

Ms. Ma. Sherlyn D. Calderon, a stockholder, moved that the reading of the Minutes of the 2015 Annual Stockholders' Meeting held on May 26, 2015 be dispensed with and that the same as appearing in Bank records be approved. Another stockholder seconded the motion.

There being no comments/objections, the Minutes of the 2015 Annual Stockholders' Meeting held on May 26, 2015 were duly approved.

**IV. REPORT OF THE PRESIDENT ON THE RESULTS OF OPERATIONS FOR THE YEAR 2015**

The Chairman called on the President and Chief Executive Officer, Mr. Reynaldo A. Maclang, to present his report on the results of operations for the year 2015.

The President then rendered his report, as follows:

"On behalf of the PNB Board of Directors, officers and staff, I welcome all of you to our Annual Stockholders' Meeting.

PNB's new advertising campaign, "You First" accurately embodies PNB's purpose and reason for being. PNB's promise to be of service to Filipinos around the world remains steadfast, innovative, and evolving today as it has for the past 100 years. Following our successful merger with Allied Banking Corporation in 2013, we continue to transform as we anticipate and serve our customers' needs first and foremost.

Today, we are a stronger bank because of you. By maximizing the synergies of 2 venerable institutions, we now deliver greatly improved business and financial results. Strong gains have been achieved in our core business as the Bank continues to show very strong loan growth and record income performance.

In recognition of the Bank's efforts, two credit rating agencies upgraded its outlook on PNB. Last May 2015, Moody's Investors Service upgraded PNB's long-term and short term rating two levels to investment grade from Ba2 to Baa3 for the long term and NP to P-3 for the short term. In October 2015, Fitch Ratings Agency gave the Bank a higher credit rating of "BB" with a stable outlook reflecting the Bank's strong franchise and high capital ratios.

As a further testament to the Bank's credit strength and enhanced global recognition, in April 2015, we successfully closed and signed a USD150 million 3-year syndicated term loan facility with a large group of international and regional banks. This marks PNB's return to the syndicated loan market after more than a decade. This loan facility was 1.5 times oversubscribed.

For our market leadership and product enhancements, PNB has won numerous awards and recognitions from international award-giving bodies. Let me cite the most notable of these:

For project finance, we won four awards given by The Asset Triple A Asia Infrastructure Awards:



- **Best Project Finance Deal of the Year** and **Best Transport Deal** for the P31 billion project finance syndicated term loan facility for Metro Manila Skyway Stage 3 Project;
- **Best Transport Deal** for the P23.3 billion financing facility for GMR Megawide Cebu Airport Corporation Project; and
- **Best Power Deal** for the P33.3 billion financing facility for Pagbilao Energy Corporation Project.
- Our pioneering ATM theft insurance product, ATMSafe, was cited as the **Most Innovative Banking Product** by Global Banking and Finance Review Awards.

In recognition of our excellent service to Filipinos around the world, we were awarded the **Best Remittance Business in the Philippines** by the Asian Banker.

In every aspect of the Bank's operations, we are inspired to pursue excellence. PNB was honored with a **Silver Anvil** for its 2014 Annual Report by the Public Relations Society of the Philippines' for outstanding public relations programs and tools.

PNB maintains high levels of integrity, accountability, and transparency in the conduct of its business and for this, the Philippine Stock Exchange recognized the Bank as one of the **Top Ten Bell Awardees** for its sound corporate governance.

As we strive to serve the needs of our customers first, PNB continues to create products and services that provide innovative care. In partnership with the Social Security System, PNB launched the PNB SSS Pension Loan Program. The loan provides faster turnaround times at more affordable rates with added benefits such as Credit Insurance, ATMSafe and the HKP Emergency Medical Card.

For the Global Filipinos, HKP and ATMSafe are now offered in our overseas offices. By partnering with key real estate developers we expanded the choices for our Own a Philippine Home Loan (OPHL) program. We enhanced our Overseas Bills Payment System (OBPS) by acquiring new billers. All these are designed to make it better and more convenient for our overseas workers to provide for their loved one here in the Philippines.

In support of the government's priority infrastructure program, PNB and our subsidiary, PNB Capital Investment Corporation, actively led the financing of a number of Public-Private Partnership (PPP) projects – the Energy Development Corporation (EDC) Burgos Wind, Metro Manila Skyway Stage 3, Pagbilao Energy Corporation, Mactan Cebu International Airport, and San Buenaventura Power. These five landmark deals amounted to a total of P144.1 billion.

For the past century, PNB has been the Bank that customers can lean on, offering a heritage and unique brand of Filipino service. Backed by 100 years of experience and excellence, I am happy to announce that today, the Bank is strongly positioned and ready to serve you even better for the next 100 years."



The President then requested the Chief Financial Officer, Mr. Nelson C. Reyes, to report on the financial results of the operation of the Bank for the year 2015.

Mr. Reyes presented his report, as follows:

"I am very pleased to report today that PNB concluded the year 2015 with a net income of P6.3 billion, 15% higher than the previous year's level, even as the combined net income of the industry contracted by 1%.

The increase in net income was driven by continued improvements on earnings from its core business particularly net interest income and net service fees and commissions

During the year, PNB's net interest income, comprising 67% of the total operating income, improved by 7% to P17.7 billion.

Despite the compression in margins, interest income on loans and receivables grew by 13% to P17.1 billion, supported by a steady growth in the Bank's loan portfolio, propelled by strong corporate and commercial/SME lending business.

The loan-to-deposit ratio rose to 74% given the Bank's 18% loan expansion which outpaced the industry's 13% growth.

On the other hand, the increase in interest expense on deposits was contained at 7% to P3.0 billion despite a 9% growth in deposits as the bulk of these deposits continued to be in low cost funds.

Net service fees and commissions reached P3.6 billion, a 25% increase from previous year, principally generated from underwriting and credit-related transactions.

The P1.9 billion improvement in core revenues compensated for the lower treasury-related income which declined by P780 million due to challenging conditions in both the local and international financial markets.

Operating income was augmented by gains from the sale of PNB's foreclosed assets which improved by 10% to P1.6 billion

At the same time, PNB succeeded in reigning in the increase in administrative and operating expenses at 8% without sacrificing operational efficiency and customer service delivery.

As of the end of 2015, PNB's total consolidated resources stood at P679.7 billion, up P54.2 billion or 9% from year-ago level.

Asset quality significantly improved as non-performing loans were reduced to P9.0 billion by the end of 2015.

Non-performing loan (NPL) ratios decreased to 0.25% (net of valuation reserves) and 2.61% (at gross) from 0.92% and 3.42%, respectively, a year ago. NPL coverage improved to 125.57% from 99.19% end of 2014.

Simultaneously, the Bank's Acquired Assets declined by P7.0 billion due to sustained disposal off foreclosed properties. Hence, ratio of non-performing assets to total assets declined to 2.1% in 2015 from 3.7% a year-ago.

Meanwhile, the Group's consolidated Capital Adequacy Ratio (CAR) of 19.24% and a Common Equity Tier 1 (CET1) ratio of 16.23% are well above the minimum 10% and 8.5% required by BSP, respectively.

Notwithstanding our remarkable accomplishments in 2015, the Bank's first quarter performance this year ushers in far greater achievements for 2016.

The Bank sustained its strong profitability momentum in the first quarter of 2016 with a net income of P2.6 billion, more than twice the level posted for the same period last year. The robust performance was driven by substantial improvements in both core and non-recurring revenues.

Income from core businesses continued to show progress as net interest income increased by 12% year-on-year while net service fees and commissions combined with net insurance premiums rose by 22%.

The Bank also benefited from the 50% growth in trading and foreign exchange gains, substantial gains from sale of foreclosed assets, and collections of non-performing assets.

As we look forward to better times ahead, we shall continue to leverage on our strengths and build on our vast experiences to face the challenges that we will encounter in our goal to become a bigger, better and stronger bank..”

After the Chief Financial Officer's Report, the Chairman invited comments and questions from the floor.

Mr. Alfred Reiferer took the floor and asked regarding the strategy of the Bank with respect to prospective partnerships. Mr. Maclang said that PNB is always looking for opportunities. He added that if they see a distinct advantage for the Bank, they will be open for proposals for possible partnerships. Mr. Maclang also expressed the Bank's openness in light of the ASEAN integration. He clarified, however, that the Bank was not looking for a particular partnership as of the moment.

On another query of Mr. Reiferer regarding dividends, Mr. Maclang said Management was looking at year-end computations to determine if the Bank was in a position to declare dividends. He mentioned, however, that PNB is a banking institution, and as such, it was not enough to post profits and declare dividends right away. He said that there should be a safety buffer for the Bank. He added that external auditors will examine the interim financial statements of the Bank, and based on the said examination, the Bank will look for an opportunity to satisfy the stockholders.

Mr. Mariano M. Soria, a retiree of the Bank, took the floor and congratulated the Bank for a job well done and for celebrating its centennial year. He expressed his wish for the Bank to invite all Bank retirees to join the Centennial Celebration.



Ms. Ida Tiongson, a former employee of the Bank also congratulated the Bank, its Board, Management and staff for the very good performance and for the centennial celebration. According to Ms. Tiongson, the Bank reached its 100<sup>th</sup> year through good times and bad times.

Ms. Socorro Gomez, a former employee of the Bank, thanked everyone including the ex-Philnabankers and most especially Chairman Tarriela for making the former employees' stay in PNB more meaningful.

Mr. Ishmael Canua, a stockholder, asked when the Bank will PNB launch its debit card. He also inquired on the Bank's action plans with respect to cyber crimes. In response, Mr. Martin Reyes said that the debit cards of PNB will be released in July. With respect to cyber crimes, Mr. Reyes said that Management ensured that the Bank's system was tested by third parties. Further, aside from the security of the systems, the Bank also ensured conformity to global and local standards. Mr. Reyes said that PNB will continue to make sure that its systems will be protected to ensure the safety of clients' funds.

Mr. Alejandro Villapando, a retiree and stockholder of the Bank, had queries about the Bank's income. He asked why the Bank's net income in 2015 was bigger than 2014's when the Gross Income for 2015 was smaller than 2014's. He also took note of the drop in the Bank's share price and asked when he will receive returns on his investments in the Bank. He said that he has not received dividends from the Bank.

Mr. Maclang confirmed that the performance of the Bank was better in 2015 than in 2014. Mr. Nelson Reyes remarked that he understood the sentiments of Mr. Villapando, and explained that while the Bank posted revenues, it also incurred expenses. As such, the bigger net income in 2015 was likewise a result of a decline in expenses. On dividends, he said that the financials are currently being assessed by Management, which will then be subject to audit-to determine the propriety of declaring dividends. Mr. Reyes said that the Bank needs to have sufficient capital to sustain its growth. On the share price, he explained that this is determined by the market but he assured the stockholders of Management's hard work to increase the market price of PNB shares. Mr. Maclang added that Management shared the stockholders' desire to see the Bank in a position where it can declare dividends.

After further discussion, Ms. Tarriela thanked the stockholders for their comments. The President's Report and the foregoing exchanges were duly noted by those present at the meeting.

## V. APPROVAL OF THE 2015 ANNUAL REPORT

The next item in the Agenda was the approval of the Annual Report containing the audited financial statements of the Bank as of December 31, 2015.

Ms. Valerie D. Gonzales moved for the notation and approval of the Annual Report, including the audited financial statements of PNB as of December 31, 2015.

