

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b)
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- Preliminary Information Statement
- Definitive Information Statement

2. Name of Registrant as specified in its charter

Philippine National Bank

3. Province, country or other jurisdiction of incorporation or organization

Metro Manila, Philippines

4. SEC Identification Number

ASO96-005555

5. BIR Tax Identification Code

000-188-209-000

6. Address of principal office

PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila

Postal Code

1300

7. Registrant's telephone number, including area code

(632) 526-3131 to 70/(632) 891-6040 to 70

8. Date, time and place of the meeting of security holders

May 31, 2016, 8:00 a.m., Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, City of Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 3, 2016

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

Not Applicable

Address and Telephone No.

Not Applicable

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	1,249,139,678

13. Are any or all of registrant's 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

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



Philippine National Bank PNB

**PSE Disclosure Form 17-5 - Information Statement for Annual or
Special Stockholders' Meeting**
*References: SRC Rule 20 and
Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	May 31, 2016
Type (Annual or Special)	Annual
Time	8:00 a.m.
Venue	Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, City of Manila
Record Date	May 2, 2016

Inclusive Dates of Closing of Stock Transfer Books

Start Date	May 3, 2016
End date	May 31, 2016

Other Relevant Information
None.

Filed on behalf by:

Name	Maila Katrina Ilarde
Designation	Corporate Secretary

COVER SHEET

A S 0 9 6 - 0 0 5 5 5 5

S.E.C. Registration Number

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

(Company's Full Name)

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 L V D .

P A S A Y C I T Y

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

Atty. Sherleen Lourds R. Macatangay

Contact Person

840-3783

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

Preliminary Information Statement

FORM TYPE

Last Tuesday of
May of each year

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

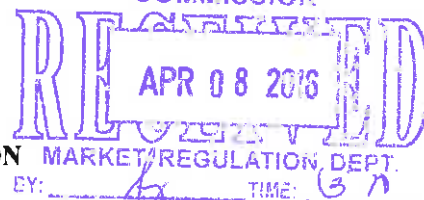
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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter : PHILIPPINE NATIONAL BANK
3. Province, country or other jurisdiction of incorporation or organization : Metro Manila, Philippines
4. SEC Identification Number : AS096-005555
5. BIR Tax Identification Number : 000-188-209-000
6. Address of principal office : PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila, 1300
7. Registrant's telephone number, including area code : (632) 834-0780
(Office of the Corporate Secretary)
8. Date of meeting : May 31, 2016
Time of meeting : 8:00 a.m.
Place of meeting : Grand Ballroom, Upper Lobby
Century Park Hotel
599 Pablo Ocampo, Sr. St.
Malate, City of Manila
9. Approximate date on which the Information Statement is first to be sent or given to security holders : May 3, 2016
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrant):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON SHARES	1,249,139,678 ^{1/}

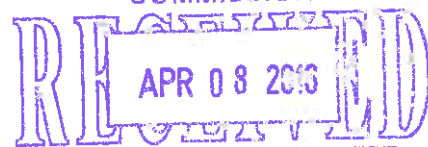
11. Are any or all Registrant's securities listed in a Stock Exchange?

Yes

No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein : **PHILIPPINE STOCK EXCHANGE/
COMMON STOCK**

^{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. The shares are the subject of the Registration Statement approved by the SEC on July 29, 2015 and is pending listing with the Philippine Stock Exchange. This also includes the 162,931,262 common shares issued relative to the Bank's Stock Rights Offering in 2014.



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Meeting of Stockholders of the Philippine National Bank (the "Bank") will be held on May 31, 2016 at 8:00 a.m. at the Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, City of Manila.

The Agenda for the Meeting is as follows:

1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2015 Annual Stockholders' Meeting held on May 26, 2015
4. Report of the President on the Results of Operations for the Year 2015
5. Approval of the 2015 Annual Report
6. Amendment of Section 4.2, Article IV of the Amended By-Laws to change the date of the Annual Stockholders' Meeting from the last Tuesday of May to the last Tuesday of April of each year
7. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2015 Annual Stockholders' Meeting
8. Election of Directors
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

Minutes of the 2015 Annual Stockholders' Meeting, as well as the resolutions of the Board of Directors from the last stockholders' meeting held on May 26, 2015 up to the present, are available for examination during office hours at the Office of the Corporate Secretary located at the 9th Floor, PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila.

Only stockholders of record as of May 2, 2016 will be entitled to notice of and to vote at the meeting. Registration will begin at 6:00 a.m. on May 31, 2016.

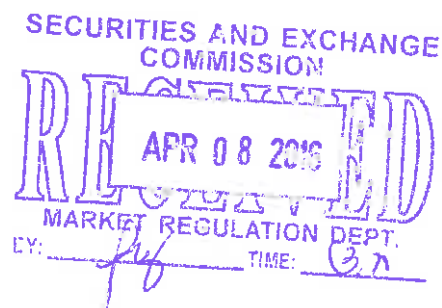
If you cannot personally attend the meeting, you may designate your authorized representative by submitting a PROXY of your choice not later than 5:00 p.m. on May 26, 2016 to the Office of the Corporate Secretary at PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila. All proxies received will be validated by the Bank's Corporate Secretary on May 27, 2016 at 2:30 p.m. at the office of the Stock Transfer Agent, PNB Trust Banking Group, 3rd Floor, PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila. A sample proxy is attached for your reference.

Pasay City, April 8, 2016.


MAILA KATRINA Y. ILARDE
Corporate Secretary



SEC FORM 20-IS



**DEFINITIVE INFORMATION STATEMENT
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE**

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

- (a) The Annual Stockholders' Meeting of the Philippine National Bank (hereafter PNB or the "Bank") will be held on May 31, 2016 at 8:00 a.m. at the Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, Manila, Philippines. The Bank's complete address is PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.
- (b) The Definitive Information Statement, together with the Notice of Meeting, will be sent to qualified stockholders not later than May 3, 2016.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT BEING REQUESTED TO SEND US A PROXY AT THIS TIME.

Item 2. DISSENTER'S RIGHT OF APPRAISAL

- (a) Title X – Section 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.

- (b) None of the proposed corporate actions to be submitted to the stockholders for approval constitutes a ground for the exercise of the stockholder's appraisal right.

Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

- (a) No person who has been a director of the Bank from the beginning of fiscal year 2015, or any associate of the foregoing, has any interest in any matter to be acted upon in the meeting other than election to office.
- (b) The Bank has not received any information from a director that he/she intends to oppose any matter to be acted upon in the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) The total number of common shares outstanding as of March 31, 2016 is 1,249,139,678^{2/} with a par value of ₱40.00 per share. Total foreign equity ownership is 117,178,153 common shares or 9.38%.

Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank as of May 2, 2016 (the "Record Date").

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit, provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

- (b) Stockholders of record of the Bank as of the Record Date shall be entitled to notice of, and to vote at, the Annual Stockholders' Meeting.
- (c) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of any class of voting securities as of March 31, 2016)

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
All Seasons Realty Corp. - Makati City - 8,191,895 shares Shareholder	Majority-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		

^{2/} 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 SEC on January 17, 2013. The Shares are the subject of the Registration Statement approved by the SEC on July 29, 2015 and will be listed with the Philippine Stock Exchange. This also includes the 162,931,262 common shares issued relative to the Bank's Stock Rights Offering in 2014.

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Donfar Management Limited - Makati City - 25,173,588 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Dunmore Development Corporation (X-496) - Pasig City - 12,395,850 shares Shareholder		Filipino		
Dynaworld Holdings, Incorporated - Pasig City - 9,323,108 shares Shareholder		Filipino		
Fast Return Enterprises, Limited - Makati City - 14,865,453 shares Shareholder		Filipino		
Fil-Care Holdings, Incorporated - Quezon City - 20,836,937 shares Shareholder		Filipino		
Fragile Touch Investment Limited - Makati City - 18,581,537 shares Shareholder		Filipino		
Ivory Holdings, Inc. - Makati City - 16,997,821 shares Shareholder		Filipino		
Kenrock Holdings Corporation - Quezon City - 21,301,405 shares Shareholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Kentwood Development Corp. - Quezon City - 14,112,105 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Key Landmark Investments, Limited - British Virgin Islands - 109,115,864 shares Shareholder		Filipino		
La Vida Development Corporation - Quezon City - 16,052,705 shares Shareholder		Filipino		
Leadway Holdings, Incorporated - Quezon City - 53,470,262 shares Shareholder		Filipino		
Mavelstone International Limited - Makati City - 24,213,463 shares Shareholder		Filipino		
Merit Holdings and Equities Corp. - Quezon City - 14,233,686 shares Shareholder		Filipino		
Multiple Star Holdings Corp. - Quezon City - 25,214,730 shares Shareholder		Filipino		
Pioneer Holdings Equities, Inc. - Pasig City - 28,044,239 shares Shareholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Profound Holdings, Inc. - Marikina City - 14,935,099 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Purple Crystal Holdings, Inc. - Manila 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 Corp. - Pasig City - 67,148,224 shares Shareholder		Filipino		
Total Holdings Corp. - Quezon City - 13,095,263 shares Shareholder		Filipino		
True Success Profits, Limited - British Virgin Islands - 67,148,224 shares Shareholder		Filipino		
Uttermost Success, Limited - Makati City - 24,752,272 shares Shareholder		Filipino		

(2) Security Ownership of Management (Individual Directors and Executive Officers as of March 31, 2016)

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Florencia G. Tarriela Chairperson Independent Director	2 shares ₱80.00 (R)	Filipino	0.0000001601
Felix Enrico R. Alfiler Vice Chairman 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

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
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
Subtotal	14,901,905 shares ₱596,076,200.00 (R)		1.1929734731
All Executive Officers & Directors as a Group	14,924,599 shares ₱596,983,960.00 (R)		1.1947902435

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more of the Bank's shares.

(4) Changes in Control

There has been no change in control of the Bank in the fiscal year 2015.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

On May 26, 2015, the Bank reported to the Bangko Sentral ng Pilipinas (BSP) the election of fifteen (15) members of the Board of Directors at the 2015 Annual Stockholders' Meeting. Ms. Florencia G. Tarriela, Mr. Felix Enrico R. Alfiler, Mr. Federico C. Pascual, Mr. Cecilio K. Pedro and Mr. Deogracias N. Vistan were re-elected as independent directors.

As defined in Section 38 of the Securities Regulation Code (SRC), 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.

The re-election of the following directors of PNB for the year 2015-2016 was exempted from confirmation by the Monetary Board (MB) of the BSP as provided in Subsection X141.4 of the Manual of Regulations for Banks (MORB) and pursuant to BSP Circular No. 758 dated May 11, 2012:

Florencia G. Tarriela
Felix Enrico R. Alfiler
Florido P. Casuela
Leonilo G. Coronel
Reynaldo A. Maclang
Estelito P. Mendoza
Federico C. Pascual

Cecilio K. Pedro
Washington Z. Sycip
Harry C. Tan
Lucio C. Tan
Lucio K. Tan, Jr.
Michael G. Tan
Deogracias N. Vistan

The election of Mr. Nelson as Director of the Bank was confirmed by the MB on December 10, 2015 under Resolution No. 2035.

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"> * 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 * Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N. A.
Awards/Citations	<ul style="list-style-type: none"> * 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"> * 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 * 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	LEONILLO 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
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 (ABC) from 2001 to 2009 * Director of ABC, PNB Life Insurance, Inc., PNB Italy SpA, PNB International Investments Corporation, PNB Holdings Corporation, PNB Securities, Inc., PNB Forex, Inc., and Eton Properties Philippines, Inc.

Name	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, 2013 (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 Acting President, CEO and Vice Chairman * President and Director of Philippine Chamber of Commerce and Industry * Chairman of National Reinsurance Corporation and PNOG-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 Lamoiyan Corporation * Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc. * Director of CATS Motors, Manila Doctors Hospital and Philippine Business for Social Progress * Independent Director of PNB Savings Bank * Chairman of the Deaf Evangelistic Alliance Foundation, Inc. * Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.
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	70
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, PMFTC, 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	* Chairman and CEO: LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation
Other Current Positions	* Chairman and CEO of Philippine Airlines, Inc. * Chairman/President: Tangent Holdings Corporation and Lucky Travel Corporation * Chairman: Eton Properties Philippines, Inc., Asia Brewery, Inc., Tanduay Distillers, Inc., Fortune Tobacco Corporation, PMFTC, Inc., 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 PMFTC, Inc., Philippine Airlines, Inc., Air Philippines Corporation, Allied Bankers Insurance Corporation, Foremost Farms, Inc., Manufacturing Services & Trade Corp., Grandspan Development Corporation, Absolut Distillers, Inc., Asia Brewery, Inc., Eton City, Inc., Asian Alcohol Corporation, Lucky Travel Corporation, Progressive Farms, Inc., Tanduay Brands International, Inc., The Charter House, Incorporated, Himmel Industries, Incorporated * EVP and Director of Fortune Tobacco Corporation
Other Previous Positions	<ul style="list-style-type: none"> * 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	50
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	<ul style="list-style-type: none"> * Director and President of LT Group, Inc. * Director of PAL Holdings, Inc. and Victorias Milling Corporation
Other Current Positions	<ul style="list-style-type: none"> * 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 Construct, Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Alliedbankers Insurance Corporation
Other Previous Positions	<ul style="list-style-type: none"> * Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013

Name	DEOGRACIAS N. VISTAN
Age	71
Nationality	Filipino
Education	<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 and President of the Bankers Association of the Philippines

Name	MAILA KATRINA Y. ILARDE
Age	32
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Legal Management, De La Salle University * Juris Doctor, Ateneo de Manila University School of Law
Current Position in the Bank	Corporate Secretary
Date of First Appointment	June 29, 2015
Other Current Position	<ul style="list-style-type: none"> * Acting Corporate Secretary of PNB Capital and Investment Corporation
Other Previous Positions	<ul style="list-style-type: none"> * 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	<ul style="list-style-type: none"> * Bachelor of Science in Mathematics, Notre Dame University * Bachelor of Laws (Notre Dame University)
Current Position in the Bank	Assistant Corporate Secretary
Date of First Appointment	June 29, 2015
Other Current Positions	<ul style="list-style-type: none"> * Director, E.C. Tanghal & Co., Inc.
Other Previous Positions	<ul style="list-style-type: none"> * 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 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

The following constitute the Bank's Corporate Governance Committee for the year 2015-2016:

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

* *Independent Director*

The following constitute the Bank's Board Audit and Compliance Committee for the year 2015-2016:

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

* *Independent Director*

The following are the Executive Officers of the Bank:

REYNALDO A. MACLANG

(Please refer to page 15 of this Information Statement)

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, 54, Filipino, Executive Vice President, is the Head of the Treasury Group. He obtained his Bachelor of Science degree in Commerce, Major in Marketing, from the De La Salle University. Prior to joining PNB, he was an Executive Vice President and the Treasurer of EastWest Banking Corporation. He also held the post of Senior Vice President and Deputy Treasurer of Rizal Commercial Banking Corporation, Vice President/Head of the Foreign Exchange Desk of Citibank Manila and Vice President/Chief Dealer of the Treasury Group of Asian Bank Corporation. He brings with him 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, 52, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as the Chief Financial Officer. Prior to joining the Bank, he was the Chief Financial Officer of the Hongkong and Shanghai Banking Corporation (HSBC), Ltd., Philippine Branch, a position he held since 2004. He was also a Director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned 28 years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia, Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

BERNARDO H. TOCMO, 54, Filipino, Executive Vice President, is the Head of the Retail Banking Group who manages the retail banking and credit card businesses of the Bank. Mr. Tocmo obtained his Masters in Business Economics from the University of Asia and the Pacific and likewise finished the Strategic Business Economics Program of said university. He graduated with a Bachelor of Science in AgriBusiness, major in Management from the Visayas State University. Mr. Tocmo is a seasoned banker with over three decades of work experience with the country's top and mid-tier commercial banks. He started his career with United Coconut Planters Bank where he gained exposure in various facets of branch operations from 1982 to 1990. His banking experience was further honed at Union Bank of the Philippines (UBP) where he assumed key managerial positions in retail banking from 1990 to 1996. He left UBP with the rank of Senior Manager and joined Security Bank Corporation (SBC) in 1996 initially as Assistant Vice President for one of its biggest Makati branches. He moved up to First Vice President of SBC by the year 2005 where his last responsibility was as Area Business Manager for Makati and Alabang branches. Mr. Tocmo subsequently joined Metropolitan Bank & Trust Company in September 2005 initially as Vice President and Head of the Head Office Center. He was promoted to First Vice President in June 2007 while continuing to head this business center until April 2008. He was appointed as Visayas Region Head with the rank of Senior Vice President in May 2008 and between May 2010 to May 2012. 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, 59, 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.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc. He obtained his Bachelor of Science degree in Business Administration from Lyceum of the Philippines in 1981 and his Bachelor of Laws degree from Arellano University in 1987.

EMELINE C. CENTENO, 57, Filipino, Senior Vice President, is the Head of the Corporate Planning and Research Division. She obtained her Bachelor of Science degree in Statistics (Dean's Lister) and completed the coursework in Masters of Arts in Economics (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division and the Corporate Planning Division before assuming her present position as Head of the Corporate Planning and Research Group. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

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.

(b) Identify Significant Employees

While all employees of the Bank are valued for their contribution to the business, no person who is not an executive officer is expected to make a significant contribution to the business.

(c) Family Relationships

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

(d) Involvement in Certain Legal Proceedings

None of 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, other than cases which arose out of the ordinary course of business in which they may have been impleaded in their official capacity;
- 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 Securities and Exchange 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.

(e) Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bank's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15% of its total loan portfolio, whichever is lower. As of December 31, 2015 and 2014, the Bank and its subsidiaries were in compliance with BSP regulations.

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.

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Executive Compensation

1) General

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Directors, on the other hand, are entitled to a reasonable per diem for each Board or board committee meeting attended. The total per diem given to the Board of Directors of the Bank for the years 2014 and 2015 amounted to ₱44.325 million and ₱41.950 million, respectively.

Other than the abovestated, there are no other arrangements concerning compensation for services rendered by Directors or executive officers to the Bank and its subsidiaries.

2) Summary Compensation Table

Name and Principal Position	Annual Compensation (In Pesos)				
	Year	Salary	Bonus	Others	Total
Mr. 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	19,601,169	-	78,504,053
	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	952,903,245	-	4,233,214,338
	Projected 2016	3,936,500,000	1,143,500,000	-	5,080,000,000

3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

4) Warrants and Options Outstanding

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

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

SyCip Gorres Velayo & Co. (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 Annual 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.

OTHER MATTERS

Item 8. AMENDMENT OF THE BY-LAWS

The amendment of Section 4.2, Article IV of the Amended By-Laws, to change the date of the Annual Stockholders' Meeting from the last Tuesday of May to the last Tuesday of April of each year, will be presented for the approval of the stockholders at the Annual Stockholders' Meeting.

This is essential to align the schedule of the Annual Stockholders' Meeting of the Bank with the other subsidiaries of LT Group, Inc., the Bank being a subsidiary of the latter.

Item 9. ACTION WITH RESPECT TO REPORTS

The following matters will be submitted to a vote at the Annual Stockholders' Meeting:

1. Approval of the Minutes of the 2015 Annual Stockholders' Meeting held on May 26, 2015

Among others, the salient matters approved at the meeting of the stockholders in 2015 are as follows:

- a. Election of Directors
- b. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2014 Annual Stockholders' Meeting
- c. Appointment of External Auditor

2. Approval of the 2015 Annual Report

A copy of the 2015 Annual Report will be made available at the venue of the Annual Stockholders' Meeting.

3. Ratification of all legal acts and proceedings of the Board of Directors and corporate officers since the 2015 Annual Stockholders' Meeting

A list of all legal acts, resolutions and proceedings taken by the Directors and corporate officers will be too voluminous to be included in this report. Most relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is

required to act upon. These actions are subjected to the annual review of the BSP and the Bank's external auditor.

Copies of the Minutes of the Meetings of the Board of Directors may be examined by the stockholders of record as of May 2, 2016 at the Office of the Corporate Secretary during business hours.

Item 10. OTHER ACTIONS

(a) Election of Directors

Fifteen (15) directors will be elected for the year 2016.

(b) Appointment of External Auditor

The Bank intends to retain SGV 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.

SGV has the advantage of having historical knowledge of the business of the Bank and its subsidiaries and affiliates, having been the appointed external auditor of the Bank in 2015 and prior years.

Ms. Vicky B. Lee-Salas, SGV's Leader for Market Group 5 and one of the experienced audit partners in the banking industry, will be retained as audit partner-in-charge. In accordance with the amended SRC Rule 68(3)(b)(ix), there is no need at this time to change the audit partner for the Bank.

Item 11. VOTING PROCEDURES

The affirmative vote of the stockholders present in person or by proxy representing at least a majority of the stockholders present at the meeting shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting, except for Items 6 and 8 of the Agenda, on the amendment of the Amended By-Laws and election of directors.

For Item 6, on the amendment of the Bank's Amended By-Laws, particularly Section 4.2, Article IV, to change the holding of the Annual Stockholders' Meeting from the last Tuesday of May to the last Tuesday of April of each year, the favorable vote of the stockholders representing at least majority of the outstanding capital stock of the Bank is required.

For Item 8, on election of directors, the fifteen (15) nominees garnering the highest number of votes from the stockholders present or represented by proxy shall be elected directors for the ensuing year.

The manner of voting and counting of votes will be as follows:

- a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his name on record as of the close of business hours on May 2, 2016. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before May 26, 2016 for inspection and recording, 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.

Item 12. CORPORATE GOVERNANCE

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

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

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

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

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

Board of Directors

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

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

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

Independent Directors

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

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

Chairperson of the Board

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

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

Board Committees

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

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

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

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

Among the areas affected by the expanded and comprehensive implementation of RPT policies and procedures are the strengthened oversight functions of the Board, Board Oversight RPT Committee (BORC), and Senior Management, embedded RPT policies and procedures in the Operations Manuals of

the respective business units, expanded implementation across business entities, developed RPT database system, and independent reviews of the Internal Audit and Global Compliance Groups, external auditors and examination by regulatory bodies.

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

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

Board Oversight RPT Committee (BORC)

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

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

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

The RPT policy has been formulated and adopted in accordance with the provisions of the SEC Code of Corporate Governance; and BSP Circular Nos. 749 and 895, including the Code of Conduct and Business Ethics which the Bank consistently adopts. These are as follows:

- Code of Conduct – it prescribes the moral code for PNB Group employees that instills discipline and yields higher productivity at the workplace and enhances and safeguards the corporate image of the

Bank. Its overall intent is more for the prevention of the infraction rather than the administration of disciplinary measures. It also defines and provides the standards of conduct expected of all employees and enumerates the actions or omissions prejudicial to the interest of the Bank.

- Whistleblower Policy – this policy encourages the Bank’s employees to report internally any suspected or actual commission of theft/fraud, violation of ethical standard, law, rule or regulation and/or any misconduct by its directors, officers or staff in accordance with the Whistleblower Policy. It protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action for reporting in good faith a suspected or actual violation.
- Soliciting and/or Receiving Gifts Policy - all employees are expected to observe discretion and prudence in receiving gifts or donations whether in cash or in kind and other forms of hospitality. Soliciting gifts/donations/sponsorship from clients, suppliers, and other business related parties is strictly prohibited. However, employees may be allowed to receive gifts/donations/sponsorship/financial assistance from clients, suppliers, and other business related parties, provided that gifts/donations/sponsorships worth ₱2,000.00 and above must be reported to the Human Resource Group (HRG), declaring the value, the giver and action taken, i.e., kept for personal use, donated to charity. On the other hand, gifts with estimated value of more than ₱5,000.00 shall likewise be reported and turned-over to HRG for donation to any legitimate charitable institution preferred by the concerned employee.
- Personal Investment Policy – sets forth prudent standards of behavior for all employees when conducting their personal investment transactions. It provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. The employees may make investments for their personal accounts as long as these transactions are consistent with laws and regulations, and the personal investment policy of the Bank. These investments should not appear to involve a conflict of interest with the activities of the Bank or its customers. Employee investment decisions must be based solely on publicly available information, and should be oriented toward long term investment rather than short term speculation. As a general policy, all employees are prohibited from purchasing or selling any PNB securities if they possess material nonpublic information about PNB that if known by the public might influence the price of PNB securities. Employees may not purchase or sell PNB options or execute a short sale of PNB security unless the transaction is effected as a bona-fide hedge.

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

Operations Management

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

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

and appointment of senior officers in the different management committees are assessed periodically and reorganized as necessary in line with the business priorities.

Compliance System

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

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

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

The Bank's existing Compliance Program defines the seven (7) key elements of an effective compliance framework, with proactive Board and executive level oversight, effective compliance organizational structure, standardized policies and procedures across all businesses, periodic monitoring and assessment, robust MIS and compliance reporting, comprehensive compliance and AML awareness training and independent compliance testing reviews. The Compliance Program also incorporates the new policies, laws and regulations and enhancements to corporate standards of which PNB, including its local and foreign subsidiaries/affiliates, is required to be fully aware of. The Compliance Program has been implemented consistently in the PNB Group.

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

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

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

UNDERTAKING TO PROVIDE ANNUAL REPORT

The Registrant undertakes to provide without charge to each stockholder a copy of the Bank's Annual Report or SEC Form 17-A upon written request to the Bank addressed to:

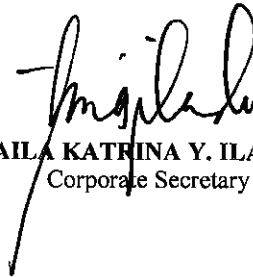
**The Corporate Secretary
Philippine National Bank
9/F, PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila**

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasay on April 8, 2016.

PHILIPPINE NATIONAL BANK

by:



MAILA KATRINA Y. ILARDE
Corporate Secretary

PROXY

The undersigned stockholder of **PHILIPPINE NATIONAL BANK** ("PNB") does hereby nominate, constitute and appoint:

as my/our proxy, with the right of substitution and revocation, to represent me/us and vote all shares registered in my/our name in the books of PNB at the Annual Stockholders' Meeting scheduled on May 31, 2016. I/we hereby confirm and ratify any and all acts lawfully done by my/our proxy pursuant hereto.

Any other proxy or proxies issued by me/us on or before this date is/are hereby considered revoked and declared null and void and will have no effect whatsoever.

Date: _____

Signature over Printed Name



MANAGEMENT REPORT

Item 1. Business

A. Business Development

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

On February 9, 2013, the Bank concluded its merger with Allied Banking Corporation (ABC) as approved and confirmed by the Board of Directors 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 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.

In February 2014, the Bank successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of ₱40.00 per share at a price of ₱71.00 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 on 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 while 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 amounting to ₱11.6 billion. The Offer strengthened the Bank’s capital position under the Basel III standards which took effect on January 1, 2014.

In April 2015, PNB successfully closed and signed a USD150 million 3-year syndicated term loan facility with a large group of international and regional banks. The facility was launched at USD150 million and attracted total commitments of USD220 million at the close of the 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 through convenience stores and other similar retail outlets. It 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 continues 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.

In 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. (PNB Life), the life insurance subsidiary of PNB. The joint venture company will operate under the name "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 PNB branches located nationwide, and four million PNB 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 the "Top Inter-Bank Fund Transfer (IBFT) Transferee." On 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 ₱31 billion project finance syndicated term loan facility for the Metro Manila Skyway Stage 3 Project; b) Best Transport Deal, highly commended for the ₱23.3 billion financing facility for the GMR Megawide Cebu Airport Corporation Project; and c) Best Power Deal for the ₱33.3 billion financing facility for the Pagbilao Energy Corporation Project.

In 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. In 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. Product 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 (FX) 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, time deposits 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 (CFG) 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 (GFBG) 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 (TG) is principally responsible for managing the Bank's funding and liquidity requirements as well as its investment and trading portfolio. The Bank 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 hedging requirements of some of the Bank's 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 (CMG) is primarily responsible for 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 (RMG) is primarily responsible for 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 stiff 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, and the recent mergers and consolidations in the banking industry. As of the latest available data from the BSP, there are 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 a diverse range of 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 constantly.

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:

- a. **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.
- b. **PNB SSS Pensioner Loan Program**
PNB, in partnership with the Social Security System (SSS), launched in August 2015 the PNB SSS Pensioner Loan Program. This program is open to all active SSS pensioners up to 70 years old. As part of the program, pensioners will also receive FREE insurance coverages namely, Credit Insurance, ATMSafe and Healthy Ka Pinoy.

- c. **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.
- d. **PNB Unit Investment Trust Fund (UITF) ATM Investment Facility**
The Bank further expanded the distribution channel of the PNB UITF through its ATM Investment Facility. Soft launch was done at the ATM of the Main Branch last May 2015.
- e. **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.
- f. **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.
- g. **PNB Revolutionizes 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.

5. Related Party Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bank's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15% of its total loan portfolio, whichever is lower. As of December 31, 2015 and 2014, the Bank and the Group were in compliance with such regulations.

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.

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, 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 number of employees of the Bank as of December 31, 2015 is 8,349 wherein 3,582 are classified as bank officers and 4,620 as rank-and-file employees, broken down as follows:

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

The Bank shall continue to pursue selective and purposive hiring 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 additional 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, PNB Employees Union (PNBEU) 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 unions 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

Note:

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.

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

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer (CRO) who 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.

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: Credit concentration risk arises from excessive exposures to individual counterparties, groups of related counterparties and groups of counterparties with similar characteristics (e.g., counterparties in specific geographical locations, economic or industry sector). Its potential loss implications are large enough relative to a bank's capital, total assets, or overall risk level, to threaten a financial institution's health or ability to maintain its core operations. 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 Board of Directors. 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 Circular 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 institutionalized 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 II – Pillar 1

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

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

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 ^A	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					Total
		0.00%	0.25%	1.0%	1.60%	8.00%	
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	
	Coupon 3% or more	Coupon less than 3%	Total Individual Positions			Long	Short
			Long	Short			
1	1 month or less	1 month or less	11,476.1	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 are concentrated under the Over 10 to 15 years buckets with risk weight of 4.5% and corresponding capital charge of ₱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 P0.04 million to P3.4 million or combined capital charge of P4.01 million.

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

Equity Exposures as of December 31, 2015

The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is P39.9 million or total risk-weighted equity exposures of P399.3 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 Total Net Long/(Short) Position
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options		
		Banks	Subsidiaries/Affiliates			
		1	2	3		
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
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
Risk Weight						8%
Total Capital Charge For Foreign Exchange Exposures (B. times C.)						49.8
Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						62.2
Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						622.1
Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (Part IV.3a, Item F)						-
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

C. Business Development/Description of Significant Subsidiaries

PNB, through its subsidiaries, engages in a number of diversified financial and related businesses such as remittance servicing, life and non-life insurance, investment banking, stock brokerage, leasing, and other related services.

The following represent the Bank's significant subsidiaries:

Domestic Subsidiaries:

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 a 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 (SEC) 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 SEC 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 SEC 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.

PNB Life Insurance, Inc. (PNB Life) 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 and 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, global insurance firm Allianz SE acquired 51% and management control of PNB Life. As part of the deal, it entered into a 15-year exclusive distribution partnership with PNB. 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 a full line of individual and group life protection offerings. All its 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 it vigorously aims to be the dominant provider of Financial Security to Filipinos Worldwide.

PNB Savings Bank (PNBSB) is a wholly-owned subsidiary of PNB as a result of the merger of PNB and ABC. PNBSB traces its roots from First Malayan Development Bank which ABC bought in 1986 to reinforce its presence in the countryside. In January 17, 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, the SEC 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 which 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 arm 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 the ₱110.0 million net income 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 the previous year due to the capital infusion of ₱10.0 billion. A well capitalized PNBSB'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 Securities, Inc. (PNBSI) was incorporated in January 18, 1991 and is a member of the Philippine Stock Exchange, Inc. (PSE). As a securities dealer, it is engaged in the buying and selling of securities listed in the PSE either for its own account as Dealer or for account of its customers as Broker. It is a wholly-owned subsidiary of PNB and ranked 41st among 132 active members in the PSE with 0.18% market share in terms of value turn-over as of December 31, 2015.

- a. As of December 31, 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 ₱8.4 million.
- b. The PNBSI has no bankruptcy, receivership, or similar proceedings in the past three (3) years.
- c. There are no material reclassification, merger, consolidation, or purchase/sale of a significant asset not in the ordinary course of business.

Relative to its competitors, the company's strength lies in the fact that it is backed up by PNB, a universal bank and considered one of the top commercial banks in the country today.

Inherent to all engaged in the stockbrokerage business, the company is exposed to risks like Operational Risk, Position Risk, Counterparty Risk and Large Exposure Risk. To address, identify, assess and manage the risks involved, the company submits 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 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 June 30, 1997 and commenced operations on October 8, 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 November 27, 2015.

As of December 31, 2015, PNB Capital had an authorized and paid-up capital of ₱350.00 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, Bureau of Internal Revenue (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 securities 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 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 December 31, 2015, PNBGen's paid-up capital was ₱912.6 million, one of the highest in the industry. Total Assets reached ₱7.21 billion with a total Net Worth of ₱686.10 million.

For the year ended December 31, 2015, the company's Net Income of ₱62.42 million became a Net Loss of ₱358.37 million after adding other provisions pertaining to prior years amounting to ₱420.79 million.

PNB Holdings Corporation (PHC), a wholly-owned subsidiary of the Bank, was established on May 20, 1920 as Philippine Exchange Co., Inc. The SEC approved the extension of the corporate life of PNB Holdings for another fifty (50) years effective May 20, 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 December 31, 2015, PHC had an authorized capital of ₱500.0 million or 5,000,000 shares with a par value of ₱100 per share. As of December 31, 2015, the 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 income was ₱1.7 million.

PNB Forex, Inc. (PFI), a wholly-owned subsidiary of the Bank which was incorporated on October 13, 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 January 1, 2006. It derives 100% of its revenues from interest income earned from the cash/funds held by the company. On December 16, 2013, PFI's Board of Directors approved the dissolution of the company. Last March 17, 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 December 31, 2015, unaudited net income was ₱64,540.24.

Bulawan Mining Corporation, a wholly-owned subsidiary of the Bank, was incorporated in the Philippines on March 12, 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 ABC 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 ABC in February 2013, PNB now owns 51% of ABCHK. Its 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 December 21, 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 December 31, 2015, PNB RCI has 20 branches in 6 states. PNB RCI owns **PNB RCI Holding Company, Ltd.** which was incorporated in California on August 18, 1999 and **PNB Remittance Company, Nevada (PNB RCN)** which was incorporated in Nevada on June 12, 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 April 26, 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 PNB RCN 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 into a 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 July 1, 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 December 31, 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. Directors and Executive Officers

Please refer to pages 9 to 34 of the Information Statement.

Item 3. Audited Consolidated Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries, which comprise the Statements of Financial Position as 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 4. Information on Independent Accountant, Changes in Accounting Principles and Other Related Matters

A. Audit and Other Related Fees

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

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 Long Term Negotiable Certificates of Time Deposit (LTNCD) in June 2014.

2013

Audit

- ₱5.992 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

- ₱13.305 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 ₱5.0 billion LTNCD in July 2013 and ₱5.0 billion LTNCD in October 2013.
- ₱6.160 million engagement fee for the review of Financial Statements as of March 31, 2013 and 2012 relative to the Purchase Price Allocation.
- ₱10.500 million engagement fee for the review of the Financial Statements and issuance of comfort letter relative to the Stock Rights Offering of PNB.
- ₱1.232 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.

B. 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 Philippine Financial Reporting Standards (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*

C. Disagreements with Accountants

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

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.

Item 5. Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial statements have been prepared in accordance with 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 BSP 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. 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 the PNB-ABC 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 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 Note 35 of the 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 No. 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. CET 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. CET 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 CET 1 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	9,965.587	9,965.587	43,448.337	49,965.587	49,965.587	47,448.337
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	13,362.528	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	19,385.063
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (D-COSRI)	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	-	1,671.667	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 Premiums 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	9,985.427	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	-	-	14,735.684
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	12,963.631	15,459.492	13,799.102	12,821.113
75%	16,119.609	14,282.083	15,492.673	14,063.362	13,708.209	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	5,750.872	7,227.489
20%	127.791	61.024	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%	2,618.700	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 Repurchase 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 Repurchase 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	300,429.931
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	36,174.156
Total Risk Weighted Assets	457,662.619	410,336.079	378,195.681	415,048.571	375,026.281	340,429.038
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%	-	-	1.880%
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 December 31, 2015 compared to ₱9.9 billion as of December 31, 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 December 31, 2015 was 30.5% compared to 34.1% as of December 31, 2014. Ratio of current assets to current liabilities was at 63.3% as of December 31, 2015 compared to 64.7% as of December 31, 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 6. Market Price, Holders and Dividends

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

1. Market Price

The PNB common shares are listed and traded at the PSE. The high and low sales prices of PNB shares for each quarter for the last two (2) fiscal years are:

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

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

2. Holders

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

No.	Stockholders	Common Shares ^{1/}	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Non-Filipino)	116,921,488	9.3601612421
2	Key Landmark Investments, Limited	109,115,864	8.7358212437
3	PCD Nominee Corporation (Filipino)	100,003,914	8.0079384845
4	Solar Holdings Corporation	67,148,224	5.3755576884
5	Caravan Holdings Corporation	67,148,224	5.3755576884
6	True Success Profits Limited	67,148,224	5.3755576884
7	Prima Equities & Investments Corporation	58,754,696	4.7036129774
8	Leadway Holdings, Incorporated	53,470,262	4.2805670928
9	Infinity Equities, Incorporated	50,361,168	4.0316682563
10	Pioneer Holdings Equities, Inc.	28,044,239	2.2450843163
11	Multiple Star Holdings Corporation	25,214,730	2.0185676946
12	Donfar Management Limited	25,173,588	2.0152740677
13	Uttermost Success, Limited	24,752,272	1.9815455738
14	Mavelstone International Limited	24,213,463	1.9384111662
15	Kenrock Holdings Corporation	21,301,405	1.7052860761
16	Fil-Care Holdings, Incorporated	20,836,937	1.6681030446
17	Fairlink Holdings Corporation	20,637,854	1.6521654354
18	Purple Crystal Holdings, Inc.	19,980,373	1.5995307292
19	Kentron Holdings & Equities Corporation	19,944,760	1.5966797270
20	Fragile Touch Investment, Limited	18,581,537	1.4875467754

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

3. Dividends

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

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

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

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

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 is pending with the PSE.

5. Computation of Public Ownership

As of March 31, 2016, PNB's public ownership level is 21.03% which is above the minimum percentage of ten percent (10%) for listed companies, in compliance with the public ownership requirement of the PSE.

B. Description of PNB's Securities

- As of March 31, 2016, 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 March 31, 2016 is 1,249,139,678. This includes the 423,962,500 common shares issued relative to the merger of PNB and ABC, subject of the Registration Statement approved by the SEC and the application for listing filed with the PSE.
- As of March 31, 2016, 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 an outstanding capital of ₱ 49,965,587,120.00.
- The Bank's stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bank's unissued capital stock or in support of an increase in capital (*Article Seven of PNB's Amended Articles of Incorporation*).
- At each meeting of the stockholders, every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors (Section 4.9 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 in 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 7. Discussion on Compliance with Leading Practices on Corporate Governance

Please refer to pages 38 to 42 of the Information Statement.

Item 8. Undertaking

The Bank shall, on written request and without charge, provide stockholders a copy of the Annual Report on SEC Form 17-A. Such requests should be directed to the Office of the Corporate Secretary, Philippine National Bank, 9/F PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

The Bank likewise undertakes to provide without charge a copy of SEC Form 17-Q during the Annual Stockholders' Meeting.