it is PNB LII's and PNB Gen's policy to assess its position against set minimum capital requirements.

Under the requirements of the IC and the Insurance Code, PNB LII and PNB Gen should meet the minimum levels set for the following capital requirements: Minimum Statutory Net Worth - ₱250.0 million, ₱550.0 million, ₱900.0 million and ₱1.3 billion with compliance dates of June 30, 2013, December 31, 2016, December 31, 2019 and December 31, 2022, respectively; and Risk-Based Capital (RBC) - 100.00% for both life and nonlife insurance companies.

The required investments in government bonds and securities of at least 25.00% of the Minimum Paid-up Capital, under the Section 203 of the Insurance Code, are free from liens and encumbrances.

The Group manages the capital of its subsidiaries in accordance with the capital requirements of the relevant regulatory agency, such as the IC, SEC and PSE. PNB LII has fully complied with the relevant capital requirements having estimated statutory networth of ₱1.1 billion and ₱782.6 million as of December 31, 2015 and 2014, respectively, and RBC ratio of 187.08% and 145.29% as of December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, PNB Gen has estimated statutory networth amounting to ₱120.6 million and ₱585.5 million, respectively. PNB Gen's RBC ratio as of December 31, 2015 and 2014 is 9.52% and 30.23%, respectively.

Under Section D of IMC No. 7-2006, Mandatory Control Event shall occur if the RBC ratio of the company is less than 35.00%. Should this event occur, the Commissioner is required to place the company under regulatory control under Sec. 247 (Title 13, *Suspension or Revocation of Authority*) of the Code. The Mandatory Control Event shall be deemed sufficient grounds for the Commissioner to take action under Sec. 247 of the Insurance Code.

PNB Gen expects its financial performance to improve in 2016 through strategy of profitable growth, effective claims management and more efficient collection of both premiums receivable and claims recoverable. These will have positive impact on the RBC ratio, not to mention on the new RBC formula which is presently under consideration.

The final amount of the RBC ratio can be determined only after the accounts of PNB Gen have been examined by the IC. Further, the IC has yet to finalize the new RBC Computation under the New Insurance Code.

5. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities follow:

Cash equivalents - Carrying amounts approximate fair values due to the relatively short-term maturity of these investments.

Debt securities - Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.



Equity securities - Fair values of quoted equity securities are based on quoted market prices. While unquoted equity securities are carried at their original cost less impairment if any, since the fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Investments in UITFs classified as financial assets designated as at FVPL - Fair values are based on Net Asset Value per share (NAVps).

Loans and receivables - For loans with fixed interest rates, fair values are estimated by discounted cash flow methodology, using the Group's current market lending rates for similar types of loans. For loans with floating interest rates, with repricing frequencies on a quarterly basis, the Group assumes that the carrying amount approximates fair value. Where the repricing frequency is beyond three months, the fair value of floating rate loans is determined using the discounted cash flow methodology. The discount rate used in estimating the fair value of loans and receivables is 2.75% in 2015 and 2.50% in 2014 for peso-denominated receivables. For foreign currency-denominated receivables, discount rate used is 1.50% in 2015 and 2014.

Investment properties - The fair values of the Group and the Parent Company's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the land, building and investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

Financial liabilities - Except for time deposit liabilities, bills payable with long-term maturity and subordinated debt, the carrying values approximate fair values due to either the presence of a demand feature or the relatively short-term maturities of these liabilities.

Derivative instruments - Fair values are estimated based on quoted market prices or acceptable valuation models.

Time deposit liabilities, bills payable with long-term maturity and subordinated debt including designated at FVPL - Fair value is determined using the discounted cash flow methodology. The discount rate used in estimating the fair values of the subordinated debt and time deposits ranges from 2.66% to 3.77% and from 1.00% to 4.17% as of December 31, 2015 and 2014, respectively.

Fair value hierarchy

The Group has assets and liabilities that are measured at fair value on a recurring basis in the statement of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the statement of financial position at the end of each reporting period. These include financial assets and liabilities at FVPL and AFS investments.

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

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



- Level 3 - valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

Consolidated						
2015						
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/29/2015	₱3,968,214	₱2,636,413	₱1,331,801	₱-	₱3,968,214
Equity securities	12/29/2015	199,922	199,752	170	-	199,922
Derivative assets	12/29/2015	181,348	-	118,016	63,332	181,348
Private debt securities	12/29/2015	143,800	143,800	-	-	143,800
Designated at FVPL:						
Investment in UITFs	12/29/2015	17,261	-	17,261	-	17,261
AFS investments:						
Government securities	12/29/2015	45,260,397	33,499,835	11,760,562	-	45,260,397
Private debt securities	12/29/2015	22,252,980	21,614,280	638,700	-	22,252,980
Equity securities*	12/29/2015	653,931	560,272	93,659	-	653,931
Assets of disposal group classified as held for sale:						
Financial assets at FVPL:						
Segregated fund assets	12/29/2015	13,634,687	7,854,450	-	5,780,237	13,634,687
AFS investments						
Government securities	12/29/2015	2,485,902	2,485,902	-	-	2,485,902
Private debt securities	12/29/2015	3,604,065	3,604,065	-	-	3,604,065
Equity securities*	12/29/2015	1,378,686	1,378,686	-	-	1,378,686
		₱93,781,193	₱73,977,455	₱13,960,169	₱5,843,569	₱93,781,193
Liabilities measured at fair value:						
Financial Liabilities						
Financial liabilities at FVPL:						
Derivative liabilities	12/29/2015	₱135,193	₱-	₱135,193	₱-	₱135,193
Liabilities of disposal group classified as held for sale						
Financial liabilities at FVPL:						
Segregated fund liabilities**	12/29/2015	13,634,687	7,854,450	-	5,780,237	13,634,687
		₱13,769,880	₱7,854,450	₱135,193	₱5,780,237	₱13,769,880
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2015	₱23,231,997	₱18,729,222	₱5,887,982	₱-	₱24,617,204
Loans and receivables:						
Receivables from customers	12/29/2015	349,176,265	-	-	360,136,440	360,136,440
Unquoted debt securities	12/29/2015	625,802	-	-	648,046	648,046
Assets of disposal group classified as held for sale:						
HTM investments	12/29/2015	1,269,398	1,336,814	-	-	1,336,814
		₱374,303,462	₱20,066,036	₱5,887,982	₱360,784,486	₱386,738,504
Nonfinancial Assets						
Investment properties:***						
Land	2015	₱11,432,653	₱-	₱-	₱21,012,616	₱21,012,616
Buildings and improvements	2015	1,797,352	-	-	3,584,585	3,584,585
		₱13,230,005	₱-	₱-	₱24,597,201	₱24,597,201

(Forward)



Consolidated 2015						
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2015	₱60,552,445	₱-	₱-	₱60,762,710	₱60,762,710
Bills payable	12/29/2015	25,407,406	-	-	25,033,940	25,033,940
Subordinated debt	12/29/2015	9,986,427	-	-	10,241,659	10,241,659
		₱95,946,278	₱-	₱-	₱96,038,309	₱96,038,309

* Excludes unquoted available-for-sale securities

** Excludes cash component

*** Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost

Consolidated 2014						
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/29/2014	₱6,131,278	₱3,802,179	₱2,329,099	₱-	₱6,131,278
Equity securities	12/29/2014	210,834	210,674	160	-	210,834
Derivative assets	12/29/2014	136,551	-	65,391	71,160	136,551
Private debt securities	12/29/2014	218,193	218,193	-	-	218,193
Designated at FVPL:						
Segregated fund assets	12/29/2014	10,654,770	5,386,302	-	5,268,468	10,654,770
AFS investments:						
Government securities	12/29/2014	37,145,450	25,983,779	11,161,671	-	37,145,450
Private debt securities	12/29/2014	23,708,156	21,377,038	2,331,118	-	23,708,156
Equity securities*	12/29/2014	2,074,200	2,074,200	-	-	2,074,200
		₱80,279,432	₱59,052,365	₱15,887,439	₱5,339,628	₱80,279,432

Liabilities measured at fair value:

Financial Liabilities

Financial liabilities at FVPL:

Designated at FVPL:

Segregated fund liabilities**	12/29/2014	₱10,654,770	₱5,386,302	₱-	₱5,268,468	₱10,654,770
Derivative liabilities	12/29/2014	44,903	-	44,903	-	44,903
		₱10,699,673	₱5,386,302	₱44,903	₱5,268,468	₱10,699,673

Assets for which fair values are disclosed:

Financial Assets

HTM investments	12/29/2014	₱22,970,306	₱20,584,890	₱3,983,878	₱-	₱24,568,768
Loans and receivables:						
Receivables from customers	12/29/2014	296,372,069	-	-	316,486,735	316,486,735
Unquoted debt securities	12/29/2014	4,425,005	-	-	6,013,057	6,013,057
		₱323,767,380	₱20,584,890	₱3,983,878	₱322,499,792	₱347,068,560

Nonfinancial Assets

Investment properties:***

Land	2014	₱18,217,858	₱-	₱-	₱24,326,385	₱24,326,385
Buildings and improvements	2014	2,030,624	-	-	3,355,569	3,355,569
		₱20,248,482	₱-	₱-	₱27,681,954	₱27,681,954

(Forward)



Consolidated						
2014						
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2014	₱52,881,409	₱-	₱-	₱55,296,115	₱55,296,115
Bills payable	12/29/2014	18,683,205	-	-	18,340,370	18,340,370
Subordinated debt	12/29/2014	9,969,498	-	-	10,593,485	10,593,485
		₱81,534,112	₱-	₱-	₱84,229,970	₱84,229,970

* Excludes unquoted available-for-sale securities

** Excludes cash component

*** Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost

Parent Company						
2015						
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/29/2015	₱3,968,214	₱2,636,413	₱1,331,801	₱-	₱3,968,214
Equity securities	12/29/2015	199,708	199,708	-	-	199,708
Derivative assets	12/29/2015	181,142	-	117,810	63,332	181,142
Private debt securities	12/29/2015	143,800	143,800	-	-	143,800
AFS investments:						
Government securities	12/29/2015	44,075,209	32,314,647	11,760,562	-	44,075,209
Private debt securities	12/29/2015	22,035,585	21,396,885	638,700	-	22,035,585
Equity securities*	12/29/2015	450,749	357,090	93,659	-	450,749
		₱71,054,407	₱57,048,543	₱13,942,532	₱63,332	₱71,054,407

Liabilities measured at fair value:						
Financial Liabilities						
Derivative liabilities	12/29/2015	₱135,009	₱-	₱135,009	₱-	₱135,009

Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2015	₱23,137,643	₱18,634,867	₱5,887,982	₱-	₱24,522,849
Loans and Receivables:						
Receivables from customers	12/29/2015	316,730,942	-	-	325,917,837	325,917,837
Unquoted debt securities	12/29/2015	625,802	-	-	648,046	648,046
		₱340,494,387	₱18,634,867	₱5,887,982	₱326,565,883	₱351,088,732

Nonfinancial Assets						
Investment properties:**						
Land	2015	₱13,045,427	₱-	₱-	₱21,290,540	₱21,290,540
Buildings and improvements	2015	1,621,404	-	-	2,912,787	2,912,787
		₱14,666,831	₱-	₱-	₱24,203,327	₱24,203,327

Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2015	₱50,736,320	₱-	₱-	₱50,946,585	₱50,946,585
Bills payable	12/29/2015	24,285,071	-	-	23,904,966	23,904,966
Subordinated debt	12/29/2015	9,986,427	-	-	10,241,659	10,241,659
		₱85,007,818	₱-	₱-	₱85,093,210	₱85,093,210

* Excludes unquoted available-for-sale securities

** Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost



Parent Company						
2014						
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/29/2014	₱6,131,278	₱3,802,179	₱2,329,099	₱-	₱6,131,278
Equity securities	12/29/2014	210,550	210,550	-	-	210,550
Derivative assets	12/29/2014	135,929	-	64,769	71,160	135,929
Private debt securities	12/29/2014	218,193	218,193	-	-	218,193
AFS investments:						
Government securities	12/29/2014	34,433,027	23,271,399	11,161,628	-	34,433,027
Private debt securities	12/29/2014	20,360,443	18,039,535	2,320,908	-	20,360,443
Equity securities*	12/29/2014	470,608	470,608	-	-	470,608
		₱61,960,028	₱46,012,464	₱15,876,404	₱71,160	₱61,960,028
Liabilities measured at fair value:						
Financial Liabilities						
Derivative liabilities	12/29/2014	₱44,264	₱-	₱44,264	₱-	₱44,264
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/2014	₱21,559,631	₱19,660,347	₱3,443,695	₱-	₱23,104,042
Loans and Receivables:						
Receivables from customers	12/29/2014	275,489,052	-	-	292,379,151	292,379,151
Unquoted debt securities	12/29/2014	4,125,005	-	-	5,713,057	5,713,057
		₱301,173,688	₱19,660,347	₱3,443,695	₱298,092,208	₱321,196,250
Nonfinancial Assets						
Investment properties:**						
Land	2014	₱17,915,404	₱-	₱-	₱24,174,768	₱24,174,768
Buildings and improvements	2014	1,837,499	-	-	3,189,415	3,189,415
		₱19,752,903	₱-	₱-	₱27,364,183	₱27,364,183
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2014	₱47,287,301	₱-	₱-	₱46,855,735	₱46,855,735
Bills payable	12/29/2014	18,159,191	-	-	17,816,356	17,816,356
Subordinated debt	12/29/2014	9,969,498	-	-	10,593,485	10,593,485
		₱75,415,990	₱-	₱-	₱75,265,576	₱75,265,576

* Excludes unquoted available-for-sale securities

** Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities. For investments in UITFs, fair values is determined based on published NAVps as of reporting date.

As of December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.



The following table shows a reconciliation of the beginning and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Financial assets				
Balance at beginning of year	₱5,339,628	₱5,545,916	₱71,160	₱165,863
Fair value changes recognized in profit or loss	503,941	(206,288)	(7,828)	(94,703)
Balance at end of year	₱5,843,569	₱5,339,628	₱63,332	₱71,160
Financial liabilities				
Balance at beginning of year	₱5,268,468	₱5,380,053	₱-	₱-
Fair value changes recognized in profit or loss	511,769	(111,585)	-	-
Balance at end of year	₱5,780,237	₱5,268,468	₱-	₱-

Equity and/or Credit-Linked Notes are shown as ‘Segregated Fund Assets’ under ‘Financial Assets at FVPL’ as of December 31, 2014 and under ‘Assets of Disposal Group Classified as Held for Sale’ as of December 31, 2015 (Note 37).

The structured Variable Unit-Linked Notes can be decomposed into bond components and options components. The fair value of structured notes has been computed by counterparties using present value calculations and option pricing models, as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the Issuer. The model also used certain market observable inputs including the counterparty’s credit default swap (CDS), PHP interest rate swap (IRS) rates (for the Peso-denominated issuances) and ROP CDS rates (for the USD-denominated issuances).

Description of valuation techniques are as follows:

Structured Notes	Valuation Methods	Significant Unobservable Inputs	Significant Observable Inputs
Peso-denominated	DCF Method / Monte Carlo Simulation	Issuer’s Funding rate / Issuer’s CDS as proxy	PHP IRS
Dollar-denominated	DCF Method / Monte Carlo Simulation	Issuer’s Funding rate / Issuer’s CDS as proxy	ROP CDS / USD IRS

The sensitivity analysis of the fair market value of the structured notes as of December 31, 2015 and 2014 is performed for the reasonable possible movement in the significant inputs with all other variables held constant, showing the impact to profit and loss follows:

Sensitivity of the fair value measurement to changes in unobservable inputs:

2015			
Structured Investments	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	Bank CDS Levels	47.28 - 92.37 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱65,500,462
Dollar-denominated	Bank CDS Levels	40.179 - 76.344 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱41,710,217

* The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range



2014			
Structured Investments	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	Bank CDS Levels	44.00 - 95.67 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱90,838,042
Dollar-denominated	Bank CDS Levels	35.21 - 78.08 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱41,710,217

* The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range

Sensitivity of the fair value measurement to changes in observable inputs:

2015			
Structured Investments	Significant Observable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	PHP IRS (3Y)	180.25 - 355.00 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱65,500,462
Dollar-denominated	ROP CDS (5Y)	126.15 - 193.33 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱28,095,617

* The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range

2014			
Structured Investments	Significant Observable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	PHP IRS (3Y)	142.00 - 375.00 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱90,838,042
Dollar-denominated	ROP CDS (5Y)	79.31 - 150.94 bps	50 bps increase/(decrease) in change inputs would result in a (decrease) / increase in the market value of the note by ₱41,710,217

* The sensitivity analysis is performed only on the fixed income portion of the Note, thus are based on assumptions that if changed may cause the value to fall out of range

The fair values of warrants have been determined using price quotes received from a third-party broker without any pricing adjustments imputed by the Parent Company. The valuation model and inputs used in the valuation which were developed and determined by the third-party broker were not made available to the Parent Company. Under such instance, PFRS 13 no longer requires an entity to create quantitative information to comply with the related disclosure requirements.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group and Parent Company's investment properties are as follow:

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 ₱500 to ₱30,000
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	“An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors’ perceptions of the market over time”. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

6. Segment Information

Business Segments

The Group’s operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group’s business segments follow:

Retail Banking - principally handling individual customer’s deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;

Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers



Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of Treasury bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and

Other Segments - include, but not limited to, insurance, leasing, remittances and other support services. Other support services of the Group comprise of the operations and financial control groups.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, chief operating decision maker (CODM) is based on the Regulatory Accounting Principles (RAP) submitted to the BSP in compliance with the reportorial requirements under the Financial Reporting Package for banks, which differ from PFRS. Significant differences arose from the manner of provisioning for impairment and credit losses, measurement of investment properties and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

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

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

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

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



Business segment information of the Group follows:

	2015					Total
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	
Net interest margin						
Third party	₱2,396,903	₱11,614,344	₱3,177,360	₱295,629	₱207,603	₱17,691,839
Inter-segment	4,287,196	(4,915,106)	627,910	-	-	-
Net interest margin after inter-segment transactions	6,684,099	6,699,238	3,805,270	295,629	207,603	17,691,839
Other income	1,413,242	4,103,083	2,195,452	2,573,959	(334,936)	9,950,800
Segment revenue	8,097,341	10,802,321	6,000,722	2,869,588	(127,333)	27,642,639
Other expenses	(7,808,713)	(935,445)	(118,411)	(3,776,559)	(361,962)	(13,001,090)
Segment result	₱288,628	₱9,866,876	₱5,882,311	(₱906,971)	(₱489,295)	14,641,549
Unallocated expenses						(7,068,331)
Net income before income tax						7,573,218
Income tax						(1,619,554)
Net income from continuing operations						5,953,664
Net income from discontinued operations						357,931
Non-controlling interests						(198,087)
Net income for the year attributable to equity holders of the Parent Company						₱6,113,508
Other segment information						
Capital expenditures	₱925,062	₱10,405	₱1,780	₱371,649	₱-	₱1,308,896
Unallocated capital expenditure						589,574
Total capital expenditure						₱1,898,470
Depreciation and amortization	₱558,046	₱132,559	₱6,440	₱634,780	₱50,668	₱1,382,493
Unallocated depreciation and amortization						69,728
Total depreciation and amortization						₱1,452,221
Provision for (reversal of) impairment, credit and other losses	₱301,499	(₱261,596)	(₱11,910)	₱228,892	₱311,295	₱568,180

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

	2014 (As Restated – Note 37)					Total
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	
Net interest margin						
Third party	₱1,306,979	₱11,521,156	₱2,987,955	₱206,786	₱435,786	₱16,458,662
Inter-segment	3,928,385	(3,431,729)	(496,656)	-	-	-
Net interest margin after inter-segment transactions	5,235,364	8,089,427	2,491,299	206,786	435,786	16,458,662
Other income	2,026,365	4,062,801	1,122,246	2,946,655	(45,859)	10,112,208
Segment revenue	7,261,729	12,152,228	3,613,545	3,153,441	389,927	26,570,870
Other expenses	(7,131,047)	(3,677,796)	(217,934)	(2,158,368)	(628,280)	(13,813,425)
Segment result	₱130,682	₱8,474,432	₱3,395,611	₱995,073	(₱238,353)	12,757,445
Unallocated expenses						(6,159,273)
Net income before income tax						6,598,172
Income tax						(1,367,288)
Net income from continuing operations						5,230,884

(Forward)



2014 (As Restated – Note 37)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net income from discontinued operations						₱264,161
Non-controlling interests						(136,376)
Net income for the year attributable to equity holders of the Parent Company						<u>₱5,358,669</u>
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						<u>₱1,366,409</u>
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						<u>₱1,481,931</u>
Provision for (reversal of) impairment, credit and other losses	₱545,281	₱859,782	(₱11,766)	₱355,627	₱515,691	₱2,264,615

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

2013 (As Restated – Note 37)						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱648,331	₱9,659,791	₱2,435,438	₱241,706	₱475,309	₱13,460,575
Inter-segment	3,654,832	(2,860,774)	(794,058)	–	–	–
Net interest margin after inter-segment transactions	4,303,163	6,799,017	1,641,380	241,706	475,309	13,460,575
Other income	621,494	2,197,096	7,078,608	2,371,953	(657,048)	11,612,103
Segment revenue	4,924,657	8,996,113	8,719,988	2,613,659	(181,739)	25,072,678
Other expenses	(5,277,205)	(4,575,313)	(443,992)	(3,863,781)	(184,617)	(14,344,908)
Segment result	<u>(₱352,548)</u>	<u>₱4,420,800</u>	<u>₱8,275,996</u>	<u>(₱1,250,122)</u>	<u>(₱366,356)</u>	10,727,770
Unallocated expenses						(4,530,341)
Net income before share in net income of an associate and income tax						6,197,429
Share in net income of an associate						4,975
Net income before income tax						6,202,404
Income tax						(1,151,595)
Net income from continuing operations						5,050,809
Net income from discontinued operations						196,680
Non-controlling interests						(101,174)
Net income for the year attributable to equity holders of the Parent Company						<u>₱5,146,315</u>
Other segment information						
Capital expenditures	₱904,371	₱20,728	₱723	₱313,597	₱–	₱1,239,419
Depreciation and amortization	₱182,520	₱206,627	₱7,352	₱726,850	₱330,812	₱1,454,161
Unallocated depreciation and amortization						236,352
Total depreciation and amortization						<u>₱1,690,513</u>
Provision for impairment, credit and other losses	₱294,772	₱156,417	₱–	₱71,811	₱310,584	₱833,584

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



As of December 31, 2015						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱70,842,231	₱278,330,998	₱192,617,758	₱273,895,363	(₱138,148,929)	₱677,537,421
Unallocated assets						2,150,316
Total assets						₱679,687,737
Segment liabilities	₱328,801,574	₱51,043,083	₱50,222,776	₱189,688,815	(₱137,664,873)	₱482,091,375
Unallocated liabilities						92,840,501
Total liabilities						₱574,931,876

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

As of December 31, 2014						
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱300,295,603	₱233,760,262	₱183,055,599	₱107,472,631	(₱200,620,538)	₱623,963,557
Unallocated assets						1,482,275
Total assets						₱625,445,832
Segment liabilities	₱432,785,391	₱42,364,978	₱39,121,272	₱141,501,009	(₱255,648,228)	₱400,124,422
Unallocated liabilities						126,260,528
Total liabilities						₱526,384,950

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

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in five (5) principal geographical areas of the world. The distribution of assets, liabilities, credit commitments items and revenues by geographic region of the Group follows:

	Non-current Assets		Liabilities		Capital Expenditure	
	2015	2014	2015	2014	2015	2014
Philippines	₱325,295,519	₱328,307,665	₱550,838,120	₱506,034,141	₱1,879,019	₱1,338,759
USA and Canada	17,493,794	1,354,970	3,661,259	3,639,786	19,284	1,472
Asia (excluding Philippines)	5,348,679	1,153,246	20,378,499	15,572,732	167	14,897
United Kingdom	9,535	198,206	53,998	1,138,291	-	11,281
	₱348,147,527	₱331,014,087	₱574,931,876	₱526,384,950	₱1,898,470	₱1,366,409

	Credit Commitments		External Revenues		
	2015	2014	2015	2014	2013
Philippines	₱16,083,883	₱15,661,774	₱25,580,852	₱24,650,375	₱23,193,352
USA and Canada	796	467	598,662	534,838	531,803
Asia (excluding Philippines)	465,026	8,104	1,308,540	1,184,773	1,169,644
United Kingdom	-	-	154,585	200,884	148,592
Other European Union Countries	-	-	-	-	29,287
	₱16,549,705	₱15,670,345	₱27,642,639	₱26,570,870	₱25,072,678

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the primary business segments.



7. Due from Bangko Sentral ng Pilipinas

As of December 31, 2015 and 2014, 8.69% and 35.54%, respectively, of the Group's Due from BSP are placed under the special deposit account (SDA) with BSP. In 2015, 2014 and 2013, those SDAs bear interest at annual interest rates ranging from 2.00% to 2.50%, from 2.00% to 2.50% and from 2.00% to 3.00%, respectively.

As of December 31, 2015 and 2014, 7.32% and 29.35%, respectively, of the Parent Company's Due from BSP are placed under the SDA with the BSP. In 2015, 2014 and 2013, those SDAs bear interest at annual interest rates ranging from 2.00% to 2.50%, from 2.00% to 2.50% and from 2.00% to 3.00%, respectively.

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

The Group's interbank loans receivables include foreign currency-denominated placements amounting to ₱5.8 billion as of December 31, 2015 and peso and foreign currency-denominated placements amounting to ₱1.5 billion and ₱6.2 billion, respectively, as of December 31, 2014.

The Group's peso-denominated interbank loans receivables bear interest ranging from 2.56% to 3.19% in 2015, from 3.00% to 3.19% in 2014 and nil in 2013, and from 0.01% to 0.35%, from 0.08% to 0.25%, from 0.04% to 1.15% for foreign currency-denominated placements in 2015, 2014 and 2013, respectively. The Parent Company's peso-denominated interbank loans receivables bear interest ranging from 2.56% to 3.19% in 2015, from 3.00% to 3.19% in 2014 and nil in 2013, and from 0.03% to 0.35%, from 0.08% to 0.25%, from 0.04% to 1.15% for foreign currency-denominated placements in 2015, 2014 and 2013, respectively.

The amount of interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Interbank loans receivable	₱5,800,383	₱7,671,437	₱5,958,526	₱7,671,437
Less: Interbank loans receivable not considered as cash and cash equivalents	–	178,898	46,302	178,898
	₱5,800,383	₱7,492,539	₱5,912,224	₱7,492,539

Securities held under agreements to resell are peso-denominated placements with a carrying value of ₱14.6 billion as of December 31, 2015. The Group and the Parent Company's peso-denominated securities held under agreements to resell bear interest of 4.00% in 2015. As of December 31, 2015, the fair value of treasury bills pledged under these agreements amount to ₱14.5 billion (Note 36).



9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Financial assets at FVPL	₱4,510,545	₱17,351,626	₱4,492,864	₱6,695,950
AFS investments	68,341,024	63,091,497	66,734,752	55,411,588
HTM investments	23,231,997	22,970,306	23,137,643	21,559,631
	₱96,083,566	₱103,413,429	₱94,365,259	₱83,667,169

Financial Assets at FVPL

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Held-for-trading:				
Government securities	₱3,968,214	₱6,131,278	₱3,968,214	₱6,131,278
Equity securities	199,922	210,834	199,708	210,550
Derivative assets (Notes 23 and 36)	181,348	136,551	181,142	135,929
Private debt securities	143,800	218,193	143,800	218,193
	4,493,284	6,696,856	4,492,864	6,695,950
Designated at FVPL:				
Investment in UITFs	17,261	–	–	–
Segregated fund assets (Notes 18 and 37)	–	10,654,770	–	–
	₱4,510,545	₱17,351,626	₱4,492,864	₱6,695,950

As of December 31, 2015, 2014 and 2013, unrealized loss on government and private debt securities recognized by the Group and the Parent Company amounted to ₱261.5 million and ₱216.2 million and ₱237.1 million, respectively.

The carrying amount of equity securities includes unrealized loss of ₱53.3 million, ₱17.2 million and ₱30.5 million as of December 31, 2015, 2014 and 2013, respectively, for the Group and unrealized loss of ₱53.4 million, ₱17.3 million and ₱30.6 million as of December 31, 2015, 2014 and 2013, respectively, for the Parent Company.

In 2015, 2014 and 2013, the nominal interest rates of government securities range from 2.13% to 10.63%, from 2.75% to 8.88% and from 3.25% to 8.38%, respectively.

In 2015, 2014 and 2013, the nominal interest rates of private debt securities range from 4.80% to 7.38%, from 4.25% to 7.38% and from 3.88% to 7.38%, respectively.

Segregated fund assets designated as financial asset at FVPL refer to the considerations received from unit-linked insurance contracts invested by PNB LII in designated funds (Note 37).

On March 15, 2005 and June 17, 2005, the IC approved PNB LII's license to sell single-pay and regular-pay unit-linked insurance products, respectively.

Segregated fund assets and the corresponding segregated fund liabilities are designated as financial assets and liabilities at FVPL since they are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment



strategy. The equity of each policyholder in the segregated fund assets is determined by assigning a number of units to each policyholder, corresponding to the net amount deposited in relation to the market value at the time of contribution. The value per unit may increase or decrease depending on the market value of the underlying assets of the corresponding segregated funds.

As of December 31, 2014, the segregated fund assets consist of peso and dollar funds amounting to ₱8.7 billion. In 2015, the segregated funds were reclassified to 'Assets of disposal group classified as held for sale' (Note 37). The segregated fund assets include the following equity-linked notes:

Equity-linked notes	Description
Asian Summit	A single-pay variable life insurance product which invests the single premium, net of premium charges, into a five (5)-Year PHP-Linked USD Participation Note which is linked to the performance of a basket of five Asian equity indices.
Summit Select	A single-pay variable life insurance product which invests the single premium, net of premium charges, into a five (5)-Year PHP-Linked USD Participation Note which is linked to the performance of ING Emerging Markets Consumption VT 10.00% Index.
Dollar Income Optimizer	A single-pay variable life insurance product which invests the single premium, net of premium charges, into UBS seven (7)-Year Structured Note which is linked to the performance of a basket of high quality global funds chosen to offer income and potential for capital appreciation.
Variable Unit-Linked Summit Peso and Dollar	A peso and dollar denominated single-pay five (5)-Year linked life insurance plan that provide the opportunity to participate in a risk-managed portfolio of six (6) equally-weighted exchange traded funds of ASEAN member countries via the ING ASEAN Equities VT 10.00% index.
True North (Launched in 2015)	A fund invested in a 5-year UBS Note linked to UBS Multi Asset Portfolio T5 Index (the "UBS MAP T5") issued by UBS A.G.. It provides a minimum redemption value equivalent to 90.00% of the PHP equivalent principal amount, if held to maturity, and provided that no credit default event occurs on UBS A.G.

AFS Investments

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
AFS investments:				
Government securities (Notes 19 and 33)	₱45,260,397	₱37,145,450	₱44,075,209	₱34,433,027
Private debt securities	22,252,980	23,708,156	22,035,585	20,360,443
Equity securities - net of allowance for impairment losses (Note 16)				
Quoted	653,931	2,074,200	450,749	470,608
Unquoted	173,716	163,691	173,209	147,510
	₱68,341,024	₱63,091,497	₱66,734,752	₱55,411,588



The Group and the Parent Company recognized impairment losses on equity securities amounting to ₱0.2 million, ₱1.4 million and nil in 2015, 2014 and 2013, respectively (Note 16).

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

	Consolidated								
	2015			2014			2013		
	Parent Company	NCI	Total	Parent Company	NCI	Total	Parent Company	NCI	Total
Balance at the beginning of the year	(₱2,336,142)	₱179,878	(₱2,156,264)	(₱3,581,865)	₱158,990	(₱3,422,875)	₱1,037,252	₱-	₱1,037,252
Acquired from business combination	-	-	-	-	-	-	-	(47,538)	(47,538)
Changes in fair values of AFS investments	(1,433,417)	(16,194)	(1,449,611)	2,286,623	19,514	2,306,137	(243,270)	206,904	(36,366)
Provision for impairment (Note 16)	26,442	6,553	32,995	1,423	-	1,423	-	-	-
Realized gains (Note 37)	(777,890)	(4,175)	(782,065)	(1,171,221)	(2,932)	(1,174,153)	(4,375,383)	(376)	(4,375,759)
Amortization of net unrealized loss on AFS investments reclassified as HTM*	136,804	2,568	139,372	119,839	4,306	124,145	-	-	-
Effect of disposal group classified as held for sale (Note 37)	617,649	-	617,649	-	-	-	-	-	-
	(1,430,412)	(11,248)	(1,441,660)	1,236,664	20,888	1,257,552	(4,618,653)	206,528	(4,412,125)
Income tax effect (Note 31)	2,887	-	2,887	9,059	-	9,059	(464)	-	(464)
Balance at end of year	(₱3,763,667)	₱168,630	(₱3,595,037)	(₱2,336,142)	₱179,878	(₱2,156,264)	(₱3,581,865)	₱158,990	(₱3,422,875)

* Presented as part of 'Interest income on trading and investment securities'.

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

	Parent Company		
	2015	2014	2013
Balance at the beginning of the year	(₱2,276,501)	(₱3,400,929)	₱904,686
Changes in fair values of AFS investments	(119,195)	2,139,803	(113,065)
Provision for impairment	230	1,423	-
Realized gains	(756,777)	(1,128,511)	(4,183,617)
Amortization of net unrealized loss on AFS investments reclassified as HTM*	126,531	102,615	-
	(749,211)	1,115,330	(4,296,682)
Income tax effect (Note 31)	2,859	9,098	(8,933)
Balance at end of year	(₱3,022,853)	(₱2,276,501)	(₱3,400,929)

* Presented as part of 'Interest income on trading and investment securities'.

As of December 31, 2015 and 2014, the fair value of the AFS investments in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with foreign banks amounted to ₱8.5 billion (Note 19). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement.

Included in the Group's AFS investments are pledged securities for the Surety Bond with face value amount of ₱800.0 million issued by PNB Gen (Note 35). As of December 31, 2015 and 2014, the carrying value of these pledged securities amounted to ₱873.0 million and ₱903.9 million, respectively.

HTM Investments

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



As of December 31, 2014, HTM investments of the Group comprise of government securities and private debt securities amounting to ₱22.9 billion and ₱50.0 million, respectively. HTM investments of the Parent Company consist of government securities amounting to ₱21.6 billion as of December 31, 2014.

As of December 31, 2015 and 2014, the fair value of the HTM investments in the form of Republic of the Philippines bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with BSP amounted to ₱7.5 billion and ₱8.9 billion, respectively (Note 19).

Reclassification of Financial Assets

On March 3 and March 5, 2014, the Group reclassified certain AFS investment securities, which were previously classified as HTM investments, with fair values of ₱15.9 billion and ₱6.8 billion, respectively, back to its original classification as management has established that it continues to have the positive intention and ability to hold these securities to maturity. The reclassification was approved by the BOD on February 28, 2014. The previous fair valuation gains amounting to ₱2.7 billion that have been recognized in OCI shall be amortized to profit or loss over the remaining life of the HTM investments using effective interest rates ranging from 3.60% to 5.64%.

As of December 31, 2015, the carrying values and fair values of reclassified AFS investment securities amount to ₱21.3 billion and ₱23.1 billion, respectively, for the Group and ₱20.2 billion and ₱21.7 billion, respectively, for the Parent Company. In 2015, had these securities not been reclassified as HTM, the additional mark-to-market loss that would have been recognized by the Group and the Parent Company in the statement of comprehensive income amounts to ₱0.8 billion.

As of December 31, 2014, the carrying values and fair values of reclassified AFS investment securities amount to ₱22.4 billion and ₱24.0 billion, respectively, for the Group and ₱21.0 billion and ₱22.5 billion, respectively, for the Parent Company. In 2014, had these securities not been reclassified as HTM, the additional mark-to-market loss that would have been have been recognized by the Group and the Parent Company in the statements of comprehensive income amount to ₱1.6 billion and ₱1.5 billion, respectively.

Interest Income on Trading and Investment Securities

This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated – Note 37)	2013 (As Restated – Note 37)	2015	2014	2013
AFS investments	₱2,443,660	₱1,953,437	₱2,833,035	₱2,407,634	₱1,968,228	₱2,755,886
HTM investments	925,334	794,541	–	924,462	725,613	–
Financial assets at FVPL	373,042	244,886	648,203	373,042	244,886	648,202
Derivatives	–	–	5,528	–	–	5,503
	₱3,742,036	₱2,992,864	₱3,486,766	₱3,705,138	₱2,938,727	₱3,409,591

Effective interest rates range from 1.03% to 5.62%, from 2.58% to 5.62% and from 1.62% to 5.79% in 2015, 2014 and 2013, respectively, for peso-denominated AFS investments.

Effective interest rates range from 1.10% to 5.39%, from 2.06% to 5.83% and from 1.28% to 5.90% in 2015, 2014 and 2013, respectively, for foreign currency-denominated AFS investments.

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



Trading and Investment Securities Gains - net

This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated – Note 37)	2013 (As Restated – Note 37)	2015	2014	2013
Financial assets at FVPL:						
Held-for-trading	(P175,371)	P197,224	P214,322	(P175,290)	P196,597	P214,322
Designated at FVPL	210	1,751	79,955	–	–	(16,192)
AFS investments	761,191	1,159,492	4,374,009	756,777	1,128,511	4,183,617
Financial liabilities at FVPL:						
Designated at FVPL	–	–	104,510	–	–	196,070
Derivative financial instruments (Note 23)	(11,709)	(90,761)	(156,313)	(11,709)	(90,761)	(156,313)
	P574,321	P1,267,706	P4,616,483	P569,778	P1,234,347	P4,421,504

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Receivable from customers:				
Loans and discounts	P333,910,923	P279,256,983	P305,051,911	P261,796,590
Customers' liabilities on letters of credit and trust receipts	10,501,665	11,233,400	10,162,498	10,910,584
Credit card receivables	5,363,750	4,390,966	5,363,750	4,390,966
Bills purchased (Note 22)	3,832,905	4,878,682	3,498,652	4,292,300
Lease contracts receivable (Note 30)	3,686,791	3,324,277	101,709	103,720
Customers' liabilities on acceptances (Note 19)	344,816	361,505	344,816	361,505
	357,640,850	303,445,813	324,523,336	281,855,665
Less unearned and other deferred income	1,834,517	1,261,386	1,427,774	867,933
	355,806,333	302,184,427	323,095,562	280,987,732
Unquoted debt securities	4,245,069	8,044,272	4,245,069	7,744,272
Other receivables:				
Accounts receivable	8,212,190	8,993,706	3,102,573	3,127,060
Sales contract receivables	5,491,409	4,267,338	5,487,416	4,184,697
Accrued interest receivable	4,968,236	4,756,699	4,829,204	4,533,985
Miscellaneous	429,923	442,088	401,142	389,790
	19,101,758	18,459,831	13,820,335	12,235,532
	379,153,160	328,688,530	341,160,966	300,967,536
Less allowance for credit losses (Note 16)	13,428,014	12,435,509	12,860,728	11,946,142
	P365,725,146	P316,253,021	P328,300,238	P289,021,394



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

Consolidated								
2015								
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱274,314,706	₱22,920,494	₱7,804,678	₱28,398,408	₱472,637	₱-	₱-	₱333,910,923
Customers' liabilities on letters of credit and trust receipts	10,501,665	-	-	-	-	-	-	10,501,665
Credit card receivables	59,732	-	-	5,224,371	79,647	-	-	5,363,750
Bills purchased (Note 22)	3,142,231	690,674	-	-	-	-	-	3,832,905
Lease contracts receivable (Note 30)	3,686,791	-	-	-	-	-	-	3,686,791
Customers' liabilities on acceptances (Note 19)	344,816	-	-	-	-	-	-	344,816
	292,049,941	23,611,168	7,804,678	33,622,779	552,284	-	-	357,640,850
Less unearned and other deferred income	1,242,211	573,249	12,023	6,829	205	-	-	1,834,517
	290,807,730	23,037,919	7,792,655	33,615,950	552,079	-	-	355,806,333
Unquoted debt securities	-	-	-	-	-	4,245,069	-	4,245,069
Other receivables:								
Accounts receivable	-	-	-	-	-	-	8,212,190	8,212,190
Sales contract receivables	-	-	-	-	-	-	5,491,409	5,491,409
Accrued interest receivable	-	-	-	-	-	-	4,968,236	4,968,236
Miscellaneous	-	-	-	-	-	-	429,923	429,923
	290,807,730	23,037,919	7,792,655	33,615,950	552,079	4,245,069	19,101,758	379,153,160
Less allowance for credit losses (Note 16)	5,186,186	159,047	148,602	1,113,167	23,066	3,619,267	3,178,679	13,428,014
	₱285,621,544	₱22,878,872	₱7,644,053	₱32,502,783	₱529,013	₱625,802	₱15,923,079	₱365,725,146

Consolidated								
2014								
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱224,312,212	₱20,089,224	₱8,410,900	₱25,938,669	₱505,978	₱-	₱-	₱279,256,983
Customers' liabilities on letters of credit and trust receipts	11,233,400	-	-	-	-	-	-	11,233,400
Credit card receivables	68,455	-	-	4,261,332	61,179	-	-	4,390,966
Bills purchased (Note 22)	4,527,330	351,352	-	-	-	-	-	4,878,682
Lease contracts receivable (Note 30)	3,323,512	-	-	765	-	-	-	3,324,277
Customers' liabilities on acceptances (Note 19)	361,505	-	-	-	-	-	-	361,505
	243,826,414	20,440,576	8,410,900	30,200,766	567,157	-	-	303,445,813
Less unearned and other deferred income	1,300,208	-	14,290	(53,368)	256	-	-	1,261,386
	242,526,206	20,440,576	8,396,610	30,254,134	566,901	-	-	302,184,427
Unquoted debt securities	-	-	-	-	-	8,044,272	-	8,044,272
Other receivables:								
Accounts receivable	-	-	-	-	-	-	8,993,706	8,993,706
Sales contract receivables	-	-	-	-	-	-	4,267,338	4,267,338
Accrued interest receivable	-	-	-	-	-	-	4,756,699	4,756,699
Miscellaneous	-	-	-	-	-	-	442,088	442,088
	242,526,206	20,440,576	8,396,610	30,254,134	566,901	8,044,272	18,459,831	328,688,530
Less allowance for credit losses (Note 16)	4,530,880	189,270	62,462	1,012,637	17,109	3,619,267	3,003,884	12,435,509
	₱237,995,326	₱20,251,306	₱8,334,148	₱29,241,497	₱549,792	₱4,425,005	₱15,455,947	₱316,253,021



Parent Company								
2015								
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱265,051,259	₱22,920,494	₱7,804,678	₱8,816,035	₱459,445	₱-	₱-	₱305,051,911
Customers' liabilities on letters of credit and trust receipts	10,162,498	-	-	-	-	-	-	10,162,498
Credit card receivables	59,732	-	-	5,224,371	79,647	-	-	5,363,750
Bills purchased (Note 22)	2,807,978	690,674	-	-	-	-	-	3,498,652
Lease contracts receivable (Note 30)	101,709	-	-	-	-	-	-	101,709
Customers' liabilities on acceptances (Note 19)	344,816	-	-	-	-	-	-	344,816
	278,527,992	23,611,168	7,804,678	14,040,406	539,092	-	-	324,523,336
Less unearned and other deferred income	835,468	573,249	12,023	6,829	205	-	-	1,427,774
	277,692,524	23,037,919	7,792,655	14,033,577	538,887	-	-	323,095,562
Unquoted debt securities	-	-	-	-	-	4,245,069	-	4,245,069
Other receivables:								
Accounts receivable	-	-	-	-	-	-	3,102,573	3,102,573
Sales contract receivables	-	-	-	-	-	-	5,487,416	5,487,416
Accrued interest receivable	-	-	-	-	-	-	4,829,204	4,829,204
Miscellaneous	-	-	-	-	-	-	401,142	401,142
	277,692,524	23,037,919	7,792,655	14,033,577	538,887	4,245,069	13,820,335	341,160,966
Less allowance for credit losses (Note 16)	5,038,887	159,047	148,602	995,020	23,064	3,619,267	2,876,841	12,860,728
	₱272,653,637	₱22,878,872	₱7,644,053	₱13,038,557	₱515,823	₱625,802	₱10,943,494	₱328,300,238

Parent Company								
2014								
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱216,170,658	₱20,089,224	₱8,410,900	₱16,633,338	₱492,470	₱-	₱-	₱261,796,590
Customers' liabilities on letters of credit and trust receipts	10,910,584	-	-	-	-	-	-	10,910,584
Credit card receivables	68,455	-	-	4,261,332	61,179	-	-	4,390,966
Bills purchased (Note 22)	3,940,948	351,352	-	-	-	-	-	4,292,300
Lease contracts receivable (Note 30)	103,720	-	-	-	-	-	-	103,720
Customers' liabilities on acceptances (Note 19)	361,505	-	-	-	-	-	-	361,505
	231,555,870	20,440,576	8,410,900	20,894,670	553,649	-	-	281,855,665
Less unearned and other deferred income	910,204	-	14,290	(56,817)	256	-	-	867,933
	230,645,666	20,440,576	8,396,610	20,951,487	553,393	-	-	280,987,732
Unquoted debt securities	-	-	-	-	-	7,744,272	-	7,744,272
Other receivables:								
Accounts receivable	-	-	-	-	-	-	3,127,060	3,127,060
Sales contract receivables	-	-	-	-	-	-	4,184,697	4,184,697
Accrued interest receivable	-	-	-	-	-	-	4,533,985	4,533,985
Miscellaneous	-	-	-	-	-	-	389,790	389,790
	230,645,666	20,440,576	8,396,610	20,951,487	553,393	7,744,272	12,235,532	300,967,536
Less allowance for credit losses (Note 16)	4,266,298	189,270	62,462	963,545	17,105	3,619,267	2,828,195	11,946,142
	₱226,379,368	₱20,251,306	₱8,334,148	₱19,987,942	₱536,288	₱4,125,005	₱9,407,337	₱289,021,394

On November 27, 1997, Maybank Philippines, Inc. (Maybank) and the Parent Company signed a deed of assignment transferring to the Parent Company certain Maybank assets (included under 'Loans and discounts' and 'Accrued interest receivable') and liabilities in connection with the sale of the Parent Company's 60.00% equity in Maybank.



As of December 31, 2015 and 2014, the balance of these receivables amounted to ₱3.7 billion and ₱3.6 billion while the transferred liabilities (included under ‘Bills payable to BSP and local banks’ - Note 19 and ‘Accrued interest payable’ - Note 20) amounted to ₱3.4 billion. The excess of the transferred receivables over the transferred liabilities is fully covered by an allowance for credit losses amounting to ₱262.5 million as of December 31, 2015 and 2014. The remaining 40.00% equity ownership of the Parent Company in Maybank was sold in June 2000.

Unquoted debt instruments

Unquoted debt instruments include the zero-coupon notes received by the Parent Company from SPV Companies on October 15, 2004, at the principal amount of ₱803.5 million (Tranche A Note) payable in five years and at the principal amount of ₱3.4 billion (Tranche B Note) payable in eight years in exchange for the outstanding loans receivable from National Steel Corporation (NSC) of ₱5.3 billion. The notes are secured by a first ranking mortgage and security interest over the NSC Plant Assets. As of December 31, 2015 and 2014, the notes are carried at their recoverable values (Note 35).

Finance lease receivable

An analysis of the Group and the Parent Company’s finance lease receivables is presented as follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Minimum lease payments				
Due within one year	₱1,428,529	₱1,332,271	₱17,909	₱14,120
Due beyond one year but not over five years	1,498,041	1,370,474	35,900	31,100
Due beyond five years	47,900	58,500	47,900	58,500
	2,974,470	2,761,245	101,709	103,720
Residual value of leased equipment				
Due within one year	225,590	138,019	–	–
Due beyond one year but not over five years	486,731	425,013	–	–
	712,321	563,032	–	–
Gross investment in finance lease receivables	₱3,686,791	₱3,324,277	₱101,709	₱103,720

Interest Income

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	2015	2014	2013
Receivable from customers and sales contract receivables	₱17,074,179	₱14,650,909	₱12,888,135	₱15,092,695	₱13,491,902	₱12,358,412
Unquoted debt securities	63,478	521,555	216,449	58,568	502,891	200,297
	₱17,137,657	₱15,172,464	₱13,104,584	₱15,151,263	₱13,994,793	₱12,558,709

As of December 31, 2015 and 2014, 82.84% and 75.65%, respectively, of the total receivable from customers of the Group were subject to interest repricing. As of December 31, 2015 and 2014, 76.18% and 75.67%, respectively, of the total receivable from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.10% to 7.00% in 2015, from 2.51% to 9.00% in 2014 and from 4.80% to 9.00% in 2013 for foreign currency-denominated receivables, and from 0.50% to 15.25% in 2015, from 0.03% to 23.04% in 2014 and 0.30% to 24.40% in 2013 for peso-denominated receivables.



Sales contract receivables bear fixed interest rate per annum ranging from 3.30% to 21.00%, from 5.05% to 21.00% and from 4.50% to 21.00% in 2015, 2014 and 2013, respectively.

Interest income accrued on impaired loans and receivable of the Group and Parent Company amounted to ₱217.0 million in 2015, ₱274.8 million in 2014 and ₱289.1 million in 2013 (Note 16).

BSP Reporting

An industry sector analysis of the Group's and the Parent Company's receivable from customers before taking into account the unearned and other deferred income and allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2015		2014		2015		2014	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Primary target industry:								
Wholesale and retail	₱51,740,591	14.47	₱44,259,825	14.59	₱47,900,547	14.76	₱40,978,531	14.54
Electricity, gas and water	49,944,409	13.96	43,111,698	14.21	49,873,733	15.37	43,093,083	15.29
Manufacturing	42,115,959	11.78	40,789,519	13.44	38,252,329	11.79	37,209,179	13.20
Financial intermediaries	38,910,047	10.88	37,940,739	12.50	38,565,876	11.88	39,537,227	14.03
Transport, storage and communication	29,358,316	8.21	19,342,572	6.38	27,136,991	8.36	17,615,089	6.25
Public administration and defense	26,128,861	7.31	23,464,016	7.73	26,128,860	8.05	23,464,016	8.32
Agriculture, hunting and forestry	6,211,092	1.74	4,343,522	1.43	5,690,508	1.76	4,031,492	1.43
Secondary target industry:								
Real estate, renting and business activities	45,723,378	12.78	39,672,249	13.07	38,240,191	11.78	32,141,232	11.40
Construction	11,697,215	3.27	8,508,366	2.80	9,898,467	3.05	7,235,094	2.57
Others	55,810,982	15.60	42,013,307	13.85	42,835,834	13.20	36,550,722	12.97
	₱357,640,850	100.00	₱303,445,813	100.00	₱324,523,336	100.00	₱281,855,665	100.00

The information (gross of unearned and other deferred income and allowance for credit losses) relating to receivable from customers as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2015		2014		2015		2014	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
Secured:								
Real estate mortgage	₱57,028,872	15.94	₱68,910,935	22.71	₱42,625,055	13.13	₱57,372,084	20.36
Chattel mortgage	17,162,402	4.80	10,341,429	3.41	10,723,203	3.30	9,054,565	3.21
Bank deposit hold-out	1,924,828	0.54	6,336,908	2.09	1,924,828	0.59	3,815,052	1.35
Shares of stocks	889,340	0.25	35,776	0.01	694,769	0.22	35,776	0.01
Others	30,352,753	8.49	39,354,446	12.97	26,431,424	8.15	36,933,777	13.10
	107,358,195	30.02	124,979,494	41.19	82,399,279	25.39	107,211,254	38.04
Unsecured	250,282,655	69.98	178,466,319	58.81	242,124,057	74.61	174,644,411	61.96
	₱357,640,850	100.00	₱303,445,813	100.00	₱324,523,336	100.00	₱281,855,665	100.00

The table below reflects the balances of loans and receivables as reported to the BSP. For purposes of BSP reporting, the acquired loans and receivables were measured based on their original amortized cost as at acquisition date instead of their corresponding fair values.



NPL of the Parent Company as to secured and unsecured follow:

	2015	2014
Secured	₱5,888,561	₱6,960,228
Unsecured	3,090,858	2,960,524
	₱8,979,419	₱9,920,752

Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches twenty percent (20.00%) of the total loan balance.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs. Effective January 1, 2013, the exclusion of NPLs classified as loss but are fully covered by allowance was removed by the BSP through Circular No. 772. Previous banking regulations allow banks that have no unbooked valuation reserves and capital adjustments to exclude from nonperforming classification those loans classified as Loss in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued.

As of December 31, 2015 and 2014, based on the revised definition of NPLs under Circular No. 772, NPLs of ₱9.0 billion and ₱9.9 billion, respectively which the Parent Company reported to the BSP are gross of specific allowance amounting to ₱8.1 billion and ₱7.3 billion, respectively. Most of these loans are secured by real estate or chattel mortgages.

As of December 31, 2015 and 2014, gross and net NPL ratios of the Parent Company were 2.61% and 3.40%, and 0.25%% and 0.92%, respectively.

Restructured loans of the Group and the Parent Company as of December 31, 2015 amount to ₱1.6 billion. Restructured loans of the Group and the Parent Company as of December 31, 2014 amount to ₱1.8 billion and ₱1.7 billion, respectively.



11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated 2015						
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction In-progress	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱13,294,729	₱6,716,569	₱4,027,169	₱536,081	₱238,083	₱702,604	₱25,515,235
Additions/transfers	2,259,224	217,072	1,082,544	–	431,635	175,953	4,166,428
Disposals/transfers/others	(1,187)	(41,086)	(382,562)	–	(328,352)	(24,033)	(777,220)
Cumulative translation adjustment	–	1,863	1,697	17,907	–	594	22,061
Effect of disposal group classified as held for sale (Note 37)	–	–	(42,134)	–	–	(14,066)	(56,200)
Balance at end of year	15,552,766	6,894,418	4,686,714	553,988	341,366	841,052	28,870,304
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,362,174	2,925,285	9,456	–	414,431	5,711,346
Depreciation and amortization	–	234,400	479,662	5,030	–	122,275	841,367
Disposals/transfers/others	–	43,901	(282,785)	–	–	(17,486)	(256,370)
Cumulative translation adjustment	–	1,470	345	9,109	–	150	11,074
Effect of disposal group classified as held for sale (Note 37)	–	–	(16,563)	–	–	(10,091)	(26,654)
Balance at end of year	–	2,641,945	3,105,944	23,595	–	509,279	6,280,763
Allowance for Impairment Losses (Note 16)	351,373	109,704	–	–	–	–	461,077
Net Book Value at End of Year	₱15,201,393	₱4,142,769	₱1,580,770	₱530,393	₱341,366	₱331,773	₱22,128,464

	Consolidated 2014						
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction In-progress	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱13,335,606	₱6,471,818	₱3,864,908	₱534,977	₱332,688	₱600,051	₱25,140,048
Additions/transfers	977	206,944	455,678	–	210,172	107,687	981,458
Disposals/transfers/others	(41,854)	37,807	(293,417)	1,104	(304,777)	(5,134)	(606,271)
Balance at end of year	13,294,729	6,716,569	4,027,169	536,081	238,083	702,604	25,515,235
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	2,123,604	2,704,481	4,490	–	297,171	5,129,746
Depreciation and amortization	–	227,215	455,343	4,901	–	121,645	809,104
Disposals/transfers/others	–	11,355	(234,539)	65	–	(4,385)	(227,504)
Balance at end of year	–	2,362,174	2,925,285	9,456	–	414,431	5,711,346
Allowance for Impairment Losses (Note 16)	122,305	107,201	–	–	–	–	229,506
Net Book Value at End of Year	₱13,172,424	₱4,247,194	₱1,101,884	₱526,625	₱238,083	₱288,173	₱19,574,383

	Parent Company 2015					
	Land	Building	Furniture, Fixtures and Equipment	Construction In-progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱13,292,296	₱6,653,863	₱3,377,862	₱238,083	₱595,174	₱24,157,278
Additions/transfers	89,806	217,072	780,849	431,635	147,591	1,666,953
Disposals/transfers/others	(1,187)	(39,510)	(222,528)	(328,352)	(16,542)	(608,119)
Balance at end of year	13,380,915	6,831,425	3,936,183	341,366	726,223	25,216,112
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	2,341,778	2,563,525	–	340,107	5,245,410
Depreciation and amortization	–	233,174	371,448	–	105,920	710,542
Disposals/transfers/others	–	46,721	(187,033)	–	(8,427)	(148,739)
Balance at end of year	–	2,621,673	2,747,940	–	437,600	5,807,213
Allowance for Impairment Losses (Note 16)	154,997	109,704	–	–	–	264,701
Net Book Value at End of Year	₱13,225,918	₱4,100,048	₱1,188,243	₱341,366	₱288,623	₱19,144,198



Parent Company						
2014						
	Land	Building	Furniture, Fixtures and Equipment	Construction In-progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱13,333,173	₱6,404,804	₱3,324,856	₱332,688	₱498,572	₱23,894,093
Additions	977	206,943	310,312	210,172	106,748	835,152
Disposals/transfers/others	(41,854)	42,116	(257,306)	(304,777)	(10,146)	(571,967)
Balance at end of year	13,292,296	6,653,863	3,377,862	238,083	595,174	24,157,278
Accumulated Depreciation and Amortization						
Balance at beginning of year	-	2,103,385	2,412,816	-	243,496	4,759,697
Depreciation and amortization	-	225,692	347,441	-	101,832	674,965
Disposals/transfers/others	-	12,701	(196,732)	-	(5,221)	(189,252)
Balance at end of year	-	2,341,778	2,563,525	-	340,107	5,245,410
Allowance for Impairment Losses (Note 16)	121,253	107,200	-	-	-	228,453
Net Book Value at End of Year	₱13,171,043	₱4,204,885	₱814,337	₱238,083	₱255,067	₱18,683,415

In 2014, the Group was mandated by the BSP to change the method of accounting for land and buildings classified as 'Property and equipment' from revaluation model to cost model in accordance with BSP Circular No. 520, issued on March 20, 2006, which requires Philippine banks to account for their premises using the cost model under PAS 16.

The Group has previously measured land and buildings using the revaluation model as set out in PAS 16, whereby after initial recognition, these assets were re-measured at fair value at the date of revaluation less any subsequent accumulated impairment losses for land and less subsequent accumulated depreciation and any subsequent accumulated impairment losses for buildings.

Under the cost model, land will be measured at cost less any accumulated impairment losses and buildings will be measured at cost less accumulated depreciation and any accumulated impairment losses. Management used the deemed cost approach in determining the initial costs of the land and building. The Parent Company used the 2002 market values as the deemed cost which was the amount approved by the Monetary Board as part of the Parent Company's rehabilitation plan (Note 25).

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱548.9 million and ₱425.3 million, as of December 31, 2015 and 2014, respectively.

Gain on disposal of property and equipment for the year 2015, 2014 and 2013 amounted to ₱7.7 million, ₱12.1 million, and ₱1.9 million, respectively, for the Group and ₱3.7 million, ₱12.4 million and ₱1.3 million, respectively, for the Parent Company (Note 13).

Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Continuing operations:						
Depreciation						
Property and equipment	₱830,663	₱795,065	₱873,710	₱710,542	₱674,965	₱768,157
Investment properties (Note 13)	162,097	190,727	286,923	149,309	183,382	279,147
Chattel mortgage	35,285	23,455	62,721	33,748	23,281	62,721
Amortization - Intangible assets (Note 14)	424,176	472,684	467,159	412,180	460,582	463,909
	1,452,221	1,481,931	1,690,513	1,305,779	1,342,210	1,573,934
Discontinued operations:						
Property and Equipment (Note 37)	10,704	14,039	15,147	-	-	-
	₱1,462,925	₱1,495,970	₱1,705,660	₱1,305,779	₱1,342,210	₱1,573,934



Certain property and equipment of the Parent Company with carrying amount of ₱180.8 million and ₱117.8 million are temporarily idle as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014 property and equipment of the Parent Company with gross carrying amounts of ₱1.0 billion and ₱1.2 billion, respectively, are fully depreciated but are still being used.

12. Investments in Subsidiaries

The consolidated financial statements of the Group include:

Subsidiaries	Nature of Business	Country of Incorporation	Functional Currency	Percentage of Ownership			
				2015		2014	
				Direct	Indirect	Direct	Indirect
PNB SB*	Banking	Philippines	Php	100.00	–	100.00	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	100.00	–	100.00	–
PNB Forex, Inc. (PNB Forex)	FX trading	- do -	Php	100.00	–	100.00	–
PNB Holdings Corporation (PNB Holdings)	Investment	- do -	Php	100.00	–	100.00	–
PNB General Insurers Co., Inc. (PNB Gen) ^(a)	Insurance	- do -	Php	65.75	34.25	65.75	34.25
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	100.00	–	100.00	–
PNB Corporation – Guam	Remittance	USA	USD	100.00	–	100.00	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	100.00	–	100.00	–
PNB Remittance Centers, Inc. (PNB RCI) ^(b)	Remittance	- do -	USD	–	100.00	–	100.00
PNB Remittance Co. (Nevada) ^(c)	Remittance	-do-	USD	–	100.00	–	100.00
PNB RCI Holding Co. Ltd. ^(c)	Holding Company	- do -	USD	–	100.00	–	100.00
Allied Bank Philippines (UK) Plc (ABUK)*	Banking	United Kingdom	GBP	100.00	–	100.00	–
PNB Europe PLC	Banking	- do -	GBP	100.00	–	100.00	–
PNB Remittance Co. (Canada) ^(d)	Remittance	Canada	CAD	–	100.00	–	100.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	100.00	–	100.00	–
Allied Commercial Bank (ACB)* ^(e)	Banking	Republic of China	USD	99.04	–	90.41	–
PILFC ^(f)	Leasing/Financing	Philippines	Php	75.00	–	90.00	–
PNB-IBJL Equipment Rentals Corporation ^(g)	Rental	- do -	Php	–	75.00	–	90.00
PNB LII ^{*(h)}	Insurance	- do -	Php	80.00	–	80.00	–
ALFC	Rental	- do -	Php	57.21	–	57.21	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL) *	Banking	Hong Kong	HKD	51.00	–	51.00	–
ACR Nominees Limited *	Banking	- do -	HKD	–	51.00	–	51.00
Oceanic Holding (BVI) Ltd.*	Holding Company	British Virgin Islands	USD	27.78	–	27.78	–

* Subsidiaries acquired as a result of the merger with ABC

^(a) In 2014, the Parent Company made a direct capital infusion to PNB Gen, thus, acquiring the 65.75% ownership interest of the latter. Formerly wholly-owned by PNB Holdings

^(b) Owned through PNB IIC

^(c) Owned through PNB RCI

^(d) Owned through PNB RCI Holding Co. Ltd.

^(e) Purchase of additional shares was approved by BSP and China Banking Regulatory Commission on June 4, 2014 and November 12, 2015, respectively. On November 27, 2015, the Parent company purchased 8.63% ownership interest from individual stockholders.

^(f) Formerly Japan-PNB Leasing and Finance Corporation

^(g) Formerly Japan-PNB Equipment Rentals Corporation. Owned through PILFC

^(h) Beginning December 18, 2015, investment in PNB LII has been classified as held for sale following the approval of the Parent Company's BOD on the same date approving the sale of 51.00% of its ownership interest to Allianz SE.



The details of this account in the Parent Company as follows:

	2015	2014
PNB SB	₱10,935,041	₱10,935,041
ACB	6,087,520	5,485,747
PNB IIC	2,028,202	2,028,202
PNB Europe PLC	1,006,537	1,006,537
ABCHKL	947,586	947,586
PNB GRF	753,061	753,061
PNB Gen	600,000	600,000
PNB LII*	481,068	1,327,083
PNB Holdings	377,876	377,876
PNB Capital	350,000	350,000
ABUK	320,858	320,858
OHBVI	291,841	291,840
PILFC	181,942	218,331
ALFC	148,400	148,400
PNB Securities	62,351	62,351
PNB Forex	50,000	50,000
PNB Corporation - Guam	7,672	7,672
	24,629,955	24,910,585
Less: Allowance for impairment losses (Note 16)	807,973	807,973
	₱23,821,982	₱24,102,612

* *In 2015, a portion of investment in PNB LII were reclassified to 'Assets of disposal group classified as held for sale' (Note 37).*

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion. The SEC approval is subject to the following conditions: (a) remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC; and (b) for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

As of December 31, 2015 and 2014, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and is not available for dividend declaration.

In 2015, 2014 and 2013, the Parent Company's subsidiaries declared cash dividends amounting to ₱180.0 million, ₱67.8 million and ₱77.3 million, respectively. These are included under 'Miscellaneous income - others' (Note 28) in the Parent Company financial statements.



Material non-controlling interests

The financial information as of December 31, 2015 and 2014 of subsidiaries which have material NCI is provided below.

Proportion of equity interest held by non-controlling interests

	Principal Activities	2015	2014
ABCHKL	Banking	49.00%	49.00%
PNB LII	Insurance	20.00%	20.00%
ACB	Banking	0.96%	9.59%
Accumulated balances of material NCI		2015	2014
ABCHKL		₱1,322,771	₱1,183,905
PNB LII		414,828	390,465
ACB		68,633	639,045
Profit allocated to material NCI		2015	2014
ABCHKL		₱80,376	₱56,712
PNB LII		71,586	51,254
ACB		75	4,465

The following tables present financial information of subsidiaries with material non-controlling interests as of December 31, 2015 and 2014:

	2015		
	PNB LII	ABCHKL	
Statement of Financial Position			
Current assets	₱9,973,869	₱6,288,564	
Non-current assets	13,552,891	4,309,709	
Current liabilities	9,264,101	7,722,515	
Non-current liabilities	12,188,520	176,225	
Statement of Comprehensive Income			
Revenues	2,361,982	404,547	
Expenses	2,004,051	240,514	
Net income	357,931	164,033	
Total comprehensive income (loss)	(61,693)	125,354	
Statement of Cash Flows			
Net cash provided by operating activities	1,210,588	200,843	
Net cash provided used in investing activities	(815,306)	(640)	
Net cash used in financing activities	–	193,904	
	2014		
	PNB LII	ABCHKL	ACB
Statement of Financial Position			
Current assets	₱6,643,684	₱5,358,423	₱8,408,683
Non-current assets	12,911,566	4,523,473	709,013
Current liabilities	6,412,619	7,465,764	2,454,036
Non-current liabilities	11,190,306	–	–
Statement of Comprehensive Income			
Revenues	2,100,673	338,240	286,478
Expenses	1,844,401	222,501	239,918
Net income	256,272	115,739	46,560
Total comprehensive income (loss)	1,365,316	66,228	(12,793)

(Forward)



	2014		
	PNB LII	ABCHKL	ACB
Statement of Cash Flows			
Net cash provided by (used in) operating activities	₱1,535,951	(₱93,319)	₱1,661,045
Net cash provided by (used in) investing activities	(1,395,507)	132,299	(13,464)
Net cash used in financing activities	–	(5,920)	–

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

Investment in ACB

In August 2009, the Parent Company acquired 39.41% ownership in ACB in Xiamen China for a total consideration of CNY394.1 million or USD57.7 million (equivalent to ₱2.8 billion).

With its merger with ABC in 2013 (Note 1), the Parent Company’s equity interest in ACB increased from 39.41% to 90.41%. This resulted in change in accounting for such investment from an associate to a subsidiary. In accordance with PFRS 3, the step-up acquisition of investment in ACB is accounted for as a disposal of the equity investment in ACB and the line by line consolidation of ACB’s assets and liabilities in the Group’s financial statements. The fair value of consideration received from the step-up acquisition is equal to the carrying value of the disposed investment in ACB.

On November 22, 2013, the BOD of the Parent Company approved and confirmed the increase in equity investment of the Parent Company in ACB as a prerequisite to ACB’s application for CNY license, by way of purchase of the 9.59% shareholdings of the natural-person investors in ACB in the amount of USD13.8 million. This was approved by BSP on June 4, 2014. On November 12, 2015, the China Banking Regulatory Commission approved the takeover of the Parent Company of the 51.00% shareholdings held by ABC and the buyout of the 8.63% shareholdings of six natural-person investors in ACB resulting in the increase of equity ownership in ACB to 99.04%. The Parent Company paid the natural-person investors on November 27, 2015. This acquisition was accounted for as an equity transaction which resulted in the recognition of other equity adjustment amounting to ₱14.5 million in the consolidated statement of financial position.

PNB Forex

On August 23, 2013, the Parent Company approved the dissolution of PNB Forex by shortening its corporate life to December 31, 2013. PNB Forex ceased its business operations on January 1, 2006. As of December 31, 2015, PNB Forex is still in the process of complying with the requirements of regulatory agencies to effect the dissolution.

PNB SB

On November 28, 2014, the Parent Company infused additional capital to PNB SB amounting to ₱10.0 billion which will be used to build and refocus the Group’s consumer lending business. The infusion of additional equity to PNB SB was approved by the BSP on February 28, 2014.

PILFC

On November 28, 2014, the BOD of the Parent Company approved the sell back by the Parent Company to IBJ Leasing (IBJL) of its 15.00% equity ownership in PILFC. Under the terms of the new and expanded partnership, IBJL increased its stake in PILFC from 10.00% to 25.00%, and the Parent Company’s stake decreased from 90.00% to 75.00%. The total consideration from the sale of 15.00% equity ownership amounted to ₱102.6 million and the Parent Company recognized gain from disposal amounting to ₱66.2 million in its statement of income (Note 28). This sale was accounted for as an equity transaction which resulted in the recognition of other equity adjustment amounting to ₱0.5 million in the consolidated statement of financial position.



PNB Gen

The Parent Company contributed ₱600.0 million to PNB Gen in 2014 to acquire 65.75% direct interest ownership over the latter. In 2013, the Parent Company has indirect ownership over PNB Gen through PNB Holdings. The additional capital of PNB Gen is meant to strengthen the financial position of the subsidiary considering that it suffered a net loss in 2013. Further, the restructuring of relationships between the entities in the Group have no impact on the consolidated financial statements.

PNB Italy SpA (PISpA)

PISpA was liquidated on November 9, 2014. The Group will shift to an agent-arrangement to continue remittance business in Italy.

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

The BSP and IC regulations require banks and insurance companies to maintain certain levels of regulatory capital. As of December 31, 2015 and 2014, the total assets of banking subsidiaries amounted to ₱57.1 billion and ₱41.6 billion, respectively; and ₱30.8 billion and ₱27.7 billion for insurance subsidiaries, respectively.

13. Investment Properties

The composition of and movements in this account follow:

	Consolidated		
	2015		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱21,411,572	₱4,450,944	₱25,862,516
Additions	313,968	191,294	505,262
Disposals/transfers/others	(7,446,794)	(653,612)	(8,100,406)
Cumulative translation adjustments	9,000	1,010	10,010
Balance at end of year	14,287,746	3,989,636	18,277,382
Accumulated Depreciation			
Balance at beginning of year	-	1,856,814	1,856,814
Depreciation (Note 11)	-	162,097	162,097
Disposals/transfers/others	-	(265,343)	(265,343)
Cumulative translation adjustments	-	170	170
Balance at end of year	-	1,753,738	1,753,738
Allowance for Impairment Losses (Note 16)	2,855,093	438,546	3,293,639
Net Book Value at End of Year	₱11,432,653	₱1,797,352	₱13,230,005



	Consolidated		
	2014		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱22,253,685	₱4,527,376	₱26,781,061
Additions	958,957	360,712	1,319,669
Disposals/Transfers/Others	(1,801,070)	(437,144)	(2,238,214)
Balance at end of year	21,411,572	4,450,944	25,862,516
Accumulated Depreciation			
Balance at beginning of year	–	2,109,108	2,109,108
Depreciation (Note 11)	–	190,727	190,727
Disposals/Transfers/Others	–	(443,021)	(443,021)
Balance at end of year	–	1,856,814	1,856,814
Allowance for Impairment Losses (Note 16)	3,193,714	563,506	3,757,220
Net Book Value at End of Year	₱18,217,858	₱2,030,624	₱20,248,482

	Parent Company		
	2015		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱21,108,095	₱4,218,699	₱25,326,794
Additions	261,352	172,600	433,952
Disposals/Transfers/Others	(5,272,551)	(630,305)	(5,902,856)
Balance at end of year	16,096,896	3,760,994	19,857,890
Accumulated Depreciation			
Balance at beginning of year	–	1,813,425	1,813,425
Depreciation (Note 11)	–	149,309	149,309
Disposals/Transfers/Others	–	(257,324)	(257,324)
Balance at end of year	–	1,705,410	1,705,410
Allowance for Impairment Losses (Note 16)	3,051,469	434,180	3,485,649
Net Book Value at End of Year	₱13,045,427	₱1,621,404	₱14,666,831

	Parent Company		
	2014		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱21,976,781	₱4,335,703	₱26,312,484
Additions	922,661	322,553	1,245,214
Disposals/Transfers/Others	(1,791,347)	(439,557)	(2,230,904)
Balance at end of year	21,108,095	4,218,699	25,326,794
Accumulated Depreciation			
Balance at beginning of year	–	2,074,941	2,074,941
Depreciation (Note 11)	–	183,382	183,382
Disposals/Transfers/Others	–	(444,898)	(444,898)
Balance at end of year	–	1,813,425	1,813,425
Allowance for Impairment Losses (Note 16)	3,192,691	567,775	3,760,466
Net Book Value at End of Year	₱17,915,404	₱1,837,499	₱19,752,903

Investment properties include real properties foreclosed or acquired in settlement of loans. Foreclosed investment properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱150.0 million and ₱141.5 million, as of December 31, 2015 and 2014, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.



The total recoverable value of certain investment properties of the Group that were impaired amounted to ₱7.5 billion and ₱8.8 billion as of December 31, 2015 and 2014, respectively. For the Parent Company, the total recoverable value that were impaired amounted to ₱7.3 billion and ₱8.6 billion as of December 31, 2015 and 2014, respectively.

In 2015, investment properties with carrying value of ₱2.2 billion were converted as branches and head offices of its subsidiaries and were transferred to property and equipment by the Group. Also in 2015, investment properties under joint arrangements with a total carrying value of ₱1.2 billion were transferred to Real Estate Inventories Held under Development under 'Other Assets' (Note 15). Property and equipment with carrying values of ₱54.5 million were leased out under operating leases and have been transferred to investment properties in 2015.

For the Group, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses - Others', amounted to ₱30.5 million, ₱26.4 million and ₱8.0 million in 2015, 2014, and 2013, respectively. While direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱192.4 million, ₱134.3 million and ₱180.8 million in 2015, 2014, and 2013, respectively.

For the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses - Others', amounted to ₱20.4 million, ₱23.3 million and ₱7.0 million in 2015, 2014, and 2013, respectively. While direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱182.7 million, ₱132.6 million and ₱179.1 million in 2015, 2014, and 2013, respectively.

Net gains on sale or exchange of assets

This account consists of:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Net gains from sale of investment properties (Note 34)	₱1,435,798	₱1,072,653	₱226,789	₱1,400,650	₱1,058,574	₱224,281
Net gains from foreclosure and repossession of investment properties	152,061	368,341	289,915	152,553	364,745	271,296
Net gains from sale of property and equipment	7,659	12,053	1,900	3,741	12,407	1,287
Net gains from sale of receivables (Note 34)	—	—	—	24,441	—	—
	₱1,595,518	₱1,453,047	₱518,604	₱1,581,385	₱1,435,726	₱496,864



14. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	Consolidated				
	2015				
	Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱1,254,343	₱3,544,075	₱13,375,407
Additions	-	-	571,768	571,768	-
Write-offs	-	-	(704)	(704)	-
Cumulative translation adjustment	-	-	5,550	5,550	-
Balance at end of year	1,897,789	391,943	1,830,957	4,120,689	13,375,407
Accumulated Amortization					
Balance at beginning of year	359,525	247,505	642,221	1,249,251	-
Amortization (Note 11)	189,779	130,648	103,749	424,176	-
Write-offs	-	-	(704)	(704)	-
Cumulative translation adjustment	-	-	5,088	5,088	-
Balance at end of year	549,304	378,153	750,354	1,677,811	-
Net Book Value at End of Year	₱1,348,485	₱13,790	₱1,080,603	₱2,442,878	₱13,375,407

	Consolidated				
	2014				
	Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱871,184	₱3,160,916	₱13,375,407
Additions	-	-	384,951	384,951	-
Write-offs	-	-	(8,355)	(8,355)	-
Cumulative translation adjustment	-	-	6,563	6,563	-
Balance at end of year	1,897,789	391,943	1,254,343	3,544,075	13,375,407
Accumulated Amortization					
Balance at beginning of year	169,747	116,857	496,272	782,876	-
Amortization (Note 11)	189,778	130,648	152,258	472,684	-
Write-offs	-	-	(5,707)	(5,707)	-
Cumulative translation adjustment	-	-	(602)	(602)	-
Balance at end of year	359,525	247,505	642,221	1,249,251	-
Net Book Value at End of Year	₱1,538,264	₱144,438	₱612,122	₱2,294,824	₱13,375,407

	Parent Company				
	2015				
	Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱1,142,782	₱3,432,514	₱13,515,765
Additions	-	-	558,372	558,372	-
Cumulative translation adjustment	-	-	70	70	-
Balance at end of year	1,897,789	391,943	1,701,224	3,990,956	13,515,765
Accumulated Amortization					
Balance at beginning of year	359,525	247,505	625,382	1,232,412	-
Amortization (Note 11)	189,779	130,648	91,753	412,180	-
Cumulative translation adjustment	-	-	118	118	-
Balance at end of year	549,304	378,153	717,253	1,644,710	-
Net Book Value at End of Year	₱1,348,485	₱13,790	₱983,971	₱2,346,246	₱13,515,765



	Parent Company				
	2014				
	Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱763,967	₱3,053,699	₱13,515,765
Additions	–	–	380,474	380,474	–
Write-offs	–	–	(3,247)	(3,247)	–
Cumulative translation adjustment	–	–	1,588	1,588	–
Balance at end of year	1,897,789	391,943	1,142,782	3,432,514	13,515,765
Accumulated Amortization					
Balance at beginning of year	169,747	116,857	486,959	773,563	–
Amortization (Note 11)	189,778	130,648	140,156	460,582	–
Write-offs	–	–	(2,395)	(2,395)	–
Cumulative translation adjustment	–	–	662	662	–
Balance at end of year	359,525	247,505	625,382	1,232,412	–
Net Book Value at End of Year	₱1,538,264	₱144,438	₱517,400	₱2,200,102	₱13,515,765

Core deposit and customer relationship

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

Software cost

Software cost as of December 31, 2015 and 2014 includes capitalized development costs amounting to ₱797.7 million and ₱289.0 million, respectively, related to the Parent Company's new core banking system which is expected to be completed and available for use by 2017.

Goodwill

As discussed in Note 1, on February 9, 2013, the Parent Company acquired 100.00% of voting common stock of ABC, a listed universal bank. The acquisition of ABC was made to strengthen the Parent Company's financial position and enlarge its operations.

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the non-controlling interests in the acquiree at proportionate share of identifiable assets and liabilities.

Impairment testing of goodwill and intangible asset

Goodwill acquired through business combinations has been allocated to three CGUs which are also reportable segments, namely: retail banking, corporate banking and treasury. Goodwill allocated to the CGUs amounted to ₱6.2 billion, ₱4.2 billion and ₱3.1 billion, respectively. CDI is allocated to retail banking while CRI is allocated to corporate banking.

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. CDI and CRI, on the other hand, are assessed for impairment where indicator(s) of objective evidence of impairment has been identified. Impairment testing is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount allocated to the CGU. The recoverable amount is the higher of a CGUs' fair value less costs to sell and its value in use. The goodwill impairment test in 2015 and 2014 did not result in an impairment loss of goodwill of the CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount.



Key assumptions used in value in use calculations

The recoverable amounts of the CGUs have been determined on the basis of value in use calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2015			2014		
	Retail Banking	Corporate Banking	Treasury	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	11.21%	13.11%	7.82%	11.69%	14.80%	9.76%
Projected growth rate	6.03%	6.03%	6.03%	5.00%	5.00%	5.00%

The calculation of value in use for retail banking, corporate banking and treasury cash generating units is most sensitive to interest margin, discount rates, market share during the budget period, projected growth rates used to extrapolate cash flows beyond the budget period, and current local gross domestic product.

Discount rate

The discount rate applied have been determined based on cost of equity for retail and corporate banking segments and weighted average cost of capital for treasury segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor. The values for the risk-free interest rate, the market risk premium and the beta factors were obtained from external sources of information.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the units to exceed their recoverable amount.

15. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Financial				
Return checks and other cash items	₱103,668	₱942,126	₱95,886	₱941,597
Security deposits	78,922	100,986	38,775	85,654
Receivable from SPV	500	500	500	500
Others	748	1,840	356	1,525
	183,838	1,045,452	135,517	1,029,276
Nonfinancial				
Creditable withholding taxes	3,770,716	2,896,783	3,675,683	2,893,567
Real estate inventories held under development (Note 13)	1,235,530	–	1,235,530	–
Deferred reinsurance premiums	786,287	738,685	–	–
Deferred benefits	401,231	155,476	326,380	155,476

(Forward)



	Consolidated		Parent Company	
	2015	2014	2015	2014
Prepaid expenses	₱395,671	₱290,697	₱328,489	₱246,640
Documentary stamps on hand	221,088	44,884	134,459	34,724
Stationeries and supplies	78,764	84,672	72,798	78,962
Chattel mortgage properties-net of depreciation	51,086	53,089	47,848	49,549
Other investments	37,664	52,760	16,696	16,363
Sundry	21,576	61,670	16,558	61,717
Retirement benefit asset (Note 29)	3,045	5,709	-	-
Shortages	2,260	475	2,260	400
Postage stamps on hand	304	214	215	214
Miscellaneous	431,359	186,911	259,896	64,391
	7,436,581	4,572,025	6,116,812	3,602,003
	7,620,419	5,617,477	6,252,329	4,631,279
Less allowance for impairment losses (Note 16)	840,151	458,146	835,042	452,824
	₱6,780,268	₱5,159,331	₱5,417,287	₱4,178,455

Real estate inventories held under development

This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

Deferred reinsurance premiums

The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2015 and 2014.

Prepaid expenses

This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums, rent and interest on time certificates of deposits paid in advance which shall be amortized monthly.

Deferred benefits

This represents the share of the Group in the cost of transportation equipment acquired under the Group's carplan which shall be amortized monthly.

Chattel mortgage properties

As of December 31, 2015 and December 31, 2014, accumulated depreciation on chattel mortgage properties acquired by the Group and the Parent Company in settlement of loans amounted to ₱36.5 million and ₱80.0 million, respectively.

The total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired amounted to ₱9.8 million and ₱11.3 million as of December 31, 2015 and 2014, respectively.

Receivable from SPV

The Group has receivable from SPV, Opal Portfolio Investing, Inc. (OPII), which was deconsolidated upon adoption of PFRS 10.



Receivable from SPV, represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, OPII, relative to the sale of certain Non-performing assets of the Parent Company. Collections from OPII in 2015, 2014 and 2013 amounting to ₱353.0 million, ₱27.0 million and ₱266.0 million, respectively are recorded under 'Miscellaneous Income (Note 28).

Miscellaneous

Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items.

Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

As of December 31, 2015 and 2014, miscellaneous assets of the Group include a security fund amounting to ₱0.2 million which is maintained by PNB LII in compliance with Sections 365 and 367 of the Insurance Code. The amount of such fund is determined by and deposited with the IC for the payment of benefit claims against insolvent companies. In 2015, the security fund was reclassified to 'Assets of disposal group classified as held for sale' (Note 37).

16. Allowance for Impairment and Credit Losses

Provision for impairment, credit and other losses

This account consists of:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Continuing operations:						
Provision for impairment	₱449,698	₱293,384	₱106,431	₱322,649	₱495,674	₱304,732
Provision for credit losses	860,393	1,912,663	727,153	513,697	1,600,957	649,089
Provision for (reversal of) other losses (Note 35)	(741,911)	58,568	—	(741,911)	58,568	—
	568,180	2,264,615	833,584	94,435	2,155,199	953,821
Discontinued operations:						
Provision for credit losses (Note 37)	32,765	—	—	—	—	—
	₱600,945	₱2,264,615	₱833,584	₱94,435	₱2,155,199	₱953,821

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

	Consolidated					
	2015			2014		
	AFS Investments	Loans and Receivables	Other Assets*	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	₱929,881	₱12,435,509	₱500	₱928,408	₱12,167,591	₱500
Provisions	32,995	860,163	—	1,423	1,911,240	—
Accretion (Note 10)	—	(217,097)	—	—	(274,801)	—
Accounts charged-off	—	(543,736)	—	—	(1,879,083)	—
Transfers and others	—	893,175	—	50	510,562	—
Effect of disposal group classified as held for sale (Note 37)	(32,765)	—	—	—	—	—
Balance at end of year	₱930,111	₱13,428,014	₱500	₱929,881	₱12,435,509	₱500

*Pertains to 'Receivable from SPV'



	Parent Company					
	2015			2014		
	AFS Investments	Loans and Receivables	Other Assets*	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	₱929,881	₱11,946,142	₱500	₱928,408	₱11,666,814	₱500
Provisions	230	513,467	–	1,423	1,599,534	–
Accretion (Note 10)	–	(216,973)	–	–	(274,801)	–
Accounts charged-off	–	(463,112)	–	–	(1,780,302)	–
Transfers and others	–	1,081,204	–	50	734,897	–
Balance at end of year	₱930,111	₱12,860,728	₱500	₱929,881	₱11,946,142	₱500

*Pertains to 'Receivable from SPV'

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

	Consolidated							
	2015				2014			
	Property and Equipment	Investment in Subsidiaries	Investment in Properties	Other Assets	Property and Equipment	Investment in Subsidiaries	Investment in Properties	Other Assets
Balance at beginning of year	₱229,506	₱–	₱3,757,220	₱457,646	₱245,176	₱–	₱3,218,991	₱803,877
Provisions (reversals)	5,372	–	319,880	124,446	(4,349)	–	485,186	(187,453)
Disposals	–	–	(475,243)	(90)	(11,994)	–	(363,915)	–
Transfers and others	226,199	–	(308,218)	257,649	673	–	416,958	(158,778)
Balance at end of year	₱461,077	₱–	₱3,293,639	₱839,651	₱229,506	₱–	₱3,757,220	₱457,646

	Parent Company							
	2015				2014			
	Property and Equipment	Investment in Subsidiaries	Investment in Properties	Other Assets	Property and Equipment	Investment in Subsidiaries	Investment in Properties	Other Assets
Balance at beginning of year	₱228,453	₱807,973	₱3,760,466	₱452,324	₱245,176	₱1,012,231	₱3,012,609	₱803,528
Provisions (reversals)	5,372	–	315,514	1,763	(4,949)	–	688,076	(187,453)
Disposals	–	–	(475,243)	(90)	(11,994)	(204,258)	(363,873)	–
Transfers and others	30,876	–	(115,088)	380,545	220	–	423,654	(163,751)
Balance at end of year	₱264,701	₱807,973	₱3,485,649	₱834,542	₱228,453	₱807,973	₱3,760,466	₱452,324

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

	Consolidated							
	2015							
	Receivable from customers				Unquoted Debt			
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Securities	Others	Total
Balance at beginning of year	₱4,530,880	₱189,270	₱62,462	₱1,012,637	₱17,109	₱3,619,267	₱3,003,884	₱12,435,509
Provisions (reversals)	803,832	(1,556)	(56,009)	176,565	(376)	(166,627)	104,334	860,163
Accretion on impaired loans (Note 10)	(195,847)	(100)	(10,595)	(10,398)	(157)	–	–	(217,097)
Accounts charged off	(314,705)	–	–	(19,915)	–	–	(209,116)	(543,736)
Transfers and others	362,026	(28,567)	152,744	(45,722)	6,490	166,627	279,577	893,175
Balance at end of year	₱5,186,186	₱159,047	₱148,602	₱1,113,167	₱23,066	₱3,619,267	₱3,178,679	₱13,428,014
Individual impairment	₱3,191,973	₱47,060	₱50,582	₱79,743	₱22,520	₱3,619,267	₱2,111,427	₱9,122,572
Collective impairment	1,994,213	111,987	98,020	1,033,424	546	–	1,067,252	4,305,442
	₱5,186,186	₱159,047	₱148,602	₱1,113,167	₱23,066	₱3,619,267	₱3,178,679	₱13,428,014
Gross amounts of loans and receivables subject to individual impairment	₱4,427,469	₱47,060	₱65,424	₱370,763	₱25,993	₱3,694,435	₱2,682,529	₱11,311,901

	Consolidated							
	2014							
	Receivable from customers				Unquoted Debt			
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Securities	Others	Total
Balance at beginning of year	₱3,695,863	₱76,429	₱85,008	₱455,503	₱30,623	₱3,958,656	₱3,865,509	₱12,167,591
Provisions (reversals)	2,007,544	–	17,483	288,528	3,148	(336,475)	(68,988)	1,911,240
Accretion on impaired loans (Note 10)	(245,497)	(171)	(17,261)	(11,513)	(359)	–	–	(274,801)
Accounts charged off	(1,056,457)	–	(18,211)	(218,696)	(17,750)	–	(567,969)	(1,879,083)
Transfers and others	129,427	113,012	(4,557)	498,815	1,447	(2,914)	(224,668)	510,562
Balance at end of year	₱4,530,880	₱189,270	₱62,462	₱1,012,637	₱17,109	₱3,619,267	₱3,003,884	₱12,435,509

(Forward)



Consolidated								
2014								
	Receivable from customers					Unquoted Debt		Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Securities	Others	
Individual impairment	₱3,168,855	₱44,720	₱20,131	₱252,154	₱7,364	₱3,619,267	₱1,722,656	₱8,835,147
Collective impairment	1,362,025	144,550	42,331	760,483	9,745	-	1,281,228	3,600,362
	₱4,530,880	₱189,270	₱62,462	₱1,012,637	₱17,109	₱3,619,267	₱3,003,884	₱12,435,509
Gross amounts of loans and receivables subject to individual impairment	₱6,973,731	₱1,796,447	₱78,855	₱252,154	₱23,917	₱8,044,272	₱1,900,023	₱19,069,399

Parent Company								
2015								
	Receivable from customers					Unquoted Debt		Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Securities	Others	
Balance at beginning of year	₱4,266,298	₱189,270	₱62,462	₱963,545	₱17,105	₱3,619,267	₱2,828,195	₱11,946,142
Provisions (reversals)	739,770	(1,556)	(56,009)	45,803	(375)	(166,627)	(47,539)	513,467
Accretion on impaired loans (Note 10)	(195,847)	(100)	(10,594)	(10,275)	(157)	-	-	(216,973)
Accounts charged off	(234,454)	-	-	(19,774)	-	-	(208,884)	(463,112)
Transfers and others	463,120	(28,567)	152,743	15,721	6,491	166,627	305,069	1,081,204
Balance at end of year	₱5,038,887	₱159,047	₱148,602	₱995,020	₱23,064	₱3,619,267	₱2,876,841	₱12,860,728
Individual impairment	₱3,121,354	₱47,060	₱50,582	₱1,950	₱22,520	₱3,619,267	₱1,884,127	₱8,746,860
Collective impairment	1,917,533	111,987	98,020	993,070	544	-	992,714	4,113,868
	₱5,038,887	₱159,047	₱148,602	₱995,020	₱23,064	₱3,619,267	₱2,876,841	₱12,860,728
Gross amounts of loans and receivables subject to individual impairment	₱3,908,379	₱47,060	₱65,424	₱19,716	₱22,520	₱3,694,435	₱2,390,837	₱10,148,371

Parent Company								
2014								
	Receivable from customers					Unquoted Debt		Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Securities	Others	
Balance at beginning of year	₱3,495,728	₱76,429	₱85,008	₱425,942	₱30,620	₱3,958,656	₱3,594,431	₱11,666,814
Provisions (reversals)	1,763,723	-	17,483	290,572	3,148	(336,475)	(138,917)	1,599,534
Accretion on impaired loans (Note 10)	(245,497)	(171)	(17,261)	(11,513)	(359)	-	-	(274,801)
Accounts charged off	(957,676)	-	(18,211)	(218,696)	(17,750)	-	(567,969)	(1,780,302)
Transfers and others	210,020	113,012	(4,557)	477,240	1,446	(2,914)	(59,350)	734,897
Balance at end of year	₱4,266,298	₱189,270	₱62,462	₱963,545	₱17,105	₱3,619,267	₱2,828,195	₱11,946,142
Individual impairment	₱3,126,873	₱44,720	₱20,131	₱238,689	₱7,364	₱3,619,267	₱1,722,656	₱8,779,700
Collective impairment	1,139,425	144,550	42,331	724,856	9,741	-	1,105,539	3,166,442
	₱4,266,298	₱189,270	₱62,462	₱963,545	₱17,105	₱3,619,267	₱2,828,195	₱11,946,142
Gross amounts of loans and receivables subject to individual impairment	₱6,472,294	₱1,796,447	₱78,855	₱238,689	₱23,916	₱7,744,272	₱1,900,023	₱18,254,496

17. Deposit Liabilities

As of December 31, 2015 and 2014, noninterest-bearing deposit liabilities amounted to ₱23.8 billion and ₱24.8 billion, respectively, for the Group and ₱23.6 billion and ₱24.7 billion, respectively, for the Parent Company. The remaining deposit liabilities of the Group generally earn annual fixed interest rates ranging from 0.05% to 5.00% in 2015, from 0.05% to 6.11% in 2014 and from 0.00% to 8.40% in 2013 for peso-denominated deposit liabilities, and from 0.00% to 2.25% in 2015, from 0.02% to 2.26% in 2014 and from 0.02% to 3.80% in 2013 for foreign currency-denominated deposit liabilities. The remaining deposit liabilities of the Parent Company generally earn annual fixed interest rates ranging from 0.10% to 5.00% in 2015, from 0.10% to 6.11% in 2014, and from 0.13% to 8.40% in 2013 for peso-denominated deposit liabilities, and from 0.00% to 2.25% in 2015, 0.02% to 2.26% in 2014 and from 0.02% to 3.80% in 2013 for foreign currency-denominated deposit liabilities.



On March 29, 2012, BSP issued Circular No. 753 which provides for the unification of the statutory and liquidity reserve requirement, non-remuneration of the unified reserve requirement, exclusion of cash in vault and demand deposits as eligible forms of reserve requirement compliance, and reduction in the unified reserve requirement ratios.

BSP issued Circular Nos. 830 and 832 last March 27, 2014 and May 8, 2014, respectively, to approve the 1-point percentage increase in the reserve requirements of universal and commercial banks. Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company and PNB SB are subject to reserves equivalent to 20.00% and 8.00%, respectively. As of December 31, 2015 and 2014, available reserves booked under 'Due from BSP' amounted to ₱74.3 billion and ₱68.2 billion, respectively, for the Group and ₱73.4 billion and ₱67.4 billion, respectively, for the Parent Company.

Long-term Negotiable Certificates of Time Deposits

Time deposit includes the following Long-term Negotiable Certificates of Time Deposits (LTNCDs) issued by the Parent Company:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2015	2014
December 12, 2014	June 12, 2020	₱7,000,000	4.13%	Quarterly	₱6,958,411	₱6,957,175
October 21, 2013	April 22, 2019	4,000,000	3.25%	Quarterly	3,981,365	3,976,133
August 5, 2013	February 5, 2019	5,000,000	3.00%	Quarterly	4,979,615	4,973,448
November 18, 2011	February 17, 2017	3,100,000	5.18%	Quarterly	3,094,836	3,090,564

Other significant terms and conditions of the above LTNCDs follow:

- (1) Issue price at 100.00% of the face value of each LTNCD.
- (2) The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be).

Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

- (3) Unless earlier redeemed, the LTNCDs shall be redeemed by the Parent Company on maturity date at an amount equal to one hundred percent (100.00%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.
- (4) The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of the Parent Company, enforceable according to these Terms and Conditions, and shall at all times rank pari passu and without any preference or priority among themselves and at least pari passu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.
- (5) Subject to the "Events of Default" in the Terms and Conditions, the LTNCDs cannot be pre-terminated at the instance of any CD Holder before Maturity Date. In the case of an event of default, none of the CD Holders may accelerate the CDs on behalf of other CD Holders, and a CD Holder may only collect from the Parent Company to the extent of his holdings in the CDs. However, the Parent Company may, subject to the General Banking Law of 2000,



Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

- (6) The LTNCDS are insured by the PDIC up to a maximum amount of ₱0.5 million subject to applicable laws, rules and regulations, as the same may be amended from time to time.
- (7) Each Holder, by accepting the LTNCDS, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the LTNCDS; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Savings	₱1,677,307	₱1,680,386	₱2,596,914	₱1,646,552	₱1,677,129	₱2,563,616
LTNCDS	752,562	637,957	592,205	752,563	637,957	592,205
Time	463,980	354,016	337,243	292,707	196,795	296,579
Demand	86,170	116,041	129,019	81,898	103,075	116,634
	₱2,980,019	₱2,788,400	₱3,655,381	₱2,773,720	₱2,614,956	₱3,569,034

In 2015, 2014 and 2013, interest expense on LTNCDS for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱16.9 million, ₱22.8 million and ₱19.4 million, respectively. Unamortized transaction costs of the LTNCDS amounted to ₱85.8 million and ₱102.7 million as of December 31, 2015 and 2014, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Derivative liabilities (Notes 23 and 36) Designated at FVPL	₱135,193	₱44,903	₱135,009	₱44,264
Segregated fund liabilities (Note 37)	–	10,817,122	–	–
	₱135,193	₱10,862,025	₱135,009	₱44,264

In 2015, the segregated fund liabilities of PNB LII were reclassified as part of 'Liabilities of disposal group classified as held for sale' (Note 37). As of December 31, 2014, the balance of segregated fund liabilities consists of:

	2014
Segregated funds (Note 9)	₱10,654,770
Additional subscriptions	162,352
Segregated fund liabilities	₱10,817,122



19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Bills payable to:				
BSP and local banks (Note 34)	₱17,580,304	₱16,393,374	₱14,784,750	₱15,965,715
Foreign banks	7,676,238	1,027,442	9,269,456	492,733
Others	150,864	1,262,389	230,865	1,700,743
	25,407,406	18,683,205	24,285,071	18,159,191
Acceptances outstanding (Note 10)	344,816	366,853	344,816	366,853
	₱25,752,222	₱19,050,058	₱24,629,887	₱18,526,044

Foreign currency-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.01% to 2.50%, from 0.03% to 2.50% and from 0.12% to 0.99% in 2015, 2014 and 2013, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.38% to 0.88%, from 0.63% to 2.00% and from 1.09% to 3.50% in 2015, 2014 and 2013, respectively.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.8 billion and as of December 31, 2015 and 2014 (Note 10).

As of December 31, 2015, bills payable with a carrying amount of ₱12.8 billion is secured by a pledge of certain AFS with carrying value and fair value of ₱8.5 billion and HTM investments with carrying value and fair value of ₱7.0 billion and ₱7.5 billion, respectively (Note 9).

As of December 31, 2014, bills payable with a carrying value of ₱14.1 billion is secured by a pledge of certain AFS and HTM investments with fair value of ₱8.5 billion and ₱8.9 billion, respectively (Note 9).

Following are the significant terms and conditions of the repurchase agreements with entered into by the Parent Company:

- (1) Each party represents and warrants to the other that it is duly authorized to execute and deliver the Agreement, and to perform its obligations and has taken all the necessary action to authorize such execution, delivery and performance;
- (2) The term or life of this borrowing is up to three years;
- (3) Some borrowings bear a fixed interest rate while others have floating interest rate;
- (4) The Parent Company has pledged its AFS and HTM investments, in the form of ROP Global bonds, in order to fulfill its collateral requirement;
- (5) Haircut from market value ranges from 15.00% to 25.00% depending on the tenor of the bond;
- (6) Certain borrowings are subject to margin call of up to USD 1.4 million; and
- (7) Substitution of pledged securities is allowed if one party requested and the other one so agrees.



Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Continuing operations:						
Subordinated debt* (Notes 18 and 21)	₱661,304	₱757,000	₱923,229	₱661,304	₱660,222	₱923,229
Bills payable	321,128	94,741	135,167	296,399	139,741	91,805
Others	47,563	5,186	12,300	45,470	1,151	12,090
	1,029,995	856,927	1,070,696	1,003,173	801,114	1,027,124
Discontinued operations:						
Others (Note 37)	-	-	5,417	-	-	-
	₱1,029,995	₱856,927	₱1,076,113	₱1,003,173	₱801,114	₱1,027,124

* Consists of interest on subordinated debt at amortized cost and designated at FVPL

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Accrued taxes and other expenses	₱3,845,382	₱3,425,438	₱3,340,821	₱3,038,773
Accrued interest (Note 10)	2,029,846	2,015,911	2,030,912	1,996,383
	₱5,875,228	₱5,441,349	₱5,371,733	₱5,035,156

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Financial liabilities:				
Promotional expenses	₱284,281	₱136,963	₱284,281	₱131,963
Information technology-related expenses	194,974	186,621	193,889	185,638
Management, directors and other professional fees	148,935	92,743	128,855	85,769
Rent and utilities payable	103,043	67,910	90,454	68,154
Repairs and maintenance	22,511	12,836	21,920	12,836
	753,744	497,073	719,399	484,360
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	1,441,417	1,471,970	1,416,521	1,453,455
PDIC insurance premiums	470,701	436,320	459,901	426,144
Other taxes and licenses	398,455	285,487	81,966	146,541
Employee benefits	298,183	241,426	282,674	239,057
Other expenses	482,882	493,162	380,360	289,216
	3,091,638	2,928,365	2,621,422	2,554,413
	₱3,845,382	₱3,425,438	₱3,340,821	₱3,038,773

The Parent Company's accrued interest payable includes the transferred liabilities from Maybank amounting to ₱1.6 billion as of December 31, 2015 and 2014 (Note 10).

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.



21. Subordinated Debt

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value	
					2015	2014
June 15, 2011	June 15, 2021	₱6,500,000	6.750%	Quarterly	₱6,494,324	₱6,482,757
May 9, 2012	May 9, 2022	3,500,000	5.875%	Quarterly	3,492,103	3,486,741
					₱9,986,427	₱9,969,498

5.875% ₱3.5 Billion Subordinated Notes

On May 9, 2012, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱3.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.04%.

Significant terms and conditions of the subordinated notes follow:

- (1) The 2012 Notes bear interest at the rate of 5.88% per annum from and including May 9, 2012 to but excluding May 9, 2022. Interest will be payable quarterly in arrears on the 9th of August, November, February and May of each year, commencing on May 9, 2012, unless the 2012 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on May 10, 2017, call option date.
- (2) Each noteholder, by accepting the 2012 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2012 Notes.

6.75% ₱6.5 Billion Subordinated Notes

On May 15, 2011, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱6.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.94%.

Significant terms and conditions of the subordinated notes follow:

- (1) The 2011 Notes bear interest at the rate of 6.75% per annum from and including June 15, 2011 to but excluding June 15, 2021. Interest will be payable quarterly in arrears on the 15th of September, December, March and June of each year, commencing on June 15, 2011, unless the 2011 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on June 16, 2016, call option date.
- (2) Each noteholder, by accepting the 2011 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2011 Notes.

As of December 31, 2015 and 2014, the unamortized transaction cost of subordinated debt amounted to ₱13.6 million and ₱30.5 million, respectively.

In 2015, 2014 and 2013, amortization of transaction costs amounting to ₱16.9 million, ₱15.8 million and ₱14.8 million, respectively were charged to 'Interest expenses - bills payable and other borrowings' in the statement of income (Note 19).



22. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Financial				
Accounts payable	₱6,825,663	₱6,703,874	₱6,179,304	₱6,057,924
Insurance contract liabilities (Note 37)	4,719,336	11,180,597	–	–
Bills purchased - contra (Note 10)	3,418,002	4,230,348	3,411,729	4,222,235
Manager's checks and demand drafts outstanding	937,799	1,030,298	915,764	1,018,139
Deposits on lease contracts	854,817	685,745	37,448	34,374
Dormant credits	753,338	559,585	734,346	546,888
Accounts payable - electronic money	556,618	459,121	556,618	459,121
Due to other banks	461,100	222,227	517,261	408,925
Payment order payable	407,196	296,102	407,196	295,971
Margin deposits and cash letters of credit	182,640	86,143	168,820	73,972
Commission payable	132,059	118,844	–	–
Transmission liability	24,976	76,893	–	–
Deposit for keys on safety deposit boxes	14,217	14,084	14,217	14,084
Due to BSP	–	101,172	–	101,172
	19,287,761	25,765,033	12,942,703	13,232,805
Nonfinancial				
Retirement benefit liability (Note 29)	2,955,003	2,867,287	2,889,735	2,796,997
Reserve for unearned premiums	1,191,405	1,539,590	–	–
Provisions (Note 35)	898,737	1,640,648	898,737	1,640,648
Due to Treasurer of the Philippines	438,943	366,841	438,451	366,841
Withholding tax payable	232,835	224,045	217,879	204,697
Deferred tax liabilities (Note 31)	152,585	139,699	–	–
SSS, Philhealth, employer's compensation premiums and Pag-IBIG contributions payable	29,092	29,330	24,237	23,695
Unapplied advances	21,370	97,392	21,370	97,392
Miscellaneous	450,553	662,893	236,019	266,098
	6,370,523	7,567,725	4,726,428	5,396,368
	₱25,658,284	₱33,332,758	₱17,669,131	₱18,629,173

'Miscellaneous' of the Group and the Parent Company include interoffice floats, remittance - related payables, overages, advance rentals and sundry credits.



23. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments entered into by the Group, recorded as derivative assets or derivative liabilities, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2015 and 2014 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2015			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	P42	P5,210	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	-		
	P181,348	P135,193		

* The notional amounts and average forward rates pertain to original currencies.

	Consolidated			
	2014			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	P5,620	P2,246	44.81	77,300
EUR	1,686	535	1.25	2,507
HKD	539	532	7.75	82,156
AUD	81	-	0.82	200
JPY	13	567	0.37	312,776
GBP	6	-	1.56	150
CAD	-	47	1.16	1,614
SELL:				
USD	6,809	15,717	44.78	208,510
EUR	4,378	-	1.30	1,797
GBP	2,152	-	1.56	4,250

(Forward)



Consolidated				
2014				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
JPY	₱634	₱17	0.37	713,228
AUD	531	–	0.82	800
SGD	449	275	1.32	6,611
HKD	83	96	7.76	14,100
CAD	3	66	1.16	2,195
Interest rate swaps	42,407	24,805		
Warrants	71,160	–		
	₱136,551	₱44,903		

* The notional amounts and average forward rates pertain to original currencies.

Parent Company				
2015				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱42	₱5,210	47.37	155,521
CAD	–	170	0.72	1,385
GBP	–	168	1.36	1,104
HKD	–	66	7.75	13,012
JPY	–	–	120.34	1,330
SELL:				
USD	66,932	–	47.31	374,421
CAD	520	34	0.72	3,444
GBP	455	139	1.49	5,700
SGD	411	190	1.41	4,600
EUR	4	11	1.10	2,200
HKD	2	–	7.75	6,633
JPY	–	86,305	0.39	4,492,495
AUD	–	149	0.72	450
Interest rate swaps	49,444	42,567		
Warrants	63,332	–		
	₱181,142	₱135,009		

* The notional amounts and average forward rates pertain to original currencies.

Parent Company				
2014				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱5,620	₱2,246	44.81	77,300
EUR	1,686	–	1.26	1,797
HKD	–	524	7.75	50,356
AUD	81	–	0.82	200
JPY	13	567	0.37	312,776
GBP	6	–	1.56	150
CAD	–	47	1.16	1,614

(Forward)



Parent Company				
2014				
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
SELL:				
USD	₱6,809	₱15,717	44.78	208,510
EUR	4,378	–	1.28	1,797
GBP	2,152	–	1.56	4,250
JPY	634	17	0.37	713,228
AUD	531	–	0.82	800
SGD	449	275	1.32	6,611
CAD	3	66	1.16	2,195
Interest rate swaps	42,407	24,805		
Warrants	71,160	–		
	₱135,929	₱44,264		

* The notional amounts and average forward rates pertain to original currencies.

As of December 31, 2015 and 2014, the Parent Company holds 306,405 shares of ROP Warrants Series B1 at their fair value of USD1.3 million and USD1.6 million, respectively.

The table below shows the rollforward analysis of net derivatives assets as of December 31, 2015 and 2014:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Balance at the beginning of the year:				
Derivative assets	₱136,551	₱258,697	₱135,929	₱258,613
Derivative liabilities	(44,903)	(163,101)	(44,264)	(163,084)
	91,648	95,596	91,665	95,529
Changes in fair value				
Currency forwards and spots*	(571,666)	196,005	(571,649)	195,848
Interest rate swaps and warrants**	(11,709)	(90,761)	(11,709)	(90,761)
	(583,375)	105,244	(583,358)	105,087
Availments (Settlements)	537,882	(109,192)	537,826	(108,951)
Balance at end of year:				
Derivative assets	181,348	136,551	181,142	135,929
Derivative liabilities	(135,193)	(44,903)	(135,009)	(44,264)
	₱46,155	₱91,648	₱46,133	₱91,665

* Presented as part of 'Foreign exchange gains - net'.

** Recorded under 'Trading and investment securities gains - net' (Note 9)



24. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2015			2014		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	₱15,220,536	₱-	₱15,220,536	₱14,628,489	₱-	₱14,628,489
Due from BSP	81,363,444	-	81,363,444	105,773,685	-	105,773,685
Due from other banks	18,287,308	-	18,287,308	15,591,406	-	15,591,406
Interbank loans receivable	5,800,383	-	5,800,383	7,671,437	-	7,671,437
Securities held under agreements to resell	14,550,000	-	14,550,000	-	-	-
Financial assets at FVPL	4,510,545	-	4,510,545	17,351,626	-	17,351,626
AFS investments – gross (Note 9)	2,915,170	66,355,965	69,271,135	4,383,175	59,638,203	64,021,378
HTM investments	68,173	23,163,824	23,231,997	61,374	22,908,932	22,970,306
Loans and receivables – gross (Note 10)	159,032,473	221,242,883	380,275,356	126,762,738	202,624,146	329,386,884
Other assets – gross (Note 15)	133,233	50,605	183,838	943,966	101,486	1,045,452
	301,881,265	310,813,277	612,694,542	293,167,896	285,272,767	578,440,663
Nonfinancial Assets						
Property and equipment – gross (Note 11)	-	28,870,304	28,870,304	-	25,515,235	25,515,235
Investment properties – gross (Note 13)	-	18,277,382	18,277,382	-	25,862,516	25,862,516
Deferred tax assets	-	1,173,575	1,173,575	-	1,461,938	1,461,938
Goodwill (Note 14)	-	13,375,407	13,375,407	-	13,375,407	13,375,407
Intangible assets (Note 14)	-	4,120,689	4,120,689	-	3,544,075	3,544,075
Residual value of leased assets (Note 10)	225,590	486,731	712,321	-	563,032	563,032
Other assets – gross (Note 15)	5,906,598	1,529,983	7,436,581	1,263,849	3,308,176	4,572,025
	6,132,188	67,834,071	73,966,259	1,263,849	73,630,379	74,894,228
Assets of disposal group classified as held for sale (Note 37)	23,526,757	-	23,526,757	-	-	-
Less: Allowance for impairment and credit losses (Note 16)			18,952,992			17,810,262
Unearned and other deferred income (Note 10)			1,834,517			1,261,386
Accumulated amortization and depreciation (Notes 11, 13 and 14)			9,712,312			8,817,411
			₱679,687,737			₱625,445,832
Financial Liabilities						
Deposit liabilities	₱446,102,751	₱39,834,430	₱485,937,181	₱403,844,601	₱43,799,156	₱447,643,757
Financial liabilities at FVPL	126,075	9,118	135,193	20,099	10,841,926	10,862,025
Bills and acceptances payable	5,836,838	19,915,384	25,752,222	10,075,958	8,974,100	19,050,058
Subordinated debt	-	9,986,427	9,986,427	-	9,969,498	9,969,498
Accrued interest payable (Note 20)	465,324	1,564,522	2,029,846	460,493	1,555,418	2,015,911
Accrued other expenses payable (Note 20)	753,744	-	753,744	497,073	-	497,073
Other liabilities (Note 22):						
Accounts payable	6,825,663	-	6,825,663	6,703,874	-	6,703,874
Insurance contract liabilities	4,528,298	191,038	4,719,336	5,564,978	5,615,619	11,180,597
Bills purchased – contra	3,418,002	-	3,418,002	4,230,348	-	4,230,348
Manager's checks and demand drafts outstanding	937,799	-	937,799	1,030,298	-	1,030,298
Deposits on lease contracts	249,885	604,932	854,817	46,761	638,984	685,745
Dormant credits	116,337	637,001	753,338	114,606	444,979	559,585
Accounts payable – electronic money	556,618	-	556,618	459,121	-	459,121
Due to other banks	461,100	-	461,100	222,227	-	222,227
Payment order payable	407,196	-	407,196	296,102	-	296,102
Margin deposits and cash letters of credit	182,640	-	182,640	86,143	-	86,143
Commission payable	132,059	-	132,059	118,844	-	118,844
Transmission liability	24,976	-	24,976	76,893	-	76,893
Deposit for keys on safety deposit boxes	14,217	-	14,217	14,084	-	14,084
Due to BSP	-	-	-	101,172	-	101,172
	471,139,522	72,742,852	543,882,374	433,963,675	81,839,680	515,803,355

(Forward)



	Consolidated					
	2015			2014		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	₱1,177,015	₱1,914,623	₱3,091,638	₱963,233	₱1,965,132	₱2,928,365
Income tax payable	134,720	–	134,720	85,505	–	85,505
Other liabilities (Note 22)	2,799,195	3,571,328	6,370,523	3,528,602	4,039,123	7,567,725
	4,110,930	5,485,951	9,596,881	4,577,340	6,004,255	10,581,595
Liabilities of disposal group classified as held for sale (Note 37)	21,452,621	–	21,452,621	–	–	–
	₱496,703,073	₱78,228,803	₱574,931,876	₱438,541,015	₱87,843,935	₱526,384,950

	Parent Company					
	2015			2014		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	₱12,598,715	₱–	₱12,598,715	₱13,865,078	₱–	₱13,865,078
Due from BSP	79,203,948	–	79,203,948	95,415,467	–	95,415,467
Due from other banks	11,450,573	–	11,450,573	5,013,357	–	5,013,357
Interbank loans receivable	5,958,526	–	5,958,526	7,671,437	–	7,671,437
Securities held under agreements to resell	14,550,000	–	14,550,000	–	–	–
Financial assets at FVPL	4,492,864	–	4,492,864	6,695,950	–	6,695,950
AFS investments – gross (Note 9)	2,026,914	65,637,949	67,664,863	3,699,094	52,642,375	56,341,469
HTM investments	4,706	23,132,937	23,137,643	–	21,559,631	21,559,631
Loans and receivables – gross (Note 10)	146,526,387	196,062,353	342,588,740	118,062,018	183,773,451	301,835,469
Other assets – gross (Note 15)	100,920	34,597	135,517	943,122	86,154	1,029,276
	276,913,553	284,867,836	561,781,389	251,365,523	258,061,611	509,427,134
Nonfinancial Assets						
Property and equipment – gross (Note 11)	–	25,216,112	25,216,112	–	24,157,278	24,157,278
Investment properties – gross (Note 13)	–	19,857,890	19,857,890	–	25,326,794	25,326,794
Deferred tax assets	–	1,031,948	1,031,948	–	1,029,423	1,029,423
Investments in Subsidiaries (Note 12)	–	24,629,955	24,629,955	–	24,910,585	24,910,585
Goodwill (Note 14)	–	13,515,765	13,515,765	–	13,515,765	13,515,765
Intangible assets (Note 14)	–	3,990,956	3,990,956	–	3,432,514	3,432,514
Other assets – gross (Note 15)	5,589,361	527,451	6,116,812	1,203,083	2,398,920	3,602,003
	5,589,361	88,770,077	94,359,438	1,203,083	94,771,279	95,974,362
Asset of disposal group classified as held for sale (Note 37)	846,015	–	846,015	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			19,184,204			18,125,739
Unearned and other deferred income (Note 10)			1,427,774			867,933
Accumulated amortization and depreciation (Notes 11, 13 and 14)			9,157,333			8,291,247
			₱627,217,531			₱578,116,577

Financial Liabilities						
Deposit liabilities	₱434,664,563	₱35,829,825	₱470,494,388	₱385,631,811	₱46,814,852	₱432,446,663
Financial liabilities at FVPL	125,891	9,118	135,009	19,460	24,804	44,264
Bills and acceptances payable	4,714,503	19,915,384	24,629,887	7,443,348	11,082,696	18,526,044
Subordinated debt	–	9,986,427	9,986,427	–	9,969,498	9,969,498
Accrued interest payable (Note 20)	466,390	1,564,522	2,030,912	440,965	1,555,418	1,996,383
Accrued other expenses payable (Note 20)	719,399	–	719,399	484,360	–	484,360
Other liabilities (Note 22):						
Accounts payable	6,179,304	–	6,179,304	6,057,924	–	6,057,924
Bills purchased – contra	3,411,729	–	3,411,729	4,222,235	–	4,222,235
Manager's checks and demand drafts outstanding	915,764	–	915,764	1,018,139	–	1,018,139
Dormant credits	108,827	625,519	734,346	110,208	436,680	546,888
Accounts payable – electronic money	556,618	–	556,618	459,121	–	459,121
Due to other banks	517,261	–	517,261	408,925	–	408,925
Payment order payable	407,196	–	407,196	295,971	–	295,971
Margin deposits and cash letters of credit	168,820	–	168,820	73,972	–	73,972
Deposits on lease contracts	–	37,448	37,448	–	34,374	34,374
Deposit for keys on safety deposit boxes	14,217	–	14,217	14,084	–	14,084
Due to BSP	–	–	–	101,172	–	101,172
	452,970,482	67,968,243	520,938,725	406,781,695	69,918,322	476,700,017

(Forward)



	Parent Company					
	2015			2014		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	₱824,541	₱1,796,881	₱2,621,422	₱811,742	₱1,742,671	₱2,554,413
Income tax payable	55,180	–	55,180	70,001	–	70,001
Other liabilities	1,373,445	3,352,983	4,726,428	1,994,014	3,402,354	5,396,368
	2,253,166	5,149,864	7,403,030	2,875,757	5,145,025	8,020,782
	₱455,223,648	₱73,118,107	₱528,341,755	₱409,657,452	₱75,063,347	₱484,720,799

25. Equity

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares		Amount	
	2015	2014	2015	2014
Common - ₱40 par value				
Authorized	1,750,000,001	1,750,000,001	₱70,000,000	₱70,000,000
Issued and outstanding				
Balance at the beginning of the year	1,249,139,678	1,086,208,416	49,965,587	43,448,337
Issued during the year	–	162,931,262	–	6,517,250
	1,249,139,678	1,249,139,678	49,965,587	49,965,587
Parent Company Shares Held by a Subsidiary	(120,000)	–	(9,945)	–
	1,249,019,678	1,249,139,678	₱49,955,642	₱49,965,587

The Parent Company shares are listed in the PSE. As of December 31, 2015 and 2014, the Parent Company has 29,985 and 30,167 stockholders, respectively.

Pursuant to the 1986 Revised Charter of the Parent Company, the Parent Company's authorized capital stock was ₱10.0 billion divided into 100,000,000 common shares with a par value of ₱100.0 per share. Its principal stockholder was the NG which owned 25,000,000 common shares.

To foster a financial intermediation system that is both competitive and efficient, the partial privatization of the Parent Company was carried out through the following public offerings:

Date of Offering	Type of Offering	No. of Shares Offered	Par Value	Offer Price	Authorized Number of Shares	Issued and Outstanding Shares
June 1989	Initial Public Offering	10,800,000 common shares	₱100.0	₱100.0	250,000,000 common shares	36,011,569 common shares
April 1992	Second Public Offering	8,033,140 common shares	₱100.0	₱265.0	250,000,000 common shares	80,333,350 common shares
December 1995	Third Public Offering	7,200,000 common shares and 2,400,000 covered warrants	₱100.0	₱260.0	250,000,000 common shares	99,985,579 common shares

After the three (3) public offerings, the NG sold a total of 54.41% of its shareholdings to both the Philippine public and international investors.

On May 27, 1996, the privatization of the Parent Company was completed when the Parent Company's new Articles of Incorporation and By-Laws were approved by the SEC under SEC Registration No. AS096-005555. As of May 27, 1996, the NG owned 45.59% of the outstanding shares of the Parent Company. The Parent Company's authorized capital stock was increased to ₱25.0 billion pesos divided into 250,000,000 common shares with a par value of ₱100.0 per share.



As part of the Parent Company's capital build-up program, the Parent Company also completed the following rights offerings:

Date of Offering	Type of Offering	No. of Shares Offered	Basis of Subscription	Par Value	Offer Price	Authorized Number of Shares	Issued and Outstanding Shares
September 1999	Stock Rights Offering	68,740,086 common shares	One (1) Right Share for every two common shares	₱100.0	₱137.8	250,000,000 common shares	206,220,257 common shares
September 2000	Pre-emptive Rights Offering	71,850,215 common shares with 170,850,215 warrants	Five (5) Right Shares for every Six (6) common shares	₱100.0	₱60.0	833,333,334 common shares	206,220,257 common shares
February 2014	Stock Rights Offering	162,931,262 common shares	Fifteen (15) Right Shares for every 100 common shares	₱40.0	₱71.0	1,750,000,001 common shares	1,249,139,678 common shares

On August 18, 2000, the SEC approved the decrease of the capital stock of the Parent Company from ₱25.0 billion divided into 250,000,000 common shares with a par value of ₱100.0 per share to ₱15.0 billion divided into 250,000,000 common shares with a par value of ₱60.0 per share. Subsequently on November 7, 2000, the SEC approved the increase of the capital stock of the Parent Company from ₱15.0 Billion divided into 250,000,000 common shares with a par value of ₱60.0 per share to ₱50,000,000,040 divided into 833,333,334 shares with a par value of ₱60.0 per share.

On July 23, 2002, the SEC approved the decrease of the capital stock of the Parent Company from ₱50,000,000,040.0 divided into 833,333,334 shares with a par value of ₱60.0 per share to ₱33,333,333,360.0 divided into 833,333,334 shares with a par value of ₱40.0 per share. On the same day, the SEC also approved the increase of the capital stock of the Parent Company from ₱33,333,333,360.0 divided into 833,333,334 shares with a par value of ₱40.0 per share to ₱50,000,000,040.0 divided into 1,054,824,557 common shares and 195,175,444 preferred shares both with a par value of ₱40.0 each.

In July 2007, the Parent Company made a primary and secondary offering of up to 160,811,091 common shares. The Offer consisted of: (i) primary offer by the Parent Company of up to 89,000,000 new shares from the Parent Company's authorized but unissued common share capital, and (ii) secondary offer of up to an aggregate of 71,811,091 existing shares, comprising (a) 17,453,340 shares offered by the NG, and (b) 54,357,751 shares which were owned by the PDIC in the form of convertible preferred shares. The Primary Offer Shares and Secondary Offer Shares were offered at the Offer Price of ₱59.0 per share.

On January 17, 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001. The increase in authorized common shares is intended to accommodate the issuance of the Parent Company of common shares to ABC shareholders relative to the business combination.

Prior to conversion to common shares, the preferred shares had the following features:

- a. Non-voting, non-cumulative, fully participating on dividends with the common shares;
- b. Convertible, at any time at the option of the holder who is qualified to own and hold common shares on a one (1) preferred share for one (1) common share basis;
- c. With mandatory and automatic conversion into common shares upon the sale of such preferred shares to any person other than the NG or any other government agency or GOCC's; and



- d. With rights to subscribe to additional new preferred shares with all of the features described above, in the event that the Parent Company shall offer new common shares for subscription, in such number corresponding to the number of shares being offered.

Last February 2014, the Parent Company successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱71.0 each. The Rights Shares were offered to all eligible shareholders of the Parent Company at the proportion of fifteen (15) Rights Shares for every one hundred (100) common shares as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Parent Company. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Parent Company. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. It also strengthened the Parent Company's capital position under the Basel III standards, which took effect on January 1, 2014.

Surplus amounting to ₱7.7 billion and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱2.2 billion as of December 31, 2015 and 2014 which represent the balances of accumulated translation adjustment (₱1.6 billion), accumulated equity in net earnings (₱0.6 billion) and revaluation increment from land (₱7.7 billion) that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP.

Accumulated Translation Adjustment

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion. The SEC approval is subject to the following conditions: (a) remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of Capital paid in excess of par value in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC; and (b) for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

Surplus Reserves

The surplus reserves consist of:

	2015	2014
Reserve for trust business (Note 33)	₱474,263	₱457,620
Reserve for self-insurance	80,000	80,000
	₱554,263	₱537,620

Reserve for self-insurance, contingencies and other account represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

Capital Management

The primary objectives of the Parent Company's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.



The Parent Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods.

Regulatory Qualifying Capital

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

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

The BSP approved the booking of additional appraisal increment of ₱431.8 million in 2002 on properties and recognition of the same in determining the capital adequacy ratio, and booking of translation adjustment of ₱1.6 billion in 2002 representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2015 and 2014, CAR reported to the BSP, which considered combined credit, market and operational risk weighted asset (BSP Circular No. 538) are shown in the table below (amounts in millions).

	2015		2014	
	Actual	Required	Actual	Required
Consolidated				
Common Equity Tier 1 Capital (CET1)	₱97,272.25		₱93,899.13	
Less: Regulatory Adjustments to CET 1	22,978.47		22,391.62	
Total CET1 Capital	74,293.78		71,507.51	
Add: Additional Tier 1 Capital (AT1)	0.00		0.00	
Tier 1 Capital	74,293.78		71,507.51	
Add: Tier 2 Capital	13,763.24		13,040.32	
Total qualifying capital	₱88,057.02	₱45,766.26	₱84,547.83	₱41,033.61
Risk weighted assets	₱457,662.62		₱410,336.08	
Tier 1 capital ratio	16.23%		17.43%	
Total capital ratio	19.24%		20.60%	
	2015		2014	
	Actual	Required	Actual	Required
Parent				
Common Equity Tier 1 Capital (CET1)	₱94,044.29		₱90,782.61	
Less: Regulatory Adjustments to CET 1	47,596.44		45,931.47	
Total CET1 Capital	46,447.85		44,851.14	
Add: Additional Tier 1 Capital (AT1)	0.00		0.00	
Tier 1 Capital	46,447.85		44,851.14	
Add: Tier 2 Capital	13,417.01		12,833.10	
Total qualifying capital	₱59,864.86	₱41,504.86	₱57,684.24	₱37,502.63
Risk weighted assets	₱415,048.57		₱375,026.28	
Tier 1 capital ratio	11.19%		11.96%	
Total capital ratio	14.42%		15.38%	



The Group and PNB LII have complied with all externally imposed capital requirement throughout the year. As of December 31, 2015, PNB Gen's RBC ratio is lower than 100.00%. On November 10, 2015, PNB Gen submitted its capital build-up program to the IC and such program is under review.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *Real Estate Stress Test (REST) Limit for Real Estate Exposure*, which set a prudential limit for real estate exposures and other real estate properties of universal, commercial and thrift banks. REST will be undertaken for real estate exposure at an assumed write-off of 25.00%. The prudential REST limit which shall be complied at all times are 6.00% of CET1 ratio and 10.00% of CAR. The Circular is effective July 19, 2014.

The Parent Company has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Surplus

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines. Surplus and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱9.9 billion as of December 31, 2015 and 2014 which represents the balances of accumulated translation adjustment, accumulated equity in net earnings and revaluation increment from land that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP. Also, unrealized foreign exchange gains, except those attributable to cash and cash equivalents, unrealized actuarial gains, fair value adjustment or the gains arising from mark-to-market valuation, deferred tax asset recognized that reduced the income tax expense and increased the net income and retained earnings, adjustment due to deviation from PFRS/GAAP and other unrealized gains or adjustments, are excluded from the Parent Company's surplus available for dividend declaration.



In the consolidated financial statements, a portion of a Group's surplus corresponding to the net earnings of the subsidiaries amounting to ₱2.6 billion and ₱2.7 billion as of December 31, 2015 and 2014, respectively, is not available for dividend declaration. The accumulated earnings become available for dividends upon receipt of cash dividends from subsidiaries.

Merger Incentives

In connection with the merger of the Parent Company with ABC, the BSP gave certain incentives. The more relevant incentives are:

- (a) Recognition of the fair value adjustments under GAAP and RAP books;
- (b) Full recognition of appraisal increment from the revaluation of premises, improvements and equipment in the computation of CAR.

Internal Capital Adequacy Assessment Process (ICAAP) Implementation

In compliance with BSP Circular No. 639, the Parent Company has adopted its live ICAAP Document for 2011 to 2013. However, the BOD and the Management recognized that ICAAP is beyond compliance, i.e. it is about how to effectively run the Parent Company's operations by ensuring that the Parent Company maintains at all times an appropriate level and quality of capital to meet its business objective and commensurate to its risk profile. In line with its ICAAP principles, the Parent Company shall maintain a capital level that will not only meet the BSP CAR requirement, but will also cover all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning/strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Return on average equity (a/b)	6.19%	6.06%	8.83%	6.47%	5.17%	9.52%
a) Net income	₱6,311,595	₱5,495,045	₱5,247,489	₱6,216,693	₱4,419,349	₱5,379,415
b) Average total equity	101,908,372	90,699,918	59,456,656	96,135,777	85,521,555	56,500,721
Return on average assets (c/d)	0.97%	0.89%	1.11%	1.03%	0.77%	1.20%
c) Net income	₱6,311,595	₱5,495,045	₱5,247,489	₱6,216,693	₱4,419,349	₱5,379,415
d) Average total assets	652,566,785	620,860,726	472,274,243	602,667,054	576,855,414	449,380,024
Net interest margin on average earning assets (e/f)	3.24%	3.21%	3.46%	3.14%	3.21%	3.42%
e) Net interest income (Note 37)	₱18,158,802	₱16,874,278	₱13,748,539	₱15,712,416	₱15,153,084	₱12,752,068
f) Average interest earning assets	560,084,638	525,417,739	397,360,801	500,148,703	472,679,584	372,448,575

Note: Average balances were the sum of beginning and ending balances of the respective statement of financial position accounts as of the end of the year divided by two (2)



26. Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	2015	2014	2013
Deposit-related	₱1,076,041	₱984,541	₱993,632	₱1,050,546	₱960,199	₱968,127
Commissions	820,497	641,216	830,285	685,396	539,146	669,469
Remittance	739,779	735,420	406,465	363,822	344,045	131,340
Credit-related	500,852	387,535	133,691	479,174	374,698	122,803
Underwriting fees	327,400	136,265	307,348	-	-	-
Interchange fees	317,509	203,501	246,188	317,509	203,501	246,188
Trust fees (Note 33)	256,203	230,111	189,874	256,203	230,111	189,874
Credit card-related	62,071	84,899	32,435	62,071	84,899	32,435
Miscellaneous	212,546	142,961	349,147	141,251	135,563	251,046
	₱4,312,898	₱3,546,449	₱3,489,065	₱3,355,972	₱2,872,162	₱2,611,282

Commissions include those income earned for services rendered on opening of letters of credit, handling of collection items, domestic/export/import bills and telegraphic transfers and sale of demand drafts, traveler's checks and government securities.

Interchange fees were generated from the credit card business acquired by the Parent Company through merger with ABC.

'Miscellaneous' includes income from security brokering activities and other fees and commission.

27. Net Insurance Premiums and Benefits and Claims

Net Insurance Premiums

This account consists of:

	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)
Gross earned premiums	₱2,431,033	₱1,682,368	₱1,520,026
Reinsurers' share of gross earned premiums	(1,890,569)	(1,274,095)	(1,148,635)
	₱540,464	₱408,273	₱371,391

Net Insurance Benefits and Claims

This account consists of:

	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)
Gross insurance contract benefits and claims paid	₱1,653,355	₱1,453,605	₱706,182
Reinsurers' share of gross insurance contract benefits and claims paid	(1,045,150)	(1,109,404)	(417,518)
Gross change in insurance contract liabilities	(529,863)	(1,011,013)	3,744,261
Reinsurers' share of change in insurance contract liabilities	358,545	762,950	(2,759,792)
	₱436,887	₱96,138	₱1,273,133



28. Miscellaneous Income and Expenses

Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	2015	2014	2013
Recovery from insurance claim (Note 34)	₱709,160	₱-	₱-	₱709,160	₱-	₱-
Income from SPV (Note 15)	353,000	27,000	266,000	353,000	27,000	266,000
Rental income	338,055	634,397	442,993	266,067	363,956	273,132
Recoveries	162,430	171,392	108,811	90,179	168,724	79,329
Dividends (Note 12)	22,190	2,409	3,399	198,338	79,744	81,562
Penalty charges	20,342	11,027	-	-	11,027	-
Customs Fees	14,801	11,702	13,773	14,801	11,702	13,774
Sales deposit forfeiture	12,023	12,250	12,254	12,023	12,250	12,254
Referral and trust fees	2,382	1,993	55,124	-	-	-
Gain on sale of PILFC shares (Note 12)	-	-	-	66,235	-	-
Gain from step up acquisition	-	-	63,605	-	-	-
Gain on redemption of Victorias Milling Company (VMC) common shares (Note 34)	-	622,983	28,373	-	622,983	28,373
Share in net income of an associate	-	-	4,975	-	-	16,144
Others	85,376	646,262	391,356	49,352	122,204	214,295
	₱1,719,759	₱2,141,415	₱1,390,663	₱1,759,155	₱1,419,590	₱984,863

'Others' consist of marketing allowance and income from wire transfers.

Miscellaneous Expenses

This account consists of:

	Consolidated			Parent Company		
	2015	2014 (As Restated - Note 37)	2013 (As Restated - Note 37)	2015	2014	2013
Secretarial, janitorial and messengerial	₱1,105,946	₱1,031,126	₱927,206	₱1,066,364	₱997,624	₱898,765
Insurance	1,078,679	949,743	895,410	1,027,759	913,679	869,000
Marketing expenses	764,767	540,544	719,609	731,870	523,658	701,248
Information technology	489,036	396,818	347,524	465,872	375,945	331,400
Management and other professional fees	323,979	338,947	326,124	268,137	266,756	264,109
Litigation expenses	235,526	229,886	267,614	224,669	216,741	264,768
Travelling	229,251	222,552	229,750	209,116	201,922	218,589
Postage, telephone and cable	216,189	180,893	188,016	166,034	135,873	141,187
Entertainment and representation	86,095	146,950	207,277	72,799	126,698	174,091
Repairs and maintenance	81,711	79,664	94,710	81,711	79,664	71,902
Freight	34,195	46,723	63,660	32,556	35,043	53,015
Fuel and lubricants	25,476	54,721	117,637	24,275	54,027	109,600
Miscellaneous	648,694	522,035	816,258	540,824	23,252	729,878
	₱5,319,544	₱4,740,602	₱5,200,795	₱4,911,986	₱3,950,882	₱4,827,552

'Miscellaneous' includes stationery and supplies used, donations, fines, penalties, periodicals, magazines and other charges.



29. Retirement Plan

The Parent Company and certain subsidiaries of the Group, have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Retirement liabilities (included in 'Other liabilities')	₱2,955,003	₱2,867,287	₱2,889,735	₱2,796,997
Net plan assets (included in 'Other assets')	3,045	5,709	—	—
	₱2,951,958	₱2,861,578	₱2,889,735	₱2,796,997

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2015, the Parent Company has two separate regular retirement plans for the employees of PNB and ABC. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).



The changes in the present value obligation and fair value of plan assets are as follows:

Consolidated													
2015													
Remeasurements in other comprehensive income													
	Net benefit costs*					Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from financial assumptions	Subtotal**	Contributions by employer	Others***	December 31, 2015
	January 1, 2015	Current service cost	Past service cost	Net interest	Subtotal								
Present value of pension obligation	₱6,537,062	₱628,059	₱6,759	₱297,507	₱932,325	(₱473,928)	₱-	₱93,289	(₱334,797)	(₱241,508)	₱-	₱69,366	₱6,823,317
Fair value of plan assets	3,675,484	-	-	160,627	160,627	(473,928)	(335,775)	-	-	(335,775)	879,035	(34,084)	3,871,359
	₱2,861,578	₱628,059	₱6,759	₱136,880	₱771,698	₱-	₱335,775	₱93,289	(₱334,797)	₱94,267	(₱879,035)	₱103,450	₱2,951,958

* Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income

** Includes remeasurement losses of ₱4.4 million for PNB LII in 2015

*** Others consist of retirement of disposal group classified as held for sale and retirement previously included in accrued expenses

Consolidated												
2014												
Remeasurement losses in other comprehensive income												
	Net benefit costs*					Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from financial assumptions	Subtotal	Contributions by employer	December 31, 2014
	January 1, 2014	Current service cost	Past service cost	Net interest	Subtotal							
Present value of pension obligation	₱5,364,975	₱393,876	₱45,767	₱242,375	₱682,018	(₱543,913)	₱-	₱920,585	₱113,397	₱1,033,982	₱-	₱6,537,062
Fair value of plan assets	1,981,644	-	-	89,936	89,936	(543,913)	9,915	-	-	9,915	2,137,902	3,675,484
	₱3,383,331	₱393,876	₱45,767	₱152,439	₱592,082	₱-	(₱9,915)	₱920,585	₱113,397	₱1,024,067	(₱2,137,902)	₱2,861,578

* Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income



Parent Company													
2015													
Remeasurement losses in other comprehensive income													
	January 1, 2015	Net benefit costs*				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
		Current service cost	Past service cost	Net interest	Subtotal								
Present value of pension obligation	₱6,370,475	₱601,014	₱6,455	₱290,683	₱898,152	(₱469,129)	₱-	₱63,343	(₱321,702)	(₱258,359)	₱-	₱125,273	₱6,666,412
Fair value of plan assets	3,573,478	-	-	156,518	156,518	(469,129)	(334,812)	-	-	(334,812)	850,622	-	3,776,677
	₱2,796,997	₱601,014	₱6,455	₱134,165	₱741,634	₱-	₱334,812	₱63,343	(₱321,702)	₱76,453	(₱850,622)	₱125,273	₱2,889,735

* Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income

** Others consist of retirement previously included in accrued expenses

Parent Company												
2014												
Remeasurement losses in other comprehensive income												
	January 1, 2014	Net benefit costs*				Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2014
		Current service cost	Past service cost	Net interest	Subtotal							
Present value of pension obligation	₱5,219,927	₱411,097	₱45,767	₱236,463	₱693,327	(₱539,947)	₱-	₱895,421	₱101,747	₱997,168	₱-	₱6,370,475
Fair value of plan assets	1,895,972	-	-	85,888	85,888	(539,947)	10,237	-	-	10,237	2,121,328	3,573,478
	₱3,323,955	₱411,097	₱45,767	₱150,575	₱607,439	₱-	(₱10,237)	₱895,421	₱101,747	₱986,931	(₱2,121,328)	₱2,796,997

* Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income

The Group and the Parent Company expects to contribute ₱838.1 million and ₱809.0 million, respectively, to the defined benefit plans in 2016. The average duration of the retirement liability as at December 31, 2015 is 15 years.



The latest actuarial valuations for these retirement plans were made as of December 31, 2015. The following table shows the actuarial assumptions as of December 31, 2015 and 2014 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company					
			ABC		PNB		EIP	
	2015	2014	2015	2014	2015	2014	2015	2014
Discount rate	4.31% - 4.62%	4.10% - 5.27%	4.38%	4.53%	4.38%	4.53%	4.38%	4.53%
Salary rate increase	5.00% - 8.00%	5.00% - 8.00%	5.00%	5.00%	5.00%	5.00%	-	-

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Less than one year	₱330,098	₱473,409	₱325,319	₱454,659
More than one year to five years	1,632,402	1,663,591	1,599,833	1,620,445
More than five years to 10 years	3,371,760	2,984,475	3,291,709	2,891,956
More than 10 years to 15 years	4,557,857	4,299,687	4,421,078	4,102,677
More than 15 years	16,973,725	3,850,317	16,081,829	3,614,751

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Cash and cash equivalents	₱1,871,868	₱1,351,299	₱1,828,922	₱1,318,530
Equity investments				
Financial institutions (Note 34)	468,461	723,663	468,461	720,709
Others	13,382	35,319	5,263	17,410
Debt investment				
Private debt securities	1,050,312	1,074,737	1,026,929	1,056,841
Government securities	278,674	308,021	258,215	292,613
Investment in UITFs (Note 34)	175,228	156,004	175,228	156,004
Loans and receivables	4,006	19,765	4,006	3,465
Interest and other receivables	11,163	9,413	10,904	9,144
	3,873,094	3,678,221	3,777,928	3,574,716
Accrued expenses	(1,735)	(2,737)	(1,251)	(1,238)
	₱3,871,359	₱3,675,484	₱3,776,677	₱3,573,478

All equity and debt investments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market, thus, their fair value is determined using the discounted cash flow methodology, using the Parent Company's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2015 and 2014 includes investments in the Parent Company shares of stock with fair value amounting to ₱468.5 million and ₱720.7 million, respectively. Investments in UITFs included in the fair value of plan assets as of December 31, 2015 and 2014 pertain to UITFs managed by the PNB Trust Banking Group (TBG).

The plan assets have diverse investments and do not have any concentration risk.



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2015			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(P685,868)	+1.00%	(P670,812)
	-1.00%	800,477	-1.00%	782,231
Salary increase rate	+1.00%	723,151	+1.00%	705,298
	-1.00%	(635,942)	-1.00%	(620,886)

	2014			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(P652,015)	+1.00%	(P634,885)
	-1.00%	765,225	-1.00%	744,541
Salary increase rate	+1.00%	748,047	+1.00%	728,821
	-1.00%	(654,855)	-1.00%	(637,858)

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate, 1.00% decrement in the discount rate and a 10.00% improvement in the employee turnover rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate, 1.00% increment in the discount rate and a 10.00% increase in the employee turnover rate but with reverse impact.

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan asset of the Group and the Parent Company is allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

30. Leases

Operating Leases

Group as Lessee

The Parent Company leases the premises occupied by majority of its branches (about 32.18% of the branch sites are Parent Company-owned). Some of its subsidiaries also lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 30 years and are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%.



Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱881.5 million in 2015, ₱856.3 million in 2014 and ₱820.3 million in 2013 for the Group, of which ₱719.8 million in 2015, ₱701.3 million in 2014 and ₱672.3 million in 2013 pertain to the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Within one year	₱470,777	₱546,418	₱396,330	₱418,022
Beyond one year but not more than five years	781,652	1,156,258	671,367	767,527
More than five years	118,186	111,790	22,183	34,350
	₱1,370,615	₱1,814,466	₱1,089,880	₱1,219,899

Group as Lessor

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to fifteen years. Some leases include escalation clauses (such as 5.00% per year). In 2015, 2014 and 2013, total rent income (included under 'Miscellaneous income') amounted to ₱338.1 million, ₱634.4 million and ₱443.0 million, respectively, for the Group and ₱266.1 million, ₱364.0 million and ₱273.1 million, respectively, for the Parent Company (Note 28).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Within one year	₱183,496	₱120,394	₱22,654	₱28,059
Beyond one year but not more than five years	169,379	123,850	12,110	30,994
More than five years	9,835	11,709	9,835	11,709
	₱362,710	₱255,953	₱44,599	₱70,762

Finance Lease

Group as Lessor

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease (EIR method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Future minimum lease receivables under finance leases are as follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Within one year	₱1,654,119	₱1,470,290	₱17,909	₱14,120
Beyond one year but not more than five years	1,984,772	1,795,487	35,900	31,100
More than five years	47,900	58,500	47,900	58,500
Gross investment in finance lease contracts receivable (Note 10)	3,686,791	3,324,277	101,709	103,720
Less amounts representing finance charges	62,206	390,019	62,206	58,504
Present value of minimum lease payments	₱3,624,585	₱2,934,258	₱39,503	₱45,216



31. Income and Other Taxes

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Effective November 1, 2005, Republic Act (RA) No. 9337, an act amending the National Internal Revenue Code (NIRC of 1997), provides that the RCIT rate shall be 30.00% and interest allowed as a deductible expenses shall be reduced by 33.00% of interest income subjected to final tax.

MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the Parent Company and certain subsidiaries are allowed to deduct NOLCO from taxable income for the next three years from the period of incurrence. FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. RA No. 9294 provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of:

	Consolidated		Parent Company			
	2015	2014 (As Restated – Note 37)	2013 (As Restated – Note 37)	2015	2014	2013
Current						
Regular	₱761,872	₱772,169	₱695,951	₱501,682	₱652,067	₱604,240
Final	543,084	703,901	463,628	512,401	674,058	430,879
	1,304,956	1,476,070	1,159,579	1,014,083	1,326,125	1,035,119
Deferred	314,598	(108,782)	(7,984)	782	43,082	(648)
	₱1,619,554	₱1,367,288	₱1,151,595	₱1,014,865	₱1,369,207	₱1,034,471

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Deferred tax asset on:				
Allowance for impairment, credit and other losses	₱4,852,727	₱4,851,051	₱4,695,139	₱4,669,376
Accumulated depreciation on investment properties	512,973	551,609	511,623	549,171
NOLCO	94,914	252,461	–	–
Deferred reinsurance commission	20,560	3,850	–	–

(Forward)



	Consolidated		Parent Company	
	2015	2014	2015	2014
Net retirement liability	₱16,474	₱16,333	₱-	₱-
Excess of net provision for unearned premiums per PFRS over tax basis	6,339	8,248	-	-
Accrued expenses	1,060	10,094	-	-
Unrealized loss on AFS investments	830	-	830	-
Unrealized trading loss on FVPL	10	-	-	-
Provision for IBNR	-	18,000	-	-
MCIT	-	1,265	-	-
Unrealized foreign exchange losses	-	44	-	-
Others	10,685	10,442	10,556	10,442
	5,516,572	5,723,397	5,218,148	5,228,989
Deferred tax liability on:				
Fair value adjustment on investment properties	1,593,081	2,061,668	1,584,385	2,052,971
Fair value adjustments due to business combination	1,137,326	1,223,767	1,137,326	1,223,767
Revaluation increment on land and buildings*	736,436	736,436	736,436	736,436
Unrealized foreign exchange gains	578,555	75,456	577,007	75,456
Temporary difference associated with investments in disposal group classified as held for sale	91,299	-	-	-
Unrealized trading gains on financial assets at FVPL	53,132	38,549	53,132	38,549
Lease income differential between finance and operating lease method	21,646	36,546	-	-
Deferred acquisition cost	17,835	16,654	-	-
Unrealized gains on AFS investments	-	2,025	-	2,029
Others	113,687	70,358	97,914	70,358
	4,342,997	4,261,459	4,186,200	4,199,566
	₱1,173,575	₱1,461,938	₱1,031,948	₱1,029,423

* Balance includes DTL amounting to ₱736.4 million acquired from business combination

The components of the Group's net deferred tax liabilities included in 'Other liabilities' (Note 22) follow:

	2015	2014
Deferred tax liability on:		
Fair value adjustments due to business combination	₱148,338	₱148,338
Accelerated depreciation on property and equipment	6,106	6,237
Rent receivables	45	66
Unrealized gains on AFS investments	-	32
	154,489	154,673
Deferred tax asset on:		
NOLCO	-	13,173
Allowance for impairment, credit and other losses	1,904	1,801
	1,904	14,974
	₱152,585	₱139,699



Benefit from (provision for) deferred tax charged directly to OCI during the year follows:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Net unrealized losses (gains) on AFS investments	₱2,887	₱9,059	(₱464)	₱2,859	₱9,098	(₱8,933)
Remeasurement losses on retirement plan	2,277	9,334	3,253	-	-	-

The movements in the net deferred tax assets of the Group include impact of CTA amounting to ₱8.2 million and ₱2.6 million in 2015 and 2014, respectively. The movements in the net deferred tax asset of the Parent Company include impact of CTA amounting to ₱0.4 million and ₱0.1 million in 2015 and 2014, respectively.

Based on the three-year financial forecast prepared by management and duly approved by the Executive Committee of the BOD, the Parent Company's net deferred tax assets of ₱2.3 billion and ₱5.2 billion as of December 31, 2015 and 2014, respectively, is expected to be realized from its taxable profits within the next three years.

Unrecognized Deferred Tax Assets

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Allowance for impairment and credit losses	₱1,193,391	₱1,640,999	₱1,060,122	₱1,601,551
Retirement liability	778,925	833,745	778,925	833,745
Unamortized past service cost	551,466	505,989	551,466	505,989
Accrued expenses	426,911	436,037	424,956	436,037
NOLCO	426,193	211,606	-	-
Unearned income	112,500	112,500	112,500	112,500
Derivative liabilities	40,503	13,279	40,503	13,279
Provision for IBNR	19,500	-	-	-
Others	15,807	80,660	13,347	12,389
	₱3,565,196	₱3,834,815	₱2,981,819	₱3,515,490

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2012	₱117,362	₱117,362	₱-	2015
2013	942,021	-	942,021	2016
2014	170,349	-	170,349	2017
2015	289,320	-	289,320	2018
	₱1,519,052*	₱117,362	₱1,401,690	

*Balance includes NOLCO amounting to ₱277,952 acquired from business combination

The Group has net operating loss carryforwards for US federal tax purposes of USD6.2 million and USD5.9 million as of December 31, 2015 and 2014, respectively, and net operating loss carryforwards for California state tax purposes of USD4.1 million and USD3.7 million as of December 31, 2015 and 2014, respectively.



Unrecognized Deferred Tax Liabilities

As of December 31, 2015, there was a deferred tax liability of ₱788.2 million (₱551.6 million in 2014) for temporary differences of ₱2.6 billion (₱1.8 billion in 2014) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Statutory income tax rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Tax effects of:						
FCDU income before tax	(4.62)	(6.05)	(5.16)	(5.10)	(7.20)	(5.17)
Non-deductible expenses	10.14	16.34	7.43	8.12	23.14	7.15
Optional standard deduction	(0.38)	0.02	(0.27)	—	—	—
Tax-exempt income	(6.85)	(7.09)	(19.14)	(8.17)	(8.14)	(18.83)
Tax-paid income	(3.77)	(4.14)	(0.14)	(3.15)	(3.54)	0.24
Net unrecognized deferred tax assets	(3.66)	(8.65)	5.66	(7.67)	(10.61)	2.74
Effective income tax rate	20.86%	20.43%	18.38%	14.03%	23.65%	16.13%
Continuing operations	20.31%	19.80%	17.91%			
Discontinued operations	0.55	0.63	0.47			
	20.86%	20.43%	18.38%			

Current tax regulations define expenses to be classified as entertainment, amusement and recreation (EAR) and set a limit for the amount that is deductible for tax purposes. EAR are limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expense' in the statements of income) amounted to ₱86.1 million in 2015, ₱151.4 million in 2014, and ₱214.9 million in 2013 for the Group, and ₱72.8 million in 2015, ₱126.7 million in 2014, and ₱174.1 million in 2013 for the Parent Company (Note 28).

32. Earnings Per Share

The following tables reflect the net income and share data used in the earnings per share computations:

Earnings per share attributable to equity holders of the Parent Company:

	2015	2014	2013
a) Net income attributable to equity holders of the Parent Company	₱6,113,508	₱5,358,669	₱5,146,315
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,249,020	1,163,938	1,067,822
c) Basic/Diluted earnings per share (a/b)	₱4.89	₱4.60	₱4.82



Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2015	2014	2013
a) Net income attributable to equity holders of the Parent Company	₱5,827,163	₱5,147,341	₱4,988,971
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,249,020	1,163,938	1,067,822
c) Basic/Diluted earnings per share (a/b)	₱4.67	₱4.42	₱4.67

As of December 31, 2015, 2014 and 2013, there are no potential common shares with dilutive effect on the basic earnings per share.

33. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱78.7 billion and ₱65.8 billion as of December 31, 2015 and 2014, respectively (Note 35). In connection with the trust functions of the Parent Company, government securities amounting to ₱747.8 million and ₱711.8 million (included under 'AFS Investments') as of December 31, 2015 and 2014, respectively, are deposited with the BSP in compliance with trust regulations.

Trust fee income in 2015, 2014 and 2013 amounting to ₱256.2 million, ₱230.1 million and ₱189.9 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱16.6 million, ₱13.6 million and ₱9.5 million in 2015, 2014 and 2013, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital. In 2013, an additional ₱136.3 million was transferred by the Parent Company from surplus to surplus reserve which corresponds to reserves allotted to the trust business acquired from ABC.

34. Related Party Transactions

Regulatory Reporting

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

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15% of the Parent Company's total loan portfolio, whichever is lower.



The information relating to the DOSRI loans of the Group and Parent Company follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Total Outstanding DOSRI Accounts*	₱7,681,274	₱12,749,637	₱7,681,274	₱12,749,637
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	2.14%	4.20%	2.36%	4.48%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	2.14%	4.20%	2.36%	4.48%
Percent of DOSRI accounts to total loans	2.14%	4.20%	2.36%	4.48%
Percent of unsecured DOSRI accounts to total DOSRI accounts	0.02%	0.01%	0.02%	0.01%
Percent of past due DOSRI accounts to total DOSRI accounts	0.01%	0.00%	0.01%	0.00%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	0.01%	0.00%	0.01%	0.00%

*Includes outstanding unused credit accommodations of ₱291.5 million as of December 31, 2015 and ₱198.7 million as of December 31, 2014.

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of a bank's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

Related Parties

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

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

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.



2015

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱230,659	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.13%
Interest expense	₱16,406		Interest expense on deposits
Net withdrawals	4,743,187		Net withdrawals during the period
Subsidiaries			
Receivables from customers		1,878,667	Term loan maturing in 2017 with 3.85% nominal rate; Revolving credit lines with interest rate of 3.00% maturity of three months; Unsecured
Loan commitments		566,497	Money market line; pre-settlement risk
Interbank loans receivable		158,192	Foreign currency-denominated interbank term loans with interest rates ranging from 0.03% to 0.35% and maturity terms ranging from 15 to 150 days
Availments	1,041,975		
Settlements	940,815		
Due from other banks		504,201	Foreign currency-denominated demand deposits and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50%.
Accrued interest receivable		3,923	Interest accrual on receivables from customers and interbank loans receivable
Deposit liabilities		5,967,054	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 2.35%; Foreign currency-denominated time deposits with annual interest rates ranging from 0.62% to 1.25% and maturity terms of 30 days.
Bills payable		1,902,466	Foreign currency-denominated bills payable with interest rates ranging from 0.20% to 2.50% and maturity terms ranging from 30 to 365 days
Availments	3,296,949		
Settlements	3,648,952		
Due to other banks		252,997	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		25,066	Accrued interest on deposit liabilities and bills payable
Rental deposit		10,637	Advanced rental and security deposits received for two and three months
Other liabilities		2	Various manager's check related to premium insurance
Interest income	57,385		Interest income on receivable from customers, due from other banks and interbank loans receivable
Interest expense	112,529		Interest expense on deposit liabilities and bills payable
Rental income	61,616		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Dividend income	180,000		Cash dividends
Fees and commission income	130,082		Income from client referrals and professional fees on service agreements with Legal Group
Miscellaneous income	716,247		Proceeds from fire insurance claims on the Ever Gotesco property
Securities transactions			
Purchases	3,141,507		Outright purchase of securities
Sales	3,410,775		Outright sale of securities
Trading gains	287		Gain from sale of investment securities
Loan releases	5,650,750		Loan drawdowns
Loan collections	9,982,760		Settlement of loans and interest
Net deposits	2,045,599		Net deposits during the period

(Forward)



2015

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Affiliates			
Receivables from customers		₱18,168,623	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.82% to 6.00%, maturity terms ranging from 90 days to 12 years and payment terms ranging from monthly to quarterly payments.
Loan commitments		6,340,087	Term loan with maturity in 2023; various short-term lines with expiry in 2016; counterparty line
Investment in non-marketable equity securities		269,719	Common shares with acquisition costs ranging from ₱5.0 to ₱100.0 per share
Sales contract receivable		2,047,347	Purchase of the Parent Company's investment properties on installment; secured with interest rate of 6.00%, maturity term of five years
Due from other banks		3,994,475	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Accrued interest receivable		27,861	Accrued interest on receivables from customers
Rental deposits		10,346	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		7,418,850	Peso-denominated and foreign currency-denominated demand and savings deposits with annual interest rates ranging from 0.10% to 1.50%; Peso-denominated and foreign currency-denominated time deposits with annual interest rates ranging from 0.88% to 1.75% and maturity terms ranging from 30 days to 365 days.
Accrued interest payable		57,058	Accrued interest payable from various deposits
Other liabilities		666	Various manager's check related to EIP and premium insurance
Rental income	₱27,152		Rental income on operating lease with term of 10 years
Rental expense	51,006		Rent payments on operating leases with term ranging from 24 to 240 months
Interest income	337,899		Interest income on receivable from customers
Interest expense	35,288		Interest expense on deposit liabilities
Gain on sale of investment properties	369,000		20.00% to 30.00% downpayment; 80.00% to 70.00% balance payable in 5 years. Interest-bearing at 6.00%
Service fees and commission income	136,908		Income on insurance premiums collected
Service fees and commission expense	22,245		Claims expense, comprehensive insurance, service and referral fees
Securities transactions			
Purchases	1,216		Outright purchase of securities
Sales	1,216		Outright sale of securities
Loan releases	15,858,440		Loan drawdowns
Loan collections	8,888,360		Settlement of loans and interest
Net deposits	1,329,040		Net deposits during the period
Key Management Personnel			
Loans to officers		16,998	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan releases	3,170		Loan drawdowns
Loan collections	2,246		Settlement of loans and interest
Other expenses	2,910		Payment of legal fees

(Forward)



2015			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Transactions of subsidiaries with other related parties			
Receivable from customers		₱80,000	Short-term loan with interest rate of 3.00% with maturity of three months
Accrued interest receivable		44	Interest accrual on receivables from customers
Investment in marketable equity securities		39,898	Various investments under management account placed with the TBG; composed of cash assets, deposits with the Parent Company, deposits with other banks and AFS government securities
Bills payable		80,000	Peso-denominated bills payable with interest rate of 3.00% and maturity of three months
Accrued interest payable		90	Accrued interest payable on bills payable
Interest income	₱8,514		Interest income on receivable from customers
Interest expense	2,299		Interest expense on bills payable
Net insurance premiums	4,623		Income on insurance premiums collected
Net insurance benefits and claims	3,497		Claims expense, comprehensive insurance, service and referral fees
2014			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Significant Investors			
Deposit liabilities		₱4,973,846	Peso-denominated savings deposits with annual rates ranging from 1.56% to 1.75%
Interest expense	₱90,717		Interest expense on deposit liabilities
Trading gains	735,385		Sale of 161,978,996 common shares in VMC at current market price of ₱4.5 per share
Gain on sale of convertible notes	608,433		Gain on sale of VMC convertible notes at the minimum bid price of ₱3.5 per share
Subsidiaries			
Receivables from customers		1,575,000	Revolving credit line with interest rates ranging from 3.10% to 3.35% and maturity terms of less than 90 days; Term loan maturing in 2017 with 3.85% nominal rate; Unsecured
Loan commitments		745,618	Loan commitments
Due from other banks		708,388	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		107,630	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		4,181	Interest accrual on receivables from customers
Deposit liabilities		3,921,455	Demand and savings deposits with annual rates ranging from 0.02% to 3.00%; time deposits with maturity terms ranging from 30 days to 365 days
Bills payable		1,725,696	Foreign currency-denominated bills payable with interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to banks		183,430	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		28,511	Accrued interest on deposit liabilities and bills payable
Interest income	30,261		Interest income on receivables from customers
Interest expense	108,511		Interest expense on deposit liabilities and bills payable
Rental income	30,041		Rental income from three year lease agreement, with escalation rate of 10.00% per annum

(Forward)



2014			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Securities transactions:			
Purchases	₱2,022,150		Outright purchase of securities
Sales	535,877		Outright sale of securities
Trading gains	14,754		Gain from sale of investment securities
Loan releases	2,448,000		Loan drawdowns
Loan collections	1,473,000		Settlement of loans and interest
Net withdrawals	754,538		Net withdrawals during the period
Affiliates			
Receivables from customers		₱12,292,943	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.75% to 10.00% with maturities terms ranging from 1 year to 15 years and payment terms ranging from monthly payments to quarterly payments
Loan commitments		997,894	Loan commitments
Due from other banks		385,879	With annual fixed interest rates ranging from 0.01% to 4.50% including time deposits with maturity terms of up to 90 days
Accrued interest receivable		56,546	Interest accrual on receivables from customers
Rental deposits		37,181	Advance rentals and security deposits received for three months and two years
Deposit liabilities		6,089,810	With annual rates ranging from 0.02% to 1.73% including time deposits with maturity terms ranging from 30 days to 365 days
Other liabilities		36,978	Advance lease payments
Interest income	448,141		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	23,759		Interest expense on deposit liabilities
Rental income	30,942		Monthly rental income on operating lease with term of 10 years
Rental expense	9,653		Monthly rental payments with terms ranging from 24 to 240 months
Fees and commission expense	9		Expense on professional fees on service agreement
Net insurance premiums	170		Income on insurance premiums collected
Net insurance benefits and claims	4,024		Claims expense, comprehensive insurance, service and referral fees
Securities transactions:			
Purchases	91,501		Outright purchase of securities
Sales	1,216		Outright sale of securities
Trading gains	2		Gain from sale of investment securities
Loan releases	14,772,677		Loan drawdowns
Loan collections	7,107,688		Settlement of loans and interest
Net deposits	1,163,388		Net deposits during the period
Key Management Personnel			
Loans to officers		16,073	Housing loans to senior officers; Secured and unimpaired
Loan releases	3,140		Loan drawdowns
Loan collections	5,621		Settlement of loans and interest

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2015 and 2014 in relation to amounts due from related parties.

Outsourcing Agreement between the Parent Company and PNB GRF

The 'Pangarap Loans', which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. On March 19, 2004, the Parent Company and PNB



GRF entered into an agreement wherein the Parent Company agreed to undertake all impaired Pangarap Loans of PNB GRF. PNB GRF transfers the impaired loans at their carrying values on a quarterly basis or when aggregate carrying value of the impaired loans amounts to HK\$2.0 million, whichever comes earlier. Subject to BOD approval, PNB GRF regularly declares special dividends (recognized as a liability). These special dividends are offset against the intercompany receivables from the Parent Company.

In June 2013, the Parent Company and PNB GRF agreed to amend the settlement procedure on defaulted Pangarap Loans. Under the new settlement procedure, the Parent Company, in which the pledged deposits of the defaulted Pangarap Loans are placed with, will remit the corresponding defaulted amounts (including accrued interests, surcharges and other related charges) from the pledged deposits of the defaulted customers to PNB GRF. The remitted amounts are being offset against the intercompany receivables from the Parent Company.

Financial Assets at FVPL traded through PNB Securities

As of December 31, 2015 and 2014, the Parent Company's financial assets at FVPL include equity securities traded through PNB Securities with fair value of ₱199.7 million and ₱210.5 million, respectively. The Parent Company recognized trading gains amounting to ₱7.2 million in 2015, ₱19.5 million in 2014 and ₱35.1 million in 2013 from the trading transactions facilitated by PNB Securities.

Investment in OHBVI

The Group accounts for its investments in OHBVI as a subsidiary although the Group holds less than 50.00% of OHBVI's issued share capital on the basis of the voting rights of 42.78% assigned by certain stockholders to the Parent Company under a voting trust agreement. There are no other transactions with OHBVI during the year.

VMC Convertible Notes and Common Shares

As of December 31, 2013, the Parent Company holds convertible notes with face amount of ₱353.4 million, recorded under 'Unquoted debt securities' and 161,978,996 common shares, recorded under 'AFS investments', issued by VMC, an affiliate of the Group. Each of the investment has a carrying value of ₱1.0 (one peso). In March 2014, VMC redeemed a portion of the convertible notes for a total price of ₱330.3 million, the same amount of gain was recorded under 'Interest income' in the statement of income of the Parent Company. In April 2014, the Parent Company sold the remaining convertible notes to LTG at ₱3.5 for every ₱1.0 convertible note. The Parent Company recognized a gain on sale of convertible notes amounting to ₱608.4 million, booked under 'Miscellaneous income' in the statement of income of the Parent Company (Note 28). Also in April 2014, the Parent Company sold its investment in common shares of VMC to LTG, at current market price of ₱4.5 per share resulting in a gain of ₱735.4 million recorded under 'Trading and investment securities gains - net' in the statement of income. The sale of VMC shares to LTG was facilitated by PNB Securities.

Compensation of Key Management Personnel

The compensation of the key management personnel follows:

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Short-term employee benefits (Note 20)	₱665,812	₱524,193	₱366,873	₱589,199	₱459,759	₱316,922
Post-employment benefits	53,167	47,844	47,381	51,365	47,844	47,381
	₱718,979	₱572,037	₱414,254	₱640,564	₱507,603	₱364,303



Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2015 and 2014, total per diem given to the BOD amounted to ₱42.0 million and ₱44.3 million, respectively, recorded in 'Miscellaneous expenses' in the statement of income. Directors' remuneration covers all PNB Board activities and membership of committees and subsidiary companies.

Joint Arrangements

The Parent Company and EPPI signed two Joint Venture Agreement (JVA) for the development of two real estate properties of the Parent Company included under 'Other assets' and with carrying values of ₱1.2 billion. EPPI and the Parent Company are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the Joint Venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Hence, there are no receivables from each party with respect to the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs. These joint arrangements qualify as joint operations under PFRS 11.

Outsourcing Agreement between the Parent Company and PNB SB

PNB SB entered into a "Deed of Assignment" with the Parent Company for the purchase, on a without recourse basis, housing (including contract-to-sell loans) and motor vehicle loans with a total carrying value of ₱5.0 billion and ₱6.0 billion on July 15, 2015 and January 8, 2014, respectively. The purchase includes the assignment of the promissory notes and other relevant credit documents as well as collateral/s and other accessory contract thereto and was implemented in tranches in various dates.

The total consideration paid for the purchased loans amounted to ₱5.0 billion and ₱6.0 billion, respectively and recognized gain of ₱24.4 million and nil, respectively.

PNB SB and the Parent Company entered into a servicing agreement pertaining to the purchased loan portfolio. The agreement shall be valid and binding until terminated by the either party if so required by the BSP or upon a 60-day prior written notice to the other party. As to the amount of service fee, the Parent Company shall charge PNB SB with the same amount PNB SB charges it customers. The Parent Company recognized service fee income of ₱14.5 million and ₱3.5 million in 2015 and 2014, respectively.

Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These are payable on a monthly basis.

PNB SB has an available credit line with the Parent Company amounting to ₱300.0 million. As of December 31, 2015 and 2014, respectively, the credit line remains undrawn.

Claim from PNB Gen

In 2015, the Parent Company recognized income amounting to ₱716.2 million under 'Miscellaneous income' arising from the fire insurance claims of the Parent Company from PNB Gen involving the Ever Gotesco Grand Central ('Insured Property') which was mortgaged to the Parent Company by Gotesco Investment, Inc. and Ever Emporium, Inc. (collectively 'Ever Gotesco Group') to secure certain credit accommodations. The insurable interest of the Parent Company (as mortgagee) was insured with PNB Gen. The Insured Property was razed by fire on



March 19, 2012, which justified the payment by PNB Gen of the insurance claims of the Parent Company, after the Court cleared the legal issues between PNB and Ever Gotesco Group that might potentially bar the payment thereof.

Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by the TBG. The fair values and carrying values of the funds of the Parent Company amounted to ₱3.8 billion and ₱3.6 billion as of December 31, 2015 and 2014, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets as of and for the year ended December 31, 2015 and 2014 follows:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Investment in PNB Shares	₱468,461	₱720,709	₱468,461	₱720,709
Deposits with PNB	342,767	40,291	342,722	37,935
Investment in UITFs	166,258	156,004	153,857	156,004
Total Fund Assets	₱977,486	₱917,004	₱965,040	₱914,648
Unrealized loss on PNB shares	(₱252,248)	(₱30,945)	(₱252,248)	(₱30,945)
Interest income	13,427	991	11,188	989
Trust fees	(238,821)	(29,954)	(241,060)	(29,956)
Fund Loss	(₱243,675)	(₱33,824)	(₱245,637)	(₱34,670)

As of December 31, 2015 and 2014, the retirement fund of the Group and the Parent Company include 9,008,864 PNB shares and 7,833,795 PNB shares classified as held-for-trading. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's employee investment plans.

35. Provisions, Contingent Liabilities and Other Commitments

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such specific disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

NSC Loan

As discussed in Note 10, in 2004, the Parent Company sold the outstanding loans receivable of ₱5.3 billion from National Steel Corporation (NSC) to SPV companies under the provisions of RA No. 9182. On October 10, 2008, simultaneous to the denial of their application in the Philippine courts for injunctive relief, the SPV companies filed a Notice of Arbitration with the Singapore International Arbitration Centre ("SIAC"). Mainly, the SPV companies claimed damages and a suspension of payments on the ground that the consortium of banks (the banks) and the Liquidator breached a duty to settle pre-closing real estate taxes (taxes due as of October 14,



2004) due on the NSC Plant Assets and to deliver to them titles to NSC's Plant Assets free from all liens and encumbrances. However, the banks and the Liquidator dispute the assertions that pre-closing taxes were in arrears, invoking under an installment agreement executed between the Liquidator and the City of Iligan. As part of the agreement to sell the plant assets to the SPV companies, the Liquidator assumed responsibility of settling and paying the Plant Assets' pre-closing real estate taxes, while the SPV companies assumed the responsibility of updating the post-closing taxes (taxes due after October 14, 2004). Consequently, all pre-closing real estate taxes due on the plant assets have been paid in accelerated basis on December 18, 2008.

On October 13, 2008, after the commencement of the arbitration but before the arbitral panel was constituted, the SPV companies filed, as a preservative measure, a petition for injunctive relief against the NSC Liquidator, NSC Secured Creditors, and NSC Stockholders so that the arbitration proceedings under SIAC will not be rendered moot. On October 14, 2008, the Singapore High Court granted the petition and restrained the NSC Liquidator, the NSC Secured Creditors and the NSC Shareholders, jointly and severally, substantially from declaring the SPV companies in default and declaring all installments due until the arbitration proceeding at the SIAC is settled.

Thereafter, upon application by the Parent Company for a variation of the injunction and an order of the Singapore High Court, the SPV companies remitted ₱750.0 million cash in place of the Standby Letter of Credit which they undertook to provide under the Asset Purchase Agreement, subject to the condition that the amount shall not be subject to any set-off pending an award from the arbitration proceedings.

On January 26, 2009, the Parent Company applied for an Order to compel the SPV companies to issue another Standby Letter of Credit of ₱1.0 billion which they likewise undertook to provide under the Asset Purchase Agreement, but this application was denied on March 5, 2009 by the Singapore High Court. The denial of the second variation (the ₱1.0 billion Standby Letter of Credit) was elevated to the Court of Appeals of Singapore but the same was also denied on September 11, 2009, without prejudice, however, to resort to the same reliefs before the Arbitration Panel.

In April 2010, the Arbitral Panel was constituted. The Parent Company filed therein an application to discharge or vary the injunction. On July 7, 2010, the Arbitration Panel issued a ruling denying the Parent Company's application for a discharge of the injunction issued by the Singapore High Court, while no ruling was made on the application to vary the injunction order.

Consequently, the main issues for alleged breach of the Asset Purchase Agreement, damages and suspension of payments were heard before the Arbitration Panel. On May 9, 2012, the Arbitration Panel issued a Partial Award in favor of the SPV companies, including such reliefs as payment of a certain sum of money and transfer of clean titles on the plant assets under the name of NSC by the bank consortium and the NSC Liquidator in favor of the SPV companies. The Parent Company, one of the members of the consortium, holds a forty-one percent (41.00%) interest in the claim, and has already set aside the appropriate reserve provision for the same.

Meanwhile, on July 9, 2012, the bank consortium filed with the Singapore High Court a Petition to Set Aside the Partial Award rendered by the Arbitration Panel.

On July 31, 2014, the Singapore High Court issued a Judgment in favor of the bank consortium setting aside the Arbitral Award in its entirety. On September 01, 2014, the SPV companies filed before the Singapore Court of Appeal a Notice of Appeal. On January 26, 2015, the case was heard.



The Singapore High Court set aside in its entirety the Award of the Arbitral Tribunal. Global Steel appealed the Decision of the Singapore High Court. On March 31, 2015, the Singapore Court of Appeal issued a Decision upholding in part the earlier Decision of the High Court, i.e., setting aside the monetary portions of the Arbitral Award that rendered the Bank Consortium/Secured Creditors not liable for certain sums of money by way of damages.

Movements of provisions for legal claims both for the Group and the Parent Company are as follows:

	2015	2014
Balance at beginning of the year	₱1,640,648	₱1,582,080
Provisions (reversals) during the year (Note 16)	(741,911)	58,568
Balance at the end of the year	₱898,737	₱1,640,648

Tax Assessment

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

BSP Reporting

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	Consolidated		Parent Company	
	2015	2014	2015	2014
Trust department accounts (Note 33)	₱78,708,656	₱65,817,031	₱78,708,656	₱65,817,031
Derivative forwards	32,378,255	14,510,895	26,907,910	12,024,515
Standby letters of credit	22,031,604	11,281,048	21,916,691	11,117,621
Deficiency claims receivable	21,562,415	21,292,747	21,541,459	21,276,212
Credit card lines	15,725,684	13,996,427	15,725,684	13,996,427
Interest rate swaps	9,317,880	14,141,390	9,317,880	14,141,390
Derivative spots	5,526,044	4,420,167	5,526,044	4,420,167
Other credit commitments (Note 9)	974,377	974,377	974,377	974,377
Inward bills for collection	356,152	676,610	248,839	675,050
Outward bills for collection	320,428	430,230	89,201	91,333
Other contingent accounts	298,336	326,693	296,174	298,329
Confirmed export letters of credit	88,409	490,015	88,409	490,015
Unused commercial letters of credit	48,957	44,280	48,957	44,280
Shipping guarantees issued	10,033	32,732	10,033	32,732
Items held as collateral	42	51	31	37



36. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, which is effective January 1, 2013, require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

2015						
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 [e] = [c]-[d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		
Securities held under agreements to resell (Notes 8)*	₱14,550,000	₱-	₱14,550,000	₱-	₱14,516,223	₱33,777

* Included in bills and acceptances payable in the statements of financial position

2014						
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 [e] = [c]-[d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		
Derivative assets (Notes 9 and 23)	₱1,083,714	₱-	₱1,083,714	₱50,360	₱-	₱1,033,354

Financial liabilities

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 [e] = [c]-[d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		
Derivative liabilities (Note 18)	₱216,636	₱-	₱216,636	₱465	₱250,830	₱-
Securities held under agreements to resell (Notes 9 and 19)*	12,806,499	-	12,806,499	-	15,941,143	-
Total	₱13,023,135	₱-	₱13,023,135	₱465	₱16,191,973	₱-

* Included in bills and acceptances payable in the statements of financial position

2014						
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 [e] = [c]-[d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		
Derivative liabilities (Note 18)	₱663	₱-	₱663	₱625	₱-	₱38
Securities sold under agreements to repurchase (Notes 9 and 19)*	14,085,961	-	14,085,961	-	17,352,674	-
Total	₱14,086,624	₱-	₱14,086,624	₱625	₱17,352,674	₱38



The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

37. Assets and Liabilities of Disposal Group Classified as Held for Sale

On December 21, 2015, the Parent Company entered into a 15-year exclusive partnership with Allianz SE under the following arrangements, subject to regulatory approvals:

- Allianz SE will acquire 12,750 shares representing 51.00% stockholdings of PNB LII and will have management control over the new joint venture company;
- The new joint venture company will operate under the name of “Allianz PNB Life Insurance, Inc.”;
- A 15-year distribution agreement which will provide Allianz an exclusive access to the more than 660 branches nationwide of Parent Company.

The acquisition of the shares of PNB LII by Allianz SE is expected to be completed by 2016. As of December 31, 2015, PNB LII was classified as disposal group held for sale and as discontinued operation.

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires assets and liabilities of PNB LII, together with the results of operations, to be classified separately from continuing operations. As a result, the Group reclassified all the assets and liabilities of PNB LII to ‘Assets of disposal group classified as held for sale’ and ‘Liabilities of disposal group classified as held for sale’, respectively, in the consolidated statement of financial position. The Parent Company reclassified the cost of the investment in PNB LII to be sold as ‘Assets of disposal group classified as held for sale’ in the parent company statement of financial position.

The business of PNB LII represented the entirety of the Group’s life insurance business until December 21, 2015. PNB LII was previously presented in the ‘Others’ section of the business segment disclosure. With PNB LII being classified as a discontinued operation in 2015, the comparative consolidated statement of income and comprehensive income in 2014 and 2013 have been re-presented to show the discontinued operations separately from the continued operations.

The results of operation of PNB LII are presented below:

	Years Ended December 31		
	2015	2014	2013
Interest Income on			
Loans and receivables	₱20,343	₱18,707	₱13,880
Trading and investment securities	443,116	396,586	269,429
Deposits with banks and others	3,504	323	10,072
	466,963	415,616	293,381
Interest Expense on			
Bills payable and other borrowings	–	–	5,417
Net Interest Income	466,963	415,616	287,964
Net Service Fees and Commission Expense	(281,639)	(335,635)	(329,249)

(Forward)



	Years Ended December 31		
	2015	2014	2013
Net insurance premiums	₱1,716,308	₱1,604,500	₱1,444,719
Net insurance benefits and claims	1,290,439	1,191,359	1,032,953
Net Insurance premiums	425,869	413,141	411,766
Other Income			
Trading and investment securities gains – net	20,874	14,661	1,750
Foreign exchange gains (losses) – net	11,806	(1,999)	5,317
Miscellaneous	149,061	101,111	100,317
Total Operating Income	792,934	606,895	477,865
Operating Expenses			
Compensation and fringe benefits	223,322	166,757	114,799
Taxes and licenses	39,570	36,544	26,666
Provision for impairment, credit and other losses	32,765	–	–
Depreciation and amortization	10,704	14,039	15,147
Occupancy and equipment-related costs	9,764	9,196	13,101
Miscellaneous	74,573	73,026	81,029
Total Operating Expense	390,698	299,562	250,742
Income from Discontinued Operations before			
Income Tax	402,236	307,333	227,123
Provision for income tax			
Regular	5,839	5,084	3,584
Final	38,466	38,088	26,859
	44,305	43,172	30,443
Net Income from Discontinued Operations	₱357,931	₱264,161	₱196,680
Attributable to:			
Equity holders of the Parent Company	₱286,345	₱211,328	₱157,344
Non-controlling interests	71,586	52,833	39,336
	₱357,931	₱264,161	₱196,680

Earnings per share attributable to equity holders of the Parent Company from discontinued operations are computed as follows:

	2015	2014	2013
a) Net income attributable to equity holders of the Parent Company	₱286,345	₱211,328	₱157,344
b) Weighted average number of common shares for basic earnings per share (Note 25)	1,249,020	1,163,938	1,067,822
c) Basic earnings per share (a/b)	₱0.23	₱0.18	₱0.15

The net cash flows directly associated with disposal group follow:

	2015	2014	2013
Net cash provided by operating activities	₱1,210,588	₱1,535,951	₱101,961
Net cash used in investing activities	(903,161)	(1,395,508)	(8,030)



The major classes of assets and liabilities of PNB LII classified as disposal group held for sale to equity holders of the Parent as of December 31, 2015 are as follows:

Assets	
Cash and other cash items	₱642,544
Financial assets at fair value through profit or loss	
Segregated fund assets	13,634,687
AFS investments	
Government securities	2,485,902
Private debt securities	3,604,065
Equity securities	1,378,686
HTM investments	
Government securities	1,269,398
Other receivables	
Accounts receivable	277,479
Accrued interest receivable	101,925
Sales contract receivable	57,806
Property and equipment – net	29,546
Other assets	44,719
Assets of disposal group classified as held for sale	₱23,526,757
Liabilities	
Financial liabilities at fair value through profit or loss	
Segregated fund liabilities	₱13,725,321
Accrued taxes, interest and other expenses	161,817
Other liabilities	
Insurance contract liabilities	6,837,144
Accounts payable	74,303
Retirement benefit liability	21,822
Withholding taxes payable	10,139
Miscellaneous liabilities	622,075
Liabilities of disposal group classified as held for sale	₱21,452,621
Reserves	
Net unrealized gain on AFS investments	₱617,649
Remeasurement losses on retirement plan	(24,412)
Reserves of disposal group classified as held for sale	₱593,237

38. Notes to Statements of Cash Flows

The Group applied creditable withholding taxes against its income tax payable amounting to ₱504.0 million, ₱582.6 million and ₱132.7 million in 2015, 2014 and 2013, respectively. In 2013, the Group applied MCIT against its income tax payable amounting to ₱468.5 million.

In 2015, the Group classified PNB LII as disposal group held for sale and as discontinued operation and classified assets, liabilities, and reserves of PNB LII amounting to ₱23.5 billion, ₱21.5 billion, and ₱0.6 billion, respectively, as held for sale.

In 2015, the Group transferred investment properties with a carrying value of ₱2.0 billion and ₱1.2 billion to property and equipment and to Other Assets (presented as ‘Real Estate Investments Held under Development’), respectively.



In 2014, the Group and the Parent Company reclassified some of its AFS investment securities, which were previously classified as HTM investments, back to its original classification amounting to ₱22.7 billion and ₱21.3 billion, respectively (Note 9).

In 2014, properties with carrying value of ₱3.0 million were reclassified by the Parent Company from property and equipment to investment properties while ₱74.0 million were reclassified by the Group from investment properties to property and equipment (Notes 11 and 13).

For the Group, investment properties acquired through foreclosure and rescission amounted to ₱.5 billion, ₱1.3 billion and ₱2.4 billion in 2015, 2014 and 2013, respectively. For the Parent Company, investment properties acquired through foreclosure and rescission amounted to ₱.4 billion, ₱1.2 billion, and ₱2.2 billion in 2015, 2014 and 2013, respectively.

Depreciation and amortization expenses include fair value amortization of property and equipment, investment properties and intangible assets amounting to ₱352.4 million, ₱648.9 million and ₱417.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The interest income received by the Group for year ended December 31, 2013 includes collection of accrued interest receivable, amounting to ₱1.1 billion, acquired from business combination. Interest income also includes fair value amortization of loans and receivables amounting to ₱16.9 million, ₱27.5 million and ₱29.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The interest expense paid by the Group for the year ended December 31, 2013 includes settlement of accrued interest payable, amounting to ₱220.5 million, assumed from business combination. Interest expense also includes fair value amortization of deposit liabilities amounting to ₱80.4 million, ₱249.7 million and ₱186.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

In 2013, the merger of the Parent Company and ABC resulted in the acquisition of net assets amounting to ₱33.4 billion and ₱28.0 billion by the Group and the Parent Company, respectively.

39. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on March 2, 2016.

40. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.



The Parent Company paid or accrued the following types of taxes for the tax period January to December 2015 (in absolute amounts).

1. Taxes and licenses

	Amount
Documentary stamp taxes	₱331,509,851
Gross receipts tax	971,651,542
Real estate tax	127,450,345
Local taxes	47,205,606
Others	245,603,586
	₱1,723,420,930

2. Withholdings taxes

	Remitted	Outstanding
Withholding taxes on compensation and benefits	₱992,387,117	₱164,164,542
Final income taxes withheld on interest on deposits and yield on deposit substitutes	266,588,280	31,424,762
Expanded withholding taxes	147,252,368	17,042,879
VAT withholding taxes	2,934,221	269,435
Other final taxes	25,100,879	4,977,856
	₱1,434,262,865	₱217,879,474

Tax Cases and Assessments

As of December 31, 2015, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine National Bank (the Bank) and its subsidiaries (the Group) as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 and have issued our report thereon dated March 2, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the financial statements and supplementary schedules are the responsibility of the Bank's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas
Partner

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

March 2, 2016



PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2015

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PHILIPPINE NATIONAL BANK (PARENT COMPANY)
SCHEDULE A
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2015
(In thousands)

Retained Earnings, January 1, 2015 as unadjusted		₱16,019,048
Adjustments (<i>see adjustments in previous year's reconciliation</i>):		
Appraisal increment closed to capital on quasi-reorganization	(7,691,808)	
Fair value adjustment on foreclosed properties - net gain	(5,128,729)	
Deferred tax assets	(2,906,492)	
Translation adjustment applied to deficit on quasi-reorganization	(1,626,430)	
Accretion on impaired loans	(1,607,220)	
Accumulated equity in net earnings applied to deficit on quasi-reorganization	(563,048)	
Unrealized foreign exchange loss	94,480	
	(19,429,247)	
Retained Earnings, as adjusted, beginning		(3,410,199)
Add: Net income per audited financial statements	6,216,693	
Less: Non-actual/unrealized income net of tax		
Unrealized foreign exchange gain- net (except those attributable to cash and cash equivalents)	2,017,837	
Accretion on impaired loans	216,973	
Fair value adjustment on foreclosed properties - net gain	152,553	
Accretion on off-market transactions - sales contract receivables	64,701	
Sub-total	2,452,064	
Add: Non-actual losses		
Unrealized loss on mark-to-market on trading and investment securities	898,204	
Deferred tax assets	782	
Sub-total	898,986	
Net income actually earned/ realized during the period		4,663,615
Less: Appropriations to surplus reserves		(16,643)
Total Retained Earnings, End Available for Dividend, December 31, 2015		₱1,236,773

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B
EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED
DECEMBER 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Framework for the Preparation and Presentation of Financial Statement					
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓			
PFRSs Practice Statement Management Commentary		✓			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓	
	Amendments to PFRS 1: Additional Exemption for First-time Adopters			✓	
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓	
	Amendments to PFRS 1: Government Loans			✓	
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓	
PFRS 2	Share-based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
	Amendment to PFRS 2: Definition of Vesting Condition			✓	
PFRS 3 (Revised)	Business Combinations	✓			
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓	
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓	
PFRS 4	Insurance Contracts	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓			
	Amendment to PFRS 5: Changes in methods of disposal			✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PFRS 7: Transition	✓			
	Amendments to PAS 39 and PFRS Reclassification of Financial Assets	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS					
Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9				✓
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
PFRS 8	Operating Segments	✓			
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓			
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets				✓
	Financial Instruments: Classification and Measurement of Financial Liabilities				✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures				✓
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)				✓
	PFRS 9, Financial Instruments (2014)				✓
PFRS 10	Consolidated Financial Statements	✓			
	Amendments to PFRS 10: Investment Entities			✓	
	Amendments to PFRS 10: Transition Guidance	✓			
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture				✓
PFRS 11	Joint Arrangements	✓			
	Amendments to PFRS 11: Transition Guidance	✓			
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations				✓
PFRS 12	Disclosures of Interests in Other Entities	✓			
	Amendments to PFRS 12: Transition Guidance	✓			
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓	
PFRS 13	Fair Value Measurement	✓			

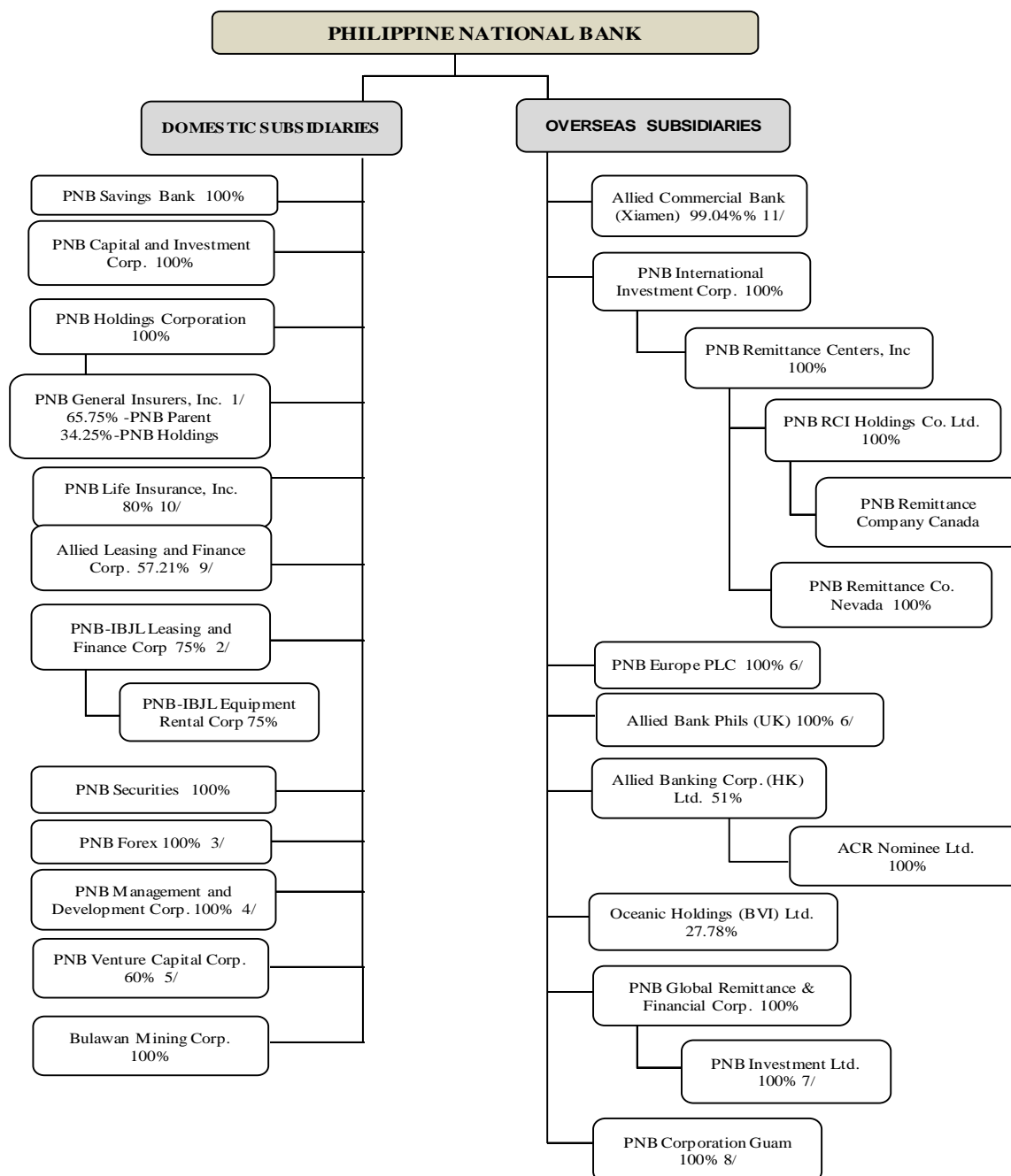
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendment to PFRS 13: Short-term Receivables and Payables	✓			
	Amendment to PFRS 13: Portfolio Exception			✓	
PFRS 14	Regulatory Deferral Accounts			✓	
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendments to PAS 1: Capital Disclosures	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
	Amendments to PAS 1: Disclosure Initiative				✓
PAS 2	Inventories			✓	
PAS 7	Statement of Cash Flows	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			
PAS 10	Events after the Reporting Period	✓			
PAS 11	Construction Contracts			✓	
PAS 12	Income Taxes	✓			
	Amendments to PAS 12- Deferred Tax: Recovery of Underlying Assets	✓			
PAS 16	Property, Plant and Equipment	✓			
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization				✓
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
PAS 17	Leases	✓			
PAS 18	Revenue	✓			
PAS 19 (Revised)	Employee Benefits	✓			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓			
	Amendments to PAS 19: Discount Rate: Regional Market Issue			✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			
	Amendment: Net Investment in a Foreign Operation	✓			
PAS 23	Borrowing Costs			✓	
PAS 24 (Revised)	Related Party Disclosures	✓			
	Amendments to PAS 24: Key Management Personnel	✓			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓	
PAS 27 (Amended)	Separate Financial Statements	✓			
	Amendments for investment entities			✓	
	Amendments to PAS 27: Equity Method in Separate Financial Statements				✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓			
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture				✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓			
	Amendments to PAS 32: Classification of Rights Issues	✓			
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
PAS 33	Earnings per Share	✓			
PAS 34	Interim Financial Reporting			✓	
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'			✓	
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization				✓
PAS 39	Financial Instruments: Recognition and Measurement	✓			
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓	
	Amendments to PAS 39: The Fair Value Option	✓			
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendment to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓			
	Amendment to PAS 39: Eligible Hedged Items			✓	
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓	
PAS 40	Investment Property	✓			
	Amendments to PAS 40: Investment Property	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 41	Agriculture			✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓			
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓	
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓	
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓	
IFRIC 8	Scope of PFRS 2			✓	
IFRIC 9	Reassessment of Embedded Derivatives	✓			
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓			
IFRIC 10	Interim Financial Reporting and Impairment	✓			
IFRIC 12	Service Concession Arrangements			✓	
IFRIC 13	Customer Loyalty Programmes	✓			
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓	
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓	
IFRIC 16	Hedges of a net Investment in a Foreign Operation			✓	
IFRIC 17	Distributions of Non-cash Assets to Owners			✓	
IFRIC 18	Transfers of Assets from Customers			✓	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓	
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓	
IFRIC 21	Levies			✓	
SIC-7	Introduction of the Euro			✓	
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓	
SIC-15	Operating Leases - Incentives	✓			
SIC-25	Income Taxes- Changes in the Tax Status of an Entity or its Shareholders		✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			
SIC-29	Service Concession Arrangements: Disclosures		✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services		✓		
SIC-32	Intangible Assets - Web Site Costs		✓		

Standards and Interpretations applicable to annual periods beginning on or after January 1, 2016 will be adopted by the Group as they become effective.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS OF DECEMBER 31, 2015



1/ The remaining 34% is owned by PNB Holdings.

2/ Percent ownership reduced from 90% to 75% effective January 2015.

3/ For dissolution, awaiting BIR clearance.

4/ Mining rights under deed of assignment with Macroasia.

5/ Under trust agreement with PNB Trust Banking Group.

6/ Merged on April 2, 2014, with PNB Europe as the surviving unit.

7/ For de-registration/liquidation. Awaiting for tax clearance, a SEC requirement for de-registration.

8/ Ceased operations on June 30, 2012 but business license/books are active/open due to pending legal cases.

9/ Winding down operations effective January 1, 2016

10/ Investment in PNB LII has been classified as held for sale following the approval of the Parent Company's BOD of the sale of 51.00% of its ownership interest to Allianz SE.

11/ Purchase of additional shares was approved by BSP and China Banking Regulatory Commission on June 4, 2014 and November 12, 2015, respectively. On November 27, 2015, the Parent company purchased 8.63% ownership interest from individual stockholders.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2015

Financial Assets at Fair Value through Profit or Loss
(Amounts in thousands, except for number of shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
<i>Government securities</i>				
Development Bank of the Philippines	–	P–	P–	P5
Philippine Fixed Rate Treasury Notes	–	2,608,366	2,731,444	164,595
Power Sector Assets & Liability Management Corporation	–	4,706	5,429	374
Republic of the Indonesia	–	94,120	91,578	1,281
Republic of the Philippines (ROP) Bonds	–	448,680	465,325	17,971
Philippine Retail Treasury Bonds	–	647,153	672,487	35,077
Philippine Treasury Bills	–	1,963	1,951	–
US Treasury Notes	–	–	–	54
	–	3,804,988	3,968,214	219,357
<i>Private Debt Securities</i>				
Ayala Land Inc	–	7,800	7,919	550
Filinvest Development Cayman Islands	–	80	84	1,287
Filinvest Land Inc	–	–	–	5
International Container Terminal Services Inc	–	56,472	64,123	4,028
SM Investments Corporation	–	69,960	71,674	2,503
SM Primeholdings Inc	–	–	–	110
	–	134,312	143,800	8,483
<i>Equity Securities</i>				
Alliance Global Group Inc	410,000	–	6,601	–
Ayala Corporation	9,000	–	6,804	–
Ayala Land Inc	428,500	–	14,762	–
Banco de Oro – EPCI Inc	65,000	–	6,825	–
Bank of the Philippine Islands	20,000	–	1,677	–
Belle Corporation	520,000	–	1,513	–
Bloomerry Resorts Corporation	1,400,000	–	6,356	–
Cebu Air Inc	5,000	–	412	–
DMCI Holdings Inc	580,400	–	8,010	–
East West Banking Corporation	143,050	–	2,709	–
EEI Corporation	138,000	–	745	–
Emperador Inc	150,000	–	1,342	–
Filinvest Land Inc	3,200,000	–	5,792	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
First Gen Corporation	140,000	P-	₱3,164	P-
First Philippine Holdings Corporation	61,290	-	3,987	-
Forest Hills Golf and Country Club	1	-	170	-
Global Ferro	31,127	-	21	-
GT Capital Holdings Inc	4,000	-	5,280	-
International Container Terminal Services Inc	120,000	-	8,436	-
Lopez (Benpres) Holdings Corporation	150,000	-	990	-
Megaworld Corporation	1,950,000	-	8,288	-
Metro Pacific Investments	3,118,000	-	16,214	-
Metropolitan Bank & Trust Co	50,000	-	4,025	-
Petroenergy Resources Corporation	6,289	-	22	-
Petron Corporation	880,000	-	6,151	-
Philex Mining Corporation	244,000	-	1,074	-
PLDT Common Shares	7,500	-	15,450	-
PNOC EDC	1,230,000	-	7,626	-
Puregold Price Club Inc	230,000	-	7,981	-
Resorts World Manila	890,000	-	3,916	-
Robinsons Retail Holdings Inc	70,000	-	4,410	-
San Miguel Purefoods	42,500	-	5,482	-
Security Bank Corporation	55,000	-	7,810	-
SM Investments Corporation	2,340	-	2,022	-
Universal Rightfield Properties	2,883,000	-	69	-
Universal Robina Corporation	127,880	-	23,786	-
	19,361,877	-	199,922	-

Derivatives

Australia and New Zealand Bank Manila	-	2,600,985	11,354	-
Banco de Oro Universal Bank	-	3,547,425	14,530	-
Bank of East Asia	-	658,840	43	-
Bank of Tokyo – Mitsubishi Manila	-	379,095	2,044	-
Bank of the Philippine Islands	-	994,970	6,183	-
BNP Paribas Paris	-	61,640	226	-
Chinatrust Philippines Commercial Bank Corporation	-	2,459,080	9,436	-
Citibank N.A. Manila	-	946,670	3,437	-
Den Norske Bank as Oslo	-	18,824	7	-
Deutsche Bank Ag Manila	-	1,556,165	3,273	-
Hong Kong and Shanghai Banking Corporation Manila	-	1,600,295	228	-
Maybank Philippines Inc	-	472,430	1,435	-
Metropolitan Bank and Trust Company	-	2,173,815	8,857	-
Overseas-Chinese Banking Corporation Singapore	-	47,060	99	-
Philippine Bank of Communications	-	47,100	43	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
Philippine Long Distance Company	–	₱2,329,470	₱49,447	₱–
Republic of the Philippines	–	14,419	63,332	–
Rizal Commercial Banking Corporation	–	474,050	1,670	–
Robinsons Bank Corporation	–	47,130	73	–
Seaoil Philippines Inc – FXBT	–	302,672	531	–
Security Bank Corporation	–	70,695	109	–
Standard Chartered Bank London	–	382,286	129	–
Standard Chartered Bank Manila	–	94,120	35	–
United Coconut Planters Bank	–	1,228,428	3,884	–
United Overseas Bank Singapore	–	658,840	306	–
Wells Fargo – San Francisco	–	299,506	637	–
	–	23,466,010	181,348	–
Designated at FVPL				
Unit Investment Trust Fund – PNB Peso Money Market Fund	15,381,948	17,000	17,261	–
Total Financial Assets at Fair Value through Profit or Loss	34,743,825	₱27,422,310	₱4,510,545	₱227,840

Available-for-Sale (AFS) Securities
(Amounts in thousands, except for number of shares)

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
<i>Government securities</i>				
Bangko Sentral ng Pilipinas	–	₱20,177	₱20,176	₱2,015
Development Bank of the Philippines	–	376,480	418,747	100,270
Philippine Fixed Rate Treasury Notes	–	10,652,169	11,074,320	415,595
ROP Global Peso Notes	–	400,000	389,584	13,148
ROP Onshore Dollar Bonds	–	23,530	22,956	626
Philippine Treasury Bills	–	535,786	536,101	–
Power Sector Assets and Liabilities Management Corporation	–	3,639,644	4,442,238	79,364
Republic of Indonesia	–	10,632,737	10,665,345	294,798
Republic of Korea	–	–	–	99
ROP Bonds	–	10,304,073	12,686,044	348,591
Philippine Retail Treasury Bonds	–	3,890,413	4,196,432	151,264
Singapore Treasury Bills	–	317,702	317,628	–
Small Business Loan Asset Backed Securities	–	379,868	54,632	–
UK Treasury Gilts	–	77,186	80,928	2,675
US Treasury Bills	–	352,997	355,266	262
	–	41,602,762	45,260,397	1,408,707

Private Debt Securities

Aboitiz Power	–	–	–	20,610
Agricultural Bank of China	–	235,300	234,855	1,085
Ayala Land Inc	–	300,000	304,549	16,875
Banco de Oro	–	345,420	350,212	34,361
BNP Paribas	–	289,099	292,986	2,386
China Construct Bank Asia	–	94,120	95,520	410
Energy Development Corporation	–	1,612,757	1,749,765	75,445
European Investment Bank	–	19,556	20,010	44
Export-Import Bank of Korea	–	1,200,030	1,170,749	25,372
Filinvest Development Cayman Islands	–	1,852,517	1,834,455	89,627
Filinvest Land Inc	–	609,350	624,151	15,618
First Pacific Limited	–	1,163,653	1,234,205	48,932
FPC Finance Limited	–	–	–	7,157
FPC Treasury Limited	–	301,184	297,606	19,847
FPT Finance Limited	–	208,288	227,369	8,634
HSBC Finance Corp	–	–	–	2,621
HSBC Holding PLC	–	103,250	104,014	830
Ind & Comm Bank of China	–	477,129	477,918	3,974
International Container Terminal Services Inc	–	4,455,782	4,715,511	246,413

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
JG Summit Holdings Inc	–	₱–	₱–	₱6,960
Korea Development Bank	–	329,420	343,453	6,408
Manila North Tollways Corporation	–	50,000	50,738	2,535
Metropolitan Bank & Trust Co	–	567,100	564,480	30,482
Philippine Long Distance Telephone Co	–	528,060	566,345	4,864
Philippine Savings Bank	–	75,000	74,220	4,125
Phoenix Petroleum Philippines	–	–	–	32,293
Rizal Commercial Banking Corporation	–	2,459,497	2,546,798	68,442
Security Bank Corporation	–	1,634,068	1,637,563	58,822
Sinopec Corporation	–	1,694,160	1,635,514	20,141
SM Investments Corporation	–	557,139	573,062	81,558
SM Prime Holdings Bonds	–	67,700	68,283	2,628
South Luzon Tollway Corporation	–	410,000	400,528	14,490
Standard Chartered Bank London	–	56,787	58,121	2,816
	–	21,696,366	22,252,980	956,805

Equity Securities

Aboitiz Equity Ventures	161,500	–	9,359	–
Allied Banker Insu.	200,000	–	20,000	–
Apo Golf & Country Club	2	–	2	–
Asia Pacific Trust Development	1	–	1,500	–
Asean Finance	–	–	3,604	–
Ayala Corporation	16,090	–	12,164	–
Ayala Land Inc.	495,900	–	17,084	–
Bacnotan Steel Industries	3,345,000	–	–	–
Baguio City Country Club	1	–	1,500	–
Bancnet, Inc.	49,999	–	5,000	–
Banco de Oro	103,790	–	10,898	–
Bank of the Philippine Islands	122,179	–	10,245	–
Bap Credit Guaranty	29,800	–	1,138	–
Bayantel	8,244	–	–	–
Bayantel 31% Tranche B Conv Equity	83,997	–	14,851	–
Bulawan Mining	2,500,000	–	–	–
Camp John Hay	1	–	100	–
Camp John Hay Golf Club	2	–	200	–
Chibakakusai Club	1	–	–	–
Club Filipino	2	–	150	–
Cruz Tel Co.	30	–	3	–
Dev Academy Of The Phils.	1,500	–	–	–
Eagle Ridge Golf & Country Club	30	–	3,600	–

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
Eastridge Golf Course & Village	2	₱-	₱-	₱-
Enchanted Kingdom	32,787,000	-	-	-
Energy Development Corp	595600	-	3,693	-
Evercrest Golf	4	-	1,000	-
Fairways &Bluewater Resort	294	-	-	-
Fastech Synergy	1,337,807	-	-	-
GT Capital Holdings Inc.	4,890	-	6,455	-
Heavenly Garden	5,000	-	500	-
Iligan Golf & Country Club	1	-	1	-
Iloilo Golf & Country Club	1	-	-	-
International Container Terminal Services Inc.	67240	-	4,727	-
JG Summit Holdings Inc	166,820	-	12,228	-
Lepanto Consolidated Mining Co."B"	1,776	-	-	-
LGU Guarantee Corp	100,000	-	10,000	-
Luisita Golf & Country Club	1	-	-	-
Makati Sports Club-A	1	-	350	-
Manila Golf & Country Club	102	-	118,000	-
Manila Polo Club	1	-	12,500	-
Manila Southwoods Golf Club	2	-	757	-
Marikudo Country Club Of Iloilo City	1	-	-	-
Megaworld Corp.	711,500	-	3,024	-
MERALCO	142,941	-	45,762	-
Metropolitan Bank and Trust Company	101,180	-	8,145	-
Mimosa Golf & Country Club	2	-	525	-
Mount Malarayat Golf & Country Club	17	-	-	-
National Reinsurance Corporation	1,000	-	1	-
Negros Occidental Golf & Country Club	5	-	-	-
NIDC Manila Polo Club	1	-	-	-
Northern Telephone Company	40	-	18	-
Orchard Golf & Country Club	1	-	150	-
PCDI Preferred Shares	175	-	39	-
Phil Dealing System-Fixed Income(Formerly BAP Consulting)	73,000	-	-	-
Phil. Airlines	49,943,860	-	-	-
Phil. Central Depository Inc.	68,380	-	2,392	-
Phil. Clearing House Corp	42000	-	4,200	-
Phil. Dealing House	-	-	7,300	-
Phil. Electric Corp Shares	202,440	-	95	-
Philex Mining	151	-	-	-
Philippine Columbian Association	2	-	-	-
Philippine Long Distance Telephone Company	7,865	-	16,060	-

Name of Issuing Entity and Association of each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
Philippine Racing Club	30,331,103	₱–	₱284,809	₱–
Philippine Stock Exchange Shares	820	–	225	–
Philodril	695,625	–	8	–
PICOP Resources	19,008,000	–	–	–
Philippine Tel Corporation	650	–	–	–
Pldt Communication And Energy Venture	20	–	9	–
PLDT Preferred Shares	109,975	–	1,102	–
PNB Management and Development Corp	–	–	1,933	–
PNB Venture Capital Corp.	–	–	5,061	–
Primo Oleo Chemicals	6,638,151	–	–	–
Proton Chemical Industries Comm Shares	44,419	–	–	–
PT&T	5,000,000	–	–	–
Pueblo De Oro Golf ^ Country Club	2	–	820	–
Puerto Azul Sports & Beach Club	2	–	–	–
Quezon City Sports Club	1	–	420	–
Retelco	20	–	4	–
Riviera Golf & Country Club	6	–	310	–
Rural Bank Of Ibaday	340	–	–	–
Santa Elena Golf & Country Club	5	–	14,600	–
Sierra Grande Country	100	–	32	–
SM Investments Corp.	23,950	–	20,693	–
SM Prime Holdings	581,000	–	12,608	–
Small Business Guarantee	400,000	–	40,000	–
Southern Iloilo Telephone Co.	20	–	2	–
Subic Bay Golf & Country Club	1	–	–	–
Subic Bay Yatch Club	58	–	–	–
Swift Shareholders	9	–	–	–
Tagaytay Highlands	1	–	500	–
Tagaytay Midlands	1	–	490	–
Tayud Golf & Country Club	1	–	–	–
Ternate DevT Corporation	–	–	170	–
Universal Robina Corp.	62100	–	11,551	–
Valley Golf & Country Club	4	–	680	–
Victorias Golf & Country Club	1	–	–	–
Wack Wack Golf & Country Club	4	–	62,300	–
	156,375,561	–	827,647	–
Total Available-for-Sale Securities	156,375,561	₱63,299,128	₱68,341,024	₱2,365,512

Held to Maturity Securities

(Amounts in thousands, except for number of shares)

Name of Issuing Entity and Association of Each Issue	Number of Shares	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet based on Bid Prices as of Balance Sheet Date	Income Received and Accrued
<i>Government securities</i>				
ROP Bonds	–	₱14,021,056	₱16,389,453	₱600,535
Fixed Rate Treasury Notes	–	2,737,693	3,372,305	137,410
Retail Treasury Bonds	–	2,885,515	3,126,910	161,496
Republic of the Indonesia	–	235,300	244,269	11,331
US Treasury Bills	–	4,706	4,706	70
US Treasury Notes	–	23,530	23,491	90
Federal National Mortgage Association	–	25,883	26,029	139
Federal Home Loan Banks	–	23,530	23,513	91
Federal Home Loan Mortgage Corporation	–	21,177	21,321	70
Total Government Securities	–	₱19,978,390	₱23,231,997	₱911,232

Loans and Receivables

(In thousands)

Name of Issuing Entity and Association of Each Issue	Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Valued based on Discounted Cash Flows at end of Reporting Period	Income Received and Accrued
<i>Government Securities</i>				
Landbank of the Philippines	₱–	₱75,394	₱75,394	₱5,704
National Food Authority	256,880	256,862	274,209	16,286
Province of Aklan	130,000	130,000	135,084	4,661
Home Development Mutual Fund (Pag-ibig)	–	–	–	31,612
Home Guaranty Corp	11,516	11,516	11,329	305
	398,396	473,772	496,016	58,568
<i>Private Securities</i>				
Steel Asia Manufacturing Corp	11,202	–	–	–
Pilipinas Hino Incorporated	6,988	–	–	–
Golden Dragon Star Equities Inc.	–*	–	–	353,000
Global Steel (NSC)	3,676,245	75,168	75,168	–
High Street (SPV-AMC) Inc. (Bacnotan Steel)	76,862	76,862	76,862	–
	3,771,297	152,030	152,030	3,000
Total Unquoted Debt Securities	₱4,169,693	₱625,802	₱648,046	₱411,568

*amount less than 1,000 pesos

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2015

(In thousands)

The related party transactions indicated above are within the ordinary course of business of the Bank and shall be settled in cash. There are no provisions for credit losses in 2015.

Name and Designation of Debtor	Balance at Beginning of Period (12/31/14)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/15)	Due Dates	Interest Rates	Terms of Payment	Collateral
Subsidiary										
PNB-IBJL Leasing and Finance Corp	₱1,575,000	₱4,372,000	(₱4,068,333)	₱–	Current	₱1,878,667	01/28/2016 to 05/20/2017	3.00% to 3.85%	Payable within 3 years	Unsecured
Affiliates										
Philippine Airlines Inc.	1,795,089	–	(1,795,089)	–	Current	–	–	–	–	–
Victorias Milling	77,444	4,218,618	(4,157,094)	–	Current	138,968	1/5/2016	Nil	DBPL - 3 days	Unsecured
Horizon Global Investment	6,708,000	–	351,000	–	Current	7,059,000	9/12/2017	3.34%	Quarterly payment	Unsecured
Horizon Global Investment	3,130,400	–	(3,130,400)	–	Current	–	–	–	–	–
Eton Properties	–	613,610	(23,600)	–	Current	590,010	Year 2022	5.00%	Monthly	Real Estate
Interbev Philippines Inc.	2,978	–	(2,978)	–	Current	–	–	–	–	–
Lufthansa Teknik	474,032	–	(210,496)	–	Current	263,536	08/26/2016 to 02/22/2017	2.82% to 3.05%	Quarterly payment	Unsecured
Maranaw Hotel & Resort Corp	35,000	–	(35,000)	–	Current	–	–	–	–	–
Maranaw Hotel & Resort Corp	70,000	–	(70,000)	–	Current	–	–	–	–	–
Maranaw Hotel & Resort Corp	–	95,000	(2,000)	–	Current	93,000	8/29/2016	6.00%	Quarterly payment of ₱2.1 million plus interest, balloon payment at maturity	Hold out deposit
Major Win Enterprises Limited	–	1,223,560	(20,252)	–	Current	1,203,308	8/17/2027	3.61%	Quarterly payment	Unsecured
Golden Investments TMK	–	9,018,000	(547,200)	–	Current	8,470,800	06/26/2020	4.00%	Monthly	Various
Absolut Distillers, Inc.	–	1,150,000	(800,000)	–	Current	350,000	01/26/2016 to 3/22/2016	4.50%	Payable within 3 months	Unsecured
Key Management Personnel	16,073	3,170	(2,245)	–	Current	16,998	Various	Various	Payable on demand	Various
Officers	285,967	149,637	(211,857)	–	Current	223,747	09/30/2015 to 09/30/2036	0.25% to 16.5%	Payable within 1 month to 25 years	Bank deposit hold-out, real estate and chattel mortgages
	₱14,169,983	₱20,843,595	(₱14,725,544)	₱–		₱20,288,034				

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015

(In thousands)

Name and Designation of Debtor	Balance at Beginning of Period (12/31/14)	Releases	(Collections)/ Movements	Amounts Written Off	Status	Balance at Ending of Period (12/31/15)	Due Dates	Interest Rates	Terms of Payment	Collateral
PNB-IBJL Leasing and Finance Corp	₱1,575,000	₱4,372,000	(₱4,068,333)	₱-	Current	₱1,878,667	01/28/2016 to 05/20/2017	3.00% to 3.85%	Payable within 3 years	Unsecured

The related party transactions indicated above are within the ordinary course of business of the Bank and shall be settled in cash. There are no provisions for credit losses in 2015.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS – OTHER ASSETS
DECEMBER 31, 2015

(In thousands)

Description	Beginning Balance 12/31/2014	Additions	Charged to Costs and Expenses (Amortization)	Charged to Other Accounts	Other Changes	Ending Balance 12/31/2015
Core deposits*	₱1,538,264	₱–	(₱189,779)	₱–	₱–	₱1,348,485
Customer relationship*	144,438	–	(130,648)	–	–	13,790
Software	612,122	571,768	(103,749)	–	462	1,080,603

*Acquired from business combination

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2015

(In thousands)

Type of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current Portion of Long-Term Debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Amounts or Numbers of Periodic Installments	Maturity Dates
Long Term Negotiable Certificates of Deposits	₱7,000,000	₱–	₱6,958,411	4.13%	Interest shall be payable quarterly	6/12/2020
Long Term Negotiable Certificates of Deposits	4,000,000	–	3,981,365	3.25%	Interest shall be payable quarterly	4/22/2019
Long Term Negotiable Certificates of Deposits	5,000,000	–	4,979,615	3.00%	Interest shall be payable quarterly	2/5/2019
Long Term Negotiable Certificates of Deposits	3,100,000	–	3,094,836	5.18%	Interest shall be payable quarterly	2/17/2017
Unsecured Subordinated Notes	6,500,000	–	6,494,324	6.75%	Interest shall be payable quarterly	6/15/2021
Unsecured Subordinated Notes	3,500,000	–	3,492,103	5.88%	Interest shall be payable quarterly	5/9/2022
Bills Payable	25,407,406	5,492,022	19,915,384	0.01% to 2.50%	Various	1/8/2015-8/14/2017

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2015

(In thousand pesos)

Name of Related Parties ⁽ⁱ⁾	Balance at Beginning of Period	Balance at Ending of Period ⁽ⁱⁱ⁾	Nature, Terms and Conditions
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None to report

- (i) The related parties named shall be grouped as in Schedule D. The information called shall be stated for any persons whose investments shown separately in such related schedule.
- (ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2015

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount of guaranteed and outstanding ⁽ⁱ⁾	Amount owned by person of which statement is filed	Nature of guarantee ⁽ⁱⁱ⁾
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None to Report

- (i) Indicate in a note any significant changes since the date of the last balance sheet file. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.
- (ii) There must be a brief statement of the nature of the guarantee, such as "Guarantee of principal and interest", "Guarantee of Interest", or "Guarantee of Dividends". If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2015

(Absolute number of shares)

Title of Issue ⁽ⁱ⁾	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties ⁽ⁱⁱ⁾	Directors, officers and employees	Others ⁽ⁱⁱⁱ⁾
Common Shares	1,750,000,001	1,249,139,678	-	120,000	14,924,647	-

Required information is contained in Note 25: Equity to the Audited Financial Statements of the Bank and Subsidiaries.

(i) Include in this column each type of issue authorized.

(ii) Related parties referred to include persons for which separate financial statements are filed and those included in the consolidated financial statements, other than the issuer of the particular security.

(iii) Indicate in a note any significant changes since the date of the last balance sheet filed.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
SCHEDULE OF FINANCIAL RATIOS
DECEMBER 31, 2015 AND 2014

RATIOS	FORMULA	CONSOLIDATED		PARENT	
		2015	2014	2015	2014
(i) Liquidity Ratios					
a. Current Ratio	Current Assets/Current Liabilities	66.75%	67.14%	62.24%	61.65%
b. Liquid assets to total assets-gross	Liquid Assets-gross/Total Assets-gross	29.40%	32.79%	29.79%	30.54%
c. Liquid assets to total assets-net	Liquid Assets-net/Total Assets-net	30.59%	34.11%	31.06%	31.82%
d. Liquid assets ratio-gross	Liquid Assets-gross/Liquid Liabilities	42.24%	46.58%	40.97%	41.80%
e. Liquid assets-net	Liquid Assets-net/Liquid Liabilities	42.06%	46.38%	40.77%	41.59%
f. Liquid assets-gross to total deposits	Liquid Assets-gross/Total Deposits	42.97%	47.86%	41.60%	42.75%
g. Liquid assets-net to total deposits	Liquid Assets-net/Total Deposits	42.78%	47.65%	41.41%	42.53%
h. Net loans to total deposits	Net Loans/Total Deposits	71.86%	66.21%	67.32%	63.70%
(ii) Solvency Ratios					
a. Debt to equity ratio	Total Liabilities/Total Shareholders' Equity	5.49	5.31	5.34	5.19
b. Debt ratio	Total Liabilities/Total Assets	84.59%	84.16%	84.24%	83.84%
c. Equity ratio	Total SHE/Total Assets	15.41%	15.84%	15.76%	16.16%
(iii) Asset-to-Equity Ratios					
a. Asset to Equity ratio	Total Assets/Total SHE	6.49	6.31	6.34	6.19
b. Fixed assets to equity ratio	Total Fixed Assets/Total SHE	33.75%	40.20%	34.20%	41.15%
c. Fixed assets to total assets ratio	Total Fixed Assets/Total Assets	5.20%	6.37%	5.39%	6.65%
(iv) Interest Rate Coverage Ratios					
a. Times interest earned ratio	EBIT/Interest Expense	2.99	2.89	2.91	2.69
(v) Profitability Ratios					
a. Return on Assets					
1. Using Net Income	Net Income/Average Assets	0.97%	0.89%	1.03%	0.77%
2. Using Net Income attributable to parent	NIATP/Average Assets	0.94%	0.86%	1.03%	0.77%
a. Return on Equity					
1. Using Net Income	Net Income/Average Capital	6.19%	6.06%	6.47%	5.17%
2. Using Net Income attributable to parent	NIATP/Average Capital	6.00%	5.91%	6.47%	5.17%

RATIOS	FORMULA	CONSOLIDATED		PARENT	
		2015	2014	2015	2014
(iv) Capital Adequacy Ratios					
a. Tier I capital ratio	Tier 1/Total RWA	16.23%	17.43%	11.19%	11.96%
b. Capital risk asset ratio	Qualifying Capital/Total RWA	19.24%	20.60%	14.42%	15.38%
(iv) Other Ratios					
a. Non-performing loans ratio	Non-performing loans/Adjusted Loans	2.81%	3.56%	2.82%	3.58%
b. Net interest margin	Net Interest Income/Average Earnings Assets	3.24%	3.21%	3.14%	3.21%
c. Efficiency ratio	Total Operating Expenses/Total Operating Income	70.77%	73.85%	69.44%	74.58%
d. Allowance for probable loan losses* to total loans ratio	Allowance for probable loan losses*/Total Loans*	1.85%	1.92%	1.96%	1.95%
e. Allowance for probable loan losses* to NPL ratio	Allowance for probable loan losses*/NPL	67.46%	54.94%	70.88%	55.43%

* Total loans pertain to receivables from customers.