Philippine National Bank

PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City, Metro Manila 1300
Tel. Nos.: (+632) 891 6040 to 70
(+632) 526 3131 to 92
www.pnb.com.ph

Member: PDIC. Maximum Deposit Insurance for Each Depositor P500,000

PNB is regulated by the Bangko Sentral ng Pilipinas
consumeraffairs@bsp.gov.ph (02) 708-7087

@PNBph

Philippine National Bank

2017 ANNUAL REPORT

BUILDING CONNECTIONS TO SERVE

You first.

WHEREVER,
WHENEVER,
WE SERVE,

You first.

ABOUT THE COVER

As PNB moves beyond its centennial year, we are committed to build connections to serve our customers better. We harness new technologies to deliver a distinct financial experience to emerging markets. We strengthen our service culture to respond to the unique needs of a diverse clientele. As we continue to evolve as an organization, we remain true to our core: we are the Filipinos' faithful and dependable financial partner that serves them first anywhere in the world.

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FINANCIAL SUMMARY/ FINANCIAL HIGHLIGHTS

(in thousands except selected ratios, per common share data and Headcount)

	Consolidated		Parent Entity	
Minimum Required Data	**2017**	**2016**	**2017**	**2016**
Profitability				
Total Net Interest Income	**22,076,652**	19,566,502	**19,062,428**	17,057,909
Total Non-Interest Income	**10,535,444**	12,238,254	**9,723,406**	10,536,002
Total Non-Interest Expenses	**23,571,418**	21,429,988	**20,463,394**	18,762,363
Pre-provision profit	**9,040,678**	10,374,768	**8,322,440**	8,831,548
Allowance for credit losses	**884,133**	3,212,694	**161,877**	1,707,494
Net Income	**8,156,545**	7,162,074	**8,160,563**	7,124,054
Selected Balance Sheet Data				
Liquid Assets	**243,339,461**	240,080,350	**224,137,498**	224,837,473
Gross Loans	**482,300,156**	416,397,550	**426,567,166**	371,682,498
Total Assets	**836,154,481**	753,981,636	**778,770,299**	711,525,352
Deposits	**637,920,257**	570,503,387	**596,405,038**	542,190,623
Total Equity	**119,737,949**	109,960,703	**117,079,445**	107,297,783
Selected Ratios				
Return on equity	**7.10%**	6.67%	**7.27%**	6.81%
Return on assets	**1.03%**	1.00%	**1.10%**	1.06%
CET 1 capital ratio	**14.58%**	15.80%	**11.25%**	11.45%
Tier 1 capital ratio	**14.58%**	15.80%	**11.25%**	11.45%
Capital Adequacy Ratio	**15.35%**	16.65%	**12.03%**	12.31%
Per common share data:				
Net income per share:				
Basic	**6.53**	5.70	**6.53**	3.89
Diluted	**6.53**	5.70	**6.53**	3.89
Book value	**93.74**	85.91	**93.73**	85.90
Others				
Cash dividends declared			**-**	1,249,140
Headcount				
Officers			**3,958**	3,921
Staff			**4,276**	4,436

PNB

CORPORATE OBJECTIVE

PNB aims to continually provide the best customer experience to generations of Filipinos here and abroad.

MISSION STATEMENT

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

VISION

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

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

THE PNB BRAND

PNB has established itself as a stable, reliable, and service-oriented financial institution serving generations of Filipinos everywhere in the world. Following a strategic merger with Allied Banking Corporation in 2013 and a refreshed brand identity, the Bank now lives by the tagline, **"You First"**.

Written in cursive/script font, the **"You First"** logo supports PNB's renewed brand persona. The handwritten style exudes a more personal touch, encouraging customers to experience a brand of service that is uniquely Filipino and distinctly PNB.

"You First" speaks of PNB's commitment to prioritize customers all over the world. Their needs have always been at the heart of the financial solutions we develop and offer.

"You First" is an articulation for the future generation to experience the same service and stability that loyal customers have grown to love. The tagline embodies our core values such as being *Mapaglinkod* (Service Orientation), *Mapagkakatiwalaan* (Trustworthiness), and *Mapagmalasakit* (Commitment).

More than being a tagline, **"You First"** is the behavioural pillar that binds us as one family as we begin the next chapter of our growth story.

As financial landscapes change, one thing remains constant: PNB will always be the financial partner that customers can lean on.

At PNB, we put **You First.**

BUSINESS MODEL

PNB's principal commercial banking activities include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, fund transfers, remittance servicing, asset management, a full range of retail banking and trust services, and treasury operations. Through its subsidiaries and affiliate, the Bank also engages in thrift banking; full banking services in China and the United Kingdom; banking services in Hong Kong; and a number of diversified financial and related businesses such as remittance servicing in the United States, Canada and Hong Kong; investment banking; life and non-life insurance; stock brokerage; and leasing and financing services.

The Bank provides a full range of banking and other financial services to its customers through its Head Office, 692 domestic branches/offices and 72 overseas branches, representative offices, remittance centers and subsidiaries in 16 locations in the United States, Canada, Europe, the Middle East and Asia.The Bank's customers include the corporate, the middle-market, retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies.

PNB's banking activities are undertaken through the following groups within its organization, namely:

Retail Banking Sector

The Retail Banking Sector (RBS) principally focuses on retail deposit products (i.e., current accounts, savings accounts and High Cost accounts) and services. While the focal point is the generation of lower cost funding for the Bank's operations, the RBS also concentrates on the cross-selling of consumer finance products, trust products, fixed income products, credit cards and bancassurance products to existing customers and referred customers by transforming its domestic branch distribution channels into a sales-focused organization.

Institutional Banking Sector

The Bank's Institutional Banking Sector (IBS) is responsible for credit relationships with large corporate, middle-market and SME customers as well as with Government and Government Owned & Controlled Corporations (GOCCs) and financial institutions.

Consumer Finance

The Bank's consumer financing business is seen to be a major contributor to its revenue stream in the medium term. PNB Savings Bank (PNBSB), a wholly-owned subsidiary, serves as the consumer arm of PNB. Strategic initiatives have been undertaken to put in place the proper infrastructure to support PNBSB's business growth. To further propel consumer loans growth, a number of marketing campaigns, aimed at generating business and increasing product awareness, were initiated.

Treasury Sector

The Treasury Sector primarily manages the liquidity and regulatory reserves of the Bank and risk positions on interest rates and foreign exchange borne from the daily inherent operations in deposit taking and lending and from proprietary trading. This includes an oversight on risk positions of its foreign branches and subsidiaries.

Global Filipino Banking Group

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

Trust Banking Group

The Bank, through its Trust Banking arm, provides a full range of Trust, Agency, and Fiduciary products and services designed to serve a broad spectrum of market segments. Its personal trust products and services include personal management trust, investment management, estate planning, guardianship, and life insurance trust. Corporate trust services and products include corporate trusteeship, securitization, portfolio management, administration of employee benefit plans, pension and retirement plans, and trust indenture services. Trust agency services include such roles as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank.

MESSAGE TO SHAREHOLDERS

You are at the center of our future.

Driven by a tradition of service excellence, we harness our diverse strengths and come together - a solid partner that will carry you through the next 100 years.

Economic Overview

The Philippine economy remained strong in 2017 as real Gross Domestic Product increased by 6.7% despite the absence of election-related spending that buoyed growth in the previous year. With this solid performance, the Philippines continued to be one of the fastest-growing economies in Asia in 2017, trailing closely China's 6.9% and Vietnam's 6.8%.

The main growth driver on the demand side was exports which grew by a hefty 19.2% in 2017 from 10.7% a year ago. Growth in exports of goods accelerated at 20.7% due to the recovery in international trade, making up for the slowdown in exports of services at 13.6% which was weighed down by the performance of the business processing outsourcing industry. Public spending remained robust at 7.3%, supported by the government's aggressive infrastructure spending program, including expenditures related to natural calamities and the Marawi conflict. Household consumption increased at a slower rate of 5.8% from previous year's 7.0% which had the benefit of election-related boost.

On the supply side, the agriculture sector posted 3.9% growth in 2017, a turnaround from the 1.3% contraction a year ago due to the relatively favourable weather condition. The industry sector turned in a lower increase of 7.2% against 8.4% previously as the higher gains in manufacturing were offset by the lesser output in mining, construction, and utilities. The services sector likewise decelerated to 6.7% in 2017 from 7.4%, dragged by the slowdown in transport and communications, trade, and real estate.

The country's macroeconomic fundamentals continued to be stable in 2017. Inflation was still manageable despite averaging higher at 3.2% in 2017 against 1.8% a year ago due to the upward pressures from food, transport, electricity and petroleum prices. During the year, interest rates were on a gradual uptrend as the financial market continued to align interest rates with the rates set by the Bangko Sentral ng Pilipinas (BSP) following the implementation of the Interest Rate Corridor in June 2016. The 7-day tenor of the Term Deposit Facility ended 2017 at 3.40%, just 10 basis points below the upper bound of the Interest Rate Corridor. Market uncertainties on the timing of the US Federal Reserve (Fed) rate hike also contributed to the increase in interest rates. The Fed implemented three rate hikes in 2017, raising its policy rates by a total of 75 basis points from its 2016 level to a range of 1.25% to 1.5%. The peso-dollar rate averaged at Php50.4/US$1 in 2017, reflecting a 6.1% depreciation from its 2016 average due to concerns that plagued the market the entire year, particularly the timing of the Fed's interest rate hike, US economic and policy reforms, geopolitical tensions, and divergent economic growth across economies. Meanwhile, the local stocks registered impressive gains in 2017 due to relatively bullish investor sentiment. The Philippine Stock Exchange Index (PSEi) added a total of 1,717.78 points from its end-2016 level to reach 8,558.42 by end-2017, its best finish so far.

The Philippine banking system ably supported long-term economic growth and a stable financial condition. Banks' balance sheets reflected sustained growth in assets and deposits. Asset quality indicators remained healthy while capital adequacy ratios were maintained above the BSP regulatory threshold of 10.0% and international minimum of 8.0%, even with the implemented tighter Basel III framework. Total resources of the banking system increased by 11.4% to reach Php15.5 trillion as of end-December 2017 from Php13.9 trillion a year ago. Gross non-performing loan (NPL) ratio improved to 1.73% in 2017 compared to the 1.89% registered a year ago. Loan exposures of banks remained adequately covered as the banking system registered an NPL coverage ratio of 120.4% by end-2017.

Financial Performance

Amidst a strong economic backdrop, it was another record year for PNB as it posted a net profit of Php8.2 billion in 2017, 14% higher than the year-ago level of Php7.2 billion on the back of a stable growth in its core operating income.

Php8.2B
Net Income

Php836.2B
Total Assets

Php22.1B
Net Interest Income

Total operating income registered Php32.6 billion, up 10% against previous year's level as the Bank sustained the growth in its core business, cushioning the substantial drop in non-core income. Net interest income aggregated Php22.1 billion, up 13% year-on-year. This was driven mainly by the 16% expansion of our loan portfolio to Php482.3 billion by year-end. Net service fees and commission income grew by 16% to Php3.1 billion as we intensified our cross-selling efforts. Notwithstanding the higher net gains on disposal of foreclosed properties and foreign exchange-related income, the Bank's non-core income declined by 22% due to lower trading gains and the absence of significant non-recurring revenues such as the one-off gain from the sale of our interest in PNB Life and the collection of non-performing assets that were earned in 2016.

Total operating expenses excluding provisions for impairment and credit losses increased moderately by 7% in 2017 due to prudent spending despite aggressive business growth.

PNB ended the year with a healthier balance sheet. Total consolidated resources stood at Php836.2 billion, up by Php82.2 billion or 11% from previous year's level. The asset build-up was largely funded by deposits which rose by 12% from end-2016 levels as we continued to focus on generating low-cost funds and replacing matured high-cost Tier 2 Notes with Long-Term Negotiable Certificates of Deposit (LTNCD). The Bank successfully raised Php10.1 billion from the issuance of two tranches of LTNCD in April and October at a weighted interest rate of 3.8%. Reflective of our continuing efforts to improve the Bank's asset quality, NPL ratio, net of valuation reserves settled at 0.26% which was better than industry's 0.47%. NPL coverage is now at 130.59%. On the other hand, the Bank's capital ratios have consistently exceeded the minimum regulatory requirements with total capital adequacy ratio (CAR) at 15.35% and Common Equity Tier (CET) 1 ratio at 14.58% by end-2017.

Affirming the consistent improvement in PNB's credit profile, international financial research and credit rating agency Moody's upgraded the Bank's Philippine peso currency and foreign currency deposit ratings from Baa3/P-3 to Baa2/P-2, two notches above investment grade status.

Core Businesses

Since the launch of "You First" in 2016, PNB has revitalized its brand image and position as an institution that continuously transforms itself into a vibrant, relevant, and customer-centric universal bank. Much of our initiatives in 2017 were focused on enhancing service quality and forging strategic partnerships to deliver financial solutions attuned to the evolving needs of our clients.

In line with our digital banking initiatives, we launched the PNB Mobile Banking App which offers secure online banking for clients who transact using their smartphones. The app can be downloaded for free via the App Store or Google Play for a hassle-free banking experience.

To offer customers a faster way of depositing funds into their accounts, we also started deploying Cash Accept Machines (CAMs) towards end of 2017. As of year-end 2017, 15 CAMs have been installed in onsite and offsite locations in Metro Manila.

On the other hand, 55 of our branches were transformed into modern sales and service hubs that allow a more efficient and convenient banking experience for customers. As of December 31, 2017, we had a total of 692 branches inclusive of PNB Savings Bank. We ended the year with 1,243 ATMs which are Europay-, Mastercard-, and Visa (EMV)-compliant, ensuring that clients' ATM transactions are secure and protected. In March 2017, we also started issuing EMV-compliant proprietary debit and prepaid cards to clients. Likewise, we launched the UITF ATM, the country's first and only UITF ATM facility. Our clients can easily participate in the PNB Prime Peso and Dream Builder Money Market Funds anytime just by visiting ATMs.

We maintained PNB's position as the Philippine bank with the most extensive international footprint with 72 overseas branches, representative offices, remittance centers, and subsidiaries across Asia, Europe, the Middle East, and North America.

Pinnacle Priority Banking, our exclusive wealth management group, opened its first Wealth Management Hub in Makati. The hub intends to give our customers a comfortable place where they can find solutions for their wealth management and financial service needs. Pinnacle concluded the year with assets under management recording a 196% growth from 2016.

Cards Banking Solutions Group, on one hand, launched the "Experience More Firsts with PNB Cards" thematic campaign in 2017. The initiative aims to continuously strengthen the PNB Cards brand and ensure brand presence in relevant media channels. Through the campaign, cardholders were given access to many of life's best experiences with their PNB Credit Cards.

We continued to support nation-building by funding infrastructure projects to benefit the economy. Our institutional banking arm figured prominently in major financing requirements of prime corporate names such as SMC Consolidated Power Corp.; SMC Global Holdings, Inc.; Metro Pacific Investments Corporation (MPIC); Ayala Corporation (AC); and the Udenna Group. Loans from institutional banking and corporate segment grew by 15% year-on-year.

> Since the launch of "You First" in 2016, PNB has revitalized its brand image and position as an institution that continuously transforms itself into a vibrant, relevant, and customer-centric universal bank.

PNB Savings Bank (PNBSB), our consumer banking arm, had an excellent year as well. PNBSB posted a net income of Php459 million, a significant 51% increase from the previous year. Loan portfolio grew by 42% to Php43.6 billion as it continued to provide smart banking solutions to its clients.

Awards/Recognition

At the awards front, 2017 was a good year for PNB. Our PNB Mobile Banking App was recognized as the "Best in Customer Experience – Mobile" in the Annual Customer Experience in Financial Awards 2017 held in June 2017. We also received the "Digital Banking Initiative of the Year" award from the Asian Banking & Finance 2017 Retail Banking Awards. PNBSB's Smart Salary Loan Program, on the other hand, bagged the "New Consumer Lending Product of the Year" award. Our investment house subsidiary, PNB Capital and Investment Corporation, was recognized by Philippine Dealing and Exchange Corporation (PDEx) as Top 3 Issue Manager of Retail Bonds in 2017. Likewise, our marketing and communication campaigns bagged several recognitions from various award-giving bodies.

In April 2017, the Department of Labor and Employment (DOLE) certified PNB as a labor standards-compliant institution, the first in the Philippine banking industry. The DOLE certification indicated that PNB had fulfilled the requirements on general labor and occupational safety and health standards. This is also a solid proof that PNB lives up to its corporate values – trustworthiness, adaptability to change, team orientation, commitment and sense of worth.

PNB received the Outstanding PhilPaSS REMIT Participant award from the Bangko Sentral ng Pilipinas (BSP) in 2017 in recognition of the Bank's exceptional performance in terms of remittance volume sent via the BSP's Philippine Payments and Settlement System (PhilPaSS) for processing and settlement.

Responsible Corporate Citizenship

Apart from growing our business, PNB, over the years, has actively pursued initiatives that focus on serving communities and promoting sustainability in areas where we have business presence. Through partnerships with internal and external stakeholders, we have strengthened corporate governance and risk management; rolled out projects to help protect the environment; sustained a healthy and productive workforce; delivered relevant financial solutions to customers; and implemented financial inclusion and literacy programs.

Beyond a century, serving You First

In closing, allow us to thank our customers and shareholders for their unwavering trust and loyalty. We also thank all PNB employees for staying true and committed to the Bank. Lastly, we extend our sincere appreciation to our Board of Directors for their support and guidance. As we look forward to more years of service, we stay committed to our brand promise to serve our clients first.

FLORENCIA G. TARRIELA
Chairman

REYNALDO A. MACLANG
President

HISTORY AND MILESTONES

1916

1966


1970


1989

2005

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

1966 On the commemoration of PNB's Golden Anniversary, the Bank took on great strides to expand its business operations. At the end of 1966, PNB expanded its gross earnings to P160 million, translating to a high P17.7 million in net operating profit. It was also this year that PNB unveiled its modernized headquarters along Escolta, Manila.

1970 PNB organized the Bank on Wheels and Bank on Wings programs that feature Philnabankers journeying to the province on Toyota Land Rovers and helicopters in an effort to promptly and ingeniously service the Bank's client-farmers.

The Bank also made history as it launched the Masagana 99 Financing Program. The program provided loan assistance to more than 260,000 farmers across the country.

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

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

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

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

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

BEYOND A CENTURY

2017 PNB launched the Mobile Banking App to address its customers' diverse banking needs. Banking is easier than ever with the app since users can access their accounts and transact whenever they want and wherever they are. Clients can view their accounts and transaction history, transfer funds, re-order checkbooks, and pay their bills with just a few taps on their smartphones.

2007

2013

2016

2017

RETAIL BANKING SECTOR

BRANCH BANKING GROUP

2017 was a year of growth for the Bank's branch banking business. Total deposits of the Branch Banking Group (BBG) in terms of average daily balance expanded significantly by 15% year-on-year.

The Group's intensified cross-selling efforts also resulted in improved take-up of other bank products and services.

The Group's business continued to benefit from its well-defined sales approach involving all personnel of the branch, thus ensuring a robust pipeline of sales leads for all types of bank products and services.

The Group was reorganized in 2017 into three business units, namely, BBG–Metro Manila; BBG–Luzon; and BBG–VisMin which led to a more focused administration and monitoring of deposit generation and cross-selling of branches by areas and regions.

BBG likewise embarked on an extensive capability building program for its officers and staff in 2017 to deliver consistent quality service to its millions of clientele, anchored on its "You First" brand promise. A total of 2,119 personnel participated in town hall meetings, product trainings, competency enhancement programs and business improvement workshops.

PNB migrated to its new core banking platform to set the foundation for the future. This new system allows the Bank to implement top-of-the-line systems in the market to best serve clients. With a unified system in place for all branches, product offerings were harmonized and made easily accessible to a broader client segment. Processing of inter-branch and other client transactions were also streamlined and upgraded.

The Bank expanded other cost-efficient distribution channels. During the year, 187 Automated Teller Machines (ATMs) were deployed in strategic locations nationwide, bringing the total ATM network to 1,182. The Bank also started deploying Cash Accept Machines (CAMs) to offer clients a faster way of depositing funds to their accounts. As of year-end 2017, 15 CAMs have been installed in onsite and offsite locations in Metro Manila. More ATM and CAM deployment are programmed for 2018 to further expand the Banks' customer touchpoints.

The Bank's branch rebranding program continued with 55 branches transformed into modern sales and service hubs which allow more efficient and convenient banking experience for PNB clientele. Meanwhile, 17 branches and a foreign exchange booth were relocated during the year to new business centers to cater to underserved and new growth areas. These brought to 60% the total branches sporting the new refreshed look of

2017 Performance

15% Increase in Deposits

PNB. Moreover, the Bank opened five new branches in 2017, thus bringing the total number of domestic branches to 635 by year-end.

To adopt the new global standard for cards, the Bank started issuing in March 2017 Europay-, Mastercard-, and Visa (EMV)-compliant proprietary debit and prepaid cards to its new clients. This is the second wave of conversion initiated by PNB as it had already migrated its Mastercard-branded debit cards to the new standard in July 2016. EMV chip-based payment cards are a more secure alternative to traditional magnetic strip cards which are susceptible to fraudulent activities. The migration to the new EMV standard was supported by an extensive information campaign to educate clients on the benefits of this advanced chip card technology and facilitate distribution of the cards to end-users.

In line with its complete customer concept strategy, the Retail Banking Sector created the Cash Management Solutions Division (CMSD) in June 2017. The Division is tasked to drive the delivery of end-to-end financial solutions to the business clientele of BBG.

During the year, CMSD conducted roadshows to refresh branch personnel on product knowledge, pricing strategies and sales negotiations. Sales tools were cascaded to facilitate marketing of cash management solutions by the branches. Sales tracking tools were also institutionalized to closely monitor production. Alongside this, internal processes were improved to optimize service delivery to clients within standard turnaround times.

Proactive synergy with branches resulted in many live deals that delivered high level of deposits and fee-based income to the Bank. CMSD looks forward to expanding its portfolio of clients in the coming years through close collaboration with the branches, product innovations and further systems and process improvements.

The distribution strength of PNB branches was again tapped during the year in raising Php10.1 billion worth of PNB's Long Term Negotiable Certificates of Deposits (LTNCDs) as well as in offering the equity and bond issuances underwritten and/or arranged by PNB Capital and Investment Corp.

The Group's synergy with the Lucio Tan Group of Companies went into high gear in 2017 to address the growing needs of each company. PNB ended with a substantially bigger wallet share of the conglomerate's business in terms of deposits and business loans as of end-2017. The personal requirements for consumer loans and credit cards of the Group's employees were likewise intensively serviced, resulting in a high penetration rate.

2017 Performance

1,182 ATMs/CAMs

GLOBAL FILIPINO BANKING GROUP

The Global Filipino Banking Group (GFBG) continued to operate across the continents of Asia, Oceania, North America and Europe to bring its services close to more than 10 million Overseas Filipino Workers (OFWs). With its 72 overseas branches and offices, 196 tie-ups/agents/partners and 715 correspondent banks world-wide, PNB's international footprint remained the biggest among local universal banks.

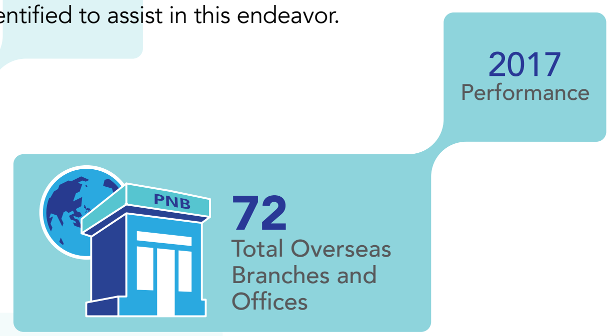
In 2017, GFBG focused on product enhancements, promotions, customer engagement programs, and delivery channel expansion to further strengthen relationships with global Filipinos and their beneficiaries. The continued expansion in the number of remittance channels ensured that the earnings of our OFWs are transferred in a safe, fast and affordable manner. Inbound money transfers could either be a Credit to a PNB Account, Advice and Pay Anywhere (APAS), Delivery Door-to-Door via Courier, or Credit to Account of Other Banks via Electronic Peso Delivery System (EPCS). PNB is also an active participant of PhilPaSS Remit, the Bangko Sentral ng Pilipinas' settlement arm for interbank OFW remittance.

By middle of 2017, the business platform was fortified to enable the Bank to leverage on the full banking license of its seven overseas branches and three extension offices. In addition to remittance, the Bank's overseas branches actively promoted deposits, trade transactions, placements of marketable securities and loans. In particular, the Own-a-Philippine Home Loan (OPHL) program was intensively promoted to enable OFWs, migrant Filipinos, and foreign nationals (limited to purchase of condominium only) to finance residential property purchases in the Philippines. OPHL portfolio registered an annual growth rate of 18% while income increased by 16% against 2016 performance. To sustain OPHL growth momentum, PNB overseas branches likewise forged strategic partnerships with top Philippine real estate developers and actively participated in their sales roadshows abroad.

To reward loyal customers, the Bank, in partnership with Philippine Airlines, launched the "You Remit, You Win" promo wherein 50 international roundtrip tickets were given away to remitters in the United States of America, Canada, Singapore, Japan, Saudi Arabia and United Kingdom. The four-month promo started on November 30, 2017.

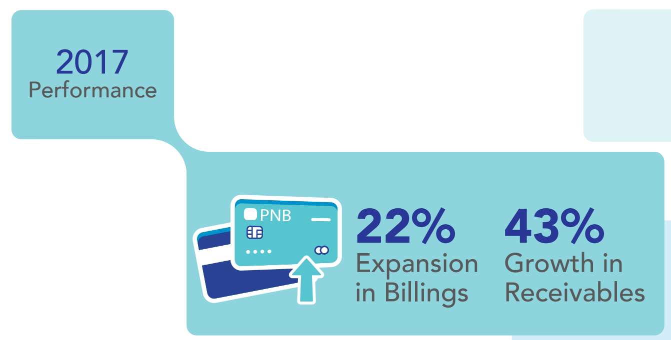
In keeping with the Bank's corporate social responsibility, financial literacy programs and OFW orientation seminars were conducted abroad by Bank executives notably in Singapore, Hong Kong, and Japan. Financial assistance campaigns were likewise undertaken to assist families of OFWs affected by natural calamities back home.

At the domestic front, GFBG supported various activities of manning and seafarers' agencies and the Overseas Welfare Workers Administration's (OWWA) OFW Family Day. PNB's Pre-Departure Orientation Seminar (PDOS) for OFWs was expanded to key cities in Luzon, Visayas, and Mindanao in addition to Metro Manila. Ten dedicated BBG Relationship Officers were identified to assist in this endeavor.



CARDS BANKING SOLUTIONS GROUP

2017 was another rewarding year for the Cards Banking Solutions Group (CBSG) as it recorded significant increases in all of the Group's key performance indicators. The Group registered a 22% expansion in billings, 43% growth in receivables, 23% hike in active cards, and a 38% jump in gross revenues. Net income also improved by 54% year-on-year while non-performing loans were maintained at a single-digit level in spite of the receivables build-up.



CBSG rolled out its "Experience More Firsts with PNB Cards" thematic advertising campaign in 2017 to continuously strengthen the PNB Cards brand and ensure its presence in relevant media channels. The campaign focused on enabling cardholders to have access to many of life's best experiences with their PNB Credit Cards.

To further increase business volume, the Group continued with its major installment promos at competitive rates, forged additional merchant tie-ups, and launched new usage campaign.

The Group also launched the SME Virtual Card during the year with 100% achievement of its targets. This Card caters to the business needs of small and medium entrepreneurs by providing them with ready cash facility any time they need it.

To improve customer service, CBSG also implemented a new workflow-driven Cards Application System that allows automated and paperless processing of credit card applications. This resulted in faster turnaround time even with the fast growth of its business.

OPERATIONAL HIGHLIGHTS
RETAIL BANKING SECTOR

PINNACLE PRIORITY BANKING DIVISION

2017 was a banner year for the Pinnacle Priority Banking Division (PPBD) which was created under the Retail Banking Sector in 2016. Assets under management registered a 196% growth year-on-year and exceeded target by double-digit figures. Close engagement with its high-net-worth clients who are serviced by a highly seasoned team of relationship managers brought in these remarkable results.

To offer a well-rounded portfolio of wealth management products and services to its clientele, the Division strengthened synergies and deepened relationships with the Bank's business units as well as its subsidiaries/affiliates. Through this collaborative work, the Division ensured that cross-selling efforts were maximized pursuant to the prescribed risk and compliance parameters.

To increase brand visibility, the Division rolled out roadshows and pocket events for its target markets during the year in collaboration with the Bank's subsidiaries/affiliates, namely, PNB Securities, PNB Capital, and Allianz PNB Life Insurance, Inc. This was supplemented by daily wealth management news dissemination. Partner branch managers and relationship officers, on the other hand, benefited from PPBD's timely advisories that kept them abreast with market developments.

Pinnacle Priority Banking's first Wealth Management Hub was opened in March 2017 in Ayala, Makati as part of the strategy to build strong connections with its client base. The hub serves as a comfortable and convenient place where customers can learn about new solutions for their wealth management needs. Additional hubs in key business centers will come on stream in the coming years.

Pinnacle Priority Banking aspires to become a top-tier wealth management solutions provider by continuing to add expert relationship managers to its team and adopt the latest technologies. By focusing on technologies that have artificial intelligence, machine learning, and big data analytics, the Division is confident that PNB will be able to offer a complete, diversified, and unique experience to its esteemed high-net-worth clients and be at par with top-tier peers.

2017 Performance

196% Growth in Assets Under Management

OPERATIONAL HIGHLIGHTS
INSTITUTIONAL BANKING SECTOR

In 2017, the Institutional Banking Sector (IBS) continued to solidify its presence in the local banking scene by supporting some of the country's largest public and private deals. The Sector aims to retain PNB's top-of-mind status in the industry by capitalizing on speed-to-market capabilities.

IBS exceeded all key performance metrics in loan level, loan ADB, and interest income. Total loan portfolio grew significantly by 15% while loan ADB posted a 20% increase, translating to a 16% growth in interest income from year-end 2016.

Sector performance was led by the Commercial Banking Group (COMBG), comprising the Metro Manila and Provincial lending units that outperformed loan level budgets resulting in a 27% growth in combined portfolio from 2016. This success is largely attributed to the Deal Execution Team (DET) which successfully penetrated the middle market and established a tangible footprint for the Bank amidst the country's regional emerging conglomerates. In 2017, DET contributed almost 15% of the new accounts acquired during the year.

IBS also continued to support nation-building by funding landmark infrastructure projects through a strong partnership with PNB Capital as lead arranger of some of the country's largest syndications to date, generating more than Php300 million in fees from top corporate names such as SMC Consolidated Power Corp., SMC Global Holdings, Inc., Metro Pacific Investments Corporation (MPIC), Ayala Corporation (AC), and the Udenna Group.

IBS paved the way for PNB's foray into international aircraft financing and introduced the Bank to the global stage by partnering with premier transport finance banks and state-owned enterprises, namely, Emirates, Thai Airways, and Qatar Airways. These deals cemented PNB's status as one of the pioneer local banks with such capability.

Likewise, IBS established and rebranded PNB Connect in 2017, an initiative to ensure that PNB will be at the forefront of the technological shift in the banking industry. PNB Connect will enable IBS to expand its reach by capturing entire value chains of anchor institutional clients and embedding a culture of cross-sells through a comprehensive network of technology-based financial solutions. PNB Connect aims to serve the country's unbanked sector through internet and mobile banking initiatives. The project also strengthened partnerships with major names such as Palawan Pawnshop, Bayad Center, and Cebuana Lhuillier.

2017 Performance

15% Increase in Total Loan Portfolio

OPERATIONAL HIGHLIGHTS
TREASURY SECTOR

PNB continued to prepare for the unforeseen events that may transpire in the financial markets. The movements in the domestic interest rate market were still highly influenced by the sentiments in the global financial markets.

With the backdrop of higher volatility in the financial markets and bias on upside risk on interest rates, trading positions were consciously trimmed down as opportunities remained scarce. Consequently, lower trading gains were posted compared to the previous year. Likewise, in the investment books, average duration were further maintained at medium-term buckets and diversification to corporate bond credits continued as a defensive strategic move on a rising interest rate environment. The build-up on interest earnings on Treasury investment outlets compensated for some of the shortfall in income derived from trading activities. This is in line with the Bank's strategic direction to focus more on recurring income.

P10B
Total Issued LTNCDs

Competition in foreign exchange buying and selling activities brought in by overseas Filipinos continued to be challenging. PNB's Treasury Sector was able to increase both volume and fee income derived from these transactions. The higher coverage of retail and commercial customers through the branch network contributed substantially to the successful operation.

The Bank continued its liability management exercise by extending duration of borrowings from the public. Treasury Sector issued two tranches of peso-denominated Long Term Negotiable Certificates of Deposits for a tenor of 5.5 years totaling to approximately Php10.0 billion. It continued to tap and increase medium-term funds via the Repurchase and Cross-Currency Repurchase agreements with foreign counterparties. The increased access on the repurchase market allowed the Bank to 1) prepay the outstanding bilateral loan of USD150 million several months ahead of its intended maturity date; 2) finance big loan releases to corporate accounts; and 3) maintain a strong liquidity position. Foreign banks showed continued interest in establishing and strengthening credit relationship with PNB.

Treasury Sector ended the year on a high note as the Treasury Fixed Income Brokering desk was recognized by the Philippine Dealing Exchange as the Top Fixed Income Brokering Participant in the country for the year 2017. The transactional fees derived from the fixed income brokering business contribute to the fee-based income of the Bank.

OPERATIONAL HIGHLIGHTS
TRUST BANKING GROUP

The Trust Banking Group ended the year 2017 with a 17% increase in total assets from 2016 level. The Group provided a steady source of investment outlets for clients, participating in 32 bond and equity issuances amounting to Php6.2 billion.

With the goal of growing volume for the Unit Investment Trust Funds (UITF), the Group delivered digital investment channels for clients. In March 2017, the UITF ATM was launched, the country's first and only UITF ATM facility. Clients can now easily participate in the PNB Prime Peso and Dream Builder Money Market Funds anytime just by visiting the Bank's UITF ATM units.

2017
Performance

17%
Increase in Total Assets

The Group acquired a major account when it facilitated the signing of agreement between PNB and Nippon Paint Philippines, Inc. (NPP) to set up a customized retirement benefit plan for NPP employees under the PNB Employee Enrichment Solutions program. The Group continued to utilize incentive programs for branches to further grow volume. Likewise, the Group also started putting in place the new Trust system, which would further enhance the customer experience.

In August 2017, the Group also introduced UITF Online 2.0 – the country's first comprehensive UITF online facility that enables clients to invest and redeem funds easily through the web. Clients can effectively manage their investments since they can view the status of every investment they have entered in the system. They can also look at their statements of account and check the funds' performances to date.

OPERATIONAL HIGHLIGHTS
HUMAN RESOURCES GROUP

The Human Resources Group (HRG) was reorganized in 2017 to align structure and programs with strategic mandates. Four divisions were created, namely, Strategic Support, Talent and Career Management, Employee Services, and the Institute for Banking Excellence.

The Group launched new initiatives designed to effectively position the Bank's human capital as the key driver of organizational performance and growth. These included the HR Business Partnership Program; a comprehensive Employee Wellness Program; a Total Rewards Program; a Lean Management Program; and various programs to push digitization in the PNB organization, such as the Business Unusual Learning Series.

As a strategic business partner, HRG is strengthening a culture that values performance, integrity, and work ethics, while fortifying organizational competencies to respond to disruptions and other emergent requirements in the external environment. The Group has upgraded its data analytics capabilities to support people-related decisions with metrics. Key people

metrics as well as HR transactional measures were established, regularly monitored, and discussed with the various line managers.

PNB continued to enjoy a very healthy and peaceful industrial climate as evidenced by the swift and productive CBA negotiations, regular Labor Management Council meetings, and various collaborative programs that highlighted proactive partnerships between the Bank and its two unions. HRG led bank-wide efforts to sustain PNB's enviable status as a Bank that is compliant with General Labor Standards (GLS) and Occupational Safety and Health (OSH) Standards. This merited Certificates of Compliance (CoC), which were awarded and given by DOLE-NCR on April 26, 2017. PNB was the first bank in the country to be recognized with this national distinction. The recognition included 25 CoCs given to various PNB NCR-based branches for OSH compliance. In keeping with efforts to fast-track digitization within the group, HRG scaled up initiatives to shift to a new human capital management system. The Group rolled out the user acceptance testing to prepare for the live implementation of the first phase of the project. Parallel efforts were pursued in recruitment, training, and career management resulting in the expanded use of online technology and automated processes. These tools are used in assessing and profiling candidates for employment and career progression.

To deepen the leadership bench and ensure business continuity, the Bank strengthened its succession management program, with particular focus on monitoring individual development plans of identified talents. As proof of the program's effectiveness, 21 vacancies for key positions, consisting of five group heads and 17 division heads were sourced from the Program's Talent Pool. Organizational targets in terms of retention of talents were likewise met as evidenced by the Bank's attrition rate of 7.81%, which was below industry benchmark.

The Bank intensified programs to enhance its "build" strategy in talent management. Along this line, the learning and development curriculum was expanded to comprehensively address competency gaps while new and efficient platforms in learning content delivery were explored. A total of 20, 885 training seats were made available throughout the year as average training hours per employee reached 56.58 hours. In addition, a total of 341 high-potential fresh graduates and incumbent employees were admitted to and successfully hurdled the various officer and management development programs of the Bank.

As a reflection of PNB's commitment to the holistic wellness of its employees, the Bank continued to provide various forms of assistance to employees going through personal and other forms of crises, including training facilitators to manage psychosocial support programs for employees affected by calamities, natural disasters, and other emergencies.

OPERATIONAL HIGHLIGHTS
PNB SAVINGS BANK

PNB Savings Bank (PNBSB), the consumer lending arm of Philippine National Bank, continued to be one of the major market players in the thrift banking industry in 2017. PNBSB posted a net income of Php459 million in 2017, a hefty increase of 51% from year-ago level. The Bank's core business sustained the profitability with net interest income rising by 43% year-on-year, driven by the 42% growth in total loan portfolio. By end-2017, total resources expanded to P51.6 billion, up by 39% from previous year's level, funded mainly by the 54% growth in deposits.

In 2017, PNBSB continued to uphold its commitment to come up with innovative products and smart banking solutions to meet the diverse banking needs of its clients. During the year, PNBSB introduced new products such as the Power Saver Account, Smart Loans Plus, and Smart Personal Loan.

The Power Saver Account is the enhanced version of the tiered, high-interest-earning savings account, Angat Savings Account. The Power Saver Account is bundled with free value-added benefits such as telemedicine services and life and accidental death insurance coverage. The additional services are available for Power Saver accounts with a minimum average daily balance (ADB) of Php25,000. The free telemedicine services give customers instant access to Philippine-based licensed doctors for consultations, diagnosis, and treatment of non-emergency related illnesses. The free life insurance offers up to 100% of the account's previous month's ADB while the free accidental death insurance coverage is up to four times the account's previous month's ADB.

On the other hand, the Smart Auto Loan and Home Loan Plus are value-added services extended by PNBSB to its auto loan and home loan clients. For a minimal cost, PNBSB takes care of the loan-related hassles for its clients, such as processing of required paper work upon maturity of auto loans, cancellation of chattel mortgage, cancellation of real-estate mortgage, or payment of annual real property taxes.

The Smart Personal Loan, soft-launched in October 2017, is a type of multi-purpose loan extended to individuals which can be used for various purposes such as medical expenses; education; home renovation; purchase of appliances, furniture and other household needs; vacation trips; and other personal needs.

2017 Performance

51% Increase in Net Income

42% Increase in Total Loan Portfolio

PNBSB ended the year with a network of 57 branches strategically located nationwide. To further expand its reach in the consumer lending business, PNBSB established Consumer Lending Centers in key provinces such as Davao, Cabanatuan, and San Pedro, Laguna as well as forged strong partnerships with developers and brokers.

AWARDS AND RECOGNITION

Outstanding PhilPaSS REMIT Participant

PNB received the Outstanding PhilPaSS REMIT Participant award from the Bangko Sentral ng Pilipinas (BSP) during the 2017 Awards Ceremony and Appreciation Lunch for BSP Stakeholders.

The award recognizes PNB's exceptional performance in terms of remittance volume sent via the BSP's Philippine Payments and Settlement System (PhilPaSS) for processing and settlement. As a settlement arm for overseas Filipino remittances, PhilPaSS ensures the safe and immediate transfer and settlement of remittance funds.

New Consumer Lending Product of the Year

PNB Savings Bank received the "New Consumer Lending Product of the Year" award for its Smart Salary Loan Program in the Asian Banking & Finance 2017 Retail Banking Awards.

PNB Savings Bank's Smart Salary Loan Program is a loan facility with low interest and light payment terms, payable in easy equal monthly payments through salary deduction. This program is open to all regular employees of accredited companies of the Bank. It helps employees enjoy more flexibility in their finances and allows them to live life to the fullest without draining their savings.

PNB Capital is Top 3 Issue Manager for Retail Bonds in 2017

The Philippine Dealing and Exchange Corporation (PDEx) awarded PNB Capital as Top 3 Issue Manager of Retail Bonds in 2017. PNB Capital raised a total of Php65 billion in retail bonds, jointly with its partner investment houses. Notable client issuers for these fund-raisings include Ayala Corp., Ayala Land, SMC Global Power, and SM Prime Holdings.

Digital Banking Initiative of the Year

PNB Mobile Banking App was recognized as the "Digital Banking Initiative of the Year" by the Asian Banking & Finance 2017 Retail Banking Awards. Now on its 12th year, the Asian Banking & Finance Retail Banking Awards recognize banks that stand out with groundbreaking products and services.

Best Customer Experience – Mobile

PNB received the "Best in Customer Experience – Mobile" award from the Annual Customer Experience in Financial Services Awards 2017 for its PNB Mobile Banking App. The award recognizes PNB's continuing initiatives to adapt to its clients' fast-paced lifestyle and to serve their mobile banking needs.

AWARDS AND RECOGNITION

DOLE certifies PNB as first-ever PHL bank to be labor-compliant

The Department of Labor and Employment (DOLE) has certified PNB as an institution that is compliant with the department's program and policies. PNB is the first bank to be awarded in the Philippine banking industry after fulfilling the requirements on general labor and occupational safety and health standards.

Best Brand Initiative

PNB received the award for Best Brand Initiative at The Asian Banker Philippine Country Awards. The awards ceremony was held in conjunction with the region's most prestigious retail banking event, the Future of Finance in the Philippines.

Since its rebranding initiative in 2016, PNB has revitalized its brand image and position as an institution that continuously transforms itself into a vibrant, relevant, and customer-centric universal bank. With its renewed brand promise of "You First", PNB commits itself to a vision of prioritizing the clients' needs.

Philippine Quill Awards

The International Association of Business Communicators (IABC) Philippines honored PNB with two distinctions during the 15th Philippine Quill Awards. PNB's "You First" Rebranding Campaign was given an Award of Merit under the Communication Management Division for Marketing, Advertising, and Brand Communication Category.The Bank's 2017 Wall Calendar took home an Award of Excellence under the Communication Skills Division for the Publications Category. The calendar presented PNB as the nation's partner in financial growth.

PNB

VALUES

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

MAPAGLINGKOD 服務態度

(Service Orientation)

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

MAPAGKAKATIWALAAN 誠信度

(Trustworthiness)

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

MAPANG-AKMA 應變能力

(Adaptive to Change)

We nurture within each one of us a positive attitude towards change and innovation, promoting flexibility and celebrating creativity as drivers of our quest for continuous improvement and operational excellence.

MAPAGKAPWA 团队合作

(Team Orientation)

We are committed to work together as a family united in pursuit of common goals and aspirations, valuing meritocracy in promoting the common good.

MAPAGMALASAKIT 委託事項

(Commitment)

As stewards not only of the Bank's business, but of its proud name and enduring heritage, we manifest genuine concern and affection for the Bank, its business, and its core constituents.

MAPAGMALAKI 驕傲

(Pride)

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

MESSAGE FROM THE BOARD OVERSIGHT RPT COMMITTEE (BORC) CHAIRMAN

FEDERICO C. PASCUAL
DIRECTOR

The Bank recognizes that engaging in related party transactions (RPTs) has economic benefits to individual entities and to the entire PNB Group. RPTs of the Bank are allowed provided the deals are done onan arm's length basis, conducted in the normal course of business and undertaken with the same economic terms as those transactions with non-related parties. Moreover, by using sound judgment, the Bank's resources are deployed to ensure the best interest of the Bank. As such, PNB Board and Senior Management commit to adopt and adhere with the established Policy Guidelines on Related Party Transactions founded on SEC Code of Corporate Governance and BSP Guidelines on RPT. Moreover, the RPT Policy reflects the PNB Code of Conduct and Business Ethics that includes: (i) Code of Conduct, (ii) Whistleblower Policy, (iii) Soliciting and/or Receiving Gifts Policy, and (iv) Personal Investment Policy.

Conflict of interests that may arise from related party transactions is managed through a Board approved RPT Policy Framework. The PNB RPT Policy Framework has five (5) key elements: PNB has a well-defined Board and Senior Management oversight structure, updated Board approved policies and procedures, enterprise wide RPT Training Program, robust MIS reporting, and an effective assessment & monitoring system. The RPT framework is disseminated to all employees of the PNB Group for guidance.

Board Oversight RPT Committee (BORC)

The Board Oversight RPT Committee (BORC) was established in 2013 to assist the Board in performing its oversight functions on monitoring and managing potential conflict of interests involving shareholders, board members, management and other stakeholders of the PNB Group. The Committee with five (5) regular members is composed of three (3) Independent Directors(IDs), including the Chairman, and two (2) non-voting members:the Chief Audit Executive (CAE), and the Chief Compliance Officer (CCO). The Chief Compliance Officer serves as secretariat. The Committee meets at least once on a monthly basis to vet credit related and non-credit related transactions of significant amounts. All RPTs with material amount as defined by the Bank are subject to BORC approval or notation. All RPTs below the materiality threshold shall be processed and approved in the normal course of business by the appropriate Management Committee with signing authorities following the Bank's existing Manual on Signing Authority (MSA). The monthly RPT report which includes all RPTs (material and non-material) is reported to the BORC.

PNB Board and Senior Management are committed to uphold the highest good governance in handling RPTs and that an RPT Framework was instituted and is in place within the institution. In all meetings, the Committee discusses material RPTs aimed at ensuring that these are transacted at arm's length terms. The monthly meetings always end with the conclusion, after presentations from business units and deliberations of the members of the committee, that all terms and conditions of the related party transactions are conducted at arm's length and in accordance with the Board approved RPT policy guidelines.

Related Party Transaction Guidelines

Since 2012, PNB developed and put in place the PNB RPT Policy Manual. From 2013-2016, the Manual was regularly updated to align with the new regulatory issuances. After focusing on the sustainability of existing RPT policies, the Bank enhanced its RPT practices in 2017 particularly in:(i) expanding the classification of RPTs into four (4) major categories: DOSRI, Subsidiaries/Affiliates, Other Related Parties; and Related Parties (RP) with economic interdependencies; (ii) reviewing annually its materiality threshold which serves as basis for the individual and aggregate limits to reflect the Bank's risk appetite, risk profile & transactions and capital strength and (iii) enhancing the policy on articulating the price discovery mechanism used in loan pricing,contract price and market valuation of collaterals for purposes of vetting the transactions.The RPT Framework embraced in the PNB Group has enabledthe Bank to conform with the evolving global standards and best practices.

FEDERICO C. PASCUAL
Board Oversight RPT Committee Chairman

FLORIDO P. CASUELA
DIRECTOR

The Basel Committee on Banking Supervision (BCBS) views capital planning as a necessary complement to a robust regulatory framework. The Bangko Sentral ng Pilipinas (BSP) has, in the last 8-9 years, issued several circulars and guidelines to improve the internal capital adequacy assessment process (ICAAP) for all financial institutions (BSFIS). Sound capital planning is critical for determining the prudent amount, type and composition of capital that is consistent with a longer-term strategy of being able to pursue business objectives, while also withstanding a stressful event. The integration of risk and capital management as required by the ICAAP further emphasizes that bank objectives are not achieve without taking risks; risks requires capital: ergo, capital planning must take place with corresponding risk assessments.

In the last 4 years, BCBS on a global scale, and BSP on the domestic side, introduced micro and macro prudential guidelines, particularly new capital and liquidity standards to strengthen the regulation, supervision, and risk management of the whole of the banking and finance sector. PNB's capital adequacy target and return on risk-based capital, are measures built on an assessment of all identified risks incurred in the operations. Capital management is forward-looking and aligned with short- and long-term business plans and the macroeconomic environment. PNB uses an internal model to calculate how much capital is necessary to cover its risks (so called Economic Capital) and at the same time adhering to regulatory requirements for minimum prescribed capital. PNB strives to manage the use of capital in both parent and subsidiary institutions.

Stress testing is an important parameter when assessing capital adequacy and setting capital targets. This is evaluated in the annual internal capital adequacy assessment process (ICAAP) as well as part of the risk management tools to ensure alerts and flags are appropriately raised where impact to both revenue and capital are concerned.

As part of the capital planning, PNB maintains a recovery plan which assesses possible capital contingency measures and outlines governance in the event of a stressed capital situation. Capital management ensures that capital is used where it can generate the best risk-adjusted returns.

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

At the end of 2017, the Bank's total resources stood at ₱836.2 billion, translating to a CAGR of 11% from 2015. The bank continued to enhance its asset deployment as asset balances moved to higher-yielding assets like loans. Even with the aggressive growth of loan portfolio at mid-teens, the Bank's asset quality steadily improved as the gross npl ratio declined further to 2.01% in 2017 from 2.31% in 2016.

Total capital fund reached ₱119.7 billion by end-December 2017, up by 9% from year-ago level of ₱110.0 billion. The Bank's Capital Adequacy Ratio (CAR) on consolidated basis remained solid at 15.35%, Well above the minimum 10% required by the BSP. The Bank's CET1 ratio of 14.58% On consolidated basis was much higher than the BSP minimum CET1 ratio of 9.5%.

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

FLORIDO P. CASUELA
Executive Committee Chairman

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

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

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

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

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

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

1. Compliance of capital instruments with the new eligibility criteria:
2. Deduction approach on regulatory adjustments:
3. Treatment of equity investments in non-financial and non-allied undertakings:
4. Revision in the classification of capital ratios and the new minimum capital requirements:
   While the minimum CAR is maintained at 10%, the BSP adopted a minimum Common Equity Tier 1 (CET1) ratio of 6% and a minimum Tier 1 ratio of 7.5%, and introduced a capital conservation buffer of 2.5% composed of CET1 capital on top of the minimum CET1 requirement, to wit:

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

** Phased-in implementation until 2019*

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

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

CAPITAL STRUCTURE AND ADEQUACY

BSP also issued Circular No. 881 (Minimum Leverage Ratio) in June 2015 which introduced the five-percent leverage ratio imposing a general standard on how much capital banks should have to cover non-risk weighted assets. BSP's intention is designed to constrain the potential build-up of leverage in the banking industry and to promote stability of the financial system. The leverage ratio will boost capital buffers maintained by banks against potential risks, and will complement the 6.0% common equity Tier 1 ratio, the 7.5% Tier 1 ratio, and the 10% capital adequacy ratio (CAR) imposed by BSP. Starting 01 July 2018, Banks will submit the Basel III Leverage Ratio Report along with the Basel III CAR Report quarterly on both solo and consolidated bases. In addition, BSFIs are required to disclose their leverage ratio in their published balance sheets and annual reports.

In summary, BSP issuances for the Basel III - revised risk-based capital adequacy framework - implementation are as follows:

Basel III Requirements (revised risk-based capital adequacy framework)	BSP Circular #	Implementation by
Capital Adequacy Ratio	781	Jan 2014
CET1 Ratio	781	Jan 2014
Tier 1 Ratio	781	Jan 2014
Real Estate Stress Test (REST) Limit	839	June 2014
Domestic Systemically Important Banks (DSIBs)	856	2017-2019 *
Leverage Ratio	881 / 990	Jul 2018
Liquidity Coverage Ratio	905	Jan 2018
Net Stable Funding Ratio	TBA	TBA

** Phased-in implementation until 2019*

The Group's consolidated capital adequacy ratio were 15.4%, 16.6% and 19.2% as of December 31, 2017, 2016, and 2015 respectively, which are well above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2017, 2016, and 2015 (amounts in millions):

	Consolidated			Solo		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Common Equity Tier 1 (CET1) Capital	**112,345**	**104,104**	**97,272**	**108,606**	**101,545**	**94,044**
Common stock	49,966	49,966	49,966	49,966	49,966	49,966
Additional Paid In Capital	31,331	31,331	31,331	31,331	31,331	31,331
Retained Earnings	32,797	24,866	18,278	32,336	25,215	17,799
Other comprehensive income	(4,358)	(4,634)	(4,721)	(5,027)	(4,967)	(5,052)
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,609	2,575	2,419	-	-	-
Regulatory Adjustments to CET1 Capital	**23,401**	**24,454**	**22,978**	**47,409**	**49,875**	**47,596**
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	2	3	2	2	2	2
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	2,264	2,014	1,959	2,264	2,014	1,879
Deferred income tax	1,501	4,351	3,479	974	4,006	3,257
Goodwill	13,516	13,516	13,516	13,516	13,516	13,516
Other intangible assets	2,740	1,424	1,670	2,652	1,333	1,574
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)	-	-	-	24,547	25,679	25,141
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)	527	281	2,351	692	459	2,226
Significant minority investments (10%-50% of of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	2,850	2,863	-	2,850	2,863	-
Other equity investments in non-financial allied undertakings and non-allied undertakings	2	2	2	2	2	2
TOTAL COMMON EQUITY TIER 1 CAPITAL	**88,943**	**79,649**	**74,294**	**61,196**	**51,670**	**46,448**

Additional Tier 1 Capital (AT1)

	Consolidated			Solo		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
TOTAL TIER 1 CAPITAL	**88,943**	**79,649**	**74,294**	**61,196**	**51,670**	**46,448**
Tier 2 (T2) Capital	**4,696**	**4,308**	**13,763**	**4,229**	**3,866**	**13,417**
Other limited life capital instruments **(Unsecured Subordinated Debt was eligible until 31 Dec 2015 as BSP Memorandum No. M2013-008 dated 05 Mar 2013)**	-	-	9,986			9,986
Appraisal increment reserve – bank premises, as authorized by the Monetary Board	292	292	292	292	292	292
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	4,405	4,016	3,485	3,937	3,575	3,139
Regulatory Adjustments to Tier 2 capital	-	-	-	-	-	-
Total Tier 2 Capital	**4,308**	**13,763**	**13,040**	**3,867**	**13,417**	**12,833**
TOTAL QUALIFYING CAPITAL	**93,640**	**83,957**	**88,057**	**65,425**	**55,537**	**59,865**

Risk Weighted Assets

The risk-weighted assets of the Group and Parent as of December 31, 2017, 2016 and 2015 are as follows:

	Consolidated			Solo		
	2017	2016	2015	2017	2016	2015
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	3,256	1,622	1,305	3,256	1,622	1,305
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	801	498	499	763	471	472
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	555,825	461,275	414,693	495,435	412,778	376,189
Market Risk Weighted Assets	9,980	2,753	3,428	9,910	2,703	3,068
Operational Risk-Weighted Assets	44,401	40,073	39,542	38,428	35,832	35,792
Total Risk Weighted Assets	**610,106**	**504,101**	**457,663**	**453,772**	**451,313**	**415,049**

Capital Adequacy Ratios

	Consolidated			Solo		
Capital Ratios	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
CET1 Capital (BASEL III)	14.58%	15.80%	16.23%	11.25%	11.45%	11.19%
Capital Conversion Buffer	8.80%	9.80%	10.23%	5.25%	5.45%	5.19%
Tier 1 capital ratio	14.80%	15.80%	16.23%	11.25%	11.45%	11.19%
Capital Adequacy Ratio	**15.35%**	**16.65%**	**19.24%**	**12.03%**	**12.31%**	**14.42%**

ICAAP & Capital Adequacy Ratio Report

The bank's consolidated Qualifying Capital (QC) as of December 31, 2017 stands at ₱93,640 million with a corresponding Capital Adequacy Ratio (CAR) of 15.35%. The current consolidated QC still provides a good and sufficient margin above the minimum regulatory capital requirement of ₱61,011 million, 10% of the bank's ₱610,106 million Risk Weighted Assets (RWA).

PNB - Consolidated (in P Million)	As of date indicated			
	Mar-17	Jun-17	Sep-17	Dec-17
Total Qualifying Capital	85,441	86,249	90,908	93,640
CAR	16.27%	15.69%	15.44%	15.35%
CET 1/Tier 1 Ratio	15.45%	14.89%	14.70%	14.58%
Total RWA – Pillar 1	525,064	549,753	588,893	610,106

Figure 1: PNB Consolidated CAR 2017

Under SOLO basis, current QC of Php65,425M and CAR of 12.03% still has 203bps leeway above the regulatory of Php54,377M to cover the PHP543,772M Risk Weighted Assets (RWA) as of December 31, 2017.

PNB - Solo (in P Million)	As of date indicated			
	Mar-16	Jun-16	Sep-16	Dec-16
Total Qualifying Capital	56,693	58,112	62,550	65,425
CAR	12.03%	11.87%	11.94%	12.03%
CET 1/Tier 1 Ratio	11.21%	11.07%	11.19%	11.25%
Total RWA - Pillar 1	471,425	489,652	523,958	543,772

Figure 2: PNB Solo CAR 2017

Integration of Risk Assessment and Capital Planning

The Board of Directors and Senior Management of the bank have primary responsibility for ensuring that the bank has adequate capital to support its risks, operate as a going concern and provide for business growth.

The "three lines of defense" model for risk management is accepted as global best practice. At PNB, this model is embedded in the Enterprise Risk Management Framework and is duly enforced by the board.

The ICAAP Policy Framework provides that the Risk Management process provides the 1st line of defense in the management of the utilization of the bank's capital. It is incumbent on the risk-taking units to ensure that all risk-taking transactions of the bank always consider the impact to the bank's Capital Adequacy Ratio. Figure 1below shows the relationships of the three lines of defense as embodied in the bank's ERM Framework and adopted under the ICAAP Policy Framework.

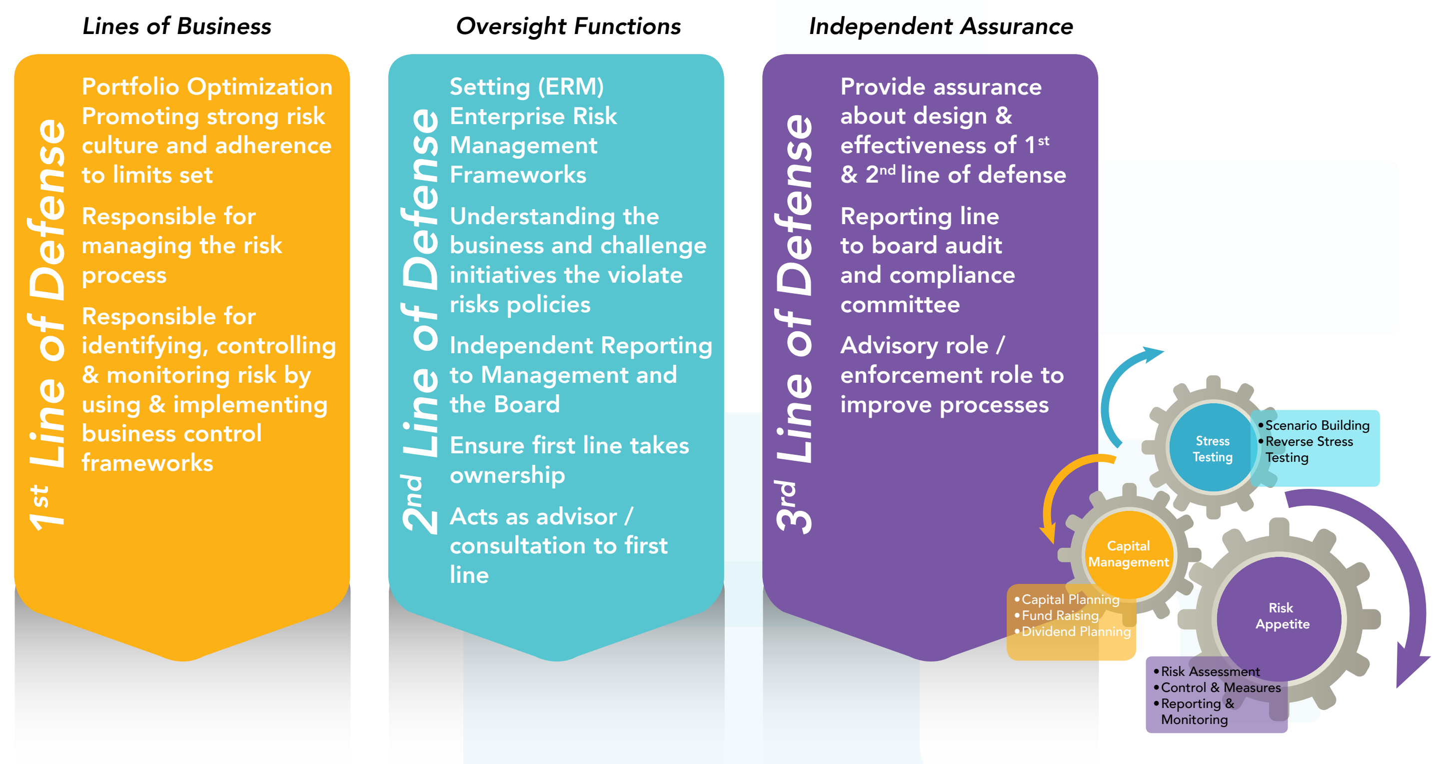


Figure 1: Three lines-of-defense Model

The ICAAP should form an integral part of bank's risk management processes to enable the board and senior management to assess, on an on-going basis, the effects on capital arising from material risks inherent in the bank's activities. This could range from using the ICAAP in more general business decisions (e.g. expansion plans) and budgets, to more specific decisions such as allocating capital to the risk-taking units. Further the performance management of each of these units must be tied up to the risk-return measurement guidelines provided by the board, results of which must be regularly reported accordingly.

Capital Planning
In terms of the Bank's Capital Adequacy Ratio (CAR), its computation is simulated monthly for the bank proper. The computation of the quarterly CAR is done on a consolidated basis (bank proper and subsidiaries) and is submitted to the BSP.

The same report is presented to the Risk Oversight Committee on a quarterly basis to ensure the board has complete oversight for both the risk management process and the corresponding impact to capital.

Impact to CAR is now a standard computation for all major risk exposure which the various business units of the bank propose to embark. Terms such as Quantified Potential Loss and Risk weighted Assets are common points of discussion for major policy decisions.

The bank's journey to go 'beyond compliance" is apparent in the objectives set to ensure capital allocation will be the end goal for the ICAAP.

The Executive Committee (ExCom), as delegated by the Board, oversees the transactional risk taking activities and the periodic review of the Bank's ICAAP program. The ExCom also reviews, evaluate and approve/endorses to the Board for approval the business plans of the business and support sectors containing their targets for Key Result Areas (KRAs) as well as their strategies and critical action plans. The Capital Management Sub- Committee of the Asset/Liability Committee (ALCO) – the executive level committee - is tasked to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

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

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

Related activities moved into high gear leading into the completion of the 2017 ICAAP Document. The activities progressed and become more extensive. The high level milestones are presented in the Risk Management Disclosure Section.

The following salient points are emphasized:

Part 1 ICAAP RCSA Template:

- Alignment of risks to BSP Circular 900 Operational Risk Framework
  Enhancement of Risk Taxonomy to consider BSP Circular 898 (Consumer Protection) and 899 (Outsourcing), Data Privacy, Use of Social Media and EMV compliance
- Enhancement of the ICAAP RCSA to incorporate risks specific to the subsidiaries (insurance, brokerage, etc.)

Risk Assessments:

The Risk Assessment is performed at two levels:

a. Part 1 Risk Assessment entails the down-the-line identification and assessment of all inherent risks relevant to all business and support units, including the subsidiaries. All Groups are required to complete the assessment from the list of material risks with corresponding sub-risks and specific risks. The assessments are being cascaded down to the unit level upon the discretion of the Group Head/Head of Office.

b. Part 2 ICAAP Quantification encompasses all the assessments emanating from the respective Key Risk Indicators (KRIs) of all the Groups.

   The KRIs are aggregated to determine the Bank's material risks through the use of three (3) approaches, namely: (a) highest consolidated estimated loss, (b) highest risk level and, (c) highest number of groups which considered the risk as KRI. The results of the aggregation are being deliberated at different levels - by the ICAAP Working Team; the Senior Management Team, presented to the Risk Oversight Committee and to the Executive Committee.

   Based on these, the Primary Risk Owners shall evaluate the assessments, validate the assumptions used and perform the bankwide quantification of potential loss and estimated risk-weighted assets corresponding to the Bank's final list of Material Risks.

Risk Tolerance Level to determine Significance of Risks

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

The SMT and Board have approved a preset level of 0.20% or 20 basis points impact on CAR, which translates to an adverse movement in the Risk-weighted Assets (RWA) or in the Qualifying Capital (QC).

Trigger Levels to activate Capital Contingency Plan

Trigger levels to initiate Capital Contingency Plan is determined by the Capital Management Subcommittee of ALCO and approved by the Executive Committee/Board.

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

CAPITAL STRUCTURE AND ADEQUACY

Stress Testing

Completed on 3 types:

- Macroeconomic Stress Test
- Event Driven Stress Test
- Ad-hoc Stress Test

Applied to Pillar 1 and Pillar 2 risks; corresponding RCSA is accomplished under the stressed scenarios.

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

Implementation to Subsidiaries

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

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

MESSAGE FROM THE RISK OVERSIGHT COMMITTEE CHAIRMAN

FELIX ENRICO R. ALFILER
VICE-CHAIRMAN/DIRECTOR

The PNB Risk Oversight Committee, as delegated by the PNB Board of Directors has three main jobs -to oversee the bank's risk profile, to set the risk appetite, and to approve the risk management framework, policies and processes for managing risk. Often a daunting task in the light of technological advancements, the challenges that the bank needs to focus on are several fold: (1) the speed of information exchange is elevating the need for more robust risk oversight; (2) the need to enhance control activities over the expanding role of 3rd party providers who assist in the delivery of bank products and services; (3) the continuing challenge for risk management leaders to speak the language of the business; (4) risk oversight and bank strategy need to be better integrated.

The year 2017 is characterized by several milestones: (1) implementation of the new Core Banking System; (2) introduction by regulators and therefore bank compliance to several macro prudential measures in the areas of enhanced liquidity risk management, guidelines to management of social media and its impact to bank operations, enhanced information security risk management with particular focus on cyber security risk, codification on the guidelines for risk governance and implementing rules and regulations for compliance to data privacy law; and (3) enhancements of the bank's digital platform to include mobile banking channels.

All of the above continues to demand the expansion of the capabilities to access and provide high-quality data, single source of data for credible internal reporting mechanism and MIS that support regulatory reporting requirements. The bank's Enterprise Data Warehouse and Business Intelligence Systems continue to provide relevant reports and analytics to the various business units. It is worth mentioning that emerging trends on risks have been a topic of numerous discussions at the Committee meetings. In 2017, the BSP has also issued several macro prudential measures to ensure that emerging risks, particularly in the areas of information technology, information security, cyber security and data privacy, are well attended to and managed by the bank. Further, the requirements for compliance to international accounting standards have raised new challenges in monitoring of risks and controls.

PNB implements a strong risk management framework (ERM) to ensure that it consistently maintains high standards of internal controls and risk management processes against the bank's risk appetite. It has clearly defined its risk appetite and thresholds that are communicated and monitored down to the business unit level. The Risk Oversight Committee (ROC) performs its duties independently from that of mainstream business according to the scope, duties and responsibilities assigned by the Board of Directors and in alignment with the bank's Enterprise Risk Management Framework (ERM). That said, the integration of risk management and capital planning as evidenced in the bank's ICAAP Document has also brought about the closer working ties between business and risk management. The risk management framework resides at all levels within the bank and embedded into our core values. The 3 lines of defense (3LoD) for good risk management are very much at work at PNB!

In 2017, the ROC (comprising of 3 directors) met 12 times (at least monthly) to discuss the bank's risk exposures from the identified material risks against the overall bank's strategy. The ROC is committed to be partners in the achievement of the bank's objectives. We are at your service!

FELIX ENRICO R. ALFILER
Risk Oversight Committee Chairman

INTRODUCTION

As a financial institution with various allied undertakings with an international footprint, PNB continues to comply with an evolving regulatory and legislative framework in each of the jurisdictions in which we operate. The nature and the impact of future changes in laws and regulations are not always predictable. These changes have implications on the way business is conducted and corresponding potential impact to capital and liquidity.

Effective risk management is essential to consistent and sustainable performance for all of our stakeholders and is therefore a central part of the financial and operational management of the PNB Group (PNB). PNB adds value to clients and therefore to the communities in which we operate, generating returns for shareholders by taking and managing risk.

Through our Risk Management Framework, we manage enterprise wide risks, with the objective of maximizing risk-adjusted returns while remaining within our risk appetite.

PNB's Board of Directors have the ultimately responsibility and play a pivotal role in bank governance through their focus on two (2) factors that will ultimately determine the success of the bank: the bank's strategic objectives and its successful execution. The PNB Board and its Risk Oversight Committee operate as the highest level of PNB's risk governance. The bank's Board of Directors has delegated specific responsibilities to various board committees which are integral to the PNB's risk governance framework and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively. Strong independent oversight has been established at all levels within the group. Figure 1 below provides a list of the board level committees and management committees. Their corresponding functions, roles and responsibilities are highlighted in the Corporate Governance discussion in this annual report.

Executive officers are assigned to various management committees that provide the leadership and execution of the vision and policies approved by the bank's board of directors. The bank's business strategies are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees.

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

Figure 1: Board & Management Committees

The PNB Board Risk Oversight Committee (ROC) is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management.

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

ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERM)

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

The PNB risk management framework banks on a dynamic process that supports the development and implementation of the strategy of the bank. The process revolves around methodically addressing risks associated with the business lines of the bank. The ERM Framework, with regular reviews and updates, has served PNB well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the *three lines-of-defense* model (see Figure 2), which are fundamental to PNB's aspiration to be world-class at managing risk.

1. The *first line of defense* is made up of the management of business lines and legal entities. Business units are responsible for their risks. Initial risk assessments, both of the customer relationship and the individual proposed transactions, ensure that the correct decisions are made. The business units ensure that transactions are correctly priced and that the resulting risks are managed throughout the life of the transaction. Effective first line management includes:
   a. the proactive self-identification / assessment of issues and risks, including emerging risks
   b. the design, implementation and ownership of appropriate controls
   c. the associated operational control remediation
   d. a strong control culture of effective and transparent risk partnership.

2. The *second line of defense* comes from both the risk management function and the compliance function of the Bank, which is independent of business operations. The risk management unit implements the risk management framework, provides independent oversight over specific board directives and is responsible for regular reporting to the Risk Oversight Committee. The compliance function develops and implements governance standards, frameworks and policies for each material risk type to which the group is exposed. This ensures consistency in approach across the group's business lines and legal entities. The compliance function reports directly to the Board Audit and Compliance Committee.

3. The *third line of defense* is the internal audit function & the *compliance testing* function which provides an independent assessment(s) of the adequacy and effectiveness of the overall risk management framework and governance structures. The internal audit function & compliance testing function report directly to the Board Audit & Compliance Committee.

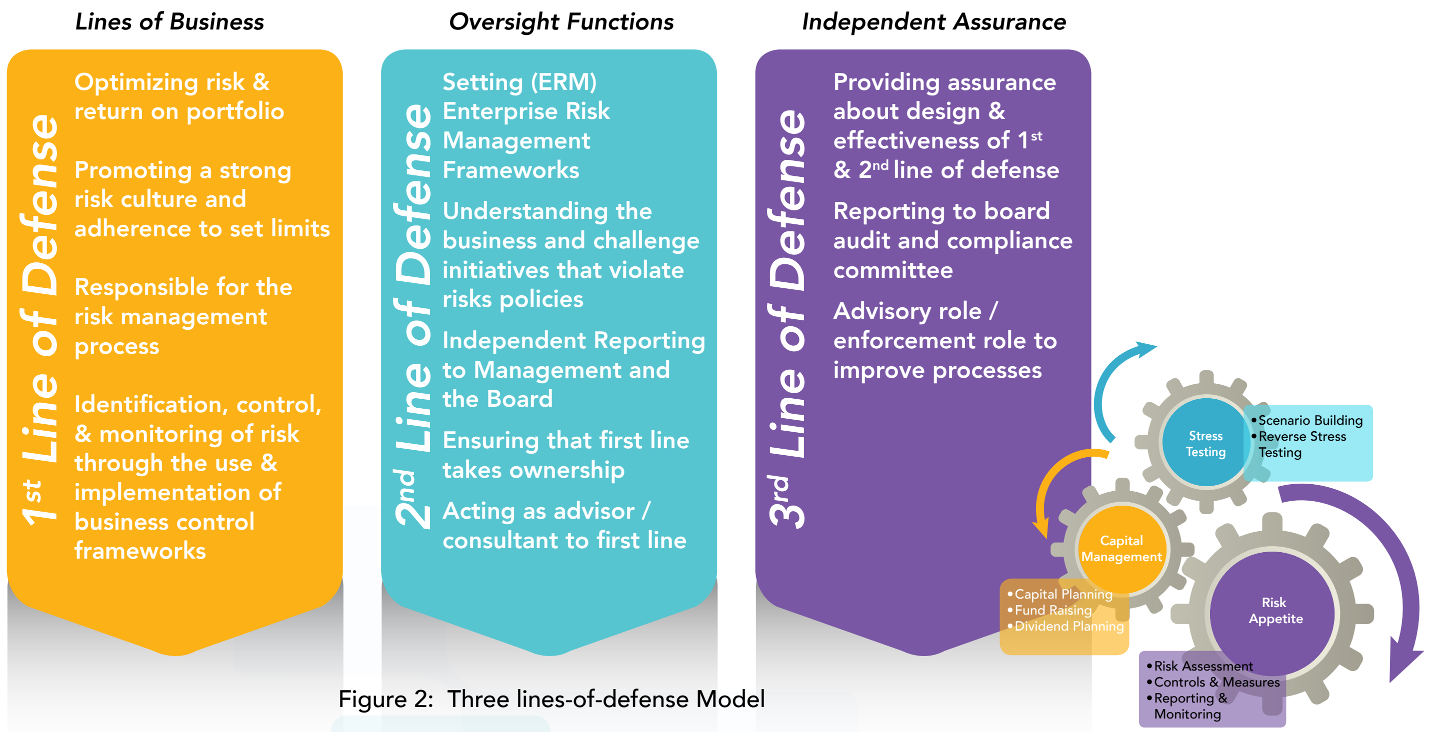


Figure 2: Three lines-of-defense Model

Risk Management Group (RMG) is independent from the business lines and is organized in 7 divisions: Credit Risk Division, BASEL/ICAAP/ Operational Risk Management Division, Market & ALM Division, Information Security and Technology Risk Division (to include Business Continuity Management), Data Privacy Management Division, Trust Risk Division and Business Intelligence & Data Warehouse Division. Each division is tasked to monitor the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These policies clearly define the types of risks to be managed, define the risk organizational structure and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits & compliance testing to measure the effectiveness and suitability of the risk management structure.

RMG also functions as the Secretariat to the Risk Oversight Committee which meets monthly to discuss the most recent risk profile of the bank according to the material risks defined in the bank's ICAAP document. Further, each risk division engages with all levels of the organization among its business and support groups, including domestic/overseas branches and domestic/foreign subsidiaries. This ensures that risk management and monitoring is embedded at the moment of origination.

THE BANK'S RISK APPETITE, THRESHOLD & TOLERANCE

Risk Appetite is the amount and type of risk that the Bank is willing to pursue, retain or tolerate in pursuit of the organization's value and goals. The Bank's principle on risk appetite is expressed as Risk Tolerance, and is embedded in the business units. Risk Threshold emphasizes that "the risk appetite should not go beyond the Bank's capacity to manage risk, thus risk management is everyone's responsibility".

Risk tolerance is the outer constraint defined by the Bank via metrics and limits. This is expressed in quantitative terms that can be monitored and aggregated, relating to a specific business unit or according to a specific risk category.

Risk Appetite Parameter	Risk Tolerance/Limits
Capital Adequacy	Minimum CET1 and Capital Adequacy Ratios (CAR); Leverage Ratio
Sufficient Liquidity	Maximum Cumulative Outflow Limits; Minimum Liquidity Coverage Ratio
Asset Quality Risk	Portfolio Limits (Investment Parameters*; Loan Portfolio Mix**)
Concentration Risk	Single Borrower's Limits; Credit Concentration Limits; Industry Limits; REST Limits; Country and Counterparty Limits
Trading Risk	Value at Risk Limits; Stop Loss Limit; Trading Limit; Position Limit
Balance Sheet Risk/Interest Rate Risk in Banking Book	Earnings-at-Risk Limits
Earnings Volatility/Interest Rate Risk in Trading Book	Investment Tenor Limits and Duration Limits
Regulatory and Credit Standing	Minimum CAMELS and external rating

For the Bank's Risk Threshold, the Capital Adequacy Ratio (CAR) which is a measure of the Bank's solvency is the parameter being used for the risk materiality. The CAR and CET1 ratios are key quantitative measures used by regulators to gauge the strength of a Bank. CET1, in particular, is being used by foreign regulators in the conduct of their annual stress tests to check their capital positions in the event of a downturn. As such, it is imperative to monitor any adverse movement in these ratios.

The Board of Directors and Senior Management are responsible in ensuring that the Group maintains at all times the desired level and quality of capital commensurate with the inherent risks (credit, market and operational risks) and with other Pillar II material risks such as *Strategic/Business, Credit Concentration, Liquidity, Interest Rate in banking books*, and most recent *Cyber Security risks* that the Group is exposed to (see Figure 3).

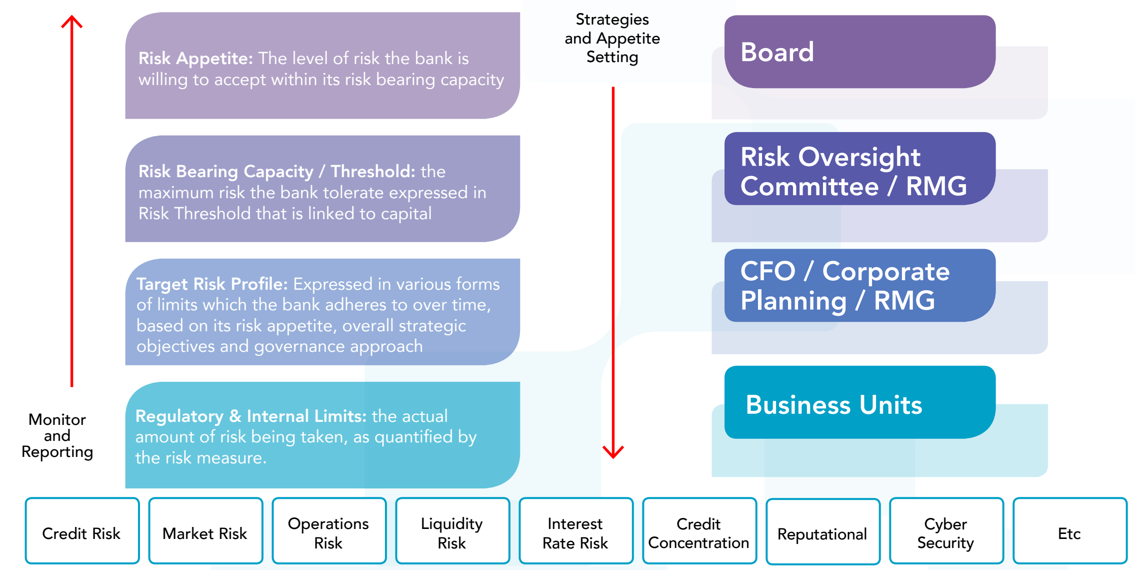


Figure 3: Risk Appetite, Risk Threshold, Risk Tolerance

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

The Executive Committee (ExCom) reviews, discusses, notes, endorses and/or approves management proposals on credit facilities; investment in financial assets; and borrowings and capital raising, updates and reports on credit, transactional, administrative and other matters. The committee is also tasked to review, evaluate, approve and/or endorse for Board approval - various policies, procedures and manuals of products and services to be offered to the Bank's domestic and overseas market. Further, together with Risk Oversight Committee, the ExCom also reviews, evaluates and approves/endorses to the Board for approval the various Annual Strategic Forecasts, Plans and Budget by the revenue sectors of the bank. The ExCom is also responsible for the risk taking activities and the periodic review of the Bank's ICAAP program.

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

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

RISK CATEGORIES AND DEFINITIONS

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

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

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

The RCSA process is primarily designed to:

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

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

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

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

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

Material Risks

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Bank's capital position to drop below its desired level; resulting in reduction in earnings and/or qualifying capital. The risk threshold is set/computed, on any risk taking activity that would result in the reduction in CAR by 20 bps.

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

- Pillar 1 risks i.e. Credit, Market, and Operational Risks;
- Other risks under BSP Circular no. 510 i.e. Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Reputational Risk and Strategic Risk;
- Information Technology Risk (BSP Cir. No. 808);
- Further risks identified as "material" by the board and senior management - are included in the list being monitored. Most recent additions are Cyber Security and Data Privacy Risk

Resulting from the assessments based on the premise identified above, the Bank agrees and reviews on a regular basis the material risks that need particular focus from all 3 lines of defense. For the assessment period 2018-2020, these are based on the following eleven (11) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the ICAAP Document and required for monitoring.

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

Pillar 1 Risks:

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

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk (including Social Media and AML Risks)
8. Strategic Business Risk
9. Cyber Security/ External Fraud Risk
10. Information Security / Data Privacy Risk
11. Information Technology Risk (including Core banking Implementation)

We broadly classify and define risks into the following categories, and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract. Credit Concentration Risk is part of credit risk that measures the risk concentration to any single customer or group of closely-related customers with the potential threat of losses which are substantial enough to affect the financial soundness of a financial institution(*BSP Circular 414)*	▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation	▪ Trend Analysis (Portfolio / Past Due and NPL Levels ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Tracking the movements of the loan portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss Reserves Review ▪ Specialized Credit Monitoring (Power, Real Estate)
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market.	▪ Value at Risk Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/Duration Report ▪ Exposure to Derivative/ Structured Products	▪ VAR Limits ▪ Stop Loss Limits ▪ Management Triggers ▪ Duration Report ▪ ROP Exposure Limit ▪ Limit to Structured Products ▪ 30-day AFS Holding Period ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI's inability to meet its obligations when they come due.	▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ MCO ▪ Liquid Gap Analysis	▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider Analysis ▪ Contingency Planning
Interest Rate Risk in the Banking Books (IRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circ 510, dated 03 Feb 2006)	▪ Interest Rate Gap Analysis ▪ Earnings at Risk Measurement ▪ Duration based Economic Value of Equity	▪ EAR Limits ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Duration based Economic Value of Equity ▪ Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk, but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. *(BSP Circular 900)*	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: 1. Risk Identification – Risk Maps 2. Risk Measurement and Analysis – ICAAP Risk Assessment	▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Included in the Operational Risks:			
Reputational Risk (Customer Franchise Risk) including Social Media and AML Risks	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services. Risks in social media include susceptibility to account takeover, malware distribution, brand bashing, inadvertent disclosure of sensitive information and privacy violation, among other possible threats. Risks relating to Money Laundering refers to transfers or movement of funds that falls into the following (but not limited to) categories: 1. Terrorist Financing 2. Unlawful purposes 3. Transactions over certain amounts as defined by AMLC-Anti-Money Laundering Council's implementing rules and regulations	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: ▪ Risk Identification – Risk Maps ▪ Risk Measurement and Analysis – ICAAP Risk Assessment Major Factors considered: ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators)	▪ Account Closures Report ▪ Service Desk Customer Issues Report/Customer Complaints Monitoring Report ▪ Mystery Caller/Shopper ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Public Relations Campaign ▪ Review of Stock Price performance ▪ Fraud Management Program ▪ Social Media Management Framework ▪ Social Media Risk Management ▪ AML Customer Risk Rating ▪ Enhanced Due Diligence (EDD) ▪ Customer Identification Process ▪ Electronic Monitoring System for Money Laundering (e.g. Giftsweb EDD, Dow Jones Risk and Compliance Software, AML CTR Generation System-ACGS, AML Data Capture/Entry System-ADCS, Centralized Watchlist System-CWS ▪ Reporting of Covered Transactions ▪ Detection, Monitoring & Reporting of Suspicious Transactions ▪ AML Training Programs ▪ Screening and Recruitment Process of Personnel ▪ Internal Audit Risk Based Work Program ▪ Compliance Testing and Review ▪ Record keeping and Retention
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.		▪ Management Profitability Reports – Budgets vs Actuals ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting ▪ Annual Strategic Planning Exercise
Cyber Security Risk	Cyber Risk is the current and prospective impact on earnings, reputation, customer franchise, and/or capital arising from information security threats of attack on the bank's digital footprint through (not limited to) the following: • Breaches in data security • Sabotage on online (web-based) activities (Ransom ware, DDOS, etc) • Common threats (spam, phishing, malware, spoofing viruses, spoofing, etc) • Scams and Frauds (Social engineering, identify thefts, email scams, etc)		▪ Risk Asset Register ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous InfoSec / cyber risk awareness campaigns ▪ Network Security Protection ▪ Limits on Access Privileges ▪ Scanning of outbound and inbound digital traffic

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Information Security / Data Privacy	**Information Security Risk** is the risk to organizational operations due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise its Confidentiality, Integrity, and Availability (CIA). Social Engineering can result in various key risk indicators – phishing, spamming, dumpster diving, direct approach, baiting, spying & eavesdropping, among others. **Data Privacy Risk** refers to the risk of misuse of personal data that could lead to individual harm which may take the form of loss of income, other financial loss, reputational damage, discrimination, and other harms.		• Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). • Enterprise–wide Implementation of the Information Security Management Systems • Education / InfoSec Awareness is also constantly conducted • Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks • Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements • Institutionalization of data protection culture within the group through regular awareness programs
Information Technology (including Core Banking Implementation)	Technology Risk results from human error, malicious intent, or even non-compliance to regulations. It threatens assets and processes vital to the bank's business and may prevent compliance with regulations, impact profitability, and damage your company's reputation in the marketplace. Risks in the smooth operation of the newly implemented core banking application may also threaten the delivery of service to clients and customers.		▪ Risk Asset Register ▪ Risk Awareness Campaigns ▪ IT Risk Assessments ▪ Formal Project management Program adoption ▪ Vulnerability Assessment and Penetration Testing ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Users / IT joint engagement for problem resolution ▪ Technology Operations Management Policies & Guidelines ▪ Vendor Management Process Monitoring

2017 Risk Management Highlights:

Market & Liquidity Management

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

Highlights for the risk management activities for 2017under Market & ALM Division are as follows:

Trading Market Risk/Price Risk

- Enhanced and tightened control of the Parametric VaR model calculation by automating the input of volatilities of instrument as well as the calculation of the VaR per instrument. This resulted in accelerated turn-around time, savings in man hours and mitigated spreadsheet risk in the daily VaR reporting.
- Prepared daily Value at Risk Report (VAR) and Monitoring of Stop loss report of different instrument for distribution to the Treasury Group, overseas branches and subsidiaries and monitored compliance to respective VaR limit and Stop Loss limit.
- Prepared monthly market risk dashboards for reporting to the ALCO and ROC.
- Prepared and performed the quarterly stress testing of the trading portfolio for reporting to the ALCO and ROC.
- Revised and updated the Board-approved Market Risk Management Manual to incorporate new policies, new procedures, updated limits.
- Performed monthly validation of the Market Risk Weighted Exposures of the Capital Adequacy Report which is an input to the Capital Adequacy Ratio (CAR) report.
- Provided inputs on limit setting and performed assessment of the reasonability and relevance of trading risk limits.
- Updated and enhanced the methodology for credit risk factors (CRF) for FX forward and Fixed Income and sought Board approvals of revised CRFs
- Refined the back testing parameters for all trading instruments to ensure a robust back testing framework and process.
- Reviewed and performed risk analysis of new and existing Treasury Group Product Manuals
- Further enhanced the existing automated risk reports and expanded automation of various risk reports by contributing inputs to the Data Modeler during the development and conducted various UAT sessions for these reports.

Structural Market Risk – Interest Rate Risk in the Banking Books

- Prepare monthly Interest Rate Risk in Banking Book Dashboard for reporting to the ALCO and ROC.
- Fully Implemented the Economic Value of Equity calculation as a complement to the Earnings at Risk to monitor the exposure to adverse changes in interest rate in the long-term.
- Prepare and performed quarterly stress testing of the banking book portfolio for reporting to the ALCO and ROC.
- Revised and updated the Board-approved Interest Rate Risk in the Banking Book Manual to incorporate new policies, new procedures, updated limits and model assumptions.
- Submit the Market Risk Template (Trading Book and Banking Book) under the BSP Uniform Stress Testing requirement.
- Submit back testing framework for the EaR Model validation (Projected Interest Rate Movement) to Internal Audit Group
- Prepare the monthly Long-Term Gap reports with inputs from Institutional and Consumer Banking Group, Retail Banking Group and Treasury Group.
- Provide inputs on limit setting and performed annual assessment of the reasonability and relevance of EaR limits of the Bank proper, its overseas branches and subsidiaries.
- Prepare the monthly Matching of Assets and Liabilities Report which is a supplementary report to the ALCO and ROC.
- Provide extensive technical training and support to the overseas branches and subsidiaries with respect to preparation and monitoring of interest rate risk in the banking book reports.

Liquidity Risk

- Prepared and produced the monthly liquidity risk Dashboard for reporting to the ALCO and ROC.
- Prepared and performed the quarterly stress testing for liquidity for reporting to the ALCO and ROC.
- Revised and updated the Board-approved Liquidity Risk Management Manual to incorporate new policies, new procedures, new limits as well as the enhanced technical documentation of Maximum Cumulative Outflow (MCO) model.
- Improved the Stress Testing Framework for Liquidity Risk to include Systemic Risk with a historical one-off event and aligned with the Bank's Updated Liquidity Contingency Plan.
- Refined the back testing framework and methodology for MCO Models (Core &Volatile deposits Model and Volatility Distribution Model) and accordingly submitted the back testing framework to Internal Audit Group for model validation.
- Conducted risk awareness lectures on liquidity risk management to various training programs of the Bank.

Other risk areas assigned to the Division

- Spearheaded the roll–out of SEC Memorandum Circular 6 (Guidelines on the submission of the Annual Report on Segregation of Functions {Chinese Wall})
- Submitted the monthly SEC report on complaints (per SEC Memorandum Circular 9)
- Deployment of Onsite Risk Management Officer (RMO)to Treasury Sector as part of the Individual Development Plan for RMOs
- Submitted the monthly sworn certification on compliance to trade to fulfill the requirement of PDEX, a Self-Regulatory Organization for Fixed Income Trading from the Bank's Associated Person
- Prepared and produced the Transfer Pool Rate (TPR) twice a month for reporting to ALCO.
- Supported the traders in the quarterly impairment assessment of the investment securities by providing relevant information needed in the assessment
- Provided validation of the regulatory BASEL III Leverage Ratio prior to signature of the Chief Risk Officer.

Credit Risk Management

The bank is exposed to credit risk, arising from the probability that counterparties might default on their contractual obligation under loans and advances when due or in full. Credit Risk Weighted Assets (CRWA) account for 91% of the group's consolidated RWA of Ph556B, hence is monitored as the primary risk for the Group's business; management therefore carefully manages its exposure to credit risk.

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

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

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

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

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

1. Strategic Level: Where the Board of Directors sets the annual revenue goals, target market, risk acceptance criteria; define strategic plans and credit risk philosophy and credit risk culture. Through its designated sub-committees (Board Committee-Executive Committee), credit applications are approved after thorough discussions related to the bank's strategic plan and corresponding targets and budgets. Accordingly, credit policies are presented, discussed and approved at this level.
2. Transactional level: Where the Risk-Taking Personnel (RTP) (e.g. Account Officers, approving committees, etc.) determine opportunities and take risks. The risk taking activities at this level is congruent with the goals, target market, risk asset acceptance criteria (RAAC), strategies and risk philosophy set by the policy making body. Analysis of credit risk on the transactional level is focused on its potential adverse effect on the Bank's entire portfolio.
3. Portfolio level: Where the portfolio/total exposure is captured and evaluated by independent third party, other than risk taking personnel (i.e. RMG, IAG, and Compliance Office). The credit risk management of the entire loan portfolio is under the direct oversight of the Risk Oversight Committee (ROC).

Highlights for the risk management activities for 2017 under Credit Risk are as follows:

1. Fully implementation of the Credit review functions accomplished the following:
    - Timely alerts of the credit risk quality deterioration through review of accounts downgraded by 2 notches.
    - Assessment of appropriate adverse ratings
    - Assessment of the Implementation of remedial measures
    - Assessment of the sufficiency of reserves position
    - Identification of improvement in the PNB-IBJL's credit processes
    - Improvement of compliance to mandatory allocation of Agri-Agra and MSME requirements.
    - Identification of inherent risks of prospective borrowers through the pre-approval risk review of selected accounts.
2. Performed scenario analysis and stress testing through Rapid Loan Portfolio Review of the possible impact of the imposition of the Tax Reformation for Acceleration and Inclusion (TRAIN) to the Bank's non-performing loans and capital adequacy ratio. Also performed hypothetical stress testing on large exposures, industries, consumer loans and the effect of adverse events such as the Bird Flu outbreak in Pampanga, to assess the vulnerabilities and at which point will those exposures have an impact to the Bank.
3. Actively participated in the bank's preparation for the implementation of the PFRS 9 by 1 January 2018. The division is tasked to ensure that the data requirements will be available in the different systems being used by the Bank. In coordination with the Business Intelligence and Data Warehouse Division, engineered the design on how data requirements are loaded to the Enterprise Data Warehouse. Such will exported in the Expected Credit Loss (ECL) Engine that is for implementation in 2018. Review of the synergies of the ECL Engine with the other credit management suite application.
4. Conducted quantitative validation of the credit risk rating model for Motor Vehicle Loan Scorecard to assess the conceptual soundness of the model, identify potential risk upon deployment and assure that the model complied with the BSP requirement.
5. Contributed to the policy formulation/limit structure for large exposures and material industry exposures as a quantitative measure of risk tolerance.
6. Ensured the Bank's compliance to newly issued BSP circulars, particularly BSP Circular 941.
7. Oversight of the subsidiaries on credit risk management practices, formulation of policies / procedures, compliance to regulatory requirements.

Trust Risk Management

Trust Banking Risk Management Process

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

Each trust transaction or activity is underpinned by the most basic fiduciary principle of fidelity to the client. Even if the risks are borne by the client, it is incumbent upon TBG to manage risks in their behalf as well to manage their own risks

Highlights for the risk management activities for 2017in Trust Banking Group Risk Management are as follows:

- Continued to strictly monitor risks for the bank's Trust Banking Group. As applicable, new tools were introduced to provide additional data to better assist senior management in its oversight of trust operations as well as the business group itself. The additional information is intended to create value for the group by helping to appropriately focus resources to meet targets for the year, improve product performance which serves as a marketing tool, manage accounts in accordance with global best practices as well as local regulations, proactively address client-related issues and ensure that the preparation of the group's infrastructure is aligned with its goals and strategies. In particular, new metrics and analytic outputs were added in its Market, Liquidity, Operational and Reputational Risk dashboards.
- Continued to provide guidance and support to concerned Trust Banking Group divisions for correct self-assessment processes, comprehensive loss event reporting and timely participation in bank-wide risk activities.
- Provided guidance to the business group for initiatives related to its impending adoption of the Philippine Financial Reporting Standards in compliance with regulations. Further, ensured that the group shall be included in the enterprise wide PFRS 9 activities of the parent bank to address its unique requirements with regard to systems programming and estimated credit loss modelling.
- Continued to actively give inputs for Trust Banking Group policies, as well as procedural and product manuals and monitored the review thereof.
- Provided risk awareness trainings to the group's employees on Trust Risk Management, with focus on Information Security, Business Continuity Planning and Operational Risk tools. Training on Trust Risk was also provided to management trainees of the bank.

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

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

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

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

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

Highlights for the risk management activities for 2017 under the Operational Risk Management are as follows:

- Introduced enhancements in the Loss Events Reporting Processes, Dashboards, Analytics and Reports.
- Improved the reports, analytics and trend analysis presented to the Risk Oversight Committee for better insight into the loss event incidents.
- Continuous identification of High Risk Areas for efficient monitoring of critical risks across the organization
- Recommended policies, mitigating actions, improvements in procedures and action plans to mitigate risks.
- Completed the Risk Education and Awareness Program (REAP) Roadshow to all Domestic Branches, Regional Centers and Subsidiaries
- Developed enhancements in the Operations Risk Management Manual and Ops Risk Tools
- Closely monitored Open LERs and ensure regular updates until closure.
- Institutionalized the semi-annual reporting and updates on Legal Risks and Customer Complaints.
- Increased the risk awareness of various business units as evidenced by the increase in the number of submitted LERs.
- Achieved a 100% submission rate of reporting units for LERs.

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

Further, with the increased use of technology, the information may now reside in various forms – be it on servers located on premises or on the cloud. This has evolved into information security risks due to possible compromise of confidentiality, integrity and availability of information and systems.

Because of the underlying information technology and security risks, the use of IT/S Risk Management Framework becomes essential to ensure that both Information Technology and Security Risks are properly identified, measured, managed/controlled, monitored and reported. Further, the BSP guidelines in managing this risk have also evolved to include not only the technology components but have indicated the need for analytics and response / recovery measure in case breaches and threats turn into realities.

a. **Information Technology Risk** is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks. *(The ISACA Risk IT Framework and BSP Circular 808)* It consists of IT-related events that could potentially impact the business. IT Risk results to Information Security Risk since the risk would somehow result to non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset.
b. **Information Security Risk** is the risk to organizational operations (including mission, functions, image, reputation), organizational assets, individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CI*A) (NIST: Information Security Handbook, BSP Circular 808)* . This covers data or information being processed, in storage or in transit. risk from the operation and use of organizational information systems including the processes, procedures, and structures within organizations that influence or affect the design, development, implementation, and ongoing operation of those systems
c. **Business Continuity Risk** is the risk to the bank's operations due to the disruption and failure of critical functions of the organization impacting the continued operation of the business. The bank's Business Continuity Plan defines the procedures to be followed to recover critical functions on a limited basis in the event of abnormal or emergency conditions and other crisis in order to:
    - Ensure safety and security of all personnel, customers and vital Bank records.
    - Ensure that there will be minimal disruption in operations.
    - Minimize financial loss through lost business opportunities or assets deterioration; and
    - Ensure a timely resumption to normal operation.
d. **Business Outsourcing Risk is** the risk to the bank's operations relating to services that are outsourced to 3rd party providers. This includes the potential risk of breaches / leaks of confidential information about customers and/or employees, risks to managing the service providers, risks to continuity of the bank's delivery of products and services should the provider fail to deliver contracted services in the delivery loop, and other myriad of "new" risks - data / security protection, process discipline, loss of business knowledge, among others.

Cyber-threat defence involves the entire organization from top to bottom and governance plays a critical role. The bank's CYBERSECURITY risk management framework rests on a pro-active stance to anticipate evolving and lingering global threats. This requires continuous threat intelligence feeds, targeted threat hunting mechanisms, the corresponding improvement and adjustment on technology, process and people skills and the proper mechanisms for incident response and recovery.

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

1. SIEM monitoring and correlation
2. Antivirus monitoring and logging
3. Intrusion Prevention System monitoring and logging
4. Data Loss Prevention monitoring and logging
5. Centralized logging platforms (syslog, etc.)
6. Email and spam gateway and filtering
7. Web gateway and filtering
8. Firewall monitoring and management
9. Application whitelisting or file integrity monitoring
10. Vulnerability assessment and monitoring
11. Security Awareness

PNB's Cybersecurity Roadmap for 2018 includes milestones in line with compliance to regulatory minimum requirements and global standards:

1. Security Posture & Compromise Assessment
2. 360 Degree Security Visibility
3. Pro-active use of Threat Intelligence
4. Security Regulation compliance
5. High Availability & Security Resiliency

Highlights of risk management activities for IS/IT (including BCP) for 2017:

On automation:

a. Automated ISTRD data analysis for quarantined mails for dashboard reporting
b. Conducted of Project Healthchecks for bank IT projects – Mobile Banking, Trust Banking Application,Check Imaging and Clearing System, Risk Assessment for Core Banking Implementation
c. Adopted of a single service code for CALL TREE Deployment and Response

On Manuals / Policies Updates:

a. ISMS Tier 3 Guidelines – Human Resource Security Policy, Communications and Operations Security Policy, and Information System Acquisition, Development and Maintenance Policy
b. Draft / approval / implementation of the bank's Outsourcing and Vendor Management Policy, Technology Risk and Cybersecurity Training for Board, Social Media Risk Management Framework
c. Updates to Enterprise Business Continuity Policy Manual , Outsourcing and Vendor Management Policy, and Enterprise Project Management Policy Framework

On Information Security Risk Monitoring:

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

On Education and Information Security Awareness:

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

Data Privacy

The Bank continually emphasized the importance of data privacy even before the inception of the RA 10173 - Data Privacy Act. The Bank provided guidance and tools through the Information Security Management System that let business units spot opportunities for good data privacy practices , avoid getting into difficulties, and show what appropriate measures to take.

With the issuance of the Data Privacy Implementing Rules and Regulations, the Bank's intention is not to simply comply with the law, but to complement customer services with data protection best practices.

In principle, Data Privacy Risk Management is totally aligned and integrated with the existing Information Security Management System and Enterprise Risk Management System.

Highlights of the risk management activities for 2017 under the Data Privacy Risk Management are as follows:

- Appointment and registration of the Bank's Data Protection Officer
- Conduct of initial Privacy Impact Assessment for the Bank in coordination with various Business Units.
- Provided Data Privacy Awareness to the Bank including integration of basic data privacy awareness to Human Resources Group training namely: New Employees Orientation, Management Training Program, Junior Executive Development Institute and Branch Operations Training Program
- Issuance and approval of the Bank's Data Privacy Statement
- Issuance and approval of the initial Client Consent Statement
- Engagement of a third-party service provider to validate & enhance the Privacy Impact Assessment

Business Intelligence Analytics and Enterprise Data Warehouse Initiatives

The Business Intelligence and Data Warehouse Division (BIDWD) under the Risk Management Group is tasked to manage the design and implementation of the Enterprise Data Warehouse (EDW) Program (stream of concurrent projects) as defined in the EDW roadmap. The key responsibilities of the group are:

- Gather and analyze the reporting and analytics requirements of the various business units,
- Analyze the source systems to be able to accurately extract the data needed,
- Properly design the data models,
- Accurately create the dashboards, reports and analytics, and
- Continuously enhance the data models to effectively respond to the changing regulatory, management and operational reporting requirements of the Bank.

The EDW Program includes the **new Core Banking Implementation Project (CBIP)** which covers various application systems such as the customer Relationship Management (RM), Deposits, Loans, Subsidiary Ledger (SL), Central Liability, Trade and Financial Management System (FMS).

The Enterprise Data Warehouse (EDW) and Business Intelligence (BI) System has been in Production for almost five (5) years now. Continuous enhancements are being done to provide more relevant reports and analytics to the various business units. To date, there are more than 73 Dashboards and over 1500 reports/analytics available in the EDW-BI system covering the following major subject areas:

- **Customer Insight/View:** The Bank users are able to view the total business relationship (e.g. total loans and deposits) at the conglomerate or group of companies level with the ability to drill down to the details of the portfolio of the member companies. The Bangko Sentral ng Pilipinas (BSP) has mandated all Banks to monitor the total credit exposure at the conglomerate level.
- **Customer Information Data Quality Monitoring System:** The bank's Customer Information File (CIF) Data Quality/Exceptions Monitoring system managed by the CIF unit under Global Operations Group, to monitor on a regular basis, data exceptions pertaining to CIF. The data quality on customer information has significantly improved thru the regular reporting and monitoring of progress on data exceptions.
- **Deposit Information and Analytics:** Decision support analytics on deposit clients to enable Performance Monitoring by region, area, branch, product; Profiling of Customers, Branches, Products, Interest Rates; Monitoring of Deposit Levels and Movements/ Changes (by Area, Region, Branch, Product Type, Product Class); historical trend bankwide or by branch, area, product type/ class, customer type
- **Loan Portfolio Reports and Analytics:** Decision support analytics on loan clients to provide information on loan levels, historical trends, past due levels, performance monitoring by geographical location centers, product, industry, customer type and account status (particularly on past due and NPL accounts); analytics on concentration risks, large fund providers, exposure by industry, interest rate profiling
- **Credit Risk Rating and Migration Reports and Analytics:** Decision support analytics on Report on Rated Accounts by Industry, by Customer Type; Analysis of Account Migration including the Reasons for the Change; Analysis on the Effectiveness of the Credit Rating Model used by the Bank
- **Compliance to Regulatory Reporting Requirements:** Enable the bank to provide quick information for regulatory and internal reports on Expanded Real Estate Exposure (EREE), Capital Adequacy Ratio (CAR), Value at Risk (VaR) Calculations, Maximum Cumulative Output (MCO) Reports
- **Credit Facility/Loan Collateral Reports and Analysis:** Support for the monthly credit dashboard via Monitoring of Approved Facility vs. Loan Utilizations, Tracking maturity dates and renewals of each facility/line, Actionable Information (e.g. Excess Utilization, Due for Renewal, Un-renewed Facility, Track Collateral by Pool and Facility and Report Data Exceptions, Monitor Collateral Cover against Total Outstanding Portfolio
- **Loss Events Reporting (LER) for Operational Risk Management:** Automation of the data entry and reports creation for LER (from collation of reports from the 500+ branches), with realized savings of around 15 to 18 man-days per month with the automation of the data entry and reports creation

- **Executive Dashboards, Analytics and Reports:** Key Executives were provided with their respective dashboards showing various analytics and reports thus, allowing them to effectively manage and monitor their respective portfolio as to balances, levels, profile, account movements, latest account status, concentration risks, performance level by business unit/branch (top gainers/top losers), performance of account officers against budget and the likes. Current and historical trend analysis is readily available online. The following business & support groups have been provided with dashboards:
  (1) Institutional Banking Group
  (2) Remedial and Credit Management Group
  (3) Retail Banking Group
  (4) Consumer Finance Group
  (5) Risk Management Group
  (6) Treasury Group
  (7) Treasury Operations Division
- **Treasury Dashboard, Analytics and Reports:** To date, more than 200 analytics and reports for Treasury related transactions entered in OPICS are available in the dashboards. The reports are used by the Treasury Executives, Front Desk Officers, Treasury Operations, Risk Management Group, Credit and Control Department and other business units as needed. The subject areas covered are as follows: Fixed Income Portfolio, Equities, Bonds, SWAPS, Values at Risk Calculations, Back-testing Reports, Historical Volatilities, Liquidity Management, Limits Monitoring
- **Maximum Cumulative Outflow Report (Liquidity Management):** The Bank was able to automate the various manual reports including the summary report coming from various source systems and files thereby improving the efficiency in reports preparation, accuracy and quality of reported data, saved substantial man-hours in the manual preparation of reports and improved the availability of current and historical reports thru online dashboards.
- **Earnings at Risks and Value at Risk Dashboards:** The various manually prepared reports for earnings at risk (on equity investments, demand deposits, due from banks, fixed assets, ROPA, loans and receivables unamortized income, etc.) and value at risk (on fixed income securities, treasury bills, equities, warrants), were automated resulting to a more accurate and timely reporting, improved speed of reports delivery and increased efficiency and productivity of resources.
- **Enhancements to Existing Dashboards, Analytics and Reports:** The enterprise business intelligence data model, analytics and reports have been enhanced to be able to address the additional and changing business requirements for management and regulatory reporting.
- **Regulatory Reports on Credit Risk Management:** To improve the monitoring and reporting process for Credit Risk Management Division (CRMD) and Financial Accounting Division, reports relating to the **Expanded Real Estate Exposure (EREE), Capital Adequacy Ratio (CAR), and BSP Circular 855 Guidelines on Sound Credit Risk Management Practices** were automated for a more accurate and timely reporting and easy validation and checking of supporting details as provided in the dashboards for CRMD. In addition, we have completed the file transfer testing to the **Credit Information Corporation** in compliance with **RA 9510 Credit Information System Act (CISA)** which requires the submission of all credit information covering loans and credit cards. The team also completed the first phase of the **IFRS** compliance project with due date on January 2018.
- **Actionable Items Reports:** The EDW System automatically generates on a weekly basis (or as needed) these actionable reports to prompt the concerned business units to act proactively on a particular event (e.g. loan accounts due for repricing) or make corrective action on certain data in the source systems (e.g. no BSP Risks Asset Classification) or files for more accurate data and reporting.

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

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

The EDW System is now the single source of information for all regulatory and management reports and analytics including some operational reports for the Bank. In view of the implementation of the new Core Banking System, the following key project tasks/ deliverables were undertaken and implemented:

- Redesigned/updated the EDW Data Model to adopt to the new Core Banking System data architecture.
- New ETL Programs were also developed to extract, transform and load data from the various source application systems and upload the data to the redesigned/updated EDW Data Model.
- Redesigned and redeveloped almost 1,000 reports and analytics to align to the redesigned/updated EDW Data Model

Internal Capital Adequacy – Risk & Control Self-Assessment Process

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

Related activities moved into high gear leading into the completion of the 2018 ICAAP Document. The activities progressed and became more extensive. The high level milestones are presented in a chart below:

KEY DATES	MILESTONES & ACTIVITIES
January – June 2017	• Completion and BSP submission of the 2017 ICAAP Document and Recovery Plan. • Active involvement in BSP walk throughs and exit conferences • Enhancement of the ICAAP RCSA template with the following activities: (1)Incorporation of risks related to Data Privacy, Use of Social Media and EMV compliance; (2) Continuous Risk Taxonomy build-up (e.g. risks related to subsidiaries, HR risks, internet banking) • Conduct of ICAAP Roadshow to Domestic Branches and Subsidiaries • Conduct of ICAAP awareness via HR Training Programs (MTP, FTTP and JEDI) • Assist the Subsidiaries in the presentation of respective ICAAP RCSAs (for PNB SI and PNB Cap) • Review of Risk Management Framework of Domestic Subsidiaries • Assisted in the Cir 900 ORM gap analysis of Subsidiaries (PNB Cap, PNB SI, PNB IBJL) • Kick-off Meeting with the ICAAP Working Team relative to the ICAAP RCSA enhancements and requirements • Roll-out of Part 1 ICAAP RCSA to the following: (1) Parent Bank including regional centers and units; (2) Domestic and Overseas Branches and Offices (3) Domestic and Foreign Subsidiaries • Opening conference with Internal Audit Group for the ICAAP Review and Validation • Assisted PNB IBJL in their ICAAP RCSA Capital Charge computation and presented the same to their ROC
July - December 2017	• Performed thorough review of the submitted ICAAP RCSAs and KRIs from all the business and support units of the Parent Bank, Overseas Branches, Domestic Branches and the Subsidiaries • Preparation of Timeline for the 2018 ICAAP Document Submission • ICAAP Core Working Team (RMG and CorPlan) meeting to discuss on required Document updates and deliverables • Board approval of Strategic Plan • Set forth the Liquidity Coverage Ratio Monitoring and Reporting to the Risk Oversight Committee • Preserved the Capital Adequacy Ratio Monitoring and Reporting to the Risk Oversight Committee • Performed the 2017 Second Semester ICAAP RCSA Bank-wide Consolidation and initial results were presented to the Risk Oversight Committee

KEY DATES	MILESTONES & ACTIVITIES
January - February 2018	• Performed the 2018 1st Semester ICAAP RCSA Bank-wide Consolidation Results Discussion and Deliberation on the Bank's Material Risks with ICAAP Working Team, Senior Management Team, Risk Oversight Committee (ROC) and Executive Committee • ICAAP Document and Recovery Plan drafting • Roll-out of Part 2 ICAAP Quantification to Parent Bank and Subsidiaries • Conducted various individual meetings with Head Office groups, domestic subsidiaries and conference calls with overseas subsidiaries to discuss on the BSP assessment letter, Key Risk Indicator (KRI) report requirements and computations. • Presentation of the ICAAP Document and Recovery Plan to Senior Management (SMT), Executive Committee, and Board for approval
March 2018	• ICAAP Document and Recovery Plan ready for BSP submission

Figure 4: ICAAP 2017-2018 Milestones

EVALUATION OF THE RISK MANAGEMENT FUNCTION

Regular review and assessment of the bank's Enterprise Risk Management Function is completed by both the Senior Management Team (including 1-downs) and the Risk Oversight Committee members. The evaluation is conducted annually and covers topics encompassing the policy, implementation and oversight of the Risk Management Function of the bank. This year we added new areas for evaluation: Data Privacy & Cybersecurity.

1. Organizational Culture and Support
2. Enterprise Structure of the Risk Management Function
    a. Board / Risk Oversight Committee Involvement
    b. Management's Commitment
    c. Business Units' Participation
    d. Individual Employees' Awareness
3. Main Role of the RMG
    a. Risk Identification
    b. Risk Analysis and Measurement
    c. Risk Control and Monitoring
    d. Risk Reporting & Communication (internal & external)
4. Adoption of Best Practices
    a. Basel 2 & 3
    b. ICAAP
    c. Information Security and Business Continuity
    d. Data Privacy
5. Synergy in Audit, Risk Management & Compliance

The chart below provides a summary of such evaluation for the year 2017. Subsequent evaluation will include the coverage for Information Security and Cyber Security.

2017 EVALUATION OF THE RISK MANAGEMENT FUNCTION

Overall, members of the Board Risk Committee and the Senior Management of the Bank evaluated the Bank's risk function and achieved an evaluated rating of 89.83%. This means that the "Risk Management processes is embedded in all "lines of defense" in the organization."

REGULATORY CAPITAL REQUIREMENTS UNDER BASEL II – PILLAR 1 CAPITAL ADEQUACY RATIO

The bank's Capital Adequacy Ratio as of end of December 2017 stands at **15.35%** on a consolidated basis while the bank's Risk Weighted Assets (RWA) as of end 2017 amounted to **P610,106** million composed of **P555,825** million (Credit Risk Weighted Assets-CRWA), **P9,880** million (Market Risk Weighted Assets-MRWA) and), **P44,401** million (Operational Risk Weighted Assets-ORWA).

Capital Adequacy Ratio
The Bank's total regulatory requirements for the four (4) quarters for 2017 are as follows:

Consolidated	Weighted Exposures (Quarters 2017)			
(Amounts in P0.000 million)	As of Dec 31	As of Sept 30	As of June 30	As of Mar 31
CRWA	555,825.29	536,881.86	501,638.97	476,956.54
MRWA	9,880.16	7,610.78	3,712.99	3,706.88
ORWA	44,440.79	44,400.79	44,400.79	44,400.79
Total Risk-Weighted Asset	**610,106.24**	**588,893.42**	**549,752.74**	**525,064.21**
Common Equity Tier 1 Ratio	14.58%	14.70%	14.89%	15.45%
Capital Conservation Buffer	8.58%	8.70%	8.89%	9.45%
Tier 1 Capital Ratio	14.58%	14.70%	14.89%	15.45%
Total Capital Adequacy Ratio	**15.35%**	**15.44%**	**15.69%**	**16.27%**

Credit Risk-Weighted Assets as of December 31, 2017

(In Million Pesos)

The Bank adopts the standardized approach in quantifying the risk-weighted assets. Credit risk exposures are risk weighted based on third party credit assessments of Fitch, Moody's, Standard & Poor's and 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:

P In Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	17,561		17,561	17,373	188				
Due from BSP	108,751		108,751	108,751					
Due from Other Banks	27,517		27,517		17,889	7,495		2,133	
Financial Asset at FVPL	49		49					49	
Available for Sale	68,831	7,682	61,149	17,066	9,161	28,968		5,954	
Held to Maturity (HTM)	27,170	6,219	20,951	9,303		11,425		223	
Unquoted Debt Securities	11,008		11,008			10,460		538	10
Loans & Receivables	482,869	20,719	462,150	2,042	27,855	10,399	16,822	402,266	2,766
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	16,505		16,505	16,505					
Sales Contracts Receivable	6,169		6,169					5,134	1,035
Real & Other Properties Acquired	9,526		9,526						9,526
Other Assets	33,518		33,518					33,518	
Total On-Balance Sheet Asset	**809,475**	**34,619**	**774,855**	**171,040**	**55,093**	**68,746**	**16,822**	**449,816**	**13,338**
Total Risk Weighted Asset - On-Balance Sheet					**11,019**	**34,373**	**12,616**	**449,816**	**20,007**
Total Risk Weighted Asset - Off-Balance Sheet Asset					**26**	**34**		**23,876**	
Counterparty Risk Weighted Asset in Banking Book					**484**	**2,772**			
Counterparty Risk Weighted Asset in Trading Book					**39**	**320**		**442**	

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

Market Risk-Weighted Assets as of December 31, 2017

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, equity portfolios 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 (a)	Adjusted Capital Charge (b) b= a*125% 1/	Market Risk Weighted Exposures (c) c= b*10 2/
Interest Rate Exposures	102.515	128.144	1,281.442
Specific Risk	*5.580*	*6.975*	*69.751*
General Market Risk	*96.935*	*121.169*	*1,211.691*
Equity Exposures	5.685	7.106	71.060
Foreign Exchange Exposures	682.213	852.766	8,527.662
Total	**790.413**	**988.016**	**9,880.164**

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

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

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

Specific Risk

Specific Risk which reflects the type of issuer of the held for trading (HFT) portfolio is P5.580million and is composed of securities with tenor of over 2 years that are subjected to risk weight of 1.6%. 91% of these securities are issued by Republic of the Philippines (ROP) while 9% is attributable to debt securities rated AAA to BBB- issued by other entities.

10% of HFT portfolio is composed of ROPs with applicable risk weight of 1.6% and tenor of over 2 years. On the other hand, the Bank's holding in peso denominated securities which are estimated at 89% of the portfolio have zero risk weight. The remaining portfolio with applicable 1.6% risk weight consists of all other debt securities that are issued by other entities rated between AAA and BBB-.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in P0.000 million)	Positions	Risk Weight					
		0.00%	0.25%	1.0%	1.60%	8.00%	Total
PHP-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	2.017.676					
	Short	696.260					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long				317.307		
	Short						
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long				31.448		
	Short						
All other debt securities/derivatives that are below BBB- and unrated	Long						
	Short						
Subtotal	Long	2,017.676			348.755		
	Short	696.260					
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-			5.580		5.580
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		-			5.580		5.580

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is P34.974 million. In terms of weighted positions, the greater portion (50%) of the Bank's capital charge comes from the Over 4 years to 5 years bucket at P17.065 million as well as Over 1 month to 3 months bucket (28%) at P9.626 million or a combined capital charge of P26.691 million. The remaining weighted positions (22%) are distributed over the remaining buckets.

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	16,388.811	11,572.640	0.00%	0.00	0.00	
	Over 1 month to 3 months	Over 1 month to 3 months	4,813.234	3,082.089	0.20%	9.626	6.164	
	Over 3 months to 6 months	Over 3 months to 6 months	1,085.306	561.979	0.40%	4.341	2.248	
	Over 6 months to 12 months	Over 6 months to 12 months	419.856	0.985	0.70%	2.939	0.007	
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	263.679	49.898	1.25%	3.296	0.624	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	32.796	-	1.75%	0.574	-	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	-	-	2.25%	-	-	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	88.945	-	2.75%	2.446	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	525.075	-	3.25%	17.065	-	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	55.300	-	3.75%	2.074	-	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	2.300	-	4.50%	0.104	-	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	3.814	-	5.25%	0.200	-	
	Over 20 years	Over 10.6 years to 12 years	7.457	-	6.00%	0.447	-	
		Over 12 years to 20 years	-	-	8.00%	-	-	
		Over 20 years	-	-	12.50%	-	-	
Total			23,685.573	15,267.590		43.112	9.043	
Overall Net Open Position								34.070
Vertical Disallowance								0.904
Horizontal Disallowance								-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE								34.974

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is P42.504 million. The exposure is concentrated under the Over 1 month to 3 months time bucket with risk weight of 0.20% resulting in a capital charge of P12.066million (due to net short position). The balance is distributed across other time buckets of up to over 20 years with capital charge with a maximum of P 10.144million.

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 (Capital Charge)		
			Total Individual Positions					
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short	
1	1 month or less	1 month or less	15,007.954	17,637.532	0.00%	-	-	
	Over 1 month to 3 months	Over 1 month to 3 months	13,574.805	19,607.955	0.20%	27.150	39.216	
	Over 3 months to 6 months	Over 3 months to 6 months	1,399.385	499.300	0.40%	5.598	1.997	
	Over 6 months to 12 months	Over 6 months to 12 months	-	-	0.70%	-	-	
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	-	-	1.25%	-	-	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	2,648.446	2,644.431	1.75%	46.348	46.278	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	-	-	2.25%	-	-	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	-	-	2.75%	-	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	312.108	-	3.25%	10.144	-	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	5,949.049	5,924.704	3.75%	223.089	222.176	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	-	-	4.50%	-	-	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	-	-	5.25%	-	-	
	Over 20 years	Over 10.6 years to 12 years	2.482	-	6.00%	0.149	-	
		Over 12 years to 20 years	-	-	8.00%	-	-	
		Over 20 years	-	-	12.50%	-	-	
Total			38,894.229	46,313.922		312.477	309.667	
Overall Net Open Position								2.810
Vertical Disallowance								29.760
Horizontal Disallowance								9.934
TOTAL GENERAL MARKET RISK CAPITAL CHARGE								**42.504**

General Market Risk – Third currencies

The Bank is likewise exposed to various third currency contracts most of which are in less than 30 days bucket thus carry a 0% risk weight. The combined general market risk charge for contracts in Singapore Dollar (SGD), Japanese Yen (JPY), Hong Kong Dollar (HK), Euro Dollar (EUR) and Canadian Dollar (CAD) is P19.475million with risk weights of 0.20% and 0.40%.

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				
	1 month or less	-	-	0.00%	-	-				
SGD	Over 1 months to 3 months	-	0.300	0.20%	-	0.600				
TOTAL		**-**	**0.300**				**0.600**	**-**	**-**	**0.600**
	1 month or less	1,286.502	2,503.658	0.00%	-	-				
JPY	Over 1 months to 3 months	6,046.687	442.773	0.20%	12.093	0.886				
TOTAL		**7,333.189**	**2,946.431**				**11.208**	**0.089**	**-**	**11.296**
	1 month or less	99.804	598.416	0.00%	-	-				
	Over 1 months to 3 months	-	897.447	0.20%	-	1.795				
HKD	Over 3 months to 6 months	-	1,394.287	0.40%	-	5.577				
TOTAL		**99.804**	**2,890.150**				**7.372**	**-**	**-**	**7.372**
	1 month or less	20.613	59.681	0.00%	-	-				
EUR	Over 1 months to 3 months	-	89.522	0.20%	-	0.179				
TOTAL		**20.613**	**149.203**				**0.179**	**-**	**-**	**0.179**
	1 month or less	-	-	0.00%	-	-				
CAD	Over 1 months to 3 months	50.002	49.917	0.20%	0.100	0.099				
TOTAL		**50.002**	**49.917**				**0.001**	**0.010**	**-**	**0.010**
TOTAL THIRD CURRENCIES										**19.457**

Equity Exposures

The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is P5.685million or total risk-weighted equity exposures of P71.059million.

Item	Nature of Item	Positions	Stock Markets Philippines
A.1	Common Stocks	Long	35.530
		Short	8.301
A.10	TOTAL	Long	35.530
		Short	8.301
B.	Gross (long plus short) positions (A.10)		43.831
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		3.506
E.	Net long or short positions		27.229
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		2.178
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		5.685
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		7.1059
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		71.059

Foreign Exchange Exposures

The 2017 Bank's exposure to Foreign Exchange (FX) Risk carries a capital charge of P8,527.662 million. This includes P7,863.975 million arising from exposure in Non-Deliverable Forwards (NDF)s) which carry a 4% risk weight while P663.687 million is from Foreign Exchange Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies such as JPY, CHF, GBP, EUR, CAD, AUD, SGD, among others.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2017)

		Closing Rate USD/PHP:				49.93
Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/ (Short) Positions	Total Net Long/ (Short) Position
		Banks	Subsidiaries /Affiliates			
		1	2	3	4=1+2+3	5
A. Currency						
A.1 U.S. Dollar	USD	(15.031)	1.759		(13.272)	(662.671)
A.2 Japanese Yen	JPY	0.567	-		0.567	28.299
A.3 Swiss Franc	CHF	0.250	-		0.250	12.499
A.4 Pound Sterling	GBP	(0.020)	-		(0.020)	(1.016)
A.5 Euro	EUR	1.855	-		1.855	92.617
A.6 Canadian Dollar	CAD	1.884	-		1.884	94.093
A.7 Australian Dollar	AUD	0.577	-		0.577	28.787
A.8 Singapore Dollar	SGD	1.615	-		1.615	80.652
A.9 Foreign currencies not separately specified above		0.650		-	0.650	32.455
Arab Emirates Dirham	AED	0.00017			0.00017	
Bahrain Dinar	BHD	0.00019			0.00019	

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2017)

		Closing Rate USD/PHP:				49.93
Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/ (Short) Positions	Total Net Long/ (Short) Position
		Banks	Subsidiaries /Affiliates			
		1	2	3	4=1+2+3	5
Brunei Dollar	BND	(0.002)			(0.002)	
Yuan Renminbi	CNY	0.496			0.496	
Hong Kong Dollar	HKD	0.063			0.063	
Korean Won	KRW	0.054			0.054	
Malaysian Ringgit	MYR	0.00004			0.00004	
Norwegian Krone	NOK	0.004			0.004	
New Zealand Dollar	NZD	0.053			0.053	
Saudi Riyal	SAR	(0.008)			(0.008)	
Thai Baht	THB	(0.019)			(0.019)	
Taiwan Dollar	TWD	0.011			0.011	
A. 10 Sum of net long positions						369.403
A.11 Sum of net short positions						(663.687)
B. Overall net open positions 1/						663.686
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						53.095
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						66.369
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						663.687
G. Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (Part IV.3a, Item F)						7,863.975
H. Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						8,527.662

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

Operational Risk – Weighted Assets

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

(Amounts in ₱0.000 Million) Consolidated as of Dec 31, 2017	Gross Income	Capital Requirement (15% x Gross Income)
2014 (Year 3)	22,061	3,309
2015 (Year 2)	23,884	3,583
2016 (Last year)	25,096	3,764
Average for 3 years		3,552
Adjusted Capital Charge	Average x 125%	4,440
Total Operational Risk Weighted Asset		**44,401**

MESSAGE FROM THE BOARD AUDIT AND COMPLIANCE COMMITTEE CHAIRMAN

EDGAR A. CUA
DIRECTOR

The Board Audit and Compliance Committee (Committee) of the Philippine National Bank (PNB) is a standing Committee of the Board of Directors. The Committee has prepared this annual report on its activities with the purpose of evaluating its operations and organization in 2017, highlighting the main incidents that have arisen with respect to the specific functions it has been assigned.

Functions of the Committee

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

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

Organization and Responsibilities

For the year 2017, the Committee was composed of three (3) members, who are all Independent Directors (ID). Starting 2018, the number of members will be increased to four (4), with the addition of Dir. Vivienne K. Tan as a Non-Executive Director (NED). All Committee members are highly qualified business professionals with excellent educational credentials. The members had attended seminars on Corporate Governance as part of their continuing training. Collectively, the Committee members hold a broad range of expertise and related banking experiences that provide value to the strengthening and upholding good governance practices in the Bank.

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

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

The Committee shall review and assess the adequacy of its Charter annually and recommend any proposed changes for approval of the Board of Directors. The latest revision of the Committee Charter was in October 2017.

Activities for the calendar year 2017

The Committee held 12 meetings during the year. Accomplishments and action plans are monitored to ensure the full discharge of all its functions. For the calendar year 2017, the Committee:

- Reviewed and discussed the unaudited consolidated quarterly financial statements and the audited consolidated annual financial statements of the Bank, including management's significant judgments and estimates. While the Committee has the responsibilities and powers as set forth in this Charter, it is not the duty of the Committee to determine that PNB's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Management and the External Auditors;
- Assessed the independence and effectiveness of the external auditors, tax preparers and consulting companies, and endorsed them to the Board of Directors;
- Reviewed the scope of work and fees of the external auditors, tax preparers and consulting companies, assessed their independence and effectiveness, and endorsed them to the Board of Directors;
- Reviewed the performance of the Internal Audit Group and Global Compliance Group;
- Reviewed and approved the annual plans and programs of the Internal Audit Group and Global Compliance Group for 2017, and the audit plan of the external auditors for the consolidated financial statements of the Bank for the period ending December 31, 2017;
- Reviewed the results of audits and recommendations of the internal and external auditors and their assessment of the Company's internal controls and the overall quality of the financial reporting process;
- Reviewed the monthly reports of the Internal Audit Group and Global Compliance Group, ensuring that management takes timely and appropriate corrective actions, including those involving internal control and compliance issues;

MESSAGE FROM THE BOARD AUDIT AND COMPLIANCE COMMITTEE CHAIRMAN

- Reviewed the enhancements on anti-money laundering controls and processes, including the major projects launched by the Internal Audit Group that automated the Group's end-to-end processes, promoting greater effectiveness and productivity. Internal Audit Group and Global Compliance Group are focused to support the Bank's cybercrime prevention and cyber-security preparedness programs, through attendance in several cybercrime prevention trainings and seminars. Internal Audit Group and Global Compliance Group also support the Bank's programs reinforcing the employee's awareness and consistent compliance with the Financial Consumer Protection and Data Privacy policies and regulations;

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

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

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

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

Based on the stated responsibilities, authority and activities, the Board Audit and Compliance Committee recommended to the Board of Directors the approval of the Audited Consolidated Financial Statement of the Bank for the year ended December 31, 2017 and their consequent filing with the Securities and Exchange Commission and other regulatory bodies.

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

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

EDGAR A. CUA
Board Audit and Compliance Committee Chairman

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

CHRISTOPHER J. NELSON
Director

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

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

The duties and responsibilities of the Committee include:

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

2. To review monthly the actual performance of the domestic and foreign offices/subsidiaries in relation to its approved quantitative and qualitative plans as well as in relation to its strategic objectives and business priorities;

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

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

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

During the year, the Committee monitored the operation of both the domestic and overseas subsidiaries and offices on a regular basis in order to track their performances compared to submitted business plans to the Bank; and how operational issues are being addressed to ensure that they meet their budgets.

The Committee continued to engage closely with the various subsidiaries during the year through its advisory functions. These covered, among others, business development through referral of prospective clients and maximizing business synergy within the Group; guidelines on financial management in terms of handling outstanding receivables and/or past due accounts and cost minimization strategies; process improvements and assessment of how to maximize use of assets by rationalizing business models to improve financial performance.

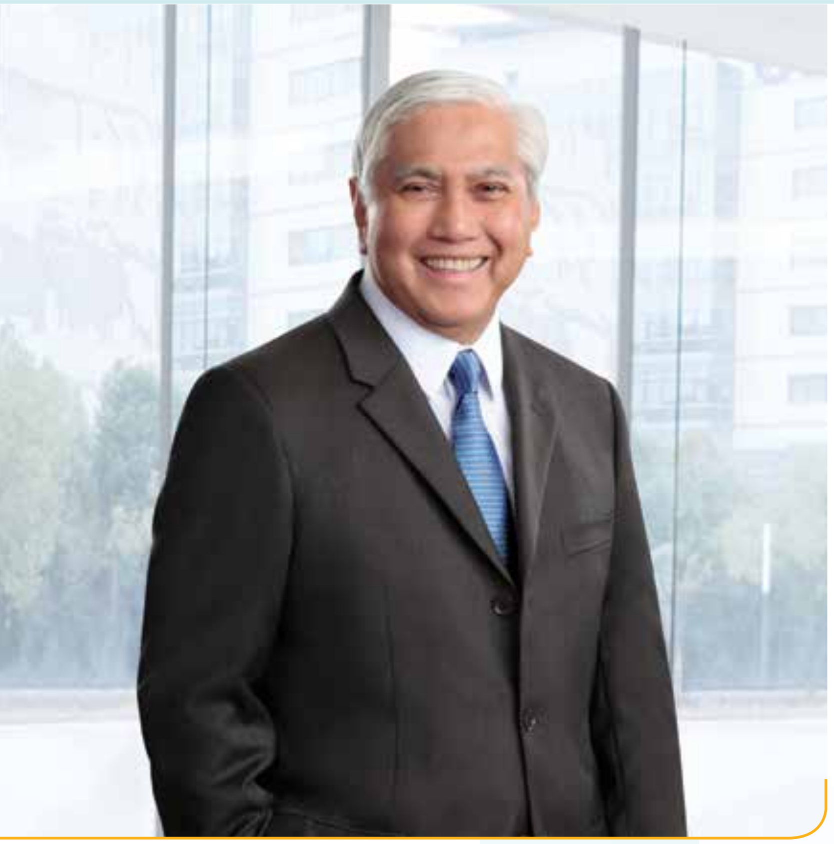
The Committee monitored as well the compliance of overseas offices to regulatory requirements in their host countries.

For the year 2017, the Committee met 12 times for the domestic subsidiaries and there was additional meeting to discuss the Business Plans. The Committee also conducted 12 meetings for the foreign offices/subsidiaries.

On February 23, 2018, the Board of Directors created the Board Strategy and Policy Committee and the intention is for this new Committee to absorb the functions of the Board Oversight Committee.

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

MESSAGE FROM THE BOARD IT GOVERNANCE COMMITTEE CHAIRMAN



LEONILO G. CORONEL
DIRECTOR

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

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

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

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

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

2017 has been a banner year for Information Technology in delivering the promise to operate into one unified core system, Systematics (version SI 212), running in an IBM system Z13 mainframe.

Accomplishments for the Year 2017

A. New Core System (SI212)

In accordance with the approved phased implementation approach, the PNB Core Banking Integration Project (CBIP) upgraded 285 former Allied Banking Corporation domestic branches from Systematics GN26 to SI 212 on March 27, 2017 (Phase 1). After four and a half months of stabilizing the new systems, the remaining 345 domestic branches running in Flexcube (FC) were migrated to SI 212 on August 14, 2017 (Phase 2). This brings to a combined total of 630 domestic branches and about 5.8 million records (i.e. loans, deposits) to the new system. In addition, 54 other applications systems were re-integrated to the new core SI 212 via online, bulk online or batch interface. 27 of which running on outdated platform were upgraded to the new platform at the same time.

Our new core system supports a Service-Oriented Architecture (SOA) using Xpress and E2E as the integration layer, orchestrating the updates to and from SI 212. Xpress insulates the SI212 core applications while supporting various vendor products, additional application interfaces, and a wide range of channel delivery solutions for any future system integration. Multiple Systematics CICS regions can also be integrated with Xpress through the development of microservices via SOAP request message and additional configuration in the Xpress database.

PNB Savings Bank, was migrated from Systematics GN 205 and hosted to SI 212 on July 24, 2017.

This implementation brings the following benefits to the enterprise:

- One system with one set of products, services and process for the bank and its client
- Improved system availability and reliability
- In-house support
- Single customer view
- Product cross-selling
- Shorter time to market new products
- Streamlined business process
- Simplified technology framework

B. New System Implementations in 2017

Branch Banking System (BBS) – implemented together with SI 212 in March, a new front-end tellering and platform banking system that handles business functionalities like:

- Monetary transaction and reversal
- Customer creation and deposit account opening
- Customer and account details maintenance
- Signature and document repository
- Post dated check warehousing
- Store and forward/branch recovery of offline transaction

Trade System (TI+) – a system where trade finance transactions are set up and maintained. Interest and other fees/charges are automatically computed and generated by the system. The general ledger entries are also automatically generated and passed to the general ledger module of SI 212.

Central Liability Management System (CLMS) – launched in August 2017, provides a facility for:

- Defining the credit hierarchy for all types of customers
- Setting up credit lines for various entities in the credit hierarchy
- Real time tracking of credit lines for transactions requesting for withdrawal of funds
- Updating real time the funds utilization against credit limit
- Generating reports to facilitate monitoring of customer liabilities and exposure

Internet Banking System - re-launched a new internet banking system in August 2017 by using the omni channel digital banking platform (i.e., one engine for mobile and internet) based on rapid development methodology.

Europay, Mastercard and Visa (EMV) for Credit Cards – in compliance to EMV standards for cards equipped with computer chips to authenticate chip card transactions for enhanced security against fraudulent transactions.

Check Image Clearing System (CICS)–an electronic payment system by the Philippine Clearing House Corporation (PCHC) where the image and information on the check is digitally captured by the bank receiving the check for deposit (presenting bank) and presented electronically to the paying (drawee) bank. Implemented in April 2017with the following benefits:

a. Shorter clearing cycle enables faster crediting of funds to accounts; from 3 - 5 banking days to the next banking day.
b. Quicker feedback if check is funded or not—regardless of location of the paying bank/branch.
c. Better customer service
d. Improved security against losing checks in transit as CICS eliminates the physical transport of checks.
e. CICS-compliant checks with new design standards are more secure, reducing the chances of fraud.

Bancnet POS Cash Out–allows cash disbursement via Point of Sale (POS) terminals for PNB ATM card holders delivered in June 2017.

E-Wallet– extension of e-Collect to accept payments for Bayad Center's e-wallet loading delivered in December 2017.

C. System Enhancements Deliveries

On top of the migration to the new core banking system, IT continued to support and deliver the business requests for enhancements. As of December 2017, 64% were delivered as per agreed schedule.

Business Group/Sector	Completed	Completed %	Ongoing Development	UAT	Grand Totals
Marketing Group	259	59.82&	144	30	433
Global Operations Group	169	67.06%	59	24	252
Retail Banking Group	151	62.40%	74	17	242
Financial & Controllership	50	61.73%	17	14	81
ITG	41	80.39%	4	6	51
Global Complinace Group	37	75.51%	8	4	49
Istitutional Banking Group	33	80.49%	4	4	41
Trust Banking Group	23	79.31%	4	2	29
Risk Management Group	14	66.67%	6	1	21
Enterprise Services Sector	8	57.14%	1	5	14
Treasury Group	4	36.36%	3	4	11
Human Resource	3	75.00%	1	0	4
Internal Audit Group	4	100.00%	0	0	4

D. For Overseas Branches

Completed the roll-out of the Integrated Remittance Systems World (IRSW) to Singapore in March, and to Japan in September.

The migration from Flexcube to Systematics (SI 212) will be delivered in 2018. The project kicked-off in October 2017.

E. IT Infrastructure & Information Security Investments

Major investments were also made in the IT infrastructure with the implementation of the new core banking system. The Bank practically underwent a technology refresh on the core network from routers, switches and firewalls. Likewise, branch connectivity was upgraded to improve transaction processing time. Over 2,500 desktops were upgraded with higher specifications and the latest operating system.

For credit card system, dual connectivity to major system interfaces were implemented to improve customer experience.

IT increased its server and storage capacity and employed virtualization technology to promptly respond to business demands for new systems or upgrades.

A mainframe fine tuning project was put in place to stabilize the new core system.

F. Disaster Recovery Site

In 2017, IT upgraded its disaster recovery site from Tier 1 to Tier 3 with a highly redundant and secured disaster recovery facility.

LEONILO G. CORONEL
Board IT Governance Committee Chairman

MESSAGE FROM THE CORPORATE GOVERNANCE/NOMINATION/ REMUNERATION AND SUSTAINABILITY COMMITTEE CHAIRPERSON

FLORENCIA G. TARRIELA
CHAIRPERSON

Philippine National Bank has thrived over a century guided by a corporate governance framework that continuously evolves with the changing regulatory environment and business landscape. To last over a century is a living testament of rich heritage, culture and legacy notwithstanding the impact it has made to the economy, to the society, to the environment in which it operates and to all its stakeholders. PNB has always been cognizant that its activities, business decisions and affairs have an impact to sustainable development and within the boundaries of laws, rules and regulations.

The Board of Directors believes in principles of good corporate governance. The Board of Directors 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 also has the responsibility to foster the long-term success of the Bank and secure its sustained competitiveness and profitability in accordance with its fiduciary responsibility. In the same manner, every employee of the entire organization is expected to embrace the same degree of commitment to the desired level of corporate standards. The Bank strives to adhere to the highest principles of good corporate governance as embodied in the Bank's Amended Articles of Incorporation, Amended Bylaws, Code of Conduct and its Revised Corporate Governance Manual.

Role of Independent Directors

PNB Group recognizes the importance of the role of Independent Directors. PNB has five (5) Independent Directors elected as Chairperson of the PNB Board and Chairman of the four (4) Board control Committees, namely: Board Audit and Compliance Committee; Corporate Governance/Nomination/Remuneration/ Sustainability Committee; Risk Oversight Committee; and the Board Oversight Related Party Transaction Committee, consistent to the SEC and BSP Guidelines. Majority of the members of the said Committees are Independent Directors, including the Chairman. Likewise, the Independent Directors also sit in other critical committees such as the Board IT Governance Committee, Trust Committee, and Board Strategy and Policy Committee.

PNB actively supports the Institute of Corporate Directors (ICD) in raising the level of corporate governance policy and practices of the Philippine corporate directorship to world class standards. Four (4) out of the fifteen (15) PNB Directors are ICD Fellows. ICD Fellows are directors that possess distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility. ICD Fellows are part of a learned society of trained professional directors that contributes to the development of corporate governance policy and best practices and participates in ICD training and workshops. Also, PNB actively participates and affiliates with non-profit-organizations, LGUs and other organizations active in financial literacy programs, environmental, social and other corporate social responsibility projects.

Corporate Governance Awards

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 Philippine Stock Exchange (PSE) as one of the Top Ten Bell Awardees. The awards commend publicly listed companies and trading participants that practice the highest standards of corporate governance in the Philippines.

2017 Accomplishments

PNB consistently strengthened its corporate governance practices. In 2017, the monthly meetings covered Succession Planning for Key Officers, Selection of Senior Officers, Human Resource Development Programs, and Review of Corporate Governance Rules and Regulations. Moreover, PNB committed to adhere to Corporate Governance standards with the following accomplishments: (i) conducted the Annual Directors Performance Evaluation review; (ii) Annual Review of Corporate Governance Manual, Committee Charters and Composition; (iii) introduced the semi-annual Independent Directors' Meetings held in July and December 2017 as part of the assessment of functions, qualifications, performance and the 3 Lines of Defense to further strengthen corporate governance practices, and (iv) participated in the 4th SEC-PSE Corporate Governance Forum. For the past two (2) years, PNB has been in partnership with the SEC and PSE in sending big delegations to SEC-PSE Forums. In 2017, all the Directors attended training on Corporate Governance.

Environmental, Social and Governance (ESG) Advocacy

Philippine National Bank promotes ESG advocacies. In 2017, the Sustainability Committee, a sub-committee within the Corporate Governance Committee, was created to oversee ESG awareness and culture within the PNB Group and to monitor progress on a regular basis. This encourages pro-active engagement of its employees through clearly defined programs and activities. In line with this program, select officers of PNB participated in the GRI Standards Certified Training course conducted by the National Center for Sustainability Reporting and passed the examination as Certified Sustainability Reporting Specialist. As an initial output, a separate section in this year's Annual Report is dedicated to document the sustainability and ESG advocacies of the PNB Group.

With all of these, Philippine National Bank acknowledges that corporate governance indeed is the dynamic system of stewardship and control to guide organizations in fulfilling its long-term economic, moral, legal, and social obligation towards its stakeholders with the purpose of maximizing the organization's long-term success, creating sustainable value for its stockholders, other stakeholders and the nation.

FLORENCIA G. TARRIELA
Corporate Governance/Nomination/Remuneration and Sustainability Committee Chairperson

Philippine National Bank acknowledges that corporate governance is the dynamic system of stewardship and control to guide organizations in fulfilling their long-term economic, moral, legal and social obligation towards their stakeholders. The purpose of this is to maximize the organization's long-term success, creating sustainable value for its stockholders, other stakeholders and the nation. It has established a corporate governance framework in accordance with global standards and best practices. It has sustained building a stronger corporate governance framework as its principles constantly evolves globally. The Bank's corporate governance framework incorporates the functions, duties and responsibilities of the Board and Management to the stockholders and other stakeholders. It provides direction towards the promotion of a bigger, stronger, and better corporate governance culture, while recognizing the current best practices. It also takes into account the context and principles prescribed under the ASEAN Corporate Governance Scorecard (ACGS). The framework also strives to raise corporate governance standards to a level that is at par with global standards and to provide sustainable contribution to the development of Philippine capital markets, to the economy, to the society and to the environment in which the Bank operates.

CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

The Board of Directors believe in principles of good corporate governance. The Board of Directors 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 also has the responsibility to foster the long-term success of the Bank and secure its sustained competitiveness and profitability in accordance with its fiduciary responsibility. In the same manner, every employee of the entire organization is expected to embrace the same degree of commitment to the desired level of corporate standards. The Bank adheres to the highest principles of good corporate governance as embodied in the Bank's Amended Articles of Incorporation, Amended Bylaws, Code of Conduct, and its Revised Corporate Governance Manual.

BOARD OF DIRECTORS

The Bank's Board of Directors is composed of fifteen (15) individuals of proven competence, integrity, and probity. All are Non-Executive Members except the President and with five (5) Independent Directors. These individuals determine the Bank's purposes, vision and mission, and strategies to carry out its objectives, ensure compliance with all relevant laws, regulations and codes of best business practices, adopt a system of internal checks and balances, and install a process of selection to ensure a mix of competent directors and officers.

To ensure the Bank's compliance with the principles of good corporate governance, the board members have been selected as members of the standing committees constituted pursuant to the corporation's Code on Corporate Governance, the By-Laws and other regulatory standards. These are the Board Audit and Compliance Committee, Corporate Governance/Nomination/Remuneration/Sustainability Committee, Risk Oversight Committee, Board Oversight Related Party Transaction Committee, Executive Committee, Board IT Governance Committee, Trust Committee and the Board Strategy and Policy Committee, replacing Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries (BOC-DFOS) as approved by the Board in February 2018.

INDEPENDENT DIRECTORS

In carrying out their duties and responsibilities, the directors must act in a prudent manner and exercise independent judgment while encouraging transparency and accountability. The Bank has five (5) independent directors, representing 1/3 or 33% of the Board, compliant with SEC Code of Corporate Governance for publicly listed companies (PLCs). The appointment of the five (5) independent directors, namely: the Board Chairperson, Florencia G. Tarriela, Board Vice-Chairman Felix Enrico R. Alfiler, and Board Members Edgar A. Cua, Federico C. Pascual, and Cecilio K. Pedro, were approved and confirmed by the appropriate regulatory bodies. Recognizing the importance of the role of independent directors, the Chairperson of the Board is an Independent Director consistent to the SEC, BSP and ASEAN Scorecard Guidelines. Moreover, the Board has elected the independent directors to act as Chairperson of the Board and Chairman of the four (4) Board control Committees namely: Board Audit and Compliance Committee, Corporate Governance/Nomination/Remuneration/Sustainability Committee, Risk Oversight Committee and the Board Oversight RPT Committee. Majority of the members of the said Committees are Independent Directors, including the Chairman. Likewise, the Independent Directors also sit in other critical committees such as the Board IT Governance Committee, Trust Committee, and Board Strategy and Policy Committee.

In these Board Committees, the five (5) independent directors play an active role in the formulation of the business strategies and priorities of the Bank as stipulated in the Board approved three (3) Year Strategic Business Plan of the Bank, its subsidiaries and affiliates. The Board and the Committees continue to review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework in the Bank, its subsidiaries and affiliates.

The Bank's operations is managed through an established organizational structure and adequate policies and procedures embodied in the manuals approved by the Management, Board Committees and the Board. These manuals are subjected to periodic review and are updated regularly to incorporate new laws and regulations and to conform to the evolving global and regional standards and best practices.

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 Philippine Stock Exchange (PSE) as one of the Top Ten Bell Awardees. The awards commend publicly listed companies and trading participants that practice the highest standards of corporate governance in the Philippines. In 2016, with the objective that the Bank's corporate governance ensures sustainability with the global standards and best practices, the Bank engaged the health check services of the ICD, to identify the strengths and weakness of its corporate governance practices vis-a-vis the ASEAN Corporate Governance Scorecard (ACGS) standards.

PNB consistently strengthened its corporate governance practices. In 2017, the monthly meetings covered Succession Planning for Key Officers, Selection of Senior Officers, Human Resource Development Programs, and Review of Corporate Governance Rules and Regulations. Moreover, PNB committed to adhere to Corporate Governance standards with the following accomplishments: (i) conducted the Annual Directors Performance Evaluation review; (ii) Annual Review of Corporate Governance Manual, Committee Charters and Composition; (iii) introduced the semi-annual Independent Directors' Meetings held in July and December 2017 as part of the assessment of functions, qualifications, performance, and the 3 Lines of Defense to further strengthen corporate governance practices; and (iv) participated in the 4th SEC-PSE Corporate Governance Forum. For the past two (2) years, PNB has been in partnership with the SEC and PSE in sending big delegations to SEC-PSE Forums. In 2017, all the Directors attended training on Corporate Governance.

SELECTION PROCESS FOR BOARD AND SENIOR MANAGEMENT

The Corporate Governance/Nomination/Remuneration/Sustainability Committee ensures the board's effectiveness and adherence to corporate governance principles and guidelines and the selection of members of the Board and senior executives of the bank as well as the appointment in the respective Board committees. The Committee, acting as the Bank's Nomination Committee promulgate guidelines or criteria governing the conduct of the nomination. Nomination of the directors shall be conducted by the Committee prior to an Annual Stockholders' Meeting. All recommendations shall be signed by the nominating stockholder/s together with the acceptance and conformity by the would-be nominees. The Committee shall pre-screen the qualifications and prepare the final list of all candidates which shall contain all the information about the nominees.

The Committee determines whether the nominees are fit and proper and qualified to be appointed as member of the Board. The Committee review and evaluate qualifications of all persons nominated to the Board, including whether candidates: (a) possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the Bank's business and risk profile; (b) have a record of integrity and good reputation; (c) have sufficient time to carry out their responsibilities; and (d) have the ability to promote a smooth interaction between members of the Board. The Committee may utilize the services of professional search firms or other external sources to search for qualified candidates to the Board.

Only nominees whose names appear on the final list of candidates shall be eligible for election. No other nominations shall be entertained after the final list of candidates shall have been prepared; and no further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting. The directors shall be elected by the stockholders entitled to vote during the annual meeting of stockholders and shall hold for one (1) year and until their successors are elected and qualified.

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

BOARD'S OVERALL RESPONSIBILITY

The Board of Directors are responsible in the approval and oversight of management's implementation of bank's strategic objectives, risk strategy, corporate governance and corporate values. The PNB Group has a sound strategic planning process in formulating its strategic goals and objectives consistent with its corporate mission, values and risk tolerance, and for translating those goals and objectives into a well-structured strategic plan for delivery and measurement and desired outcomes. The Board has always provided effective oversight of the planning and implementation of strategic goals, with Senior Management consistently demonstrating a high level of experience and expertise in carrying out strategic decisions successfully and within stated risk tolerance levels. Major initiatives/programs are managed accordingly with the annual budget preparation where targets/plans are considered and budgets/resources are mapped against targets. Monthly meetings are conducted to cascade information necessary to improve the existing processes.

In September 2017, the Bank officially started its strategic planning exercise, an interactive process among the Bank's various business and support groups, including subsidiaries to ensure the attainment of sustainable financials without discounting the impact to society, to the environment in which it operates, and to all its stakeholders. The exercise culminated with the crafting of the Business Plan for 2018-2020 to achieve its corporate goal.

CHAIRPERSON OF THE BOARD

The Board Chairperson is Ms. Florencia G. Tarriela, a position she has been holding since 2005. Chairperson Tarriela has extensive experience in the banking industry and is an active member of numerous banking and non-profit institutions. She is currently a Life Sustaining Member of Bankers Institute of the Philippines (BAIPHIL), Financial Executive of the Philippines (FINEX) and ICD. She has also been a Board Trustee of Tulay sa Pag-unlad, Inc. (TSPI) since 2003. She was a former Undersecretary of Finance, a former Alternate Board Member of the Monetary Board of BSP, Alternate Board Member of Land Bank and PDIC, and was a Managing Partner and the First Filipina Vice President of Citibank N.A., Philippines. She is a columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World. On November 22, 2017, she was one of the panelists on the topic "Improving the Philippine Investment Climate by Balancing Bank Secrecy and Transparency" during the 4th SEC-PSE Corporate Governance Forum at the Philippine International Convention Center (PICC).

As an Independent Director, Chairperson Tarriela sits as Chairman of the Corporate Governance/Nomination/Remuneration/ Sustainability Committee and member of the two (2) Board Committees namely, the Board Audit and Compliance Committee and Board IT Governance Committee. She also sits as a Non-Voting

Member in the Board Executive Committee.
The Board Chairperson, providing leadership in the Board, works closely with the President and Chief Executive Officer. This complementary relationship provides appropriate balance of power, increased accountability, and independent decision making by the Board while Management has the responsibility to execute the strategic plans of the Bank.

BOARD OF DIRECTORS COMPOSITION

The Bank's compliance with the highest standards in corporate governance is principally initiated and led by the Board of Directors, composed of fifteen (15) highly qualified members, including five (5) independent directors and Chairperson. The members of the Board are selected from a broad pool of competent and qualified candidates. The nominated Board members are elected annually by the stockholders. The Board is mandated to take final responsibility for exercising oversight function over Management, while taking a long-term view in securing the Bank's sustainability through due observance of fairness, transparency, and accountability under a corporate regime underpinned by ethics and social responsibility. Further, the Board has the primary responsibility of approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance and corporate values, to foster the long-term success of the Bank, its subsidiaries and affiliates; and secure its sustained competitiveness and profitability in a manner aligned with PNB's corporate objectives and the best interests of its stockholders and other stakeholders in order to consistently build and preserve its sustainable franchise. The Bank observes diversity in the Board as there is no restriction on the membership of the Board on account of age, gender, nationality or race. Two (2) Directors are above 80 years old, five (5) are above 70 years old, four (4), three (3) and one (1) are in their 60's, 50's and 40's, respectively. To date, 3 or 20% out of 15 members of the Board are women, the highest percentage or representation so far. One of the Directors is a British citizen. The Board is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations. The members of the Board believe in the highest level of integrity and possess broad and collective range of expertise that provides value in sustaining and upholding good corporate governance practices in the Bank.

Four (4) out of the fifteen (15) PNB Directors are ICD Fellows. Chairperson Florencia G. Tarriela, Director Florido P. Casuela, Director Leonilo G. Coronel and Director Christopher J. Nelson were confirmed by the ICD as the directors possess distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility. Fellows are part of a learned society of trained professional directors and contributes to the development of corporate governance policy and best practices and participates in ICD training and workshops.

	Board of Directors	Type of Directorship (ED NED/ID)	Principal Stockholder represented, if nominee	No. of Years served as Director	No. of Direct & Indirect Shares Held	% of shares Held to Total Outstanding Shares of Bank
1	Florencia G. Tarriela	ID (Chairperson)	N/A	17	2	0.0000001601
2	Felix Enrico R. Alfiler	ID (Vice-Chairman)	N/A	6	10,215	0.0008177628
3	Reynaldo A. Maclang	ED	N/A	5	1,749	0.0001400184
4	Florido P. Casuela	NED	N/A	12	133	0.0000106473
5	Leonilo G. Coronel	NED	N/A	5	1	0.0000000801
6	Edgar A. Cua	ID	N/A	2	100	0.0000080055
7	Estelito P. Mendoza	NED	N/A	9	1,150	0.0000920634
8	Christopher J. Nelson	NED	N/A	5	1	0.0000000801
9	Federico C. Pascual	ID	N/A	4	39	0.0000031221
10	Cecilio K. Pedro	ID	N/A	4	5,000	0.0004002755
11	Carmen K. Tan	NED	N/A	2	5,000	0.0004002755
12	Lucio C. Tan	NED	N/A	18	14,843,119	1.1882673540
13	Lucio K. Tan, Jr.	NED	N/A	10	2,300	0.0001841267
14	Michael G. Tan	NED	N/A	5	250	0.0000200138
15	Vivienne K. Tan*	NED	N/A		10	0.0000008006

* Director Vivienne K. Tan was elected as Director December 15, 2017

BOARD-LEVEL COMMITTEES, MEMBERSHIP AND FUNCTIONS

The following eight (8) Board Committees have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates, namely: Board Executive Committee; Corporate Governance/Nomination/Remuneration/Sustainability Committee; Board Audit and Compliance Committee; Board Risk Oversight Committee; Board Trust Committee; Board Oversight RPT Committee; Board IT Governance Committee and Board Strategy and Policy Committee, replacing Board Oversight Committee – Domestic Foreign Offices/Subsidiaries as approved by the Board in February 2018.

The authority, duties and responsibilities, as well as the frequency of the Board committee meetings are stated in their respective charters. Meetings are generally held on a monthly basis which may include special Board committee meetings when necessary. The Board committee secretariats are responsible for ensuring that the regular agenda of the meetings and resource persons are informed and provided with committee materials prior to meetings. The committee secretariat prepares the minutes of the committee meetings for endorsement and confirmation of the PNB Board and records the attendance of the committee members.

AS OF MARCH 23, 2018

BOARD OF DIRECTORS
Ms. Florencia G. Tarriela*
Mr. Felix Enrico R. Alfiler*
Mr. Florido P. Casuela
Mr. Leonilo G. Coronel
Mr. Edgar A. Cua*
Mr. Reynaldo A. Maclang
Mr. Estelito P. Mendoza
Mr. Christopher J. Nelson
Mr. Federico C. Pascual*
Mr. Cecilio K. Pedro*
Ms. Carmen K. Tan
Mr. Lucio C. Tan
Mr. Lucio K. Tan, Jr.
Mr. Michael G. Tan
Ms. Vivienne K. Tan

BOARD COMMITTEES

CORPORATE GOVERNANCE/NOMINATION/ REMUNERATION AND SUSTAINABILITY COMMITTEE

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

BOARD AUDIT AND COMPLIANCE COMMITTEE

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

*Independent Director

RISK OVERSIGHT COMMITTEE

NAME	POSITION
Cecilio K. Pedro*	- Chairman
Felix Enrico R. Alfiler*	- Member
Florido P. Casuela	- Member
Edgar A. Cua*	- Member
Leonilo G. Coronel	- Member

BOARD STRATEGY & POLICY COMMITTEE

NAME	POSITION
Felix Enrico R. Alfiler*	- Chairman
Florido P. Casuela	- Member
Leonilo G. Coronel	- Member
Edgar A. Cua*	- Member
Christopher J. Nelson	- Member
Federico C. Pascual*	- Member
Michael G. Tan	- Member
Vivienne K. Tan	- Member
Florencia G. Tarriela*	- Member

BOARD OVERSIGHT RPT COMMITTEE

NAME	POSITION
Federico C. Pascual*	- Chairman
Edgar A. Cua*	- Member
Cecilio K. Pedro*	- Member
Alice Z. Cordero	- Non-Voting Member
Martin G. Tengco, Jr.	- Non-Voting Member

EXECUTIVE COMMITTEE

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

TRUST COMMITTEE

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

BOARD IT GOVERNANCE COMMITTEE

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

*Independent Director

	Board-Level Committee	Membership As of Dec 31, 2017	Functions
1	Board Audit & Compliance Committee (BACC)	1. Edgar A. Cua* – Chairman Members: 2. Felix Enrico R. Alfiler* 3. Florencia G. Tarriela*	Assist the Board in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations. The BACC also provide oversight functions over internal and external auditors and ensure that the internal and external auditors act independently from each other; and provide oversight to compliance functions and/or oversee the compliance program. Further conducts annual independent audit of PNB's financial statements, the engagement of the External Auditors and the evaluation of the External Auditor's qualifications, independence and performance. The BACC also oversee the compliance by PNB with legal and regulatory requirements, including PNB's disclosure controls and procedures. The Committee also investigate significant issues/concerns and escalate results to the Board and also established the whistle blowing mechanism.
2	Corporate Governance/ Nomination/ Remuneration & Sustainability Committee	1. Florencia G. Tarriela* – Chairperson Members: 2. Felix Enrico R. Alfiler* 3. Federico C. Pascual* 4. Cecilio K. Pedro* Resource Person: Reynaldo A. Maclang	The Corporate Governance/Remuneration/Nomination and Sustainability Committee is tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions of the Nomination, Remuneration and Sustainability Committees, ensuring compliance with and proper observance of corporate governance principles and global practices.
3	Risk Oversight Committee (ROC)	1. Felix Enrico R. Alfiler* – Chairman Members: 2. Florido P. Casuela* 3. Edgar A. Cua * 4. Leonilo G. Coronel 5. Cecilio K. Pedro*	The ROC is created to assist the board to oversee the risk profile and approves the risk management framework of PNB and its related allied subsidiaries and affiliates. It is mandated to set risk appetite, approve frameworks, policies & processes for managing risk, and accept risks beyond the approval discretion provided to management.
4	Board Oversight RPT Committee (BORC)	1. Federico C. Pascual* - Chairman Members: 2. Edgar A. Cua* 3. Cecilio K. Pedro* Non-Voting Members: 4. CCO Alice Z. Cordero 5. CAE Martin G. Tengco	The Board Oversight RPT Committee (BORC) is created, 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. The Committee oversees the evaluation of related party transactions that present the risk of potential abuse and ensure that rules and regulations are considered to properly and effectively implement the bank's Related Party Transaction (RPT) policy guidelines.

Board-Level Committee	Membership As of Dec 31, 2017	Functions
5 Board Executive Committee	1. Florido P. Casuela – Chairman Members: 2. Leonilo G. Coronel 3. Reynaldo A. Maclang 4. Christopher J. Nelson 5. Lucio K. Tan, Jr. 6. Michael G. Tan Non-Voting Members 7. Felix Enrico R. Alfiler* 8. Federico C. Pascual* 9. Florencia G. Tarriela*	The Committee review, discuss, note, approve and/or endorse to Board: (a) management proposals on credit facilities; investment in financial assets; and borrowings and capital raising, updates and reports on credit, transactional, administrative and other matters; (b) policies, procedures, and manuals of products and services other than personnel policies, as proposed/initiated by Management; and provide oversight and focus on specific areas to ensure long term viability of the Domestic and Foreign Offices/Subsidiaries consistent with the Parent Bank strategic goals.
6 Trust Committee	1. Christopher J. Nelson – Chairman Members: 2. Leonilo G. Coronel 3. Federico C. Pascual* 4. Reynaldo A. Maclang (Ex-Officio) 5. Roberto S. Vergara (Ex-Officio)	A special committee reporting directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank.
7 Board IT Governance Committee (BITGC)	1. Leonilo G. Coronel – Chairman 2. Lucio K. Tan, Jr. 3. Christopher J. Nelson 4. Florido P. Casuela 5. Florencia G. Tarriela* 6. Vivienne K. Tan	Assist the Board in performing its oversight functions in reviewing, approving and monitoring the IT Risk Management Framework and IT Strategic Plan of the PNB Group.
8 Board Oversight Committee – Domestic and Foreign Offices & Subsidiaries (BOC-DFOS)	1. Christopher J. Nelson – Chairman Members: 2. Florido P. Casuela 3. Michael G. Tan	The Board Oversight Committee – Domestic and Foreign Offices/ Subsidiaries (BOC-DFOS) is created by the Board of Directors to provide the required oversight on the domestic and foreign offices/ subsidiaries to ensure their profitable operations and long-term viability consistent with the bank's strategic goals.

*Independent Director

In February 2018, the Board approved the dissolution of the Board Oversight Committee – Domestic and Foreign Offices and Subsidiaries (BOC-DFOS) and replaced by the Board Strategy and Policy Committee (BSPC) with the mandate to exercise authority and to delegate to management the implementation of the board approved strategic plans and policies. It has the power and responsibilities to review, evaluate, approve and/or endorse for Board approval the policies, procedures and manuals of products and services; strategic plans; forecast and annual budget; monthly review of financial performance and business models; oversight on capital planning; and oversight on

Domestic and Foreign Offices/Subsidiaries.
As of March 23, 2018, the following are the membership in all the eight (8) Board-level Committees:

DIRECTORS' ATTENDANCE

The members of the Board of Directors attend and actively participate in its regular and special meetings. For the year 2017, all Board of Directors attended the meetings more than the 50% requirement below:

Name of Directors	# Board Meetings	BACC		CorGov Committee		Risk Oversight Committee (ROC)		Board Oversight RPT Committee		Board Executive Committee		Trust Committee		BITGC		BOC-DFOS	
		Attended	%	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%		%
1. Florencia G. Tarriela *	14	11	92	12	100					47/48 (C)	98			11	92		
2. Felix Enrico R. Alfiler *	14	12	100	12	100	19	100			48/48 (C)	100						
3. Reynaldo A. Maclang	12			12	100					80	90	7	70				
4. Florido P. Casuela	14					18	95			88	99			12	100	25	100
5. Leonilo G. Coronel	14					1 **	100			89	100	10	100	12	100		
6. Edgar A. Cua *	14	12	100			19	100	12	100								
7. Estelito P. Mendoza	12																
8. Christopher J. Nelson	14									83	93	10	100	12	100	25	100
9. Federico C. Pascual *	14			12	100			12	100	47/48 (C)	98	10	100				
10. Cecilio K. Pedro *	14			9	75	1 **	100	12	100								
11. Washington Z. Sycip (until 10.07.17)	9 (A)																
12. Carmen K. Tan	12																
13. Lucio C. Tan	13																
14. Lucio K. Tan, Jr.	11									46	52			12	100		
15. Michael G. Tan	14									82	92					23	92
16. Viviene K. Tan	(B)																
Total No. of Meetings Held for the Year	14	12		12		19		12		89		10		12		25	

(A) Director Washington Z. Sycip up to September 2017 only, considering his passing on 7 October 2017
(B) Appointed by the Board on Dec. 15, 2017 and Elected as BITGC Member on Dec. 15, 2017
(C) IDs as Non-voting Members were invited to attend Executive Committee Meetings

* Independent Director
** Elected as ROC Member on Nov. 24, 2017

CHANGES IN THE BOARD OF DIRECTORS

In October 2017, PNB joins the financial community in mourning the passing of one of the esteemed directors, Mr. Washington Z. Sycip, who joined our creator on October 7, 2017 at the age of 96. A director of PNB for almost 18 years, Mr. Sycip's guidance was a key factor in making the bank one of the leading financial institutions in the country. His legacy of excellence will always be remembered and will continue to inspire future generations of leaders. Mr. Sycip will always be remembered as a man of principle, brilliance and compassion. His remarkable work ethics have inspired countless professionals and helped develop leaders across many generations and industries.

On December 15, of 2017, the Board approved the election of Ms. Vivienne K. Tan as member of the Bank's Board of Directors, and appointed as member of the Board IT Governance Committee and Board Audit and Compliance Committee (effective January 2018).

Performance Assessment Program for Board and Senior Management
The Board conducts an annual self-assessment through an established evaluation system, a tool to determine and measure directors and management compliance with the code of corporate governance standards and practices. All members of the Board are required to accomplish two (2) sets of evaluation forms as part of the process. Form I is for the evaluation of the Individual as a Director, the Board as a body and the Board Committees, as a Chairman or Member while Form II is to assess the management team corporate governance practices based on criteria for "Management" per the BSP CAMELS rating system. Annual results were discussed in the Corporate Governance/ Nomination/ Remuneration/Sustainability Committee and to the Board.

As part of the Bank's Total Performance Management System, the Bank has adopted a Competency-based Annual Performance Appraisal and Development Report (PADR) for its officers. This tool is used to achieve peak individual and organization's performance by identifying and documenting individual performance goals that are aligned with the organization's business objectives.

The PADR is used to evaluate the officer's performance in his current role against agreed/established performance goals. It is measured against a Balance Scorecard/Key Result Areas (KRAs) which comprises 70% of the overall score covering four (4) areas, namely, Financial/Revenues, Operations/Compliance, Customer Service and People Management & Development; and the remaining 30% is allocated for the ten (10) Core Competencies. The performance assessment is also used to identify the officer's areas for improvement, provide performance guidance/feedback and to identify the training and developmental needs vis-à-vis his current role and career aspirations.

To ensure that annual targets are achieved, a Quarterly Performance Progress Review (QPPR) is conducted for the 1st three (3) quarters. The QPPR is used to assess the officer's progress against the performance targets that have been agreed upon at the beginning of the year. This enables the officer to understand performance expectations and enhance his level of competencies as the review focuses on performance coaching. Likewise, it provides an avenue to strengthen the feedback mechanism during the year-long performance cycle. The QPPRs for the three (3) quarters are used as supporting documents/reference for the annual evaluation of the officer's performance.

ORIENTATION AND EDUCATION PROGRAM

PNB believes that continuing education and training are important for Board of Directors and key officers of the Bank. Training and education can be in various forms: classroom training, modular workshops, formal and informal sessions, home-study program, on-the-job trainings, e-seminars and other ways of learning. The Board of Directors is provided with orientation and education program, both internal and external, to aid in the execution of their functions.

External Training and Education

All key officers and members of the Board are required to attend, at least once a year, a program on corporate governance, conducted by training providers accredited by SEC or BSP. The Bank also adopts the requirement that first-time directors shall attend corporate governance training for at least eight (8) hours, while the annual continuing training shall be for at least four (4) hours. A director, within a period of six (6) months from date of election, is required to attend a seminar on corporate governance conducted by a private or government institution duly accredited by the BSP and SEC.

Internal Training and Education

As early as the selection process of the Board and during the fit and proper review of the Corporate Governance/Nomination/Remuneration and Sustainability Committee, the credibility and work experience of the shortlisted candidates are considered and aligned with the requirements of the Bank. Members of the Committee provide an overview of the Directorship Function and an orientation of the banking operation.

The Bank, through the Corporate Secretary's Office furnishes all of its directors with a copy of the duties and responsibilities of the Board of Directors. Each director is required to acknowledge receipt of the copies of such and certify that they fully understand the same.

Moreover, the President also talks to the new Director and discusses the PNB requirements including the membership to Board level committee where the Director can maximize technical expertise, experience, and network. Also, the new Director, to have a good grasp of PNB banking operations, sits as observer in various Board-level Committees and also meets with business units and control functions periodically.

RETIREMENT POLICY AND SUCCESSION MANAGEMENT PROGRAM

Retirement Policy

The Bank establishes a Retirement Plan for its employees to provide a retirement fund for the payment of the retirement, disability, death or separation benefits to qualified employees, subject to eligibility requirements.

There are three (3) modes of retirement, as follows: (i) Normal Retirement**.** An employee shall be compulsorily retired from the service and shall be entitled to receive the benefits under the Plan upon reaching sixty (60) years of age or completion of thirty-five (35) years of service, whichever comes first. (ii) Early Retirement**.** Upon the consent of the Bank, an employee who has not yet reached the normal retirement date may elect to avail of the early or optional retirement benefits under the Plan upon reaching (a) fifty-five (55) years of age and rendering at least ten (10) years of continuous service; or (b) completing at least fifteen (15) years of service. (iii.) Late Retirement. Any employee may offer his service to the Bank beyond the normal retirement date, but not beyond sixty-five (65) years of age. Such retirement however, shall be subject to the approval of the Bank on a case to case basis. An employee who is resigning from the service who does not satisfactorily meet the eligibility requirement such as age and/or length of service under the above mentioned retirement plans, are not entitled to any separation pay.

Succession Management Program

The Succession Management Program (SMP) is a dynamic, ongoing process of strategically and systematically identifying, assessing, and developing talent for future critical roles to ensure continuous and effective organizational performance. It is established to ensure the availability of talents who have the potential and required competencies, and ready to assume vacant positions as the need arises due to organizational exigencies, particularly for key / critical positions.

A Talent Board consisting of Senior Officers has been created to monitor / review the success and progress of the Program. It renders decisions on nominations and acceptance of talents in the Talent Pool. The Process involves the following steps:

a. Identification of Key /Critical Positions
b. Nomination of possible candidates for each identified key / critical position. The respective Group Head nominates possible candidates based on (i) results / past performance; (ii) competencies; and (iii) potential; subject to the initial evaluation of the Talent Board.
c. Talent Audit which is the process of evaluating / assessing the shortlisted nominees' competencies through on-line assessment, 360 degree feedback survey and interviews with the members of the Talent Board, if necessary. Those who qualify based on the evaluation of the Talent Board shall be recommended for inclusion in the Talent Pool subject to the approval of the President.
d. Learning and Development - to address the development needs of each talent, an Individual Development Plan (IDP) consisting of on-the-job training, interactional development programs and classroom training shall be created by the Group Head and/or designated Mentor. For a more objective and in-depth assessment of the Talent's competencies, he may be required to undergo an Assessment and Development Center and the result of which is made an integral part of the individual development plan. The implementation of the development plan is done in coordination with HRG.
e. Talent Review – the progress of the Talent is monitored and tracked.
f. Engagement – engagement strategies are employed to sustain the desired level of performance as well as the employee's commitment to the program.
g. Placement – the review process and development interventions continue until the need or opportunity arises for the talent to assume the key / critical position where he has been developed for.

PNB REMUNERATION POLICY

PNB aims to create a strong performance-conducive environment that would attract, motivate and retain the best talents. For this purpose, the Bank sustains a Remuneration Policy that would commensurately compensate its Directors and Officers in return for high levels of performance. Such policy complements the Bank's efforts to hire and develop the best talents through its competitive recruitment program and continuing learning programs. A commensurately compensated and rewarded human resource enables the Bank to provide the highest quality of products and services to the public it serves.

The PNB Remuneration Policy provides a sustainable compensation structure and fringe benefits program for Directors and Officers which are competitive with its peer group in the industry. It provides basic compensation, incentives, recognition and rewards for those who meet their performance targets and goals.

Directors' Emolument and Benefits

The remuneration and fringe benefits of the Directors consist of per diem for every Board and Board Committee meeting and non-cash benefit such as healthcare plan, group life insurance, and group accident insurance.

Officers' Compensation and Benefits

The compensation package of Bank Officers consists of monetary and non-monetary benefits, fringe benefits and long-term schemes: (i) Monetary emoluments consist of monthly compensation, guaranteed bonuses equivalent to four (4) monthly basic salary, allowances for business related expenses, official travel, etc., and cash award upon reaching milestones in length of service of at least ten (10) years and every five (5) years thereafter. (ii) Non-cash benefits consist of healthcare plan for the officer and two (2) of his qualified primary dependents; group life insurance, group accident insurance, leave privileges, car plan and availability of loan facilities such as general purpose loan, motor vehicle loan and housing loan. Likewise, all officers are covered by the Bank's Retirement Plan as above-cited.

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTION

The key elements of the RPT Policy Framework include the Board and Senior Management oversight, policies and procedures, training, monitoring and assessment, and disclosures/reports. The RPT guidelines cover a wide range of transactions that could pose credit risk, counterparty risk, material risk and potential abuse to the Bank and its stakeholders. The Bank ensures that individual and aggregate exposures to related parties are within prudent levels consistent with existing prudential limits and internal limit; monitored through independent reviews by Internal Audit and Global Compliance Groups; and covered in disclosures and/or reporting requirements. There is sustained awareness of the RPT Policy Framework through RPT Training Programs conducted by the Bank. The members of the Board, stockholders, and Management shall disclose to the Board whether they directly, indirectly or on behalf of third parties, have financial interest in any transaction or matters affecting the Bank. Directors and officers involved in possible conflict of interest shall disassociate themselves from the decision making process and abstain from the discussion, approval and management of such transactions or matters affecting the Bank. The BORC may inform the Corporate Governance/Nomination/Remuneration/Sustainability Committee of the directors/officers' actual/potential conflicts of interest with the Bank, as necessary.

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

Conflicts of interest that may arise with respect to related parties of the bank are managed through a Board approved enterprise-wide RPT Policy Framework. The BORC was created to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest, and to ensure that exposures to related parties are made on an arm's length basis, are effectively monitored, and appropriate steps to control or mitigate the risks and write-offs of such exposures are made according to standard policies and processes.

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

Since 2012, PNB developed and put in place the PNB RPT Policy Manual. From 2013-2016, the Manual was regularly updated to align with the new regulatory issuances. After focusing on the sustainability of existing related party transaction policies, the Bank enhanced its RPT practices in 2017 particularly in the areas: (i) expanding the classification of RPTs into four (4) major categories: DOSRI, Subsidiaries/Affiliates, Other Related Parties; and Related Parties (RP) with economic interdependencies; (ii) annual review of the materiality threshold which serves as basis for the individual and aggregate limits to reflect the bank's risk appetite, risk profile and transactions, and capital strength; and (iii) enhanced policy on articulating the price discovery mechanism used in loan pricing, contract price and market valuation of collaterals for purposes of vetting the transactions.

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 stockholders, Board members, Management, and other stakeholders. The Committee is composed of five (5) regular members, three (3) Independent Directors (IDs), *including the Chairman*; and two (2) non-voting members, the Chief Audit Executive (CAE), and the Chief Compliance Officer (CCO). The CCO is designated as Secretariat of the Committee.

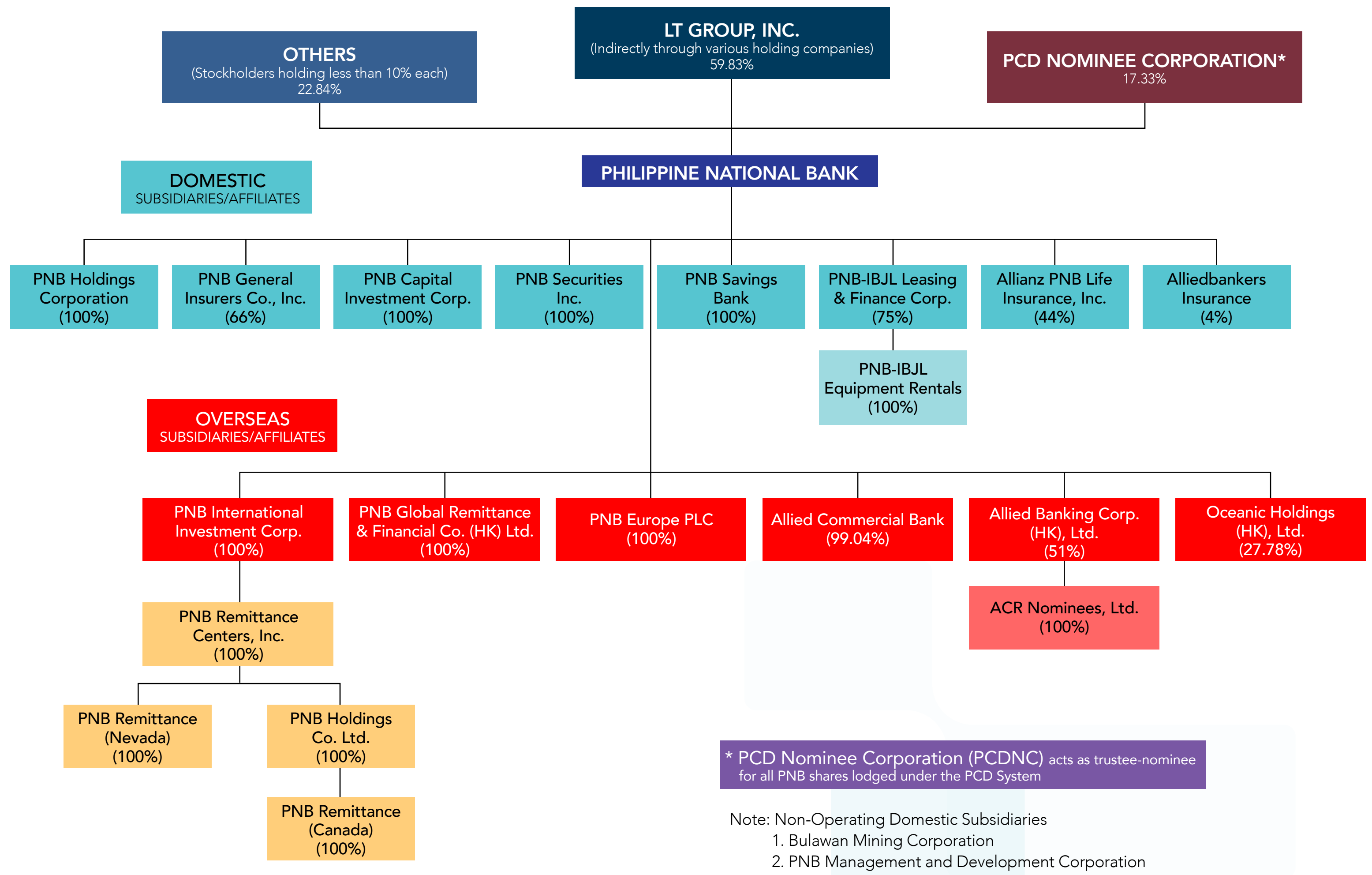
The BORC has the authority to evaluate RPTs. In conformity with Bank's policy, RPT dealings should be treated in the normal course of business on an arm's length basis. This means that the RPTs are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances. 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 by the BORC 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) evaluating material RPTs; (iv) ensuring that appropriate disclosures are made; (v) endorsing to the Board (vi) reporting to the Board the status and aggregate exposures to related parties; (vii) ensuring that RPTs, including write-off of exposures are subject to independent reviews; and (viii) overseeing implementation of the system for identifying, monitoring, measuring, controlling and reporting RPTs, including the periodic review of RPT policies and procedures.

The RPT policy has been formulated and adopted in accordance with the provisions of the SEC Code of Corporate Governance and BSP regulations. Moreover, the RPT Policy reflect the PNB Code and Business Ethics that includes (i) Code of Conduct; (ii) Whistleblower Policy; (iii) Soliciting and/or Receiving Gifts Policy; and (iv) Personal Investment Policy.

The Corporate Governance Framework and RPT Framework are integral in the Bank's Compliance Awareness Training Program conducted regularly by the Global Compliance Group. Sustained awareness of group-wide personnel, as well as other stakeholders on good corporate governance and RPT compliance include posting of Corporate Governance manuals and RPT policies and procedures in the PNB website.

Conglomerate Map/Organizational Structure
PHILIPPINE NATIONAL BANK (330)
As of December 31, 2017



Note: Non-Operating Domestic Subsidiaries
1. Bulawan Mining Corporation
2. PNB Management and Development Corporation

Dormant Overseas Subsidiaries
1. PNB Corp. Guam
2. PNB Investment Ltd.

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 Global Compliance Group, which reports directly to the Board Audit and Compliance Committee, is primarily responsible for promoting compliance with the laws and regulations of the different jurisdictions, corporate policies and procedures and international best practices. The Chief Compliance Officer has direct responsibility for the effective implementation and management of the enterprise compliance system covering the Bank domestic and foreign branches, offices, subsidiaries and affiliates. To further strengthen good corporate governance, the Board of Directors appointed the Chief Compliance Officer as the Corporate Governance Executive tasked to assist the Board and the Corporate Governance/Nomination/Remuneration/Sustainability Committee in the discharge of their corporate governance oversight functions.

The Global Compliance Group continue to evolve to reinforce the bank's Compliance System with the creation of the Global Compliance Testing Review Division to institutionalize compliance testing reviews among the bank units, branches and business vehicles. This is to complement the other five (5) major divisions namely: Global AML Compliance Division, Compliance Systems Support Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division and Corporate Governance Monitoring Division. The Corporate Governance Monitoring Unit has evolved to a Corporate Governance Monitoring Division to provide support to the Chairman of the Board, thru the Chief Compliance Officer as the designated Corporate Governance Executive, and to monitor bank compliance with its Related Party Transaction Policy Guidelines. In 2017, two (2) Deputy Chief Compliance Officer positions were created to assist the Chief Compliance Officer in providing oversight to the Divisions under supervision and fast track implementation of succession planning to identify personnel who will take on higher level positions/responsibilities and intensify the on-the-job training. Cognizant to the rising concern on cybercrime related risk in the banking industry worldwide, an AML Cybercrime Officer was appointed in Global Compliance Group in 2017.

The Bank's existing Compliance Program defines the eight (8) key elements of an effective compliance framework. With a proactive Board and executive level oversight, effective compliance organizational structure, standardized policies and procedures across all businesses, periodic monitoring and assessment, robust MIS and compliance reporting, comprehensive compliance and AML awareness training, independent compliance testing reviews and working closely with regulators. The Compliance Program also incorporates the new policies, laws and regulations and enhancements to corporate standards of which Philippine National Bank, as the Parent Bank, its local and foreign branches, subsidiaries and affiliates are required to be fully aware of. The Compliance Program has been implemented consistently in the various bank units, branches and business vehicle entities.

The major Compliance Manuals include the Bank's AML/CFT Policy Guidelines, Money Laundering and Terrorist Financing Prevention Manual (MLPP), FATCA Compliance Manual, and Remittance Third Party Arrangement Compliance Program, Consumer Protection Compliance Program, AML Cybercrime Compliance Framework, Compliance Program for Foreign Exchange Dealers and Money Changers, Compliance Program for Remittance Agents, Revised Corporate Governance Manual, Related Party Transaction (RPT) Policy Manual, Data Privacy Act Compliance Program and Correspondent Banking Compliance Program. Moreover, in 2017, the Compliance Testing Review Manual was formalized and compliance testing program was developed for financial consumer protection, operational risk, trust banking operations and statutory limit validation procedure program. These compliance manuals were approved by the Board and implemented with updated policies and procedures to fully address in a timely manner recent developments and issuances by regulatory bodies. Recognizing the important role of continuous education in effectively carrying out the compliance function and implementing a sound compliance framework, the Global Compliance Group developed the Compliance Academy Program that formalizes the AML and Regulatory training conducted by the group and also updated the Level II AML Compliance Mastery Program.

The Bank's AML/CFT Policy Guidelines and Money Laundering and Terrorist Financing Prevention Manuals are the two major manuals approved by the Board in September 2017 and October 2017, respectively. The bank is fully committed to adhere the existing and new AML laws, regulations, rules and implementing guidelines issued by both local and foreign regulators. PNB's AML/CFT Policy Guidelines is designed to ensure that all operating units of the bank globally comply with the requirements and obligations set out in Philippine, legislation, rules and regulations, banking guidance, including the need to have adequate systems and controls to mitigate the risk of the Bank being used to facilitate financial crime. Board and Senior Management of the Bank have the ultimate responsibility to fully comply with the provisions of the AMLA, as amended and its revised IRR and shall ensure that oversight on the Bank's compliance management is adequate. As such, the Bank recognizes that it is important that the franchise license of the Bank is preserved by ensuring a bank reputation that strict AML/CFT compliance is observed by all employees, including directors of the bank and its subsidiaries and affiliates as well as its third party service providers.

The bank has policies and procedures embracing the compliance framework, the corporate governance guidelines and the AML Risk Rating System issued by Bangko Sentral ng Pilipinas and foreign regulators on AML/CFT laws and regulations. With a comprehensive compliance system effectively implemented enterprise- wide, there has been no material deviation noted by the Chief Compliance Officer.

DIVIDEND POLICY

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

PNB has adopted the following general policy on the declaration of dividends: "Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the 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."

On July 22, 2016, the Board of Directors of PNB approved a cash dividend declaration of P1.00 per share for an aggregate payout of P1.25 billion to be taken out of the Bank's unrestricted Retained Earnings as of March 31, 2016. The cash dividend was paid to all stockholders of record as of August 19, 2016 on September 15, 2016. This marks the first dividend declaration of the Bank after its full rehabilitation in 2007.

CONSUMER PROTECTION PRACTICES

The Bank recognizes that consumers have the right to safeguard their transactions with the Bank and be heard though appropriate channels to escalate feedback and concerns regarding the use of the bank products and services. Embedding consumer protection practices across the organization is at the forefront of the Bank's corporate responsibility - from the Board of Directors which approves the policies and conducts oversight in the implementation of procedures through the Senior Management Team and ensures that both back and front office effectively support the consumer protection activities of the Bank. The complaint management process is a cross-functional activity involving multiple offices that provide priority assistance in resolving customer concerns.

Consumers have the right to be informed about the products and services they avail from the Bank. At the inception of the banking relationship, the following standards of conduct are observed by the Bank at all times:

- Disclosure and Transparency – PNB ensures that the customers have a reasonable holistic understanding of the products and services, which they may be acquiring. The bank provides the customers with ready access to information that accurately represents the fundamental benefits and risks, as well as the terms and conditions of a financial product or service.
- Protection of Client Information – In PNB, customers have the right to expect that their financial transactions are kept confidential. The bank ensures that appropriate information security guidelines, well-defined protocols, secure databases and periodically re-validated procedures in handling personal information.
- Fair Treatment – PNB's customers shall be treated fairly, honestly, professionally and will not be offered financial products and services that are not aligned to their financial needs. The bank ensures that we have the necessary resources and procedures in place, internal monitoring, and control mechanisms, for safeguarding the best interest of the customers.
- Effective Recourse – PNB's customers shall be provided accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints on their financial transactions.
- Financial Education and Awareness – As part of PNB's corporate social responsibility program, the Bank provides financial education initiatives which will be undertaken to give consumers the knowledge, skills, and confidence to understand and evaluate the information they receive and empower them to make informed financial decisions.

Consumer assistance mechanisms are made available in various forms: face-to-face support from branch personnel; account officers and relationship managers; 24 X 7 customer care hotlines; digital channels such as email; Skype; Facetime private messaging via social media; self-service portals such as internet and mobile banking. Each complaint is acknowledged within 1-2 business days and processed with a turnaround time ranging from 5 to 20 business days, taking into account the complexity of the situation.

The Bank upholds the principle of data privacy and ensures that personal data collected from the customers are processed with adherence to the general principles of transparency, legitimate purpose, and proportionality.

PNB aims to be the financial partner of the consumer as they take their journey to financial health and wealth. To this end, the bank shall equip consumers with the information and tools they will need to make smart financial decisions towards achieving this goal.

THE JOURNEY TO A SUSTAINABLE FUTURE

ON ITS 101ST YEAR, PNB IS CONTINUING ITS JOURNEY TO **STABILITY** AND **SERVICE EXCELLENCE.** IT HAS ALWAYS BEEN THE BANK'S GOAL TO CREATE **LONG-TERM VALUE** FOR OUR VARIOUS STAKEHOLDERS. AND AMONG OUR LONG-TERM INITIATIVES IS **SUSTAINABILITY.**

AS A UNIVERSAL BANK, WE RECOGNIZE OUR ROLE IN **NATION-BUILDING.** WE ENSURE NOT JUST THE LONGEVITY OF OUR BUSINESS; WE ALSO UPHOLD THE **WELL-BEING OF OUR PLANET AND ITS PEOPLE.**

THE JOURNEY TO **SUSTAINABILITY** IS NOT AN EASY ONE. WITH FOCUS, TEAMWORK, AND COMMITMENT, WE SHALL BE CONSISTENT IN OUR THRUST OF MAKING THE PNB LEGACY OF EXCELLENCE LAST A **LIFETIME.**

Stakeholder Management Plan

FOR OUR CUSTOMERS, WE WILL:

- Develop and offer relevant financial solutions that meet their needs in all their life stages
- Foster solid relationships based on mutual trust and respect

FOR OUR STOCKHOLDERS & INVESTORS, WE WILL:

- Respect their rights as specified in the Bank's policies and bylaws
- Provide opportunities to seek redress for any violation of their rights

FOR OUR EMPLOYEES, WE WILL:

- Provide working conditions that promote safety, teamwork, productivity, and work-life fit
- Implement and sustain a talent management and rewards program that enables continuous development

FOR THE COMMUNITIES, WE WILL:

- Make positive contributions in areas where we have business presence
- Promote financial inclusion through financial literacy initiatives

FOR OUR SERVICE PROVIDERS, WE WILL:

- Abide by policies and regulations on engaging third-party suppliers
- Apply a vendor management system that ensures a mutually beneficial relationship between the Bank and its suppliers

FOR THE REGULATORS, WE WILL:

- Adhere to applicable rules and regulations in all our dealings with concerned publics
- Uphold good corporate governance practices

SUSTAINABILITY PROGRAM

Strengthening Corporate Governance & Risk Management

PNB's Board of Directors has always been at the forefront of the highest corporate governance standards. Within the boundaries of laws, rules and regulations, PNB has always been cognizant that its activities, business decisions and affairs have an impact on sustainable development.

PNB is headed by a set of working Board of Directors composed of 15 members including five Independent Directors. All are Non-Executive Directors except the President. In addition to the Board's responsibilities and to ensure that fiduciary roles, functions and accountabilities of the Board members are clearly defined and observed, PNB has eight (8) board-level committees as follows: Board Audit and Compliance Committee; Corporate Governance/Remuneration/Nomination and Sustainability Committee; Risk Oversight Committee; Board Oversight Related Party Transaction Committee; Executive Committee; Trust Committee; Board IT Governance Committee; and Board Oversight Committee – Domestic and Foreign Offices/ Subsidiaries. Moreover, in February 2018, the Board approved the dissolution of the Board Oversight Committee - Domestic and Foreign Offices/Subsidiaries and the creation of a new Committee, the Board Strategy and Policy Committee.

In 2017, the Board formalized the creation of a Sustainability Committee within the Corporate Governance Committee as part of its commitment to raise the bar of sustainability practices and governance within the organization. Chairperson of the Board, Florencia G. Tarriela, an Independent Director and one of the three women in the Board, is likewise the Chairperson of the Corporate Governance/Nomination/Remuneration and Sustainability Committee, tasked to assist the Board in the performance of governance responsibilities, including the functions of the remuneration, nomination and sustainability programs. This ensures proper observance of corporate governance principles and practices aligned with the Securities and Exchange Commission Code of Corporate Governance, BSP rules and regulations, PSE requirements, and global standards.

In 2010, the Chief Compliance Officer has been appointed by the Board of Directors as the Corporate Governance Executive who is tasked to assist the Board and the Corporate Governance/ Remuneration/Nomination and Sustainability Committee in the discharge of their corporate governance oversight functions. The Chief Compliance Officer is also the Head of the Global Compliance Group. In 2012, the Global Compliance Group was re-organized to have four major divisions and a monitoring unit for corporate governance to provide support to the Chairman of the Board, through the Chief Compliance Officer as the designated Corporate Governance Executive. This was to enable the effective implementation of the corporate governance rules and regulations and corporate standards of the Bank. In 2014, the unit was upgraded to a division with the expanded function of providing adequate awareness, monitoring and compliance oversight on the management of related party transactions.

With the tone set by the Board of Directors, corporate governance, social responsibility and sustainability are embedded in PNB culture.

The Chairman of the Board Audit and Compliance Committee, in its message in the 2017 Annual Report, made this statement: "With the robust governance of the Board and the unwavering support of Senior Management, the Committee is greatly confident that strong oversight on the establishment, administration, and assessment of the Bank's systems of risk management, control, and governance processes provide reasonable assurance that Philippine National Bank's internal control environment remains effective and dynamic, able to support the business model and ensures the attainment of its business plans."

PNB ensures that the Bank's corporate governance practices allow sustainability and are aligned with global standards. Aside from the BSP examination and annual audit by its external auditor, SGV & Co., the Bank has engaged the services of the Institute of Corporate Directors (ICD) for two consecutive years to conduct Corporate Governance Health Check and evaluate the PNB Group vis-à-vis the ASEAN Corporate Governance Scorecard (ACGS) standards. ICD is a non-stock, not-for-profit organization dedicated to the professionalization of Philippine corporate directorships by raising the level of corporate governance policy and practice to world-class standards. The engagement helped the Bank in the formulation of new policies towards improving both corporate governance and management practices.

In recent years, PNB strengthened its corporate governance practices; raised the bar on sustainability reporting by exploring Global Reporting Initiative (GRI) documentation and requirements; engaged the services of ICD to conduct Corporate Governance Health Check; maximized the presence of the four ICD fellows in the Board; affiliated with non-profit-organizations, LGUs and other organizations active in financial literacy programs, environmental, social and other corporate social responsibility projects; and introduced the semi-annual meetings of Independent Directors.

a. ANNUAL DIRECTORS' PERFORMANCE EVALUATION. The Board conducts an annual self-assessment through an established evaluation system, a tool to determine and measure directors' and management compliance with the code of corporate governance standards and practices. All members of the Board are required to accomplish two sets of evaluation forms as part of the process. Form I is for the evaluation of the Individual as a Director, the Board as a body and the Board Committees, as a Chairman or Member while Form II is to assess the management team corporate governance practices based on criteria for "Management" per the BSP CAMELS rating system. Annual results were discussed in the Corporate Governance/Nomination/Remuneration/ Sustainability Committee and to the Board.

b. ANNUAL REVIEW OF THE CORPORATE GOVERNANCE MANUAL AND THE BOARD-LEVEL COMMITTEE CHARTERS. The manual and the charters are reviewed annually to include new regulations, document practices, and to align with best practices. For the year 2017, the manual was reviewed twice to include the requirements of the SEC Code of Corporate Governance for publicly-listed companies (PLCs) and BSP Circular No. 969 or the Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions. In line with the results of the review, the following changes were made:

   i. Reorganization of the Corporate Governance/ Nomination/Remuneration and Sustainability Committee to be composed of all Independent Directors to comply with the SEC and ACGS requirement. The President shall be invited as a regular resource person.

   ii. Increase in the membership of the Risk Oversight Committee from three to five, majority of whom shall be Independent Directors, including the Chairman; appointment of two Non-Executive Directors as new members.

   iii. The Chairman of the Board Audit and Compliance Committee, in its message in the 2017 Annual Report, made this statement: "With the robust governance of the Board and the unwavering support of Senior Management, the Committee is greatly confident that strong oversight on the establishment, administration, and assessment of the Bank's systems of risk management, control, and governance processes provide reasonable assurance that Philippine National Bank's internal control environment remains effective and dynamic, able to support the business model and ensures the attainment of its business plans."

   iv. Expansion of the Board Audit and Compliance Committee to articulate two functions: to investigate significant issues/concerns and to establish a whistle blowing mechanism.

c. ANNUAL STRATEGIC PLANNING. Every second half of the year, the Bank goes through the strategic planning process to ensure the attainment of sustainable financials without discounting the impact to society, to the environment in which it operates, and to all its stakeholders. During the 2018-2020 Strategic Planning kick-off, the Bank invited BSP officials and other subject matter experts to share insights on banking trends and outlook, medium-term economic outlook, and digital transformation to have a good glimpse of the regulatory and business environment ahead.

d. INITIATIVES TOWARDS REPORTING THE SUSTAINABILITY EFFORTS OF THE BANK.

   i. Explored GRI documentation reporting requirements. In January 2017, as part of the commitment of the Bank to sustainability documentation and reporting, an overview of the GRI was reported to the Board which led to the attendance of two participants on GRI Standards Certified Training Course conducted by the National Center for Sustainability Reporting (NCSR). As part of the initial output in the 2016 Annual Report, the Corporate Social Responsibility portion was expanded to include "Taking Steps to Sustainability" disclosing sustainability initiatives of the Bank.

   ii. Revised the Corporate Governance Manual to align with the requirements of the SEC and the BSP. In May 2017, the Board approved the 2017 Revised Corporate Governance Manual and the Revised Charter for Corporate Governance/Remuneration/ Nomination and Sustainability Committee to expand duties of the committee to oversee the sustainability framework of the Bank covering policy and disclosures on non-financial information emphasizing management of economic, environmental, social and governance. In October 2017, PNB revised the Corporate Governance Manual, conducted an annual review of the Board-level committee charters and partnered/attended with SEC on the Annual Corporate Governance Training of the Board and Key Officers. Part of the Manual are the approved revised board committee charters, including the charters of Executive Committee and Risk Oversight Committee revised in February 2017 to incorporate the BSP recommendation.

iii. Introduced the semi-annual Independent Directors' Meeting. In July 2017, the first Independent Directors' Meeting was held, revisiting the Director's Role, ID functions and qualifications, trainings, top priorities, committee memberships, directorship in subsidiaries and attendance. In December 2017, the second Independent Directors' Meeting was held focusing on 2017 PNB Accomplishments, Role of Board, Directors and Independent Directors, Board Committee Composition & Significant Regulations, Three Lines of Defense and the 2018-2020 Top Priorities.

iv. Strengthened corporate governance practices to align with ASEAN Corporate Governance Scorecard (ACGS). In June 2017, the Institute of Corporate Governance (ICD) 2016 ACGS Report disclosed an upgrade of PNB score versus 2015. With the commitment of the Board to aim for a higher score, the ACGS results were discussed, identifying the strengths and areas for improvement plus recommendations in the Corporate Governance/ Nomination/ Remuneration/Sustainability Committee. In September 2017, PNB focused on ACGS additional points to improve score by disclosing on PNB Corporate Governance website additional documentation and proof of compliance.

v. Participated in PSE Bell Awards. In August 2017, PNB participated in the 2017 PSE Bell Awards – Excellence in Corporate Governance (CG) and PSE Bell Awards – Best Compliance & Ethics Program, where it documented PNB's 2016 CG success story, the three-pronged CSR and Sustainability Framework: Promote social philanthropic activities; Empower Filipinos through education; and Protect the environment; and the 2016 – 2017 Awards & Recognitions.

vi. Ensured that PNB complies with the Annual Continuing Training Requirements of SEC. In November 2017, 73 attendees from PNB Group participated in the 4th SEC-PSE Corporate Governance Forum at the PICC. Chairperson Florencia G. Tarriela was one of the panelists on: "Improving the Philippine Investment Climate by Balancing Bank Secrecy and Transparency". The four topics covered included: (1) Cyber Security & IT Governance, (2) Improving the Philippine Investment Climate by Balancing Bank Secrecy and Transparency, (3) Millennials and the Future of Corporate Governance, and (4) SEC-PSE Integrated Annual Corporate Governance Report. For the past two years, PNB partnered with SEC and sent the most attendees for SEC-PSE Forum as part of the Annual Continuing Training of Board and Key Officers. In 2017, all the Directors attended training on Corporate Governance.

Philippine National Bank consistently adopts the policies and procedures in the Code of Conduct, Corporate Governance Manual, and relevant policies in business ethics affecting directors, senior management and employees. The provisions in the Code of Conduct apply to all employees of the Bank, including its overseas branches/offices and foreign/domestic subsidiaries.

1. **Code of Conduct.** This is constituted to prescribe a moral code for PNB employees which would enable them to be productive at work and live up to the Bank's corporate image. While this Code defines the offenses as well as the corresponding disciplinary measures that may be imposed, its overall intent is to prevent the infraction rather than to administer disciplinary action. This Code defines and provides the standards of conduct expected from all employees and enumerates the acts or omissions prejudicial to the interest of the Bank.

2. **Corporate Governance Manual.** The Bank adheres to the highest principles of good corporate governance as stipulated in its amended bylaws and embodied in the Corporate Governance Manual. In accordance with the provisions of the manual, the Bank subscribes to the philosophy of integrity, accountability, and transparency in its manner of doing business. The Bank deals fairly with clients, investors, stockholders, related parties, the communities affected by its activities, and its various publics. The Bank upholds professionalism among its Board of Directors, executives, employees and subsidiaries and affiliates. The Bank respects the laws and regulations of the countries affecting its businesses.

3. **Personal Investment Policy.** This defines prudent standards of behavior for all employees when conducting their personal investment transactions. This policy 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 involve or appear to involve a conflict of interest with the activities of PNB or its customers. Employee investment decisions must be based solely on publicly available information, and should be oriented towards long-term investment rather than short-term speculations.

4. **Policy on Selling PNB Securities.** As a general policy, all employees are prohibited from purchasing or selling any PNB securities if they possess material no-public information about PNB that, if known by the public, might influence the price of PNB securities. Employees may not purchase or sell PNB options or execute a short sale of PNB security unless the transaction is effected as a bona-fide hedge.

5. **Policy on Soliciting and/or Receiving Gifts.** The Bank recognizes that maintaining good relationships with clients often require the exchange of gifts as tokens of appreciation. However, 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 whether in cash or in kind from clients, suppliers, and other business-related parties is strictly prohibited. As a general rule, receiving gifts/donations/ sponsorship/financial assistance whether in cash or in kind from clients, suppliers, and other business – related parties is strictly prohibited. Thus, gifts offered must be politely declined EXCEPT on special occasions (i.e., Christmas, New Year, birthdays, anniversaries, weddings, and the like) when giving of gifts is clearly not meant to influence business transactions. On said occasions, employees may accept gifts subject to the internal guidelines.

6. **Whistleblower Policy.** It is the policy of the Bank to encourage employees to report internally any suspected or actual commission of theft/fraud; corrupt practices such as, but not limited to, bribery, extortion, collusion, conflict of interest and money laundering; violation of ethical standards, laws, rules or regulations; and any misconduct by its directors, officers or staff in accordance with the PNB Whistleblower Policy. The policy protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation.

The above-mentioned codes and policies aim to instill among the Bank directors and its employees a commitment and dedication to the virtues of honesty and integrity, emphasizing a high sense of prudence, responsibility and efficiency in the conduct of their duties. As required, each Bank director and employee accomplishes an Acknowledgement Receipt certifying that he/she has been furnished with copies of the above-mentioned manuals and policies; that he/she has fully read and understood the provisions embodied therein; and that he/she promises to abide by the rules/regulations.

Any failure to abide by the above-mentioned policies must be reported to an immediate superior and/or the Head of Office concerned, or to the Human Resources Group (HRG) and/or Corporate Governance Committee. A designated committee, the Ethical Standards Committee, may subsequently validate/ evaluate the report to determine if any sanction or disciplinary action should be taken against the erring employee or director through due process. Rewards and recognitions are also given to employees and groups who comply with rules and regulations, and with ethical and corporate governance standards as part of quarterly assessment and performance appraisals. Recognized individuals and groups are cited during the quarterly Pulong Ng Bayan where monetary and non-monetary rewards are given by the Bank.

Data Privacy and Consumer Data Protection

PNB is committed to enforce and sustain compliance with data protection laws and regulations. Among these laws are: the 1) Law on Secrecy of Bank Deposits (Republic Act 1405: An Act Prohibiting Disclosure Of or Inquiry Into, Deposits with any Banking Institution and Providing Penalty Therefore) and the 2) Foreign Currency Deposit Act (Republic Act 6426: An Act Instituting a Foreign Currency Deposit System in the Philippines, and For Other Purposes).

PNB shall work in the best interest of its customers to uphold their data privacy rights. The Bank developed the Compliance Program for Data Privacy to serve as a reference guide for the provisions, requirements, and standards set by Republic Act 10173 or the Data Privacy Act. The Compliance Program for Data Privacy must be read in conjunction with the PNB Privacy Manual, as well as the internal policies, procedures, operating manuals and programs of the Bank. PNB also appointed a Data Privacy Officer (DPO) who shall be accountable for ensuring the compliance of the Bank or, in case of a common DPO, the entire group with data privacy and protection laws, rules, regulations and issuances.

SUSTAINABILITY PROGRAM

Protecting the Environment

As one of the country's largest universal banks, PNB has 635 domestic branches by yearend 2017. These branches are strategically located in key municipalities across the country. In areas where it has business presence, the Bank has made it its mandate to give back to the communities by helping preserve the natural environment. While conducting business, the Bank helps ensure that there will be a healthy and liveable planet for future generations.

1. **Branch Expansion, Fixtures & Environmental & Safety Clearances.** PNB upholds environmental protection in growing its branch banking network – from selecting areas for expansion to the construction of branch infrastructure. The Bank only uses environment-friendly building materials; applies proper waste management; and secures the appropriate permits from national and local government agencies (e.g. building/occupancy, electrical/electronics, mechanical, sanitary and plumbing permits, zoning and barangay clearance/certificate, fire and safety inspection certificate, signage permits and other related clearances).

2. **Reduction of Carbon Footprint.** Bank-wide projects that reduce carbon footprint are being implemented year-round. These include the following: (a) reducing power consumption by using LED lighting and upgrading equipment; (b) utilizing more ozone-friendly and energy-efficient cooling equipment; (c) using high-energy efficient inverter air-conditioning units; and (d) proper waste management through waste segregation.

   In February 2017, the Bank commissioned a waste management project at the PNB Financial Center head office. The Facilities Administration Group spearheaded the construction, fabrication, and installation of an oil and grease trap to prevent the clogging of the main sewer pipe line and to prevent oil and grease from entering the Sewage Treatment Plant (STP). Despite the increased population and the cafeteria renovation at the PNB head office, the successful implementation of the project ensured that the oil and grease in the PNB's waste water effluent from the STP was maintained at 2 to 3 mg/L and within the 5 mg/L limit set by the Laguna Lake Development Authority-DENR.

   The Bank also joined the nation in observing the annual Earth Hour, a global event where non-essential electric usage is turned off to support strategies in solving climate change.

   In January 2018, the Human Resources Group introduced the 'PNB HOPIN: Share a Ride' project for its employees. Apart from promoting camaraderie, ride-sharing reduces carbon dioxide and hydrocarbons.

3. **Greening Projects.** As part of its anniversary celebration, the Bank held a tree-planting activity to support efforts to restore the natural environment.

   Committed to the cause of environmental protection, PNB launched the Greener Path project last June 7, 2014 in partnership with the Manila North Tollways Corp. (MNTC). Around 200 PNB employees and MNTC personnel gathered in the Mindanao Avenue section of NLEX and planted thousands of Dita tree saplings. Able to withstand the country's weather patterns and suitable to local natural elements, this variety helped stabilize the ecosystem in the area. To date, survival rate is at 60%, with dry season as one of the main causes of mortality.

4. **Sustainable Environmental Development Program.** In June 2010, the Board approved the Policy and Implementing Guidelines on the availment under Environmental Development Program (EDP), a wholesale lending Program of DBP per Board Resolution No. 2 dated July 23, 2010. The program aims to: (a) improve the quality of the environment; (b) enable the local government units (LGUs) to manage their environment and natural resources; (c) develop and manage natural resources in a sustainable manner; (d) establish the Philippine Water Revolving Fund (PWRF), an innovative mechanism to enhance the Filipinos' access to clean water and sanitation services.

   Eligible Borrowers are: (a) LGUs; (b) water districts; (c) private corporations, with at least 70% Filipino ownership; (d) government-owned and controlled corporations; (e) cooperatives/associations; and (f) private financial institutions.

   For PWRF: (a) local government units; (b) water districts; (c) consortium or joint venture (JVs) of water districts and LGUs and/or private groups; (d) the consortium or JV should be registered as a juridical entity for the development and/or operation of a water infrastructure/service; and (e) private water service providers or bulk suppliers, provided the PWRF loan will be used for projects that serve water districts and LGUs.

   PNB supports in financing projects related to the following eligible projects/target sectors: (a) new and renewable energy; (b) solid/health care/hazardous waste management; (c) industrial pollution prevention fund; and (d) for PWRF (water supply and sanitation) with the following conditions: (1) compliance with applicable laws and regulations on environmental protection; (2) an application letter for an Environmental Compliance Certificate (ECC) or its equivalent, duly acknowledged by Environmental Management Bureau (EMB), is required for loan evaluation purpose; (3) a passing score in the project evaluation conducted by DBP - Programs Development (PD) and; (d) equipment/goods that are brand new and not refurbished, unless otherwise approved by DBP.

5. **Support to Businesses that Contribute to Sustainable Development.** PNB, through its Institutional Banking Sector, continuously supports borrowers whose businesses or projects contribute to the nation's sustainable development and preservation of natural resources. These entities include: (a) a company that builds a water treatment facility and distribution system catering to a local community; (b) a mining company that practices responsible mining and supports community development through health and medical assistance, educational support and public infrastructure; (c) a corporation that constructs a solar power plant; (d) a utility firm engaged in hydro-power generation; and (d) a corporation that promotes renewable energy in the Philippines. As part of the credit underwriting process, Bank clients are required to submit regulatory compliance clearances (e.g. DENR and other regulatory agencies) in the business and in areas where they operate.

6. **Employee Support for Sustainable Environmental Projects.** Employees of PNB branches fully support the Bank's environmental cause. Southern Luzon 3 branches participated in the Marian Fluvial Procession in Laguna de Bay to show solidarity with the Ministry of Ecology of the Diocese of San Pablo City's run and relief activity dubbed as Lakbay-Lawa Kaisa ni Maria. The activity highlighted the need to protect Laguna de Bay. The branches provided food and drinks to the participants.

   PNB Pototan Branch employees held their own outreach at Barangay Bucari in Leon, Iloilo by sharing their time and energy. The volunteers provided a thousand hard wood and fruit bearing seedlings to the community. The team also donated packed goods to around 200 families and gave free haircuts for 100 kids and adults, in partnership with the Philippine Army and the LGU.

7. **Disaster Preparedness Programs.** The Bank regularly conducts fire and earthquake drills to enhance employees' ability for emergency response. In March 2017, the Facilities Administration Group conducted a combined fire and earthquake drill joined by around 2,500 PNB head office employees and tenants. The Bank also provided training for facilitators as part of extending psychosocial support for employees affected by calamities and disasters.

SUSTAINABILITY PROGRAM

Sustaining a Healthy and Competent Workforce

PNB believes that its people are its most valued asset. Along with the management team, employees play a vital role in helping the Bank realize its goals and fulfilling PNB's brand promise of serving customers first. Recognizing the need to sustain a healthy and competent workforce, PNB's Human Resources Group (HRG) runs year-round employee development and overall wellness programs that promote productivity, continuous development and work-life fit.

By yearend 2017, the Bank has on record a total of 8,234 employees, about 45% of whom are union members. The Bank has two unions: the Philnabank Employees Association (PEMA) and the PNB Employees' Union (PNBEU). Having a Collective Bargaining Agreement (CBA) shows the solid foundation of the PNB family – a group made stronger by mutual respect and collaboration.

1. **Improved Talent Acquisition.** As the Bank continues to grow its business, HRG was able to hire a total of 509 new employees, translating to an average monthly rate of 42 new hires. Of the new hires, 63% are female, 67% of whom are in the 20- to 25-year-old age group. Of the male new hires, 59% are in the 20- to 25-year-old age group.

   Attrition was kept at bay at 7.81% which was below the industry benchmark.

   PNB has managed to grow its female population over the years. Females comprise 67% of the total employee count, 4% of whom hold key management positions. Of the male population, 6% hold key management positions.

   Understandably, the biggest number of employees is found in the Retail Banking Sector, numbering 5,162 or more than half of the total population worldwide.

   PNB has enhanced its strategic recruitment efforts to align with business directives. HRG has expanded the assessment and profiling of officers for hiring to include Workplace Scenario for Leadership Roles. HRG also implemented a one-day screening process for officers. To widen its pool of potential talents, the Bank participated in 17 university job fairs in 2017.

2. **Competitive Compensation and Benefits Package.** PNB recognizes the value of its human capital and provides programs and benefits geared towards a holistic approach to employee well-being. Employees are provided with remuneration and benefits at par with

   industry standards. The Bank also extends benefits to qualified dependents of employees.

3. **Enhanced Performance Management and Continuous Improvement.**
   It has always been PNB's thrust to nurture talent, reward performance, and value innovation and commitment. HRG actively pursued initiatives aimed at sustaining the value of excellence across various HR functional areas while effectively responding to new business requirements and challenges. Noteworthy to mention are the following:

   a. Intensified succession management program and identified high potential employees and enrolled them to the PNB Talent Pool.

   b. Managed year-round training programs for rank and file employees being groomed to become officers: Management Development Program, Branch Operations Training Program, and the Junior Executives Development Institute (JEDI) Program. Programs that form part of the group's learning and development curriculum were pursued.

   c. Launched the PNB Business Unusual Seminar Series where external subject matter experts are invited quarterly to discuss with directors and key officers of the Bank relevant topics such as business disruptions, threats and opportunities, new regulatory requirements, and digitization.

   To enhance competencies, the Bank provided learning and development opportunities for employees. A total of 20, 885 training seats were made available throughout the year, as training hours averaged at 56.58 hours per employee.

4. **Regulatory Compliance.** The Department of Labor and Employment (DOLE) has certified PNB as an institution that is compliant with the department's program and policies – the first Philippine bank to be given such recognition after meeting requirements on general labor and occupational safety and health standards. In a simple awarding ceremony held on April 26, 2017 at the Century Park Hotel, Labor Secretary Silvestre H. Bello III awarded the compliance certificates to PNB Director Dr. Lucio C. Tan and Chairperson Florencia G. Tarriela. Prior to this, the certificates were issued to PNB in July 2016 after it passed the joint assessment conducted by labor inspection teams.

   In February 2018, the Board approved the adoption of DOLE Department Order No. 178 or the "Safety and Health Measures for Workers who by the Nature of their Work have to Stand at Work" with the policy that female employees who, by the nature of their work have to stand for a long period or are frequently required to walk may wear shoes with heels no higher than one inch.

5. **Sustainable Employee Welfare and Wellness Program.** In partnership with health care provider, ValuCare, HRG conducted monthly wellness lectures for head office employees, with speakers from various health organizations. Also, the group disseminated over 20 e-mail wellness bulletins and newsletters nationwide to keep employees abreast with relevant health topics such as stress management, lifestyle diseases, "deskercise", and nutrition. Practical knowledge on health and wellness not only helps employees to get fit; it can also enhance productivity at work.

SUSTAINABILITY PROGRAM

Delivering Financial Solutions to Customers

Most banks offer similar products and services. What sets PNB apart is the ability to develop and provide financial solutions that respond to the Filipinos' unique needs – wherever they are in the world. PNB offers solutions that promote profits and enable financial literacy and inclusion.

Sustainable Social Philanthropy Programs and Activities

1. PNB partnered with Social Security System (SSS) and launched the SSS Pension Loan Program. Open to all active SSS pensioners up to 70 years old, this program provides a more accessible and convenient means to receive pensions. Pensioners are also given additional insurance coverage. For this program, PNB won the New Consumer Lending Product of the Year Award from the Asian Banking and Finance Retail Banking Awards 2016.

2. PNB launched the Bank on Wheels in the early '70s. It was an all-terrain vehicle used to serve the cash needs of customers in the remotest areas. After almost 45 years, in December 2015, PNB re-launched a revolutionized, all-new Bank on Wheels, which makes banking more convenient for Filipinos who have limited access to financial services. It was recognized by two international award-giving bodies: The Most Innovative Banking Service, Philippines 2016 by the Global Business Outlook Awards; and the Most Innovative Bank, Philippines by International Finance Magazine Awards.

3. PNB continues to support countryside development by serving the business needs of small and medium enterprises (SMEs) through accessible loan facilities. Lending centers are strategically located in key cities and regional hubs nationwide to promote financial inclusion.

4. The Own-a-Philippine Home Loan (OPHL) is a product innovation of PNB which gives Filipinos residing in and working abroad an easy way to purchase residential real estate in the Philippines.

5. PNB fervently supports the government's Community Mortgage Program which enables land acquisition by the occupying community association under the concept of community ownership. The initiative has benefited 491 families of the Kamana Homeowners Association in Quezon City. A similar program also benefited 399 families of the Bolonshire Fresh Ville Livelihood Association in Cagayan de Oro City.

6. In 2016, PNB launched the "Ecosystem" Strategy, which is an end-to-end, sustainable value chain concept in banking that aims to create links, harness synergies, and forge long-term partnership among PNB's institutional clients, as well as their respective counterparties (suppliers, customers, employees, etc.). The strategy aims to provide customized banking solutions and other services (e.g., integrated cash management solutions, bills payment, payroll services) to parties in the value chain.

The Institutional Banking Sector (IBS) has partnered with the Automotive Suppliers Credit Program to support the thrust of Government to make the Philippines a regional manufacturing hub for car manufacturers.

Industry Memberships

- Bankers Association of the Philippines
- Philippine Deposit Insurance Corporation
- BancNet
- Philippine Marketing Association of the Philippines
- Institute of Corporate Directors
- Financial Executives (FINEX) Institute of the Philippines
- Association of Bank Compliance Officers (ABCOMP)
- ABCOMP – Association of AML Officers (AMLO)
- Japanese Chamber of Commerce
- British Chamber of Commerce
- Philippine Chamber of Commerce
- Cebu Chamber of Commerce
- Philippine Institute of Certified Public Accountants (PICPA)
- Institute of Internal Auditors-Philippines (IIA-P)
- Information Systems Audit and Control Association (ISACA)
- Association of Certified Anti-Money Laundering Specialists (ACAMS)
- Association of Certified Fraud Examiners (ACFE)
- Association of CPAs in Commerce and Industry (ACPACI)
- Bankers Institute of the Philippines (BAIPHIL)
- Toastmasters International
- Trust Officers Association of the Philippines (TOAP)
- Integrated Bar of the Philippines (IBP)
- Information Security Officers Group (ISOG)
- Society for Worldwide Interbank Financial Transactions (SWIFT)
- Philippine Payment Management, Inc. (PPMI)
- Money Market Association of the Philippines (MART)
- Management Association of the Philippines (MAP)
- Fund Managers Association of the Philippines (FMAP)
- ACI Philippine The Financial Markets Association, Inc. (ACIFMA)
- Tzu Chi Foundation
- Association of Philippine Correspondent Bank Officers Inc. (APCB)
- Bankers Council for People Management (BCPM)
- Organization Development Professional Network Philippines Inc. (ODPN)
- People Management Association of the Philippines (PMAP)
- Employers Confederation of the Philippines (ECOP)
- Philippine Council of Management (PHILCOMAN) Research Institute
- Makati Business Club
- Mindanao Business Council
- Zamboanga Chamber of Commerce and Industry
- Association of Bank Remittance Officers, Inc.
- Credit Card Association of the Philippines Filipino Chinese Chamber
- Various local Rotary Clubs, local Chamber of Commerce & local Banker's Association

Serving Communities Beyond Banking

Having over 8,000 employees worldwide means that employee volunteerism is very much alive in PNB. Throughout the years, the Bank has been supportive of various projects and programs focusing on corporate social responsibility (CSR).

1. Pagtutulungan Ng Bayan is a volunteer CSR initiative of the Bank employees. Employees raise funds to help provide for the needs of indigents, victims of calamities and other emergencies, as well as to support various CSR projects. The bayanihan spirit among employees was witnessed in the aftermath of typhoon "Yolanda" and, more recently, in the aftermath of the Marawi siege. For the latter, the Pagtutulungan Ng Bayan para sa Pasko ng Pagbangon was organized in December 2017. Employees shared voluntary contributions and donations to help affected PNB employees and customers in Marawi rebuild their lives.

You first Marawi

2. The Branch Banking Group (BBG) of the Retail Banking Sector institutionalized the Piso-Piso Cada Linggo, a voluntary fund drive to support the Sisters of Mary Banneux, a religious congregation that helps boystowns and girlstowns that serve as boarding schools for deserving students coming from less fortunate families. Over 600 PNB branches and other offices were able to raise half a million pesos for the Sisters of Mary Banneux in December 2016, which helped sustain the education of more than a hundred scholars.

3. PNB employees volunteered and participated in the bloodletting activity spearheaded by the Philippine National Red Cross, Pasay City Charter, in cooperation with the Commission on Appointments (CA) held on June 29, 2016 in Pasay City.

Sustainable Programs on Education & Financial Literacy and Financial Inclusion

PNB has partnered with BSP for sustainable financial literacy and inclusion programs. The Bank is a participant in BSP's "Banking On Your Future (BOYF) Kiddie & Teen Account Program", in partnership with the Department of Education. BSP recognized PNB as one of the Top 3 Banks with the highest number of kiddie savers. PNB and BSP likewise implemented the "Project BSP Reaches Out", also known as "Project B.R.O.".

Apart from BSP, PNB has been working closely with various institutions to spread financial literacy among the youth.

1. Around 300 grade school students of St. Scholastica's College-Manila attended the PNB MyFirst Savings Roadshow held last August 17, 2017. The PNB MyFirst Savings account is for children and teens aged 19 and below, designed to help teach the value of saving. It only requires an initial deposit of Php100, and a minimum Average Daily Balance of Php5,000 to earn interest. Apart from enjoying a session of relevant storytelling, the students learned about the value of saving at an early age. The well-attended session was made possible through the invitation of the school and was facilitated by PNB Harrison Plaza Branch.

2. In partnership with Rotary District 3830 and the Bangko Sentral ng Pilipinas, PNB supported the 2017 District Rotaract & Interact Assembly (DRIA) with the theme, "Transcending the Youth towards Making a Difference". The Bank was invited to facilitate the said segment. On August 19, 2017, around 500 high school and college students and young professionals, all members of the Rotaract and Interact Clubs of the various Rotary Clubs in District 3830, converged in PNB for a learning session led by the Institutional Banking Sector.

3. To promote financial discipline and involve the banking industry in teaching basic financial knowledge, PNB and ABS-CBN Lingkod Kapamilya Foundation, Inc. (ALKFI) jointly engaged in a financial literacy program entitled, "Young and Empowered Students for the Philippines" or YESPh. It sought to educate and promote the importance of wise money management among the youth. Being a pilot project, YESPh was cascaded to 40 schools nationwide and reached over 10,700 students.

As a financial partner of global Filipinos, PNB held several learning sessions to help develop financial literacy among hard-working kababayans. The sessions taught participants how to better manage their earnings so they can build, over the long term, a secure future for themselves and their loved ones.

Through the Global Filipino Banking Group, PNB conducted Free Financial Literacy Seminars for the benefit of overseas Filipinos. These included, among others: Planning for your Retirement on July 9, 2016 at Lucky Plaza, Singapore; Seminar for BPI-ASKI Financial Education Participants on July 14, 2016 at Lucky Plaza, Singapore; Building Filipino Wealth on October 19, 2016 at National University of Singapore; Capability Building & Convergence for OFWs on December 2, 2016 at Zamboanga City; and Financial Literacy Talk during the OWWA OFW Family Day on December 8, 2016 at Tetuan, Zamboanga City.

Furthermore, the Bank continues its mission to inspire hope for a brighter future among students nationwide through the Books Across the Seas (BATS) Project. This ongoing program aims to provide tools for learning through book donations to public schools and libraries.

As part of the Lucio Tan Group of companies, PNB also participates in the Tan Yan Kee Foundation, Inc.'s (TYKFI) CSR programs and activities. For 30 years, TYKFI has had a holistic approach to CSR, a commitment framework targeting education; culture and sports; health and social welfare, including environmental concerns; research and manpower development.

PNB has supported the TYKFI advocacies such as:

1. Social Welfare: Fast Response to Immediate and Long-Term Needs

TYKFI's involvement in social welfare seeks to address long-term needs. Nevertheless, the other side of social welfare programs is responsiveness, which calls for urgent support and assistance to victims of calamities. The projects of the foundation for social welfare include the following:

a) Small Water Impounding Project (SWIP): The project, located in Balungao, Pangasinan, aims to repair and rehabilitate water impounding dams damaged by typhoons and other calamities.

b) HOPE Caravan: The project provides urgent assistance to victims of calamities. During typhoon "Lando" where most parts of Northern Luzon were affected, TYKFI immediately sent HOPE Caravan to affected towns in the provinces of Nueva Vizcaya, Ilocos Sur, Nueva Ecija and Pampanga. More than 2,500 families received relief packs and roofing materials from the foundation. HOPE Caravan also helped the hardest-hit coastal towns of Baler and Casiguran and distributed school bags and supplies and food items to the affected residents. On the other hand, a total of 876 families in Sta. Cruz and Tagudin, Ilocos Sur, received relief packs and roofing materials from the foundation.

c) Planting Calendar: In cooperation with DepEd's "Gulayan sa Paaralan Program", TYKFI distributed Planting Calendar and Planting Guidebook, together with vegetable seedlings to 996 pupils in Vigan Central School under the Alternative Learning System (ALS). The program aims to encourage the propagation of vegetables as food source or as source of livelihood.

d) Environment and Rebuilding the Community: In an effort to restore environment and strengthen the community, TYKFI started the LCT Legacy Forest Project. Through this project, TYKFI committed to provide opportunities for a sustainable livelihood that will help restore the dignity of Filipinos in the affected communities. A three-year plan entitled, "Rebuilding the Community and Environment", sought to implement strategic and sustainable programs. The plan includes reforestation activities, housing projects, training and livelihood programs that help encourage Filipino families in the depressed areas to become more productive and enjoy a better quality of life. TYKFI potted over a million of seedlings and planted 120,000 seedlings of various species on 240 hectares of land in Quezon and Laguna. The Legacy Forest farmers were able to grow and nurture a total of 635,660 seedlings in Sta. Fe, Nueva Vizcaya and Carranglan, Nueva Ecija. The farmers planted 206 hectares of fuelwood and 73 hectares of timber, covering 279 hectares, in Carranglan, Nueva Ecija. Among the wood species planted were ipil-ipil, narra and anchoan dilau. TYKFI also implemented the planting of mangroves in Manomanoc, Boracay Island and Las-Ud, Sta Cruz, Ilocos Sur.

2. Education: Creating a Brighter Tomorrow

TYKFI has partnered with the Foundation for Upgrading the Standard of Education (FUSE) for the training-the-trainors program, with the aim of improving teaching standards and competency particularly in the subject areas of English, Mathematics, and Sciences. Among the program's partners are DepEd, Ateneo de Manila University, and De La Salle University. FUSE has trained 13,687 teachers, circulated 21,011 journals, and distributed 386,494 training video computer disks nationwide.

3. Health Services: The Foundation of a Healthy Populace

Medical and dental missions are conducted to address health concerns in partnership with medical and dental professionals and LGUs. Outreach projects were held for people who usually do not have access to basic health care: the "Project Asthma: Nebulizer Distribution Program" and Asia Brewery Monthly Medical Forum. TYKFI has been sending specialists from UERM Memorial Medical Center to the remotest parts of the country to bring much-needed free medical assistance to thousands of beneficiaries. TYKFI and Absolut Distillers welcomed 2018 with a medical mission in Lian, Batangas. More than 700 barangay residents received free medicines and vitamins.

PROFILES OF THE BOARD OF DIRECTORS

BOARD OF DIRECTORS

MAILA KATRINA Y. ILARDE
Corporate Secretary

MANUEL T. GONZALES
Advisor

HARRY C. TAN
Advisor

WILLIAM T. LIM
Advisor

VIVIENNE K. TAN
Director

FELIX ENRICO R. ALFILER
Vice Chairman

LUCIO K. TAN, JR.
Director

CARMEN K. TAN
Director

FLORIDO P. CASUELA
Director

MICHAEL G. TAN
Director

LEONILO G. CORONEL
Director

CECILIO K. PEDRO
Director

FEDERICO C. PASCUAL
Director

CHRISTOPHER J. NELSON
Director

EDGAR A. CUA
Director

ESTELITO P. MENDOZA
Director

LUCIO C. TAN
Director

FLORENCIA G. TARRIELA
Chairman

REYNALDO A. MACLANG
President

WASHINGTON Z. SYCIP
Director
(1921-October 2017+)

BOARD OF DIRECTORS

FLORENCIA G. TARRIELA

Age
70

Nationality
Filipino

Education
- Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines
- Masters in Economics degree, University of California, Los Angeles, where she topped the Masters Comprehensive Examination

Current Position in the Bank
- Chairman of the Board/Independent Director

Date of First Appointment
- May 29, 2001 (as Director)
- May 24, 2005 (as Chairman of the Board)
- May 30, 2006 (as Independent Director)

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

Other Current Positions
- Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-IBJL Leasing and Finance Corporation, and PNB-IBJL Equipment Rentals Corporation
- Independent Director of PNB International Investments Corp.
- Columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of 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
- Independent Director of PNB Life Insurance, Inc.
- Undersecretary of Finance
- Alternate Monetary Board Member of the BSP, 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.
- President, Bank Administration Institute of the Philippines

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

FELIX ENRICO R. ALFILER

Age
68

Nationality
Filipino

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

Current Position in the Bank
- Vice Chairman/Independent Director

Date of First Appointment
- January 1, 2012

Directorship in Other Listed Companies
- None

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

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

REYNALDO A. MACLANG

Age
79

Nationality
Filipino

Education
- Bachelor of Laws, Ateneo de Manila University

Current Position in the Bank
- President of the Bank

Date of First Appointment
- February 9, 2013 (as Director)
- May 27, 2014 (as President)

Directorship in Other Listed Companies
- None

Other Current Positions
- Director of PNB Global Remittance and Financial Co., HK, Ltd., Bulawan Mining Corporation and PNB Management & Development Corporation
- Director of Philippine Payments Management Inc., Asian Bankers Association, LGU Guarantee Corporation and Bancnet, Inc., where he is also a Treasurer

Other Previous Positions
- Director of PNB Savings Bank
- President of Allied Savings Bank from 1986 to 2001
- President of Allied Banking Corporation (ABC) from 2001 to 2009
- Director of Allied Banking Corporation, Allied Leasing & Finance Corporation, PNB Life Insurance, Inc., PNB Italy SpA, PNB International Investments Corporation, PNB Holdings Corporation, PNB Securities, Inc., PNB Forex, Inc., Eton Properties Philippines, Inc., and Bankers Association of the Philippines

FLORIDO P. CASUELA

Age
76

Nationality
Filipino

Education
- Bachelor of Science in Business Administration, Major in Accounting, University of the Philippines
- Masters in Business Administration, University of the Philippines
- Advanced Management Program for Overseas Bankers, Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania

Government Civil Service Eligibilities
- Certified Public Accountant, Economist, Commercial Attaché

Current Position in the Bank
- Director

Date of First Appointment
- May 30, 2006

Directorship in Other Listed Companies
- None

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

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

Awards/ Citations
- One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration
- Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

BOARD OF DIRECTORS

LEONILO G. CORONEL

Age	71
Nationality	Filipino
Education	• Bachelor of Arts degree, Major in Economics, Ateneo de Manila University • Advance Management Program, University of Hawaii
Current Position in the Bank	• Director
Date of First Appointment	• May 28, 2013
Directorship in Other Listed Companies	• Independent Director of Megawide Construction Corporation
Other Current Positions	• Independent Director of DBP-Daiwa Capital Markets Phil. • Director of Software Ventures International
Other Previous Positions	• Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation • Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation • Director/Treasurer of Philippine Depository and Trust Corporation • Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council • Managing Director of BAP-Credit Bureau • President of Cebu Bankers Association • Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation • Worked with Citibank, Manila for 20 years, occupying various positions.
Awards/ Citations	• Fellow of the Australian Institute of Company Directors in 2002 • Fellow of ICD

EDGAR A. CUA

Age	62
Nationality	Filipino
Education	• Bachelor of Arts in Economics degree (Honors Program), Ateneo de Manila University • Masters of Arts in Economics degree, University of Southern California • Masters of Planning Urban and Regional Environment degree, University of Southern California • Advanced Chinese, Beijing Language and Culture University • Sustainable Development Training Program, Cambridge University
Current Position in the Bank	• Independent Director
Date of First Appointment	• May 31, 2016
Directorship in Other Listed Companies	• None
Other Current Positions	• Independent Director of PNB Capital and Investment Corporation and Allied Commercial Bank, Xiamen • Director of Davao Unicar Corporation
Previous Positions	• Held various managerial and staff positions at the Asian Development Bank (ADB) during a 30-year professional career. Retired in 2015 as Senior Advisor, East Asia Department of the Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC. • Staff Consultant, SGV & Co.

ESTELITO P. MENDOZA

Age	87
Nationality	Filipino
Education	• Bachelor of Laws (cum laude), University of the Philippines • Master of Laws, Harvard University
Current Position in the Bank	• Director
Date of First Appointment	• January 1, 2009
Directorship in Other Listed Companies	• Director of San Miguel Corporation and Petron Corporation
Other Current Positions	• Chairman of Prestige Travel, Inc. • Director of Philippine Airlines, Inc. • Practicing lawyer for more than sixty (60) years
Other Previous Positions	• Professorial Lecturer of law at the University of the Philippines • Undersecretary of Justice, Solicitor General and Minister of Justice • Member of the Batasang Pambansa and Provincial Governor of Pampanga • Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization.
Awards/ Citations	• Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University (Seoul, Korea), University of Manila, Angeles University Foundation and the University of the East • Doctor of Humane Letters degree by the Misamis University • Recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns • University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award"

CHRISTOPHER J. NELSON

Age	58
Nationality	British
Education	• Bachelor of Arts and Masters of Arts in History, Emmanuel College, Cambridge University, U.K. • Diploma in Marketing, Institute of Marketing, Cranfield, U.K.
Current Position in the Bank	• Director
Date of First Appointment	• March 21, 2013 (Director) • May 27, 2014 (Board Advisor) • May 26, 2015 (Director)
Directorship in Other Listed Companies	• None
Other Current Positions	• Chairman of Lux Et Sal Corporation • Director of the Philippine Band of Mercy, the Federation of Philippine Industries and Greenlands Community • Vice President/Member of the Board of Trustees of the American Chamber Foundation Philippines, Inc. and British Chamber of Commerce of the Philippines, where he is also the Executive Chairman • Member of the Society of Fellows of the Institute of Corporate Directors • Trustee of Bellagio 3 Condominium Association, Inc. and Dualtech Training Foundation as of March 2017
Other Previous Positions	• Director of PNB Holdings Corporation • Trustee of Tan Yan Kee Foundation • Director of the American Chamber of Commerce of the Philippines, Inc. • President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years • Various management positions with Philip Morris International for 25 years including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa

BOARD OF DIRECTORS

FEDERICO C. PASCUAL

Age 75

Nationality Filipino

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

Current Position in the Bank
- Independent Director

Date of First Appointment
- May 27, 2014

Directorship in Other Listed Companies
- None

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

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

CECILIO K. PEDRO

Age 64

Nationality Filipino

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

Current Position in the Bank
- Independent Director

Date of First Appointment
- February 28, 2014

Directorship in Other Listed Companies
- None

Other Current Positions
- Independent Director of PNB Savings Bank
- Chief Executive Officer (CEO)/President of Lamoiyan Corporation
- Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc.
- Director of CATS Motors, Manila Doctors Hospital and Philippine Business for Social Progress
- Chairman of the Asian Theological Seminary, Deaf Evangelistic Alliance Foundation, Inc. and Legazpi Hope Christian School
- Member of the Board of Trustees of GT Foundation
- Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc.

Other Previous Positions
- CEO/President of Aluminum Container, Inc.

Awards/ Citations
- Recipient of the Ten Outstanding Young Men in the field of Business Entrepreneurship, Aurelio Periquet Award on Business Leadership, Ateneo Sports Hall of Fame, CEO Excel Award, Ozanam Award for Service, Entrepreneur of the Year for Social Responsibility, Ten Outstanding Manileños, PLDT SME Nation and Go Negosyo's Grand MVP Bossing Award, and ASEAN Business Advisory Council (BAC) Social Entrepreneur Award
- Recognized by the House of Representatives for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012

WASHINGTON Z. SYCIP (+)

Age 96

Nationality Filipino-American

Education
- Bachelor of Science in Commerce, University of Sto. Tomas
- Masters in Commerce, University of Sto. Tomas and Columbia University

Position in the Bank
- Director from December 8, 1999 to October 7, 2017 (+)

Previously Held Positions in Various Companies
- Chairman of Cityland Development Corporation
- Independent Director of Belle Corporation, First Philippine Holdings Corporation, Lopez Holdings Corporation, and Metro Pacific Investments Corporation
- Director of LT Group, Inc. and MacroAsia Corporation
- Founder of SGV Group
- Chairman Emeritus of the Asian Institute of Management
- Member of the Board of Overseers of the Graduate School of Business at Columbia University
- Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France
- Honorary Life Trustee of The Asia Society
- President of the International Federation of Accountants
- Member of the International Advisory Board of the Council on Foreign Relations
- Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange
- Served in the international Boards of the American International Group, AT&T, Australia & New Zealand Bank, Caterpillar, Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others.
- Board of Trustees of the Ramon Magsaysay Award Foundation and Eisenhower Exchange Fellowship

Awards/ Citations
- Most Outstanding Professional in the field of Accountancy given by the Professional Regulation Commission on June 2015
- *Arangkada* Lifetime Achievement Award conferred by the Joint Foreign Chambers of the Philippines on March 3, 2015
- Order of *Lakandula*, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011
- Doctor of Laws, Honorary Degree conferred by the University of Melbourne
- Officer's Cross of the Order of Merit given by the Federal Republic of Germany
- Star of the Order of Merit Conferred by the Republic of Australia
- Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden

CARMEN K. TAN

Age 76

Nationality Filipino

Current Position in the Bank
- Director

Date of First Appointment
- May 31, 2016

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

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

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

BOARD OF DIRECTORS

LUCIO C. TAN

Age	83
Nationality	Filipino
Education	• Bachelor of Science in Chemical Engineering degree, Far Eastern University • Doctor of Philosophy, Major in Commerce, 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 Position	• Chairman and CEO of Philippine Airlines, Inc. and University of the East • Chairman/President: Tangent Holdings Corporation and Lucky Travel Corporation • Chairman: Air Philippines Corporation, Eton Properties Philippines, Inc., Eton City, Inc. Belton Communities, Inc., Asia Brewery, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Asian Alcohol Corporation, Absolut Distillers, Inc., The Charter House, Inc., PMFTC, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, PNB Savings Bank, Allianz PNB Life Insurance, Inc., Alliedbankers Insurance Corporation, Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Manufacturing Services & Trade Corp., Foremost Farms, Inc., Dominium Realty & Construction Corp., Shareholdings, Inc., REM Development Corporation, Sipalay Trading Corp., and Progressive Farms, Inc. • President: Basic Holdings Corporation, Himmel Industries, Inc., and Grandspan Development Corporation • Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. • Founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. • Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President
Other Previous Positions	• Chairman: Allied Banking Corporation and Allied Leasing and Finance Corporation
Awards/ Citations	• Honorary degrees from various universities • Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence • Adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam • Diploma of Merit by the Socialist Republic of Vietnam • Outstanding Manilan for the year 2000 • UST Medal of Excellence in 1999 • Most Distinguished Bicolano Business Icon in 2005 • 2003 Most Outstanding Member Award by the Philippine Chamber of Commerce and Industry (PCCI) • Award of Distinction by the Cebu Chamber of Commerce and Industry • Award for Exemplary Civilian Service of the Philippine Medical Association • Honorary Mayor and Adopted Son of Bacolod City; Adopted Son of Cauayan City, Isabela and Entrepreneurial Son of Zamboanga • Distinguished Fellow during the 25th Conference of the ASEAN Federation of Engineering Association • 2008 Achievement Award for service to the chemistry profession during the 10th Eurasia Conference on Chemical Sciences

LUCIO K. TAN, JR.

Age	51
Nationality	Filipino
Education	• Bachelor of Science degree in Civil Engineering (Minors in classical Chinese Mandarin and Mathematics), University of California Davis, U.S.A. • Master of Business Administration, J.L. Kellogg School of Management at Northwestern University and The School of Business & Management at The Hong Kong University of Science and Technology, Hong Kong • Courses in Basic and Intermediate Japanese Language, Languages International, Makati and Asia Center for Foreign Languages, Ortigas
Current Position in the Bank	• Director
Date of First Appointment	• September 28, 2007
Directorship in Other Listed Companies	• Director of MacroAsia Corporation, LT Group, Inc., PAL Holdings, Inc. and Victorias Milling Company, Inc.
Other Current Positions	• President/COO of Tanduay Distillers, Inc. • President of Eton Properties Philippines, Inc. • Director of Bulawan Mining Corporation, PNB Management and Development Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd., and Allied Banking Corporation (HK) Limited • Director of PMFTC, Inc., Philippine Airlines, Inc., Air Philippines Corporation, Allied Bankers Insurance Corporation, Foremost Farms, Inc., Manufacturing Services & Trade Corp., Grandspan Development Corporation, Absolut Distillers, Inc., Asia Brewery, Inc., Eton City, Inc., Asian Alcohol Corporation, Lucky Travel Corporation, Progressive Farms, Inc., Tanduay Brands International, Inc., The Charter House, Incorporated, Himmel Industries, Incorporated • EVP and Director of Fortune Tobacco Corporation
Other Previous Positions	• President and Chief Executive Officer of MacroAsia Corporation • Director of Tanduay Distillers, Inc., Allied Leasing and Finance Corporation, PNB (Europe) Plc and PNB Forex, Inc. • Executive Vice President of Fortune Tobacco Corporation

MICHAEL G. TAN

Age	51
Nationality	Filipino
Education	• Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, University of British Columbia, Canada
Current Position in the Bank	• Director
Date of First Appointment	• February 9, 2013
Directorship in Other Listed Companies	• Director and President of LT Group, Inc. • Director of PAL Holdings, Inc. and Victorias Milling Company, Inc.
Other Current Positions	• Director of PNB Management and Development Corporation, Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited • Chief Operating Officer of Asia Brewery, Inc. • Director of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Grandway Konstruct, Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Alliedbankers Insurance Corporation
Other Previous Positions	• Chairman of PNB Holdings Corporation • Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013

VIVIENNE K. TAN

Age	49
Nationality	Filipino
Education	• Bachelor of Science - Double Degree in Mathematics and Computer Science, University of San Francisco, U.S.A • Diploma in Fashion Design and Manufacturing Management, Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.
Current Position in the Bank	• Director
Date of First Appointment	• December 15, 2017
Directorship in Other Listed Companies	• None
Other Current Positions	• Member of the Board of Trustees of the University of the East and the University of the East Ramon Magsaysay Memorial Medical Center • Founding Chairperson of the Entrepreneurs School of Asia (ESA) • Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)
Other Previous Positions	• Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines • Founder and President of Thames International Business School • Owner of Vaju, Inc. (Los Angeles, U.S.A.) • Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.) • Member of the Board of Trustees of Bantay Bata (Children's Foundation) • Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect Foundation's artificial reef project in Calatagan, Batangas, Quezon City Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award
Awards/ Citations Excellence in	• Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)

CORPORATE SECRETARY

MAILA KATRINA Y. ILARDE

Age: 34

Nationality: Filipino

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

Current Position in the Bank
- Corporate Secretary

Date of First Appointment
- June 29, 2015

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

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

BOARD OF ADVISORS

MANUEL T. GONZALES

Age: 80

Nationality: Filipino

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

Current Position in the Bank
- Board Advisor

Date of First Appointment
- October 1, 2013

Directorship in Other Listed Companies
- None

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

Other Previous Positions
- Director of Allied Banking Corporation
- Member, Management Association of the Philippines (MAP)
- Member, Financial Executives of the Philippines (FINEX)
- Member, European Chamber of Commerce of the Philippines (ECCP)
- Member, Bankers Institute of the Philippines

WILLIAM T. LIM

Age: 77

Nationality: Filipino

Education
- Bachelor of Science in Chemistry, Adamson University

Current Position in the Bank
- Board Advisor

Date of First Appointment
- January 25, 2013

Directorship in Other Listed Companies
- None

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

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

HARRY C. TAN

Age: 71

Nationality: Filipino

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

Current Position in the Bank
- Board Advisor

Date of First Appointment
- May 31, 2016

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

Other Current Positions
- Chairman of Bulawan Mining Corporation, PNB Management Development Corporation, and PNB Global Remittance and Financial Company (HK) Limited
- Director of PNB Savings Bank
- Chairman of the Tobacco Board of Fortune Tobacco Corporation
- President of Landcom Realty Corporation and Century Park Hotel
- Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc.
- Managing Director/Vice Chairman of The Charter House Inc.
- Director of various private firms which include Asia Brewery, Inc., Dominium Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Basic Holdings Corporation, Asian Alcohol Corporation, Pan Asia Securities Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Absolut Distillers, Inc., Tanduay Brands International Inc., Allied Bankers Insurance Corp., Allied Banking Corporation (Hong Kong) Limited, PMFTC, Inc., and Allied Commercial Bank

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

PNB

PROFILES OF THE SENIOR MANAGEMENT TEAM

SENIOR MANAGEMENT TEAM

FVP CONSTANTINO T. YAP

SVP SCHUBERT CAESAR C. AUSTERO

FVP MARTIN G. TENGCO, JR.

SVP ROLAND V. OSCURO

EVP NELSON C. REYES

EVP HORACIO E. CEBRERO III

SVP NORMAN MARTIN C. REYES

FVP ROBERTO S. VERGARA

SVP MANUEL C. BAHENA, JR.

FSVP CARMELA LETICIA A. PAMA

SVP MARIE FE LIZA S. JAYME

SVP NANETTE O. VERGARA

EVP BERNARDO H. TOCMO

PRESIDENT REYNALDO A. MACLANG

EVP CENON C. AUDENCIAL, JR.

SVP MARIA PAZ D. LIM

FSVP AIDA M. PADILLA

FSVP ALICE Z. CORDERO

SENIOR MANAGEMENT TEAM

REYNALDO A. MACLANG, 79, Filipino, was appointed as the Bank's President on May 27, 2014 after serving as a Director of the Bank since February 9, 2013. He holds a Bachelor of Laws degree from the Ateneo de Manila University. He is a member of the Board of Directors of PNB Global Remittance and Financial Co., HK, Ltd.; Bulawan Mining Corporation; PNB Management & Development Corporation; and PNB Forex, Inc. He is a Director of the Asian Bankers Association; and Bancnet, Inc., where he is also a Treasurer. He was previously the President of Allied Savings Bank and Allied Banking Corporation (ABC), Chairman of PNB (Europe) Plc, and a member of the Board of Directors of Allied Leasing & Finance Corporation and PNB Savings Bank. He also became a Director of ABC, PNB Life Insurance, Inc., PNB Italy SpA, PNB International Investments Corporation, PNB Holdings Corporation, PNB Securities, Inc., PNB Forex Inc., and Eton Properties Philippines, Inc.

CENON C. AUDENCIAL, JR., 59, Filipino, Executive Vice President, is the Head of the Institutional Banking Sector. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group, and was a Relationship Manager in Citytrust Banking Corporation. Before his 20-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

SCHUBERT CAESAR C. AUSTERO, 55, Filipino, Senior Vice President, is the Head of the Human Resources Group. He has been connected with PNB since 2006 as Head of Human Capital Development Division and as Deputy HR Head. A Bachelor of Arts graduate from the Leyte Normal University, he has been an HR professional for more than 30 years. Prior to joining PNB, he was connected with the First Abacus Financial Group as Vice President and Group Head of Human Resources; with the Philippine Bank of Communications as Assistant Vice President and Training Director; and with Solidbank Corporation as Recruitment and Training Manager, and later as Senior Manager and Head of Corporate Communications and Public Affairs. He was National President of the People Management Association of the Philippines in 2011 and continues to be active in the association as thought leader for learning and development; as director for strategic planning, and as the current chairperson of the Council of Presidential Advisers. He was appointed by President Benigno Aquino III as Employer Representative to the National Tripartite Industrial Peace Council in 2012. He currently sits as Director of the Organization Development Practitioners Network.

MANUEL C. BAHENA, JR., 56, 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 were the Corporate Partnership for Management in Business, Inc.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc. He obtained his Bachelor of Science degree in Business Administration from Lyceum of the Philippines in 1981 and his Bachelor of Laws degree from Arellano University in 1987.

HORACIO E. CEBRERO III, 55, Filipino, Executive Vice President, is the Head of the Treasury Sector. He is a graduate of the Stanford University Senior Executive Leadership Program. He obtained his Bachelor of Science in Commerce degree, major in Marketing, from the De La Salle University. He is currently a Director of PNB Capital and Investment Corporation and Chairperson of PNB (Europe) Plc. Prior to joining PNB, he was an Executive Vice President and the Treasurer of EastWest Banking Corporation, Director of AIG Philam Savings Bank and PASBERFUND Realty Holdings. 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 N.A. – Manila, Vice President/Chief Dealer of the Treasury Group of Asian Bank Corporation. He has 34 years of experience in the banking industry, starting from Loans and Credit, Branch Banking, Fixed Income Sales, Trust Banking, Foreign Exchange and Fixed Income Trading, Portfolio Management and other Treasury-related activities.

ALICE Z. CORDERO, 61, Filipino, First Senior Vice President, was appointed the Chief Compliance Officer (CCO) of the Bank on June 16, 2010 with oversight on the Bank, including all subsidiaries, affiliates and foreign branches. She is concurrently the Corporate Governance Executive of the Bank. She has been a Director of the Association of Bank Compliance Officers (ABCOMP) since 2007. She obtained a Bachelor of Science degree in Business Economics from the University of the Philippines. She has earned units in Masters in Business Administration from the Ateneo Graduate School of Business. Prior to joining the Bank, she was the CCO of ABC (2007-2010). She worked with Citibank N.A - Manila Branch (1988-2007) for almost 20 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 38 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.

MARIE FE LIZA S. JAYME, 55, Filipino, Senior Vice President, is Head of the Operations Group, which oversees the organization of loans and trade, treasury, cash, clearing, transaction banking, overseas offices, business systems and support, and service quality operations. She graduated Bachelor of Arts, Major in Communication Arts and Business Administration from the Assumption College and completed academic units in Master in Business Administration from the Ateneo de Manila University. She joined PNB in 2007 as Head of Cash Product Management Division to establish the bank's cash management services. Since 1990 when she started in banking, Ms. Jayme has steadily rose to multiple, expanded and senior roles in the areas of account management with Land Bank of the Philippines and United Coconut Planters Bank; risk management, cash and trades sales, cash products with Citibank, N.A.'s Global Transaction Services/E-business; product, brand and marketing management with Security Bank and Export and Industry Bank. Prior to banking, Ms. Jayme held senior staff positions with the Office of the Secretary of Finance, Department of Trade and Industry and former Office of the Prime Minister.

MARIA PAZ D. LIM, 56, Filipino, Senior Vice President, is the Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She obtained her Bachelor of Science degree in Business Administration, major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration degree from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

ROLAND V. OSCURO, 54, Filipino, Senior Vice President, is the Chief Information Security Officer and, in concurrent capacity, the Chief Security Officer and Head of Enterprise Security Group. He obtained his Bachelor of Science in Electronic and Communications Engineering degree from Mapua Institute of Technology and took up units in Master in Business Administration for Middle Managers at the Ateneo de Manila Graduate School. He is an Electronic and Communications Engineering board passer. He took and passed the Information Systems Audit and Control Association's (ISACA) Certified Information Security Manager (CISM) certification last December 2016 and is currently completing documentation for the said certification. Prior to his present position, Mr. Oscuro was hired as IT Consultant of the Bank on November 2, 2003. In May 2004, he was appointed as Head of Network Management Division of the Information Technology Group with the rank of First Vice President. He was the Operational Support System Group Manager of Multi-Media Telephony, Inc. (Broadband Philippines) prior to joining PNB. He was also connected with various corporations such as Ediserve Corp. (Global Sources), Sterling Tobacco Corporation, Zero Datasoft (Al Bassam), Metal Industry Research and Development Center, and Pacific Office Machines, Inc.

SENIOR MANAGEMENT TEAM

AIDA M. PADILLA

AIDA M. PADILLA, 68, Filipino, is First Senior Vice President and the Head of the Enterprise Services Sector. She is the chief strategist for problem and distressed accounts. A seasoned professional, she rose from the branch banking ranks at the Philippine Banking Corporation to become Vice President for Marketing of its Corporate Banking Group. She obtained her Bachelor of Science degree in Commerce, major in Accounting, from St. Theresa's College.

CARMELA LETICIA A. PAMA

CARMELA LETICIA A. PAMA, 61, Filipino, First Senior Vice President, is the Bank's Chief Risk Officer and Data Protection Officer of the PNB Group. Further to her role as Chief Risk Officer, she also coordinates the Internal Capital Adequacy Assessment Process (ICAAP) implementation of the PNB Group. A Certified Public Accountant, she obtained her Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines and Master 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 Philippine operations. Prior to joining PNB on October 2006, she was a Consulting Services Practice Manager at Oracle Corporation (Phils.) from 1999 to 2005, with project implementation experience at the Asian Development Bank (ADB), among others.

NELSON C. REYES

NELSON C. REYES, 54, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as 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.

NORMAN MARTIN C. REYES

NORMAN MARTIN C. REYES, 52, 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 Master in Business Management degree 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.

MARTIN G. TENGCO, JR.

MARTIN G. TENGCO, JR., 52, Filipino, First Vice President, is the Chief Audit Executive (CAE) of the Bank. A Certified Public Accountant, he holds a Bachelor of Science in Business Administration degree, major in Accounting, from the Philippine School of Business Administration. He completed his Master in Business Administration degree at Ateneo de Manila University under the Ateneo-Regis University MBA program. He started his career as a working student in 1984 as an accountant in a construction company before joining Allied Banking Corporation on June 1, 1992 as a Junior Auditor. He rose from the ranks to become an officer in 1996, and in 2009, was designated as Deputy Chief Audit Executive and Information Systems Audit Division Head until his appointment as Chief Audit Executive of PNB on June 1, 2017. He also served as the Business Continuity Coordinator of Allied Bank from June 2007 to April 2008. He was a member of the Audit Committee of Bancnet from 2009 to 2014. He is a member of the Philippine Institute of Certified Public Accountants, Institute of Internal Auditors (IIA), Information Systems Audit and Control Association (ISACA), and Association of Certified Fraud Examiners-Philippines.

BERNARDO H. TOCMO

BERNARDO H. TOCMO, 56, Filipino, Executive Vice President, is the Head of Retail Banking Sector (RBS) who manages the RBS Sales and Support Group, Branch Banking Group, Global Filipino Banking Group, Cards Banking Solutions Group, Cash Management Solutions Division and Pinnacle Priority Banking Division of the Bank. Mr. Tocmo is also a director of Allianz PNB Life Insurance, Inc. since March 2017.He obtained his Master in Business Economics degree from the University of Asia and the Pacific where he likewise finished the Strategic Business Economics Program. He graduated with a Bachelor of Science degree in AgriBusiness, major in Management, from the Visayas State University. He joined PNB in October 2015. Mr. Tocmo is a seasoned banker with over three decades of work experience with the country's top and mid-tier commercial banks. He started his career with United Coconut Planters Bank in 1982. He further honed his skills at Union Bank of the Philippines where he assumed key managerial positions from 1990 to 1996. He left Union Bank as a Senior Manager and joined Security Bank Corporation in 1996 as Assistant Vice President until his promotion to First Vice President in 2005 as Area Business Manager. Subsequently, he joined Metropolitan Bank & Trust Company in September 2005 as Vice President and was appointed Head of National Branch Banking Sector with the rank of Executive Vice President. He was also a Director of Metrobank Card Corporation from 2012 to 2015.

NANETTE O. VERGARA

NANETTE O. VERGARA, 57, Filipino, Senior Vice President, is the Chief Credit Officer and Head of Credit Management Group. She obtained her degree in Bachelor of Science in Statistics (cum laude) in 1981 from the University of the Philippines in Diliman. She joined PNB in 2006 and was appointed as First Vice President and Head of Credit Management Division. She started her banking career with Bank of Commerce in 1981. She moved to the Credit Rating Services Department of the Credit Information Bureau in 1983 and went back to banking in 1992 when she joined Union Bank of the Philippines. She later transferred to Solidbank Corporation in 1993 to head various credit-related units. Prior to joining PNB, she worked with United Overseas Bank from 2000-2006 as VP/Head of Credit Risk Management.

ROBERTO S. VERGARA

ROBERTO S. VERGARA, 66, 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 positions in Trust Banking, Treasury, Investment Banking and Global Banking/Overseas Remittances in various banks, including Metrobank, Solidbank, and HSBC, among others. Prior to joining PNB, he was the Chief Trust Officer, then Treasury Group Head, and, lastly, Global Banking/Overseas Remittance Group Head of the Land Bank of the Philippines. He is also a holder of the Government Civil Service Career Executive Service Officer and Career Service Executive eligibility, and is a qualified Independent Director/Fellow under the Institute of Corporate Directors (ICD).

CONSTANTINO T. YAP

CONSTANTINO T. YAP, 54, Filipino, First Vice President, was appointed as Head of Information Technology Group on July 1, 2013 after Allied Banking Corporation (ABC) was merged with PNB on February 11, 2013. He supervised the operations of two different banking systems, Systematics (for ABC) and Flexcube (for PNB) with 300 personnel. He was a Steering Committee member of the Systematics Core Banking Integration Project (CBIP) from 2014 to 2017 that went live in two phases: on March 27, 2017 with 285 branches of ABC, and on August 14, 2017 with 345 branches of PNB. Other major banking projects he oversaw were the ATM Switch Conversion, ATM EMV Migration, Check Image Conversion System, Trust Banking System, and Information Security Projects. He was hired by ABC on October 1, 2007 as Assistant Vice President for the Special Projects Section of the IT Division. Prior to joining ABC, he was Dean of the College of Engineering and College of Computer Studies and Systems at the University of the East (Manila) from 2005 to 2007. He graduated from Purdue University (West Lafayette, Indiana, USA) with a Master of Science degree in Electrical Engineering in 1986.

PNB DOMESTIC SUBSIDIARIES AND AFFILIATE

FRANCISCO P. RAMOS
PNB General Insurers Co., Inc.
(resigned effective December 31, 2017)

JOVENCIO DB. HERNANDEZ
PNB Savings Bank

GERRY B. VALENCIANO
PNB Capital and Investment Corporation

OLAF KLIESOW
Allianz PNB Life Insurance, Inc.

MANUEL ANTONIO G. LISBONA
PNB Securities, Inc.

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

ALLIANZ PNB LIFE INSURANCE, INC.

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

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

ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a majority-owned (51%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC). ABCHKL is a private limited company incorporated in Hong Kong in 1978. It is a restricted-licensed bank under the Hong Kong Banking Ordinance. ABCHKL provides a full range of commercial banking services such as deposit taking, lending and trade financing, documentary credits, participation in loan syndications and other risks, money market and foreign exchange operations, money exchange, investments banking and general corporate services. ABCHKL has a wholly-owned subsidiary, ACR Nominees Limited, a private limited company incorporated in Hong Kong, which provides non-banking general services to its customers.

ALLIED COMMERCIAL BANK

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

In April 2016, the China Banking Regulatory Commission (CBRC) approved ACB's engagement in foreign currency-denominated business for all client types and in CNY-denominated business for all clients except citizens within the territory of China. On January 16, 2017, the Fujian Administration for Industry and Commerce (FAIC) issued a business license to ACB to engage in foreign currency-denominated business servicing all types of clients and in CNY-denominated business servicing all clients except Chinese resident citizens.

PNB SAVINGS BANK

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

PNB Savings Bank offers a wide array of deposit products, remittance services, loans and trade finance. Deposit products being offered are savings account, Power Saver, demand deposits, check plus, Negotiable Order of Withdrawal (NOW) account, short- and long-term time deposits. PNB Savings Bank also offers consumer loan products such as housing loans, motor vehicle loans and multi-purpose loans like salary loans and SSS pension loans, as well as, small-and medium- enterprise loans. Other services offered include remittance, safety deposit box, bills payment and payroll account.

PNB-IBJL LEASING AND FINANCE CORPORATION

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

It provides the following services: financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through PNB-IBJL Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage and for foreign nationals acquisition of condominium units), receivable discounting (purchase of short-term trade receivables and installment papers) and floor stock financing (short term loan against assignment of inventories such as motor vehicles).

PNB-IBJL Equipment Rentals Corporation is a wholly-owned subsidiary of PNB-IBJL Leasing and Finance Corporation, incorporated as a rental company and started commercial operations in July 2008. It is engaged in the business of renting all kinds of real and personal properties (operating lease).

PNB CAPITAL AND INVESTMENT CORPORATION

PNB Capital and Investment Corporation is the wholly-owned investment house subsidiary of PNB. It provides a full range of investment banking services such as loan syndications, retail bond offerings, private placement of shares, public offering of shares, securitization, and financial advisory including liability management, corporate restructuring, pre-IPO preparation, and mergers and acquisitions advisory.

PHILIPPINE NATIONAL BANK (EUROPE) PLC

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

PNB GLOBAL REMITTANCE AND FINANCIAL COMPANY (HK) LIMITED

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

PNB HOLDINGS CORPORATION

PNB Holdings Corporation is a wholly-owned holding subsidiary of PNB that was established on May 20, 1920.

PNB GENERAL INSURERS CO., INC.

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

PNB INTERNATIONAL INVESTMENTS CORPORATION

PNB International Investments Corporation is a non-bank holding subsidiary and is the parent company of PNB Remittance Centers, Incorporated (PNB RCI). PNB RCI has a network of 16 money transfer offices in five states of the United States of America.

PNB RCI also owns PNB Remittance Company, Nevada (PNBRCN) and PNBRCI Holding Company, Limited (PNBRCI Holding). PNBRCN provides money transfer service in the State of Nevada, while PNBRCI Holding was established to be the holding company of PNB Remittance Company (Canada) [PNBRCC]. PNBRCC has eight offices (7 branches and 1 sub-branch) servicing the remittance requirements of Filipinos in Canada.

PNB SECURITIES, INC.

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

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

1. **Market Information**

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

	2015		2016		2017	
	High	Low	High	Low	High	Low
Jan – Mar	87.50	76.70	53.90	43.00	61.00	53.00
Apr – Jun	79.00	62.00	59.85	46.45	71.00	54.90
Jul – Sep	68.90	49.50	64.75	56.35	68.40	59.15
Oct – Dec	54.50	49.60	58.90	54.15	60.20	55.05

The trading price of each PNB common share as of March 9, 2018 was ₱56.80.

2. **Holders**

There are 37,401 shareholders as of December 31,2017. 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	Nationality	Common Shares[1/]	Percentage to Total Outstanding Capital Stock	Voting Status
1	Key Landmark Investments, Ltd.	Filipino	109,115,864	8.7352812437	*
2	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	108,990,863	8.7252742763	*
3	PCD Nominee Corporation (Filipino)	Filipino	107,590,423	8.6131619141	*
4	Caravan Holdings Corporation	Filipino	67,148,224	5.3755576884	*
5	Solar Holdings Corporation	Filipino	67,148,224	5.3755576884	*
6	True Success Profits Ltd.	Filipino	67,148,224	5.3755576884	*
7	Prima Equities & Investments Corporation	Filipino	58,754,696	4.7036129774	*
8	Leadway Holdings, Inc.	Filipino	53,470,262	4.2805670928	*
9	Infinity Equities, Inc.	Filipino	50,361,168	4.0316682663	*
10	Pioneer Holdings Equities, Inc.	Filipino	28,044,239	2.2450843163	*
11	Multiple Star Holdings Corporation	Filipino	25,214,730	2.0185676946	*
12	Donfar Management Ltd.	Filipino	25,173,588	2.0152740677	*
13	Uttermost Success, Ltd.	Filipino	24,752,272	1.9815455738	*
14	Mavelstone Int'l Ltd.	Filipino	24,213,463	1.9384111662	*
15	Kenrock Holdings Corporation	Filipino	21,301,405	1.7052860761	*
16	Fil-Care Holdings, Inc.	Filipino	20,836,937	1.6681030446	*
17	Fairlink Holdings Corporation	Filipino	20,637,854	1.6521654354	*
18	Purple Crystal Holdings, Inc.	Filipino	19,980,373	1.5995307292	*
19	Kentron Holdings & Equities Corporation	Filipino	19,944,760	1.5966797270	*
20	Fragile Touch Investment, Ltd.	Filipino	18,581,537	1.4875467754	*

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

* *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. The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors.*

3. **Dividends**

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

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

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

A. DEPOSITS AND RELATED SERVICES

The Bank offers a wide range of deposit products and services that make banking easy, convenient and trouble-free.

A1. Peso Accounts

1. Current Accounts
- The following non-interest bearing checking accounts offer maximum convenience and payment flexibility:
  - Budget Checking Account
  - Regular Checking Account
- The following checking accounts earn interest that give premium earnings:
  - PNBig Checking Account
  - Priority One Checking Account
  - Executive Checking Account
  - Advantage Account

2. Savings Accounts
- Deposit accounts that earn regular interest rates and provide options to pay bills or to save money for a future expense.
  - Passbook Savings Account
  - Debit Card
  - TAP MasterCard Savings Account
  - OFW Savings Account
  - Direct Deposit Program
  - SSS Pensioners Account
  - GSIS Pensioners Account
  - Prime Savings Account
  - MyFirst Savings Account
  - Top Saver
  - Panatag Na Buhay SuperTeller ATM Account
  - PNBig Savings Account

3. Time Deposit Accounts
- Deposit accounts that offer higher returns held for a specific period of time.
  - Regular Time Deposit Account
  - Wealth Multiplier Account
  - Treasury Nego
  - Market Rate Savings Deposit Account

4. Prepaid Card
- An e-money facility with monthly maximum aggregate balance limit of P100,000.00. This is not a deposit account so it is not covered by PDIC insurance. The Prepaid Card is free of charge for an initial load of P500.00. The card may be used in ATMs nationwide.

A2. Dollar Accounts

1. Current Accounts
- The Greencheck Account is a Dollar-denominated checking deposit account.

2. Savings Accounts
- The following are passbook-based Dollar Savings account:
  - Dollar Savings Account
  - OFW Dollar Savings Account
  - Direct Deposit Dollar Savings Account
  - US SSA Pensioner Account

3. Time Deposit Accounts
- Interest-bearing Dollar-denominated deposit account maintained for a specific period of time.
  - Greenmarket
  - Dollar Treasury Nego
  - Top Dollar Time Deposit Account

A3. Other Foreign Currency Accounts

1. Savings Accounts
- Interest earning foreign currency-denominated savings account evidenced by a passbook.
  - Euro Savings Account
  - Renminbi Savings Account
  - Yen Savings Account
  - Canadian Dollar Savings Account
  - Singaporean Dollar Savings Account
  - Hong Kong Dollar Savings Account
  - Great Britain Pound Savings Account
  - Korean Won Savings Account
  - Swiss Franc Savings Account
  - Malaysian Ringgit Savings Account
  - Taiwan Dollar Savings Account
  - New Zealand Dollar Savings Account

2. Time Deposit Accounts
- Interest -bearing foreign currency deposit account maintained for a specific period of time. Clients are issued a Time Deposit Confirmation Advice as reference.
  - Japanese Yen Time Deposit
  - Canadian Dollar Time Deposit
  - Singaporean Dollar Time Deposit
  - Hong Kong Dollar Time Deposit
  - Great Britain Pound Time Deposit
  - Renminbi Time Deposit
  - Swiss Franc Time Deposit

A4. Cash Management Solutions

PNB offers powerful and efficient cash management solutions that maximize control over business finances.

1. Account Management
- It provides various services via the corporate internet banking platform

2. Liquidity Management
- A facility that allows customers to pre-program intrabank fund transfers to and from parent accounts and corresponding enrolled satellite account/s, with corresponding transaction limits.

3. Collections Management
- This makes clients' collection activities easy and efficient through the use of e-Collect, Auto-Debit Arrangement (ADA) and PDC Warehousing

4. Deposit Pick-up Services
- A service where the Bank picks-up deposits through facilities such as Cash Mover, Retail Cash Mover, Cash Delivery and Direct Deposit Pick-up

5. Payments Management
- Disbursement service that lightens the workload by speeding up the pay-out process through the use of the following solutions:
  - Electronic Funds Transfer (Corporate e-Pay and Auto-Pay)
  - Paper-based Payment (Executive Checking Account (ECA) and Executive Check Online)
  - Over-the-Counter Payment (Cash Over-the-Counter)
  - Payroll Services (Paywise and Paywise Plus)
  - Government Payments (PNB e-Tax and PNB e-Gov)

6. Other Customized Services
- Meralco ADA (Corporate Bills Payment) is an automated payment facility through which subscribers can settle their bills through debit arrangement against their enrolled deposit accounts.
- Customized solutions for SSS i.e. SSS Pension and SSS Sickness and Maternity Benefits Payment through the Bank

A5. Electronic Banking Services

1. PNB Digital Banking
- These are online banking channels offered to PNB bank customers. They allow customers to securely do routine banking transactions like bills payment, fund transfers, and account balance inquiry using desktop/laptop/tablet computer through PNB Internet Banking or with any mobile device through the PNB Mobile Banking App.

2. Phone Banking
- Allows convenient banking through the use of a phone.

3. Automated Teller Machine (ATM)
- An electronic channel that provides bank customers an alternative method of doing their financial transactions in a public area without the assistance of a human clerk or bank teller. The customer identifies himself by inserting the ATM/Debit card which has his card number and other security information, and by entering his Password Identification Number (PIN).
- The following services can be availed through the ATM:
  - Balance Inquiry
  - Cash Withdrawal
  - Cash Deposit (at Cash Accept Machines)
  - Fund Transfers
  - Bills Payment

A6. Safety Deposit Boxes

- Rented boxes in a secure location that clients use to keep valuables, legal documents and other prized possessions.

B. BANCASSURANCE

PNB BancAssurance provides solid financial services to help ensure and protect your future.

B1. Non-Life Insurance

The following non-life insurance products are being offered through PNB General Insurers Co., Inc.

1. Property and Natural Perils Insurance
- Indemnifies the insured against loss or damage to his/her properties caused by fire and/or lightning in its basic form, and by allied/natural perils when such additional coverage is extended by the insurer.

2. Motor Car Insurance
- Provides financial protection against loss or damage to the vehicle or against legal liability to third parties.

3. Personal Accident Insurance
- Provides benefits/indemnity in case of losses to the person or the physical well being of an individual arising out of an accident. The following are the Personal Accident products offered:
  - iProtect Personal Accident Card
  - Student Personal Accident
  - Travel Ease
  - Group Personal Accident
  - Family Personal Accident
  - Individual Personal Accident

4. Engineering Insurance
- Provides protection of construction works, as well as the erection of buildings and operation of machinery. The following are the different types of Engineering Insurance:
  - Contractors' All Risks
  - Erection All Risks
  - Electronic Equipment Insurance
  - Machinery Breakdown
  - Boiler and Pressure Vessel Insurance

5. Marine Insurance
- It covers goods transported or the vessel transporting goods against loss due to maritime perils. The Marine Insurance product types are:
  - Marine Cargo Sea Freight
  - Marine Cargo Air Freight
  - Inland Marine

6. Aviation Insurance
- Insurance coverage geared specifically to the operation of aircraft and the risks involved in aviation.

7. Casualty Insurance
- It provides coverage for third party legal liability and other business insurance requirements. It can be availed through the following products:
  - Comprehensive General Liability
  - Comprehensive Personal Liability
  - Money, Securities and Payroll Robbery Insurance
  - Fidelity Guarantee Insurance
  - Property Floater Insurance

8. Surety Insurance
- It provides guarantee on the performance of an obligation to a party. The following are the types of bonds that can be availed:
  - Contractor's Bond
  - Fidelity Bond
  - Reconstituted Title Bond
  - Surety Indemnity Bond
  - Judicial Bonds

9. Specialized Lines
- These are the special packaged insurance products:
  - Golfer's Comprehensive Insurance
  - Gasoline Dealers Comprehensive Insurance
  - Retail Store Insurance
  - ATM Safe
  - Home Insure Plus
  - Condo Maximizer

B2. Life Insurance

There is a wide range of life insurance products offered by Allianz PNB Life that cater to specific needs.

Savings and Investments

1. Optimum Gold / Optimum Green
- A single-pay, whole life policy with a fund value directly linked to the performance of the fund chosen in the currency elected by the policyholder with guaranteed acceptance endorsement.

2. Optimal Power Peso / Optimal Power Dollar
- A single-pay, whole life policy with a fund value directly linked to the performance of the fund chosen in the currency elected by the policyholder.

3. Bida / Hero
- A term insurance product that provides benefit in the event of death of the insured within the period covered or upon reaching the end of the term (maturity).

4. Peso Intensify
- An insurance product that provides an endowment benefit upon attainment of age 85 of the policyholder on top of anticipated endowments starting at the end of the 10th policy year. This product also provides a benefit in the event of death of the policyholder.

Protection/Retirement

5. Diversify Peso
- A regular-pay, whole life policy with a fund value directly linked to the performance of the fund chosen in the currency elected by the policyholder.

Protection

6. AirLite
- A special accident insurance that provides benefit in the event of death of the policyholder while traveling as a fare-paying passenger in a chartered flight by any airline.

Health

7. Milestone Protect 360
- A life insurance product that provides complete protection against dreaded diseases, accidents and hospitalization. This product offers a benefit in the event of death of the insured or a benefit upon maturity of the policy on top of accidental medical expense reimbursement, daily hospital income and total and permanent disability benefit until the policyholder reaches age 60.

Education

8. Achievers / Stars
- An education plan that provides endowment benefits based on the attained age of the insured. In the event of death of the policyholder before maturity date, the full amount of the plan benefit will be given to his/her beneficiaries. Another benefit will also be given upon maturity of the policy

Estate Planning

9. Premier Life Peso / Dollar
- A whole life insurance product that provides benefit in the event of death of the insured.

Other Specialized Insurance

10. Yearly / 5-Year / 10-Year / 15-Year Renewable and Convertible Term Plan
- A renewable and convertible term life insurance product that provides benefit equal to the face amount in the event of death of the policyholder within the covered period.

11. Maximal Power Peso / Maximal Power Dollar
- A single-pay, fixed initial charge life insurance product with a fund value directly linked to the performance of the fund chosen in the currency elected by the policyholder.

12. Optimax Gold / Optimax Green
- A single-pay, fixed initial charge whole life policy with a fund value directly linked to the performance of the fund chosen in the currency elected by the policyholder with guaranteed acceptance endorsement.

13. Group Secure / Group Advantage
- A group yearly renewable term insurance for employee-employer groups

14. Group Shield
- A group credit life insurance plan for lending institutions, cooperatives, banks and lenders.

15. Group Protect
- A personal accident insurance plan for employee-employer groups that may include medical expense reimbursement, bereavement assistance and/or daily hospital income benefit.

16. Healthy Ka Pinoy
- A personal accident insurance plan under the Group Protect made available to clients and depositors of PNB and their dependents.

C. REMITTANCE PRODUCTS AND SERVICES

The Bank has various products and services which OFWs and their beneficiaries can rely on.

C1. Receiving Remittances

1. Global Filipino Card (PHP, USD)
- It is a re-loadable prepaid ATM card.

2. Credit Deposit Accounts (PHP, USD, Euro)
- Remittance are credited to PNB accounts

3. Credit to Other Banks (PHP, USD)
- Remittance for credit to other local banks

4. Door-to-Door Delivery (PHP, USD)
- Remittance for delivery to the residence of the beneficiary via PNB's accredited courier

5. Cash Pick-Up (PHP, USD)
- Remittance sent thru PNB's overseas offices and can be claimed in any of PNB Domestic Branch and accredited pay out partners

C2. Sending Remittances

1. Remittance Cards (7-Eleven in Hong Kong)
- Remittances sent through any 7 Eleven outlet to be credited in the beneficiary's account

2. Remittance Channels
- The facilities that OFWs can use to send remittance are Web Remittance (Available in Europe and the USA); Phone Remittance; Mail-In Remittance and Agent Remittance System (through tie-ups)

C3. Other Services

1. Overseas Bills Payment
- Allows OFWs to pay their bills in the Philippines through PNB's overseas Branches and Offices.

2. Remittance Tracker
- A system that allows both the remitter and beneficiary to check the status of their remittance.

D. FUND TRANSFER AND RELATED SERVICES

D1. International Foreign Currency Funds Transfers - Incoming/Outgoing

- International money transfers using PNB's overseas branches and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) code

D2. Domestic Interbank Funds Transfers - Incoming/Outgoing

1. Philippine Domestic Dollar Transfer System (PDDTS)
- PCHC's electronic fund transfer system for USD where the transfer of money occurs real-time.

2. Real Time Gross Settlement (RTGS)
- BSP's electronic fund transfer system for PHP where the transfer of money occurs real-time.

3. Electronic Peso Clearing System (EPCS)
- An interbank account-to-account fund transfer system for PHP that supports bulk, recurring, low-value, less-time sensitive payment and collection transactions. This solution paves the way for clearing paperless interbank payments.

4. Bancnet Interbank Funds Transfers (IBFT)
- A facility that PNB and other Bancnet member-banks offer to ATM cardholders, that allows fund transfers among member banks.

5. BSP-Philippine Payment Settlement System (PhilPaSS)
- A real-time gross settlement system owned and operated by the BSP that is used to settle interbank fund transfers and other high value financial transactions like Peso Check Clearing Gains & Losses against the Demand Deposit Account (DDA) maintained by PNB with the BSP.

6. Renminbi Transfer System (RTS) - Chinese Yuan
- Handles real-time electronic transfer of RMB and allows participants to send and receive RMB payments and transfers.

D3. Demand Drafts/ Cashier's/ Manager's Checks

- Negotiable instruments used to make payments.

D4. Travel Funds

- Foreign Exchange in the form of Travellers' checks and/or foreign currency notes sold by the Bank for travel abroad

D5. Check Image Clearing System (CICS)

- Facility for clearing Deposited Checks among Banks using image and electronic payment information, allowing a more secure and faster clearing for earlier availability of funds.

D6. Clearing of Foreign Checks

The following modes are available for clearing foreign checks/drafts drawn abroad:

1. Cash Letter Service
- Service provided by PNB's correspondent bank in the U.S.A. and PNB New York branch via the Check21 facility for clearing of large volume of foreign checks abroad for credit to an account.

2. Final Credit Service (FCS) / Individual Collection Item (ICI)
- A special USD check/draft collection system, through PNB's US correspondent banks, for all USD checks/drafts drawn in the United States, its territories and possessions (FCS) and drawn outside US territory (ICI).

3. Standard Collection Service
- Foreign exchange collection services for definite time of payment and notification of non-payment of foreign checks. This service caters USD and all 3rd currency checks/drafts regardless of region/country.

4. Check 21 Facility for clearing of US checks
- A facility that enables the Bank to handle checks electronically and makes check processing faster and more efficient.

E. TREASURY PRODUCTS AND SERVICES

E1. Foreign Exchange

- Buying and selling of foreign currencies (i.e. USD/PHP; USD/JPY; USD/CNY; EUR/USD; GBP/USD; USD/Other Currencies)

E2. Financial Hedging Instruments

- Buying and selling of foreign currencies using forward contracts (USD/PHP; USD/JPY; EUR/USD), swap contracts (USD/PHP; USD/JPY; EUR/USD), cross currency swaps (USD/PHP) or Philippine Peso interest rate swaps.

E3. Local and Foreign Currency Denominated Fixed Income Securities

- Fixed income securities are investments that provide a fixed rate of income over time with the full investment amount returned upon maturity. The following investment opportunities are available:

1. Securities issued by the Republic of the Philippines
- Treasury Bills
- Treasury Bonds
- Retail Treasury Bonds
- USD denominated ROPs
- EUR denominated ROPs

2. Securities issued by Corporations and Financial Institutions in the Philippines
- Corporate Bonds
- Long Term Negotiable Certificates of Deposits
- Unsecured Subordinated Debt

3. Securities issued by the United States of America
- Treasury Bills
- Treasury Bonds

E4. Local and Foreign Currency Denominated Short-term Money Market Instruments and Certificates of Time Deposits

- Fixed income securities with short term maturity and high credit quality. Money market instruments traditionally include treasury bills (issued by national monetary authorities) or certificates of deposit (issued by banks).

F. TRADE FINANCE SERVICES

The following are the different modes/ arrangements of settling international trade transactions

F1. Export Services

1. Export Letter of Credit (ELC) – Advising & Confirmation
- LC opened by a foreign bank at the request of a foreign buyer and for the account of the exporter, the seller of goods.

2. Export Bills Processing
- A facility granted to exporters wherein the documents presented for negotiation are purchased prior to the collection of export proceeds.

3. Export Bills for Collection
- Refers to documents/drafts received from the client/exporter which will be sent for collection by the Bank to the Issuing and/or Correspondent Bank abroad.

4. Outward Bills for Collection
- Collection of Export Bills under LC, documents against payment and acceptance

F2. Import Services

1. Letters of Credit (LC)
- Issues and negotiates LCs, a written undertaking by the Bank given to the beneficiary to serve as a guarantee for payment. The Bank offers the following specific LCs:
  - Shipside Bonds/Shipping Guarantees
  - Trust Receipt Financing

2. Inward Bills for Collection
- Handling of documents in accordance with the instruction received, in order to:
  - obtain payment and/or acceptance
  - deliver documents on other terms and conditions

3. Forward Contracts for Future Import Payment

4. Bureau of Customs (BOC) Payment under PASS5 arrangement
- Servicing of Collection and Payment of Advance and Final Customs Duties for all ports in the Philippines covered under the E2M project of the Bureau of Customs Project Abstract Secure (PAS5)

F3. Special Financing Services

1. **BSP e-Rediscounting Facility for Export and Import Transactions**
   - Rediscounting is the privilege of the Bank to obtain loans or advances from the BSP using the eligible papers of its borrowers as collaterals.
2. **Standby Letters of Credit**
   - Standby LCs are primarily payment undertaking issued to support an underlying contract.
3. **Deferred Letters of Credit**
   - LCs used for importation or local purchase of capital goods or services rendered

G. LENDING SERVICES

The Bank offers a wide array of attractive and easy loan options:

G1. Corporate/Institutional Loans

1. **Credit Lines**
   - A credit facility available for use and re-use up to the specified limit until amended, revised, revoked or expired (i.e. Revolving Credit Line (RCL); Non-revolving Credit Line; Omnibus Line)
2. **Export Financing Facilities**
   - These are facilities available to the exporter for his financing needs (i.e. Export Advance Loan; Export Advance Line)
3. **Import-Related transactions**
   - Credit facilities that finance importer requirements (i.e. Letters of Credit Facility; Trust Receipt Facility; Risk Participation)
4. **Bills Purchased Lines**
   - A credit line for the purchase of clean bills of exchange consisting principally of checks, drafts and other negotiable instruments denominated in local currency. (i.e. Domestic Bills Purchased Line (DBPL); Export Bills/Drafts Purchased Line; Discounting Line)
5. **Letters of Credit – Foreign/Domestic**
   - A Letter of Credit serves as a security or a guarantee for the payment of a loan or the performance of an obligation (i.e. Standby LC; Deferred LC)
6. **Term Loans**
   - A loan that has a final maturity period of longer than one year. It is designed to fit special needs and requirements of a particular borrower. (i.e. Medium- and Long-Term Loan; Short-Term Loan; Project Financing)
7. **Loans Against Deposit Hold Out**
   - Facilities that are fully covered by peso deposits or by US Dollar deposits
8. **Time Loans**
   - Loans for Agriculture and Commercial purposes, payable in one installment on the maturity date
9. **Structured Trade Finance**
   - Aims to promote trade by using non-standard lending, it is usually used in high value transactions in bi-lateral trading relationships. (i.e. Export Credit Agency Lines; Export-Import Bank of US Guarantee Program)
10. **Specialized Lending Programs**
    - These loans from government financial institutions aim to help start-up projects, expansion projects, rehabilitation and relocation projects. (e.g. DBP Wholesale Lending Facilities; LBP Wholesale Lending Facilities; SSS Wholesale Lending Facilities; BSP Rediscounting Facility etc.)
11. **Sugar Financing Program**
    - Credit facilities for eligible sugar planters, millers, and traders (i.e. Sugar Crop Production Line; Sugar Quedan Financing Line; Time Loan Agricultural; Operational Loan)
12. **Small Business Loans for SMEs**
    - These loans (DBPL or term loans) are used for working capital, fixed asset acquisition and other business-related expenditures of the SME.

G2. Local Guarantee Facilities
- Loan facilities for specific clients such as SMEs and LGUs, whose requirements are guaranteed by the following: PhilEXIM, SB Corp., and LGUGC.

G3. Loans for Local Government Units (LGUs)
- The following loan facilities are available for LGUs with eligible projects:
  - Term Loans
  - Import LC Facility Against Loan or Cash
  - Domestic Letters of Credit Against Loan or Cash
  - Loans Against Deposit Hold Out

G4. Loans for Government-Owned and Controlled Corporations/ National Government Agencies/ Public Utilities (GOCCs/NGAs/PUs)
- The following credit facilities are available for GOCCs/NGAs/PUs:
  - Project Financing
  - Term Loans
  - Credit Lines
  - Export Financing Facilities
  - Bills Purchased Lines
  - Import Letters of Credit
  - Standby Letters of Credit
  - Structured Trade Finance
  - LGU Bond Flotation (thru PNB Capital and Investment Corp.)
  - Loans Against Deposit Hold Out

G5. Consumer Loans

1. **PNB Smart Home Loan**
   - A housing loan that offers initial low monthly payments option which increases as the value of the property appreciates, and flexible payment terms.
2. **PNB Home Flexi Loan**
   - A loan that allows clients to avail funds for personal use, i.e. travel, wedding, medical expenses, using their existing property as collateral.
3. **Contract to Sell Financing**
   - Financing of the receivables of the Developer under its various contracts to sell with individual buyers
4. **PNB Smart Auto Loan**
   - Facility for purchase of brand new or second hand cars
5. **Multipurpose Loan**
   - Facility for employees of accredited companies, SSS pensioners and OFWs who need ready credit:
     - PNB Smart Salary Loan
     - PNB Smart Personal Loan
     - PNB SSS Pension Loan
     - PNB Japan OFW Loan
6. **Own a Philippine Home Loan (OPHL)**
   - A financing program that offers Filipinos and non-Filipinos residing and working abroad an easy way to purchase residential real estate in the Philippines.
7. **Global Filipino Auto Loan (Overseas Auto Loan)**
   - A financing facility for car buyers with chattel mortgage on the financed motor vehicle as security. (available to OFWs in Hong Kong and Saudi Arabia only)

G6. Credit Cards

1. **Core Cards**
   - Experience everyday payment convenience in dining, travelling and shopping with the different PNB Cards. These cards offer flexible rewards options like Cash Credits, Miles and other rewards offers.
     - PNB MasterCard (Essentials and Platinum)
     - PNB Visa (Classic and Gold)
     - PNB UnionPay (Diamond)
     - PNB Corporate MasterCard
2. **Other co-branded Cards**
   - Provides access to exclusive benefits from favorite brands or associations.
     - PNB-PAL Mabuhay Miles MasterCard (Platinum and World)
     - PNB-The Travel Club MasterCard (Platinum)
     - PNB-Alturas Visa Card
     - PNB-Jewelmer Joaillerie MasterCard (Platinum)
     - PNB-AAXS Mastercard (Platinum)
     - PNB-ICAAA Mastercard (Platinum)
     - PNB-DLSZAA Mastercard (Platinum)
     - PNB-AAAIM Mastercard (Platinum)
     - PNB-ADZU Mastercard (Platinum)

H. TRUST PRODUCTS AND SERVICES

H1. Unit Investment Trust Funds (UITF)

UITFs are open-ended trust funds denominated in peso, or any acceptable currency, which pools together the funds of various investors, for investment in different instruments such as government securities, bonds, commercial papers, deposit products and other similar instruments.

There is a wide range of investment fund solutions that PNB can offer to different kinds of clients with specific investment strategies:

1. **For conservative investors:**
   - PNB Prime Peso Money Market Fund
   - PNB Prime Dollar Money Market Fund
   - PNB Global Filipino Peso Money Market Fund
   - PNB Global Filipino Dollar Money Market Fund
   - PNB DREAM Builder Money Market Fund
   - PNB Institutional Money Market Fund
2. **For moderate investors:**
   - PNB Profit Dollar Intermediate Term Bond Fund
   - PNB Peso Intermediate Term Bond Fund (formerly Allied Unit Performance GS Fund)
3. **For moderately aggressive investors:**
   - PNB Prestige Balanced Fund
4. **For aggressive investors:**
   - PNB Enhanced Phil-Index Reference Fund
   - PNB High Dividend Fund
   - PNB Equity Fund (formerly Allied Unit Performance Equities Fund)

H2. Personal Trust Products

These are trust funds for a client's beneficiary that can be availed through the following fund management services:

1. **Personal Management Trust (PMT)**
   - A trust account where PNB's Trust Banking Group (TBG) holds legal title to funds and/or properties for management according to the provisions of the agreement.
2. **Investment Management Account (IMA)**
   - An agency account established by the Principal/client primarily for financial returns. PNB TBG acts solely in behalf and upon the behest of the Principal/client.
3. **Estate Planning**
   - A service created through a trust agreement for the orderly arrangement of an estate during a person's life. This includes fund management, tax planning, retirement planning, pension planning, and wealth distribution.
4. **Testamentary Trust**
   - A trust arrangement created by will and operative only upon the death of the Trustor/client.

H3. Corporate Trust Products

PNB offers the following services for companies:

1. **Corporate Fund Management**
   - A trust or agency account created to access the fund management expertise and services of PNB TBG in managing the investible funds of client in accordance with terms and conditions in the trust or agency agreement.
2. **Employee Benefit Trust/Retirement Fund (PNB EES)**
   - A trust or agency account created with the end purpose of providing certain benefits such as retirement, pension, stock options, medical, accident, disability benefits for employees through an employee benefit plan or retirement fund.
3. **Pre-Need Account**
   - A trust or agency account created by pre-need plan operators in compliance with or for purposes over and above the requirements of R.A. 9829 or the Pre-Need Code of the Philippines.

H4. Other Fiduciary Trust Products and Services

1. **Escrow**
   - An agency account where PNB TBG acts as an unbiased third party to a transaction between two parties involving deposit money, securities, instruments or properties to be delivered based on conditions and procedures agreed upon by the parties.
2. **Guardianship**
   - A fiduciary account created by the appointment of PNB TBG through a court order as guardian of a property or estate of a minor, incapacitated, or incompetent who cannot personally manage his or her property.
3. **Life Insurance Trust**
   - An agency account where PNB TBG shall collect proceeds of a life insurance policy of the client upon the death of the insured for distribution to the beneficiaries indicated in the agreement.
4. **Facility/Loan Agency**
   - An agency account created for the collection of payments for syndicated loans and remittance to creditors.
5. **Trust Under Indenture**
   - A trust or indenture account created to hold properties subject of mortgage or collateral for bond issues/obligations to protect the interests of both creditors and borrowers.
6. **LGU Bond Trusteeship**
   - A fiduciary account where PNB TBG acts as trustee in financially structured bond issues of local government units (LGUs) to finance viable LGU projects.
7. **Stock Transfer Agency**
   - An agency account where PNB TBG handles the issuance, cancellation, and monitoring of stock certificates, and the preparation and submission of reports to the PSE and the SEC. PNB TBG also serves as paying agent for stock and cash dividends.
8. **Securitization**
   - A special purpose trust where PNB TBG acts as trustee in a financially structured arrangement which creates new security instruments backed by a tangible pool of assets to raise funds.

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Edilberto S. Ramos

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Sharon Marie C. Magpayo
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Vice President
Caroline H. Garcia

Senior Assistant Vice President
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Assistant Vice President
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Kristina R. Domingo

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First Vice President
Jeslyn C. Bonifacio

Vice President
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Assistant Vice President
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Coleen G. Mejia
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Ma. Lourdes S. Liwag
Danilo N. Lorenzo

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Mary Lourdes T. Uy

Senior Assistant Vice President
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Jose Benjamin A. Nunez III
Inulli C. Ty
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Kathlynn Ann L. Lopez
Elin G. Nicolas

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Carmencita Karla O. Ramos
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Cynthia Dorothy I. Acorda
Rosario C. De Leon
Arles Benson M. Gonzales
Shaun Mar S. Limcumpao
Rowena D. Rosuelo
Jan John Dennis N. Villacorte
Christina V. Osias

Assistant Vice President
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Cedric T. Lu
Alexander R. Sevilla
Michael G. Taasan

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Joy Jasmin R. Santos
Josephine E. Jolejole
Dennis Anthony D L Elayda

Vice President
Helen Y. Ang
Ma. Teresa DV Tolentino
Immaculada E. Villanos

Senior Assistant Vice President
Jaycee B. Rivera
Katherine D. Pagal
Roy O. Sapanghila
Anna Liza S. Calayan

Assistant Vice President
Johanna Michelle R. Go
Marigrace C. Ang
Rodney I. Reyes
Ma. Socorro C. Unas

BRANCHES AND OFFICES

DOMESTIC

Metro Manila Branches

ANTIPOLO-CIRCUMFERENTIAL
Circumferential Road,
Brgy. Dalig, Antipolo City
Tel. Nos. 697-0060 / 697-0041
697-4440 (telefax)

ANTIPOLO-MASINAG
Silicon Valley Bldg.,
169 Sumulong Highway,
Mayamot, Antipolo City, Rizal
Tel. Nos. 682-3012 / 681-5846

ANTIPOLO-P. OLIVEROS
89 P. Oliveros St., Kapitolyo Arcade,
San Roque, Antipolo City, Rizal
Tel. Nos. 697-2015 / 697-2018

ANTIPOLO-SUMULONG-MASINAG
F. N. Crisostomo Bldg. 2,
Sumulong Highway, Mayamot,
Antipolo City, Rizal
Tel. Nos. 682-3461 / 682-3463
645-0886 (telefax)

BGC-7TH AVENUE
G/F, Twenty-Four Seven
Mckinley Bldg., 24th St.
cor. 7th Ave., Bonifacio
Global City, Taguig City
Tel. Nos. 817-0370 / 817-0435

BGC-BURGOS CIRCLE
Unit GF-4, The Fort Residences,
30th St., corner 2nd Avenue,
Padre Burgos Circle, Bonifacio
Global City, Taguig City
Tel. Nos. 478-9724 / 478-9722

BGC-INFINITY
G/F, 101 The Infinity Tower,
26th Street, Bonifacio
Global City, Taguig City
Tel. Nos. 553-9709 / 553-9711

BGC-LUXE RESIDENCES
Shop 2, The Luxe Residences
28th St., cor 4th Ave., Bonifacio
Global City, Taguig City
Tel. Nos. 808-0721 / 808-1454

BGC-MCKINLEY HILL
G/F, Unit B, McKinley Hill 810 Bldg.,
Upper McKinley Road,
McKinley Town Center,
Fort Bonifacio, Taguig City
Tel. Nos. 552-1515 / 555-0651

BGC-ONE MCKINLEY PLACE
Unit 6, G/F, One Mckinley Place,
26th St. cor. 4th Ave., Bonifacio
Global City, Taguig City
Tel. Nos. (02) 838-2614; 828-2615

BGC-ORE CENTRAL
Unit 6, G/F Ore Central, 9th Ave.
cor. 31st St., Bonifacio Global City,
Taguig City
Tel. Nos. (02) 838-4638 / 838-4637

BGC-W CITY CENTER
Unit A, G/F W City Center, 7th Ave.
cor. 30th St., Bonifacio
Global City, Taguig City
Tel. Nos. (02) 821-6866 / 821-6869

BGC-WORLD PLAZA
Unit 3, G/F World Plaza 5th Ave.,
Bonifacio Global City, Taguig City
Tel. Nos. (02) 838-9967 / 839-0319

BINONDO-MASANGKAY
916 G. Masangkay St.,
Binondo, Manila
Tel. Nos. 244-8748 / 242-8243
Fax No. 244-8737

BINONDO-NUEVA
Lot 17-18, Blk. 2037, Yuchengco
(formerly Nueva) St. &
Tomas Pinpin St., Binondo, Manila
Tel. Nos. 242-8451 / 242-8452

BINONDO-PLAZA DEL CONDE
G/F, San Fernando Towers,
Plaza del Conde St., Binondo, Manila
Tel. Nos. 243-6576 / 243-6581
Fax No. 243-6580

BINONDO-QUINTIN PAREDES
Alliance Bldg., 410 Quintin
Paredes St., Binondo, Manila
Tel. Nos. 241-2384 / 241-2284
241-2277 / 241-2356
Fax No. 241-2285

BINONDO-REINA REGENTE
1067 Don Felipe St., (near corner
Reina Regente), Binondo, Manila
Tel. Nos. 243-8478 / 242-9493

BINONDO-SAN FERNANDO
452 San Fernando St. cor. Elcano St.,
Binondo, Manila
Tel. Nos. 244-8950 / 242-8450
242-8449

BINONDO-SAN NICOLAS
534 Gedisco Towers, Asuncion St.,
San Nicolas, Manila
Tel. Nos. 243-3329 / 244-8963
244-8964

CAINTA-FELIX AVE.-SAN ISIDRO
F. P. Felix Avenue, Brgy. San Isidro,
Cainta, Rizal
Tel. Nos. 645-7361 / 645-7341
645-6026

CAINTA-ORTIGAS AVE. EXT.
Paramount Plaza, Km. 17,
Ortigas Ave. Ext., Brgy. Sto. Domingo,
Cainta, Rizal
Tel. Nos. 535-0802 / 535-0794
535-0796 (telefax)

CAINTA-SAN ISIDRO
RRCG Transport Bldg.,
Km. 18 Ortigas Avenue Extension,
Brgy. San Isidro, Cainta, Rizal
Tel. Nos. 470-8642 / 997-8103

CAINTA-VILLAGE EAST
G/F, Arellano Bldg., Felix Ave.,
cor. Village East Ave., Cainta, Rizal
Tel. Nos. 656-8639 / 656-8633
656-8581 (telefax)

CALOOCAN-A. MABINI
451 A. Mabini corner J. Rodriguez St.,
Caloocan City
Tel. Nos. 288-6486 / 288-6729

CALOOCAN-EDSA BALINTAWAK
337-339 EDSA corner Don Vicente
Ang St., Caloocan City
Tel. Nos. 366-9407 / 364-2646

CALOOCAN-GRACE PARK-10TH AVE.
354 A-C 10th Ave., Grace Park,
Caloocan City
Tel. Nos. 365-8578 / 365-6173

CALOOCAN-GRACE PARK-3RD AVE.
126 Rizal Avenue Ext., Between 2nd
and 3rd Avenue, Grace Park,
Caloocan City
Tel. Nos. 990-3449 / 990-7977

CALOOCAN-GRACE PARK-7TH AVE.
322 Rizal Ave. Ext. near corner,
7th Avenue, Grace Park, Caloocan City
Tel. Nos. 363-6521 / 363-7239
363-1076 (fax)

CALOOCAN-MACARTHUR HIGHWAY
G/F, The Grandz Commercial
Building, Calle Cuatro,
MacArthur Highway, Caloocan City
Tel. Nos. 366-5988 / 366-8413
366-5989 (fax)

CALOOCAN-MONUMENTO
419 D&I Bldg., EDSA, Caloocan City
Tel. Nos. 361-6448 / 364-0906

CALOOCAN-RIZAL AVE. EXT.
1716 Rizal Ave. Ext. corner L.
Bustamante St., Caloocan City
Tel. Nos. 361-0287 / 366-8416
366-8414
Fax No. 361-0286

CALOOCAN-SAMSON ROAD
149 Samson Road
corner P. Bonifacio St., Caloocan City
Tel. Nos. 332-7501 / 367-6659

CALOOCAN-SANGANDAAN
Gen. San Miguel St., Brgy. 4, Zone 1,
Sangandaan, Dist. II, Caloocan City
Tel. Nos. 288-2450 / 288-2446

DIVISORIA-168 MALL
Stall 3S-04, 168 Shopping Mall,
Sta. Elena, Soler Sts., Binondo, Manila
Tel. Nos. 254-5279 / 254-7479

DIVISORIA-ELCANO
706-708 Elcano St., Binondo, Manila
Tel. Nos 243-5852 / 243-5845
243-5853

DIVISORIA-JUAN LUNA
CK Bldg., 750 Juan Luna St.,
Binondo, Manila
Tel. Nos. 242-9031 / 243-1929
243-1946

DIVISORIA-STO. CRISTO
767 Sto. Cristo cor.
M. delos Santos Sts., Divisoria, Manila
Tel. Nos. 242-6264 / 242-6266
Fax No. 241-1326

DIVISORIA-STO. CRISTO-C.M. RECTO
869 Sto. Cristo St., Binondo, Manila
Tel. Nos. 242-6319 / 242-8135
247-4470

GREENHILLS-CLUB FILIPINO DRIVE
G/F, One Kennedy Place,
Club Filipino Drive Greenhills,
Tel. Nos. San Juan City
Tel. Nos. 725-4341 / 725-5929
25-5084

GREENHILLS-ORTIGAS AVE.
G/F, Limketkai Bldg., Ortigas Ave.,
Greenhills, San Juan
Tel. Nos. 723-0907 / 723-5291
723-7801 / 726-7574
726-8995
Fax No. 725-5702

HEAD OFFICE CENTER
G/F, PNB Financial Center,
Pres. Diosdado Macapagal Blvd.,
Pasay City
Trunk Lines: 891-6040 to 70 or
526-3131 locals 2317
4681 / 4689 / 4639 / 2226
2048 / 4693 / 2042 / 4691

LAS PIÑAS-AGUILAR AVENUE
G/F, Las Piñas Doctors' Hospital,
Aguilar Ave., Citadella Subd.,
Las Piñas City
Tel. Nos. 826-9706 / 826-9716
826-9734

LAS PIÑAS-ALMANZA
Consolidated Asiatic Project, Inc.
Bldg., Alabang-Zapote Road,
Brgy. Almanza Uno, Las Piñas City
Tel. Nos. 800-4719 / 800-4722
800-4853

LAS PIÑAS-ALMANZA UNO
Hernz Arcade, Alabang-Zapote Road,
Almanza, Las Piñas City
Tel. Nos. 800-0597 / 806-6905

LAS PIÑAS-CITY HALL
#19 Alabang Zapote Road,
Pamplona II, Las Piñas City
Tel. Nos. 871-1745 / 871-3149

LAS PIÑAS-NAGA ROAD
Lot 2A, Naga Road corner
DBP Extension, Pulang Lupa Dos,
Las Piñas City
Tel. Nos. 804-1021 / 804-1022

LAS PIÑAS-PAMPLONA
267 Alabang-Zapote Road,
Pamplona Tres, Las Piñas City
Tel. Nos. 847-9373 / 847-9010

BRANCHES AND OFFICES

LAS PIÑAS-ONE TOWNSQUARE PLACE
Don Mariano Lim Industrial Compound, Alabang Zapote Rd. cor. Concha Cruz Rd., Las Piñas
Tel. No. 772-2709
Fax No. 772-2706

LAS PIÑAS-ZAPOTE
99 Real Street, Alabang-Zapote Road, Pamplona 1, Las Piñas City
Tel. Nos. 871-4106 / 808-9863
Fax No. 871-4105

MAKATI-AGUIRRE
G/F, 112 All Seasons Building, Aguirre St., Legaspi Village, Makati City
Tel. Nos. 893-8192 / 894-2538

MAKATI-ALLIED BANK CENTER
G/F, Allied Bank Center, 6754 Ayala Ave. cor. Legazpi St., Makati City
Tel. Nos. 816-3311 to 50
Fax No. 813-7168

MAKATI-AMORSOLO
114 Don Pablo Building, Amorsolo St., Legaspi Village, Makati City
Tel. Nos. 841-0295 / 818-1416
818-2198 / 841-0296
Fax No. 893-0358

MAKATI-AYALA AVE.
G/F, VGP Center, 6772 Ayala Avenue, Makati City
Tel. Nos. 894-1432 / 817-9936

MAKATI-AYALA RUFINO
Unit 1-B, G/F, Rufino Tower, Ayala Ave. cor Rufino St. Makati City
Tel. Nos. 889-0952 / 889-0955
Fax No. 889-0963

MAKATI-BANGKAL
G/F, E. P. Hernandez Bldg., 1646 Evangelista St., Bangkal, Makati City
Tel. Nos. 889-0395 / 889-0396

MAKATI-BEL-AIR
52 Jupiter St., Bel-Air, Makati City
Tel. Nos. 519-8042 / 519-8276

MAKATI-BENAVIDEZ
Unit G-1D, G/F BSA Mansion, 108 Benavidez St., Legaspi Village, Makati City
Tel. Nos. 840-3039 / 840-3040

MAKATI-BUENDIA-DIAN
56 Gil Puyat Ave., Buendia, Makati City
Tel. Nos. 845-1540 / 845-1541
Fax No. 845-1542

MAKATI-BUENDIA-EDISON
Visard Bldg, #19 Sen. Gil Puyat Ave., Makati City
Tel. Nos. 843-5889 / 844-9958
844-9956

MAKATI-BUENDIA-PETRON MEGA PLAZA
G/F, Petron Mega Plaza Bldg., 358 Sen. Gil Puyat Avenue, Makati City
Tel. Nos. 886-3379 / 886-3377
886-3383

MAKATI-C. PALANCA
G/F, Unit G1 and G2, BSA Suites, G103 C. Palanca cor. dela Rosa Sts., Makati City
Tel. Nos. 822-7994 / 822-7996
822-7975

MAKATI-CHINO ROCES AVE. EXT.
GA Building, 2303 Don Chino Roces Ave. Ext., Makati City
Tel. Nos. 840-3796 / 840-3801

MAKATI-DASMARIÑAS VILLAGE
2284 Allegro Center, Chino Roces Avenue Extension, Makati City
Tel. Nos. 846-9330 / 846-5144

MAKATI-DELA COSTA
G/F, Classica Tower Condominium, 114 H.V. Dela Costa St., Salcedo Village, Makati City
Tel. Nos. 887-0029 / 887-0023
Fax No. 887-0024

MAKATI-ETON YAKAL
Unit 5A, Belton Place Makati, Pasong Tamo corner Yakal Sts., Makati City
Tel. Nos. 844-5706 / 844-5709

MAKATI-GREENBELT
G/F, 114 Charter House Building, Legaspi St., Legaspi Village, Makati City
Tel. Nos. 892-6094 / 892-6341

MAKATI-GUADALUPE
Pacmac Bldg., 23 EDSA, Guadalupe Nuevo, Makati City
Tel. Nos. 882-4636 / 882-1904

MAKATI-LEGASPI SOTTO
VMC Bldg. Legaspi & Sotto Sts., Legaspi Village, Makati City
Tel. Nos. 560-8561 / 560-9661

MAKATI-LEVISTE ST.-SALCEDO VILLAGE
G/F, LPL Mansions Condominium, 122 L.P. Leviste St., Salcedo Village, Makati City
Tel. Nos. 848-2593 / 848-2574

MAKATI-METROPOLITAN AVENUE
G/F, 1012 BUMA Bldg., Metropolitan Avenue, San Antonio Village, Makati City
Tel. Nos. 897-3910 / 897-5815
Fax No. 897-4408

MAKATI-PASONG TAMO
2233 Chino Roces Avenue, Makati City
Tel. Nos. 813-4013 / 813-4012
Fax No. 893-9206

MAKATI-POBLACION
Corner Angono and Cardona Sts. 1210 JP Rizal, Makati City
Tel. Nos. 899-1430 / 896-4592
Fax No. 897-9932

MAKATI-ROCKWELL CENTER
Stall No. RS-03, G/F Manansala Tower Estrella St. cor. Joya Drive Rockwell Center, Makati City
Tel. Nos. 551-2001 / 551-8978

MAKATI-SALCEDO ST.-LEGASPI VILLAGE
First Life Center, 174 Salcedo St., Legaspi Village, Makati City
Tel. No. 893-7841

MAKATI-SAN LORENZO
G/F, Jackson Bldg., 926 A. Arnaiz Avenue, Makati City
Tel. No. 894-4165

MAKATI-SAN LORENZO-ARNAIZ
G/F, Power Realty Bldg., 1012 A. Arnaiz Avenue, Brgy. San Lorenzo, Makati City
Tel. Nos. 887-7770 / 887-7771
Fax No. 887-7772

MALABON-F. SEVILLA
F. Sevilla Blvd., Brgy. Tañong, Malabon City
Tel. Nos. 281-3154 / 281-4727

MALABON-GOV. PASCUAL
157 Gov. Pascual Avenue, Acacia, Malabon City
Tel. No. 288-5106
Fax No. 288-5105

MALABON-POTRERO
A & S Building, 189 MacArthur Highway, Potrero, Malabon City
Tel. Nos. 291-2742 / 444-6263
447-4291

MALABON-RIZAL AVE.
701 Rizal Avenue Ext., corner Magsaysay St., Malabon City
Tel. Nos. 281-5859 / 281-3230
Fax No. 281-3338

MANDALUYONG SHAW-ACACIA LANE
VSK Building, 2 Acacia Lane corner Shaw Blvd., Mandaluyong City
Tel. Nos. 532-4249 / 532-4230
Fax No. 532-4225

MANDALUYONG SHAW-PRINCETON
G/F, Sun Plaza Bldg., 1505 Shaw Blvd. cor. Princeton St., Mandaluyong City
Tel. Nos. 661-9466 / 570-3134

MANDALUYONG SHAW-STARMALL
Starmall cor. EDSA Shaw Blvd., Mandaluyong City
Tel. Nos. 726-7389 / 726-1832
726-9258
Fax No. 726-7351

MANDALUYONG-BONI AVENUE
654 Boni Ave., Mandaluyong City
Tel. Nos. 531-4833 / 531-8930
532-4022

MANDALUYONG-HIGHWAY HILLS
471 Shaw Blvd., Mandaluyong City
Tel. Nos. 534-8020 / 533-4243

MANDALUYONG-PIONEER
G/F, B. Guerrero Complex, 123 Pioneer St., Mandaluyong City
Tel. Nos. 638-9310 / 638-9565

MANDALUYONG-SHANGRI-LA PLAZA
Unit AX 116 P3 Carpark Bldg., Shangri-la Annex Plaza Mall, EDSA corner Shaw Blvd., Mandaluyong City
Tel. Nos. 633-1907 / 633-9224

MANDALUYONG-WACK-WACK
G/F, Summit One Tower, 530 Shaw Blvd., Mandaluyong City
Tel. Nos. 533-7093 / 533-1808
Fax No. 717-0898

MANILA-ADRIATICO-HARRISON PLAZA
RMSC Bldg., A. Adriatico St., Malate, Manila
Tel. Nos. 525-2489 / 524-9851
525-2462

MANILA-ARRANQUE
1427 Citiriser Building, Soler St., Sta. Cruz, Manila
Tel. Nos. 733-2671 / 733-2691
733-2677

MANILA-BAMBANG-MASANGKAY
G/F, ST Condominium, 1480 G. Masangkay St., Sta. Cruz, Manila
Tel. Nos. 254-2506 / 254-2530
Fax No. 254-2503

MANILA-BLUMENTRITT- L. RIVERA
Citidorm Blumentritt, 1848 Blumentritt corner Leonor Rivera Sts., Sta. Cruz, Manila
Tel. Nos. 732-7150 / 732-7156

MANILA-BSP
G/F, Cafetorium Building, BSP Complex, A. Mabini cor. P. Ocampo Sts., Malate, Manila
Tel. Nos. 708-7680 / 708-7682
521-5583

MANILA-C.M. RECTO
G/F, Dr. Lucio C. Tan Bldg., UE Manila Annex, C.M. Recto, Manila
Tel. Nos. 734-0599 / 734-0799
734-0899

MANILA-CENTURY PARK HOTEL
G/F, Century Park Hotel, M. Adriatico cor. P. Ocampo Sts., Malate, Manila
Tel. Nos. 524-8385 / 525-3792
528-8888 local 2018
Fax No. 525-0232

MANILA-DAPITAN
1710 Dapitan St. near cor. M. dela Fuente St., Sampaloc, Manila
Tel. Nos. 732-9617 / 749-0038
743-1355

MANILA-EARNSHAW
1357 Earnshaw corner Jhocson Sts., Sampaloc, Manila
Tel. No. 742-7971
Fax No. 742-7975

MANILA-ERMITA U.N. AVE.
Physician's Tower, 533 U.N. Avenue, cor. San Carlos St., Ermita, Manila
Tel. Nos. 525-0859 / 524-7851
Fax No. 525-0857

MANILA-ERMITA-ROXAS BLVD.
Roxas Boulevard corner Arquiza St., Ermita, Manila
Tel. Nos. 254-7631 / 254-7630
254-7632 / 254-7634
Fax No. 254-7635

MANILA-ESCOLTA
G/F, Regina Bldg., Escolta, Manila
Tel. Nos. 241-4279 / 242-8358
241-4239

MANILA-ESPAÑA
Unit 104, St. Thomas Square, 1150 España Blvd. cor. Padre Campa St., Sampaloc East, Manila
Tel. Nos. 735-6590 / 735-6592
735-6593

MANILA-FLORENTINO TORRES
740 Florentino Torres St., Sta. Cruz, Manila 1003
Tel. Nos. 734-2462 / 733-6682

MANILA-FUGOSO ST.
JT Centrale, No. 1686, Brgy. 311 Zone 31, V. Fugoso cor. Felix Huertas Sts., Sta. Cruz, Manila
Tel. Nos. 733-7544 / 733-1693
Fax No. 733-4853

MANILA-G. TUAZON
Greeny Rose Residences Inc., G. Tuazon cor 311, Algeciras Sts., Balic-Balic, Sampaloc, Manila
Tel. Nos. 781-3010 / 781-3011

MANILA-INTRAMUROS-CATHEDRAL
707 Shipping Center Condominium, A. Soriano Jr. St., Intramuros, Manila
Tel. Nos. 527-5994 / 527-5694
Fax No. 527-5693

MANILA-INTRAMUROS-FORT SANTIAGO
G/F, Marine Technology Bldg. Cor. A Soriano Ave. & Arzobispo Sts., Intramuros, Manila
Tel. Nos. 527-7385 / 527-1255
527-7380

MANILA-J. ABAD SANTOS-BAMBANG
Unit B, Dynasty Towers, J. Abad Santos corner Bambang Sts., Manila
Tel. Nos. 255-2237 / 255-2238
253-5606

MANILA-J.P. LAUREL
G/F, Gama Bldg., J. P. Laurel cor. Minerva Sts., San Miguel, Manila
Tel. Nos. 735-9965 / 735-9966
Fax No. 735-9967

MANILA-JOSE ABAD SANTOS
1450-1452 Coyuco Bldg., Jose Abad Santos, Tondo, Manila
Tel. Nos. 256-8905 / 256-9893

MANILA-LEON GUINTO
G/F, Marlow Bldg., 2120 Leon Guinto St., Malate Manila
Tel. Nos. 559-8956 / 559-8955
567-4548

MANILA-LUNETA-T.M. KALAW
National Historical Institute Compound, T.M. Kalaw St., Ermita, Manila
Tel. Nos. 524-8926 / 524-2774
Fax No. 524-2879

MANILA-MACEDA-LAON LAAN
G/F, Maceda Place Bldg., Laong-Laan cor. Maceda St., Sampaloc, Manila
Tel. Nos. 732-9617 / 749-0038
743-1355

MANILA-MALATE-ADRIATICO
G/F, Pearl Garden Hotel, 1700 M. Adriatico cor. Malvar Sts., Malate, Manila
Tel. Nos. 526-0382 / 521-0861
Fax No. 525-1460

MANILA-MALATE-TAFT
Mark 1 Building, 1971 Taft Avenue, Malate , Manila
Tel. Nos. 354-0710 / 354-4447

MANILA-MORAYTA
929 Consuelo Building, Nicanor Reyes St., Sampaloc, Manila
Tel. Nos. 735-1227 / 733-3511
Fax No. 735-4572

MANILA-NORTH BAY
511 Honorio Lopez Blvd., Balut, Tondo, Manila
Tel. Nos. 253-8471 / 251-9212
Fax No. 251-7309

MANILA-ONGPIN
Prestige Tower, 919 Ongpin St., Sta. Cruz, Manila
Tel. Nos. 733-7198 / 733-7931
Fax No. 733-7204

MANILA-PACO-PEDRO GIL
756 Pedro Gil cor. Pasaje-Rosario Sts., Paco, Manila
Tel. Nos. 525-5641 / 525-7820
Fax No. 523-1514

MANILA-PADRE FAURA
PAL Learning Center Bldg., 540 Padre Faura cor. Adriatico Sts., Ermita, Manila
Tel. No. 526-4461
Fax No. 526-4458

MANILA-PADRE RADA
647 RCS Bldg., Padre Rada St., Tondo, Manila
Tel. Nos. 245-0050 / 245-0243
Fax No. 245-0309

MANILA-PANDACAN
Jesus Street cor. T. San Luis, Pandacan, Manila
Tel. Nos. 564-0217 / 564-0870
563-1031

MANILA-PGH
PGH Compound, Taft Avenue, Ermita, Manila
Tel. Nos. 524-3565 / 523-9110
524-3558

MANILA-PORT AREA
G/F, Bureau of Customs Compound, South Harbor, Port Area, Manila
Tel. Nos. 527-0259 / 527-4432
527-4433

MANILA-QUIAPO-C. PALANCA
201 C. Palanca corner Quezon Blvd., Quiapo, Manila
Tel. Nos. 733-1730 / 733-1960
Fax No. 733-1821

MANILA-REMEDIOS
G/F, Royal Plaza Twin Towers Condominium, 648 Remedios cor. Ma. Orosa Sts., Malate, Manila
Tel. Nos. 400-8594 / 400-8588
Fax No. 400-8543

MANILA-RIZAL AVE.-HERRERA
Rizal Avenue corner Saturnino Herrera St., Sta. Cruz, Manila
Tel. Nos. 254-2519 / 254-2520

MANILA-RIZAL AVE.-LAGUNA
2229-2231 Rizal Avenue, Sta. Cruz, Manila
Tel. Nos. 257-1053 / 257-1054

MANILA-SAN ANDRES
1155 Swanson Building cor. Linao Street, San Andres, Manila
Tel. Nos. 524-6632 / 525-6673
Fax No. 522-2057

MANILA-STA.ANA
G/F, Real Casa de Manila Building, Lot 2, Blk. 1416, Pedro Gil St. Sta. Ana, Manila
Tel. Nos. 708-9350 / 708-9360

MANILA-T. ALONZO
905 T. Alonzo cor. Ongpin Sts., Sta. Cruz, Manila
Tel. Nos. 733-9572 / 733-9571
Fax No. 734-3239

MANILA-TAFT AVE.-ONE ARCHERS
G/F, One Archers' Place Condominium, 2311 Taft Avenue, Malate, Manila
Tel. No. 708-0147
Fax No. 708-2203

MANILA-TONDO-PRITIL
1941-1943 Juan Luna St., Tondo, Manila
Tel. Nos. 252-9769 / 253-9838
252-3026

MANILA-TONDO-TAYUMAN
MTSC Bldg., Juan Luna cor. Capulong Ext., Tondo, Manila
Tel. Nos. 252-9639 / 252-9669

MANILA-TUTUBAN MALL
LS 31 Podium Level, Tutuban Prime Block Mall, Tutuban Center, C.M. Recto, Manila
Tel. Nos. 253-5324 / 253-7107
251-8986

MANILA-U.E. RECTO
G/F, Dalupan Bldg., University of the East, 2219 Claro M. Recto Ave., Manila
Tel. Nos. 736-4422 / 736-2586
Fax No. 736-4420

MANILA-U.N. AVE.
G/F, UMC Bldg., 900 U.N. Avenue, Ermita, Manila
Tel. Nos. 521-4826 / 524-6723
521-7637

MARIKINA-A. TUAZON
45 Gil Fernando Ave. cor. Chestnut St., Brgy. San Roque, Marikina City
Tel. Nos. 646-4957 / 646-1805

MARIKINA-CALUMPANG
G/F, RBI Center Building, Calderon St. cor. J.P. Rizal St. Brgy. Calumpang, Mariking City
Tel. No. 218-9064

MARIKINA-CONCEPCION
Bayan-Bayanan Ave. cor. Eustaquio St., Concepcion, Marikina City
Tel. No. 646-7302 (telefax)

MARIKINA-SHOE AVE.
Shoe Ave. corner W. Paz St., Sta. Elena, Marikina City
Tel. Nos. 681-0701 / 681-0702
681-0699

MUNTINLUPA-ALABANG-AYALA SOUTH PARK
G/F, Ayala Malls South Park, Alabang, Muntinlupa City
Tel. Nos. 825-3552 / 829-8242

MUNTINLUPA-ALABANG-MADRIGAL BUSINESS PARK
G/F, Page 1 Building, 1215 Acacia Avenue, Madrigal Business Park, Ayala Alabang, Muntinlupa
Tel. Nos. 807-6065 / 842-3550

MUNTINLUPA-BELLEVUE-FILINVEST
G/F, Bellevue Hotel, North Bridgeway,
Northgate Cyberzone, Filinvest
Corporate City, Alabang,
Muntinlupa City
Tel. Nos. 771-2421 / 771-2427
771-2429

MUNTINLUPA-EAST SERVICE ROAD
Uratex Bldg., Km. 23, East Service
Road, Brgy. Cupang, Muntinlupa City
Tel. Nos. 403-2598 / 823-6635

MUNTINLUPA-FILINVEST AVENUE
BC Group Center, Filinvest Avenue
& East Asia Drive, Filinvest
Corporate City, Muntinlupa City
Tel. Nos. 836-7768 / 836-8048
836-8578

MUNTINLUPA-POBLACION
G/F, Arbar Building, National Highway,
Poblacion, Muntinlupa City
Tel. Nos. 861-2988 / 861-2990

MUNTINLUPA-STARMALL ALABANG
Upper Ground Level, Starmall
Alabang, South Superhighway,
Alabang, Muntinlupa City,
Tel. Nos. 828-5023 / 555-0668

NAIA 1-ARRIVAL AREA
Arrival Area, NAIA Terminal 1,
Parañaque City
Tel. Nos. 879-6040 / 831-2640

NAIA 1-DEPARTURE AREA
Departure Area, NAIA Terminal 1,
Parañaque City
Tel. No. 832-2660
Fax No. 832-2606

NAIA 2-DEPARTURE AREA
NAIA Centennial Terminal 2,
Northwing Level Departure Intl. Bldg.,
Pasay City
Tel. Nos. 879-5946 / 879-5949
Fax No. 879-5947

NAIA 3-ARRIVAL AREA
Arrival Area, NAIA Terminal 3,
Pasay City
MIAA Trunk Line: 8777-888 loc. 8272
Direct Line: 785-6018

NAVOTAS-FISH PORT
Bulungan cor. Daungan Ave.,
Navotas Fish Port Complex, North Bay
Boulevard South, Navotas City
Tel. Nos. 351-4650 / 351-4649

NAVOTAS-M. NAVAL
865 M. Naval St., Navotas City,
Metro Manila
Tel. Nos. 281-8934 / 281-9001
Fax No. 282-4021

PARAÑAQUE-BETTER LIVING
50 ABC Bldg., Doña Soledad Ave.,
Better Living Subd., Parañaque City
Tel. Nos. 824-3472 / 822-6086
Fax No. 822-6084

PARAÑAQUE-BF HOMES-AGUIRRE AVENUE
47 Aguirre Ave. corner Tirona St.,
BF Homes, Parañaque City
Tel. Nos. 478-8878 / 808-1145

PARAÑAQUE-BF HOMES-PHASE 3
CFB Building, 322 Aguirre Avenue,
BF Homes, Parañaque City
Tel. Nos. 808-6408 / 808-6563
Fax No. 856-4021

PARAÑAQUE-BF HOMES-PRES. AVE.
43-C President Avenue, BF Homes,
Parañaque City
Tel. Nos. 807-3540 / 809-2523
Fax No. 809-2524

PARAÑAQUE-BICUTAN-DOÑA SOLEDAD
VCD Building, 89 Doña Soledad
Avenue Betterliving Subdivision,
Bicutan, Parañaque City
Tel. No. 824-4955
Fax No. 824-4953

PARAÑAQUE-BICUTAN-WEST SERVICE ROAD
Km. 16, West Service Road,
South Super Highway, Bicutan,
Parañaque City
Tel. Nos. 403-9198 / 511-7193
511-1890

PARAÑAQUE-EAST SERVICE ROAD
Iba corner Malugay Sts., East Service
Road, Brgy. San Martin de Porres,
United Parañaque, Metro Manila
Tel. Nos. 551-0508 / 824-3891
Fax No. 821-3087

PARAÑAQUE-OYSTER PLAZA
Unit D1, Oyster Plaza Bldg.,
Ninoy Aquino Ave.,
Brgy. San Dionisio, Paranaque City
Tel. Nos. 829-0710 / 829-0711
Fax No. 829-1937

PARAÑAQUE-SUCAT-A. SANTOS
G/F, Kingsland Bldg., Dr. A. Santos
Avenue, Sucat, Parañaque City
Tel. Nos. 826-1931 / 826-1921

PARAÑAQUE-SUCAT-EVACOM
G/F, AC Raftel Center,
8193 Dr. A. Santos Ave., Sucat Road,
Parañaque City
Tel. Nos. 820-0180 / 820-0181

PASAY-BACLARAN
2976 Mexico Avenue, Pasay City
Tel. Nos. 832-0394 / 831-5264
Fax No. 832-0391

PASAY-CARTIMAR
SATA Corp. Bldg.,
2217 Cartimar-Taft Avenue,
Pasay City
Tel. Nos. 834-0765 / 833-2268

PASAY-DOMESTIC AIRPORT RD.
G/F, PAL Data Center Bldg.,
Domestic Airport Road, Pasay City
Tel. Nos. 851-4377 / 805-1423
Fax No. 851-4375

PASAY-EDSA EXTENSION
235-A Loring St., Pasay City
Tel. Nos. 659-5586 / 551-2728
Fax No. 833-8620

PASAY-GSIS
Level 1 GSIS Bldg., Financial Center,
Roxas Blvd., Pasay City
Tel. No. 891-6345

PASAY-LIBERTAD
277 P. Villanueva St.,
Libertad, Pasay City
Tel. Nos. 551-2370 / 833-2415
Fax No. 551-2369

PASAY-ROXAS BLVD.
Suite 101, CTC Building
2232 Roxas Boulevard, Pasay City
Tel. Nos. 832-3901 / 832-3902
551-0238

PASAY-TAFT
2482 Taft Avenue, Pasay City
Tel. Nos. 833-2413 / 833-2414
Fax No. 831-5986

PASAY-VILLAMOR AIR BASE
G/F, Airmens Mall Bldg.
cor. Andrews & Sales Sts.,
Villamor Air Base, Pasay City
Tel. Nos. 854-0055 / 854-1675

PASIG-C. RAYMUNDO
G/F, JG Bldg., C. Raymundo Ave.,
Maybunga, Pasig City
Tel. Nos. 656-9199 / 656-9570
Fax No. 656-9570

PASIG-JULIA VARGAS
Lot 5, Block 13-A, Julia Vargas &
Jade Drive, Brgy. San Antonio,
Ortigas Center, Pasig City
Tel. No. 547-4506

PASIG-KAPASIGAN
Emiliano A. Santos Bldg., A. Mabini
cor. Dr. Sixto Antonio Ave., Pasig City
Tel. No. 643-6225

PASIG-KAPITOLYO
G/F, Westar Bldg.,
611 Shaw Blvd., Pasig City
Tel. No. 636-7465

PASIG-ORTIGAS CENTER
G/F, JMT Bldg., ADB Avenue,
Ortigas Center, Pasig City
Tel. Nos. 635-3719 / 633-8189

PASIG-ORTIGAS EXT.
103 B. Gan Building, Ortigas Ave. Ext.,
Rosario, Pasig City
Tel. Nos. 641-0704 / 641-0706
641-0705

PASIG-ORTIGAS GARNET
Unit 104, Taipan Place Building,
Emerald Ave., Ortigas Center,
Pasig City
Tel. Nos. 637-5851 / 637-9061
Fax No. 637-5852

PASIG-SANTOLAN
Amang Rodriguez Ave.,
Brgy. Dela Paz, Santolan, Pasig City
Tel. Nos. 647-5552 / 682-7972

PASIG-SHAW
G/F, Jade Center Condominium,
105 Shaw Blvd., Brgy. Oranbo,
Pasig City
Tel. Nos. 633-9618 / 633-9625
633-9627 / 634-4473

PASIG-TIENDESITAS
G/F, Units 4-5, Silver City Bldg.,
No. 03, Frontera Verde Drive,
Ortigas Center, Pasig City
Tel. Nos. 656-1235 / 656-9126

Q.C.-A. BONIFACIO
789 A. Bonifacio Ave. Brgy. Pag-Ibig
sa Nayon, Balintawak, Quezon City
Tel. No. 415-6002
Fax No. 363-6052

Q.C.-ACROPOLIS
251 TriQuetra Bldg.,
E. Rodriguez Jr. Ave.,
Brgy. Bagumbayan, Quezon City
Tel. Nos. 395-5118 / 421-0405
421-0425 /
Fax No. 395-5117

Q.C.-ARANETA CENTER
Unit 5, G/F, Manhattan Heights,
Araneta Center, Cubao, Quezon City
Tel. Nos. 912-1655 / 912-6655

Q.C.-BANAWE
210 Banawe Street,
Brgy. Tatalon, Quezon City
Tel. Nos. 712-9630 / 743-9164
743-3678
Fax No. 712-9502

Q.C.-BANAWE-N. ROXAS
395 Prosperity Bldg., Center,
Banawe cor. N. Roxas Street,
Quezon City
Tel. Nos. 712-9727 / 743-1565
743-1566 / 712-9503
743-7565 to 66
743-1565 to 66

Q.C.-BATASANG PAMBANSA
Main Entrance, Batasan Pambansa
Complex, Constitutional Hills,
Quezon City
Tel. Nos. 951-7590 / 951-7591

Q.C.-BSP
Bangko Sentral ng Pilipinas,
Security Plant Complex, East Avenue,
Diliman, Quezon City
Tel. Nos. 708-7680 / 708-7682
521-5583

Q.C.-COA
COA Building,
Commonwealth Avenue,
Quezon City
Tel. Nos. 932-9027 / 932-9026

Q.C.-COMMONWEALTH AVENUE
G/F, KC Square Bldg.,
529 Commonwealth Avenue,
Diliman, Quezon City
Tel. Nos. 932-1891 / 951-4893

Q.C.-CUBAO MAIN
cor. Gen. Araneta St. and Aurora
Blvd., Cubao, Quezon City
Tel. Nos. 911-2916 / 912-1938

Q.C.-CUBAO-HARVARD
SRMC Bldg., 901 Aurora Blvd.
cor. Harvard & Stanford Sts.,
Cubao, Quezon City
Tel. Nos. 912-3070 / 912-2577
913-1068 / 912-2571
Fax No. 913-4503

Q.C.-DEL MONTE
116 Del Monte Ave.
cor. D. Tuazon St., Brgy. Maharlika,
Quezon City
Tel. Nos. 742-3360 / 742-3361
742-3364

Q.C.-DEL MONTE-FRISCO
972 Del Monte Ave.,
corner San Pedro Bautista St.,
SFDM, Quezon City
Tel. Nos. 372-5784 / 372-5786
Fax No. 372-5785

Q.C.-DELTA
101-N dela Merced Bldg.,
West Avenue corner Quezon
Avenue, Quezon City
Tel. Nos. 372-1539 / 372-1540
372-1541

Q.C.-DON ANTONIO HEIGHTS
30 G/F, Puno Foundation Bldg.,
Brgy. Holy Spirit, Quezon City
Tel. Nos. 952-2740 / 952-2741

Q.C.-E. RODRIGUEZ SR. AVE.
1706 Rimando Building,
E. Rodriguez Sr. Ave.,
Cubao, Quezon City
Tel. Nos. 727-7262 / 414-7180
726-0763
Fax No. 726-0726

Q.C.-E. RODRIGUEZ-G. ARANETA
599 B, G. Araneta Ave.
cor. E. Rodriguez Sr. Ave.,
Doña Imelda, Quezon City
Tel. Nos. 732-8238 / 732-8224
732-8218

Q.C.-EASTWOOD
MDC 100 Building, Mezzanine Level,
Unit M3, E. Rodriguez Jr. Ave.,
corner Eastwood Ave.,
Brgy. Bagumbayan, Q.C
Tel. Nos. 961-0309 / 961-0514

Q.C.-EDSA ROOSEVELT
1024 Global Trade Center Bldg.,
EDSA, Quezon City
Tel. Nos. 332-3014 / 332-3067
332-4446

Q.C.-EDSA-ETON CENTRIS
G/F, One Cyberpod Centris,
EDSA Eton Centris, cor. EDSA &
Quezon Ave., Quezon City
Tel. Nos. 332-5368 / 332-6258
332-6665

Q.C.-ELLIPTICAL ROAD
Elliptical Road cor. Kalayaan Avenue,
Diliman, Quezon City
Tel. Nos. 920-3353 / 924-2660
924-2663

Q.C.-ETON-CORINTHIAN
Unit 78 E-Life, Eton Cyberpod
Corinthian, EDSA cor. Ortigas Ave.,
Brgy. Ugong Norte, Quezon City
Tel. Nos. 470-6264 / 470-6646

Q.C.-EVER GOTESCO
Lower G/F, Stall No. 20, Ever Gotesco
Commonwealth, Quezon City
Tel. Nos. 932-6633 / 951-7342

Q.C.-FAIRVIEW COMMONWEALTH
70 Commonwealth Ave., Fairview
Park Subd., Fairview, Quezon City
Tel. No. 938-7099
Fax No. 938-7098

Q.C.-FAIRVIEW-REGALADO AVE.
No. 41, Regalado Ave.,
West Fairview, Quezon City
Tel. No. 938-7429 / 431-2955

Q.C.-FRISCO
Unit E/F, MCY Bldg.,
#136 Roosevelt Ave.,
SFDM, Quezon City
Tel. Nos. 373-6604 / 373-6605

Q.C.-GALAS
20 A. Bayani St., corner Bustamante,
Galas, Quezon City
Tel. Nos. 781-9475 / 781-9476
781-9477

Q.C.-GRACE VILLAGE
G/F, TSPS Bldg., Christian cor.
Grace Sts., Grace Village, Quezon City
Tel. Nos. 367-8465 / 367-9325
Fax No. 367-9321

Q.C.-GRANADA
G/F, Xavier Hills Condominium,
32 Granada cor. N. Domingo Sts.,
Brgy. Valencia, Quezon City
Tel. Nos. 727-4788 / 723-7389
410-2585 / 727-4787

Q.C.-KAMUNING
118 Kamuning Road, Quezon City
Tel. Nos. 922-5804 / 924-8917
928-0117

Q.C.-KATIPUNAN-AURORA BLVD.
Aurora Blvd., near PSBA,
Brgy. Loyola Heights, Quezon City
Tel. Nos. 421-2331 / 421-2330
Fax No. 421-2329

Q.C.-KATIPUNAN-LOYOLA HEIGHTS
335 Agcor Bldg., Katipunan Ave.,
Loyola Heights, Quezon City
Tel. Nos. 929-8814 / 433-2021
433-2022

Q.C.-KATIPUNAN-ST. IGNATIUS
G/F, Linear Building,
142 Katipunan Road, Quezon City
Tel. Nos. 912-8077 / 912-8078

Q.C.-LAGRO
BDI Center Inc., Lot 33, Blk. 114,
Regalado Ave., Greater Lagro,
Quezon City
Tel. Nos. 930-3105 to 3106

Q.C.-LAGRO-QUIRINO
KM. 21, Lester Bldg.,
Quirino Highway, Lagro, Quezon City
Tel. Nos. 419-6527 / 939-1160

Q.C.-MATALINO
21 Tempus Bldg., Matalino St.,
Diliman, Quezon City
Tel. Nos. 920-7158 / 920-7165
Fax No. 924-8919

Q.C.-MINDANAO AVENUE
888 Yrreverre Square Bldg.,
Mindanao Ave., Brgy. Talipapa,
Novaliches, Quezon City
Tel. Nos. 456-8582 / 983-0376

Q.C.-MWSS
MWSS Compound, Katipunan Road,
Balara, Quezon City
Tel. Nos. 927-5443 / 922-3765
922-3764

Q.C.-N.S. AMORANTO
Unit 103, "R" Place Building,
255 N.S. Amoranto Sr. Avenue,
Quezon City
Tel. Nos. 731-7987 / 413-0566
413-0568 / 731-7991

Q.C.-NEW MANILA
322 E. Rodriguez Sr. Ave.,
New Manila, Quezon City
Tel. Nos. 727-5250 / 727-5259
724-5249 / 724-5531

Q.C.-NFA
SRA Building, Brgy. Vastra,
North Avenue, Quezon City
Tel. Nos. 928-4274 / 928-3604

Q.C.-NIA
EDSA corner NIA Road,
Brgy. Piñahan, Diliman, Quezon City
Tel. Nos. 927-2987 / 927-4391
Fax No. 928-6776

Q.C.-NOVALICHES-GULOD
903 Quirino Hi-way, Brgy. Gulod,
Novaliches, Quezon City
Tel. Nos. 936-1008 / 936-1547
930-6036
Fax No. 930-6037

Q.C.-NOVALICHES-TALIPAPA
513 Quirino Highway, Talipapa,
Novaliches, Quezon City
Tel. Nos. 984-6505 / 984-0024

Q.C.-NPC
Agham Road, Diliman, Quezon City
Tel. Nos. 927-8842 / 927-8829

Q.C.-P. TUAZON
279 P. Tuazon Blvd.,
Cubao, Quezon City
Tel. Nos. 913-3347 / 913-3344
913-3346 /
Fax No. 911-9909

Q.C.-PROJECT 3-AURORA BLVD.
1003 Aurora Blvd. cor. Lauan St.,
Quirino Dist., Quezon City
Tel. No. 913-8735
Fax No. 913-5117

Q.C.-PROJECT 8
Mecca Trading Bldg., Congressional
Avenue, Project 8, Quezon City
Tel. Nos. 426-2236 / 924-2563

Q.C.-QUADRANGLE
Unit I, Paramount Bldg., EDSA
corner West Ave., Quezon City
Tel. Nos. 927-4134 / 928-4820
Fax No. 920-1390

Q.C.-RETIRO
422 Edificio Enriqueta Bldg.,
N.S. Amoranto St., Sta. Mesa Heights,
Quezon City
Tel. Nos. 732-9067 / 415-8020

Q.C.-ROCES AVENUE
Units 16 & 17, The Arcade at 68
Roces, Don Alejandro Roces Avenue,
Brgy. Obrero, Quezon City
Tel. Nos. 373-6021 / 373-6022
373-6024

Q.C.-ROOSEVELT AVE.
256 Roosevelt Ave., San Francisco
del Monte, Quezon City
Tel. Nos. 374-3573 / 374-3574
374-0921 / 374-2717
Fax No. 374-3571

Q.C.-SSS DILIMAN
G/F, SSS Building, East Avenue
Diliman, Quezon City
Tel. Nos. 927-2804 / 433-1688
433-1716

Q.C.-TANDANG SORA
102 cor. San Miguel Village and
Tandang Sora Ave., Brgy. Pasong
Tamo, Quezon City
Tel. Nos. 939-5094 / 454-4773

Q.C.-TIMOG
G/F, Newgrange Bldg., 32 Timog Ave.,
Brgy. Laging Handa, Quezon City
Tel. Nos. 373-9041 / 373-9043
373-9045

Q.C.-TIMOG EDSA
Upper G/F, Caswyn Bldg.
134 Timog Avenue, Quezon City
Tel. Nos. 924-8920 / 928-3659
Fax No. 928-3804

Q.C.-TOMAS MORATO
114 Tomas Morato Avenue,
Barangay Kamuning, Quezon City
Tel. Nos. 740-7875 to 76
740-5259 / 727-5250
727-5259 / 724-5249
724-5531

Q.C.-UERMMMC
UERMMMC, No. 64 Aurora Blvd.,
Brgy. Dona Imelda, Quezon City
Tel. Nos. 716-2419 / 714-3728
716-1964
Fax No. 714-3729

Q.C.-UP CAMPUS
No. 3 Apacible St., UP Campus,
Diliman, Quezon City 1101
Tel. Nos. 927-0452 / 927-4713

Q.C.-VISAYAS AVENUE
Wilcon City Center, 121 Visayas Ave.,
Brgy. Bahay Toro, Quezon City
Tel. Nos. 926-1586 / 926-1656
Fax No. 926-1630

Q.C.-VISAYAS CONGRESSIONAL
#22 RTS Building, Congressional Ave.,
Quezon City
Tel. Nos. 426-7300 / 426-2429

Q.C.-WELCOME ROTONDA
10 Doña Natividad Bldg., Quezon
Ave., Welcome Rotonda, Quezon City
Tel. Nos. 740-4982 / 731-3207
731-3145 / 740-7639
Fax No. 740-4983

Q.C.-WEST AVENUE
92 West Ave., Brgy. Philam,
Quezon City
Tel. Nos. 929-3185 / 929-1915

Q.C.-WEST TRIANGLE
1396 Quezon Ave., Quezon City
Tel. Nos. 373-0770 / 373-0763
373-8612

Q.C.-ZABARTE
1131 Quirino Hi-way,
Brgy. Kaligayahan, Novaliches,
Quezon City
Tel. Nos. 417-3314
461-3582 (telefax)

RIZAL-ANGONO
Quezon Ave. cor. E. Dela Paz St.,
Brgy. San Pedro, Angono, Rizal
Tel. Nos. 451-0720 / 295-0431
295-4646
451-2548 (telefax)

RIZAL-MONTALBAN
E. Rodriguez Ave., corner Midtown
Subdivision, Rosario, Rodriguez, Rizal
Tel. Nos. 470-1661 / 942-7210

RIZAL-SAN MATEO
19 Gen. Luna St., Brgy. Banaba,
San Mateo, Rizal
Tel. Nos. 570-2010 / 570-2011

RIZAL-TANAY
Tanay New Public Market Road,
Brgy. Plaza Aldea, Tanay, Rizal
Tel. Nos. 654-0211 / 654-0221
693-1191

RIZAL-TAYTAY
Ilog Pugad National Road,
Brgy. San Juan, Taytay, Rizal
Tel. No. 781-8223

SAN JUAN-ANNAPOLIS
G/F, Continental Plaza, Annapolis St.,
Greenhills, San Juan
Tel. Nos. 723-5267 / 723-0902
723-0903
Fax No. 723-0904

SAN JUAN-F. BLUMENTRITT
213 F. Blumentritt St.
cor. Lope K. Santos, San Juan City
Tel. Nos. 727-3643 / 724-6717

SAN JUAN-JOSE ABAD SANTOS
G/F, TNA Building, Jose Abad Santos,
Little Baguio, San Juan City
Tel. Nos. 722-2324 / 722-2479

TAGUIG- FTI COMPLEX
Lot 55, G/F Old Admin Bldg.,
FTI Complex,Taguig City
Tel. Nos. 822-2012 / 822-2013

TAGUIG-BAYANI ROAD
G/F, GPI Bldg., 53 Bayani Road,
Fort Bonifacio, Taguig City
Tel. Nos. 518-8083 / 518-8084

TAGUIG-MCKINLEY WEST
G/F, Unit A108, West Campus Bldg.,
Mckinley West, Taguig City
Tel. Nos. 817-8985 / 817-8986

VALENZUELA-GEN. T. DE LEON
4024 General T. de Leon Street,
Brgy. Gen. T. de Leon, Valenzuela City
Tel. No. 921-9486
Fax No. 921-4030

VALENZUELA-KARUHATAN
313 San Vicente St. corner MacArthur
Highway, Karuhatan, Valenzuela City
Tel. Nos. 292-9131 / 291-2826
291-2827

VALENZUELA-MALINTA
Moiriah's Building, 407 MacArthur
Highway, Malinta, Valenzuela City
Tel. Nos. 293-6267 / 291-2576
Fax No. 291-2508

VALENZUELA-MACARTHUR
101 MacArthur Hi-way, Bo. Marulas,
Valenzuela City
Tel. Nos. 291-6574 / 291-6568
Fax No. 291-6567

VALENZUELA-PASO DE BLAS
179 Paso de Blas, Valenzuela City
Tel. No. 291-1101
Fax No. 291-1102

Luzon Branches

ABRA-BANGUED
McKinley corner Peñarrubia Streets,
Zone 4, Bangued, Abra , 2800
Tel. Nos. (074) 752-8440
(074) 752-8441

ABRA-BANGUED-MAGALLANES
Taft cor. Magallanes Sts., Zone 5,
Bangued, Abra
Tel. No. (074) 752-8435
Fax No. (074) 752-8436

AGOO-CONSOLACION
cor. Verceles St., Consolacion
Agoo, La Union 2504
Tel. No. (072) 710-0057

AGOO-SAN ANTONIO
B&D Bldg. National Highway,
San Antonio, Agoo, La Union 2504
Tel. No. (072) 710-0191
Fax No. (072) 521-0030

ALAMINOS CITY-QUEZON AVE.
Quezon Avenue, Poblacion,
Alaminos City, Pangasinan
Tel. No. (075) 552-7028

ALBAY-DARAGA
Baylon Compound, Market Site,
Rizal St., Daraga, Albay
Tel. No. (052) 483-3703

ALBAY-LIGAO
San Jose St., Dunao,
Ligao City, Albay
Tel. No. (052) 485-2974

ALBAY-POLANGUI
National Road, Ubaliw,
Polangui, Albay
Tel. No. (052) 486-2114

ALBAY-TABACO
Ziga Avenue cor. Bonifacio St.,
Tayhi, Tabaco City
Tel. No. (052) 487-5053

ANGELES-MACARTHUR HIGHWAY
V&M Bldg., Bgy. Sto Cristo,
MacArthur Highway, Angeles City
Tel. Nos. (045) 888-6687
(045) 888-7359
Fax No. (045) 888-7539

ANGELES-STO. ROSARIO
730 Sto. Rosario St., Angeles City,
Pampanga 2009
Tel. Nos. (045) 888-8811
(045) 888-8800

BACOOR CITY-AGUINALDO HI-WAY
KM 17, Aguinaldo Highway,
Bacoor, Cavite
Tel. Nos. (046) 471-2678
(046) 471-1150

BACOOR CITY-MOLINO
I.K. Commercial Bldg., Villa Maria
Subd., Molino Highway, Molino III,
Bacoor Cavite
Tel. No. (046) 477-0302
Fax No. (046) 477-0821

BACOOR CITY-PANAPAAN
San Miguel Commercial Building,
215 E. Aguinaldo Highway, Barangay
Panapaan I, Bacoor, Cavite
Tel. No. (046) 417-3089
Fax No. (046) 417-3189

BAGUIO CITY-CENTER MALL
G/F, Baguio Center Mall,
Magsaysay Ave., Baguio City
Tel. Nos. (074) 442-7348 to 49
Fax No. (074) 442-7350

BAGUIO CITY-MAGSAYSAY AVE.
G/F, Lyman Ogilby Centrum Bldg.,
358 Magsaysay Ave.,
Baguio City 2600
Tel. Nos. (074) 445-2248
(074) 300-3163

BAGUIO CITY-NAGUILIAN ROAD
G/F, High Country Inn, Naguilian
Road, Baguio City
Tel. No. (074) 300-4330
Fax No. (074) 446-0270

BAGUIO CITY-RIZAL PARK
Travelite Express Hotel along
Shuntug St. cor. Fernando G. Bautista
Drive Baguio City
Tel. Nos. (074) 447-3509
(074) 447-3360

BAGUIO CITY-SESSION ROAD
51 Session Road, Corner Upper
Mabini St., Baguio City
Tel. Nos. (074) 442-4244
(074) 442-3833

BATAAN-BALANGA
Zulueta St., Poblacion, Balanga,
Bataan 2100
Tel. Nos. (047) 237-2218
(047) 791-1204

BATAAN-DINALUPIHAN
BDA Bldg., San Ramon Highway,
Dinalupihan, Bataan 2110
Tel. Nos. (047) 481-1361
(047) 481-3906

BATAAN-MARIVELES-BEPZ
Bataan Economic Zone, Luzon Ave,
FAB Mariveles, Bataan 2106
Tel. Nos. (047) 935-4071
(047) 935-4070 (telefax)

BATAAN-ORANI
Agustina Bldg., MacArthur Highway,
Parang-Parang, Orani, Bataan
Tel. Nos. (047) 431-3445
(047) 431-1378

BATANES-BASCO
NHA Bldg., Caspo Fiesta Road
Kaychanarianan, Basco, Batanes
Tel. No. 0998 984-1005

BATANGAS CITY-KUMINTANG
JPA AMA Bldg., National Highway,
Kumintang Ilaya, Batangas City
Tel. Nos. (043) 722-2705
(043) 722-2706

BATANGAS CITY-P. BURGOS
Unit G1E, G/F Expansion Area,
Nuciti Central Mall, P. Burgos St.,
Batangas City, Batangas
Tel. Nos. (043) 723-7037
(043) 723-0226

BATANGAS CITY-PALLOCAN WEST
GF, MAJ Bldg., National Highway,
Pallocan West, Batangas City
Tel. Nos. (043) 318-2356
(043) 318-2376

BATANGAS-BALAYAN
147 Plaza Mabini, Balayan, Batangas
Tel. Nos. (043) 407-0230
(043) 211-4331

BATANGAS-BAUAN-J.P. RIZAL
G/F, ADD Building, J.P. Rizal St.,
Poblacion, Bauan, Batangas
Tel. Nos. (043) 728-0026
(043) 728-0027

BATANGAS-LEMERY
Humarang Bldg., corner Ilustre Ave.
and P. De Joya St., Lemery, Batangas
Tel. Nos. (043) 740-0443
(043) 214-2273

BATANGAS-NASUGBU
J. P. Laurel corner F. Alix Sts.,
Nasugbu, Batangas
Tel. Nos. (043) 416-0070
(043) 416-0065 (telefax)

BATANGAS-TANAUAN
G/F V. Luansing Bldg., J.P. Laurel
Highway, Tanauan City, Batangas
Tel. Nos. (043) 784-8668
(043) 784-8680

BENGUET-LA TRINIDAD
Benguet State University Compound,
Brgy. Balili, Kilometer 5, La Trinidad,
Benguet 2601
Tel. Nos. (074) 422-1135
(074) 309-1453

BULACAN-BALAGTAS
G/F D & A Bldg., MacArthur Highway,
San Juan, Balagtas, Bulacan
Tel. Nos. (044) 769-1398
(044) 693-1680

BULACAN-BALIUAG
015 Rizal St., San Jose,
Baliuag, Bulacan
Tel. Nos. (044) 766-2454
(044) 673-1950

BULACAN-BOCAUE
JM Mendoza Building, MacArthur
Hi-way, Lolomboy, Bocaue, Bulacan
Tel. Nos. (044) 692-2416
(044) 815-0282
Fax No. (044) 692-1674

BULACAN-PLARIDEL
Cagayan Valley Road, Banga 1st,
Plaridel, Bulacan
Tel. No. (044) 795-0090
Fax No. (044) 795-0274

BULACAN-ROBINSONS PULILAN
Robinsons Mall Pulilan, Maharlika
Highway, Cutcut, Pulilan, Bulacan
Tel. Nos. (044) 815-4234
(044) 676-0391

BULACAN-SAN RAFAEL
San Rafael Public Market, Cagayan
Valley Road, Brgy. Cruz na Daan,
San Rafael, Bulacan
Tel. Nos. (044) 815-5341
0922-472-0544

BULACAN-STA. MARIA
Jose Corazon De Jesus St., Poblacion,
Sta. Maria, Bulacan
Tel. Nos. (044) 893-0589
(044) 641-1555

CABANATUAN-CENTRAL MARKET
Corner Paco Roman and
Del Pilar Sts., Cabanatuan City,
Nueva Ecija
Tel. Nos. (044) 463-2048
(044) 600-4832

CABANATUAN-DICARMA
R. Macapagal Bldg., Brgy. Dicarma,
Maharlika Highway, Cabanatuan City,
Nueva Ecija
Tel. Nos. (044) 463-8095
(044) 600-4885

CABANATUAN-MAHARLIKA
KM 114 Maharlika Highway
De Guzman Bldg., Brgy. Bernardo
Cabanatuan City, Nueva Ecija
Tel. Nos. (044) 463-0347
(044) 463-0348
Fax No. (044) 467-0349

CAGAYAN-APARRI
J.P. Rizal St., Aparri, Cagayan 3515
Tel. No. (078) 888-2115

CAGAYAN-SANCHEZ MIRA
C-2 Maharlika Highway,
Sanchez Mira, Cagayan 3518
Tel. No. (078) 396-0496

CAGAYAN-TUAO
GF, Villacete Bldg., National Highway,
Pata, Tuao, Cagayan
Tel. Nos. (078) 373-1162
(078) 373-1163
0917-620-3695

CAGAYAN-TUGUEGARAO-BONIFACIO
Bonifacio St., Tuguegarao City,
Cagayan 3500
Tel. Nos. (078) 844-1832
(078) 844-0225

CAGAYAN-TUGUEGARAO-BRICKSTONE MALL
G/F, Brickstone Mall, Km. 482,
Maharlika Highway, Pengue Ruyu,
Tuguegarao City, Cagayan
Tel. Nos. (078) 844-1091
(078) 844-1092
Fax No. (078) 844-2261

CAMARINES NORTE-DAET-CARLOS II
Carlos II St., Brgy, 3,
Daet, Camarines Norte
Tel. Nos. (054) 721-2480
(054) 440-9930

CAMARINES NORTE-DAET-PIMENTEL AVE.
F. Pimentel Ave. cor. Dasmarinas St.,
Daet, Camarines Norte
Tel. No. (054) 571-2951
Fax No. (054) 440-1723

CAMARINES SUR-GOA
Juan Go Bldg., cor. Rizal &
Bautista Sts., Goa, Camarines sur
Tel. No. (054) 453-1150

CAMARINES SUR-PILI
Cu Bldg, Old San Roque,
Pili, Camarines Sur
Tel. No. (054) 477-7179

CANDON CITY-NAT'L. HI-WAY
National Hi-way, Brgy. San Juan,
Candon City, Ilocos Sur
Tel. No. (077) 644-0249

CANDON CITY-SAN ANTONIO
National Highway cor. Dario St.,
San Antonio, Candon City 2700
Tel. No. (077) 674-1291

CATANDUANES-VIRAC
055 Quezon Ave., Brgy. Salvacion,
Virac, Catanduanes
Tel. No. 0999 593-7856

CAVITE CITY-CARIDAD
P. Burgos Avenue, Caridad,
Cavite City
Tel. Nos. (046) 431-0136
(046) 431-2026

CAVITE-CARMONA
767 Brgy. Maduya, Carmona, Cavite
Tel. Nos. (046) 413-2700
(046) 413-0007

CAVITE-GEN. TRIAS
129 Governor's Drive, Manggahan,
General Trias, Cavite
Tel. No. (046) 416-3084
Fax No. (046) 416-3081

CAVITE-IMUS BAYAN
GF, J. Antonio Bldg.
1167 Gen. Aguinaldo Highway,
Bayan Luma 7, Imus, Cavite 4103
Tel. Nos. (046) 471-4088
(046) 471-1009

CAVITE-IMUS-AGUINALDO
Sayoc Abella Bldg.,
E. Aguinaldo Hi-way, Imus, Cavite
Tel. Nos. (046) 471-0189
(046) 471-0289
Fax No. (046) 471-0389

CAVITE-KAWIT-BINAKAYAN
Allied Bank Bldg., Gen. Tirona
Highway, Balsahan, Binakayan,
Kawit, Cavite
Tel. No. (046) 434-1617
Fax No. (046) 434-7264

CAVITE-NAIC
P. Poblete Street, Ibayo Silangan,
Naic, Cavite
Tel. Nos. (046) 856-1398
(046) 412-0018

CAVITE-ROSARIO-CEPZ
Gen. Trias Drive, Rosario, Cavite
Tel. Nos. (046) 437-6072
(046) 437-6606

CAVITE-SILANG
166 J.P. Rizal St., Silang, Cavite
Tel. Nos. (046) 414-0660
(046) 414-0661

CAVITE-TANZA
G/F, Annie's Plaza Building, A. Soriano
Highway, Daang Amaya,
Tanza, Cavite
Tel. No. (046) 481-8892
Fax No. (046) 481-8893

BRANCHES AND OFFICES

DAGUPAN CITY-A.B. FERNANDEZ
A.B. Fernandez Ave., Dagupan City
Tel. Nos. (075) 522-2371
(075) 529-0892
(075) 522-2371

DAGUPAN CITY-A.B. FERNANDEZ-NABLE
A. B. Fernandez Ave., cor. Nable St., Dagupan City, Pangasinan
Tel. Nos. (075) 515-3792
(075) 522-5494

DAGUPAN CITY-PEREZ BLVD.
Orient Pacific Building, Perez Blvd. cor. Rizal Ext., Dagupan City
Tel. Nos. (075) 522-8729
(075) 515-3321

DASMARIÑAS-AGUINALDO HI-WAY
G/F LCVM Bldg., Aguinaldo Hi-Way Zone IV, Dasmariñas, Cavite City
Tel. Nos. (046) 416-7046
(046) 402-2016

DASMARIÑAS-SALITRAN
Michael's Bldg., Aguinaldo Highway, Salitran, Dasmariñas City, Cavite
Tel. Nos. (046) 416-5827
(046) 416-5806

IFUGAO-LAGAWE
JDT Bldg., Inguiling Drive, Poblacion East, Lagawe, Ifugao
Tel. Nos. 0917 857-4610
0926 933-4630

ILOCOS NORTE-BATAC
cor. San Marcelino and Concepcion Sts., Batac, Ilocos Norte
Tel. Nos. (077) 792-3437
(077) 617-1309

ILOCOS NORTE-PASUQUIN
Farmers Trading Center Bldg., Maharlika Hi-way, Poblacion 1, Pasuquin, Ilocos Norte
Tel. No. (077) 775-0119

ILOCOS SUR-NARVACAN
Annex Bldg., Narvacan Municipal Hall, Sta. Lucia, Narvacan, Ilocos Sur
Tel. No. (077) 732-5760

IRIGA CITY-SAN ROQUE
Highway 1, San Roque, Iriga City, Camarines Sur
Tel. Nos. (054) 299-2408
(054) 456-1622

ISABELA-ALICIA
Armando & Leticia de Guia Bldg., San Mateo Road, Antonio, Alicia, Isabela
Tel. No. (078) 323-2343

ISABELA-CAUAYAN
Maharlika Hi-way cor. Cabatuan Rd., Cauayan, Isabela 3305
Tel. No. (078) 652-2125

ISABELA-CAUAYAN-MAHARLIKA HI-WAY
Disston Bldg., Maharlika Highway, Bgy. San Fermin, Cauayan, Isabela
Tel. Nos. (078) 652-4200
(078) 652-2144
Fax No. (078) 652-2243

ISABELA-CENTRO ILAGAN
J. Rizal St., Centro, Ilagan City, Isabela 3300
Tel. No. (078) 624- 2235

ISABELA-ILAGAN
Old Capitol Site Calamagui 2, Ilagan City, Isabela 3300
Tel. No. (078) 624-2136

ISABELA-ROXAS
Cor. Don Mariano Marcos Ave. & Bernabe Sts., Roxas, Isabela 3320
Tel. No. 0917 873-7855

ISABELA-SANTIAGO CITY ROAD
Municipal Integrated Parking Bldg., Panganiban St., Brgy. Centro East, Santiago City, Isabela
Tel. No. (078) 305-1627
Fax No. (078) 682-8276

ISABELA-SANTIAGO-MAHARLIKA
Marcos Highway cor. Camacam St., Centro East, Santiago City, Isabela 3311
Tel. No. (078) 305-1780

KALINGA-TABUK
I-Square Bldg., Provincial Road, Poblacion Centro, Tabuk City, Kalinga
Tel. No. 0917 575-1722

LA UNION-SAN FERNANDO PLAZA
Quezon Ave., San Fernando City, La Union 2500
Tel. Nos. (072) 242-1446
(072) 242-0908

LA UNION-SAN FERNANDO-QUEZON AVE.
612 Quezon Ave., San Fernando City, La Union 2500
Tel. Nos. (072) 888-3327
(072) 700-4137
Fax No. (072) 242-4811

LAGUNA-BIÑAN
Ammar Commercial Center, Nepa National Highway, Brgy. Sto. Domingo, Biñan, Laguna
Tel. No. (049) 511-6973

LAGUNA-CABUYAO-ABI
Asia Brewery Complex, National Hi-way, Brgy. Sala, Cabuyao, Laguna
Tel. Nos. (02) 816-5558
(02) 816-5132
(049) 531-2359

LAGUNA-CABUYAO-CENTRO MALL
Unit 124, Centro Mall, Brgy. Pulo, Cabuyao, Laguna
Tel. Nos. (049) 837-7368
(049) 534-4340
Fax No. (02) 520-8642

LAGUNA-CALAMBA CROSSING
G/F, Unit Building, J. Alcasid Business Center, Crossing Calamba City, Laguna
Tel. Nos. (049) 508-0986
(049) 834-2409

LAGUNA-CALAMBA-BUCAL
GF, Prime Unit 103 Carolina Center Bldg., cor. Ipil-ipil St., Brgy. Bucal, Calamba, Laguna
Tel. Nos. (049) 502-6189
(049) 502-6188

LAGUNA-CALAMBA-PARIAN
G/F, Sta. Cecilia Business Center II, Brgy. Parian, Calamba City, Laguna
Tel. Nos. (049) 545-9382
(049) 834-1485
Fax No. (02) 520-8841

LAGUNA-CALAMBA-POBLACION
Burgos St., Calamba City
Tel. Nos. (049) 545-1865
(049) 545-1864

LAGUNA-PASEO DE SANTA ROSA
Blk. 5 Lot 3B, Sta. Rosa Estate 2-A, Balibago, Tagaytay Road, Bo. Sto. Domingo, Sta. Rosa City, 4026 Laguna
Tel. Nos. (049) 508-1065
(049) 508-1067

LAGUNA-SAN PABLO CITY
M. Paulino St., San Pablo City, Laguna
Tel. Nos. (049) 562-4522
(049) 562-0608

LAGUNA-SAN PABLO CITY COLAGO
Mary Grace Building, Colago Ave. cor. Quezon Ave., San Pablo City, Laguna
Tel. Nos. (049) 562-7904
(049) 562-7905

LAGUNA-SAN PEDRO
KM 30 National Highway, San Pedro, Laguna
Tel. Nos. (02) 868-9968
(02) 847-8829

LAGUNA-SAN PEDRO-NAT'L. HI-WAY
Km. 31, National Highway, Brgy. Nueva, San Pedro, Laguna
Tel. Nos. (02) 808-4275
(02) 847-5120
(02) 847-5121
Fax No. (02) 808-4274

LAGUNA-SINILOAN
G. Redor St., Siniloan, Laguna
Tel. Nos. (049) 523-0705
(049) 501-3601

LAGUNA-SOUTHWOODS
G/F, Southwoods Mall, Brgy. San Francisco, Biñan, Laguna
Tel. Nos. (049) 543-2403
(049) 543-2504

LAGUNA-STA. CRUZ-P. GUEVARRA
Pedro Guevarra Avenue Brgy. Uno Sta. Cruz, Laguna
Tel. Nos. (049) 501-1945
(049) 501-0551

LAGUNA-STA. CRUZ-REGIDOR
37 A. Regidor St., Sta. Cruz, Laguna
Tel. No. (049) 501-3526
Fax No. (049) 501-1901

LAGUNA-STA. ROSA
National Highway, Balibago City of Sta Rosa Laguna
Tel. Nos. (049) 837-2602
(02) 520-8160

LAGUNA-UPLB
Andres Aglibut Avenue, UPLB Batong Malake, Los Baños, Laguna
Tel. Nos. (049) 536-2733
(049) 536-2880

LAOAG CITY-CASTRO
F.R. Castro St., Brgy. 17, Laoag City, Ilocos Norte
Tel. Nos. (077) 772-0139
(077) 772-0339
(077) 771-4117
Fax No. (077) 771-4116

LAOAG CITY-J.P. RIZAL
Brgy. 10, Trece Martires St. corner J.P. Rizal St., Laoag City 2900
Tel. Nos. (077) 772-0144
(077) 772-0145

LEGAZPI CITY-ALBAY CAPITOL
ANST Bldg. II, Rizal St., Brgy. 14, Albay District, Legaspi City, Albay
Tel. Nos. (052) 480-3497
(052) 820-1434

LEGAZPI CITY-DON B. ERQUIAGA
Corner Don B. Erquiaga and Rizal Streets, Legazpi City, Albay
Tel. No. (052) 480-7898

LEGAZPI CITY-IMPERIAL
35 F. Imperial St., Legaspi City, Albay
Tel. Nos. (052) 429-1595
(052) 480-7645
(052) 480-6133

LIPA CITY-AYALA HIGHWAY
High 5 Square Building, Ayala Highway, Mataas na Lupa, Lipa City, Batangas
Tel. Nos. (043) 757-2144
(043) 312-3303
Fax No. (043) 757-2145

LIPA CITY-B. MORADA
B. Morada Ave., Lipa City, Batangas
Tel. Nos. (043) 756-1119
(043) 756-1116

LUCENA CITY-ENRIQUEZ
Enriquez corner Enverga Sts., Poblacion, Lucena City, Quezon
Tel. Nos. (042) 373-1264
(042) 373-5284
Fax No. (042) 373-5283

LUCENA CITY-QUEZON AVE.
Quezon Ave., Brgy IX, Lucena City, Quezon
Tel. Nos. (042) 710-3703
(042) 710-3305

MALOLOS CITY-MACARTHUR HI-WAY
FC Bldg., Km 40, MacArthur Hi-way, Sumapang Matanda, Malolos City, Bulacan
Tel. Nos. (044) 791-6408
(044) 791-6413

MALOLOS CITY-STO. NIÑO
Sto. Niño, Malolos City, Bulacan
Tel. Nos. (044) 791-0494
(044) 794-1387

MARINDUQUE-BOAC
Gov. Damian Reyes St., Murallon, Boac, Marinduque
Tel. No. (042) 332-1365

MARINDUQUE-STA. CRUZ
G/F, RMR Bldg., Quezon St., Brgy. Maharlika, Sta. Cruz, Marinduque
Tel. No. 0917 873-7879

MASBATE CITY
Quezon St., Brgy. Pating, Masbate City, Masbate
Tel. Nos. (056) 333-2238
(056) 333-4507

MEYCAUAYAN
Sawmill Bldg, MacArthur Highway, Saluysoy, Meycauayan, Bulacan
Tel. Nos. (044) 228-3411
(044) 840-0393

MEYCAUAYAN CITY-ESPERANZA MALL
G/F, Stalls 8 & 9, Esperanza Mall, MacArthur Highway, Brgy. Calvario, Meycauayan, Bulacan
Tel. Nos. (044) 769-6171
(044) 769-0492
Fax No. (044) 228-2130

MOUNTAIN PROVINCE-BONTOC
G/F Mt. Province Commercial Center, Poblacion, Bontoc, Bontoc, Mountain Province
Tel. Nos. (074) 462-4008
0939 925-0807

NAGA CITY-GEN. LUNA
Gen. Luna St., Brgy. Abella, Naga City, Camarines Sur
Tel. Nos. (054) 473-9072

NAGA CITY-MAGSAYSAY AVE.
G/F G Square Bldg., Magsaysay Ave. corner Catmon II St., Balatas, Naga City, Camarines Sur
Tel. Nos. (054) 473-5558
(054) 472-3088

NAGA CITY-PANGANIBAN
DECA Corporate Center, Panganiban Drive, Brgy. Tinago, Naga City, Camarines Sur
Tel. Nos. (054) 473-9082
(054) 472-4801

NUEVA ECIJA-GAPAN-POBLACION
Tinio Street, Poblacion, Gapan City, Nueva Ecija
Tel. Nos. (044) 486-0315
(044) 486-0314
Fax No. (044) 486-1337

NUEVA ECIJA-GAPAN-SAN VICENTE
Tinio Street, San Vicente, Gapan City, Nueva Ecija
Tel. Nos. (044) 486-0281
(044) 486-1063

NUEVA ECIJA-GUIMBA
CATMAN Bldg., Provincial Road corner Faigal St., Saranay District, Guimba, Nueva Ecija
Tel. No. (044) 958-3049

NUEVA ECIJA-MUÑOZ
D. Delos Santos St. cor. Tobias St., Science City of Muñoz, Nueva Ecija
Tel. Nos. (044) 456-0283
(044) 456-0142

NUEVA ECIJA-SAN JOSE
Maharlika Hi-way cor. Cardenas St., San Jose City, Nueva Ecija 3121
Tel. Nos. (044) 940-4131
(044) 958-8877

NUEVA ECIJA-STA. ROSA
JNB Bldg., Maharlika Highway Brgy. Cojuanco, Sta. Rosa, Nueva Ecija
Tel. Nos. (044) 940-0478
(044) 600-0263

NUEVA VIZCAYA-BAYOMBONG
J.P. Rizal St., District 4, Bayombong, Nueva Vizcaya
Tel. Nos. (078) 321-2454
(078) 321-2278

NUEVA VIZCAYA-SOLANO
Maharlika National Highway, Solano, Nueva Vizcaya
Tel. No. (078) 392-1973

OCC. MINDORO-MAMBURAO
National Road, Brgy. Payompon, Mamburao, Occidental Mindoro
Tel. No. (043) 711-1078

OCC. MINDORO-SAN JOSE
Quirino corner M.H. Del Pilar Sts., Brgy. 6, San Jose, Occidental Mindoro 5100
Tel. No. (043) 491-1834

OLONGAPO CITY-MAGSAYSAY DRIVE
YBC Mall, 97 Magsaysay Drive, East Tapinac, Olongapo City
Tel. Nos. (047) 223-3215
(047) 222-2583 (telefax)

OLONGAPO CITY-RIZAL AVE.
2440 Rizal Ave., East Bajac-Bajac, Olongapo City, Zambales 2200
Tel. Nos. (047) 222-8343
(047) 223-4989

OLONGAPO CITY-SUBIC BAY
Lot 5 Retail 2, Times Square Mall, Sta. Rita Road, Subic Bay Freeport Zone, Olongapo City, Zambales 2220
Tel. No. (047) 252-7963
(047) 252-7964 (telefax)

OR. MINDORO-CALAPAN
J.P. Rizal St. Camilmil, Calapan City, Oriental Mindoro
Tel. Nos. (043) 441-0081
(043) 288-4055

OR. MINDORO-PINAMALAYAN
G/F San Agustin Bldg., Mabini St., Zone IV, Pinamalayan, Oriental Mindoro
Tel. No. (043) 284-3254

PALAWAN-PUERTO PRINCESA-RIZAL AVE.
Brgy. Manggahan, Rizal Avenue, Puerto Princesa City, Palawan
Tel Nos. (048) 723-6617
(048) 433-6617
(046) 433-6618

PALAWAN-PUERTO PRINCESA-VALENCIA
Rizal Ave. cor. Valencia St. Brgy. Tagumpay, Puerto Princesa City, Palawan
Tel Nos. (048) 434-3742
(048) 433-2421

PAMPANGA-APALIT
MacArthur Highway, San Vicente, Apalit, Pampanga
Tel. Nos. (045) 652-0049
(045) 879-0082

PAMPANGA-CLARK FIELD
Clark Center II, Retail 4 & 5 Berthaphil III, Jose Abad Santos Ave. Clark Freeport Zone, Clark Field, Pampanga 2023
Tel. Nos. (045) 599-2228
(045) 599-3043

PAMPANGA-GUAGUA
PNB Guagua Bldg., Brgy. Sto. Cristo, Guagua, Pampanga 2003
Tel. Nos. (045) 900-0149
(045) 901-0140

PAMPANGA-LUBAO
OG Road, Ela Paz Arcade, Brgy. Sta. Cruz, Lubao, Pampanga 2005
Tel. Nos. (045) 971-5021
(045) 971-5020 (telefax)

PAMPANGA-MABALACAT-DAU
MacArthur Highway, Dau, Mabalacat, Pampanga 2010
Tel. Nos. (045) 892-2538
(045) 624-0490

PAMPANGA-MABALACAT-MABIGA
Destiny Building, MacArthur Highway, Mabiga, Mabalacaat City, Pampanga
Tel. Nos. (045) 625-4911
(045) 625-5255 (telefax)

PAMPANGA-MACABEBE
SGB Building, San Gabriel, Macabebe, Pampanga
Tel. Nos. (045) 435-0147
(045) 435-0932

PANGASINAN-BAYAMBANG
Prime Bldg., Rizal St., Zone 2, Bayambang, Pangasinan
Tel. Nos. (075) 696-2186
(075) 636-2789

PANGASINAN-LINGAYEN
Avenida Rizal East cor. Maramba Blvd., Lingayen, Pangasinan
Tel. Nos. (075) 542-6020
(075) 662-0238

PANGASINAN-MANGALDAN
G/F, Abad Biascan Bldg., Rizal St.,
Poblacion, Mangaldan, Pangasinan
Tel. No. (075) 522-3885
Fax No. (075) 513-4911

PANGASINAN-ROSALES
MacArthur Highway, Carmen East,
Rosales, Pangasinan
Tel. No. (075) 632-1765

PANGASINAN-SAN CARLOS CITY
Plaza Jaycee, San Carlos City,
Pangasinan
Tel. Nos. (075) 532-2353
(075) 532-3366
(075) 634-1878
Fax No. (075) 955-5012

PANGASINAN-TAYUG
PNB Tayug Branch Bldg.,
Zaragoza Street, Poblacion,
Tayug, Pangasinan 2445
Tel. Nos. (075) 572-4428
(075) 572-3710

QUEZON-ATIMONAN
Our Lady of the Angels Parish
Compund, Quezon Street,
Atimonan, Quezon
Tel. Nos. (042) 511-1051
(042) 316-5329

QUEZON-CANDELARIA
Rizal St., National Highway,
Poblacion, Candelaria, Quezon
Tel. Nos. (042) 741-1433
(042) 585-6410

QUEZON-GUMACA
Andres Bonifacio St., Brgy. San Diego
Poblacion, Gumaca, Quezon
Tel. Nos. (042) 317-6429
(042) 421-1011

QUEZON-LOPEZ
San Francisco St., Talolong
Lopez, Quezon
Tel. Nos. (042) 841-1180
0917 589-6486

ROMBLON-ODIONGAN
#15 J.P. Laurel St.,
cor. M. Formilleza St., Ligaya,
Odiongan, Romblon
Tel. No. (042) 567-5220 loc. 6452

ROMBLON-REPUBLIKA
SAL Building, Republika St.,
Brgy. 1, Romblon, Romblon
Tel. No. 0917 873-7668

SAN FERNANDO CITY-A. CONSUNJI
A. Consunji St., Sto. Rosario,
City of San Fernando, Pampanga
Tel. Nos. (045) 961-2419
(045) 860-0485

SAN FERNANDO CITY-DOLORES
Units 4 & 5 G/F, Peninsula Plaza Bldg.,
MacArthur Highway, Dolores,
City of San Fernando, Pampanga
Tel. Nos. (045) 961-1505
(045) 860-1145

SAN FERNANDO CITY-EAST GATE
East Gate City Walk Commercial
Bldg., Olongapo-Gapan Road,
San Jose, City of San Fermando,
Pampanga
Tel. Nos. (045) 966-3436
(045) 875-6770

SAN FERNANDO CITY-MACARTHUR HI-WAY
LNG Bldg., MacArthur Highway,
Brgy. Dolores, City of San Fernando,
Pampanga
Tel. No. (045) 961-2608
Fax No. (045) 961-2592

SAN FERNANDO CITY-SINDALAN
G/F, Sindalan Commercial Bldg.,
Bgy. Sindalan, City of San Fernando,
Pampanga
Tel. Nos. (045) 435-2305
(045) 455-3684

SAN JOSE DEL MONTE-QUIRINO HI-WAY
Dalisay Bldg., Quirino Hi-way,
Tungkong Mangga, City of San Jose
Del Monte, Bulacan
Tel. No. (044) 815-0174

SORSOGON CITY-MAGSAYSAY
Doña Nening Bldg., Magsaysay St.
Sorsogon City
Tel. No. (056) 421-5205
Fax No. (056) 421-5648

SORSOGON CITY-RIZAL
Rizal St., Sorsogon City
Tel. No. (052) 421-5207

SORSOGON-BULAN
Zone 4 Tomas de Castro St.,
Bulan, Sorsogon
Tel. Nos. (056) 555-2223
(056) 555-2222

TAGAYTAY-AGUINALDO
E. Aguinaldo Hi-way,
Kaybagal South, Tagaytay City
Tel. Nos. (046) 413-0143
(046) 413-0144

TAGAYTAY-MENDEZ
Vistamart Bldg., Gen. E. Aguilnado
Highway, Mendez Crossing West,
Tagaytay City
Tel. Nos. (046) 413-0384
(046) 413-2499

TARLAC CITY-F. TAÑEDO
F. Tañedo St., San Nicolas, Tarlac City
Tel. Nos. (045) 982-1315
(045) 982-2805

TARLAC CITY-ZAMORA
A & E Bldg., Unit 123, #06 Zamora St.,
Brgy. San Roque, Tarlac City
Tel. Nos. (045) 982-0638
(045) 982-1221
Fax No. (045) 982-2384

TARLAC-CAMILING
Rizal St., Camiling, Tarlac
Tel. Nos. (045) 934-0499
(045) 934-0169
Fax No. (045) 934-0888

TARLAC-CAPAS-STO. DOMINGO
Capas Commercial Complex
Sto Domingo II, Capas, Tarlac
Tel. Nos. (045) 491-7920
(045) 491-7922 (telefax)

TARLAC-CONCEPCION
A. Dizon St., San Nicolas,
Concepcion, Tarlac 2316
Tel. Nos. (045) 923-0690
(045) 923-0153

TARLAC-PANIQUI
M.H. Del Pilar St., corner
MacArthur Hi-way, Paniqui, Tarlac
Tel. No. (045) 931-0383

URDANETA CITY-ALEXANDER
AAG Bldg. 2, Alexander St.,
Urdaneta City, Pangasinan
Tel. Nos. (075) 529-2113
(075) 529-0034

URDANETA CITY-NANCAYASAN
MacArthur Highway, Nancayasan,
Urdaneta City, Pangasinan 2428
Tel. Nos. (075) 568-2451
(075) 656-2613

VIGAN CITY-FLORENTINO
Leona Florentino St., Vigan City,
Ilocos Sur 2700
Tel. Nos. (077) 722-2515
(077) 722-2517

VIGAN CITY-QUEZON AVE.
36 Quezon Ave., Vigan City,
Ilocos Sur
Tel. No. (077) 632-1110
Fax No. (077) 722-2611

ZAMBALES-IBA-R. MAGSAYSAY AVE.
1032 Magsaysay Ave.,
Iba, Zambales 2201
Tel. Nos. (047) 811-1586
(047) 811-2721

ZAMBALES-STA. CRUZ
Brgy. Hall, Poblacion South,
Sta. Cruz, Zambales 2213
Tel. Nos. (047) 831-2468
(047) 831-1063

Visayas Branches

AKLAN-KALIBO-MARTELINO
0624 S. Martelino St., Kalibo, Aklan
Tel. Nos. (036) 500-8220
(036) 268-4820
Fax No. (036) 268-8220

AKLAN-KALIBO-PASTRANA
0508 G. Pastrana St., Kalibo, Aklan
Tel. Nos. (036) 268-7471
(036) 262-4811

ANTIQUE-SAN JOSE
Calixto O. Zaldivar St., San Jose de
Buenavista, Antique
Tel. Nos. (036) 540-9133
(036) 540-9597

ANTIQUE-T. A. FORNIER
T. A. Fornier St., Bantayan, San Jose,
Antique 5700
Tel. No. (036) 540-8469

BACOLOD-ARANETA
Araneta Ave., near cor. Luzuriaga St.,
Bacolod City, Negros Occidental
Tel. Nos. (034) 435-0646
(034) 707-7118

BACOLOD-EAST-BURGOS
G/F, Besca Properties Bldg.,
Burgos Extension, Bacolod City,
Negros Occidental
Tel. Nos. (034) 433-0931
(034) 432-0398

BACOLOD-HILADO
Hilado corner L.N. Agustin Sts.,
Bacolod City, Negros Occidental
Tel. Nos. (034) 433-4047
(034) 704-2280

BACOLOD-LACSON
10th Lacson St., Bacolod City,
Negros Occidental
Tel. Nos. (034) 434-8007
(034) 432-0605

BACOLOD-LIBERTAD
Penghong Bldg., Poinsetia St.,
Libertad Ext., Bacolod City,
Negros Occidental
Tel. Nos. (034) 433-9643
(034) 433-9645

BACOLOD-LUZURIAGA
Cor Luzuriaga and Araneta Sts.,
Bacolod City, Negros Occidental
Tel. Nos. (034) 434-7706
(034) 433-2476

BACOLOD-NEGROS CYBER CENTRE
Negros First Cyber Centre Bldg.,
Lacson cor. Hernaez St., Bacolod City,
Negros Occidental
Tel. Nos. (034) 433-4046
(034) 707-7959

BILIRAN-NAVAL
Ballesteros St., Naval, Biliran
Tel. Nos. (053) 500-9024 to 25

BOHOL-TUBIGON
Corner Cabangbang Avenue &
Jesus Vaño Street, Centro,
Tubigon, Bohol
Tel. Nos. (038) 508-8228
(038) 508-8027

BOHOL-UBAY
G/F LM Commercial Bldg.,
National Hi-way Cor.Tan Pentong St.,
Poblacion, Ubay, Bohol
Tel. Nos. (038) 518-2032
(038) 518-2035

BORACAY-STATION 1
Venue One Hotel, Main Road,
Station I, Balabag, Boracay Island,
Malay, Aklan
Tel. Nos. (036) 288-3669
(036) 288-9138

BORACAY-STATION 2
Brgy. Balabag, Boracay Island,
Malay, Aklan
FX Counter I - Oro Beach Resort,
Station III, Boracay Island,
Malay, Aklan
Tel. Nos. (036) 288-3026
(036) 288-3412
FX Counter I:
Tel. No. (036) 288-3607
Fax No. (036) 288-3048

CAPIZ ROXAS DOWNTOWN
Roxas Ave., Roxas City, Capiz
Tel. Nos. (036) 621-1112
(036) 522-1005
Fax No. (036) 621-2749

CAPIZ ROXAS-C.M. RECTO
Cor. CM Recto & G. Del Pilar Streets,
Brgy. III, Roxas City, Capiz 5800
Tel. Nos. (036) 522-9330
(036) 621-0789

CEBU BUSINESS PARK
Unit F, Upper G/F, FLB Corporate
Center, Archbishop Reyes Avenue,
Cebu Business Park, Cebu City
Tel. Nos. (032) 402-9335
(032) 234-0215
Fax No. (032) 412-2274

CEBU I.T. PARK
G/F, TGU Tower, Cebu IT Park,
Salinas Drive cor. J.M del Mar St.,
Apas, Cebu City
Tel. Nos. (032) 236-0912
(032) 410-6155
(032) 239-4299

CEBU UPTOWN
G/F, Visayas Community Medical
Center Mixed Use Bldg.,
Osmeña Blvd., Cebu City
Tel. Nos. (032) 415-5711
(032) 253-1662 to 63

CEBU-BANAWA
One Pavilion Mall, R. Duterte St.,
Banawa, Cebu City, 6000
Tel. Nos. (032) 260-0833
(032) 260-0834

CEBU-BANILAD-FORTUNA
AS Fortuna St., Banilad,
Mandaue City, Cebu
Tel. Nos. (032) 346-6184
(032) 346-6183
(032) 416-1670

CEBU-BANILAD-MA. LUISA PARK
Gov. M. Cuenco Ave., cor. Paseo
Saturnino St., Banilad, Cebu City
Tel. Nos. (032) 345-4828
(032) 346-7305
(032) 416-0988

CEBU-BANTAYAN
J.P. Rizal St., Ticad, Bantayan,
Cebu City
Tel. Nos. (032) 460-9275
(032) 316-5564

CEBU-BOGO
Cor. R. Fernan & San Vicente Sts.,
Bogo City, Cebu
Tel. Nos. (032) 434-7240
(032) 434-8721

CEBU-CARBON
41-43 Plaridel St., Ermita, Cebu City
Tel. Nos. (032) 256-1219
(032) 254-6117
(032) 416-9484

CEBU-CARCAR
Jose Rizal St., Poblacion 1,
Carcar City, Cebu
Tel. No. (032) 487-9058
Fax No. (032) 487-9057

CEBU-COLON
G/F J. Avela Bldg., Collonade Mall
Oriente, Colon St., Cebu City
Tel. No. (032) 253-0728
Fax No. (032) 416-8794

CEBU-CONSOLACION
Consolacion Government Center
Extension, Poblacion, Oriental,
Consolacion, Cebu City
Tel. Nos. (032) 564-2426
(032) 423-9243

CEBU-DANAO
Juan Luna St., Danao City, Cebu
Tel. Nos. (032) 343-0077
(032) 343-0074

CEBU-ESCARIO
G/F, Capitol Square, N. Escario Street,
Cebu City
Tel. No. (032) 412-1526
Fax No. (032) 254-0051

CEBU-FUENTE OSMEÑA
BF Paray Bldg., Osmeña Blvd.,
Cebu City
Tel. Nos. (032) 253-0349
(032) 253-4467

CEBU-JAKOSALEM
D. Jakosalem cor. Legaspi Sts.,
Cebu City
Tel. Nos. (032) 412-1114
(032) 412-1115
Fax No. (032) 256-3356

CEBU-LAHUG
G/F Juanita Bldg., Escario St.
Cor. Gorordo Ave., Brgy. Camputhaw,
Lahug, Cebu City
Tel. Nos. (032) 233-8252
(032) 412-2573
(032) 232-2786

CEBU-LAPU-LAPU MARKET
Mangubat corner Rizal Sts.,
Lapu-Lapu City, Cebu
Tel. Nos. (032) 340-1087
(032) 340-8552

CEBU-LAPU-LAPU-PAJO
Manuel L. Quezon National Highway,
Pajo, Lapu-Lapu City, Cebu
Tel. Nos. (032) 340-8351
(032) 340-8347
(032) 340-5571

CEBU-LAPU-LAPU-PUSOK
M. L. Quezon National Highway,
Pusok, Lapu-Lapu City, Cebu
Tel. Nos. (032) 494-0029
(032) 340-5626

CEBU-LILOAN
Units 11-12, G/F, Gaisano Grand
Liloan, Barangay Poblacion,
Liloan, Cebu
Tel. No. (032) 424-3661

CEBU-M.C. BRIONES
Corner M.C. Briones and
Jakosalem Streets, Cebu City
Tel. Nos. (032) 255-1699
(032) 253-7676
(032) 253-8537

CEBU-MACTAN INT'L AIRPORT
Lower Ground, Waterfront Mactan,
Airport Rd., Pusok, Lapu-Lapu City,
Cebu
Tel. Nos. (032) 840-1589
(032) 340-0072
(032) 494-0100

CEBU-MAMBALING
GF, Supermetro Mambaling, F.
Llamas St., corner Cebu South Road,
Basak, San Nicolas, Cebu City
Tel. No. (032) 272-8781
Fax No. (032) 490-0823

CEBU-MANDAUE CENTRO
G/F, Gaisano Grand Mall, Mandaue
Centro, A. Del Rosario St.,
Mandaue City 6014, Cebu
Tel. Nos. (032) 346-7613
(032) 346-7612

CEBU-MANDAUE-A. CORTES
A. C. Cortes Ave., Ibabaw,
Mandaue City, Cebu
Tel. Nos. (032) 420-1907
(032) 346-7591

CEBU-MANDAUE-LOPEZ JAENA
J. D. Bldg., Lopez Jaena St.,
Highway, Tipolo, Mandaue City, Cebu
Tel. Nos. (032) 346-7473
(032) 346-2827

CEBU-MANDAUE-NORTH ROAD
Unit 101A, Ground Floor,
Insular Square, Northroad
Basak, Mandaue City, Cebu
Tel. Nos. (032) 239-1719
(032) 328-0177

CEBU-MANDAUE-SUBANGDAKU
National Highway,
Subangdaku, Mandaue City, Cebu
Tel. Nos. (032) 422-5550
(032) 346-2581

CEBU-MEPZ
1st Ave., MEPZ 1, Ibo, Lapu-Lapu City
Tel. Nos. (032) 840-1589
(032) 340-0072
(032) 494-0100

CEBU-MINGLANILLA
Ward 4, Poblacion,
Minglanilla, Cebu
Tel. No. (032) 272-8781
Fax No. (032) 490-0823

CEBU-MOALBOAL
G/F, Stall MBL-GFS 7,
8 & 9, Gaisano Grand Mall,
Poblacion East, Moalboal, Cebu
Tel. Nos. (032) 350-4652
(032) 350-4653

CEBU-TABUNOK NAT'L. HI-WAY
Paul Sy Bldg., National Highway,
Tabunok, Talisay City, Cebu
Tel. Nos. (032) 272-6434
(032) 491-7077
(032) 272-6435

CEBU-TABUNOK-TALISAY
Viva Lumber Bldg., Tabunok,
Talisay City, Cebu
Tel. Nos. (032) 491-7167
(032) 491-7168
Fax No. (032) 272-4422

CEBU-TALAMBAN
Leyson St., Talamban, Cebu City
Tel. Nos. (032) 416-0388
(032) 345-3701

CEBU-TOLEDO
Rafols St., Poblacion,
Toledo City, Cebu
Tel. Nos. (032) 322-5613
(032) 467-8194

DUMAGUETE CITY-LOCSIN
33 Dr. V. Locsin St., Dumaguete City,
Negros Oriental
Tel. Nos. (035) 422-6181
(035) 225-3903
(035) 225-0520

DUMAGUETE CITY-SILLIMAN AVE.
Silliman Avenue cor Real St.,
Dumaguete City, Negros Oriental
Tel. Nos. (035) 422-9176
(035) 422-9658

DUMAGUETE CITY-SOUTH ROAD
Manhattan Suites, South Rd.,
Calindagan, Dumaguete City,
Negros Oriental
Tel. Nos. (035) 420-5017
(035) 420-5018

EASTERN SAMAR-BORONGAN CITY
Real St., Brgy. Songco, Borongan City,
Eastern Samar
Tel. Nos. (055) 560-9041
(055) 261-2013

EASTERN SAMAR-GUIUAN
San Nicolas St., Guiuan,
Eastern Samar 6809
Tel. Nos. 0917 873-7432
0947 990-1678

ILOILO-ALDEGUER
St. Catherine Arcade, Aldeguer St.,
Iloilo City, Iloilo
Tel. Nos. (033) 338-1217
(033) 337-5207
(033) 509-9908
Fax No. (033) 337-9312

ILOILO-DIVERSION ROAD
Unicom Bldg.,
Sen. Benigno Aquino Ave. (Diversion
Road), Brgy. San Rafael,
Mandurriao, Iloilo City, Iloilo
Tel. Nos. (033) 321-5420
(033) 517-7888

ILOILO-GEN LUNA-VALERIA
Corner Gen. Luna and Valeria Streets,
Brgy. Danao, Iloilo City 5000, Iloilo
Tel. Nos. (033) 337-2476
(033) 337-1705

ILOILO-GEN. LUNA
Go Sam Building, Gen. Luna St.,
Iloilo City, Iloilo
Tel. Nos. (033) 508-7133
(033) 338-0626
Fax No. (033) 336-9722

ILOILO-JARO
#8 Lopez Jaena St., Jaro,
Iloilo City, Iloilo
Tel. No. (033) 329-0750

ILOILO-JARO HECHANOVA
P.T. Española Building,
Gran Plains Subdivision,
Brgy. M.V. Hechanova, Tabuk Suba,
Jaro, Iloilo City 5000, Iloilo
Tel. Nos. (033) 320-3348
(033) 508-7560
(033) 320-3336

ILOILO-LA PAZ
G/F Inayan Building, Rizal Street,
La Paz, Iloilo City 5000, Iloilo
Tel. Nos. (033) 320-1506
(033) 501-9950

ILOILO-LEDESMA
Ledesma corner Quezon Streets,
Brgy. Ed Ganzon, Iloilo City 5000,
Iloilo
Tel. Nos. (033) 508-7128
(033) 337-7933
(033) 337-6756
(033) 508-7128
Fax No. (033) 338-0628

ILOILO-MIAG-AO
One TGN Building, cor. Noble &
Sto. Tomas Sts., Miagao, Iloilo
Tel. Nos. (033) 315-8201
(033) 513-7440

ILOILO-PASSI CITY
F. Palmares Street, Passi City, Iloilo
Tel. Nos. (033) 311-5466
(033) 536-8220

ILOILO-PLAZA LIBERTAD
JM Basa Street, Iloilo City 5000, Iloilo
Tel. Nos. (033) 338-0818
(033) 336-9144 (telefax)

ILOILO-POTOTAN
Guanco St., Pototan, Iloilo
Tel. Nos. (033) 529-7423
(033) 529-8785

ILOILO-STA. BARBARA
Liz Complex, Bangga Dama,
Brgy. Bolong Oeste,
Sta. Barbara, Iloilo
Tel. Nos. (033) 523-9258
(033) 523-9248
(033) 523-9145
(033) 333-0755

LEYTE-BAYBAY CITY
148 R. Magsaysay Ave.,
Baybay City, Leyte
Tel. No. (053) 563-9769
Fax No. (053) 335-2013

LEYTE-ORMOC CITY-BONIFACIO
Cor. Cata-ag & Bonifacio Sts.,
Ormoc City, Leyte
Tel. Nos. (053) 561-9757
(053) 255-4304
0917 720-0201

LEYTE-ORMOC CITY-COGON
G/F, Gabas Building, Lilia Avenue,
Brgy. Cogon, Ormoc City, Leyte
Tel. Nos. (053) 255-5237
(053) 561-9578

LEYTE-PALOMPON
G/F Mun. Bldg., Rizal St.,
6538 Palompon, Leyte
Tel. Nos. (053) 555-9041
(053) 338-2104

NEGROS OCC.-BINALBAGAN
Don Pedro R. Yulo St., Binalbagan,
Negros Occidental 6107
Tel. Nos. (034) 388-8261
(034) 388-8271

NEGROS OCC.-CADIZ CITY
Cor. Luna and Cabahug Sts.,
Cadiz City, Negros Occidental 6121
Tel. Nos. (034) 720-7846
(034) 493-1217

NEGROS OCC.-KABANKALAN CITY
NOAC National Highway
cor. Guanzon St., Kabankalan City,
Negros Occidental
Tel. Nos. (034) 471-2193
(034) 746-7028

NEGROS OCC.-LA CARLOTA CITY
Cor La Paz & Rizal Sts.,
Barangay I, La Carlota City,
Negros Occidental 6130
Tel. Nos. (034) 460-2222
(034) 460-3330

NEGROS OCC.-SAN CARLOS CITY
V. Gustilo St., San Carlos City,
Negros Occidental
Tel. No. (034) 729-9411

NEGROS OCC.-SILAY CITY
Rizal St., Silay City, Negros Occidental
Tel. Nos. (034) 495-2050
(034) 495-4984

NEGROS OCC.-VICTORIAS CITY
Cor. Ascalon and Montinola Sts.,
Victorias City, Negros Occidental
Tel. Nos. (034) 399-2907
(034) 399-2716

NEGROS OR.-BAIS CITY
Rosa Dy-Teves Bldg.,
Quezon St., Bais City,
Negros Oriental
Tel. Nos. (035) 402-9343
(035) 408-8214

NEGROS OR.-BAYAWAN
National Highway cor. Mabini St.,
Brgy. Suba, Bayawan City,
Negros Oriental
Tel. No. (035) 430-0351

NEGROS OR.-GUIHULNGAN
New Guihulngan Public Market,
S. Villegas St., Guihulngan,
Negros Oriental
Tel. No. (035) 410-4171

NEGROS OR.-TANJAY
Magallanes cor. E. Romero Sts.,
Tanjay City, Negros Oriental
Tel. No. (035) 415-8184
Fax No. (035) 527-0209

NORTHERN SAMAR-CATARMAN
Cor. Garcia & Jacinto Sts., Brgy. Narra,
Catarman, Northern Samar 6400
Tel. Nos. (055) 500-9003
(055) 251-8453

SAMAR-CALBAYOG CITY
Maharlika Highway, Brgy. Obrero,
Calbayog City, Samar
Tel. Nos. (055) 209-1305
(055) 209-1250

SAMAR-CATBALOGAN CITY
Del Rosario St., Allen Avenue,
Catbalogan City, Samar
Tel. Nos. (055) 251-2034
(055) 543-8399

SIQUIJOR-LARENA
Roxas St., Larena, Siquijor
Tel. No. (035) 377-2018

SOUTHERN LEYTE-MAASIN CITY
Cor. Juan Luna & Allen Streets,
Tunga-Tunga, Maasin City,
6600 Southern Leyte
Tel. No. (053) 381-2113
Fax No. (053) 570-9625

SOUTHERN LEYTE-SOGOD
Osmeña St., Zone 2 ,
Sogod, Southern Leyte 6606
Tel. Nos. (053) 577-8909
(053) 382-2444

TACLOBAN CITY-JUSTICE ROMUALDEZ
J. Romualdez St., Tacloban City, Leyte
Tel. Nos. (053) 523-3611
(053) 325-5180

TACLOBAN CITY-RIZAL AVE.
G/F Washington Bldg.,
Rizal Ave., Tacloban City, Leyte
Tel. Nos. (053) 523-7895
(053) 325-8123

TACLOBAN CITY-ZAMORA
111 Zamora St., Tacloban City, Leyte
Tel. Nos. (053) 832-1445
(053) 325-5147
(053) 321-2053

TAGBILARAN-ALTURAS MALL
G/F, Stall 10, Alturas Mall,
C. P. Garcia Ave., M. H. del Pilar &
B. Inting Sts., Tagbilaran City, Bohol
Tel. Nos. (038) 411-5432
Fax No. (038) 411-3355
Globeline : 501-9472

TAGBILARAN-C.P. GARCIA AVE.
C. P. Garcia Ave. cor. J. A. Clarin St.,
Poblacion, Tagbilaran City, Bohol
Tel. Nos. (038) 501-9540
(038) 411-4196

TAGBILARAN-ISLAND CITY MALL
Upper Ground Floor 33-34,
Island City Mall, Dampas District,
Tagbilaran City, Bohol
Tel. Nos. (032) 411-0155
(032) 411-0156
(032) 501-0056

Mindanao Branches

AGUSAN DEL SUR-BAYUGAN CITY
Mendoza Square, Narra Avenue,
Poblacion, Bayugan City,
Agusan del Sur
Tel. No. (085) 343-6887

AGUSAN DEL SUR-SAN FRANCISCO
Roxas St., Brgy. 4, San Francsico,
Agusan del Sur
Tel. Nos. (085) 343-8019
(085) 839-0156

BASILAN-ISABELA-ROXAS
Roxas Ave., Isabela City,
Basilan Province
Tel. Nos. (062) 200-7259
(062) 200-7265

BASILAN-ISABELA-STRONG BLVD.
Strong Blvd., Isabela, Basilan
Tel. No. 0917 873-7952

BUKIDNON-MARAMAG
J. Tan, Bldg., Sayre Highway,
North Poblacion, Maramag,
Bukidnon
Tel. Nos. (088) 222-2148
0905 415-2884

BUTUAN CITY-J.C. AQUINO
J. C. Aquino Avenue, Butuan City,
Agusan del Norte
Tel. No. (085) 342-5365
Fax No. (085) 342-5363

BUTUAN CITY-MONTILLA
Montilla Blvd., Brgy. Dagohoy,
Butuan City, Agusan del Norte
Tel. Nos. (085) 342-5800
(085) 342-5801

CAMIGUIN-MAMBAJAO
Cor. Gen. Aranas & Burgos Sts.,
Brgy. Poblacion, Mambajao,
Camiguin
Tel. Nos. (088) 387-1080 to 1081

CDO-CARMEN
REGO Bldg., 296 Agoho Drive,
Carmen, Cagayan de Oro City,
Misamis Oriental
Tel. Nos. (088) 858-3158
(088) 880-9573

CDO-COGON
JR Borja cor. V. Roa Sts.,
Cagayan de Oro City,
Misamis Oriental
Tel. Nos. (088) 857-1911
(08822) 726-443
(08822) 722-246
Fax No. (088) 857-5804

CDO-CORRALES-CHAVES
Corrales Ave., cor. T. Chavez St.,
Cagayan de Oro City,
Misamis Oriental
Tel. Nos. (08822) 729-500
(088) 857-5684

CDO-LAPASAN HIGHWAY
G/F, RMT Building, Lapasan Highway,
Cagayan de Oro City,
Misamis Oriental
Tel. No. (08822) 723-992
Fax No. (088) 856-4732

CDO-LIMKETKAI DRIVE
Limketkai Center, Lapasan, Cagayan
de Oro City, Misamis Oriental
Tel. Nos. (08822) 722-872
(088) 856-3696

CDO-LIMKETKAI MALL NORTH CONCOURSE
G/F North Concourse, Limketkai Mall,
Limketkai Center, Lapasan, Cagayan
de Oro City, Misamis Oriental
Tel. Nos. (088) 857-4149
(088) 857-5682

CDO-TIANO
Tiano Brothers cor. Cruz Taal Sts.,
Cagayan de Oro City,
Misamis Oriental
Tel. Nos. (08822) 722-816
(088) 856-1146
Fax No. (08822) 722-861

COTABATO CITY-DOROTHEO
Alejandro Dorotheo St.
cor. Corcuera St., Cotabato City,
Maguindanao
Tel. Nos. (064) 421-3309
(064) 421-2834
Fax No. (064) 421-2506

COTABATO CITY-MAKAKUA
39 Makakua St., Cotabato City,
Maguindanao
Tel. Nos. (064) 421-8756
(064) 421-3309
(064) 421-2696

COTABATO CITY-S.K. PENDATUN
Quezon Ave., Cotabato City,
Maguindanao
Tel. Nos. (064) 421-1066
(064) 421-8099
Fax No. (064) 421-5099

DAVAO DEL NORTE-PANABO
G/F Gaisano Grand Mall of Panabo,
Quezon St., Brgy. Sto. Niño,
Panabo City, Davao Del Norte
Tel. Nos. (084) 645-0027
(084) 645-0028

DAVAO DEL NORTE-TAGUM-APOKON
GL 04-06 Gaisano Grand Arcade,
Apokon Road corner Lapu-Lapu Ext.,
Brgy. Visayan Village, Tagum City,
Davao Del Norte
Tel. Nos. (084) 216-9248
Fax No. (084) 216-7057

DAVAO DEL NORTE-TAGUM-RIZAL
Rizal St., Magugpo, Poblacion,
Tagum City, Davao del Norte
Tel. Nos. (084) 216-9371
(084) 655-6550

DAVAO DEL SUR-DIGOS
Quezon Avenue, Digos,
Davao del Sur
Tel. Nos. (082) 553-2543
(082) 553-2187

DAVAO ORIENTAL-MATI
Rizal Ext., Brgy. Central,
Mati, Davao Oriental
Tel. Nos. (087) 388-3799
(087) 388-3366

DAVAO-AGDAO
Chavez Bldg., Lapu-Lapu St.,
Agdao, Davao City
Tel. No. (082) 221-1025
Fax No. (082) 221-8617

DAVAO-ATENEO
G/F, Community Center,
Ateneo de Davao University,
Jacinto St., Davao City
Tel. Nos. (082) 221-8047
(082) 221-8024

DAVAO-BANGOY
Roman Paula Bldg.,
C. Bangoy Street, Davao City
Tel. Nos. (082) 221-9539
(082) 221-9540
(082) 221-9538

DAVAO-C.M. RECTO
GF PNB Building, CM Recto St.,
Davao City
Tel. Nos. (082) 221-1467
(082) 222-2180
(082) 221-7475

DAVAO-CABAGUIO AVE.
HPC Bldg., Cabaguio Avenue,
Bgry. Gov. Paciano Bangoy,
Davao City
Tel. Nos. (082) 272-3605
(082) 272-3606

DAVAO-CALINAN
LTH Building, Davao-Bukidnon
Highway, Calinan, Davao City
Tel. Nos. (082) 285-4564
(082) 285-4569

DAVAO-DIVERSION ROAD
D3G Y10 Building, Davao Diversion
Road, Carlos P. Garcia Hi-way,
Buhangin, Davao City
Tel. Nos. (082) 241-1988
(082) 241-0970

BRANCHES AND OFFICES

DAVAO-J.P. LAUREL AVE.
Upper Ground Floor, Units 1A & 1B, Robinsons Cybergate Delta, J.P. Laurel Ave., Bajada, Davao City
Tel Nos. (082) 254-7370
(082) 255-7368

DAVAO-LANANG
Km. 7, Lanang, Davao City
Tel. No. (082) 235-0116
Fax No. (082) 235-0117

DAVAO-MAGSAYSAY-LIZADA
R. Magsaysay Ave. cor. Lizada St., Davao City
Tel. No. (082) 227-2123
Fax No. (082) 222-1812

DAVAO-MATINA-GSIS
HIJ Bldg., MacArthur Highway, Brgy. Matina, Davao City
Tel. Nos. (082) 299-2852
(082) 299-2850

DAVAO-MATINA-MACARTHUR HIGHWAY
80 Lua Building, MacArthur Highway, Matina, Davao City
Tel. No. (082) 297-5638
Fax No. (082) 297-5537

DAVAO-MONTEVERDE CHINATOWN
42 T. Monteverde cor. S. Bangoy Sts., Davao City
Tel. No. (082) 226-2753
Fax No. (082) 227-2687

DAVAO-MONTEVERDE-SALES
Mintrade Bldg., Monteverde St. cor. Sales St., Davao City, Davao del Sur
Tel. Nos. (082) 222-0514
(082) 225-5895

DAVAO-OBRERO
G/F JJ Commune Bldg., Loyola St., Bo. Obrero, Davao City
Tel. Nos. (082) 224-2474
(082) 224-2479

DAVAO-PANACAN
Units 11-13, G/F, GRI Business Center, Maharlika Highway, Brgy. Panacan, Davao City
Tel. Nos. (082) 225-4413
(082) 225-4553

DAVAO-SAN PEDRO
San Pedro St., Davao City
Tel. No. (082) 227-2621
Fax No. (082) 221-2230

DAVAO-SAN PEDRO-C.M. RECTO
San Pedro St., cor. C.M. Recto St., Davao City, Davao del Sur
Tel. Nos. (082) 226-2541
(082) 227-2971

DAVAO-SASA
Carmart Bldg., Km 8, Sasa, Davao City
Tel. Nos. (082) 233-0585
(082) 233-0584

DAVAO-STA. ANA
Bonifacio Tan Bldg., Rosemary cor. Bangoy Sts., Sta. Ana Dist., Davao City, Davao del Sur
Tel. Nos. (082) 221-1851
(082) 226-3145

DAVAO-TORIL
Anecita G. Uy Bldg., Saavedra St., Toril, Davao City, Davao del Sur
Tel. Nos. (082) 291-0030
(082) 291-0028

DAVAO-VICTORIA PLAZA
G/F, Victoria Plaza Mall, J.P. Laurel Ave., Bajada, Davao City

DIPOLOG CITY-GEN. LUNA
Gen. Luna St. cor. C.P. Garcia Sts., Dipolog City, Zamboanga del Norte
Tel. Nos. (065) 212-4827
(065) 212-7212
Fax No. (065) 212-2557

DIPOLOG CITY-RIZAL
Rizal Ave. cor. Osmeña St., Dipolog City, Zamboanga del Norte
Tel. Nos. (065) 212-2573
(065) 908-2600
Fax No. (065) 212-2572

GENERAL SANTOS-CITY HALL DRIVE
Osmeña St., City Hall Drive, General Santos City, South Cotabato
Tel. Nos. (083) 552-2858
(083) 552-3254

GENERAL SANTOS-KCC MALL
Unit 018 Lower G/F KCC Mall of Gensan, Jose Catolico Sr. Ave. General Santos City, South Cotabato
Tel. Nos. (083) 554-9092 to 9093

GENERAL SANTOS-P. ACHARON
Pedro Acharon Blvd., General Santos City, South Cotabato
Tel. No. (083) 553-6626
Fax No. (083) 552-4201

GENERAL SANTOS-SANTIAGO
RD Realty Development Bldg., Santiago Blvd., General Santos City, South Cotabato
Tel. No. (083) 302-5281
Fax No. (083) 302-5283

ILIGAN CITY-AGUINALDO
Cor. Gen. Aguinaldo & Labao Sts., Poblacion, Iligan City, Lanao del Norte
Tel. Nos. (063) 223-8182
(063) 221-2803

ILIGAN CITY-PALA-O
G/F Iligan Day Inn Bldg., Benito S. Ong St., Pala-O, Iligan City, Lanao del Norte
Tel. Nos. (063) 223-8183
(063) 221-3206

ILIGAN CITY-QUEZON
Quezon Ave., Poblacion, Iligan City, Lanao del Norte
Tel. No. (063) 221-2840
Fax No. (063) 221-9528

JOLO-AROLAS
Gen. Arolas corner Magno Sts., Jolo, Sulu
Tel. Nos. (085) 341-8911
local 2179 & 2180

KORONADAL CITY-MORROW
Morrow St., Koronadal, South Cotabato
Tel. Nos. (083) 228-3727
(083) 228-6059
(083) 228-3726

KORONADAL CITY-POBLACION
Gen. Santos Drive, Brgy. Zone 1, Koronadal City, South Cotabato
Tel. No. (083) 228-2652
Fax No. (083) 228-2651

LANAO DEL NORTE-MARANDING
National Highway, Maranding, Lala, Lanao del Norte
Tel. No. (063) 388-7156
Fax No. (063) 388-7155

MALAYBALAY CITY-FORTICH
Fortich cor. Kapitan Juan Sts., Brgy. 7, Malaybalay City, Bukidnon
Tel. Nos. (088) 221-3336
(088) 813-2051
(088) 221-2117
Fax No. (088) 221-2167

MALAYBALAY CITY-RIZAL
Flores Bldg., cor. Rizal & Tabios Sts., Brgy. 5, Malaybalay City, Bukidnon
Tel. Nos. (088) 813-2459
(088) 813-2460

MARAWI CITY-PEREZ
Right Wing, Dimaporo Gymnasium, MSU-Main Campus, Brgy. Rapasun Sikap, Marawi City, Lanao del Sur
Tel No. (063) 876-0024

MARAWI CITY-MSU EXT. OFFICE
Right Wing, Dimaporo Gymnasium, MSU-Main Campus, Brgy. Rapasun Sikap, Marawi City, Lanao del Sur
Tel. No. (063) 876-0024

MISAMIS ORIENTAL-GINGOOG CITY
National Highway, Brgy. 23, Gingoog City, Misamis Oriental
Tel. No. (088) 861-0210

NORTH COTABATO-KIDAPAWAN
Quezon Blvd., Kidapawan City, North Cotabato
Tel. No. (064) 288-1696
(064) 288-5118

NORTH COTABATO-MIDSAYAP
Quezon Avenue, Midsayap, North Cotabato
Tel. Nos. (064) 229-8004
(064) 229-8459

OROQUIETA CITY-SEN. JOSE OZAMIS
Sen. Jose Ozamis St., Lower Lamac, Oroquieta City, Misamis Occidental
Tel. Nos. (088) 531-2055
(088) 531-1052

OZAMIS CITY-BURGOS
Gomez cor. Burgos Sts., 50th Brgy., Ozamis City, Misamis Occidental
Tel. Nos. (088) 521-1511
(088) 521-0433

OZAMIS CITY-RIZAL AVE.
Rizal Ave., Aguada, Ozamis City, Misamis Occidental
Tel. Nos. (088) 521-1556
(088) 521-0010

PAGADIAN CITY-PAJARES
F.S. Pajares Ave. cor. Cabrera St., Brgy. San Francisco, Pagadian City, Zamboanga del Sur
Tel. No. (062) 214-1373
Fax No. (062) 214-3322

PAGADIAN CITY-RIZAL AVE.
Rizal, Ave., Balangasan District, Pagadian City, Zamboanga del Sur
Tel. Nos. (062) 215-1162
(062) 214-1309

PAGADIAN CITY-RIZAL AVE. EXT. OFFICE
G/F Gaisano Capital Pagadian, Rizal Avenue, San Pedro District, Pagadian City, Zamboanga del Sur
Tel. Nos. (062) 215-1162
(062) 214-1309

SULTAN KUDARAT-ISULAN
Aristoza Bldg., National Highway, Isulan, Sultan Kudarat
Tel. Nos. (064) 201-3427
(064) 201-3428

SULTAN KUDARAT-TACURONG
Alunan Highway, Tacurong City, Sultan Kudarat
Tel. Nos. (064) 562-0112
(064) 200-3471
Fax No. (064) 384-1688

SURIGAO CITY-GAISANO CAPITAL
45 Rizal St., Brgy. Washington, Surigao City, Surigao del Norte
Tel Nos. (086) 826-4335
(086) 231-7822

SURIGAO CITY-RIZAL
45 Rizal St., Brgy. Washington, Surigao City, Surigao del Norte
Tel. Nos. (086) 826-4335
(086) 231-7822

SURIGAO CITY-SAN NICOLAS
San Nicolas St., Brgy. Washington, Surigao City, Surigao del Norte
Tel. Nos. (086) 826-8001
(086) 231-7282

SURIGAO DEL SUR-BISLIG CITY
Cor. Abarca & Espiritu Sts., Mangagoy, Bislig, Surigao del Sur
Tel. Nos. (086) 853-4149
(086) 853-2244

SURIGAO DEL SUR-TANDAG CITY
Napo, National Highway, Tandag, Surigao del Sur
Tel. Nos. (086) 211-3695
(086) 211-2558

TAWI-TAWI-BONGAO
Datu-Halun St., Bongao, Tawi-Tawi
Tel. No. (068) 268-1048

VALENCIA CITY-MABINI
Tamaylang Bldg., Mabini Street, Poblacion, Valencia City, Bukidnon
Tel. No. (088) 222-2695
Fax No. (088) 828-1313

ZAMBOANGA DEL NORTE-LILOY
Chan Bldg., Baybay, Liloy, Zamboanga del Norte
Tel. No. (065) 906-9095

ZAMBOANGA DEL NORTE-SINDANGAN
Corner Rizal & Bonifacio Sts., Poblacion, Sindangan, Zamboanga del Norte
Tel. Nos. (065) 224-2017
(065) 224-2018

ZAMBOANGA DEL SUR-MOLAVE
Mabini St., Molave, Zamboanga del Sur
Tel. Nos. (062) 225-1223
(062) 225-1958

ZAMBOANGA SIBUGAY-BUUG
National Highway, Poblacion, Buug, Zamboanga Sibugay
Tel. No . (062) 344-8131

ZAMBOANGA SIBUGAY-IPIL
National Highway, Poblacion, Ipil, Zamboanga Sibugay
Tel. No . (062) 333-2240
Fax No. (062) 333-2343

ZAMBOANGA-CANELAR
G/F Blue Shark Hotel, Mayor Jaldon St., Canelar, Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 991-1584
(062) 991-9876

ZAMBOANGA-CLIMACO
JNB Bldg., Buenavista St., Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 991-1643
(062) 993-1033

ZAMBOANGA-J.S. ALANO
J.S. Alano St., Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 992-4813
(062) 991-6098
(062) 991-5031

ZAMBOANGA-KCC MALL
Upper Ground Floor, KCC Mall de Zamboanga, Gov. Camins St., Brgy. Camino Nuevo, Zamboanga City, Zamboanga del Sur
Tel. No. (062) 992-7647
Fax No. (062) 992-7648

ZAMBOANGA-MCLL HIGHWAY
Auroma Bldg., MCLL Highway, Guiwan District, Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 992-0859
(062) 993-1761

ZAMBOANGA-SAN JOSE
San Jose, Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 991-0779
(062) 991-3758

ZAMBOANGA-SUCABON
Mayor MS Jaldon St., Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 993-1110
(062) 991-3756
(062) 991-3757

ZAMBOANGA-TETUAN
G/F, AL Gonzalez & Sons Bldg., Veterans Ave., Zamboanga City, Zamboanga del Sur 7000
Tel. Nos. (062) 955-1318
(062) 992-4481

ZAMBOANGA-VETERANS AVENUE
G/F Zamboanga Doctors' Hospital, Annex Bldg., Veterans Ave., Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 993-0858
(062) 993-2260

BRANCHES AND OFFICES

REGION HEADS

North Metro Manila
MANUEL D. LABAYNE

Central Metro Manila
SHIRLEY T. CHING

South Metro Manila
JAY B. PESIGAN

Northern Luzon
CARINA L. SALONGA

Southern Luzon
BERNABE R. PUNSALAN

Visayas
JOHN HILARION C. SALAS

Mindanao
RODERICK T. ENRIQUEZ

AREA HEADS

North Metro Manila

NMM-1 Merly I Mercado
NMM-2 Blesilda S. Reyes
NMM-3 Marie Therese T. Montecer
NMM-4 Editha P. Mañago
NMM-5 Ma. Lelis R. Singson

Central Metro Manila

CMM-1 Josephine Aurelia V. Diaz
CMM-2 Yvonne P. Beltran
CMM-3 Felisabel L. Taganas
CMM-4 Rose Vanessa C. Tia
CMM-5 Alain N. Dimaunahan
CMM-6 Dwight Lawrence T. Leyco

South Metro Manila

SMM-1 Carlo Lucas M. Buan
SMM-2 Ma. Luisa V. Alarcon
SMM-3 Alona S. Tambunting
SMM-4 Mary Rose D. Gonzales
SMM-5 Baby Annie K. Torres
SMM-6 Delia F. Villanueva

Northern Luzon

NOL 1 Christine Marie M. Rillera
NOL 2 Jeffrey C. Querubin
NOL 3 Gregorio G. Santiago, Jr.
NOL 4 Arlene B. Morales
NOL 5 Ernesto E. Catacutan
NOL 6 Ma. Lourdes M. Valencia
NOL 7 Ramir E. Garbo

Southern Luzon

SOL 1 Alvin A. Lista
SOL 2 Carlos Oliver L. Leytte
SOL 3 Jocelyn C. Diawan
SOL 4 Ruth A. Carrasco
SOL 5 Vito Antonio D. Rubio
SOL 6 Jo-An A. Isaac

Visayas

VIS 1 Walter T. Lasaca
VIS 2 Gino C. Gonzalez
VIS 3 Doris C. Bargayo
VIS 4 Russel N. Lau
VIS 5 Andres C. Abaño
VIS 6 Jaybert Jose A. Ong
VIS 7 Albert C. Lopez
VIS 8 Abigail P. Gironella

Mindanao

MIN 1 Ernest T. Uy
MIN 2 Ariel V. Roca
MIN 3 Maria Jessica N. Reyes
MIN 4 Rommel T. Remotigue
MIN 5 Bonnie M. Duran
MIN 6 Elinor A. Macrohon
MIN 7 Anastasia N. Angeles

COMMERCIAL BANKING GROUP

Metro Manila

MAKATI BUSINESS CENTER
3rd Flr., PNB Makati,
6754 Ayala Avenue
Corner Legaspi Street, Makati City
Tel. No.: (02) 894-18-16

SVP Lee Eng Y. So

BINONDO BUSINESS CENTER
PNB Binondo-Quintin Paredes
Branch - Manila Dowtown Office,
Alliance Building,
410 Q. Paredes Street,
Binondo, Manila
Tel. No.: (02) 241-2377
(02) 241-2281

SAVP Kelvin S. Aquilino

CALOOCAN BUSINESS CENTER
PNB Caloocan Branch -
1716 Rizal Avenue Extension,
Corner L. Bustamante Street,
Grace Park Caloocan City
Tel. No.: (02) 361-2888

FVP Linda C. Lao

QUEZON CITY BUSINESS CENTER
PNB Cubao Branch -
Mezzanine Floor, Aurora Boulevard,
Cubao, Quezon City
Tel. No.: (02) 912-1947

SAVP & OIC Kelvin S. Aquilino

GREENHILLS BUSINESS CENTER
PNB Greenhills Branch,
Rm. 205 Limketkai Building,
Ortigas Avenue, Greenhills
(opposite Caltex Station)
San Juan, Metro Manila
Tel. No.: (02) 724-33-12

VP Joyleen Vivienne O. Ho

Luzon

ANGELES BUSINESS CENTER
PNB Angeles Branch -
2nd Floor, PNB Building,
730 Sto. Rosario Street,
Angeles City, Pampanga
Tel. Nos.: (045) 409-0232
(045) 888-9664

AVP Susan L. Principe

CAUAYAN BUSINESS CENTER
PNB Cauayan Branch - Maharlika
Highway Corner Cabatuan Road,
Cauayan City, Isabela
Tel. Nos.: (078) 652-1408
(078) 662-1325

M2 Verme F. Fugaban

DAGUPAN BUSINESS CENTER
PNB Dagupan Branch -
AB Fernandez Avenue,
Dagupan City, Pangasinan
Tel. Nos.: (075) 522-0898
(075) 653-5718

SM Felicitas G. Flores

BATANGAS BUSINESS CENTER
2nd Floor PNB Lipa Branch,
B. Morada Avenue,
Lipa City, Batangas
Tel. No.: (043) 723-1409

M1 Sherlyn C. Nicolas

NAGA BUSINESS CENTER
PNB Naga Branch -
2nd Floor PNB Building,
General Luna Street, Naga City 4400
Tel. No.: (054) 473-0393

M2 Don C. Fajardo

Visayas

ILOILO BUSINESS CENTER
PNB Ledesma Branch,
Corner Quezon and Ledesma Streets,
Iloilo City 5000
Tel. No.: (033) 320-0855

SM Wilfredo C. Hontanar

ILOILO BUSINESS CENTER - BACOLOD EXTENSION OFFICE
G/F PNB Bacolod Branch Building,
Lacson Street, Bacolod City
Tel. Nos.: (034) 433-3449
(034) 434-9068

SM Wilfredo C. Hontanar

CEBU BUSINESS CENTER
2/F, PNB Jakosalem Main Building,
Corners Jakosalem and
Legaspi Streets, Cebu City 6000
Tel. Nos.: (032) 254-6889
(032) 253-6909
(032) 412-1130

VP Zorina C. Jingco

Mindanao

CAGAYAN DE ORO BUSINESS CENTER
PNB Limketkai Branch -
Limketkai Drive, Lapasan,
Cagayan de Oro City, 9000
Tel. No.: (088) 856-3684

AVP Marjorie P. Ballesteros

CAGAYAN DE ORO - BUTUAN OFFICE
PNB Butuan Branch,
Montilla Boulevard, Butuan City
Tel. Nos.: (085) 342-5802
(085) 816-2366

AVP Marjorie P. Ballesteros

DAVAO BUSINESS CENTER
PNB Davao Branch - CM Recto,
CM Recto Corner San Pedro Streets,
Davao City
Tel. Nos.: (082) 221-2053
(082) 221-2521

AVP Ma. Eloisa D. Opeña

ZAMBOANGA BUSINESS CENTER
PNB Zamboanga-Sucabon Branch -
2nd Floor, Mayor Jaldon Street
Zone 2, Zamboanga City 7000
Tel. No.: (062) 991-1798

AVP Ramon B. Siyluy, Jr.

GENERAL SANTOS BUSINESS CENTER
2nd Floor, PNB General Santos-
City Hall Drive Branch
City Hall Drive, Osmeña Street,
General Santos City 9500
Tel. Nos.: (083) 553-5344
(083) 553-5343

AVP Ria D. Rivera

REGIONAL CONSUMER FINANCE CENTERS

Luzon

NOL RCFC
PNB Dagupan Branch
AB Fernandez Ave.,
Dagupan City, Pangasinan
Tel. No.: (075) 515-2744 loc 6700
Fax No: (075) 515-2744

Romar Marlo L. Sison

CAV RCFC
PNB Cauayan Branch
Maharlika Highway cor. Cabatuan
Road Cauayan Isabela
Tel. Nos.: (078) 652-1416
(078) 897-1700 loc 6703
Fax No: (078) 652-1416

Novella A. Antonio

CEL 1 RCFC
PNB Cabanatuan Branch
Cor. Paco Roman & Del Pilar Sts.,
Cabanatuan City, Nueva Ecija
Tel. No.: (044) 463-0639
Fax No: (044) 463-0639

Albert A. Corpuz

CEL 2 RCFC
PNB Angeles Branch
730 Sto. Rosario St., Angeles City,
Pampanga
Tel. No.: (045) 409-0211
Fax No: (045) 887-4308

Raleigh S. Pangan

SOL 1 RCFC
PNB Lipa
2/F B. Morada Avenue,
Lipa City, Batangas
Tel. Nos.: (043) 723-0050
(043) 723-5660
Fax No: (043) 723-0050

Armand Joseph V. Sabalvaro

SOL 2 RCFC
PNB San Pablo Branch
Marcus Paulino St.,
San Pablo City, Laguna
Tel. No.: (049) 562-0756
Fax No: (049) 562-0756

Elaine O. Arcega

BICOL RCFC
PNB Naga Branch
Gen. Luna St., Naga City,
Camarines Sur
Tel. Nos.: (054) 473-1234
(054) 440-1723

Jona Joy S. Palacio

Visayas

CEBU BOHOL SAMAR LEYTE RCFC
PNB Cebu Branch
Cor. Jakosalem & MC Briones Sts.,
Cebu City
Tel. Nos.: (032) 412-1797
(032)412-1884
(032) 256-3365 loc 6707
Fax No: (032) 412-1797

Leila Q. Amante

NEGROS RCFC
PNB Bacolod Branch
Lacson Sts., Bacolod City
Negros Occidental
Tel. Nos.: (034) 434-5127
(034) 434-8712
Fax No: (034) 434-8712

GY L. Canonero

PANAY RCFC
PNB Iloilo Branch
Cor. Gen. Luna and Valeria Sts.,
Iloilo City
Tel. No.: (033) 337-5275
Fax No: (033) 335-5275

GY L. Canonero

Mindanao

SOMIN RCFC
PNB Davao Branch
C.M. Recto St., Davao City
Tel. No.: (082) 305-4438
Fax No: (082) 2213534

Erwin M. Panimdim

NOMIN RCFC
PNB Limketkai Branch
Lapasan, Cagayan de Oro
Tel. No.: (0822) 729-801 loc 6712
Fax No: (0822) 729-801 / 729

Gervacio T. Go III

WESMIN RCFC
PNB Zamboanga Branch
J. Alano St., Zamboanga City
Tel. No.: (062) 991-0797 loc 6713
Fax No: (062) 9910797

Ronald B. De La Cruz

OVERSEAS

Hong Kong Branch
Unit 02, 9th Floor, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong
Tel. No: (852) 2543-1066
Fax Nos. (852) 2525-3107
(852) 2541-6645
Email Address:
pnbhkgrp@pnb.com.ph;
domingowe@pnb.com.ph

Wilfredo E. Domingo
General Manager

PNB Global Remittance & Financial Co. (HK) Ltd.- Head Office
Unit 01, 9th Floor, Tung Wai Commercial Building, 109-111 Gloucester Road, Wanchai, Hong Kong
Tel. No: (852) 2230-2105
Fax Nos. (852) 2525-3107
(852) 2541-6645
Email Address:
deguzmanke@pnb.com.ph

Katherine E. De Guzman
General Manager

PNB Global North Point
G/F Shop 53 Carson Mansion 113 King's Road, North Point, Hong Kong
Tel. No: (852) 2887-5967
Fax No. (852) 2807-0298
Email Address:
baldonsl@pnb.com.ph

Sofia L. Baldon
Branch Manager

PNB Global Shatin
Shop 190, Level 3 Shatin Lucky Plaza, 12-15 Wang Fok St., Shatin, New Territories, Hong Kong
Tel. No: (852) 2603-2802
Fax No. (852) 2609-3816
Email Address:
martinba@pnb.com.ph

Belinda A . Martin
Branch Manager

PNB Global Tsuen Wan
Shops 226-229, Lik San Plaza, 269 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong
Tel. No: (852) 2490-1397
Fax No. (852) 2490-3435
Email Address:
delalunaic@pnb.com.ph

Imee Dela Luna
Branch Manager

PNB Global Worldwide House 101
Shop 101, 1/F Worldwide House, 19 Des Voeux Road, Central, Hong Kong
Tel. No: (852) 2521-4603
Trunkline: (852) 2543-7171
Fax No. (852) 2521-4603
Email Address:
ipfs@pnb.com.ph

Felicisima S. Ip
Branch Manager

PNB Global Worldwide House 122
Shop 122, 1/F Worldwide House, 19 Des Voeux Road, Central, Hong Kong
Tel. No: (852) 2869-8764
Fax No. (852) 2869-8599
Email Address:
lenchicoel@pnb.com.ph

Eduardo L. Lenchico
Branch Manager

PNB Global Yuen Long
Shop 9, 3/F Tung Yik Bldg., No.8 Yu King Square, Yuen long, New Territories, Hong Kong
Tel. No: (852) 2147-3471
Fax No. (852) 2147-3481
Email Address:
dimlar@pnb.com.ph

Roselyn Dimla
Branch Manager

Allied Banking Corporation (Hong Kong) Limited
1402 World Wide House
19 Des Voeux Road Central, Hong Kong
Tel. No: (852) 2846-2288
Fax No. (852) 2846-2299
Email Address:
mail@abchkl.com.hk

Lourdes A. Salazar
Chief Executive

Allied Banking Corporation (Hong Kong) Limited - Kowloon Branch
Shop 264-265 2/F Houston Center 63 Moody Road Tsimshatsui East Kowloon, Hong Kong
Tel. No: (852) 2846-2251
Fax No. (852) 2810-6388
Email Address:
mail@abchkl.com.hk

Andy Ko
Alt. Chief Executive

Tokyo Branch
1/F Mita43MT Building
3-13-16 Mita Minato-ku, Tokyo 108-0073 Japan
Tel. No: (813) 6858-5910
Fax No. (813) 6858-5920
Email Address:
rifarealjt@pnb.com.ph
tokyo@pnb.com.ph
customercare@pnbtokyo.co.jp

Julius T. Rifareal
Managing Director & Chief Representative

Nagoya Sub-Branch
7/F Nishiki 324 Building, 3-24-24 Nishiki, Naka-Ku, Nagoya-shi, Aichi-ken 460-0003 Japan
Tel. No: (8152) 968-1800
Fax No. (8152) 968-1900
Email Address:
tambuyatpk@pnb.com.ph
nagoya@pnb.com.ph
pnbnagoya@pnbtokyo.co.jp

Patricia Kato-Tambuyat
Branch Manager

Allied Commercial Bank
3/F, The Bank Centre, 189 Xiahe Lu, Xiamen 361003, People's Republic of China
Tel. Nos: (86592) 239-9316 to 17
Fax No. (86592) 239-9329
Email Address:
zhangyu@alliedbankchina.com.cn

Zhang Yu
General Manager

Allied Commercial Bank - Chongqing Branch
521-522 Hilton Chonqing, 139 Zhong Shan San Lu, Yu Zhong District, Chongqing 400015, People's Republic of China
Tel. No: (8623) 8903-9958
Fax No. (8623) 8903-9961
Email Address:
yangjie@alliedbankchina.com.cn
Yang Jie
Branch Head

Singapore Branch
304 Orchard Road, #03-02/07 Lucky Plaza Shopping Centre, Singapore 238863
Tel. No: (65) 6737-4646
Fax No. (65) 6737-4224
Email Address:
pnbsingaporegroup@pnb.com.ph;
vicentinacm@pnb.com.ph

Cristy M. Vicentina
General Manager / Region Head for Asia

PNB Singapore Limited Purpose Branch
#03-68 Lucky Plaza Shopping Center, Singapore 238863
Tel. No: (65) 6737-4106
Fax No. (65) 6737-4224
Email Address:
mohdfs@pnb.com.ph

Farida Syed Mohd
Officer-In-Charge

PNB Guam Branch
Suite 114/114C, Micronesia Mall, 1088 West Marine Corps Drive, Dededo, Guam 96929 PO Box CT Agana, Guam 96932
Tel. Nos: (1671) 646-9143 or
(1671) 646-9145
Fax No. (1671) 649-5002
Email Address:
palisocmr@pnb.com.ph
bautistaas@pnb.com.ph
guamboo@pnb.com.ph

Mario R. Palisoc
General Manager

PNB Bahrain Branch
11/F Bahrain Tower Government One Avenue Manama, State of Bahrain POB 20493
Tel. No: (973) 1722-4707
Fax No. (973) 1721-0506
jotael@pnb.com.ph

Emmanuel L 'Jonel" Jota
General Manager

PNB Desk KSA Riyadh
PNB KSA Desk Office
Gooda Building 3rd Floor Room # 35 Abubaker Al-Razi Street, Sulaimanya Dist. Riyadh, KSA
Tel. No: (966) 5564-44009
Fax No. (966) 5418-80932
Email Address:
SalomabaoSM@pnb.com.ph

Salimar M. Salomabao
Country Head

PNB Desk ANB Batha Riyadh
Arab National Bank Batha Telemoney Center, Riyadh Trading Center, Batha (Filipino Market), Riyadh KSA
Tel. No: (966) 5028-44956
Email Address:
gasparcg@pnb.com.ph
gasparcj@pnb-sa.net

Carlito J. Gaspar
Officer for Business Development

PNB Desk ANB Akaria Riyadh
Arab National Bank Aqaria Telemoney Center, Aqaria Shopping Center, Olaya Road, Riyadh, KSA
Tel. No: (966) 5334-60562
Email Address:
albanafg@pnb-sa.net

Jose Francisco G. Albana
Officer for Business Development

PNB Desk ANB Hera Jeddah
Arab National Bank, Hera Jeddah TeleMoney Center, Jeddah, Saudi Arabia
Tel. No: (966) 5532-41855
Email Address:
hashimsc@pnb-sa.net

Salabin Hashim
Officer for Business Development

PNB Desk ANB Balad Jeddah
Arab National Bank
Balad Telemoney Center, Aswaq Building, Corniche, Balad District, Jeddah, KSA
Tel. No: (966) 5067-83655
Email Address:
GUILINGmb@pnb-sa.net

Moamar B Guiling
Officer for Business Development

PNB Desk ANB 2nd Industrial Riyadh
Easter Ring Road Ext.
2nd Industrial Area City, Riyadh, KSA
Email Address:
Tel. No: (966) 5377-13617
salimboup@pnb-sa.net

Usman Salimbo
Officer for Business Development

PNB Desk ANB Yanbu
Arab National Bank
Yanbu Telemoney Center Khair Baladi Int'l. Market, Yanbu, KSA
Tel. No: (966) 5084-86492
Email Address:
macapantonan@pnb-sa.net

Abdullah N. Macapanton
Officer for Business Development

PNB Desk ANB Jubail
Arab National Bank
Jubail Telemoney Center, Jeddah St., Across Riyadh Bank, P.O. Box 351 Jubail 31941, KSA
Tel. No: (966) 5306-19167
Email Address:
lealdg@pnb-sa.net

Dennis G. Leal
Officer for Business Development

PNB Desk ANB Khobar
Arab National Bank
Al Khobar Telemoney Center, 1st Street, Rahmaniyah, Alkhobar KSA
Tel. No: (966) 5078-75421
Email Address:
decastroab@pnb-sa.net

Alexander B. De Castro
Outsourced Staff

PNB Desk Al-Rajhi Military Hospital Riyadh
Alrazi Street, Sulimaniya district Riyadh, KSA.
Tel. No: (966) 5564-44009
Email Address:
abong@pnb-sa.net,
abong@pnb.com.ph

Nasser G. Abo
Officer for Business Development

PNB Desk Al-Rajhi Khobar
Alrajhi Bank Tahweel Alrajhi Alkhobar, 1st Street, Rahmaniyah Alkhobar, KSA
Tel. No: (966) 5532-41855
Email Address:
cuatonba@pnb-sa.net

Bartolome A. Cuaton, Jr.
Officer for Business Development

PNB Desk BAB Batha Riyadh
Bank Albilad - Enjaz Banking Services P.O. Box 140, Seteen St., Al Malaz Riyadh 11411, KSA
Tel. No: (966) 5082-79121
Email Address:
alvarezeu@pnb.com.ph

Eduardo U. Alvarez, Jr.
Officer for Business Development

PNB Desk BAB Jeddah
Bank Albilad - Enjaz Banking Services Balad Corniche, Jeddah KSA
Tel. No: (966) 5316-14901
Email Address:
bagundangae@pnb-sa.net

Abdulrashid E. Bagundang
Officer for Business Development

PNB Desk BAB Khobar
Bank Albilad - Enjaz Banking Services King Fahad Street Alkhobar KSA
Tel. No: (966) 5060-32078
Email Address:
razalanvg@pnb-sa.net

Victorino G. Razalan
Officer for Business Development

Kuwait Marketing Office
PNB c/o Philippine Embassy Kuwait,Block 1, Street 101 Villa 816 and 817Al Siddeeq Area. P.O. Box 26288 Safat 13123 Safat, Kuwait
Tel. No: (965) 9986-9386 (Mobile)
Fax No. (965) 532-9319
Email Address:
PantanillaLG@pnb.com.ph

Lamberto G. Pantanilla
Relationship Officer

Dubai Representative Office
Room No. 108, 1/F, Al Nakheel Building, Zaabeel Road, Karama, P.O. Box 52357, Dubai, UAE
Tel. No: (971) 4-3365-940
Email Address:
pascualfm@pnb.com.ph

Ferdinand M. Pascual
Officer-In-Charge

Qatar Desk Office
Doha Bank International Relations Center, First floor, Doha Bank D-Ring Road Branch, D-Ring Road cor. Al Mansour Street, Matar Qadeem, Doha, State of Qatar, P.O. Box 3818
Tel. Nos: (+974) 4445 6759, Mobile
(+974) 5582 1049
(viber/whatsapp)
Fax No. (974) 425 7587
Email Address:
AyaayaAR@pnb.com.ph,
aaayaay@dohabank.com.qa

Anthony Ariel R. Aya-Ay
Relationship Officer

Qatar Marketing Office
c/o Alzaman Exchange W.L.L. Mansoura Al Meera, Doha, State of Qatar, PO Box 23497
Tel. Nos: (974) 5 5970111 (Mobile)
(974) 44357552 (Office)
(974) 44154732
(974) 44357620
Email Address:
CuetoBA@pnb.com.ph
Benette Cueto-Quiton
Relationship Officer

Paris Representative Office
165 Avenue Victor Hugo, 75016 Paris, France
Tel. Nos: (0044) 207 3132300
2302 / 2303
(44207) 7279447
Email Address:
cuignetle@pnbglobal.com

Lynneth E. Cuignet
Head of Office

Rome Representative Office
c/o Global Philippines SRL Galleria Carraciolo n. 20/A Rome
Tel. Nos: (3906) 482-7830
(3906) 482-7841
Fax No. (3906) 482-7884

PNB (Europe)- Nottinghill Br
5-7 Hillgate Street, London W8 7SP, United Kingdom
Tel. Nos: (0044) 207 313 2300
2308 / 2305
Fax No. (44207) 727 9447
Email Address:
villacortaen@pnb.com.ph
pnbeinfo@pnbglobal.com

Ernesto N. Villacorta
Managing Director

PNB (Europe) Plc – Corporate Office
238 Vauxhall Bridge Road London SW1V 1AU
Tel. Nos: (0044) 207 3132300
2302 / 2303
Fax No. (44207) 233 6194
Email Address:
villacortaen@pnb.com.ph

Ernesto N. Villacorta
Managing Director

PNB Germany Representative Office
Hohenstauferallee 39, 69181 Leimen
Tel. Nos: 49 (0631) 62487326 to 27,
49 (0176) 2454 6033
(Mobile)
Email Address:
sirlazir@arcor.de, sirlazir@yahoo.de

Mario Rizal P. Victoria
Consultant

Los Angeles Branch
316 W 2nd Street, Suite 700, Los Angeles, California 90012, U.S.A.
Tel. Nos: (213) 401-1800
Fax No. (213) 401-1803
Email Address:
manalader@pnb.com.ph

Editha R. Manalad
General Manager

New York Branch
561 Seventh Avenue, 2F New York, NY 10018
Tel. Nos: (212) 790-9600
Fax No. (212) 382-2238
Email Address:
toribiomls@pnb.com.ph

Maria Luisa S. Toribio
General Manager

Queens (NY) Extension Office
69-18 Roosevelt Ave. Woodside, NY 11377, U.S.A.
Tel. No: (718) 898-6113
Fax No. (718) 898-7838
Email Address:
ochoacn@pnb.com.ph

Cynthia N. Ochoa
Operations Officer

PNB International Investments Corp. (PNB IIC)
316 W 2nd Street, 7th Floor, Los Angeles, California 90012, U.S.A.
Tel. No: (213) 401-1008
Fax No. (213) 401-1208
Email Address:
rvillacisneros@pnbrci.com

Rudyric R. Villacisneros
President & CEO

PNB RCI Holding Co. Ltd.
316 W 2nd Street, 7th Floor, Los Angeles, California 90012, U.S.A.
Tel. No: (213) 401-1008
Fax No. (213) 401-1208
Email Address:
rvillacisneros@pnbrci.com

Rudyric R. Villacisneros
President & CEO

PNB Remittance Centers, Inc. (RCI) - Head Office
316 W 2nd Street, 7th Floor, Los Angeles, California 90012, U.S.A.
Tel. No: (213) 401-1008
Fax No. (213) 401-1208
Email Address:
rvillacisneros@pnbrci.com; corporate@pnbrci.com

Rudyric R. Villacisneros
President & CEO / concurrent - North America Region Head

PNB RCI Artesia Office
11618 South Street, Suite 213, Artesia CA 90701, U.S.A.
Tel. No: (562) 924-8979
Fax No. (562) 924-8980
Email Address:
artesia@pnbrci.com

Ramon Padernal
Branch Supervisor

PNB RCI Carson
131-F W. Carson St., Carson, CA 90745, U.S.A.
Tel. No: (310) 549-8795
Fax No. (310) 549-8797
Email Address:
carson@pnbrci.com

Wilmin Armas
Branch Manager

PNB RCI Eagle Rock
2700 Colorado Blvd., #100, Los Angeles, CA 90041, U.S.A.
Tel. No: (323) 254-3507
Fax No. (323) 254-3259
Email Address:
eaglerock@pnbrci.com

Vener Ramos
Person-In-Charge

PNB RCI Los Angeles
Equitable Plaza, Suite 104 3435 Wilshire Blvd., Los Angeles, CA 90010
Tel. No: (213) 739-9952
Fax No. (213) 355-8906
Email Address:
losangeles@pnbrci.com

Ma. Teza Francisco
Person-In-Charge

PNB RCI Mira Mesa
9007 Mira Mesa Blvd., San Diego, CA 92126, U.S.A.
Tel. No: (858) 549-1253
Fax No. (858) 549-1346
Email Address:
miramesa@pnbrci.com

Menchu Bolanos
Branch Manager

PNB RCI National City
2220 E. Plaza Blvd. Suite E, National City, CA 91950, U.S.A.
Tel. No: (619) 472-5270
Fax No. (619) 472-5790
Email Address:
nationalcity@pnbrci.com

Stephen Faustino Garcia
Branch Manager

PNB RCI Panorama City Extension Office - North Hills Seafood City
16130 Nordhoff St., North Hills, CA 91343, U.S.A.
Tel. No: (818) 830-9100
Fax No. (818) 830-9119
Email Address:
northhills@pnbrci.com

Leonora Manansala
Person-In-Charge

PNB RCI West Covina
1559-K E. Amar Road, West Covina, CA 91792, U.S.A.
Tel. No: (626) 854-2045
Fax No. (626) 854-2046
Email Address:
westcovina@pnbrci.com

Mary Jane Sotelo
Branch Supervisor

PNB RCI Chicago
5033 N Elston Ave., 1st floor Chicago Illinois 60630 (Inside Seafood City Supermarket)
Tel. No: (708) 669-7097
Fax No. (708) 320-2952
Email Address:
chicago@pnbrci.com

Arsenio Odulio
Area Head

PNB RCI Niles
7144 Dempster Avenue, Ste. 350 Morton Grove, IL 60053, U.S.A.
Tel. No: (847) 583-0352
Fax No. (847) 583-0352
Email Address:
niles@pnbrci.com

Angeles Recto
Branch Supervisor

PNB RCI Houston
Beltway Plaza Shopping Center, 8388 West Sam Houston Parkway, Suite 194, Houston, TX 77072, U.S.A.
Tel. No: (281) 988-7575
Fax No. (281) 988-7555
Email Address:
houston@pnbrci.com

Emily Datuin
Branch Supervisor

PNB RCI Honolulu
1122 Fort Street Mall, Honolulu, HI 96813
Tel. No: (808) 521-1493
Fax No. (808) 988-7001
Email Address:
honolulu@pnbrci.com;

David Dahilig
Branch Supervisor

PNB RCI Waipahu
94-050 Farrington Highway, Building A Unit C, Waipahu, HI 96797
Tel. No: (808) 678-3360
Fax No. (808) 678-3302
Email Address:
waipahu@pnbrci.com

Arceli Sagaoinit
Branch Supervisor

PNB RCI Miami
1001 N. America Way Suite 103, Miami FL 33132
Tel. No: (786) 631-3803
Fax No. (786) 988-7733
Email Address:
portofmiami@pnbrci.com

Analet Ballarta
Person-In-Charge

PNB RCI Westborough
3559 Callan Blvd., South San Francisco, CA 94080
Tel. No: (650) 634-8325
Fax No. (650) 737-4795
Email Address:
westborough@pnbrci.com

Felicisima Aguilar (Pic)
Person-In-Charge

PNB Remittance Company, Nevada - Corporate Office
3890 S. Maryland Parkway, Suite G, Las Vegas NV 89119
Tel. No: (702) 836-3386
Fax No. (702) 474-9068
Email Address:
jarticulo@pnbrcn.com

JEANA ARTICULO
Area Head

PNB Remittance Company (Canada) - Main Office
3050 Confederation Parkway Unit 104 Mississauga Ontario L5B 3Z6 Canada
Tel. Nos: (905) 897-9600
(905) 896-4840
(905) 896-9743/ 416-897-6440
Fax Nos. (905) 897-9601
(604) 737-4948
Email Address:
marnaldo@pnbrcc.com

MANUEL A. ARNALDO
President & CEO

PNB RCC Mississauga Branch
3050 Confederation Parkway Unit 104 Mississauga Ontario L5B 3Z6 Canada
Tel. Nos: (905) 896-8010
(905) 268-0580
Fax No. (905) 896-9338
Email Address:
mississauga@pnb.com.ph

Grace Barlaan
Branch Supervisor

PNB RCC Scarborough Branch
3430 Sheppard Ave., East, Scarborough, Ontario M1T 3K4, Canada
Tel. Nos: (416) 293-5438/
(416) 293-8758
Fax No. (416) 293-7376
Email Address:
scarborough@pnbrcc.com; scarborough@pnb.com.ph

Mercy Grace Letrondo
Branch Supervisor

PNB RCC Sherbourne Branch
3-545 Sherbourne St., Toronto M4X 1W5, Ontario, Canada
Tel. Nos: (416) 960-9231
(416) 960-8004
Fax No. (416) 960-8688
Email Address:
sherbourne@pnbrcc.com
sherbourne@pnb.com.ph

Elisa Adrada
Personnel-in-Charge

PNB RCC Surrey Branch
13521-102 Avenue, Surrey British Columbia V3T 4X8, Canada
Tel. No: (604) 581-6762
Fax No. (604) 581-6299
Email Address:
surrey@rccmail.com

Alfredo Asuncion
Branch Supervisor

PNB RCC Vancouver Branch
365 West Broadway, Vancouver, British Columbia V5Y 1P8, Canada
Tel. No: (604) 737-4944
Fax No. (604) 737-4948
Email Address:
vancouver@pnbrcc.com

Cristina Martinuk
Operations Officer

PNB RCC Wilson Branch
101-333 Wilson Ave., Toronto, Ontario, M3H 1T2 Canada
Tel. No: (416) 630-1400
Fax No. (416) 630-1406
Email Address:
wilson@pnbrcc.com

Maria Marivic Funtanilla
Personnel-in-Charge

PNB RCC Winnipeg Branch (Satellite Office)
737 Keewatin Street, Unit 7, Winnipeg, Manitoba, Canada R3X 3B9
Tel. Nos: (204) 697-8860
(204) 697-8861
Fax No. (204) 697-8865
Email Address:
winnipeg@pnbrcc.com

Jo Ann Palabon
Personnel-in-Charge

PNB RCC Seafood City Sub-branch
PNB Global Remit-Seafood City Branch 800 Boyer Blvd., Mississauga, ON L5V 2Y1
Tel. No: (905) 812-8010
Fax No. (905) 812-8011
Email Address:
seafoodcity@pnbrcc.com

Grace Barlaan
Branch Supervisor

PNB Domestic Subsidiaries and Affiliates

PNB Capital and Investment Corporation
9th Floor, PNB Financial Center, Pres. Diosdado Macapagal Blvd. Pasay City 1300
Tel Nos.: (02) 526-3698
(02) 573-4293
(02) 573-4305
Fax No.: (02) 526-3270
E-mail Add.:
pnbcapital@pnb.com.ph

Florencia G. Tarriela
Chairman

Gerry B. Valenciano
President & CEO

PNB-IBJL Leasing and Finance Corporation
5th Floor PNB Makati Center 6754 Ayala Avenue corner Legaspi Street, Makati City
Tel. Nos.: 892-5555; 816-3311
816-3111
Fax No.: 893-0032
E-mail Add.:
info@pnb-ibjlleasing.com.ph

Florencia G. Tarriela
Chairman

Modette Ines V. Cariño
President

PNB-IBJL Equipment Rentals Corporation
5th Floor PNB Makati Center 6754 Ayala Avenue corner Legaspi Street, Makati City
Tel. Nos.: 892-5555; 816-3311
816-3111
Fax No.: 893-0032
E-mail Add.:
info@pnb-ibjlleasing.com.ph

Florencia G. Tarriela
Chairman

Modette Ines V. Cariño
President

PNB General Insurers Co., Inc.
2nd Floor PNB Financial Center, Pres. Diosdado Macapagal Blvd. Pasay City 1300
Tel Nos.: 526-3268 to 69
526-3635, 37 to 38
Fax No.: 526-3643

Felix Enrico R. Alfiler
Chairman

Francisco P. Ramos
President
(resigned effective December 31, 2017)

Felixberto C. Borja
FVP & Officer-in-Charge
(effective January 10, 2018)

PNB Savings Bank
10th Floor Allied Bank Center 6754 Ayala Avenue corner Legaspi Street, Makati City 1226
Tel Nos.: 816-3311 loc. 3142
Fax Nos.: 812-8352 / 814-0596
E-mail Add.:
hernandezjdb@pnb.com.ph

Lucio C. Tan
Chairman

Joven DB. Hernandez
President

PNB Securities, Inc.
3rd Floor PNB Financial Center, Pres. Diosdado Macapagal Blvd. Pasay City 1300
Tel Nos.: 526-3678
526-3478
526-3510
Fax No.: 526-3477
E-mail Add.:
pnbsitrade@pnb.com.ph
Trading Floor
891-9841
891-9846
891-9849

Florido P. Casuela
Chairman

Manuel Antonio G. Lisbona
President

Allianz PNB Life Insurance, Inc.
9th Floor Allied Bank Center 6754 Ayala Avenue corner Legaspi Street, Makati City 1226
Tel No.: 818-LIFE (5433)
Fax No.: 818-2701
E-mail Add.:
info@allianzpnblife.ph

Lucio C. Tan
Chairman

Olaf Kliesow
President

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine National Bank is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years 2017, 2016 and 2015 ended December 31, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

FLORENCIA G. TARRIELA
Chairman of the Board

REYNALDO A. MACLANG
President

NELSON C. REYES
Executive Vice President & Chief Financial Officer

SUBSCRIBED AND SWORN to before me this 13 MAR 2018 day of March 2018 affiants exhibiting to me their Passport No., as follows:

Names	Passport No.	Date of Issue	Place of Issue
Florencia G. Tarriela	P3341932A	June 9, 2017	DFA Manila
Reynaldo Maclang	EC0299319	February 14, 2014	DFA Manila
Nelson C. Reyes	EC3050873	December 20, 2014	DFA NCR South

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Book No. 18
Series of 2018

Notary Public
ATTY. WINLOVE APPLE R. SANDALO-ESPERANZA
Commission No. 17-27; Roll No. 57838
Notary Public for Pasay City until 12/31/18
9th Floor PNB Financial Center
Pres. D.P. Macapagal Blvd., Pasay City
PTR No. 5820114/01-03-18/Pasay City
IBP No. 021291/01-05-18/Quezon City

Philippine National Bank
PNB Financial Center
Pres. Diosdado Macapagal Blvd.,
Pasay City, Metro Manila 1300,
Philippines

T. (632) 526-3131 to 70 / 891-6040 to 70
P.O. Box 1844 (Manila)
P.O. Box 410 (Pasay City)
www.pnb.com.ph

The Stockholders and the Board of Directors
Philippine National Bank

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Philippine National Bank and Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2017 and 2016 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2017 and 2016, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

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

Adequacy of Allowance for Credit Losses on Loans and Receivables

The Group and the Parent Company's loans and receivables are significant as they represent 60.05% and 56.69% of the total assets of the Group and the Parent Company, respectively, as of December 31, 2017. The carrying amount of loans and receivables as of December 31, 2017 is net of allowance for credit losses amounting to ₱15.76 billion and ₱14.51 billion for the Group and the Parent Company, respectively. The Group determines the allowance for credit losses on loans and receivables on an individual basis for individually significant loans and receivables, and collectively, for loans and receivables that are not individually significant such as consumer loans and credit card receivables. We considered the measurement of impairment of loans and receivables as a key audit matter because it involves significant management judgment in determining the allowance for credit losses. The determination of the allowance for credit losses involves various assumptions such as timing of expected future cash flows, probability of collections, observable market prices and expected net selling prices of the collateral.

The disclosures related to allowance for credit losses on loans and receivables are included in Notes 3 and 16 of the financial statements.

Audit Response

For loans and receivables subjected to specific impairment, we selected samples of individually impaired loans and receivables and obtained an understanding of the borrower's business and financial capacity. This was done by inquiring on the latest developments about the borrower and checking the payment history of the borrower. We tested the assumptions underlying the impairment identification and quantification of the allowance for credit losses by assessing whether the forecasted cash flows are based on the latest developments about the borrower's financial condition and where applicable, inspecting recent appraisal reports to determine the fair value of collateral held. We also checked whether the discount rates used are based on the original effective interest rate or the last repriced rate of the loans and re-performed the impairment calculation.

For loans and receivables subjected to collective impairment, we tested the underlying models and the inputs to those models such as the historical loss rates and net flow rates. This was done by agreeing the details of the loan information used in the calculation of the loss rates and net flow rates to the Group's records and subsidiary ledgers, validating the delinquency age buckets of the loans and loan groupings and re-performing the calculation of the provision for credit losses.

Impairment Testing of Goodwill

As at December 31, 2017, the Group and the Parent Company has goodwill amounting to ₱13.38 billion as a result of the acquisition of Allied Banking Corporation (ABC) in 2013. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. Goodwill has been allocated to three cash generating units (CGUs) namely retail banking, corporate banking and treasury. The Group performed the impairment testing using the value in use calculation. The annual impairment test was significant to our audit because significant judgment and estimates are involved in the determination of the value in use of the CGUs. The assumptions used in the calculation of the value in use are sensitive to estimates of future cash flows from the business, interest margin, discount rate and long-term growth rate used to project cash flows.

The disclosures related to goodwill impairment are included in Notes 3 and 14 of the financial statements.

Audit Response

We involved our internal specialist to evaluate the assumptions and methodology used by the Group. These assumptions include estimates of future cash flows from the business, interest margin, discount rate and long-term growth rate used to project cash flows. We compared the interest margin and long-term growth rate to the historical performance of the CGUs. We also compared long-term growth rate to economic and industry forecasts. We assessed the discount rate applied in determining the value in use whether this represent current market assessment of risk associated with the future cash flows.

Valuation of Retirement Benefit Liability

As at December 31, 2017, the present value of pension obligation of the Group and the Parent Company amounted to ₱6.77 billion and ₱6.54 billion, respectively, while the fair value of plan assets amounted to ₱5.25 billion and ₱5.06 billion, respectively. Accumulated remeasurement losses amounted to ₱2.11 billion which accounts for 1.76% and 1.80% of the Group and Parent Company's total equity, respectively, as at December 31, 2017. The Parent Company also provides certain post-employee benefit through a guarantee of a specified return on contributions in its employee investment plan. The valuation of the retirement benefit liability and post-employment benefit requires the assistance of an external actuary due to the complexities involved in the calculation and the use of certain assumptions such as prospective salary and employee turnover rate, as well as discount rate, which could have a material impact on the results. Thus, we considered this as a key audit matter.

The disclosures related to retirement liability are included in Note 29 of the financial statements.

Audit response

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

Migration to New Core Banking System

In 2017, the Parent Company and PNB Savings Bank (collectively, the "Banks") implemented their new core banking system supporting the loans, deposits, and financial reporting processes. The migration to the new core banking system represents a financial reporting risk as there might be a breakdown in internal controls during the transition and an increased risk of inaccurate or incomplete migration of financial data. We therefore considered the testing of the migration of data from the old system to the new core banking system and the changes in IT application controls as a key audit matter.

Audit Response

We involved our internal specialist in obtaining an understanding of the processes, testing and evaluation of controls over data migration. We also performed substantive testing on the data migrated from the old system to the new core banking system by reviewing the reconciliations performed by the Banks of the balances between the two systems. We evaluated the related IT application controls of the relevant business processes affected by the migration to the new core banking system. Where necessary, we performed procedures to evaluate the controls design and test the operation of compensating controls. We evaluated and considered the results of the testing of controls in the design and extent of our substantive audit procedures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 40 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Janeth T. Nuñez-Javier.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-AR-1 (Group A),
July 28, 2016, valid until July 28, 2019
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621305, January 9, 2018, Makati City

February 23, 2018

STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS)

	Consolidated			Parent Company		
	December 31		January 1	December 31		January 1
	2017	2016 (As Restated – Note 2)	2016 (As Restated – Note 2)	2017	2016 (As Restated – Note 2)	2016 (As Restated – Note 2)
ASSETS						
Cash and Other Cash Items	**₱12,391,139**	₱11,014,663	₱15,220,536	**₱11,671,952**	₱10,626,525	₱12,598,715
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**108,743,985**	127,337,861	81,363,444	**105,497,459**	123,799,952	79,203,948
Due from Other Banks (Note 34)	**22,025,322**	22,709,805	18,287,308	**10,755,260**	12,831,514	11,450,573
Interbank Loans Receivable (Notes 8 and 34)	**12,837,721**	7,791,108	5,800,383	**11,083,515**	7,907,366	5,958,526
Securities Held Under Agreements to Resell (Note 8)	**14,621,483**	1,972,310	14,550,000	**14,621,483**	1,972,310	14,550,000
Financial Assets at Fair Value Through Profit or Loss (Note 9)	**2,882,395**	1,913,864	4,510,545	**2,829,877**	1,880,071	4,492,864
Available-for-Sale Investments (Note 9)	**69,837,416**	67,340,739	68,341,024	**67,677,952**	65,819,735	66,734,752
Held-to-Maturity Investments (Note 9)	**26,805,131**	24,174,479	23,231,997	**26,680,483**	24,074,898	23,137,643
Loans and Receivables (Notes 10 and 34)	**502,116,517**	428,215,501	366,071,767	**441,513,305**	378,198,738	328,300,238
Property and Equipment (Note 11)	**18,664,357**	18,097,355	22,128,464	**16,894,236**	16,505,047	19,144,198
Investments in Subsidiaries and an Associate (Note 12)	**2,363,757**	2,556,738	–	**28,407,414**	28,379,668	26,537,953
Investment Properties (Notes 13)	**15,594,385**	16,341,252	13,230,005	**15,318,408**	15,975,130	14,666,831
Deferred Tax Assets (Note 31)	**1,695,295**	1,482,029	1,173,581	**987,332**	1,014,308	936,492
Intangible Assets (Note 14)	**3,322,857**	2,562,369	2,442,878	**3,163,243**	2,471,451	2,346,246
Goodwill (Note 14)	**13,375,407**	13,375,407	13,375,407	**13,515,765**	13,515,765	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 37)	–	–	23,526,757	–	–	1,172,963
Other Assets (Note 15)	**8,877,314**	7,096,156	6,780,204	**8,152,615**	6,552,874	5,417,287
TOTAL ASSETS	**₱836,154,481**	₱753,981,636	₱680,034,300	**₱778,770,299**	₱711,525,352	₱630,164,994
LIABILITIES AND EQUITY						
LIABILITIES						
Deposit Liabilities (Notes 17 and 34)						
Demand	**₱125,581,889**	₱117,329,019	₱110,029,680	**₱123,396,962**	₱115,391,610	₱108,667,550
Savings	**351,422,377**	341,008,603	292,093,306	**345,279,463**	336,277,279	287,828,768
Time	**129,552,035**	87,783,621	64,799,968	**96,364,657**	66,139,590	54,983,843
Long Term Negotiable Certificates	**31,363,956**	24,382,144	19,014,227	**31,363,956**	24,382,144	19,014,227
	637,920,257	570,503,387	485,937,181	**596,405,038**	542,190,623	470,494,388
Financial Liabilities at Fair Value Through Profit or Loss (Note 18)	**343,522**	232,832	135,193	**343,416**	231,977	135,009
Bills and Acceptances Payable (Notes 19, 34 and 36)	**43,916,687**	35,885,948	25,752,222	**41,400,804**	33,986,698	24,629,887
Accrued Taxes, Interest and Other Expenses (Note 20)	**5,323,487**	4,943,626	5,875,228	**4,673,545**	4,231,615	5,371,733
Subordinated Debt (Note 21)	–	3,497,798	9,986,427	–	3,497,798	9,986,427
Income Tax Payable	**993,245**	195,240	134,720	**833,708**	60,898	55,180
Liabilities of Disposal Group Classified as Held for Sale (Note 37)	–	–	21,452,621	–	–	–
Other Liabilities (Note 22)	**27,919,334**	28,762,102	25,964,626	**18,034,343**	20,027,960	17,669,131
	716,416,532	644,020,933	575,238,218	**661,690,854**	604,227,569	528,341,755
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY						
Capital Stock (Note 25)	**49,965,587**	49,965,587	49,965,587	**49,965,587**	49,965,587	49,965,587
Capital Paid in Excess of Par Value (Note 25)	**31,331,251**	31,331,251	31,331,251	**31,331,251**	31,331,251	31,331,251
Surplus Reserves (Notes 25 and 33)	**597,605**	573,658	554,263	**597,605**	573,658	554,263
Surplus (Note 25)	**38,831,522**	30,694,899	24,839,480	**38,831,716**	30,695,100	24,839,579
Net Unrealized Loss on Available-for-Sale Investments (Note 9)	**(3,040,507)**	(3,469,939)	(3,030,588)	**(3,040,507)**	(3,469,939)	(3,030,588)
Remeasurement Losses on Retirement Plan (Note 29)	**(2,106,586)**	(2,821,853)	(2,364,215)	**(2,106,586)**	(2,821,853)	(2,364,215)
Accumulated Translation Adjustment (Note 25)	**1,417,884**	915,222	612,468	**1,417,884**	915,222	612,468
Other Equity Reserves (Note 25)	**70,215**	105,670	–	**70,215**	105,670	–
Share in Aggregate Reserves on Life Insurance Policies (Note 12)	**12,280**	3,087	–	**12,280**	3,087	–
Other Equity Adjustment (Note 12)	**13,959**	13,959	13,959	–	–	–
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 37)	–	–	(133,500)	–	–	(85,106)
Parent Company Shares Held by a Subsidiary (Note 25)	–	–	(9,945)	–	–	–
	117,093,210	107,311,541	101,778,760	**117,079,445**	107,297,783	101,823,239
NON-CONTROLLING INTERESTS (Note 12)	**2,644,739**	2,649,162	3,017,322	–	–	–
	119,737,949	109,960,703	104,796,082	**117,079,445**	107,297,783	101,823,239
TOTAL LIABILITIES AND EQUITY	**₱836,154,481**	₱753,981,636	₱680,034,300	**₱778,770,299**	₱711,525,352	₱630,164,994

See accompanying Notes to Financial Statements.

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

	Consolidated			Parent Company		
	December 31			December 31		
	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)	**2017**	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 34)	**₱22,669,476**	₱19,686,409	₱17,137,657	**₱19,245,810**	₱16,923,864	₱15,151,263
Trading and investment securities (Note 9)	**3,138,719**	3,266,456	3,595,059	**3,072,652**	3,215,544	3,558,161
Deposits with banks and others (Notes 7 and 34)	**1,330,144**	597,500	785,414	**1,053,354**	440,664	596,592
Interbank loans receivable (Note 8)	**480,021**	794,000	183,723	**446,134**	794,312	183,293
	27,618,360	24,344,365	21,701,853	**23,817,950**	21,374,384	19,489,309
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 34)	**4,794,227**	3,780,242	2,980,019	**4,104,798**	3,356,866	2,773,720
Bills payable and other borrowings (Notes 19, 21 and 34)	**747,481**	997,621	1,029,995	**650,724**	959,609	1,003,173
	5,541,708	4,777,863	4,010,014	**4,755,522**	4,316,475	3,776,893
NET INTEREST INCOME	**22,076,652**	19,566,502	17,691,839	**19,062,428**	17,057,909	15,712,416
Service fees and commission income (Notes 26 and 34)	**4,180,861**	3,569,958	4,312,898	**3,130,783**	2,731,258	3,355,972
Service fees and commission expense (Note 34)	**1,087,498**	914,527	716,849	**592,427**	480,549	292,724
NET SERVICE FEES AND COMMISSION INCOME	**3,093,363**	2,655,431	3,596,049	**2,538,356**	2,250,709	3,063,248
Net insurance premiums (Note 27)	**656,329**	624,927	541,924	–	–	–
Net insurance benefits and claims (Note 27)	**322,244**	295,015	420,550	–	–	–
NET INSURANCE PREMIUM	**334,085**	329,912	121,374	–	–	–
OTHER INCOME						
Net gains on sale or exchange of assets (Note 13)	**3,921,136**	2,510,361	1,595,518	**3,862,341**	2,517,861	1,581,385
Foreign exchange gains - net (Note 23)	**1,674,370**	1,487,740	1,207,840	**1,675,985**	926,529	973,680
Trading and investment securities gains net (Note 9)	**559,758**	1,378,321	574,321	**556,429**	1,369,514	569,778
Equity in net earnings of subsidiaries and an associate (Note 12)	**59,215**	70,220	–	**498,254**	231,780	269,709
Miscellaneous (Note 28)	**893,517**	1,542,367	1,719,759	**592,041**	1,194,947	1,499,673
TOTAL OPERATING INCOME	**32,612,096**	29,540,854	26,506,700	**28,785,834**	25,549,249	23,669,889
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 29 and 34)	**9,108,837**	8,569,994	8,234,957	**7,754,566**	7,370,977	7,173,327
Taxes and licenses	**2,492,392**	2,172,042	1,910,735	**2,222,755**	1,952,291	1,723,421
Depreciation and amortization (Note 11)	**1,684,391**	1,554,645	1,452,221	**1,385,357**	1,343,583	1,305,779
Occupancy and equipment-related costs (Note 30)	**1,596,066**	1,473,342	1,430,048	**1,343,021**	1,262,952	1,219,156
Provision for impairment, credit and other losses (Note 16)	**884,133**	3,212,694	568,180	**161,877**	1,707,494	94,435
Miscellaneous (Note 28)	**6,367,519**	6,142,744	5,319,544	**5,634,019**	5,604,188	4,911,986
TOTAL OPERATING EXPENSES	**22,133,338**	23,125,461	18,915,685	**18,501,595**	19,241,485	16,428,104
INCOME BEFORE INCOME TAX	**10,478,758**	6,415,393	7,591,015	**10,284,239**	6,307,764	7,241,785
PROVISION FOR INCOME TAX (Note 31)	**2,322,213**	1,517,221	1,619,494	**2,123,676**	1,228,372	1,110,321
NET INCOME FROM CONTINUING OPERATIONS	**8,156,545**	4,898,172	5,971,521	**8,160,563**	5,079,392	6,131,464
NET INCOME FROM DISCONTINUED OPERATIONS NET OF TAX (Notes 12 and 37)	–	2,263,902	357,931	–	2,044,662	–
NET INCOME	**₱8,156,545**	₱7,162,074	₱6,329,452	**₱8,160,563**	₱7,124,054	₱6,131,464

(Forward)

	Consolidated			Parent Company		
	December 31			December 31		
	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)	**2017**	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 32)	**₱8,160,570**	₱7,123,952	₱6,131,365			
Non-controlling Interests	**(4,025)**	38,122	198,087			
	₱8,156,545	₱7,162,074	₱6,329,452			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱6.53**	₱5.70	₱4.91			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 32)	**₱6.53**	₱3.89	₱4.62			

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	Consolidated			Parent Company		
	December 31			December 31		
	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)	**2017**	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)
NET INCOME	**₱8,156,545**	₱7,162,074	₱6,329,452	**₱8,160,563**	₱7,124,054	₱6,131,464
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on available-for-sale investments (Note 9)	**454,188**	(193,484)	(824,011)	**468,861**	(185,603)	(822,826)
Income tax effect (Note 31)	**–**	286	2,887	**–**	–	2,887
Share in changes in net unrealized gains (losses) on available for sale investments of subsidiaries and an associate (Note 12)	**(24,756)**	(245,867)	–	**(39,429)**	(253,748)	51,906
	429,432	(439,065)	(821,124)	**429,432**	(439,351)	(768,033)
Accumulated translation adjustment	**504,736**	420,381	823,525	**(5,932)**	282,600	86,110
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**508,594**	20,154	586,212
	934,168	(18,684)	2,401	**932,094**	(136,597)	(95,711)
Items that do not recycle to profit or loss in subsequent periods:						
Share in aggregate reserves on life insurance policies (Note 2)	**9,193**	3,087	–	**9,193**	3,087	–
Remeasurement losses on retirement plan (Note 29)	**952,143**	(458,740)	(94,267)	**973,728**	(464,207)	(90,249)
Income tax effect (Note 31)	**554**	2,204	2,277	**–**	–	2,277
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**(236,632)**	1,208	–	**(258,461)**	6,569	5,071
	725,258	(452,241)	(91,990)	**724,460**	(454,551)	(82,901)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**1,659,426**	(470,925)	(89,589)	**1,656,554**	(591,148)	(178,612)
TOTAL COMPREHENSIVE INCOME	**₱9,815,971**	₱6,691,149	₱6,239,863	**₱9,817,117**	₱6,532,906	₱5,952,852
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱9,817,124**	₱6,532,804	₱5,904,359			
Non-controlling interests	**(1,153)**	158,345	335,504			
	₱9,815,971	₱6,691,149	₱6,239,863			

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
(IN THOUSANDS)

Consolidated

Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 33)	Surplus (Note 25)	Net Unrealized Loss on Available-for-Sale Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 29)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Note 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Classified as Held for Sale (Note 37)	Other Equity Adjustment (Note 12)	Parent Company Shares Held by a Subsidiary (Note 25)	Total	Non-controlling Interest (Note 12)	Total Equity
Balance at January 1, 2017 as previously reported	**₱49,965,587**	**₱31,331,251**	**₱573,658**	**₱30,702,322**	**(₱3,469,939)**	**(₱2,821,853)**	**₱915,222**	**₱105,670**	**₱–**	**₱–**	**₱13,959**	**₱–**	**₱107,315,877**	**₱2,649,162**	**₱109,965,039**
Effect of change in valuation of insurance reserves (Note 2)	**–**	**–**	**–**	**(7,423)**	**–**	**–**	**–**	**–**	**3,087**	**–**	**–**	**–**	**(4,336)**	**–**	**(4,336)**
Balance at January 1, 2017, as restated	**49,965,587**	**31,331,251**	**573,658**	**30,694,899**	**(3,469,939)**	**(2,821,853)**	**915,222**	**105,670**	**3,087**	**–**	**13,959**	**–**	**107,311,541**	**2,649,162**	**109,960,703**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**8,160,570**	**429,432**	**715,267**	**502,662**	**–**	**9,193**	**–**	**–**	**–**	**9,817,124**	**(1,153)**	**9,815,971**
Other equity reserves (Note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(35,455)**	**–**	**–**	**–**	**–**	**(35,455)**	**–**	**(35,455)**
Declaration of dividends by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,270)**	**(3,270)**
Transfer to surplus reserves (Note 33)	**–**	**–**	**23,947**	**(23,947)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2017	**₱49,965,587**	**₱31,331,251**	**₱597,605**	**₱38,831,522**	**(₱3,040,507)**	**(₱2,106,586)**	**₱1,417,884**	**₱70,215**	**₱12,280**	**₱–**	**₱13,959**	**₱–**	**₱117,093,210**	**₱2,644,739**	**₱119,737,949**
Balance at January 1, 2016 as previously reported	₱49,965,587	₱31,331,251	₱554,263	₱24,799,258	(₱3,030,588)	(₱2,364,215)	₱612,468	₱–	₱–	(₱133,500)	₱13,959	(₱9,945)	₱101,738,538	₱3,017,322	₱104,755,860
Effect of change in valuation of insurance reserves (Note 2)	–	–	–	40,222	–	–	–	–	–	–	–	–	40,222	–	40,222
Balance at January 1, 2016, as restated	49,965,587	31,331,251	554,263	24,839,480	(3,030,588)	(2,364,215)	612,468	–	–	(133,500)	13,959	(9,945)	101,778,760	3,017,322	104,796,082
Total comprehensive income (loss) for the year	–	–	–	7,123,952	(439,351)	(457,638)	302,754	–	3,087	–	–	–	6,532,804	158,345	6,691,149
Sale of direct interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	133,500	–	–	133,500	(483,296)	(349,796)
Disposal of Parent Company shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	9,945	9,945	–	9,945
Cash dividends declared (Note 25)	–	–	–	(1,249,138)	–	–	–	–	–	–	–	–	(1,249,138)	–	(1,249,138)
Other equity reserves (Note 25)	–	–	–	–	–	–	–	105,670	–	–	–	–	105,670	–	105,670
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(43,209)	(43,209)
Transfer to surplus reserves (Note 33)	–	–	19,395	(19,395)	–	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2016	₱49,965,587	₱31,331,251	₱573,658	₱30,694,899	(₱3,469,939)	(₱2,821,853)	₱915,222	₱105,670	₱3,087	₱–	₱13,959	₱–	₱107,311,541	₱2,649,162	₱109,960,703

(Forward)

STATEMENTS OF CHANGES IN EQUITY
(IN THOUSANDS)

	Consolidated														
	Attributable to Equity Holders of the Parent Company														
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 33)	Surplus (Note 25)	Net Unrealized Loss on Available-for-Sale Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 29)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Note 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Reserves of a Disposal Group Classified as Held for Sale (Note 37)	Other Equity Adjustment (Note 12)	Parent Company Shares Held by a Subsidiary (Note 25)	Total	Non-controlling Interest (Note 12)	Total Equity
Balance at January 1, 2015, as previously reported	₱49,965,587	₱31,331,251	₱537,620	₱18,702,394	(₱2,336,142)	(₱2,292,833)	(₱59,854)	₱–	₱–	₱–	₱–	₱–	₱95,848,023	₱3,212,859	₱99,060,882
Effect of change in valuation of insurance reserves (Note 2)	–	–	–	22,364	–	–	–	–	–	–	–	–	22,364	–	22,364
Balance at January 1, 2015, as restated	49,965,587	31,331,251	537,620	18,724,758	(2,336,142)	(2,292,833)	(59,854)	–	–	–	–	–	95,870,387	3,212,859	99,083,246
Total comprehensive income (loss) for the year	–	–	–	6,131,365	(809,876)	(89,452)	672,322	–	–	–	–	–	5,904,359	335,504	6,239,863
Sale of direct interest in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	–	(543)	–	(543)	103,166	102,623
Acquisition of non-controlling interest (Note 12)	–	–	–	–	–	–	–	–	–	–	14,502	–	14,502	(616,274)	(601,772)
Acquisition of Parent Company Shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(9,945)	(9,945)	–	(9,945)
Reserves of a disposal group classified as held for sale	–	–	–	–	115,430	18,070	–	–	–	(133,500)	–	–	–	–	–
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(17,933)	(17,933)
Transfer to surplus reserves (Note 33)	–	–	16,643	(16,643)	–	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2015	₱49,965,587	₱31,331,251	₱554,263	₱24,839,480	(₱3,030,588)	(₱2,364,215)	₱612,468	₱–	₱–	(₱133,500)	₱13,959	(₱9,945)	₱101,778,760	₱3,017,322	₱104,796,082

STATEMENTS OF CHANGES IN EQUITY
(IN THOUSANDS)

	Parent Company										
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 33)	Surplus (Note 25)	Reserves of a Disposal Group Classified as Held for Sale (Note 37)	Other Equity Reserves (Note 25)	Net Unrealized Loss on AFS Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 29)	Accumulated Translation Adjustment (Note 25)	Share in Aggregate Reserves (Note 12)	Total Equity
Balance at January 1, 2017, as previously reported	**₱49,965,587**	**₱31,331,251**	**₱573,658**	**₱30,678,390**	**₱–**	**₱105,670**	**(₱3,469,939)**	**(₱2,821,853)**	**₱915,222**	**₱–**	**₱107,277,986**
Effect of change in valuation of insurance reserves (Note 2)	–	–	–	**16,710**	–	–	–	–	–	**3,087**	**19,797**
Balance at January 1, 2017, as restated	**49,965,587**	**31,331,251**	**573,658**	**30,695,100**	–	**105,670**	**(3,469,939)**	**(2,821,853)**	**915,222**	**3,087**	**107,297,783**
Total comprehensive income (loss) for the year	–	–	–	**8,160,563**	–	–	**429,432**	**715,267**	**502,662**	**9,193**	**9,817,117**
Transfer to surplus reserves (Note 33)	–	–	**23,947**	**(23,947)**	–	–	–	–	–	–	–
Other equity reserves (Note 25)	–	–	–	–	–	**(35,455)**	–	–	–	–	**(35,455)**
Balance at December 31, 2017	**₱49,965,587**	**₱31,331,251**	**₱597,605**	**₱38,831,716**	**₱–**	**₱70,215**	**(₱3,040,507)**	**(₱2,106,586)**	**₱1,417,884**	**₱12,280**	**₱117,079,445**
Balance at January 1, 2016, as previously reported	₱49,965,587	₱31,331,251	₱554,263	₱24,799,357	(₱85,106)	₱–	(₱3,030,588)	(₱2,364,215)	₱612,468	₱–	₱101,783,017
Effect of change in valuation of insurance reserves (Note 2)	–	–	–	40,222	–	–	–	–	–	–	40,222
Balance at January 1, 2016, as restated	49,965,587	31,331,251	554,263	24,839,579	(85,106)	–	(3,030,588)	(2,364,215)	612,468	–	101,823,239
Total comprehensive income (loss) for the year	–	–	–	7,124,054	–	–	(439,351)	(457,638)	302,754	3,087	6,532,906
Declaration of Cash Dividends	–	–	–	(1,249,138)	–	–	–	–	–	–	(1,249,138)
Transfer to surplus reserves (Note 33)	–	–	19,395	(19,395)	–	–	–	–	–	–	–
Other equity reserves (Note 25)	–	–	–	–	–	105,670	–	–	–	–	105,670
Reserves of a disposal group classified as held for sale (Note 37)	–	–	–	–	85,106	–	–	–	–	–	85,106
Balance at December 31, 2016	₱49,965,587	₱31,331,251	₱573,658	₱30,695,100	₱–	₱105,670	(₱3,469,939)	(₱2,821,853)	₱915,222	₱3,087	₱107,297,783
Balance at January 1, 2015, as previously reported	₱49,965,587	₱31,331,251	₱537,620	₱18,702,394	₱–	–	(₱2,336,142)	(₱2,292,833)	(₱59,854)	–	₱95,848,023
Effect of change in valuation of insurance reserves (Note 2)	–	–	–	22,364	–	–	–	–	–	–	22,364
Balance at January 1, 2015, as restated	49,965,587	31,331,251	537,620	18,724,758	–	–	(2,336,142)	(2,292,833)	(59,854)	–	95,870,387
Total comprehensive income (loss) for the year	–	–	–	6,131,464	–	–	(768,033)	(82,901)	672,322	–	5,952,852
Transfer to surplus reserves (Note 33)	–	–	16,643	(16,643)	–	–	–	–	–	–	–
Reserves of a disposal group classified as held for sale (Note 37)	–	–	–	–	(85,106)	–	73,587	11,519	–	–	–
Balance at December 31, 2015	₱49,965,587	₱31,331,251	₱554,263	₱24,839,579	(₱85,106)	–	(₱3,030,588)	(₱2,364,215)	₱612,468	₱–	₱101,823,239

See accompanying Notes to Financial Statements.

(IN THOUSANDS)

	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	₱10,478,758	₱6,415,393	₱7,591,015	₱10,284,239	₱6,307,764	₱7,241,785
Income before income tax from discontinued operations (Note 37)	–	2,470,400	402,236	–	2,325,568	–
Income before income tax	10,478,758	8,885,793	7,993,251	10,284,239	8,633,332	7,241,785
Adjustments for:						
Net gain on sale or exchange of assets (Note 13)	(3,921,136)	(2,510,361)	(1,595,518)	(3,862,341)	(2,517,861)	(1,581,385)
Depreciation and amortization (Notes 11 and 37)	1,684,391	1,554,645	1,462,925	1,385,357	1,343,583	1,305,797
Amortization of premium (discount) on investment securities	1,383,338	1,144,317	(911,967)	1,375,100	1,137,513	(872,123)
Provision for impairment, credit and other losses (Notes 16 and 37)	884,133	3,212,694	600,945	161,877	1,707,494	94,435
Loss (gain) on mark-to-market of derivatives (Note 23)	(128,417)	698,071	583,375	(124,679)	698,071	583,358
Realized trading loss (gain) on available-for-sale investments (Notes 9 and 37)	(506,238)	(1,362,477)	(782,065)	(506,238)	(1,350,468)	(756,777)
Amortization of transaction costs (Note 17)	60,239	36,640	33,836	60,239	36,640	33,836
Equity in net earnings of subsidiaries and an associate (Note 12)	(59,215)	(70,220)	–	(498,254)	(231,780)	(269,709)
Gain on remeasurement of a previously held interest (Note 12)	–	(1,644,339)	–	–	(1,644,339)	–
Loss (gain) from sale of previously held interest (Note 12)	–	(681,228)	–	–	(681,228)	13,247
Recoveries on receivable from special purpose vehicle (Note 28)	–	(500,000)	(353,000)	–	(500,000)	(353,000)
Amortization of fair values of HTM reclassified to AFS (Note 9)	141,802	145,727	139,372	141,802	140,332	126,531
Loss on mark-to-market of held for trading securities (Note 9)	94,480	88,436	314,836	94,480	88,436	314,846
Amortization of fair value adjustments	4,692	21,137	63,519	4,692	21,137	63,519
Gain on mark-to-market of financial assets and liabilities designated at fair value through profit or loss (Notes 9 and 18)	(3,328)	3,202	(210)	–	–	–
Loss on write-off of software cost (Note 14)	–	894	–	–	–	–
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	(798,815)	(547,222)	178,898	(828,073)	(508,224)	132,596
Financial assets at fair value through profit or loss	(820,576)	1,904,611	(1,691,607)	(808,168)	1,923,254	1,304,882
Loans and receivables	(75,945,021)	(66,333,237)	(49,881,768)	(63,393,954)	(52,436,762)	(38,729,690)
Other assets	(1,132,198)	(1,643,068)	238,354	(2,202,588)	(743,644)	666,991
Increase (decrease) in amounts of:						
Financial liabilities at fair value through profit or loss	–	–	2,998,489	–	–	90,745
Deposit liabilities	67,387,302	84,510,588	38,196,138	54,189,539	71,640,617	37,950,439
Accrued taxes, interest and other expenses	379,861	729,486	595,696	441,930	520,970	336,577
Other liabilities	(187,797)	1,248,917	520,856	(1,348,046)	651,403	(294,584)
Net cash generated from (used in) operations	(1,003,745)	28,893,006	(1,295,645)	(5,433,086)	27,928,476	7,402,316
Income taxes paid	(1,524,208)	(784,682)	(718,496)	(1,350,866)	(715,203)	(516,503)
Net cash provided by (used in) operating activities	(2,527,953)	28,108,324	(2,014,141)	(6,783,952)	27,213,273	6,885,813

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of or maturies from:						
Available-for-sale investments	₱199,856,642	₱83,143,335	₱88,196,318	₱199,690,619	₱81,843,119	₱81,944,894
Held-to-maturity investments	–	–	115,397	–	–	–
Investment properties	5,570,269	2,387,170	4,050,406	5,119,922	2,255,377	3,918,919
Property and equipment (Note 11)	235,015	142,129	499,529	383,206	418,869	432,451
Disposal group classified as held for sale/Investment in shares of a subsidiary (Notes 12 and 37)	–	3,230,966	–	–	3,230,966	102,623
Collection of receivables from special purpose vehicle	–	500,000	353,000	–	500,000	353,000
Share in dividends from subsidiaries (Note 12)	–	–	–	1,333,350	66,125	180,000
Acquisitions of:						
Available-for-sale investments	(202,587,314)	(83,486,942)	(100,599,843)	(201,794,860)	(82,272,241)	(92,903,772)
Property and equipment (Note 11)	(1,930,786)	(2,028,339)	(1,907,386)	(1,658,985)	(1,740,338)	(1,577,147)
Software cost (Note 14)	(1,162,121)	(406,053)	(571,768)	(979,650)	(404,837)	(558,372)
Held-to-maturity investments	(2,801,983)	–	(976,403)	(2,726,786)	–	(892,200)
Additional investments in subsidiaries (Note 12)	–	–	–	(700,000)	(292,416)	(601,772)
Closure of subsidiaries (Note 12)	–	–	–	50,000	–	–
Net cash provided by(used in) investing activities	(2,820,278)	3,482,266	(10,840,750)	(1,283,184)	3,604,624	(9,601,376)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of Bills and acceptances payable	164,866,720	180,747,610	116,889,829	159,025,830	175,375,030	112,249,710
Proceeds from sale of non-controlling interest in subsidiaries (Note 12)	–	–	102,623	–	–	–
Settlement of:						
Bills and acceptances payable	(157,020,131)	(169,839,126)	(111,139,760)	(151,794,765)	(165,576,107)	(107,605,128)
Subordinated debt	(3,500,000)	(6,500,000)	–	(3,500,000)	(6,500,000)	–
Cash dividends declared and paid	–	(1,249,139)	–	–	(1,249,139)	–
Acquisition of non-controlling interest in subsidiaries (Note 12)	–	(292,416)	(601,772)	–	–	–
Dividends paid to non-controlling interest	(3,270)	(43,209)	(17,933)	–	–	–
Payments for transaction cost of issuance of shares	–	–	–	–	–	–
Net cash provided by (used in) financing activities	4,343,319	2,823,720	5,232,987	3,731,065	2,049,784	4,644,582
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,004,912)	34,414,310	(7,621,904)	(4,336,071)	32,867,681	1,929,019
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	11,014,663	15,863,080	14,628,489	10,626,525	12,598,715	13,865,078
Due from Bangko Sentral ng Pilipinas	127,337,861	81,363,444	105,773,685	123,799,952	79,203,948	95,415,467
Due from other banks	22,709,805	18,287,308	15,591,406	12,831,514	11,450,573	5,013,357
Interbank loans receivable	7,243,886	5,800,383	7,492,539	7,352,840	5,912,224	7,492,539
Securities held under agreements to resell	1,972,310	14,550,000	–	1,972,310	14,550,000	–
	170,278,525	135,864,215	143,486,119	156,583,141	123,715,460	121,786,441
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	12,391,139	11,014,663	15,863,080	11,671,952	10,626,525	12,598,715
Due from Bangko Sentral ng Pilipinas	108,743,985	127,337,861	81,363,444	105,497,459	123,799,952	79,203,948
Due from other banks	22,025,322	22,709,805	18,287,308	10,755,260	12,831,514	11,450,573
Interbank loans receivable (Note 8)	11,491,684	7,243,886	5,800,383	9,700,916	7,352,840	5,912,224
Securities held under agreements to resell	14,621,483	1,972,310	14,550,000	14,621,483	1,972,310	14,550,000
	₱169,273,613	₱170,278,525	₱135,864,215	₱152,247,070	₱156,583,141	₱123,715,460
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	₱5,317,161	₱4,620,623	₱3,881,864	₱4,617,444	₱4,254,991	₱3,628,149
Interest received	28,559,267	22,279,734	20,208,489	25,320,173	20,653,077	17,952,107
Dividends received	3,270	17,593	2,409	32,417	80,841	198,338

See accompanying Notes to Financial Statements.

1. **Corporate Information**

Philippine National Bank (the Parent Company) is a universal bank established in the Philippines in 1916 and started commercial operations that same year. The Philippine Securities and Exchange Commission (SEC) approved the renewal of its corporate registration on May 27, 1996, with a corporate term of 50 years. Its principal place of business is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila. As of December 31, 2017 and 2016, the LT Group, Inc. (LTG) held indirect ownership of 59.83% of the Parent Company's shares through various holding companies, while 17.33% of the Parent Company's shares were held by Philippine Central Depository (PCD) Nominee Corporation. The remaining 22.84% of the Parent Company's shares were held by other stockholders holding less than 10.00% each of the Parent Company's shares. The Parent Company's shares were listed with the Philippine Stock Exchange (PSE) on June 21, 1989.

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

The Parent Company provides a full range of banking and other financial services to corporate, middle-market and retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies. The Parent Company's principal commercial banking activities include deposit-taking, lending, bills discounting, foreign exchange dealing, investment banking, fund transfers/remittance servicing and a full range of retail banking and trust services through its 692 and 675 domestic branches as of December 31, 2017 and 2016, respectively.

The Parent Company has the largest overseas network among Philippine banks with 72 branches and 73 branches, representative offices, remittance centers and subsidiaries as of December 31, 2017 and 2016, respectively, in 16 locations in the United States, Canada, Europe, the Middle East and Asia.

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

Merger with Allied Banking Corporation

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

On February 9, 2013, the Parent Company concluded its planned merger with ABC as approved and confirmed by the Board of Directors (BOD) of the Parent Company and of ABC on January 22 and 23, 2013, respectively. The purchase consideration as of February 9, 2013, the acquisition date, amounted to ₱41.5 billion which represents 423,962,500 common shares at the fair value of ₱97.90 per share in exchange for the 100.00% voting interest in ABC at the share swap ratio of 130 Parent Company common shares for one ABC share and 22.763 Parent Company common shares for one ABC preferred share (Note 14). The fair value of the shares is the published price of the shares of the Parent Company as of February 9, 2013. There are no contingent considerations arrangements as part of the merger.

On April 26, 2013, the Parent Company filed a request for a ruling from the Bureau of Internal Revenue (BIR) seeking confirmation that the statutory merger of PNB and ABC is a tax-free merger under Section 40(C)(2) of the National Internal Revenue Code of 1997 as amended (Tax Code). The Parent Company received BIR Preliminary Ruling No. 01-2008 (dated September 28, 2008) whereby the BIR held that the statutory merger of PNB and ABC complies with Revenue Memorandum Ruling (RMR) No. 1-2001, subject to the submission of the merger documents and documents pertaining to the assets and liabilities transferred. RMR No. 1-2001 provides the fact pattern that should be present in order to secure BIR confirmation for a tax-free Section 40(C)(2) transaction. The Parent Company received the final confirmation ruling on March 2, 2017.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

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

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

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

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

Statement of Compliance

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

Presentation of Financial Statements

The statements of financial position of the Group and of the Parent Company are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24. Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position only when there is a legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the statements of income unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies. This is not generally the case with master netting agreements, where the related assets and liabilities are presented gross amounts in the statement of financial position.

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

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

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

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

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

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets and liabilities

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments and improvements to Philippine Financial Reporting Standards (PFRS) which are effective beginning on or after January 1, 2017. The Changes in the accounting policies that have or did not have any significant impact on the financial position or performance of the Group are discussed under Summary of Significant Accounting Principles of the audited financial statements of the group.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

The Insurance Commission issued new regulations in 2016 which provide, among others, for changes in valuation standards for both life and non-life insurance policy reserves. The new valuation standards, which took effect beginning January 1, 2017, are to be adopted retrospectively. The impact to prior years are presented as follows (amounts in millions):

	Consolidated								
	December 31, 2016			December 31, 2015			January 1, 2015		
	As previously reported	Effect of restatement	As restated	As previously reported	Effect of restatement	As restated	As previously reported	Effect of restatement	As restated
Statement of Financial Position									
Loans and receivables	₱428,027	₱188	₱428,215	₱365,725	₱347	₱366,072	₱–	₱–	₱–
Investments in subsidiaries and an associate	2,533	24	2,557	–	–	–	–	–	–
Other assets	7,091	5	7,096	6,780	–	6,780	5,159	(27)	5,186
Other liabilities	28,565	197	28,762	25,658	306	25,964	33,333	4	33,3
Surplus	30,678	17	30,695	24,799	40	24,839	13,344	(22)	13,362
Share in aggregate reserves on life insurance policies	–	3	3	–	–	–	–	–	–

The effect of DTA is immaterial.

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

	Consolidated					
	December 31, 2016			December 31, 2015		
	As previously reported	Effect of restatement	As restated	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income						
Equity in net earnings of subsidiaries and an associate	₱49	₱21	₱70	₱–	₱–	₱–
Net insurance premiums	630	(5)	625	540	1	541
Net insurance benefits and claims	256	39	295	437	(16)	421
Provision for income tax	1,517	–	1,517	1,620	–	1,620
Net income	7,186	(24)	7,162	6,312	18	6,330
Share in aggregate reserves on life insurance policies	–	3	3	–	–	–

	Parent Company								
	December 31, 2016			December 31, 2015			January 1, 2015		
	As previously reported	Effect of restatement	As restated	As previously reported	Effect of restatement	As restated	As previously reported	Effect of restatement	As restated
Statement of Financial Position									
Investments in subsidiaries and an associate	₱28,360	₱20	₱28,380	₱26,498	₱40	₱26,538	₱18,702	₱22	₱18,724
Surplus	30,678	17	30,695	24,799	40	24,839	26,555	(22)	26,533
Share in aggregate reserves on life insurance policies	–	3	3	–	–	–	–	–	–

	Parent Company					
	December 31, 2016			December 31, 2015		
	As previously reported	Effect of restatement	As restated	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income						
Equity in net earnings of subsidiaries and an associate	₱255	(₱24)	₱231	₱252	₱18	₱270
Net income	7,148	(24)	7,124	6,114	18	6,132
Share in aggregate reserves on life insurance policies	–	3	3	–	–	–

Significant Accounting Policies

Business Combinations and Goodwill

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

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

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

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

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

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

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

Non-current Assets and Disposal Group Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction. As such non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

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

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

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

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

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

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

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

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

FCDU and overseas subsidiaries
As at the reporting date, the assets and liabilities of the FCDU and overseas subsidiaries are translated into the Parent Company's presentation currency (the Philippine peso) at the closing rate prevailing at the reporting date, and their income and expenses are translated at the average exchange rate for the year. Exchange differences arising on translation are taken directly to OCI under 'Accumulated Translation Adjustment'. Upon disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the statement of income.

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

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

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

Based on the Group guidelines, all products in its portfolio meet the definition of insurance contracts.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date, the date that an asset is delivered to or by the Group. Derivatives are recognized on trade date basis (i.e., the date that the Group commits to purchase or sell). Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVPTL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPTL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities at amortized cost.

Derivatives recorded at FVPTL

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

Financial assets or financial liabilities held-for-trading

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

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

Designated financial assets or financial liabilities at FVPTL

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

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

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

HTM investments

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

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

Loans and receivables

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

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

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

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

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

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

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

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPTL, are classified as 'Deposit Liabilities', 'Bills and Acceptances Payable', 'Subordinated Debt' and other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

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

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

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

<u>Derecognition of Financial Assets and Liabilities</u>

Financial asset
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

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

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized on the statement of financial position as 'Securities Held Under Agreements to Resell', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

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

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

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

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

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

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

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

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

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

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

In the case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. The Group treats 'significant' generally as 20.00% or more and 'prolonged' greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equity securities and the future cash flows and the discount factors for unquoted equity securities. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income.

Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

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

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

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

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

Nonlife Insurance Contract Liabilities
Insurance contract liabilities are recognized when contracts are entered into and premiums are charged.

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

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

Liability adequacy test
At each reporting date, liability adequacy tests are performed, to ensure the adequacy of insurance contract liabilities, net of related deferred acquisition costs. In performing the test, current best estimates of future cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to the statement of income by establishing an unexpired risk provision for losses arising from the liability adequacy tests. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Investments in Subsidiaries
Subsidiaries pertain to entities over which the Group has control. The existence and effect of potential voting rights that are currently exercisable or convertible and qualitative criteria are considered when assessing whether the Group controls another entity (see Basis of Consolidation). In the Parent Company separate financial statements, investments in subsidiaries are accounted for under equity method of accounting similar to investment in an associate.

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

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as FVPL and AFS investments, interest income is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

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

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

b) *Bancassurance fees*
Non-refundable access fees are recognized on a straight-line basis over the term of the period of the provision of the access.

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

c) *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction.

Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, commissions, deposit-related and other credit-related fees. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as the other participants.

Interchange fee and revenue from rewards redeemed
'Interchange fees' are taken up as income under 'Service fees and commission income' upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being redeemed. Consideration received is allocated between the discounts earned, interchange fee and the points earned, with the consideration allocated to the points equal to its fair value. The fair value is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed. The deferred balance is included under 'Other Liabilities' in the statement of financial position.

Commissions earned on credit cards
Commissions earned are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

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

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

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

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

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

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

Unearned discounts included under ‘Unearned and other deferred income’ which are amortized over the term of the note or lease using the effective interest method consist of:

- transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Premiums revenue
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at end of reporting period are accounted for as provision for unearned premiums and presented as part of ‘Other Liabilities’ in the consolidated statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at the end of the reporting periods are accounted for as deferred reinsurance premiums shown as part of ‘Other Assets’ in the consolidated statement of financial position. The net changes in these accounts between ends of the reporting periods are credited to or charged against the consolidated statement of income for the period.

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

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

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

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

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to ceding companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

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

<u>Deferred Acquisition Cost (DAC)</u>
Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, these costs are amortized using the 24thmethod except for marine cargo where the DAC pertains to the commissions for the last two months of the year. Amortization is charged to ‘Service fees and commission expense’ in the consolidated statement of income. The unamortized acquisition costs are shown as ‘Deferred acquisition costs’ in the assets section of the consolidated statement of financial position.

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

<u>Property and Equipment</u>
Land is stated at cost less any impairment in value and depreciable properties such as buildings, long-term leasehold land, leasehold improvements, and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

The estimated useful lives follow:

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the period the asset is derecognized.

Investment Properties

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

Foreclosed properties are classified under 'Investment Properties' upon:

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

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

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

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

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

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Other Properties Acquired

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

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

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

Intangible Assets

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

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

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

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

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

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

Software costs

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

Customer relationship and core deposit intangibles
Customer relationship intangibles (CRI) and core deposit intangibles (CDI) are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposit are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the commercial loans business is amortized on a straight-line basis over its useful life of 3 years while core deposit is amortized on a straight-line basis over its useful life of 10 years.

Impairment of Nonfinancial Assets
Property and equipment, investment properties, intangible assets and other properties acquired
At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangibles and other properties acquired with finite useful lives may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the period in which it arises. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such reversal, the depreciation and amortization expense is adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

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

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

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

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

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

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

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

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

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

Residual Value of Leased Assets and Deposits on Finance Leases
The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Retirement Benefits
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling, if any. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

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

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent Liabilities and Contingent Assets
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes
Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

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

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries and associates, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

In the consolidated financial statements, deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

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

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

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

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

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the statement of financial position.

Borrowing Costs
Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method calculated in accordance with PAS 39 that the Group incurs in connection with borrowing of funds.

Events after the Reporting Date
Any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital Paid in Excess of Par Value' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Capital Paid in Excess of Par Value' account. If the 'Capital Paid in Excess of Par Value' is not sufficient, the excess is charged against the 'Surplus'.
'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

Equity Reserves
The reserves recorded in equity in the statement of financial position include:

'Remeasurement Losses on Retirement Plan' which pertains to remeasurement comprising actuarial losses on the present value of the retirement obligation, net of return on plan assets.

'Accumulated Translation Adjustment' which is used to record exchange differences arising from the translation of the FCDU accounts and foreign operations (i.e. overseas branches and subsidiaries) to Philippine peso.

'Net Unrealized Loss on Available-for-Sale Investments' reserve which comprises changes in fair value of AFS investments.

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.
Effective beginning on or after January 1, 2018

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

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

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

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

The Group is assessing the potential effect of adopting this standard.

PFRS 9, *Financial Instruments*
PFRS 9 replaces PAS 39, Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after January 1, 2018.

PFRS 9 is required to be applied on a retrospective basis, with certain exceptions. As permitted, the Group will not restate prior period comparative consolidated financial statements when the Group adopts the requirements of the new standard. Restatements and differences in the carrying amounts of financial instruments arising from the adoption of PFRS 9 will be recognized in the 2018 opening balances of surplus and OCI as if the Group had always applied PFRS 9.

In the period of initial application, the requirements of PFRS 9 on the classification and measurement of financial assets and on the recognition of expected credit losses will have an impact on the Group's and Parent Company's financial statements. The 2018 opening balances of surplus and OCI in the Group's and Parent Company's statement of financial position are expected to change as a result of applying PFRS 9's requirements on classification and measurement of financial assets. This change will result from reclassifications of financial assets depending on the Group's and the Parent Company's application of its business models and its assessment of the financial assets' cash flow characteristics. The balances of surplus and OCI in the Group's and Parent Company's statement of financial position as of January 1, 2018, the initial adoption date, are also expected to change as a result of applying PFRS 9's requirements on the recognition of expected credit losses. This change depends on whether there have been significant increases in the credit risk of the Group's and Parent Company's financial assets since initial recognition and on the Group's and Parent Company's evaluation of factors relevant to the measurement of expected credit losses such as a range of possible outcomes and information about past events, current conditions and forecasts of future economic conditions. During 2018, PFRS 9's requirements will have an impact on the Group's and Parent Company's financial statements depending on certain factors such as the financial assets' corresponding business models, cash flow characteristics, and changes in credit risks. The Group is still completing its assessment of the impact of PFRS 9.

In the period of initial application, the requirements of PFRS 9 on the classification and measurement of financial liabilities and on the application of hedge accounting are not expected to have an impact on the Group's and Parent Company's financial statements. The key changes to the Group's accounting policies resulting from the adoption of PFRS 9 are described below.

Classification and measurement
The classification and measurement provisions of PFRS 9 require that all debt financial assets that do not meet the "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as at fair value through profit or loss (FVTPL). The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured at FVTPL. Subsequent measurement of instruments classified as FVTPL under PFRS 9 operates in a similar manner to financial instruments held for trading under PAS 39.

For debt financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis will be classified as at FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as at fair value through OCI (FVOCI) for debt. Debt instruments that are managed on a "hold to collect" basis will be classified as at amortized cost. Subsequent measurement of instruments classified as at FVOCI and amortized cost classifications under PFRS 9 operate in a similar manner to AFS financial assets for debt financial assets and loans and receivables, respectively, under existing PAS 39, except for the impairment provisions which are discussed below.

For those debt financial assets that would otherwise be classified as at FVOCI or amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVTPL under the fair value option (FVO) if doing so eliminates or significantly reduces an accounting mismatch.

All equity financial assets are required to be classified at initial recognition as at FVTPL unless an irrevocable designation is made to classify the instrument as at FVOCI for equities. Unlike AFS for equity securities under PAS 39, the FVOCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss.

The classification and measurement of financial liabilities remain essentially unchanged from the current PAS 39 requirements, except that changes in fair value of FVO liabilities attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss. Derivatives will continue to be measured at FVTPL under PFRS 9.

Impairment
The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost and FVOCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVTPL.

Expected Credit Loss Methodology
The application of ECL will significantly change the Group's credit loss methodology and models. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment. This compares to the present incurred loss model that incorporates a single best estimate, the time value of money and information about past events and current conditions and which recognizes lifetime credit losses when there is objective evidence of impairment and also allowances for incurred but not identified credit losses.

Stage Migration and Significant Increase in Credit Risk
Financial instruments subject to the ECL methodology are categorized into three stages:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL. In contrast to stage 1 and stage 2, inherent within the incurred loss methodology under PAS 39, allowances are provided for non-impaired financial instruments for credit losses that are incurred but not yet identified.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under PAS 39 for impaired financial instruments.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group plans to adopt the modified retrospective method.

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

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

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

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

Effective beginning on or after January 1, 2019

PFRS 16, *Leases*
Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities

in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

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

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

Deferred effectivity

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

(a) *Leases*

Operating leases

Group as lessee

The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

Finance leases

Group as lessor

The Group, as lessor, has entered into lease arrangements on real estate, various machineries and other types of equipment. The Group has determined that it transfers all the significant risks and rewards of ownership of these properties and so accounts for these leases as finance lease.

(b) *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models (Note 5). The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(c) *Contingencies*

The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (Note 35).

(d) *Functional currency*

PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity.

In making this judgment, the Group considers the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

(e) *Assessment of control over entities for consolidation*

Where the Parent Company does not have majority of the voting interest over an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. This may include a contractual arrangement with the other voting shareholders of the investee or rights arising from other contractual arrangements which give power to the Parent Company over the investee to affect its returns.

The Parent Company determined that it controls Oceanic Holding (BVI) Ltd. (OHBVI) through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

(f) *Assessment of joint control*

The Parent Company has certain joint arrangements with real estate companies for the development of its investment properties into residential/condominium units. In assessing joint control over these investees, the Parent Company assesses whether all the parties collectively control the arrangement. Further, the Parent Company determines the relevant activities of the arrangement and whether decisions around relevant activities require unanimous consent. The Parent Company also considers the scope of decision-making authority of the real estate companies in accordance with their respective contractual arrangements.

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

(g) *Sale of Allianz-PNB Life Insurance, Inc.(APLII)*
Pursuant to the sale of APLII in 2016 under a share purchase agreement, the Parent Company also entered into a distribution agreement with APLII where the Parent Company will allow APLII to have exclusive access to the distribution network of the Parent Company and its subsidiary, PNB Savings Bank, over a period of 15 years.

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

Estimates

(a) *Credit losses on loans and receivables*
The Group reviews its impaired loans and receivables on a quarterly basis to assess whether additional provision for credit losses should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of required allowance. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The Group takes into account the latest available information of the borrower's financial condition, industry risk and market trends.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. For the purpose of a collective impairment, loans and receivables are grouped on the basis of their credit risk characteristics such as internal credit risk rating, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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

(b) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.
The Group and Parent Company's estimates of future taxable income indicate that certain temporary differences will be realized in the future. The amounts of recognized and unrecognized deferred tax assets are disclosed in Note 31.

(c) *Present value of retirement obligation*
The cost of defined benefit pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. The discount rate is based on zero-coupon yield of government bonds with remaining maturity approximating the estimated average duration of benefit payment. Future salary increases was based on the Group's policy taking into account the prevailing inflation rate. The mortality rate used is based on publicly available mortality table modified accordingly with estimates of mortality improvements. The employee turnover is based on the Group's most recent experience.

The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

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

(d) *Impairment of nonfinancial assets - property and equipment, investments in subsidiaries and an associate, investment properties, other properties acquired and intangibles*
The Parent Company assesses impairment on its investments in subsidiaries and an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries and associate include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

The Group also assesses impairment on its nonfinancial assets (e.g., investment properties, property and equipment, other acquired properties and intangibles) and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset or group of assets being assessed.

The carrying values of the Group's property and equipment, investments in subsidiaries and an associate, investment properties and intangible assets and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15.

(e) *Impairment of goodwill*
The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the recoverable amount is insufficient to support their carrying value. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Future cash flows from the business are estimated based on the theoretical annual income of the relevant CGUs. Average growth rate is derived from the long-term Philippine growth rate. The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management and BOD of the Parent Company covering a three-year period.
The assumptions used in the calculation of value-in-use are sensitive to estimates of future cash flows from business, interest margin, discount rate and long-term growth rate used to project cash flows.

The carrying values of the Group's goodwill and key assumptions used in determining value-in-use are disclosed in Note 14.

(f) *Valuation of insurance contracts*
Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty.

Nonlife insurance contract liabilities are not discounted for the time value of money.
The main assumption underlying the estimation of the claims provision is that Group's company's past claims development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is mainly analyzed by accident years as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

The carrying values of total provisions for claims reported and claims IBNR are included in the 'Insurance contract liabilities' disclosed in Note 22.

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

The Market Approach involved determining the price to book value of selected publicly traded companies that have been identified to be comparable to PLII such as those with similar business activities and product offerings. The price to book value are then subjected to a control premium and lack of marketability discount.
The fair value of the Exclusive Distribution Right was determined using the Market Approach where it involved identifying recent bancassurance agreements with upfront payments from publicly available data of comparable companies. Using the amount of upfront payment fee, the number of branches and customers, a value per branch and value per customer multiple were determined.

4. Financial Risk Management Objectives and Policies

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

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

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level resulting in either an₱8.0 billion increase in risk weighted assets or a ₱1.0 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 20 bps.

Resulting from the assessments based on the premise identified above, the Parent Company agrees and reviews on a regular basis the material risks that need particular focus from all three lines of defense. For the assessment period 2017-2019, these are based on the following nine (9) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the ICAAP Document and required for monitoring.

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

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

Pillar 2 Risks:
4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)

6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Cyber Security Risk

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

The mandate of the RMG involves:

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

Credit Risk

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

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

Among the tools used by the Parent Company in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;
- Monitoring of the adequacy of capital for credit risk via the Capital Adequacy Ratio (CAR) report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;
- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify the following:
  a. portfolio growth
  b. movement of loan portfolio (cash releases and cash collection for the month)
  c. loss rate
  d. recovery rate
  e. trend of nonperforming loans (NPLs)
  f. concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

The Parent Company collects data on risk rating of loan borrowers with an asset size of ₱15.0 million and above as initial requirement in the Parent Company's model for internal Probability of Default (PD) and Loss Given Default (LGD).

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan.

Credit-related commitments

The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company.

To mitigate this risk the Parent Company requires hard collaterals, as discussed under *Collateral and other credit enhancement*, for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Unit-linked financial assets

The Group issues unit-linked insurance policies. In the unit-linked business, the policy holder bears the investment risk in the assets held in the unit-linked funds as the policy benefits are directly linked to the values of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

Collateral and other credit enhancement

As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Sector which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

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Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated 2017			
	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under repurchase agreement	**₱14,621,483**	**₱14,473,258**	**₱148,225**	**₱14,473,258**
Loans and receivables:				
Receivable from customers*:				
Business loans	**408,977,024**	**573,328,885**	**280,657,441**	**128,319,583**
Consumers	**45,972,385**	**36,704,079**	**31,580,271**	**14,392,114**
GOCCs and National Government Agencies (NGAs)	**17,429,380**	**15,117,428**	**2,311,952**	**15,117,428**
LGUs	**7,176,573**	**1,024,131**	**6,701,323**	**475,250**
Fringe benefits	**516,360**	**553,035**	**299,245**	**217,115**
Unquoted debt securities	**14,674,130**	**–**	**14,674,130**	**–**
Other receivable	**22,459,399**	**16,084,896**	**21,583,282**	**876,117**
	₱531,826,734	**₱657,285,712**	**₱357,955,869**	**₱173,870,865**

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

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

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

	Parent Company 2017			
	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under repurchase agreement	**₱14,621,483**	**₱14,473,258**	**₱148,225**	**₱14,473,258**
Loans and receivables:				
Receivable from customers:				
Business loans	**388,516,309**	**546,762,806**	**271,403,152**	**117,113,157**
Consumers	**11,721,298**	**1,567,307**	**11,106,334**	**614,964**
GOCCs and NGAs	**17,429,380**	**15,117,428**	**2,311,952**	**15,117,428**
LGUs	**7,176,573**	**1,024,131**	**6,701,323**	**475,250**
Fringe benefits	**482,020**	**522,070**	**290,864**	**191,156**
Unquoted debt securities	**14,616,628**	**–**	**14,616,628**	**–**
Other receivable	**16,076,425**	**16,012,112**	**15,273,093**	**803,333**
	₱470,640,116	**₱595,479,112**	**₱321,851,571**	**₱148,788,546**

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

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 35 to the financial statements.

Excessive risk concentration
Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty
   For loans and receivables, the Parent Company sets an internal limit for group exposures which is equivalent to 100.00% of the single borrower's limit (SBL) for loan accounts with credit risk rating (CRR) 1 to CRR 5 or 50.00% of SBL if rated below CRR 5.

   For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

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b. Geographic Concentration

The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated 2017			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱468,116,001	₱79,432,010	₱128,064,005	₱675,612,016
Asia (excluding the Philippines)	28,656,909	10,974,911	17,295,570	56,927,390
USA and Canada	1,243,490	2,450,828	8,530,735	12,225,053
Oceania	3,398,662	–	–	3,398,662
Other European Union Countries	–	382,808	2,065,193	2,448,001
United Kingdom	26,128	6,284,385	3,007,550	9,318,063
Middle East	–	–	10,943	10,943
	₱501,441,190	₱99,524,942	₱158,973,996	₱759,940,128

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

	Consolidated 2016			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱388,691,048	₱78,723,534	₱131,622,446	₱598,037,028
Asia (excluding the Philippines)	18,430,743	12,716,017	18,211,900	49,358,660
USA and Canada	15,315,893	202,939	4,302,151	19,820,983
Oceania	3,594,610	–	–	3,594,610
Other European Union Countries	1,425,522	942,855	4,643,448	7,011,825
United Kingdom	42,086	843,737	1,568,364	2,454,187
Middle East	7,707	–	31,042	38,749
	₱427,507,609	₱93,429,082	₱160,379,351	₱681,316,042

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

	Parent Company 2017			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱417,687,275	₱77,297,223	₱122,665,366	₱617,649,864
Asia (excluding the Philippines)	19,753,264	10,971,619	6,437,886	37,162,769
United Kingdom	–	6,210,003	3,007,451	9,217,454
Oceania	3,398,662	479	–	3,399,141
USA and Canada	674,104	2,326,180	8,460,359	11,460,643
Other European Union Countries	–	382,808	2,062,191	2,444,999
Middle East	–	–	10,943	10,943
	₱441,513,305	₱97,188,312	₱142,644,196	₱681,345,813

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

	Parent Company 2016			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱366,510,639	₱77,371,752	₱127,423,655	₱571,306,046
Asia (excluding the Philippines)	11,011,491	12,715,714	10,154,230	33,881,435
United Kingdom	–	225	–	225
Oceania	668,901	–	4,135,016	4,803,917
USA and Canada	–	843,276	4,053,526	4,896,802
Other European Union Countries	–	843,737	1,244,950	2,088,687
Middle East	7,707	–	31,042	38,749
	₱378,198,738	₱91,774,704	₱147,042,419	₱617,015,861

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

c. Concentration by Industry

The tables below shows the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated 2017			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱81,339,503	₱11,385,526	₱52,731,051	₱145,456,080
Wholesale and retail	72,590,561	–	–	72,590,561
Electricity, gas and water	63,607,168	242,543	–	63,849,711
Transport, storage and communication	39,143,238	255,953	–	39,399,191
Manufacturing	30,808,117	18	–	30,808,135
Public administration and defense	23,770,145	–	–	23,770,145
Agriculture, hunting and forestry	7,138,996	19	–	7,139,015
Secondary target industry:				
Government	358,971	70,845,045	105,497,459	176,701,475
Real estate, renting and business activities	82,785,877	9,217,989	–	92,003,866
Construction	18,742,726	–	–	18,742,726
Others**	81,155,888	7,577,849	745,486	89,479,223
	₱501,441,190	₱99,524,942	₱158,973,996	₱759,940,128

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

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	Consolidated			
	2016			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱60,774,307	₱10,066,253	₱30,506,854	₱101,347,414
Wholesale and retail	63,358,584	26	8,772	63,367,382
Electricity, gas and water	49,857,988	4,771,740	5,469	54,635,197
Transport, storage and communication	38,352,051	7,249,511	1,286	45,602,848
Manufacturing	40,987,080	496,529	71	41,483,680
Public administration and defense	23,289,595	–	411	23,290,006
Agriculture, hunting and forestry	5,970,524	–	–	5,970,524
Secondary target industry:				
Government	625,802	63,321,206	129,310,255	193,257,263
Real estate, renting and business activities	67,321,221	6,814,681	50,343	74,186,245
Construction	18,249,762	99,939	1,070	18,350,771
Others**	58,720,695	609,197	494,820	59,824,712
	₱427,507,609	₱93,429,082	₱160,379,351	₱681,316,042

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

	Parent Company			
	2017			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱80,879,478**	**₱11,212,105**	**₱36,460,258**	**₱128,551,841**
Wholesale and retail	**68,704,929**	**–**	**–**	**68,704,929**
Electricity, gas and water	**63,351,538**	**239,078**	**–**	**63,590,616**
Transport, storage and communication	**38,120,139**	**1,766**	**–**	**38,121,905**
Manufacturing	**28,266,909**	**17**	**–**	**28,266,926**
Public administration and defense	**22,419,612**	**–**	**–**	**22,419,612**
Agriculture, hunting and forestry	**6,665,547**	**19**	**–**	**6,665,566**
Secondary target industry:				
Government	**358,971**	**69,269,955**	**105,497,459**	**175,126,385**
Real estate, renting and business activities	**75,202,099**	**8,986,299**	**–**	**84,188,398**
Construction	**17,703,490**	**–**	**–**	**17,703,490**
Others*	**39,840,593**	**7,479,073**	**686,479**	**48,006,145**
	₱441,513,305	**₱97,188,312**	**₱142,644,196**	**₱681,345,813**

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

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

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

The internal limit of the Parent Company based on the Philippine Standard Industry Classification (PSIC) sub-industry is 12.00% for priority industry, 8.00% for regular industry, 30.00% for power industry and 25% for activities of holding companies versus total loan portfolio.

Credit quality per class of financial assets
The credit quality of financial assets is assessed and managed using external and internal ratings. For receivable from customers classified as business loans, the credit quality is generally monitored using the 14-gradeCRR System which is integrated in the credit process particularly in loan pricing and allocation of valuation reserves. The model on risk ratings is assessed and updated regularly.

Validation of the individual internal risk rating is conducted by the Credit Management Division to maintain accurate and consistent risk ratings across the credit portfolio. The rating system has two parts, namely, the borrower's rating and the facility rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information such as industry outlook and market competition to provide the main inputs for the measurement of credit or counterparty risk.

<u>Loans and Receivables</u>
The CRRs of the Parent Company's Receivables from customers (applied to loans with asset size of ₱15.0 million and above)are defined below:

CRR 1 - Excellent
Loans receivables rated as excellent include borrowers which are significant in size, with long and successful history of operations, an industry leader, with ready access to all equity and debt markets and have proven its strong debt service capacity.

CRR 2 - Super Prime
Loans receivables rated as super prime include borrowers whose ability to service all debt and meet financial obligations remains unquestioned.

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CRR 3 - Prime
Under normal economic conditions, borrowers in this rating have good access to public market to raise funds and face no major uncertainties which could impair repayment.

CRR 4 - Very Good
Loans receivables rated as very good include borrowers whose ability to service all debts and meet financial obligations remain unquestioned, but current adverse economic conditions or changing circumstances have minimal impact on payment of obligations.

CRR 5 - Good
Loans receivables rated as good include borrowers with good operating history and solid management, but payment capacity could be vulnerable to adverse business, financial or economic conditions.

CRR 6 - Satisfactory
These are loans receivables to borrowers whose ability to service all debt and meet financial obligations remains unquestioned, but with somewhat lesser capacity than in CRR 5 accounts.

CRR 7 - Average
These are loans receivables to borrowers having ability to repay the loan in the normal course of business activity, although may not be strong enough to sustain a major setback.

CRR 8 – Acceptable
These are loans receivables to borrowers possessing the characteristics of borrowers rated as CRR 7 with slightly lesser quality in financial strength, earnings, performance and/or outlook.

CRR 9 - Fair
These are performing loans receivables from borrowers not qualified as CRRs 1-8. The borrower is able to withstand normal business cycles, although any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.

CRR 10 - Watchlist
This rating includes borrower where the credit exposure is not at risk of loss at the moment but the performance of the borrower has weakened and, unless present trends are reversed, could eventually lead to losses.

CRR 11 - Special Mention
These are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Parent Company.

CRR 12 - Substandard
These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Parent Company because of unfavorable record or unsatisfactory characteristics.

CRR 13 - Doubtful
These are loans or portions thereof which have the weaknesses inherent in those classified as CRR 12 with the added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

CRR 14 - Loss
These are loans or portions thereof which are considered uncollectible or worthless.

The Parent Company uses credit scoring for evaluating borrowers with assets size below ₱15.0 million. Credit scoring details the financial capability of the borrower to pay for any future obligation.

GOCCs and LGUs are rated using the "means and purpose" test whereby borrowers have to pass the two major parameters, namely:

- "Means" test - the borrower must have resources or revenues of its own sufficient to service its debt obligations.
- "Purpose" test - the loan must be obtained for a purpose consistent with the borrower's general business.

LGU loans are backed-up by assignment of Internal Revenue Allotment. Consumer loans are covered by mortgages in residential properties and vehicles financed and guarantees from Home Guaranty Corporation. Fringe benefit loans are repaid through automatic salary deductions and exposure is secured by mortgage on house or vehicles financed.

The table below shows the Group's and Parent Company's receivable from customers, gross of allowance for credit losses and unearned and other deferred income, for each CRR as of December 31, 2017 and 2016, but net of residual values of leased assets.

	Consolidated			
	2017			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 – Excellent	₱4,291,461	₱–	₱–	₱4,291,461
2 - Super Prime	44,150,956	–	–	44,150,956
3 – Prime	79,626,334	–	–	79,626,334
4 - Very Good	51,582,911	4,995	–	51,587,906
5 - Good	41,160,103	–	–	41,160,103
6 - Satisfactory	47,552,725	104,642	–	47,657,367
7 - Average	32,300,228	5,115	14,990	32,320,333
8 - Acceptable	26,323,932	970	–	26,324,902
9 - Fair	8,111,610	–	60,909	8,172,519
10 - Watchlist	55,367,209	64,780	185,233	55,617,222
11 - Special Mention	3,030,339	143,170	159,571	3,333,080
12 - Substandard	957,285	38,244	2,245,340	3,240,869
13 - Doubtful	–	321,988	718,858	1,040,846
14 - Loss	–	10,740	2,986,181	2,996,921
	394,455,093	694,644	6,371,082	401,520,819
Unrated Receivable from Customers				
Consumers	51,341,530	1,426,568	218,224	52,986,322
Business Loans	18,240,516	468,879	710,896	19,420,291
LGUs	7,000,975	35,325	150,344	7,186,644
Fringe Benefits	493,746	4,266	12,743	510,755
GOCCs and NGAs	–	–	–	–
	77,076,767	1,935,038	1,092,207	80,104,012
	₱471,531,860	₱2,629,682	₱7,463,289	₱481,624,831

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	Consolidated 2016			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 – Excellent	₱5,086,517	₱791	₱–	₱5,087,308
2 - Super Prime	50,660,171	–	–	50,660,171
3 – Prime	81,566,409	–	–	81,566,409
4 - Very Good	46,455,179	–	–	46,455,179
5 - Good	28,223,428	–	–	28,223,428
6 - Satisfactory	37,118,762	33,674	–	37,152,436
7 - Average	26,039,398	5,085	–	26,044,483
8 - Acceptable	21,057,009	–	–	21,057,009
9 - Fair	5,855,663	–	–	5,855,663
10 - Watchlist	44,135,681	5,346	–	44,141,027
11 - Special Mention	2,786,219	78,861	148,981	3,014,061
12 - Substandard	776,933	484,029	610,813	1,871,775
13 - Doubtful	5,890	113,428	413,634	532,952
14 - Loss	3,203	256,644	3,901,451	4,161,298
	349,770,462	977,858	5,074,879	355,823,199
Unrated Receivable from Customers				
Consumers	37,548,926	802,828	27,440	38,379,194
Business Loans	12,366,590	465,016	567,575	13,399,181
LGUs	7,196,440	9,950	130,523	7,336,913
Fringe Benefits	560,534	12,484	–	178,153
GOCCs and NGAs	178,153	–	–	573,018
	57,850,643	1,290,278	725,538	59,866,459
	₱407,621,105	₱2,268,136	₱5,800,417	₱415,689,658

	Parent Company 2017			
	Neither Past Due nor Individually Impaired	**Past Due and not Individually Impaired**	**Individually Impaired**	**Total**
Rated Receivable from Customers				
1 - Excellent	**₱4,248,533**	**₱–**	**₱–**	**₱4,248,533**
2 - Super Prime	**43,620,906**	**–**	**–**	**43,620,906**
3 - Prime	**79,122,851**	**–**	**–**	**79,122,851**
4 - Very Good	**50,260,694**	**4,995**	**–**	**50,265,689**
5 - Good	**40,554,077**	**–**	**–**	**40,554,077**
6 - Satisfactory	**39,856,116**	**43,680**	**–**	**39,899,796**
7 - Average	**31,374,729**	**5,115**	**14,990**	**31,394,834**
8 - Acceptable	**26,202,086**	**970**	**–**	**26,203,056**
9 - Fair	**7,828,143**	**–**	**76**	**7,828,219**
10 - Watchlist	**55,204,756**	**29,500**	**–**	**55,234,256**
11 - Special Mention	**2,962,058**	**143,170**	**–**	**3,105,228**
12 - Substandard	**957,285**	**38,244**	**945,997**	**1,941,526**
13 - Doubtful	**–**	**321,988**	**522,423**	**844,411**
14 - Loss	**–**	**10,740**	**2,708,753**	**2,719,493**
	382,192,234	**598,402**	**4,192,239**	**386,982,875**
Unrated Receivable from Customers				
Business Loans	**18,942,189**	**407,654**	**710,897**	**20,060,740**
Consumers	**–**	**1,254,482**	**205,197**	**11,852,518**
LGUs	**10,392,839**	**35,325**	**150,344**	**7,186,644**
Fringe Benefits	**7,000,975**	**4,266**	**12,743**	**484,389**
GOCCs and NGAs	**467,380**	**–**	**–**	**–**
	36,803,383	**1,701,727**	**1,079,181**	**39,584,291**
	₱418,995,617	**₱2,300,129**	**₱5,271,420**	**₱426,567,166**

	Parent Company 2016			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivable from Customers				
1 - Excellent	₱ 5,015,902	₱791	₱–	₱5,016,693
2 - Super Prime	49,664,931	–	–	49,664,931
3 - Prime	80,281,186	–	–	80,281,186
4 - Very Good	44,936,909	–	–	44,936,909
5 - Good	27,370,130	–	–	27,370,130
6 - Satisfactory	28,790,669	–	–	28,790,669
8 - Acceptable	25,168,489	5,085	–	25,173,574
9 - Fair	20,879,402	–	–	20,879,402
9 - Marginal	5,549,401	–	–	5,549,401
10 - Watchlist	44,111,934	–	–	44,111,934
11 - Special Mention	2,695,185	78,861	–	2,774,046
12 - Substandard	716,596	93,764	96,465	906,825
13 - Doubtful	–	8,821	379,665	388,486
14 - Loss	–	605,299	3,369,191	3,974,490
	335,180,734	792,621	3,845,321	339,818,676
Unrated Receivable from Customers				
Business Loans	13,526,556	403,791	567,575	14,497,922
Consumers	8,658,310	631,265	15,503	9,305,078
LGUs	7,196,440	9,950	130,523	7,336,913
Fringe Benefits	533,272	12,484	–	178,153
GOCCs and NGAs	178,153	–	–	545,756
	30,092,731	1,057,490	713,601	31,863,822
	₱365,273,465	₱1,850,111	₱4,558,922	₱371,682,498

Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due. The tables below show the aging analysis of past due but not individually impaired loans receivables per class.

	Consolidated 2017				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱124,510**	**₱158,674**	**₱211,759**	**₱561,431**	**₱1,056,374**
Consumers	**237,018**	**147,991**	**308,946**	**839,763**	**1,533,718**
Fringe benefits	**667**	**824**	**1,476**	**1,299**	**4,266**
LGUs	**35,325**	**–**	**–**	**–**	**35,325**
Total	**₱397,520**	**₱307,489**	**₱522,181**	**₱1,402,493**	**₱2,629,683**

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

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	Parent Company 2017				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱63,411**	**₱158,412**	**₱211,759**	**₱561,430**	**₱995,012**
Consumers	**6,098**	**112,265**	**307,401**	**839,763**	**1,265,527**
Fringe benefits	**35,324**	**–**	**–**	**–**	**35,324**
LGUs	**667**	**824**	**1,476**	**1,299**	**4,266**
Total	**₱105,500**	**₱271,501**	**₱520,636**	**₱1,402,491**	**₱2,300,129**

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

Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, the Bank uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e. Moody's Investors Service) as follows:

Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1 and below - represents those investments which fall under any of the following grade:

- Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
- Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
- Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, net of allowances, excluding receivable from customers, which are monitored using external ratings.

	Consolidated 2017					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[5/]**	**Total**
Due from BSP[1/]	**₱–**	**₱–**	**₱108,743,985**	**₱108,743,985**	**₱–**	**₱108,743,985**
Due from other banks	**5,679,010**	**5,155,624**	**3,392,665**	**14,227,299**	**7,798,023**	**22,025,322**
Interbank loans receivables	**5,801,422**	**2,754,325**	**3,588,842**	**12,144,589**	**693,132**	**12,837,721**
Securities held under agreements to resell	**–**	**–**	**14,621,483**	**14,621,483**	**–**	**14,621,483**
Financial assets at FVPL:						
Government securities	**–**	**–**	**1,822,378**	**1,822,378**	**385,574**	**2,207,952**
Derivative assets[2/]	**97,206**	**12,648**	**298,156**	**408,010**	**154,974**	**562,984**
Private debt securities	**–**	**–**	**–**	**–**	**31,305**	**31,305**
Equity securities	**–**	**–**	**42,990**	**42,990**	**30,928**	**73,918**
Investment in unit investment trust funds (UITFs)	**–**	**–**	**6,236**	**6,236**	**–**	**6,236**
AFS investments:						
Government securities	**2,240,392**	**–**	**33,735,515**	**35,975,907**	**5,645,317**	**41,625,920**
Private debt securities	**2,283,698**	**5,941,865**	**9,044,338**	**17,269,901**	**9,650,145**	**26,920,045**
Quoted equity securities	**–**	**–**	**139,905**	**139,905**	**1,004,874**	**1,144,779**
Unquoted equity securities	**–**	**–**	**538**	**538**	**146,154**	**146,692**
HTM investments:						
Government securities	**124,913**	**–**	**23,959,337**	**24,084,250**	**2,720,881**	**26,805,131**
Loans and receivables:						
Unquoted debt securities[3/]	**–**	**–**	**148,723**	**148,723**	**10,784,672**	**10,933,396**
Others[4/]	**–**	**–**	**12,561,523**	**–**	**–**	**12,561,523**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
[3/] Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
[4/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
[5/] Financial assets that are unrated are neither past due nor impaired.

	Consolidated 2016					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱127,337,861	₱127,337,861	₱–	₱127,337,861
Due from other banks	5,051,163	6,461,719	10,580,175	22,093,057	616,748	22,709,805
Interbank loans receivables	4,928,854	1,866,579	995,541	7,790,974	134	7,791,108
Securities held under agreements to resell	–	–	1,972,310	1,972,310	–	1,972,310
Financial assets at FVPL:						
Government securities	–	–	949,379	949,379	364,021	1,313,400
Equity securities	–	–	27,415	27,415	27,194	54,609
Derivative assets[2/]	43,510	28,097	9,974	81,581	337,541	419,122
Private debt securities	–	–	–	–	120,589	120,589
Investment in Unit Investment Trust Funds (UITFs)	–	–	6,144	6,144	–	6,144
AFS investments:						
Government securities	1,569,757	–	36,202,025	37,771,782	84,158	37,855,940
Private debt securities	4,278,116	2,880,154	4,964,387	12,122,657	16,697,032	28,819,689
Quoted equity securities	–	–	54,139	54,139	481,109	535,248
Unquoted equity securities	16,837	–	536	17,373	112,489	129,862
HTM investments						
Government securities	99,580	–	22,842,219	22,941,799	1,232,680	24,174,479

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	Consolidated 2016					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Loans and receivables:						
Unquoted debt securities[3/]	₱–	₱–	₱124,748	₱124,748	₱3,160,474	₱3,285,222
Others[4/]	–	–	–	–	18,208,225	18,208,225

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
[3/] Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
[4/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables(Note 10).
[5/] Financial assets that are unrated are neither past due nor impaired.

	Parent Company 2017					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[5/]**	**Total**
Due from BSP[1/]	**₱–**	**₱–**	**₱105,497,459**	**₱105,497,459**	**₱–**	**₱105,497,459**
Due from other banks	**2,595,995**	**5,281,255**	**1,517,295**	**9,394,545**	**1,360,715**	**10,755,260**
Interbank loans receivables	**5,801,422**	**2,754,325**	**1,834,636**	**10,390,383**	**693,132**	**11,083,515**
Securities held under agreements to resell	**–**	**–**	**14,621,483**	**14,621,483**	**–**	**14,621,483**
Financial assets at FVPL:						
Government securities	**–**	**–**	**1,822,378**	**1,822,378**	**385,574**	**2,207,952**
Equity securities	**–**	**–**	**–**	**–**	**30,928**	**30,928**
Derivative assets[2/]	**95,704**	**10,858**	**298,156**	**404,718**	**154,974**	**559,692**
Private debt securities	**–**	**–**	**–**	**–**	**31,305**	**31,305**
AFS investments:						
Government securities	**789,949**	**–**	**33,647,109**	**34,437,058**	**5,645,318**	**40,082,376**
Private debt securities	**1,808,202**	**5,941,865**	**9,044,338**	**16,794,405**	**9,650,145**	**26,444,549**
Quoted equity securities	**–**	**–**	**–**	**–**	**1,004,873**	**1,004,873**
Unquoted equity securities	**–**	**–**	**–**	**–**	**146,154**	**146,154**
HTM investments:						
Government securities	**266**	**–**	**23,959,337**	**23,959,602**	**2,720,881**	**26,680,483**
Loans and receivables:						
Unquoted debt securities[3/]	**–**	**–**	**148,723**	**148,723**	**10,784,671**	**10,933,395**
Others[4/]	**–**	**–**	**12,804,193**	**–**	**–**	**12,804,193**

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
[3/] Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
[4/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
[5/] Financial assets that are unrated are neither past due nor impaired.

	Parent Company 2016					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱123,799,952	₱123,799,952	₱–	₱123,799,952
Due from other banks	4,849,575	5,877,522	1,564,859	12,291,956	539,558	12,831,514
Interbank loans receivables	4,928,854	1,866,579	995,541	7,790,974	116,392	7,907,366
Securities held under agreements to resell	–	–	1,972,310	1,972,310	–	1,972,310
Financial assets at FVPL:						
Government securities	–	–	949,379	949,379	364,021	1,313,400
Equity securities	–	–	69	69	27,194	27,263
Derivative assets[2/]	43,510	28,097	9,974	81,581	337,238	418,819
Private debt securities	–	–	–	–	120,589	120,589

(Forward)

	Parent Company 2016					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
AFS investments:						
Government securities	₱730,311	₱–	₱36,170,619	₱36,900,930	₱–	₱36,900,930
Private debt securities	3,835,245	2,880,154	4,912,596	11,628,175	16,697,032	28,325,207
Quoted equity securities	–	–	–	–	439,819	439,819
Unquoted equity securities	–	–	–	–	153,779	153,779
HTM investments						
Government securities	–	–	22,842,219	22,842,219	1,232,679	24,074,898
Loans and receivables:						
Unquoted debt securities[3/]	–	–	124,748	124,748	3,102,628	3,227,376
Others[4/]	–	–	–	–	12,268,647	12,268,647

[1/] 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
[2/] Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (Note 23).
[3/] Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
[4/] Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
[5/] Financial assets that are unrated are neither past due nor impaired.

Impairment assessment

The Group recognizes impairment or credit losses based on the results of specific (individual) and collective assessment of its credit exposures. A possible impairment has taken place when there are presence of known difficulties in the payment of obligation by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days). These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment or credit losses include:

a. Specific (individual) assessment
   The Group assesses each individually significant credit exposure or advances for any objective evidence of impairment.

   Among the items and factors considered by the Group when assessing and measuring specific impairment/credit allowances are:

   - the going concern of the borrower's business;
   - the ability of the borrower to repay its obligations during financial crises;
   - the projected receipts or expected cash flows;
   - the availability of other sources of financial support;
   - the existing realizable value of collateral; and
   - the timing of the expected cash flows.

   The impairment or credit allowances, if any, are evaluated every quarter or as the need arise in view of favorable or unfavorable developments.

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b. Collective assessment
Loans and advances that are not individually significant (e.g., credit cards, housing loans, car loans, development incentives loans, fringe benefit loans) and individually significant loans and advances where there is no apparent evidence of individual impairment are collectively assessed for impairment. A particular portfolio is reviewed every quarter to determine its corresponding appropriate allowances.

Impairment losses are estimated by taking into consideration the following information:

- historical losses of the portfolio;
- current adverse economic conditions that have direct impact on the portfolio; and
- expected receipts and recoveries once impaired.

Refer to Note 16 for the detailed information on the allowance for credit losses on loans and receivables and other financial assets.

Liquidity Risk and Funding Management
Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Parent Company's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Parent Company's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Parent Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the Parent Company on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

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

	Consolidated					
	2017					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱12,391,139	₱–	₱–	₱–	₱–	₱12,391,139
Due from BSP and other banks	130,769,307	–	–	–	–	130,769,307
Interbank loans receivable	12,286,982	228,340	172,609	149,790	–	12,837,721
Securities under agreements to resell	14,621,483	–	–	–	–	14,621,483
Financial assets at FVPL:						
Held-for-trading:						
Government securities	2,207,952	–	–	–	–	2,207,952
Private debt securities	73,918	–	–	–	–	73,918
Equity securities	31,305	–	–	–	–	31,305
Derivative assets:						
Gross contractual receivable	30,057,331	5,363,657	565,366	103,789	788,189	36,878,332
Gross contractual payable	(29,837,235)	(5,326,830)	(541,085)	(80,152)	(530,046)	(36,315,348)
	220,096	36,827	24,281	23,637	258,143	562,984
Designated at FVPL:						
Investment in UITFs	6,236	–	–	–	–	6,236
AFS investments:						
Government securities	467,367	575,496	936,401	1,329,855	45,921,294	49,230,413
Private debt securities	123,800	121,847	341,612	2,259,896	29,675,725	32,522,880
Equity securities	–	–	–	–	1,291,471	1,291,471
HTM investments:						
Government securities	188,569	212,336	303,546	757,310	44,207,605	45,669,366
Loans and receivables:						
Receivables from customers	80,262,108	67,820,331	22,813,722	12,710,714	388,953,761	572,560,636
Unquoted debt securities	6,385,292	4,996,563	3,218,486	–	85,254	14,685,595
Other receivables	6,365,805	810,857	852,239	870,379	14,480,093	23,379,373
Other assets	886,941	–	–	–	45,697	932,638
Total financial assets	₱267,288,300	₱74,802,597	₱28,662,896	₱18,101,581	₱524,919,043	₱913,774,417
Financial Liabilities						
Deposit liabilities:						
Demand	₱125,581,889	₱–	₱–	₱–	₱–	₱125,581,889
Savings	291,611,443	31,169,095	12,960,373	18,753,987	15,868,774	370,363,672
Time and LTNCDs	44,892,027	41,379,772	12,008,434	10,077,758	59,496,046	167,854,037
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	17,063,080	2,950,071	44,191	103,789	597,508	20,758,639
Gross contractual receivable	(16,935,007)	(2,942,081)	(40,812)	(82,845)	(414,478)	(20,415,223)
	128,073	7,990	3,379	20,944	183,030	343,416
Bills and acceptances payable	14,828,488	1,107,665	4,390,454	5,074,742	12,967,428	38,368,777
Accrued interest payable and accrued other expenses payable	1,543,768	156,457	29,837	9,872	16,785	1,756,719
Other liabilities	19,622,229	180,420	74,596	182,729	1,502,432	21,562,406
Total financial liabilities	₱498,207,917	₱74,001,399	₱29,467,073	₱34,120,032	₱90,034,495	₱725,830,916

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	Consolidated 2016					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱11,014,663	₱–	₱–	₱–	₱–	₱11,014,663
Due from BSP and other banks	150,047,666	–	–	–	–	150,047,666
Interbank loans receivable	6,487,756	1,005,602	149,965	150,626	–	7,793,949
Securities under agreements to resell	1,972,803	–	–	–	–	1,972,803
Financial assets at FVPL:						
Held-for-trading:						
Government securities	1,318,421	–	–	–	–	1,318,421
Private debt securities	121,166	–	–	–	–	121,166
Equity securities	54,609	–	–	–	–	54,609
Derivative assets:						
Gross contractual receivable	23,134,620	602,481	363,065	97,557	945,345	25,143,068
Gross contractual payable	(23,027,112)	(602,494)	(359,977)	(81,868)	(652,495)	(24,723,946)
	107,508	(13)	3,088	15,689	292,850	419,122
Designated at FVPL						
Investment in UITFs	6,144	–	–	–	–	6,144
AFS investments:						
Government securities	445,411	1,360,270	833,280	952,375	44,483,507	48,074,843
Private debt securities	216,349	180,604	311,691	608,101	33,527,569	34,844,314
Equity securities	–	–	–	–	665,110	665,110
HTM investments:						
Government securities	186,669	188,619	268,121	638,758	42,326,085	43,608,252
Loans and receivables:						
Receivables from customers	51,281,982	61,017,482	22,991,722	21,982,567	322,823,346	480,097,099
Unquoted debt securities	57,846	2,731,616	2,910	2,904	4,211,082	7,006,358
Other receivables	7,747,353	689,651	1,608,947	329,549	12,234,095	22,609,595
Other assets	458,636	1,601	2,512	19,799	85,719	568,267
Total financial assets	₱231,524,982	₱67,175,432	₱26,172,236	₱24,700,368	₱460,649,363	₱810,222,381
Financial Liabilities						
Deposit liabilities:						
Demand	₱117,329,019	₱–	₱–	₱–	₱–	₱117,329,019
Savings	270,698,512	35,289,350	17,265,684	26,859,280	24,313,983	374,426,809
Time and LTNCDs	39,116,118	27,989,034	9,243,512	7,796,611	32,624,672	116,769,947
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	4,266,633	1,032,083	338,061	97,308	794,951	6,529,036
Gross contractual receivable	(4,258,623)	(1,027,751)	(336,280)	(84,515)	(589,035)	(6,296,204)
	8,010	4,332	1,781	12,793	205,916	232,832
Bills and acceptances payable	14,828,488	1,107,665	4,390,454	5,074,742	12,967,428	38,368,777
Subordinated debt	–	51,406	51,406	102,812	4,425,308	4,630,932
Accrued interest payable and accrued other expenses payable	585,761	232,935	247,614	619,526	–	1,685,836
Other liabilities	19,114,919	57,012	58,421	11,756	1,483,085	20,725,193
Total financial liabilities	₱461,680,827	₱64,731,734	₱31,258,872	₱40,477,520	₱76,020,392	₱674,169,345

	Parent Company 2017					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1year**	**Total**
Financial Assets						
COCI	**₱11,671,952**	**₱–**	**₱–**	**₱–**	**₱–**	**₱11,671,952**
Due from BSP and other banks	**116,252,719**	**–**	**–**	**–**	**–**	**116,252,719**
Interbank loans receivable	**9,157,109**	**1,604,115**	**172,673**	**149,931**	**–**	**11,083,828**
Securities under agreements to resell	**14,625,088**	**–**	**–**	**–**	**–**	**14,625,088**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**2,207,952**	**–**	**–**	**–**	**–**	**2,207,952**
Private debt securities	**73,918**	**–**	**–**	**–**	**–**	**73,918**
Equity securities	**31,305**	**–**	**–**	**–**	**–**	**31,305**
Derivative assets:						
Gross contractual receivable	**₱30,056,716**	**₱5,362,855**	**₱563,491**	**₱103,789**	**₱788,189**	**₱36,875,040**
Gross contractual payable	**(29,837,235)**	**(5,326,830)**	**(541,085)**	**(80,152)**	**(530,046)**	**(36,315,348)**
	219,481	**36,025**	**22,406**	**23,637**	**258,143**	**559,692**
AFS investments:						
Government securities	**467,367**	**575,496**	**936,401**	**1,329,855**	**45,921,294**	**49,230,413**
Private debt securities	**123,800**	**121,847**	**341,612**	**2,259,896**	**29,675,725**	**32,522,880**
Equity securities	**–**	**–**	**–**	**–**	**1,151,027**	**1,151,027**
HTM investments:						
Government securities	**70,937**	**748,750**	**72,514**	**760,759**	**27,799,434**	**29,452,394**
Loans and receivables:						
Receivables from customers	**73,021,615**	**65,455,257**	**20,885,287**	**10,315,944**	**341,846,641**	**511,524,744**
Unquoted debt securities	**6,327,790**	**4,996,563**	**3,218,486**	**–**	**85,254**	**14,628,093**
Other receivables	**937,977**	**640,518**	**765,135**	**749,369**	**14,065,429**	**17,158,428**
Other assets	**874,510**	**–**	**–**	**–**	**–**	**874,510**
Total financial assets	**₱236,063,520**	**₱74,178,571**	**₱26,414,514**	**₱15,589,391**	**₱460,802,947**	**₱813,048,943**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱123,396,962**	**₱–**	**₱–**	**₱–**	**₱–**	**₱123,396,962**
Savings	**278,242,929**	**28,561,604**	**11,681,381**	**15,880,899**	**13,776,365**	**348,143,178**
Time and LTNCDs	**35,916,806**	**25,512,119**	**8,886,110**	**9,939,517**	**47,991,405**	**128,245,957**
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	**17,063,080**	**2,950,071**	**44,191**	**103,789**	**597,508**	**20,758,639**
Gross contractual receivable	**(16,935,007)**	**(2,942,081)**	**(40,812)**	**(82,845)**	**(414,478)**	**(20,415,223)**
	128,073	**7,990**	**3,379**	**20,944**	**183,030**	**343,416**
Bills and acceptances payable	**17,590,751**	**10,625,833**	**2,839,180**	**1,504,114**	**32,559,878**	**65,119,756**
Accrued interest payable and accrued other expenses payable	**1,413,437**	**153,518**	**5,428**	**7,848**	**16,785**	**1,597,016**
Other liabilities	**12,468,862**	**–**	**–**	**–**	**1,058,246**	**13,527,108**
Total financial liabilities	**₱469,157,820**	**₱64,861,064**	**₱23,415,478**	**₱27,353,322**	**₱95,585,709**	**₱680,373,393**

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

	Parent Company					
	2016					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Assets						
COCI	₱10,626,525	₱–	₱–	₱–	₱–	₱10,626,525
Due from BSP and other banks	136,637,734	–	–	–	–	136,637,734
Interbank loans receivable	6,600,278	1,009,362	149,965	150,626	–	7,910,231
Securities under agreements to resell	1,972,803	–	–	–	–	1,972,803
Financial assets at FVPL:						
Held-for-trading:						
Government securities	1,318,421	–	–	–	–	1,318,421
Private debt securities	121,166	–	–	–	–	121,166
Equity securities	27,263	–	–	–	–	27,263
Derivative assets:						
Gross contractual receivable	23,102,042	552,761	39,862	97,557	945,345	24,737,567
Gross contractual payable	(22,994,783)	(552,786)	(36,817)	(81,868)	(652,494)	(24,318,748)
	107,259	(25)	3,045	15,689	292,851	418,819
AFS investments:						
Government securities	361,066	1,359,182	782,328	883,536	43,661,794	47,047,906
Private debt securities	164,558	178,096	309,183	603,085	33,009,976	34,264,898
Equity securities	–	–	–	–	593,598	593,598
HTM investments:						
Government securities	186,669	188,578	268,090	638,573	42,226,116	43,508,026
Loans and receivables:						
Receivables from customers	47,135,914	58,812,741	20,970,205	19,158,472	288,318,164	434,395,496
Unquoted debt securities	–	2,731,616	2,910	2,904	4,211,082	6,948,512
Other receivables	2,400,902	519,217	1,542,416	183,824	11,661,573	16,307,932
Other assets	459,877	1,601	2,512	3,156	64,131	531,277
Total financial assets	₱208,120,435	₱64,800,368	₱24,030,654	₱21,639,865	₱424,039,285	₱742,630,607
Financial Liabilities						
Deposit liabilities:						
Demand	₱115,392,463	₱–	₱–	₱–	₱–	115,392,463
Savings	266,337,815	32,235,733	13,403,890	19,395,767	16,411,819	347,785,024
Time and LTNCDs	17,423,314	13,597,207	5,254,132	5,211,374	52,133,451	93,619,478
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	2,740,229	783,483	39,741	97,308	794,951	4,455,712
Gross contractual receivable	(2,732,875)	(779,167)	(38,143)	(84,515)	(589,035)	(4,223,735)
	7,354	4,316	1,598	12,793	205,916	231,977
Bills and acceptances payable	10,765,961	1,565,459	4,957,897	4,903,913	12,235,687	34,428,917
Subordinated debt	–	51,406	51,406	102,812	4,425,308	4,630,932
Accrued interest payable and accrued other expenses payable	414,252	236,725	251,453	630,422	–	1,532,852
Other liabilities	12,656,889	–	1,731	–	952,255	13,610,875
Total financial liabilities	₱422,998,048	₱47,690,846	₱23,922,107	₱30,257,081	₱86,364,436	₱611,232,518

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

Trading market risk

Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk (VaR) as a primary risk measurement tool. It adopts both the Parametric VaR methodology and Historical Simulation Methodology (with 99% confidence level) to measure the Parent Company's trading market risk. Both the Parametric models and Historical Simulation models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 261-day period while yields and prices in the historical VaR approach are also updated daily. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and ROC on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are back tested to validate the robustness of the VaR model. Results of backtesting on a rolling one year period are reported also to the ROC.

Objectives and limitations of the VaR methodology

The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be under estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR assumptions/parameters

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

Backtesting

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

Stress Testing

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

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

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

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 29, 2017	**₱7.30**	**₱179.72**	**₱1.29**	**₱188.31**
Average Daily	**3.75**	**178.20**	**0.74**	**182.69**
Highest	**18.25**	**324.06**	**1.52**	**343.83**
Lowest	**0.63**	**58.00**	**0.26**	**58.89**

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

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

* *FX VaR is the bankwide foreign exchange risk*
** *The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days*

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

	2017	2016
End of year	**₱1,341.66**	₱1,399.01
Average Daily	**1,245.40**	1,261.85
Highest	**1,916.48**	1,575.39
Lowest	**811.93**	859.08

Structural Market Risk

Non-trading Market Risk
Interest rate risk
The Parent Company seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Parent Company to interest rate risk. The Parent Company measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Parent Company an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

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

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

The Parent Company uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Parent Company's repricing gap. The repricing gap covering the one-year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Parent Company's BOD sets a limit on the level of EaR exposure tolerable to the Parent Company. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company:

	Consolidated					
	2017					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱24,660,231**	**₱2,121,146**	**₱728,009**	**₱185,844**	**₱4,589,558**	**₱32,284,788**
Interbank loans receivable	**19,961,838**	**7,326,962**	**170,404**	**–**	**–**	**27,459,204**
Receivable from customers and other receivables - gross**	**133,507,202**	**75,007,949**	**17,508,883**	**23,249,440**	**89,053,842**	**338,327,316**
Total financial assets	**₱178,129,271**	**₱84,456,057**	**₱18,407,296**	**₱23,435,284**	**₱93,643,400**	**₱398,071,308**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱75,793,561**	**₱22,624,460**	**₱12,265,322**	**₱17,354,750**	**₱223,384,284**	**₱351,422,377**
Time***	**59,937,295**	**25,560,312**	**10,090,695**	**10,242,856**	**23,720,876**	**129,552,034**
Bills and acceptances payable	**22,795,429**	**15,546,756**	**752,635**	**884,611**	**3,937,257**	**43,916,688**
Total financial liabilities	**₱158,526,285**	**₱63,731,528**	**₱23,108,652**	**₱28,482,217**	**₱251,042,417**	**₱524,891,099**
Repricing gap	**₱19,602,986**	**₱20,724,529**	**(₱4,701,356)**	**(₱5,046,933)**	**(₱157,399,017)**	**(₱126,819,791)**
Cumulative gap	**19,602,986**	**40,327,515**	**35,626,159**	**30,579,226**	**(126,819,791)**	**–**

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

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

	Consolidated 2016					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱23,068,982	₱2,139,755	₱441,737	₱414,746	₱226,955	₱26,292,175
Interbank loans receivable	5,251,490	158,192	390,702	–	–	5,800,384
Receivable from customers and other receivables - gross**	119,503,109	54,698,330	7,568,053	2,524,222	51,382,112	235,675,826
Total financial assets	₱147,823,581	₱56,996,277	₱8,400,492	₱2,938,968	₱51,609,067	₱267,768,385
Financial Liabilities*						
Deposit liabilities:						
Savings	₱82,042,319	₱26,460,116	₱18,737,481	₱19,104,851	₱12,364,766	₱158,709,533
Time	19,329,798	8,793,128	6,358,168	3,958,490	3,098,634	41,538,218
Bills and acceptances payable	3,850,446	1,080,637	1,006,011	1,140,959	18,674,168	25,752,221
Total financial liabilities	₱105,222,563	₱36,333,881	₱26,101,660	₱24,204,300	₱34,137,568	₱225,999,972
Repricing gap	₱42,601,018	₱20,662,396	(₱17,701,168)	(₱21,265,332)	₱17,471,499	₱41,768,413
Cumulative gap	42,601,018	63,263,414	45,562,246	24,296,914	41,768,413	–

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

	Parent Company 2017					
	Up to 1 Month	**More than 1 Month to 3 Months**	**More than 3 Months to 6 Months**	**More than 6 Months to 1 Year**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱19,626,976**	**₱–**	**₱–**	**₱–**	**₱128,284**	**₱19,755,260**
Interbank loans receivable	**18,207,632**	**7,326,962**	**170,404**	–	–	**25,704,998**
Receivable from customers and other receivables – gross**	**133,507,202**	**75,007,949**	**17,508,883**	**23,249,440**	**89,053,842**	**338,327,316**
Total financial assets	**₱171,341,810**	**₱82,334,911**	**₱17,679,287**	**₱23,249,440**	**₱89,182,126**	**₱383,787,574**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱74,365,998**	**₱22,287,315**	**₱11,817,535**	**₱16,816,776**	**₱219,991,839**	**₱345,279,463**
Time***	**42,070,312**	**22,331,683**	**8,367,100**	**9,354,882**	**14,240,680**	**96,364,657**
Bills and acceptances payable	**25,020,114**	**15,172,286**	**338,672**	**273,751**	**595,980**	**41,400,803**
Total financial liabilities	**₱141,456,424**	**₱59,791,284**	**₱20,523,307**	**₱26,445,409**	**₱234,828,499**	**₱483,044,923**
Repricing gap	**₱29,885,386**	**₱22,543,627**	**(₱2,844,020)**	**(₱3,195,969)**	**(₱145,646,373)**	**(₱99,257,349)**
Cumulative gap	**29,885,386**	**52,429,013**	**49,584,993**	**46,389,024**	**(99,257,349)**	–

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

	Parent Company 2016					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱17,271,237	₱–	₱–	₱24,707	₱–	₱17,295,944
Interbank loans receivable	5,409,633	158,192	390,702	–	–	5,958,527
Receivable from customers and other receivables - gross	119,503,109	54,698,330	7,568,053	2,524,222	51,382,112	235,675,826
Total financial assets	₱142,183,979	₱54,856,522	₱7,958,755	₱2,548,929	₱51,382,112	₱258,930,297
Financial Liabilities*						
Deposit liabilities:						
Savings	₱78,666,283	₱26,460,116	₱18,737,481	₱19,104,851	₱12,364,766	₱155,333,497
Time	15,232,475	5,339,910	4,446,307	3,721,070	2,982,331	31,722,093
Bills and acceptances payable	3,257,332	351,318	479,587	283,413	20,258,236	24,629,886
Total financial liabilities	₱97,156,090	₱32,151,344	₱23,663,375	₱23,109,334	₱35,605,333	₱211,685,476
Repricing gap	₱45,027,889	₱22,705,178	(₱15,704,620)	(₱20,560,405)	₱15,776,779	₱47,244,821
Cumulative gap	45,027,889	67,733,067	52,028,447	31,468,042	47,244,821	–

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

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2017 and 2016:

	Consolidated			
	2017		2016	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱195,558**	**₱195,558**	₱358,163	₱358,163
-50bps	**(195,558)**	**(195,558)**	(358,163)	(358,163)
+100bps	**391,117**	**391,117**	716,326	716,326
-100bps	**(391,117)**	**(391,117)**	(716,326)	(716,326)

	Parent Company			
	2017		2016	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱244,450**	**₱244,450**	₱371,372	₱371,372
-50bps	**(244,450)**	**(244,450)**	(371,372)	(371,372)
+100bps	**488,901**	**488,901**	742,744	742,744
-100bps	**(488,901)**	**(488,901)**	(742,744)	(742,744)

As one of the long-term goals in the risk management process, the Parent Company has also implemented the adoption of the economic value approach in measuring the impact of the interest rate risk in the banking books to complement the earnings at risk approach using the modified duration approach. Cognizant of this requirement, the Parent Company has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

Foreign currency risk
Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

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The table below summarizes the exposure to foreign exchange rate risk. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2017			2016		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱156,558**	**₱518,612**	**₱675,170**	₱2,439,520	₱364,532	₱2,804,052
Due from other banks	**9,553,985**	**7,081,852**	**16,635,837**	6,963,920	12,842,915	19,806,835
Interbank loans receivable and securities held under agreements to resell	**2,904,298**	**1,678,936**	**4,583,234**	2,465,839	1,650,496	4,116,335
Loans and receivables	**13,729,348**	**941,223**	**14,670,571**	13,443,688	697,144	14,140,832
AFS investments	**14,380,453**	**1,592,873**	**15,973,326**	1,876,850	1,958,502	3,835,352
HTM investments	**7,250**	**–**	**7,250**	8,026	–	8,026
Other assets	**61,789**	**210,440**	**272,229**	92,922	82,444	175,366
Total assets	**40,793,681**	**12,023,936**	**52,817,617**	27,290,765	17,596,033	44,886,798
Liabilities						
Deposit liabilities	**9,304,064**	**4,154,433**	**13,458,497**	9,857,351	3,679,624	13,536,975
Derivative liabilities	**–**	**1,335**	**1,335**	427	529	956
Bills and acceptances payable	**12,464,796**	**7,667,327**	**20,132,123**	4,931,773	225,866	5,157,639
Accrued interest payable	**55,593**	**36,856**	**92,449**	41,222	105,904	147,126
Other liabilities	**10,658,664**	**434,957**	**11,093,621**	1,070,134	520,406	1,590,540
Total liabilities	**32,483,117**	**12,294,908**	**44,778,025**	15,900,907	4,532,329	20,433,236
Net Exposure	**₱8,310,564**	**(₱270,972)**	**₱8,039,592**	₱11,389,858	₱13,063,704	₱24,453,562

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), PHP, Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

	Parent Company					
	2017			2016		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱27,480**	**₱516,152**	**₱543,632**	₱134,521	₱236,225	₱370,746
Due from other banks	**2,367,235**	**5,732,388**	**8,099,623**	2,342,535	8,514,773	10,857,308
Interbank loans receivable and securities held under agreements to resell	**2,904,298**	**1,678,936**	**4,583,234**	1,816,463	1,449,239	3,265,702
Loans and receivables	**12,448,339**	**593,535**	**13,041,874**	11,638,723	452,175	12,090,898
AFS investments	**14,379,915**	**1,518,490**	**15,898,405**	1,876,314	1,891,150	3,767,464
HTM investments	**7,250**	**–**	**7,250**	8,026	–	8,026
Other assets	**55,641**	**199,912**	**255,553**	92,922	268	93,190
Total assets	**32,190,158**	**10,239,413**	**42,429,571**	17,909,504	12,543,830	30,453,334
Liabilities						
Deposit liabilities	**2,059,160**	**4,126,954**	**6,186,114**	1,990,870	3,308,204	5,299,074
Derivative liabilities	**-**	**1,335**	**1,335**	–	529	529
Bills and acceptances payable	**12,335,654**	**7,501,224**	**19,836,878**	4,763,163	70,183	4,833,346
Accrued interest payable	**43,110**	**17,213**	**60,323**	34,342	19,023	53,365
Other liabilities	**10,438,562**	**141,435**	**10,579,997**	914,852	104,947	1,019,799
Total liabilities	**24,876,486**	**11,788,161**	**36,664,647**	7,703,227	3,502,886	11,206,113
Net Exposure	**₱7,313,672**	**(₱1,548,748)**	**₱5,764,924**	₱10,206,277	₱9,040,944	₱19,247,221

* *Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.*

Information relating to the Parent Company's currency derivatives is contained in Note 23.
The Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱1.1 billion (sold) and ₱265.7 million (bought) as of December 31, 2017 and ₱1.2 billion (sold) and ₱3.9 billion (bought) as of December 31, 2016.

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2017 and 2016 follow:

	2017	2016
US dollar - Philippine peso exchange rate	**₱49.93 to USD1.00**	₱49.72 to USD1.00

The following tables set forth the impact of the range of reasonably possible changes in the US dollar-Philippine peso exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2017 and 2016:

	2017			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**₱60,699**	**₱83,106**	**₱70,662**	**₱73,137**
-1.00%	**(60,699)**	**(83,106)**	**(70,662)**	**(73,137)**

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

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

<u>Capital management and management of insurance and financial risks</u>
Governance framework
The Group has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It also supports the effective implementation of policies at the overall company and individual business unit levels.

The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

Regulatory framework
Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The Group has an insurance business which is subject to the regulatory requirements of the Insurance Commission (IC). Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., fixed capitalization requirements, risk-based capital requirements).

Capital management
PNB General Insurers Inc. (PNB Gen's) capital management framework is aligned with the statutory requirements imposed by the IC.To ensure compliance with these externally imposed capital requirements, it is the policy of PNB Gen to assess its position against set minimum capital requirements.

Under the requirements of the IC and the Insurance Code, PNB Gen should meet the minimum levels set for the following capital requirements: Minimum Statutory Net Worth - ₱250.0 million, ₱550.0 million, ₱900.0 million and ₱1.3 billion with compliance dates of June 30, 2013, December 31, 2016, December 31, 2019 and December 31, 2022, respectively;and Risk-Based Capital (RBC) - 100.00% for both life and nonlife insurance companies.

The required investments in government bonds and securities of at least 25.00% of the Minimum Paid-up Capital, under Section 203 of the Insurance Code, are free from liens and encumbrances.

Effective January 1, 2017, CL No. 2016-68 states that RBC ratio shall be calculated as Total Available Capital (TAC) divided by the RBC requirement. TAC shall include the aggregate of tier 1 and tier 2 capital minus deductions, subject to applicable limits and determinations. Tier 1 capital represents capital that is fully available to cover losses of the insurer at all times on a going-concern and winding up basis. This capital is considered to be the highest quality capital available to the insurer. Tier 2 Capital does not have the same high quality characteristics of Tier 1 capital, but can provide an additional buffer to the insurer. The RBC requirement of an insurance company is the capital that is required to be held appropriately to the risks an insurance company is exposed to, computed using the formula given in the circular with details of its components and applicable risk charges.

The Group manages the capital of its subsidiaries in accordance with the capital requirements of the relevant regulatory agency, such as the IC, SEC and Philippine Stock Exchange (PSE). As of December 31, 2017 and 2016, PNB Gen has an estimated statutory networth amounting to ₱592.3 million and ₱484.3 million, respectively. PNB Gen's RBC ratio as of December 31, 2017 and 2016 is 262%and 72%, respectively.

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

Under Section D of IMC No. 7-2006, Mandatory Control Event shall occur if the RBC ratio of the company is less than 35.00%. Should this event occur, the Commissioner is required to place the company under regulatory control under Section 247 (Title 13, Suspension or Revocation of Authority) of the Code. The Mandatory Control Event shall be deemed sufficient grounds for the Commissioner to take action under Section 247 of the Insurance Code.

The final amount of the RBC ratio can be determined only after the accounts of PNB Gen have been examined by the IC. Further, the IC has yet to finalize the new RBC computation under the New Insurance Code.

5. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities follow:

Cash equivalents - Carrying amounts approximate fair values due to the relatively short-term maturity of these investments.

Debt securities - Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities - Fair values of quoted equity securities are based on quoted market prices. While unquoted equity securities are carried at their original cost less impairment if any, since the fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Investments in UITFs classified as financial assets designated as at FVPL - Fair values are based on Net Asset Value per share (NAVps).

Loans and receivables - For loans with fixed interest rates, fair values are estimated using the discounted cash flow methodology, using the current incremental lending rates for similar types of loans. For loans with floating interest rates, with repricing frequencies on a quarterly basis, the Group assumes that the carrying amount approximates fair value.

Investment properties - The fair values of the Group and the Parent Company's investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the land, building and investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

Financial liabilities - Except for time deposit liabilities, bills payable with long-term maturity and subordinated debt, the carrying values approximate fair values due to either the presence of a demand feature or the relatively short-term maturities of these liabilities.

Derivative instruments - Fair values are estimated based on quoted market prices or acceptable valuation models.

Time deposit liabilities, bills payable with long-term maturity and subordinated debt including designated at FVPL - Fair value is determined using the discounted cash flow methodology. The discount rate used in estimating the fair values of the subordinated debt and time deposits ranges from 3.00% to 4.13%, 2.70% to 6.75% and from 2.66% to 3.77% as of December 31, 2017, 2016 and 2015, respectively.

Fair value hierarchy
The Group has assets and liabilities that are measured at fair value on a recurring basis in the statement of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the statement of financial position at the end of each reporting period. These include financial assets and liabilities at FVPL and AFS investments.

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The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated 2017					
	Valuation Date	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	**12/29/17**	**₱2,207,952**	**₱1,534,790**	**₱673,162**	**₱–**	**₱2,207,952**
Derivative assets	**12/29/17**	**562,984**	**–**	**508,046**	**54,938**	**562,984**
Private debt securities	**12/29/17**	**31,305**	**–**	**31,305**	**–**	**31,305**
Equity securities	**12/29/17**	**73,918**	**73,918**	**–**	**–**	**73,918**
Investments in UITF	**12/29/17**	**6,236**	**–**	**6,236**	**–**	**6,236**
AFS investments:						
Government securities	**12/29/17**	**41,625,900**	**36,968,672**	**4,657,228**	**–**	**41,625,900**
Private debt securities	**12/29/17**	**26,920,045**	**20,899,896**	**6,020,149**	**–**	**26,920,045**
Equity securities*	**12/29/17**	**1,144,779**	**–**	**1,144,779**	**–**	**1,144,779**
		₱72,573,119	**₱59,477,276**	**₱13,040,905**	**₱54,938**	**₱72,573,119**
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	**12/29/17**	**₱343,522**	**₱–**	**₱343,522**	**₱–**	**₱343,522**
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	**12/29/17**	**₱26,805,131**	**₱23,732,936**	**₱4,191,145**	**₱–**	**₱27,924,081**
Loans and Receivables:**						
Receivables from customers	**12/29/17**	**472,493,703**	**–**	**–**	**481,355,052**	**481,355,052**
Unquoted debt securities	**12/29/17**	**10,934,148**	**–**	**–**	**10,942,367**	**10,942,367**
		₱510,232,982	**₱23,732,936**	**₱4,191,145**	**₱492,297,419**	**₱520,221,500**
Nonfinancial Assets						
Investment property:***						
Land	**12/29/17**	**₱13,161,937**	**₱–**	**₱–**	**₱18,995,358**	**₱18,995,358**
Buildings and improvements	**12/29/17**	**2,432,449**	**–**	**–**	**3,730,716**	**3,730,716**
		₱15,594,386	**₱–**	**₱–**	**₱22,726,074**	**₱22,726,074**
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	**12/29/17**	**₱129,552,035**	**₱–**	**₱–**	**₱147,666,612**	**₱147,666,612**
LTNCDs	**12/29/17**	**31,363,956**	**–**	**–**	**31,391,942**	**31,391,942**
Bills payable	**12/29/17**	**41,684,801**	**–**	**–**	**41,765,052**	**41,765,052**
		₱202,600,792	**₱–**	**₱–**	**₱220,823,606**	**₱220,823,606**

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

	Consolidated 2016					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	12/29/16	₱1,313,400	₱1,300,293	₱13,107	₱–	₱1,313,400
Derivative assets	12/29/16	419,122	–	357,577	61,545	419,122
Private debt securities	12/29/16	120,589	112,605	7,984	–	120,589
Equity securities	12/29/16	54,609	54,609	–	–	54,609
Investments in UITF	12/29/16	6,144	–	6,144	–	6,144
AFS investments:						
Government securities	12/29/16	37,834,559	34,416,113	3,418,446	–	37,834,559
Private debt securities	12/29/16	28,841,070	26,177,419	2,663,651	–	28,841,070
Equity securities*	12/29/16	493,958	493,958	–	–	493,958
		₱69,083,451	₱62,554,997	₱6,466,909	₱61,545	₱69,083,451
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	12/29/16	₱232,832	–	₱232,832	–	₱232,832
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/16	₱24,174,479	₱21,282,956	₱3,807,936	₱–	₱25,090,892
Loans and Receivables:**						
Receivables from customers	12/29/16	406,534,024	–	–	412,236,428	412,236,428
Unquoted debt securities	12/29/16	3,285,222	–	–	3,305,345	3,305,345
		₱433,993,725	₱21,282,956	₱3,807,936	₱415,541,773	₱440,632,665
Nonfinancial Assets						
Investment property:***						
Land	12/29/16	₱13,309,379	₱–	₱–	₱19,019,263	₱19,019,263
Buildings and improvements	12/29/16	3,031,873	–	–	3,963,475	3,963,475
		₱16,341,252	₱–	₱–	₱22,982,738	₱22,982,738
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/16	₱87,783,621	₱–	₱–	₱100,057,941	₱100,057,941
LTNCDs	12/29/16	24,382,144	–	–	24,403,900	24,403,900
Bills payable	12/29/16	34,226,608	–	–	38,468,732	38,468,732
Subordinated debt	12/29/16	3,497,798	–	–	3,551,484	3,551,484
		₱149,890,171	₱–	₱–	₱166,482,057	₱166,482,057

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

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	Parent Company					
	2017					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	12/29/17	₱2,207,952	₱1,645,573	₱562,379	₱–	₱2,207,952
Derivative assets	12/29/17	559,692	–	504,753	54,939	559,692
Private debt securities	12/29/17	31,305	–	31,305	–	31,305
Equity securities	12/29/17	30,928	30,928	–	–	30,928
AFS investments:						
Government securities	12/29/17	40,082,376	36,968,172	3,114,204	–	40,082,376
Private debt securities	12/29/17	26,444,549	20,899,905	5,544,644	–	26,444,549
Equity securities*	12/29/17	1,004,873	–	1,004,873	–	1,004,873
		₱70,361,675	₱59,544,578	₱10,762,158	₱54,939	₱70,361,675
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	12/29/17	₱343,416	₱–	₱343,416	₱–	₱343,416
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/17	₱26,680,483	₱23,732,936	₱4,071,745	₱–	₱27,804,681
Loans and Receivables:**						
Receivables from customers	12/29/17	418,018,387	–	–	418,229,045	418,229,045
Unquoted debt securities	12/29/17	10,933,395	–	–	10,941,615	10,941,615
		₱455,632,265	₱23,732,936	₱4,071,745	₱429,170,660	₱456,975,341
Nonfinancial Assets						
Investment property:***						
Land	12/29/17	₱12,833,559	₱–	₱–	₱18,464,458	₱18,464,458
Buildings and improvements	12/29/17	2,484,849	–	–	3,357,678	3,357,678
		₱15,318,408	₱–	₱–	₱21,822,136	₱21,822,136
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/17	₱96,364,657	₱–	₱–	₱109,838,818	₱109,838,818
LTNCDs	12/29/17	31,363,956	–	–	31,391,942	31,391,942
Bills payable	12/29/17	39,168,917			39,249,168	39,249,168
		₱166,897,530	₱–	₱–	₱180,479,928	₱180,479,928

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

	Parent Company					
	2016					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	12/29/16	₱1,313,400	₱1,300,293	₱13,107	₱–	₱1,313,400
Derivative assets	12/29/16	418,819	–	357,274	61,545	418,819
Private debt securities	12/29/16	120,589	112,605	7,984	–	120,589
Equity securities	12/29/16	27,263	27,263	–	–	27,263
AFS investments:						
Government securities	12/29/16	36,900,930	33,482,484	3,418,446	–	36,900,930
Private debt securities	12/29/16	28,325,207	25,661,556	2,663,651	–	28,325,207
Equity securities*	12/29/16	439,819	439,819	–	–	439,819
		₱67,546,027	₱61,024,020	₱6,460,462	₱61,545	₱67,546,027

(Forward)

	Parent Company					
	2016					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	12/29/16	₱231,977	–	₱231,977	–	₱231,977
Assets for which fair values are disclosed:						
Financial Assets						
HTM investments	12/29/16	₱24,074,898	₱21,183,585	₱3,807,936	–	₱24,991,521
Loans and Receivables:**						
Receivables from customers	12/29/16	362,702,715	–	–	368,405,370	368,405,370
Unquoted debt securities	12/29/16	3,227,376	–	–	3,247,498	3,247,498
		₱390,004,989	₱21,183,585	₱3,807,936	₱371,652,868	₱396,644,389
Nonfinancial Assets						
Investment property:***						
Land	12/29/16	13,341,300	–	–	18,800,199	18,800,199
Buildings and improvements	12/29/16	2,633,830	–	–	3,364,011	3,364,011
		₱15,975,130	–	–	₱22,164,210	₱22,164,210
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/16	₱66,139,590	–	–	₱75,387,540	₱75,387,540
LTNCDs	12/29/16	24,382,144			24,403,900	24,403,900
Bills payable	12/29/16	32,327,358	–	–	32,641,258	32,641,258
Subordinated debt	12/29/16	3,497,798	–	–	3,551,484	3,551,484
		₱126,346,890	–	–	₱135,984,182	₱135,984,182

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

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities. For investments in UITFs, fair values are determined based on published NAVps as of reporting date.

As of December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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The following table shows a reconciliation of the beginning and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Financial assets				
Balance at beginning of year	**₱61,545**	₱5,843,569	**₱61,545**	₱63,332
Fair value changes recognized in profit or loss	**(6,606)**	(1,787)	**(6,606)**	(1,787)
Change arising from sale of direct interest in a subsidiary	**–**	(5,780,237)	**–**	–
Balance at end of year	**₱54,939**	₱61,545	**₱54,939**	₱61,545

The fair values of warrants have been determined using price quotes received from a third-party broker without any pricing adjustments imputed by the Parent Company. The valuation model and inputs used in the valuation which were developed and determined by the third-party broker were not made available to the Parent Company. Under such instance, PFRS 13 no longer requires an entity to create quantitative information to comply with the related disclosure requirements.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group and Parent Company's investment properties follows:

Valuation Techniques

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of the improvement's Reproduction Cost New.

Significant Unobservable Inputs

Price per square meter	Ranges from ₱800 to ₱100,000
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.

Significant Unobservable Inputs

Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

6. Segment Information

Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments follow:

Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;

Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers

Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of T-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking; and

Other Segments - include, but not limited to, insurance, leasing, remittances and other support services. Other support services of the Group comprise of the operations and financial control groups.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, chief operating decision maker (CODM) is based on the Regulatory Accounting Principles (RAP) submitted to the BSP in compliance with the reportorial requirements under the Financial Reporting Package for banks, which differ from PFRS. Significant differences arose from the manner of provisioning for impairment and credit losses, measurement of investment properties and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

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

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

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

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

Business segment information of the Group follows:

	2017					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Net interest margin						
Third party	**₱1,404,759**	**₱17,112,989**	**₱3,313,723**	**₱123,189**	**₱121,992**	**₱22,076,652**
Inter-segment	**9,459,213**	**(9,193,733)**	**(265,480)**	**–**	**–**	**–**
Net interest margin after inter-segment transactions	**10,863,972**	**7,919,256**	**3,048,243**	**123,189**	**121,992**	**22,076,652**
Other income	**1,881,419**	**4,934,248**	**1,916,158**	**2,650,308**	**(123,852)**	**11,258,281**
Segment revenue	**12,745,391**	**12,853,504**	**4,964,401**	**2,773,497**	**(1,860)**	**33,334,933**
Other expenses	**11,519,652**	**2,025,523**	**168,908**	**1,688,555**	**68,159**	**15,470,797**
Segment result	**₱1,225,739**	**₱10,827,981**	**₱4,795,493**	**₱1,084,942**	**(₱70,019)**	**₱17,864,136**
Unallocated income/expenses						**7,385,378**
Net income before income tax						**10,478,758**
Income tax						**2,322,213**
Net income from continuing operations						**8,156,545**
Non-controlling interest						**4,025**
Net income for the year attributable to equity holders of the Parent Company						**₱8,160,570**
Other segment information						
Capital expenditures	**₱820,121**	**₱4,278**	**₱–**	**₱282,846**	**₱–**	**₱1,107,245**
Unallocated capital expenditure						**1,882,493**
Total capital expenditure						**₱2,989,738**
Depreciation and amortization	**₱520,812**	**₱138,463**	**₱1,478**	**₱281,700**	**₱–**	**₱942,453**
Unallocated depreciation and amortization						**741,938**
Total depreciation and amortization						**₱1,684,391**
Provision for (reversal of) impairment, credit and other losses	**(₱1,477)**	**₱599,901**	**(₱41,417)**	**(₱7,067)**	**₱334,193**	**₱884,133**

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

	2016 (As Restated)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,136,370	₱15,027,877	₱3,014,495	₱126,606	₱261,154	₱19,566,502
Inter-segment	5,345,226	(7,756,129)	2,410,903	–	–	–
Net interest margin after inter-segment transactions	6,481,596	7,271,748	5,425,398	126,606	261,154	19,566,502
Other income	1,896,868	4,274,575	2,284,097	3,323,121	(1,804,309)	9,974,352
Segment revenue	8,378,464	11,546,323	7,709,495	3,449,727	(1,543,155)	29,540,854
Other expenses	(8,207,826)	(3,611,997)	(200,330)	(3,423,737)	(632,593)	(16,076,483)
Segment result	₱170,638	₱7,934,326	₱7,509,165	₱25,990	(₱966,206)	13,464,371
Unallocated expenses						(7,048,978)
Net income before income tax						6,415,393
Income tax						1,517,221
Net income from continuing operations						4,898,172
Net income from discontinued operations						2,263,902
Non-controlling interest						(38,122)
Net income for the year attributable to equity holders of the Parent Company						₱7,123,952
Other segment information						
Capital expenditures	₱1,063,897	₱5,723	₱961	₱510,870	₱–	₱1,581,451
Unallocated capital expenditure						852,941
Total capital expenditure						₱2,434,392
Depreciation and amortization	₱493,221	₱22,318	₱2,663	₱644,739	₱–	₱1,162,941
Unallocated depreciation and amortization						391,704
Total depreciation and amortization						₱1,554,645
Provision for (reversal of) impairment, credit and other losses	₱360,089	₱2,529,286	₱300	₱4,233	₱318,786	₱3,212,694

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

	2015 (As Restated)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱2,396,903	₱11,614,343	₱3,177,360	₱239,257	₱263,976	₱17,691,839
Inter-segment	4,287,196	(4,915,106)	627,910	–	–	–
Net interest margin after inter-segment transactions	6,684,099	6,699,237	3,805,270	239,257	263,976	17,691,839
Other income	1,413,242	4,103,084	2,195,452	1,693,160	2,444,077	11,849,015
Segment revenue	8,097,341	10,802,321	6,000,722	1,932,417	2,708,053	29,540,854
Other expenses	(7,808,713)	(935,445)	(118,411)	(3,061,754)	(1,060,430)	(12,984,753)
Segment result	₱288,628	₱9,866,876	₱5,882,311	(₱1,129,337)	(₱249,132)	16,556,101
Unallocated expenses						(8,965,086)
Net income before income tax						7,591,015
Income tax						(1,619,494)
Net income from continuing operations						5,971,521
Net income from discontinued operations						357,931
Non-controlling interest						(198,087)
Net income for the year attributable to equity holders of the Parent Company						₱6,131,365

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	2015 (As Restated)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Other segment information						
Capital expenditures	₱925,062	₱10,405	₱1,780	₱121,557	₱250,092	₱1,308,896
Unallocated capital expenditure						1,170,258
Total capital expenditure						₱2,479,154
Depreciation and amortization	₱558,046	₱132,559	₱6,440	₱542,347	₱143,101	₱1,382,493
Unallocated depreciation and amortization						69,728
Total depreciation and amortization						₱1,452,221
Provision for (reversal of) impairment, credit and other losses	₱301,499	(₱261,596)	(₱11,910)	₱220,261	₱319,926	₱568,180

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

	As of December 31, 2017					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱160,378,585**	**₱436,181,872**	**₱147,035,920**	**₱109,153,300**	**(₱19,433,076)**	**₱833,316,601**
Unallocated assets						**2,837,880**
Total assets						**₱836,154,481**
Segment liabilities	**₱528,053,875**	**₱84,384,861**	**₱87,966,482**	**₱32,024,306**	**(₱19,192,245)**	**₱713,237,279**
Unallocated liabilities						**3,179,253**
Total liabilities						**₱716,416,532**

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

	As of December 31, 2016 (As Restated)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱176,539,820	₱551,794,830	₱212,189,932	₱25,351,620	(₱213,316,779)	₱752,559,423
Unallocated assets						1,422,213
Total assets						₱753,981,636
Segment liabilities	₱339,136,935	₱247,380,216	₱64,033,215	₱37,602,324	(₱213,688,923)	₱474,463,767
Unallocated liabilities						169,557,166
Total liabilities						₱644,020,933

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

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in five (5) principal geographical areas of the world. The distribution of assets, liabilities, credit commitments items and revenues by geographic region of the Group follows:

	Non-current Assets		**Liabilities**		**Capital Expenditure**	
	2017	2016	**2017**	2016	**2017**	2016
Philippines	**₱387,750,978**	₱341,515,211	**₱687,770,416**	₱615,281,652	**₱2,980,245**	₱2,195,996
Asia (excluding Philippines)	**6,775,199**	6,225,748	**25,761,863**	24,392,446	**7,484**	232,949
USA and Canada	**84,655,334**	77,790,006	**2,342,588**	4,245,479	**1,822**	461
United Kingdom	**2,883,469**	2,649,627	**541,665**	101,356	**187**	4,986
	₱482,064,980	₱428,180,592	**₱716,416,532**	₱644,020,933	**₱2,989,738**	₱2,434,392

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

	Credit Commitments		**External Revenues**		
	2017	2016	**2017**	2016	2015
Philippines	**₱37,217,949**	₱27,995,354	**₱30,704,384**	₱29,124,972	₱25,580,852
Asia (excluding Philippines)	**212,586**	467,830	**1,021,619**	1,267,659	1,308,540
USA and Canada	**3,795**	4,197	**543,158**	668,833	598,662
United Kingdom	**–**	–	**110,915**	147,050	154,585
	₱37,434,330	₱28,467,381	**₱32,380,076**	₱31,208,514	₱27,642,639

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the primary business segments.

7. Due from Bangko Sentral ng Pilipinas

As of December 31, 2017 and 2016, 8.28% and 30.11% of the Group's Due from BSP are placed under the Term Deposit Facility (TDF) with the BSP. Due from BSP bears annual interest rates ranging from 3.45% to 3.50% in 2017, 2.50% to 3.50% in 2016 and 2.00% to 2.50% in 2015.

As of December 31, 2017 and 2016, 8.53% and 29.64% of the Parent Company's Due from BSP are placed under the TDF with the BSP. TDFs bear annual interest rates ranging from 3.45% to 3.50% in 2017, 2.50% to 3.50% in 2016 and 2.00% to 2.50% in 2015.

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

The Group and the Parent Company's peso-denominated interbank loans receivables bear interest ranging from 2.56% to 2.63% in 2017 and 2.56% to 3.19% in 2015; and from 0.01% to 4.40%, and 0.01% to 0.35% for foreign-currency denominated placements in 2017, 2016 and 2015, respectively.

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

	Consolidated		**Parent Company**	
	2017	2016	**2017**	2016
Interbank loans receivable	**₱12,837,721**	₱7,791,108	**₱11,083,515**	₱7,907,366
Less: Interbank loans receivable not considered as cash and cash equivalents	**1,346,037**	547,222	**1,382,599**	554,526
	₱11,491,684	₱7,243,886	**₱9,700,916**	₱7,352,840

The Group and the Parent Company's peso-denominated securities held under repurchase agreements bear interest of 3.00%, 3.00% to 4.00%, and 4.00% in 2017, 2016 and 2015, respectively. The fair value of the treasury bills pledged under these agreements as of December 31, 2017, 2016 and 2015 amounted to ₱14.6 billion, ₱2.0 billion and ₱14.5 billion, respectively.

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9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Financial assets at FVPL	**₱2,882,395**	₱1,913,864	**₱2,829,877**	₱1,880,071
AFS investments	**69,837,416**	67,340,739	**67,677,952**	65,819,735
HTM investments	**26,805,131**	24,174,479	**26,680,483**	24,074,898
	₱99,524,942	₱93,429,082	**₱97,188,312**	₱91,774,704

Financial Assets at FVPL
This account consists of:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Government securities	**₱2,207,952**	₱1,313,400	**₱2,207,952**	₱1,313,400
Derivative assets (Notes 23 and 36)	**562,984**	419,122	**559,692**	418,819
Private debt securities	**31,305**	120,589	**31,305**	120,589
Equity securities	**73,918**	54,609	**30,928**	27,263
Investment in UITFs	**6,236**	6,144	**–**	–
	₱2,882,395	₱1,913,864	**₱2,829,877**	₱1,880,071

As of December 31, 2017 and 2016, unrealized loss on government and private debt securities recognized by the Group and the Parent Company amounted to ₱73.0 million and ₱66.9 million, respectively.

The carrying amount of equity securities includes unrealized loss of ₱22.0 million and ₱21.5 million as of December 31, 2017 and 2016, respectively, for the Group and unrealized loss of ₱22.0 million and ₱32.0 million as of December 31, 2017 and 2016, respectively, for the Parent Company.

In 2017, 2016, and 2015, the nominal interest rates of government securities range from 2.13% to 6.13%, 2.75% to 10.63% and 2.13% to 10.63%, respectively.

In 2017, 2016, and 2015, the nominal interest rates of private debt securities range from 5.23% to 6.63%, 5.50% to 7.38% and 4.80% to 7.38%, respectively.

AFS Investments
This account consists of:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Government debt securities (Notes 19 and 33)	**₱41,625,900**	₱37,834,559	**₱40,082,376**	₱36,900,930
Private securities	**26,920,045**	28,841,070	**26,444,549**	28,325,207
Equity securities - net of allowance for impairment losses (Note 16)				
Quoted	**1,144,779**	493,958	**1,004,873**	439,819
Unquoted	**146,692**	171,152	**146,154**	153,779
	₱69,837,416	₱67,340,739	**₱67,677,952**	₱65,819,735

For the year 2017, the Group and the Parent Company did not recognize impairment losses. As of December 31, 2016, the Group and the Parent Company recognized impairment losses on equity securities amounting to ₱15.9 million and ₱15.6 million, respectively (Note 16).

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

	2017			2016			2015		
	Parent Company	**NCI**	**Total**	Parent Company	NCI	Total	Parent Company	NCI	Total
Balance at the beginning of the year	**(₱3,469,939)**	**₱–**	**(₱3,469,939)**	(₱3,030,588)	₱168,630	(₱2,861,958)	(₱2,336,142)	₱179,878	(₱2,156,264)
Changes in fair values of AFS investments	**818,624**	**–**	**818,624**	1,008,465	–	1,008,465	(190,133)	(9,641)	(199,774)
Provision for impairment (Note 16)	**–**	**–**	**–**	15,856	–	15,856	230	–	230
Realized gains	**(506,238)**	**–**	**(506,238)**	(1,362,462)	(360)	(1,362,822)	(756,777)	(4,175)	(760,952)
Amortization of net unrealized loss on AFS investments reclassified as HTM	**141,802**	**–**	**141,802**	144,657	1,079	145,736	136,804	2,568	139,372
Share in net unrealized losses of an associate (Note 12)	**(24,756)**	**–**	**(24,756)**	(245,867)	–	(245,867)	–	–	–
Effect of disposal group classified as held-for-sale (Note 37)	**–**	**–**	**–**	–	(169,349)	(169,349)	115,430	–	115,430
	429,432	**–**	**429,432**	(439,351)	(168,630)	(607,981)	(694,446)	(11,248)	(705,694)
Income tax effect (Note 31)	**–**	**–**	**–**	286	–	286	2,887	–	2,887
Balance at end of year	**(₱3,040,507)**	**₱–**	**(₱3,040,507)**	(₱3,469,939)	₱–	(₱3,469,939)	(₱3,030,588)	₱168,630	(₱2,861,958)

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

	2017	2016	2015
Balance at the beginning of the year	**(₱3,469,939)**	(₱3,030,588)	(₱2,336,142)
Changes in fair values of AFS investments	**843,082**	1,008,908	(192,809)
Provision for impairment (Note 16)	**–**	15,601	230
Realized gains	**(516,023)**	(1,350,450)	(756,777)
Amortization of net unrealized loss on AFS investments reclassified as HTM	**141,802**	140,341	126,531
Share in net unrealized losses of subsidiaries and an associate (Note 12)	**(39,429)**	(253,748)	51,906
Effect of disposal group classified as held-for-sale (Note 37)	**–**	–	73,586
	(3,040,507)	(3,469,936)	(3,033,475)
Income tax effect (Note 31)	**–**	–	2,887
Balance at end of year	**(₱3,040,507)**	(₱3,469,936)	(₱3,030,588)

As of December 31, 2017 and 2016, the fair value of the AFS investments in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with counterparties amounted to ₱26.5 billion and ₱9.8 billion (Note 19). The counterparties have an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, the foreign banks have the right to hold the securities and sell them as settlement of the repurchase agreement. There are no other significant terms and conditions associated with the pledged investments.

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HTM Investments
As of December 31, 2017, HTM investments of the Group and the Parent Company comprise of government amounting to ₱26.8 billion and ₱26.7 billion, respectively.

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

As of December 31, 2017 and 2016, the fair value of the HTM investments in the form of Republic of the Philippines bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with BSP amounted to ₱17.8 billion and ₱15.3 billion, respectively (Note 19).

Reclassification of Financial Assets
On March 3 and 5, 2014, the Group reclassified certain AFS investment securities, which were previously classified as HTM investments, with fair values of ₱15.9 billion and ₱6.8 billion, respectively, back to its original classification as management has established that it continues to have the positive intention and ability to hold these securities to maturity. The reclassification was approved by the BOD on February 28, 2014. The previous fair valuation gains amounting to ₱2.7 billion that have been recognized in OCI shall be amortized to profit or loss over the remaining life of the HTM investments using effective interest rates ranging from 3.60% to 5.64%.

As of December 31, 2017, the carrying values and fair values of the Parent Company's reclassified investment securities amounted to ₱24.0 billion and ₱25.0 billion, respectively. As of December 31, 2016, the carrying values and fair values of the Group's and Parent Company's reclassified investment securities amounted to ₱20.1 billion and ₱21.4 billion, respectively. Had these securities not been reclassified as HTM, the additional mark-to-market loss that would have been recognized by the Group and the Parent Company in the statement of comprehensive income amounts to ₱0.5 billion in 2017 and ₱0.3 billion in 2016.

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

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
AFS investments	**₱2,121,231**	₱2,262,857	₱2,443,660	**₱2,056,124**	₱2,212,466	₱2,407,634
HTM investments	**978,680**	926,652	925,334	**977,719**	926,131	924,462
Financial assets at FVPL	**38,808**	76,947	226,065	**38,809**	76,947	226,065
	₱3,138,719	₱3,266,456	₱3,595,059	**₱3,072,652**	₱3,215,544	₱3,558,161

Effective interest rates range from 0.88% to 9.33%, 1.31% to 5.93% and 1.03% to 5.62% in 2017, 2016 and 2015, respectively, for peso-denominated AFS investments.

Effective interest rates range from 0.04% to 10.30%, 1.29% to 5.30% and 1.10% to 5.39% in 2017, 2016 and 2015, respectively, for foreign currency-denominated AFS investments.

HTM investments bear effective annual interest rates ranging from 2.75% to 10.63% in 2017 and 3.60% to 5.64% in 2016 and 2015.

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

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
Financial assets at FVPL:						
Held-for-trading	**₱58,157**	(₱6,113)	(₱175,161)	**₱58,156**	(₱6,113)	(₱175,290)
Designated at FVPL	**3,328**	(3,202)	–	–	–	–
AFS investments	**506,238**	1,362,462	761,191	**506,238**	1,350,453	756,777
Derivative financial instruments (Note 23)	**(7,965)**	25,174	(11,709)	**(7,965)**	25,174	(11,709)
	₱559,758	₱1,378,321	₱574,321	**₱556,429**	₱1,369,514	₱569,778

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2017	2016 (As Restated – Note 2)	**2017**	2016
Receivable from customers:				
Loans and discounts	**₱455,839,142**	₱392,159,433	**₱403,254,903**	₱350,840,183
Credit card receivables	**10,145,474**	7,102,207	**10,145,474**	7,102,207
Customers' liabilities on letters of credit and trust receipts	**9,490,075**	8,830,606	**9,364,742**	8,600,938
Lease contracts receivable (Note 30)	**2,891,043**	3,049,375	**97,109**	100,109
Customers' liabilities on acceptances (Note 19)	**2,231,887**	1,659,340	**2,231,887**	1,659,340
Bills purchased (Note 22)	**1,702,535**	3,596,589	**1,473,052**	3,379,721
	482,300,156	416,397,550	**426,567,167**	371,682,498
Less unearned and other deferred income	**1,553,108**	1,489,955	**1,241,587**	1,116,929
	480,747,048	414,907,595	**425,325,580**	370,565,569
Unquoted debt securities	**14,674,130**	6,972,710	**14,616,628**	6,914,864
Other receivables:				
Accounts receivable	**10,073,663**	9,573,552	**4,538,103**	3,423,593
Sales contract receivables	**7,588,301**	7,449,020	**7,549,113**	7,397,664
Accrued interest receivable	**4,235,075**	3,703,763	**3,497,184**	3,485,881
Miscellaneous	**562,360**	501,675	**492,025**	443,289
	22,459,399	21,228,010	**16,076,425**	14,750,427
	517,880,577	443,108,315	**456,018,633**	392,230,860
Less allowance for credit losses (Note 16)	**15,764,060**	14,892,814	**14,505,328**	14,032,122
	₱502,116,517	₱428,215,501	**₱441,513,305**	₱378,198,738

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

	Consolidated							
	2017							
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**	**Unquoted Debt Securities**	**Others**	**Total**
Receivable from customers:								
Loans and discounts	**₱394,245,819**	**₱17,742,839**	**₱7,190,864**	**₱36,295,129**	**₱364,491**	**₱–**	**₱–**	**₱455,839,142**
Credit card receivables	**85,708**	–	–	**9,904,808**	**154,958**	–	–	**10,145,474**
Customers' liabilities on letters of credit and trust receipts	**9,490,075**	–	–	–	–	–	–	**9,490,075**
Lease contracts receivable (Note 30)	**2,891,043**	–	–	–	–	–	–	**2,891,043**
Customers' liabilities on acceptances (Note 19)	**2,231,887**	–	–	–	–	–	–	**2,231,887**
Bills purchased (Note 22)	**1,702,535**	–	–	–	–	–	–	**1,702,535**
	410,647,067	**17,742,839**	**7,190,864**	**46,199,937**	**519,449**	–	–	**482,300,156**
Less unearned and other deferred income	**994,717**	**313,459**	**14,291**	**227,552**	**3,089**	–	–	**1,553,108**
	409,652,350	**17,429,380**	**7,176,573**	**45,972,385**	**516,360**	–	–	**480,747,048**
Unquoted debt securities	–	–	–	–	–	**14,674,130**	–	**14,674,130**
Other receivables:								
Accounts receivable	–	–	–	–	–	–	**10,073,663**	**10,073,663**
Sales contract receivables	–	–	–	–	–	–	**7,588,301**	**7,588,301**
Accrued interest receivable	–	–	–	–	–	–	**4,235,075**	**4,235,075**
Miscellaneous	–	–	–	–	–	–	**562,360**	**562,360**
	409,652,350	**17,429,380**	**7,176,573**	**45,972,385**	**516,360**	**14,674,130**	**22,459,399**	**517,880,577**
Less allowance for credit losses (Note 16)	**6,770,478**	**100,493**	**218,423**	**1,392,870**	**13,751**	**3,739,983**	**3,528,062**	**15,764,060**
	₱402,881,872	**₱17,328,887**	**₱6,958,150**	**₱44,579,515**	**₱502,609**	**₱10,934,147**	**₱18,931,337**	**₱502,116,517**

	Consolidated							
	2016							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱329,917,238	₱20,117,661	₱7,346,757	₱34,336,857	₱440,920	₱–	₱–	₱392,159,433
Credit card receivables	66,258	–	–	6,888,616	147,333	–	–	7,102,207
Customers' liabilities on letters of credit and trust receipts	8,830,606	–	–	–	–	–	–	8,830,606
Lease contracts receivable (Note 30)	3,049,375	–	–	–	–	–	–	3,049,375
Customers' liabilities on acceptances (Note 19)	1,659,340	–	–	–	–	–	–	1,659,340
Bills purchased (Note 22)	3,383,938	212,651	–	–	–	–	–	3,596,589
	346,906,755	20,330,312	7,346,757	41,225,473	588,253	–	–	416,397,550
Less unearned and other deferred income	1,044,476	433,275	11,258	785	161	–	–	1,489,955
	345,862,279	19,897,037	7,335,499	41,224,688	588,092	–	–	414,907,595
Unquoted debt securities	–	–	–	–	–	6,972,710	–	6,972,710
Other receivables:								
Accounts receivable	–	–	–	–	–	–	9,573,522	9,573,522
Sales contract receivables	–	–	–	–	–	–	7,449,020	7,449,020
Accrued interest receivable	–	–	–	–	–	–	3,703,763	3,703,763
Miscellaneous	–	–	–	–	–	–	501,675	501,675
	345,862,279	19,897,037	7,335,499	41,224,688	588,092	6,972,710	21,228,010	443,108,315
Less allowance for credit losses (Note 16)	6,846,958	96,030	170,175	1,241,394	19,014	3,687,488	2,831,755	14,892,814
	₱339,015,321	₱19,801,007	₱7,165,324	₱39,983,294	₱569,078	₱3,285,222	₱18,208,225	₱428,215,501

	Parent Company							
	2017							
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**	**Unquoted Debt Securities**	**Others**	**Total**
Receivable from customers:								
Loans and discounts	**₱375,964,637**	**₱17,742,839**	**₱7,190,864**	**₱2,026,412**	**₱330,151**	**₱–**	**₱–**	**₱403,254,903**
Credit card receivables	**85,708**	–	–	**9,904,808**	**154,958**	–	–	**10,145,474**
Customers' liabilities on letters of credit and trust receipts	**9,364,742**	–	–	–	–	–	–	**9,364,742**
Customers' liabilities on acceptances (Note 19)	**2,231,887**	–	–	–	–	–	–	**2,231,887**
Bills purchased (Note 22)	**1,473,052**	–	–	–	–	–	–	**1,473,052**
Lease contracts receivable (Note 30)	**97,109**	–	–	–	–	–	–	**97,109**
	389,217,135	**17,742,839**	**7,190,864**	**11,931,220**	**485,109**	–	–	**426,567,167**
Less unearned and other deferred income	**700,826**	**313,459**	**14,291**	**209,922**	**3,089**	–	–	**1,241,587**
	388,516,309	**17,429,380**	**7,176,573**	**11,721,298**	**482,020**	–	–	**425,325,580**
Unquoted debt securities	–	–	–	–	–	**14,616,628**	–	**14,616,628**
Other receivables:								
Accounts receivable	–	–	–	–	–	–	**4,538,103**	**4,538,103**
Sales contract receivables	–	–	–	–	–	–	**7,549,113**	**7,549,113**
Accrued interest receivable	–	–	–	–	–	–	**3,497,184**	**3,497,184**
Miscellaneous	–	–	–	–	–	–	**492,025**	**492,025**
	388,516,309	**17,429,380**	**7,176,573**	**11,721,298**	**482,020**	**14,616,628**	**16,076,425**	**456,018,633**
Less allowance for credit losses (Note 16)	**6,194,035**	**100,493**	**218,423**	**1,023,164**	**13,748**	**3,683,233**	**3,272,232**	**14,505,328**
	₱382,322,274	**₱17,328,887**	**₱6,958,150**	**₱10,698,134**	**₱468,272**	**₱10,933,395**	**₱12,804,193**	**₱441,513,305**

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

On November 27, 1997, Maybank Philippines, Inc. (Maybank) and the Parent Company signed a deed of assignment transferring to the Parent Company certain Maybank assets (included in 'Loans and Receivables') and liabilities in connection with the sale of the Parent Company's 60.00% equity in Maybank.

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

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In 2016, the Group and the Parent Company applied the transferred liabilities against the principal and interest components of the transferred receivables. As of December 31, 2017 and 2016, the remaining receivables amounted to ₱0.3 billion which is fully covered by an allowance.

Unquoted debt instruments
Unquoted debt instruments include the zero-coupon notes received by the Parent Company from Special Purpose Vehicle (SPV) Companies on October 15, 2004, at the principal amount of ₱803.5 million (Tranche A Note) payable in five years and at the principal amount of ₱3.4 billion (Tranche B Note) payable in eight years in exchange for the outstanding loans receivable from National Steel Corporation (NSC) of ₱5.3 billion. The notes are secured by a first ranking mortgage and security interest over the NSC Plant Assets. As of December 31, 2017 and 2016, the notes are carried at their recoverable values.

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

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Minimum lease payments				
Due within one year	**₱1,265,542**	₱1,177,612	**₱ 28,909**	₱23,509
Due beyond one year but not over five years	**924,973**	1,127,371	**43,000**	40,100
Due beyond five years	**25,201**	36,500	**25,200**	36,500
	2,215,716	2,341,483	**97,109**	100,109
Residual value of leased equipment				
Due within one year	**292,000**	249,923	–	–
Due beyond one year but not over five years	**383,327**	457,969	–	–
	675,327	707,892	–	–
Gross investment in lease contract receivables (Note 30)	**₱2,891,043**	₱3,049,375	**₱ 97,109**	₱100,109

Accounts receivables
As of December 31, 2017 and 2016, the Group's accounts receivable includes insurance receivables of PNB Gen amounting to ₱5.1 billion and ₱4.8 billion, respectively.

Interest income
Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
Receivable from customers and sales contract receivables	**₱22,523,464**	₱19,635,249	₱17,074,179	**₱19,100,932**	₱16,874,365	₱15,092,695
Unquoted debt securities	**146,012**	51,160	63,478	**144,878**	49,499	58,568
	₱22,669,476	₱19,686,409	₱17,137,657	**₱19,245,810**	₱16,923,864	₱15,151,263

As of December 31, 2017 and 2016, 78.83% and 75.24%, respectively, of the total receivable from customers of the Group were subject to interest repricing. As of December 31, 2017 and 2016, 79.07% and 76.23%, respectively, of the total receivable from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.94% to 9% in 2017, 2.30% to 8.75% in 2016 and 1.10% to 7.00% in 2015 for foreign currency-denominated receivables, and from 1.9% to 7.98% in 2017, 0.50% to 15.25% in 2016 and 0.50% to 15.25%% in 2015 for peso-denominated receivables.

Sales contract receivables bear fixed interest rate per annum ranging from 2.70% to 21.00%, 5.00% to 21.00% and 3.30% to 21.00% in 2017, 2016 and 2015, respectively.

Interest income accrued on impaired loans and receivable of the Group and Parent Company amounted to ₱106.2 million in 2017, ₱103.7 million in 2016, and ₱217.0 million in 2015 (Note 16).

<u>BSP Reporting</u>
An industry sector analysis of the Group's and the Parent Company's receivable from customers before taking into account the unearned and other deferred income and allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2017		2016		**2017**		2016	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Wholesale and retail	**₱74,279,581**	**15.40**	₱61,414,279	14.75	**₱69,846,899**	**16.37**	₱57,682,565	15.52
Financial intermediaries	**72,757,733**	**15.09**	64,806,163	15.56	**69,382,757**	**16.27**	64,415,801	17.33
Electricity, gas and water	**64,921,830**	**13.46**	49,814,968	11.96	**62,947,842**	**14.76**	49,687,531	13.37
Transport, storage and communication	**40,565,972**	**8.41**	39,939,856	9.59	**38,270,489**	**8.97**	37,085,522	9.98
Manufacturing	**33,118,627**	**6.87**	36,542,499	8.78	**29,905,637**	**7.01**	34,276,937	9.22
Public administration and defense	**22,998,264**	**4.77**	24,676,655	5.93	**22,630,209**	**5.31**	24,601,304	6.62
Agriculture, hunting and forestry	**7,023,471**	**1.46**	5,490,920	1.32	**6,403,860**	**1.50**	5,044,898	1.36
Secondary target industry:								
Real estate, renting and business activities	**78,823,937**	**16.34**	59,701,406	14.34	**73,609,101**	**17.26**	53,719,909	14.45
Construction	**19,264,219**	**3.99**	16,819,358	4.04	**17,682,688**	**4.15**	14,574,409	3.92
Others	**68,546,522**	**14.21**	57,191,446	13.73	**35,887,685**	**8.40**	30,593,622	8.23
	₱482,300,156	**100.00**	₱416,397,550	100.00	**₱426,567,167**	**100.00**	₱371,682,498	100.00

The information (gross of unearned and other deferred income and allowance for credit losses) relating to receivable from customers as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2017		2016		**2017**		2016	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱69,798,045**	**14.47**	₱62,257,711	14.95	**₱56,166,102**	**13.17**	₱45,697,957	12.30
Chattel mortgage	**28,159,567**	**5.84**	33,531,566	8.05	**26,187,151**	**6.14**	25,326,989	6.81
Bank deposit hold-out	**14,600,056**	**3.03**	14,034,793	3.38	**14,530,200**	**3.41**	13,938,107	3.75
Shares of stocks	**1,412,136**	**0.29**	1,681,531	0.40	**1,412,136**	**0.33**	1,681,531	0.45
Others	**75,308,199**	**15.61**	38,699,661	9.29	**72,719,502**	**17.05**	35,368,522	9.52
	189,278,003	**39.24**	150,205,262	36.07	**171,015,091**	**40.09**	122,013,106	32.83
Unsecured	**293,022,153**	**60.76**	266,192,288	63.93	**255,552,076**	**59.91**	249,669,392	67.17
	₱482,300,156	**100.00**	₱416,397,550	100.00	**₱426,567,167**	**100.00**	₱371,682,498	100.00

The table below reflects the balances of loans and receivables as reported to the BSP. For purposes of BSP reporting, the acquired loans and receivables were measured based on their original amortized cost as at acquisition date instead of their corresponding fair values.

Non-performing Loans (NPL) as to secured and unsecured follows:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Secured	**₱6,721,812**	₱5,406,717	**₱4,803,416**	₱4,918,225
Unsecured	**4,923,617**	4,752,493	**4,222,671**	3,853,334
	₱11,645,429	₱10,159,210	**₱9,026,087**	₱8,771,559

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Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total loan balance.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs. As of December 31, 2017 and 2016, NPLs of ₱9.0 billion and ₱8.8 billion, respectively which the Parent Company reported to the BSP are gross of specific allowance amounting to ₱7.9 billion and ₱8.1 billion, respectively. Most of these loans are secured by real estate or chattel mortgages.

As of December 31, 2017 and 2016, gross and net NPL ratios of the Parent Company were 2.01% and 0.26%, and 2.31% and 0.18%, respectively.

Restructured loans of the Group and the Parent Company as of December 31, 2017 and 2016 amounted to ₱2.1 billion and ₱1.6 billion and ₱1.6 billion and ₱1.5 billion, respectively.

11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated 2017						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Long-term Leasehold Land**	**Construction In-progress**	**Leasehold Improvements**	**Total**
Cost							
Balance at beginning of year	**₱11,470,425**	**₱5,717,761**	**₱4,947,104**	**₱567,270**	**₱698,131**	**₱1,094,617**	**₱24,495,308**
Additions/transfers	–	**197,239**	**755,165**	-	**785,486**	**192,896**	**1,930,786**
Disposals/transfers/others	**(1,049)**	**128,314**	**(102,549)**	**(1,025)**	**(627,145)**	**63,771**	**(539,683)**
Balance at end of year	**11,469,376**	**6,043,314**	**5,599,720**	**566,245**	**856,472**	**1,351,284**	**25,886,411**
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	**2,571,166**	**2,917,671**	**33,302**	–	**647,581**	**6,169,720**
Depreciation and amortization	–	**243,764**	**695,012**	**5,518**	–	**184,217**	**1,128,511**
Disposals/transfers/others	–	**(11,481)**	**(274,532)**	**(385)**	–	**(18,265)**	**(304,663)**
Balance at end of year	–	**2,803,449**	**3,338,151**	**38,435**	–	**813,533**	**6,993,568**
Allowance for Impairment Losses (Note 16)	**90,116**	**138,370**	–	–	–	–	**228,486**
Net Book Value at End of Year	**₱11,379,260**	**₱3,101,495**	**₱2,261,569**	**₱527,810**	**₱856,472**	**₱537,751**	**₱18,664,357**

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

	Parent Company 2017					
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Construction In-progress**	**Leasehold Improvements**	**Total**
Cost						
Balance at beginning of year	**₱11,266,169**	**₱5,488,197**	**₱3,946,854**	**₱698,132**	**₱876,424**	**₱22,275,776**
Additions/transfers	–	**181,135**	**512,520**	**785,486**	**179,844**	**1,658,985**
Disposals/transfers/others	**7**	**132,375**	**(111,927)**	**(627,145)**	**3,687**	**(603,003)**
Balance at end of year	**11,266,176**	**5,801,707**	**4,347,447**	**856,473**	**1,059,955**	**23,331,758**
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	**2,518,058**	**2,465,332**	–	**559,106**	**5,542,496**
Depreciation and amortization	–	**242,298**	**494,994**	–	**149,496**	**886,788**
Disposals/transfers/others	–	**(9,892)**	**(200,021)**	–	**(9,884)**	**(219,797)**
Balance at end of year	–	**2,750,464**	**2,760,305**	–	**698,718**	**6,209,487**
Allowance for Impairment Losses (Note 16)	**89,664**	**138,370**	–	–	–	**228,034**
Net Book Value at End of Year	**₱11,176,512**	**₱2,912,873**	**₱1,587,142**	**₱856,473**	**₱361,237**	**₱16,894,236**

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

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱1.0 billion as of December 31, 2017 and 2016.

Gain on disposal of property and equipment in 2017, 2016 and 2015 amounted to ₱4.3 million, ₱1.2 million, and ₱7.7 million, respectively, for the Group and ₱2.0 million, ₱1.5 million and ₱3.7 million, respectively, for the Parent Company (Note 13).

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Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
Continuing operations:						
Depreciation						
Property and equipment	**₱1,128,511**	₱1,013,677	₱830,663	**₱886,788**	₱835,467	₱710,542
Investment properties (Note 13)	**152,894**	226,545	162,097	**136,507**	206,472	149,309
Chattel mortgage	**33,009**	22,000	35,285	**8,123**	22,001	33,748
Amortization - Intangible assets (Note 14)	**369,977**	292,423	424,176	**353,939**	279,643	412,180
	₱1,684,391	₱1,554,645	₱1,452,221	**₱1,385,357**	₱1,343,583	₱1,305,779
Discontinued operations:						
Property and Equipment (Note 37)	–	4,707	10,704	–	–	–
	₱1,684,391	₱1,559,352	₱1,462,925	**₱1,385,357**	₱1,343,583	₱1,305,779

Certain property and equipment of the Parent Company with carrying amount of ₱9.3 million and ₱178.5 million are temporarily idle as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, property and equipment of the Parent Company with gross carrying amount of ₱3.3 billion are fully depreciated but are still being used.

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

Subsidiaries				Percentage of Ownership Direct	Indirect
PNB Savings Bank (PNBSB)*	Banking	Philippines	Php	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–
PNB Forex, Inc. (PNB Forex)	FX trading	- do -	Php	**100.00**	–
PNB Holdings Corporation (PNB Holdings)	Investment	- do -	Php	**100.00**	–
PNB General Insurers Inc.(PNB Gen)	Insurance	- do -	Php	**65.75**	**34.25**
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–
PNB Corporation – Guam	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(a)]	Remittance	- do -	USD	**–**	**100.00**
PNB Remittance Co. (Nevada) [(b)]	Remittance	-do-	USD	**–**	**100.00**
PNB RCI Holding Co. Ltd. [(b)]	Holding Company	- do -	USD	**–**	**100.00**
Allied Bank Philippines (UK) Plc (ABUK)*	Banking	United Kingdom	GBP	**100.00**	–
PNB Europe PLC	Banking	- do -	GBP	**100.00**	–
PNB Remittance Co. (Canada) [(c)]	Remittance	Canada	CAD	**–**	**100.00**
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–
Allied Commercial Bank (ACB)*	Banking	People's Republic of China	USD	**99.04**	–
PNB-IBJL Leasing and Finance Corporation (PILFC)[(d)]	Leasing/Financing	Philippines	Php	**75.00**	–
PNB-IBJL Equipment Rentals Corporation[(e)]	Rental	- do -	Php	**–**	**75.00**
Allied Leasing and Finance Corporation (ALFC) *	Rental	- do -	Php	**57.21**	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)*	Banking	Hong Kong	HKD	**51.00**	–

(Forward)

Subsidiaries				Percentage of Ownership Direct	Indirect
Associate					
ACR Nominees Limited *	Banking	- do -	HKD	**–**	**51.00**
Oceanic Holding (BVI) Ltd.*	Holding Company	British Virgin Islands	USD	**27.78**	–
Allianz-PNB Life Insurance, Inc. (APLII) (formerly PNB LII) *[(g)]	Insurance	- do -	Php	**44.00**	–

** Subsidiaries acquired as a result of the merger with ABC*
[(a)] Owned through PNB IIC
[(b)] Owned through PNB RCI
[(c)] Owned through PNB RCI Holding Co. Ltd.
[(d)] Formerly Japan-PNB Leasing
[(e)] Formerly Japan-PNB Equipment Rentals Corporation. Owned through PILFC

The details of this account follow:

	Consolidated December 31		Parent Company December 31		
	2017	2016 (As Restated – Note 2)	**2017**	2016 (As Restated – Note 2)	January 1, 2016 (As Restated – Note 2)
Investment in Subsidiaries					
PNB SB	**₱–**	₱–	**₱10,935,041**	₱10,935,041	₱10,935,041
ACB	**–**	–	**6,087,520**	6,087,520	6,087,520
PNB IIC	**–**	–	**2,028,202**	2,028,202	2,028,202
PNB Europe PLC	**–**	–	**1,006,536**	1,006,537	1,006,537
ABCHKL	**–**	–	**947,586**	947,586	947,586
PNB GRF	**–**	–	**753,061**	753,061	753,061
PNB Gen	**–**	–	**800,000**	600,000	600,000
PNB Holdings	**–**	–	**377,876**	377,876	377,876
PNB Capital	**–**	–	**850,000**	350,000	350,000
ABUK	**–**	–	**320,858**	320,858	320,858
OHBVI	**–**	–	**291,841**	291,841	291,841
PILFC	**–**	–	**181,943**	181,942	181,942
ALFC	**–**	–	**148,400**	148,400	148,400
PNB Securities	**–**	–	**62,351**	62,351	62,351
PNB Forex, Inc.	**–**	–	**–**	50,000	50,000
APLII	**–**	–	**–**	–	481,068
PNB Corporation - Guam	**–**	–	**7,672**	7,672	7,672
	–	–	**24,798,887**	24,148,887	24,629,955
Investment in an Associate – APLII (44% owned)	**2,728,089**	2,728,089	**2,728,089**	2,728,089	–
Accumulated equity in net earnings of subsidiaries and an associate:					
Balance at beginning of year	**70,220**	–	**1,314,542**	1,495,910	1,897,737
Equity in net earnings for the year	**59,215**	70,220	**498,254**	231,780	269,709
Transfer to 'Investment in an associate'	**–**	–	**–**	(347,023)	–
Transfer to 'Assets of a disposal group held for sale'	**–**	–	**–**	–	(326,948)
Transfer to 'Reserves of a disposal group held for sale'	**–**	–	**–**	–	(85,106)
Sale of direct interest in a subsidiary	**–**	–	**–**	–	(79,482)
Dissolution of a subsidiary	**–**	–	**(7,415)**	–	–
	129,435	70,220	**1,805,381**	1,380,667	1,675,910
Dividends received for the year	**–**	–	**(1,333,350)**	(66,125)	(180,000)
	129,435	70,220	**472,031**	1,314,542	1,495,910
Accumulated share in:					
Net unrealized losses on available-for-sale investments (Note 9)	**(270,623)**	(245,867)	**(300,912)**	(261,483)	(7,735)
Remeasurement losses on retirement plan	**(235,424)**	1,209	**(289,824)**	(31,363)	(37,932)
Aggregate reserves on life insurance policies	**12,280**	3,087	**12,280**	3,087	–
Accumulated translation adjustments	**–**	–	**986,863**	477,909	457,755
	(493,767)	(241,571)	**408,407**	188,150	412,088
	₱2,363,757	₱2,556,738	**₱28,407,414**	₱28,379,668	₱26,537,953

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion. The SEC approval is subject to the following conditions: (a) remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC; and (b) for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

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As of December 31, 2017 and 2016, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and is not available for dividend declaration.

Material non-controlling interests
The financial information as of December 31, 2017 and 2016 of ABCHKL which has material NCI is provided below.

Proportion of equity interest held by non- controlling interests

		Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
	Principal Activities	**2017**	2016	**2017**	2016	**2017**	2016
ABCHKL	Banking	**49.00%**	49.00%	**₱1,501,069**	₱1,427,133	**₱83,431**	₱41,667

The following table presents financial information of ABCHKL as of December 31, 2017 and 2016:

	2017	2016
Statement of Financial Position		
Current assets	**₱7,253,278**	₱7,528,024
Non-current assets	**3,666,167**	3,877,748
Current liabilities	**7,700,425**	8,244,302
Non-current liabilities	**155,613**	164,164
Statement of Comprehensive Income		
Revenues	**422,605**	345,376
Expenses	**252,338**	260,342
Net income	**170,267**	85,034
Total comprehensive income	**197,254**	134,237
Statement of Cash Flows		
Net cash provided by operating activities	**(445,345)**	116,786
Net cash provided used in investing activities	**(4,822)**	(69,200)
Net cash used in financing activities	–	–

As of December 31, 2017 and 2016, the non-controlling interests in respect of ALFC, PILFC, ACB and OHBVI is not material to the Group.

Investment in APLII
On December 21, 2015, the Parent Company entered into a 15-year exclusive partnership with Allianz SE under the following arrangements, subject to regulatory approvals:

- Allianz SE will acquire 12,750 shares representing 51.00% stockholdings of APLII and will have management control over the new joint venture company;
- The new joint venture company will operate under the name of "Allianz-PNB Life Insurance, Inc.";
- A 15-year distribution agreement which will provide Allianz an exclusive access to the branch network of the Parent Company and PNB SB.

As of December 31, 2015, the carrying value of the 51% equity interest in APLII amounting to ₱1.2 billion was classified as "Assets of Disposal Group Held for Sale" in the separate statement of financial position.
The sale of APLII was completed on June 6, 2016 for a total consideration of USD66.0 million (₱3.1 billion). Pursuant to the sale of APLII, the Parent Company also entered into a distribution agreement with APLII where the Parent Company will allow APLII to have exclusive access to the distribution network of the Parent Company and its subsidiary, PNB Savings Bank, over a period of 15 years. Both the share purchase agreement and distribution agreement have provisions referring to one another; making the distribution agreement an integral component of the sale transaction. Accordingly, the purchase consideration of USD66.0 million was allocated between the sale of the 51.00% interest in APLII and the Exclusive Distribution Rights (EDR) amounting to USD44.9 million (₱2.1 billion) and USD21.1 million (₱1.0 billion), respectively.

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

The Parent Company recognized gain on sale of the 51.00% interest in APLII amounting to ₱400.3 million, net of taxes and transaction costs amounting to ₱276.7 million and ₱153.3 million, respectively. The consideration allocated to the EDR was recognized as "Other Deferred Revenue" (Note 22) and will be amortized to income over 15 years from date of sale.

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

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

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

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

Summarized financial information of APLII as of December 31, 2017 and 2016 are as follows:

	2017	2016
Current assets	**₱9,043,953**	₱14,812,452
Noncurrent assets	**18,478,830**	9,602,162
Current liabilities	**9,151,219**	14,287,861
Noncurrent liabilities	**16,537,014**	7,995,855
Equity	**1,834,550**	2,130,898

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Summarized statement of income of APLII for the year ended December 31, 2017 and for the seven months ended December 31, 2016 follows:

	2017 (One Year)	2016 (Seven Months)
Revenues	**₱2,190,474**	₱1,164,407
Costs and expenses	**(2,018,549)**	(1,022,543)
Income before tax	**171,925**	141,864
Provision for income tax	**(35,128)**	(29,762)
Net income	**136,797**	112,102
Other comprehensive loss	**(133,356)**	(556,042)
Total comprehensive income	**₱3,441**	(₱443,940)
Group's share of comprehensive income for the period	**₱1,514**	(₱195,334)

Investment in ACB
On November 22, 2013, the BOD of the Parent Company approved and confirmed the increase in equity investment of the Parent Company in ACB as a prerequisite to ACB's application for CNY license, by way of purchase of the 9.59% shareholdings of the natural–person investors in ACB in the amount of USD13.8 million. This was approved by BSP on June 4, 2014. On November 12, 2015, the China Banking Regulatory Commission approved the takeover of the Parent Company of the 51.00% shareholdings held by ABC and the buyout of the 8.63% shareholdings of six natural-person investors in ACB resulting in the increase of equity ownership in ACB to 99.04%. The Parent Company paid the natural-person investors on November 27, 2015. This acquisition was accounted for as an equity transaction which resulted in an increase of other equity adjustment amounting to ₱14.5 million in the consolidated statement of financial position.

PNB Forex
On August 23, 2013, the Parent Company approved the dissolution of PNB Forex by shortening its corporate life to December 31, 2013. PNB Forex ceased its business operations on January 1, 2006. On August 24, 2017, SEC approved the dissolution of PNB Forex.

Significant restrictions
The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

The BSP and IC regulations require banks and insurance companies to maintain certain levels of regulatory capital. As of December 31, 2017 and 2016, the total assets of banking subsidiaries amounted to ₱72.1 billion and ₱58.1 billion, respectively; and ₱7.6 billion and ₱6.9 billion for insurance subsidiaries, respectively.

13. Investment Properties

Breakdown of investment properties:

	Consolidated		**Parent Company**	
	2017	2016	**2017**	2016
Properties held for lease	**₱4,762,380**	₱4,821,335	**₱5,078,689**	₱5,137,644
Foreclosed assets	**10,832,005**	11,519,917	**10,239,719**	10,837,486
Total	**₱15,594,385**	₱16,341,252	**₱15,318,408**	₱15,975,130

The composition of and movements in this account follow:

	Consolidated		
	2017		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱16,309,233**	**₱5,062,298**	**₱21,371,531**
Additions	**350,999**	**274,661**	**625,660**
Disposals/transfers/others	**(796,107)**	**(862,053)**	**(1,658,160)**
Balance at end of year	**15,864,125**	**4,474,906**	**20,339,031**
Accumulated Depreciation			
Balance at beginning of year	–	**1,733,938**	**1,733,938**
Depreciation (Note 11)	–	**152,894**	**152,894**
Disposals/transfers/others	–	**(161,151)**	**(161,151)**
Balance at end of year	–	**1,725,681**	**1,725,681**
Allowance for Impairment Losses (Note 16)	**2,702,189**	**316,776**	**3,018,965**
Net Book Value at End of Year	**₱13,161,936**	**₱2,432,449**	**₱15,594,385**

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

	Parent Company		
	2017		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱16,341,154**	**₱4,627,569**	**₱20,968,723**
Additions	**278,090**	**187,254**	**465,344**
Disposals/Transfers/Others	**(1,083,496)**	**(298,937)**	**(1,382,433)**
Balance at end of year	**15,535,748**	**4,515,886**	**20,051,634**
Accumulated Depreciation			
Balance at beginning of year	–	**1,692,521**	**1,692,521**
Depreciation (Note 11)	–	**136,506**	**136,506**
Disposals/Transfers/Others	–	**(115,223)**	**(115,223)**
Balance at end of year	–	**1,713,804**	**1,713,804**
Allowance for Impairment Losses (Note 16)	**2,702,189**	**317,233**	**3,019,422**
Net Book Value at End of Year	**₱12,833,559**	**₱2,484,849**	**₱15,318,408**

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

Investment properties include real properties foreclosed or acquired in settlement of loans. Foreclosed investment properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱115.9 million and ₱155.4 million, as of December 31, 2017 and 2016, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties.

The total recoverable value of certain investment properties of the Group that were impaired amounted to ₱5.3 billion and ₱7.0 billion as of December 31, 2017 and 2016, respectively. For the Parent Company, the total recoverable value of certain investment properties that were impaired amounted to ₱5.2 billion and ₱6.9 billion as of December 31, 2017 and 2016, respectively.

In 2015, investment properties with carrying value of ₱2.2 billion were converted as branches and head offices of its subsidiaries and were transferred to property and equipment by the Group. Also in 2015, investment properties under joint arrangements with total carrying value of ₱1.2 billion were transferred to Real Estate Inventories Held under Development under 'Other Assets' (Note 15). Property and equipment with carrying value of ₱54.5 million were leased out under operating leases and have been transferred to investment properties in 2015.

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

For the Group, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses - Others', amounted to ₱27.5 million, ₱13.6 million and ₱30.5 million in 2017, 2016, and 2015, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱173.9 million, ₱201.8 million and ₱192.4 million in 2017, 2016, and 2015, respectively.

For the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses - Others', amounted to ₱27.5 million, ₱8.3 million and ₱20.4 million in 2017, 2016, and 2015, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱167.1 million, ₱201.6 million and ₱182.7 million in 2017, 2016, and 2015, respectively

<u>Net gains on sale or exchange of assets</u>
This account consists of:

	Consolidated			**Parent Company**		
	2017	2016	2015	**2017**	**2016**	2015
Net gains from sale of investment property (Note 34)	**₱3,755,533**	₱2,343,634	₱1,435,798	**₱3,698,236**	₱2,387,472	₱1,400,650
Net gains from foreclosure and repossession of investment property	**162,125**	165,570	152,061	**162,125**	128,927	152,553
Net gains from sale of property and equipment (Note 11)	**4,282**	1,157	7,659	**1,980**	1,462	3,741
Net gains (loss) from sale of receivables	**(804)**	–	–	**–**	–	24,441
	₱3,921,136	₱2,510,361	₱1,595,518	**₱3,862,341**	₱2,517,861	₱1,581,385

14. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	Consolidated				
	2017				
	Intangible Assets				
	Core Deposit	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱2,239,262**	**₱4,528,994**	**₱13,375,407**
Additions	**–**	**–**	**1,162,121**	**1,162,121**	**–**
Write-offs	**–**	**–**	**(3,080)**	**(3,080)**	**–**
Cumulative translation adjustment	**–**	**–**	**9,482**	**9,482**	**–**
Balance at end of year	**1,897,789**	**391,943**	**3,407,785**	**5,697,517**	**13,375,407**
Accumulated Amortization					
Balance at beginning of year	**739,083**	**391,943**	**835,599**	**1,966,625**	**–**
Amortization (Note 11)	**189,779**	**–**	**217,272**	**407,051**	**–**
Cumulative translation adjustment		**–**	**984**	**984**	**–**
Balance at end of year	**928,862**	**391,943**	**1,053,855**	**2,374,660**	
Net Book Value at End of Year	**₱968,927**	**₱–**	**₱2,353,930**	**₱3,322,857**	**₱13,375,407**

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

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	Parent Company				
	2017				
	Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱2,106,233**	**₱4,395,965**	**₱13,515,765**
Additions	–	–	**1,045,743**	**1,045,743**	–
Write-offs	–	–	–	–	–
Others	–	–	**(668)**	**(668)**	–
Balance at end of year	**1,897,789**	**391,943**	**3,151,308**	**5,441,040**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**739,083**	**391,943**	**793,487**	**1,924,513**	–
Amortization (Note 11)	**189,779**	–	**164,161**	**353,940**	–
Others		–	**(656)**	**(656)**	–
Balance at end of year	**928,862**	**391,943**	**956,992**	**2,277,797**	
Net Book Value at End of Year	**₱968,927**	**₱–**	**₱2,194,316**	**₱3,163,243**	**₱13,515,765**

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

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

Software cost
Software cost as of December 31, 2017 and 2016 includes capitalized development costs amounting to ₱2.2 billion and ₱1.3 billion, respectively, related to the Parent Company's new core banking system.

Goodwill
As discussed in Note 1, on February 9, 2013, the Parent Company acquired 100.00% of voting common stock of ABC, a listed universal bank. The acquisition of ABC was made to strengthen the Parent Company's financial position and enlarge its operations.

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the non-controlling interest in the acquiree at proportionate share of identifiable assets and liabilities.

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

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

Impairment testing of goodwill and intangible asset
Goodwill acquired through the above business combination has been allocated to three CGUs which are also reportable segments, namely: retail banking, corporate banking and treasury. Goodwill allocated to the CGUs amounted to ₱6.2 billion, ₱4.2 billion and ₱3.1 billion, respectively. CDI is allocated to retail banking while CRI is allocated to corporate banking.

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. CDI and CRI, on the other hand, are assessed for impairment where indicator(s) of objective evidence of impairment has been identified. Impairment testing is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount allocated to the CGU. The recoverable amount is the higher of a CGUs' fair value less costs to sell and its value in use. The goodwill impairment test did not result in an impairment loss of goodwill of the CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount.

Key assumptions used in value in use calculations
The recoverable amounts of the CGUs have been determined on the basis of value in use calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management and the BOD of the Parent Company covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment.

The following rates were applied to the cash flow projections:

	2017			2016		
	Retail Banking	**Corporate Banking**	**Treasury**	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	**8.16%**	**8.16%**	**6.89%**	11.17%	11.19%	8.99%
Projected growth rate	**6.80%**	**6.80%**	**6.80%**	6.50%	6.50%	6.50%

The calculation of value in use for retail banking, corporate banking and treasury cash generating units is most sensitive to interest margin, discount rates, market share during the budget period, projected growth rates used to extrapolate cash flows beyond the budget period, and current local gross domestic product.

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Discount rate
The discount rate applied have been determined based on cost of equity for retail and corporate banking segments and weighted average cost of capital for treasury segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor. The values for the risk-free interest rate, the market risk premium and the beta factors were obtained from external sources of information.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the units to exceed their recoverable amount.

15. Other Assets

This account consists of:

	Consolidated			Parent Company	
	December 31		January 1,	December 31	
	2017	2016 (As Restated - Note 2)	2016 (As Restated - Note 2)	**2017**	2016
Financial					
Return checks and other cash items	**₱409,257**	₱249,528	₱103,667	**₱396,826**	₱254,420
Checks for clearing	**285,676**	198,109	119,134	**285,676**	198,109
Security deposits	**45,697**	109,944	78,922	–	71,713
Receivable from SPV	**500**	500	500	**500**	500
Others	**4,355**	10,186	748	**3,477**	6,535
	745,485	568,267	302,971	**686,479**	531,277
Non-financial					
Creditable withholding taxes	**5,272,020**	4,328,019	3,770,716	**5,085,846**	4,187,074
Real estate inventories held under development	**728,752**	728,752	1,235,530	**728,752**	728,752
Deferred reinsurance premium	**816,058**	632,559	786,242	–	–
Deferred benefits	**577,291**	532,938	401,231	**524,253**	458,119
Prepaid expenses	**390,290**	470,882	395,671	**299,780**	330,930
Documentary stamps on hand	**234,234**	214,969	221,088	**230,328**	212,145
Stationeries and supplies	**95,129**	64,900	78,764	**89,168**	59,433
Chattel mortgage properties-net of depreciation	**149,347**	36,586	51,086	**32,752**	35,046
Other investments	**26,309**	22,201	37,664	**22,983**	18,862
Miscellaneous	**796,490**	266,745	339,392	**1,374,806**	729,324
	9,085,919	7,298,551	7,317,384	**8,388,668**	6,759,685
	9,831,404	7,866,818	7,620,355	**9,075,147**	7,290,962
Less allowance for impairment losses (Note 16)	**954,090**	770,662	840,151	**922,532**	738,088
	₱8,877,314	₱7,096,156	₱6,780,204	**₱8,152,615**	₱6,552,874

Real estate inventories held under development
This represents parcels of land contributed by the Parent Company under joint arrangements with real estate developers to be developed as residential condominium units and subdivision lots.

Deferred reinsurance premiums
The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2017 and 2016.

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future period not exceeding one year, such as insurance premiums, rent and interest on time certificates of deposits paid in advance which shall be amortized monthly.

Deferred benefits
This represents the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

Chattel mortgage properties
As of December 31, 2017 and 2016, accumulated depreciation on chattel mortgage properties acquired by the Group in settlement of loans amounted to ₱96.1 million and ₱79.1 million, respectively. As of December 31, 2017 and 2016, accumulated depreciation on chattel mortgage properties acquired by the Parent Company in settlement of loans amounted to ₱66.5 million and ₱79.1 million, respectively.

As of December 31, 2017 and 2016, the total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired amounted to ₱0.9 million and ₱2.1 million, respectively.

Receivable from SPV
The Group has receivable from SPV, Opal Portfolio Investing Inc. (OPII), which was deconsolidated upon adoption of PFRS 10.

Receivable from SPV represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, OPII, relative to the sale of certain Non-performing assets of the Bank. Collections from OPII in 2016 and 2015 amounting to ₱500.0 million and ₱353.0 million, respectively are recorded under 'Miscellaneous Income' (Note 28).

Miscellaneous
Other financial assets include revolving fund, petty cash fund and miscellaneous cash and other cash items.

Other nonfinancial assets include postages, refundable deposits, notes taken for interest and sundry debits.

16. Allowance for Impairment and Credit Losses

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

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
Continuing operations:						
Provision for impairment	**₱421,792**	₱114,448	₱449,698	**₱422,452**	₱113,593	₱322,649
Provision for credit losses	**793,524**	2,696,693	860,393	**70,609**	1,192,348	513,697
Provision for (reversal of) other losses (Note 35)	**(331,183)**	401,553	(741,911)	**(331,183)**	401,553	(741,911)
	884,133	3,212,694	568,180	**161,878**	1,707,494	94,435
Discontinued operations:						
Provision for credit losses (Note 37)	–	4,704	32,765	–	–	–
	₱884,133	₱3,217,398	₱600,945	**₱161,878**	₱1,707,494	₱94,435

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

	Consolidated					
	2017			2016		
	AFS Investments	**Loans and Receivables**	**Other Assets***	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱875,475**	**14,892,814**	**₱500**	₱930,111	₱13,428,014	₱500
Provisions	–	**793,524**	–	15,856	2,680,837	–
Accretion on impaired loans (Note 10)	–	**(106,158)**	–	–	(103,715)	–
Accounts charged-off	**(249,720)**	**(474,876)**	–	–	(1,282,872)	–
Transfers and others	**(125)**	**658,756**	–	(70,492)	170,550	–
Balance at end of year	**₱625,630**	**₱15,764,060**	**₱500**	₱875,475	₱14,892,814	₱500

	Parent Company					
	2017			2016		
	AFS Investments	**Loans and Receivables**	**Other Assets***	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱875,220**	**₱14,032,123**	**₱500**	₱930,111	₱12,860,728	₱500
Provisions	–	**70,609**	–	15,601	1,176,747	–
Accretion	–	**(106,158)**	–	–	(103,715)	–
Accounts charged-off	**(249,720)**	**(206,898)**	–	–	(419,978)	–
Transfers and others	–	**715,652**	–	(70,492)	518,340	–
Balance at end of year	**₱625,500**	**₱14,505,328**	**₱500**	₱875,220	₱14,032,122	₱500

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

	Consolidated					
	2017			2016		
	Property and Equipment	**Investment Properties**	**Other Assets**	Property and Equipment	Investment Properties	Other Assets
Balance at beginning of year	**₱228,233**	**₱3,296,341**	**₱770,162**	₱461,077	₱3,293,639	₱839,651
Provisions (reversals)	**21**	**(46,377)**	**468,148**	–	141,740	(27,292)
Disposals	**(220)**	**(152,718)**	**(1,136)**	–	(331,094)	–
Transfers and others	**453**	**(78,281)**	**(283,084)**	(232,844)	192,056	(42,197)
Balance at end of year	**₱228,487**	**₱3,018,965**	**₱954,090**	₱228,233	₱3,296,341	₱770,162

	Parent Company					
	2017			2016		
	Property and Equipment	**Investment Properties**	**Other Assets**	Property and Equipment	Investment Properties	Other Assets
Balance at beginning of year	**₱228,233**	**₱3,301,072**	**₱737,588**	₱264,701	₱3,485,649	₱834,542
Provisions (reversals)	**21**	**(46,377)**	**468,808**	–	140,883	(27,290)
Disposals	**(220)**	**(152,718)**	**(1,136)**	–	(331,094)	–
Transfers and others	–	**(82,555)**	**(283,228)**	(36,468)	5,634	(69,664)
Balance at end of year	**₱228,034**	**₱3,019,422**	**₱922,032**	₱228,233	₱3,301,072	₱737,588

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

	Consolidated							
	2017							
	Receivable from customers					**Unquoted Debt Securities**	**Others**	**Total**
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**			
Balance at beginning of year	**₱6,846,958**	**₱96,030**	**₱170,175**	**₱1,241,394**	**₱19,014**	**₱3,687,488**	**₱2,831,755**	**₱14,892,814**
Provisions (reversals)	**(302,489)**	**(10,930)**	**22,179**	**417,853**	**9,269**	–	**657,643**	**793,525**
Accretion on impaired loans (Note 10)	**(98,615)**	–	**(6,904)**	**(573)**	**(65)**	–	–	**(106,157)**
Accounts charged off	**(295,749)**	–	–	**(127,026)**	–	–	**(52,101)**	**(474,876)**
Transfers and others	**620,372**	**15,393**	**32,973**	**(138,778)**	**(14,467)**	**52,495**	**90,765**	**658,754**
Balance at end of year	**₱6,770,477**	**₱100,493**	**₱218,423**	**₱1,392,870**	**₱13,751**	**₱3,739,983**	**₱3,528,062**	**₱15,764,060**
Individual impairment	**4,146,527**	**20,653**	**120,845**	**219,538**	**12,743**	**3,739,983**	**1,208,384**	**9,468,673**
Collective impairment	**2,623,951**	**79,840**	**97,578**	**1,173,332**	**1,008**	–	**2,319,678**	**6,295,387**
	₱6,770,478	**₱100,493**	**₱218,423**	**₱1,392,870**	**₱13,751**	**₱3,739,983**	**₱3,528,062**	**₱15,764,060**
Gross amounts of loans and receivables subject to individual impairment	**₱6,933,931**	**₱20,653**	**₱150,344**	**₱345,618**	**₱12,743**	**₱3,739,983**	**₱1,208,384**	**₱12,399,665**

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

	Parent Company							
	2017							
	Receivable from customers					**Unquoted Debt Securities**	**Others**	**Total**
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**			
Balance at beginning of year	**₱6,687,544**	**₱96,030**	**₱170,175**	**₱890,093**	**₱19,012**	**₱3,687,488**	**₱2,481,780**	**₱14,032,122**
Provisions (reversals)	**(891,970)**	**(10,930)**	**22,179**	**247,212**	**9,268**	–	**694,851**	**70,610**
Accretion on impaired loans (Note 10)	**(98,615)**	–	**(6,904)**	**(573)**	**(65)**	–	–	**(106,157)**
Accounts charged off	**(50,969)**	–	–	**(127,022)**	–	–	**(28,907)**	**(206,898)**
Transfers and others	**548,045**	**15,393**	**32,973**	**13,454**	**(14,467)**	**(4,256)**	**124,508**	**715,650**
Balance at end of year	**₱6,194,035**	**₱100,493**	**₱218,423**	**₱1,023,164**	**₱13,748**	**₱3,683,232**	**₱3,272,232**	**₱14,505,327**
Individual impairment	**3,361,779**	**20,653**	**120,845**	**122,561**	**12,743**	**3,683,232**	**1,184,021**	**8,505,834**
Collective impairment	**2,832,256**	**79,840**	**97,578**	**900,603**	**1,005**	**-**	**2,088,211**	**5,999,493**
	₱6,194,035	**₱100,493**	**₱218,423**	**₱1,023,164**	**₱13,748**	**₱3,683,232**	**₱3,272,232**	**₱14,505,327**
Gross amounts of loans and receivables subject to individual impairment	**₱4,839,781**	**₱20,653**	**₱150,344**	**₱247,899**	**₱12,743**	**₱3,683,232**	**₱1,184,021**	**₱10,138,674**

	Parent Company							
	2016							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Balance at beginning of year	₱5,038,887	₱159,047	₱148,602	₱995,020	₱23,064	₱3,619,267	₱2,876,841	₱12,860,728
Provisions (reversals)	1,178,626	(60,691)	7,855	327,211	(1,375)	68,221	(343,100)	1,176,747
Accretion on impaired loans (Note 10)	(98,161)	–	(7,478)	1,855	69	–	–	(103,715)
Accounts charged off	(24,221)	–	–	(304,075)	(1,534)	–	(90,148)	(419,978)
Transfers and others	592,413	(2,326)	21,196	(129,918)	(1,212)	–	38,187	518,340
Balance at end of year	₱6,687,544	₱96,030	₱170,175	₱890,093	₱19,012	₱3,687,488	₱2,481,780	₱14,032,122

(Forward)

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	Parent Company 2016							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Individual impairment	₱4,045,946	₱–	₱67,637	₱575	₱14,940	₱3,687,488	₱1,649,393	₱9,465,979
Collective impairment	2,641,598	96,030	102,538	889,518	4,072	–	832,387	4,566,143
	₱6,687,544	₱96,030	₱170,175	₱890,093	₱19,012	₱3,687,488	₱2,481,780	₱14,032,122
Gross amounts of loans and receivables subject to individual impairment	₱4,412,364	₱–	₱130,523	₱1,075	₱14,940	₱6,914,864	₱1,649,393	₱13,123,159

17. Deposit Liabilities

As of December 31, 2017 and 2016, noninterest-bearing deposit liabilities amounted to ₱28.9 billion and ₱19.9 billion, respectively, for the Group and ₱24.8 billion and ₱15.8 billion, respectively, for the Parent Company. The remaining deposit liabilities of the Group generally earn annual fixed interest rates ranging from 0.01% to 4.13% in 2017, 0.00% to 6.23% in 2016 and 0.05% to 5.00% in 2015 for peso-denominated deposit liabilities, and from 0.00% to 2.10% in 2017, 0.00% to 3.71% in 2016 and 0.00% to 2.25% in 2015 for foreign currency-denominated deposit liabilities. The remaining deposit liabilities of the Parent Company generally earn annual fixed interest rates ranging from 0.01% to 4.13% in 2017, 0.01% to 6.23% in 2016 and 0.10% to 5.00% in 2015 for peso-denominated deposit liabilities, and from 0.00% to 2.10% in 2017, 0.00% to 2.25% in 2016 and 0.00% to 2.25% in 2015 for foreign-currency denominated deposit liabilities.

Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company and PNB SB are subject to reserves equivalent to 20.00% and 8.00%, respectively.

Available reserves booked under 'Due from BSP' are as follows:

	2017	2016
Parent Company	**₱96,497,459**	₱87,099,952
PNB SB	**2,850,526**	1,895,909
	₱99,347,985	₱88,995,861

<u>Long-term Negotiable Certificates of Time Deposits</u>
Time deposit includes the following Long-term Negotiable Certificates of Time Deposits (LTNCDs) issued by the Parent Company:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value **2017**	Carrying Value 2016
October 26, 2017	April 26, 2023	₱6,350,000	3.88%	Quarterly	**₱6,310,033**	₱–
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	**3,743,546**	–
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	**5,349,341**	5,343,041
December 12, 2014	June 12, 2020	7,000,000	4.13%	Quarterly	**6,976,118**	6,967,077
October 21, 2013	April 22, 2019	4,000,000	3.25%	Quarterly	**3,992,376**	3,986,777
August 5, 2013	February 5, 2019	5,000,000	3.00%	Quarterly	**4,992,542**	4,985,977
November 18, 2011	February 17, 2017	3,100,000	5.18%	Quarterly	–	3,099,272
					₱31,363,956	₱24,382,144

Other significant terms and conditions of the above LTNCDs follow:

(1) Issue price at 100.00% of the face value of each LTNCD.

(2) The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be).

Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

(3) Unless earlier redeemed, the LTNCDs shall be redeemed by the Parent Company on maturity date at an amount equal to one hundred percent (100.00%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.

(4) The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of the Parent Company, enforceable according to these Terms and Conditions, and shall at all times rank pari passu and without any preference or priority among themselves and at least pari passu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

(5) Subject to the "Events of Default" in the Terms and Conditions, the LTNCDs cannot be pre-terminated at the instance of any CD Holder before Maturity Date. In the case of an event of default, none of the CD Holders may accelerate the CDs on behalf of other CD Holders, and a CD Holder may only collect from the Parent Company to the extent of his holdings in the CDs. However, the Parent Company may, subject to the General Banking Law of 2000, Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

(6) The LTNCDs are insured by the PDIC up to a maximum amount of ₱0.50 million subject to applicable laws, rules and regulations, as the same may be amended from time to time.

(7) Each Holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	**2015**
Savings	**₱1,940,283**	₱2,124,979	₱1,677,307	**₱1,904,459**	₱2,074,446	**₱1,646,552**
Time	**1,815,853**	798,894	463,980	**1,169,541**	431,161	**292,707**
LTNCDs	**933,632**	764,230	752,562	**933,631**	764,230	**752,563**
Demand	**104,459**	92,139	86,170	**97,167**	87,029	**81,898**
	₱4,794,227	₱3,780,242	₱2,980,019	**₱4,104,798**	₱3,356,866	**₱2,773,720**

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In 2017, 2016 and 2015, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱32.1 million, ₱25.3 million and ₱126.9 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱131.0 million and ₱97.9 million as of December 31, 2017 and 2016, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Derivative liabilities (Notes 23 and 36)	**₱343,522**	₱232,832	**₱343,416**	₱231,977

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Bills payable to:				
BSP and local banks (Note 34)	**₱41,435,696**	₱26,575,781	**₱39,167,156**	₱23,121,171
Foreign banks	**157,849**	7,632,548	**–**	9,188,027
Others	**91,255**	18,279	**1,761**	18,160
	41,684,800	34,226,608	**39,168,917**	32,327,358
Acceptances outstanding (Note 10)	**2,231,887**	1,659,340	**2,231,887**	1,659,340
	₱43,916,687	₱35,885,948	**₱41,400,804**	₱33,986,698

Foreign currency-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.05% to 3.61%, 0.30% to 1.75%, 0.05% to 2.00% in 2017, 2016 and 2015, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest of 0.63% in 2017, 2016 and 2015, respectively.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.8 billion as of December 31, 2015 which were applied against the principal component of the transferred receivables in May 2016 (Note 10).

Bills payable to foreign banks consist of various repurchase agreements and a three-year syndicated borrowing with carrying value of ₱7.4 billion as of December 31, 2016 and was pre-terminated on August 29, 2017.

Significant terms and conditions of the three-year syndicated borrowing include the following:

(1) The lenders agree to provide the Parent Company with a term loan facility of up to $150.00 million. The Parent Company must repay all utilized loans at April 24, 2018, the final maturity date, which is three years from the agreement date.

(2) The borrowing bears interest at 1.38% over USD LIBOR. The Parent Company may select an interest period of one or three months for each utilization, provided that the interest period for a utilization shall not extend beyond the final maturity date.

(3) The Parent Company shall ensure that so long as any amount is of the facility is utilized, the Common Equity Tier 1 Risk Weighted Ratio, the Tier 1 Risk Weighted Ratio, and the Qualifying Capital Risk Weighted Ratio will, at all times, be equal to or greater than the percentage prescribed by BSP from time to time. Failure to comply with such financial covenants will result to cancellation of the total commitments of the lenders and declare all or part of the loans, together with accrued interest, be immediately due and payable.

(4) The Parent Company may voluntarily prepay whole or any part of any loan outstanding and in integral multiples of $1.00 million, subject to prior notice of the Agent for not less than 15 business days. Prepayment shall be made on the last day of an interest period applicable to the loan. Mandatory prepayment may occur if a change of control or credit rating downgrade occurs. In this case, the lenders may cancel the facility and declare all outstanding loans, together with accrued interest, immediately due and demandable.

As of December 31, 2016, the Parent Company has complied with the above debt covenants.

As of December 31, 2016, the unamortized transaction cost of the syndicated borrowing amounted ₱32.7 million.

As of December 31, 2017, bills payable with a carrying amount of ₱35.4 billion is secured by a pledge of certain AFS investments with carrying value and fair value of ₱26.7 billion and ₱26.5 billion and HTM investments with carrying value and fair value of ₱16.5 billion and ₱17.8 billion, respectively (Note 9).

As of December 31, 2016, bills payable with a carrying amount of ₱20.6 billion is secured by a pledge of certain AFS investments with carrying value and fair value of ₱10.0 billion and ₱9.8 billion and HTM investments with carrying value and fair value of ₱14.5 billion and ₱15.3 billion, respectively (Note 9).

Following are the significant terms and conditions of the repurchase agreements entered into by the Parent Company:

(1) Each party represents and warrants to the other that it is duly authorized to execute and deliver the Agreement, and to perform its obligations and has taken all the necessary action to authorize such execution, delivery and performance;
(2) The term or life of this borrowing is up to three years;
(3) Some borrowings bear a fixed interest rate while others have floating interest rate;
(4) The Parent Company has pledged its AFS and HTM investments, in the form of ROP Global bonds, in order to fulfill its collateral requirement;
(5) Haircut from market value ranges from 15.00% to 25.00% depending on the tenor of the bond;
(6) Certain borrowings are subject to margin call of up to USD1.4 million; and
(7) Substitution of pledged securities is allowed if one party requested and the other one so agrees.

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Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
Bills payable	**₱600,334**	₱526,755	₱321,128	**₱507,332**	₱492,650	₱296,399
Subordinated debt (Note 21)	**75,314**	416,871	661,304	**75,314**	416,871	661,304
Others	**71,833**	53,995	47,563	**68,078**	50,088	45,470
	₱747,481	₱997,621	₱1,029,995	**₱650,724**	₱959,609	₱1,003,173

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Accrued taxes and other expenses	**₱4,690,580**	₱4,281,609	**₱4,129,687**	₱3,664,288
Accrued interest	**632,907**	662,017	**543,858**	567,327
	₱5,323,487	₱4,943,626	**₱4,673,545**	₱4,231,615

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Financial liabilities:				
Promotional expenses	**₱483,570**	₱405,651	**₱483,570**	₱405,651
Information technology-related expenses	**204,666**	122,039	**195,599**	120,719
Rent and utilities payable	**188,962**	324,878	**157,195**	284,826
Management, directors and other professional fees	**172,133**	110,611	**142,313**	93,689
Repairs and maintenance	**74,481**	60,640	**74,481**	60,640
	1,123,812	1,023,819	**1,053,158**	965,525
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**1,637,877**	1,506,395	**1,564,909**	1,475,124
PDIC insurance premiums	**660,290**	517,145	**589,876**	494,466
Other taxes and licenses	**539,720**	243,134	**337,765**	86,610
Employee benefits	**476,032**	373,167	**474,868**	343,008
Reinstatement premium	–	56,922	–	–
Other expenses	**252,849**	561,027	**109,111**	299,555
	3,566,768	3,257,790	**3,076,529**	2,698,763
	₱4,690,580	₱4,281,609	**₱4,129,687**	₱3,664,288

The Parent Company's accrued interest payable includes the transferred liabilities from Maybank amounting to ₱1.6 billion as of December 31, 2016 which were applied against the interest component of the transferred receivables in May 2016 (Note 10).

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

21. Subordinated Debt

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2017	Carrying Value 2016
May 9, 2012	May 9, 2022	₱3,500,000	5.875%	Quarterly	**₱–**	₱3,497,798
June 15, 2011	June 15, 2021	6,500,000	6.750%	Quarterly	**–**	–
		₱10,000,000			**₱–**	₱3,497,798

<u>5.875% ₱3.5 Billion Subordinated Notes</u>
On May 9, 2012, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱3.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.05%.

Significant terms and conditions of the subordinated notes follow:

(1) The 2012 Notes bear interest at the rate of 5.88% per annum from and including May 9, 2012 to but excluding May 9, 2022. Interest will be payable quarterly in arrears on the 9th of August, November, February and May of each year, commencing on May 9, 2012, unless the 2012 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on May 10, 2017, call option date.

(2) Each noteholder, by accepting the 2012 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2012 Notes.

In a resolution dated January 26, 2017, the BSP Monetary Board approved the request of the Parent Company to exercise its call option on the ₱3.5 Billion Subordinated Notes, subject to compliance of relevant regulations. The 2012 Notes was redeemed on May 10, 2017 at an amount equal to the aggregate issue price of the Notes plus accrued and unpaid interest thereon up to but excluding May 10, 2017.

<u>6.75% ₱6.5 Billion Subordinated Notes</u>
On May 15, 2011, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱6.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.94%.

Significant terms and conditions of the subordinated notes follow:

(1) The 2011 Notes bear interest at the rate of 6.75% per annum from and including June 15, 2011 to but excluding June 15, 2021. Interest will be payable quarterly in arrears on the 15th of September, December, March and June of each year, commencing on June 15, 2011, unless the 2011 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on June 16, 2016, call option date.

(2) Each noteholder, by accepting the 2011 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2011 Notes.

On June 16, 2016, the Parent Company exercised its call option and paid ₱6.5 billion to all noteholders as of June 1, 2016.

As of December 31, 2016, the unamortized transaction cost of subordinated debt amounted to ₱2.2 million.

In 2017, 2016 and 2015, amortization of transaction costs amounting to ₱2.2 million, ₱11.4 million and ₱16.9 million, respectively were charged to 'Interest expenses - bills payable and other borrowings' in the statement of income (Note 19).

22. Other Liabilities

This account consists of:

	Consolidated			Parent Company	
	December 31		January 1,	December 31	
	2017	2016 (As Restated - Note 2)	2016 (As Restated - Note 2)	**2017**	2016
Financial					
Accounts payable	**₱8,759,527**	₱7,841,009	₱6,825,663	**₱7,250,827**	₱6,375,193
Insurance contract liabilities	**4,929,392**	4,581,800	4,719,336	–	–
Bills purchased - contra (Note 10)	**1,324,447**	3,260,308	3,418,002	**1,323,896**	3,254,224
Manager's checks and demand drafts outstanding	**2,345,787**	1,174,872	937,799	**2,042,181**	1,003,755
Dormant credits	**1,094,176**	928,582	753,338	**1,011,224**	918,217
Due to other banks	**1,212,436**	923,777	461,100	**836,992**	763,046
Deposits on lease contracts	**773,020**	805,377	854,817	**47,022**	35,769
Accounts payable - electronic money	**643,000**	791,223	556,618	**630,249**	791,223
Payment order payable	**315,256**	292,336	407,196	**315,256**	292,336
Margin deposits and cash letters of credit	**55,058**	174,206	182,640	**55,058**	162,972
Commission payable	**74,094**	94,618	132,059	–	–
Transmission liability	**21,809**	31,732	24,976	–	–
Deposit for keys on safety deposit boxes	**14,403**	14,140	14,217	**14,403**	14,140
	21,562,405	20,913,980	19,287,761	**13,527,108**	13,610,875
Nonfinancial					
Retirement benefit liability (Note 29)	**1,526,962**	3,138,824	2,955,003	**1,485,426**	3,063,243
Provisions (Note 35)	**969,106**	1,300,290	898,737	**969,106**	1,300,290
Reserve for unearned premiums	**1,273,279**	1,075,732	1,191,405	–	–
Other deferred revenue (Note 12)	**866,473**	939,672	–	**866,473**	939,672
Due to Treasurer of the Philippines	**574,261**	543,002	438,943	**573,768**	542,501
Withholding tax payable	**283,471**	230,044	224,523	**254,164**	220,859
Deferred tax liabilities (Note 31)	**157,511**	152,532	152,585	–	–
SSS, Philhealth, Employer's Compensation Premiums and Pag-IBIG Contributions Payable	**27,571**	28,327	29,092	**26,792**	27,404
Miscellaneous	**678,295**	439,699	786,576	**331,507**	323,116
	6,356,929	7,848,122	6,676,865	**4,507,236**	6,417,085
	₱27,919,334	₱28,762,102	₱25,964,626	**₱18,034,343**	₱20,027,960

Other deferred revenue pertains to the allocated portion of the consideration received for the disposal of APLII related to the Exclusive Distribution Right (Note 12). In 2017 and 2016, amortization of other deferred revenue amounting to ₱73.2 million and ₱36.6 million, respectively, were recognized under 'Service fees and commission income.'

'Miscellaneous' of the Group and the Parent Company include interoffice floats, remittance - related payables, overages, advance rentals and sundry credits.

23. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments entered into by the Group, recorded as derivative assets or derivative liabilities, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2017 and 2016 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	2017			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	**₱11,347**	**₱87,446**	**50.44**	**573,545**
JPY	**8,413**	**44,371**	**0.01**	**16,555,042**
HKD	**1,548**	**102**	**0.13**	**211,050**
CAD	**108**	–	**0.78**	**1,258**
GBP	**72**	–	**1.34**	**518**
EUR	**98**	–	**1.19**	**3,328**
SGD	**3**	–	**0.75**	**50**
SELL:				
USD	**222,225**	**4,382**	**50.44**	**680,164**
CAD	–	**328**	**0.79**	**2,705**
GBP	**142**	**857**	**1.34**	**6,560**
CHF	**28**	–	**1.02**	**200**
HKD	**102**	**207**	**0.13**	**39,059**
EUR	–	**891**	**1.19**	**2,990**
JPY	**33,105**	**529**	**0.01**	**6,766,560**
NZD	**13**	–	**0.71**	**150**
Interest rate swaps	**230,842**	**204,409**		
Warrants	**54,938**	–		
	₱562,984	**₱343,522**		

**The notional amounts and average forward rates pertain to original currencies.*

	Consolidated			
	2016			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱99	₱3,766	49.99	200,498
EUR	94	48	1.05	979
HKD	630	–	0.13	412,710
CAD	277	–	0.74	1,861
GBP	–	160	1.23	2,595
SELL:				
USD	46,155	10,601	49.85	382,664
CAD	873	258	0.74	4,263
GBP	5,227	–	1.24	9,550
SGD	–	361	0.69	5,573
HKD	–	1,032	0.13	144,748
EUR	740	–	1.05	4,000
JPY	45,957	504	0.01	16,524,949
AUD	483	–	0.74	450
Interest rate swaps	257,042	216,102		
Warrants	61,545	–		
	₱419,122	₱232,832		

**The notional amounts and average forward rates pertain to original currencies.*

(AMOUNTS IN THOUSAND PESOS EXCEPT WHEN OTHERWISE INDICATED

	Parent Company			
	2017			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	**₱9,701**	**₱87,446**	**50.44**	**378,100**
JPY	**8,411**	**44,371**	**0.01**	**16,554,145**
HKD	–	**102**	**0.13**	**15,605**
CAD	**108**	–	**0.78**	**1,258**
GBP	**72**	–	**1.34**	**518**
EUR	**2**	–	**1.19**	**105**
SGD	**3**	–	**0.75**	**50**
SELL:				
USD	**222,225**	**4,329**	**50.44**	**656,711**
CAD	–	**328**	**0.79**	**2,705**
GBP	**142**	**857**	**1.34**	**6,560**
CHF	**28**	**-**	**1.02**	**200**
HKD	**102**	**156**	**0.13**	**15,605**
EUR	–	**891**	**1.19**	**2,990**
JPY	**33,105**	**527**	**0.01**	**6,766,019**
NZD	**13**	**-**	**0.71**	**150**
Interest rate swaps	**230,842**	**204,409**		
Warrants	**54,938**	**-**		
	₱559,692	**₱343,416**		

The notional amounts and average forward rates pertain to original currencies.

	Parent Company			
	2016			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱–	₱3,766	49.99	196,998
CAD	277	–	0.74	1,861
GBP	–	160	1.23	2,595
HKD	520	–	0.13	58,154
EUR	–	48	1.05	358
SELL:				
USD	46,156	10,093	49.85	336,314
CAD	873	258	0.74	4,263
GBP	5,227	–	1.24	9,550
SGD	–	361	0.69	5,573
EUR	740	–	1.05	4,000
HKD	–	711	0.13	117,609
JPY	45,957	478	0.01	16,524,949
AUD	482	–	0.74	450
Interest rate swaps	257,042	216,102		
Warrants	61,545	–		
	₱418,819	₱231,977		

The notional amounts and average forward rates pertain to original currencies.

As of December 31, 2017 and 2016, the Parent Company holds 306,405 shares of ROP Warrants Series B1 at their fair value of USD1.1 million and USD1.2 million, respectively.

The table below shows the rollforward analysis of net derivatives assets (liabilities) as of December 31, 2017 and 2016:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Balance at the beginning of the year:				
Derivative assets	**₱419,122**	₱181,348	**₱418,819**	₱181,142
Derivative liabilities	**232,832**	135,193	**231,977**	135,009
	186,290	46,155	**186,842**	46,133
Changes in fair value				
Currency forwards and spots*	**136,382**	(723,245)	**132,644**	(723,245)
Interest rate swaps and warrants**	**(7,965)**	25,174	**(7,965)**	25,174
	128,417	(698,071)	**124,679**	(698,071)
Availments (Settlements)	**(95,246)**	838,206	**(95,246)**	838,780
Balance at end of year:				
Derivative assets	**562,984**	419,122	**559,692**	418,819
Derivative liabilities	**343,522**	232,832	**343,416**	231,977
	₱219,462	₱186,290	**₱216,276**	₱186,842

* *Presented as part of 'Foreign exchange gains - net'.*
** *Recorded under 'Trading and investment securities gains - net' (Note 9)*

24. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated					
	2017			2016 (As Restated)		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱12,391,139**	**₱–**	**₱12,391,139**	₱11,014,663	₱–	₱11,014,663
Due from BSP	**108,743,985**	–	**108,743,985**	127,337,861	–	127,337,861
Due from other banks	**22,025,322**	–	**22,025,322**	22,709,805	–	22,709,805
Interbank loans receivable	**12,837,721**	–	**12,837,721**	7,791,108	–	7,791,108
Securities held under agreements to resell	**14,621,483**	–	**14,621,483**	1,972,310	–	1,972,310
Financial assets at FVPL	**2,882,395**	–	**2,882,395**	1,913,864	–	1,913,864
AFS investments - gross (Note 9)	**4,526,929**	**65,936,118**	**70,463,047**	1,891,137	66,325,077	68,216,214
HTM investments	–	**26,805,131**	**26,805,131**	–	24,174,479	24,174,479
Loans and receivables - gross (Note 10)	**202,376,074**	**316,402,283**	**518,778,357**	176,236,423	267,653,955	443,890,378
Other assets - gross (Note 15)	**699,288**	**46,197**	**745,485**	482,548	85,719	568,267
	381,104,336	**409,189,729**	**790,294,065**	351,349,719	358,239,230	709,588,949
Nonfinancial Assets						
Property and equipment - gross (Note 11)	–	**25,866,409**	**25,866,409**	–	24,495,308	24,495,308
Investments in Subsidiaries and an Associate - gross (Note 12)	–	**2,363,757**	**2,363,757**	–	2,556,737	2,556,737
Investment properties - gross (Note 13)	–	**20,339,032**	**20,339,032**	–	21,371,531	21,371,531
Deferred tax assets	–	**1,695,480**	**1,695,480**	–	1,482,029	1,482,029
Goodwill (Note 14)	–	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets (Note 14)	–	**6,873,305**	**6,873,305**	–	4,528,994	4,528,994
Residual value of leased assets (Note 10)	**292,000**	**383,327**	**675,327**	249,923	457,969	707,892
Other assets - gross (Note 15)	**7,203,305**	**1,978,533**	**9,181,838**	5,620,466	1,673,387	7,298,551
	7,495,305	**72,875,251**	**80,370,556**	5,870,389	69,941,362	75,816,449

(Forward)

	Consolidated					
	2017			2016 (As Restated)		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Assets of disposal group classified as held for sale (Note 37)	₱–	₱–	₱–	₱–	₱–	₱–
Less: Allowance for impairment and credit losses (Note 16)			20,591,233			20,063,525
Unearned and other deferred income (Note 10)			1,553,108			1,489,955
Accumulated amortization and depreciation (Notes 11, 13 and 14)			12,365,798			9,870,283
			₱836,154,481			₱753,981,635
Financial Liabilities						
Deposit liabilities	₱553,599,950	₱84,320,307	₱637,920,257	₱537,325,097	₱33,178,290	₱570,503,387
Financial liabilities at FVPL	343,522	–	343,522	232,832	–	232,832
Bills and acceptances payable	36,811,547	7,105,140	43,916,687	25,066,507	10,819,441	35,885,948
Subordinated debt	–	–	–	–	3,497,798	3,497,798
Accrued interest payable (Note 20)	632,907	–	632,907	662,017	–	662,017
Accrued other expenses payable (Note 20)	1,123,812	–	1,123,812	1,023,819	–	1,023,819
Other liabilities (Note 22):						
Accounts payable	8,725,544	33,983	8,759,527	7,813,310	27,699	7,841,009
Insurance contract liabilities	4,929,392	–	4,929,392	4,565,925	15,875	4,581,800
Bills purchased – contra	1,324,447	–	1,324,447	3,260,308	–	3,260,308
Managers' checks and demand drafts outstanding	2,345,787	–	2,345,787	1,174,872	–	1,174,872
Dormant credits	1,094,176	–	1,094,176	928,582	–	928,582
Due to other banks	1,212,436	–	1,212,436	923,777	–	923,777
Deposit on lease contracts	316,246	456,774	773,020	268,754	536,623	805,377
Accounts payable – electronic money	643,000	–	643,000	791,223	–	791,223
Payment order payable	315,256	–	315,256	292,336	–	292,336
Margin deposits and cash letters of credit	55,058	–	55,058	174,206	–	174,206
Commission payable	74,094	–	74,094	94,618	–	94,618
Transmission liability	21,809	–	21,809	31,732	–	31,732
Deposit for keys on safety deposit boxes	14,403	–	14,403	14,140	–	14,140
	612,554,926	92,944,664	705,499,590	583,727,217	48,992,564	632,719,781
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	3,566,768	–	3,566,768	3,257,790	–	3,257,790
Income tax payable	993,245	–	993,245	195,240	–	195,240
Other liabilities (Note 22)	2,858,729	3,498,200	6,356,929	2,890,471	4,957,651	7,848,122
	7,418,742	3,498,200	10,916,942	6,343,501	4,957,650	11,301,151
Liabilities of disposal group classified as held for sale (Note 37)	–	–	–	–	–	–
	₱621,002,128	₱95,414,404	₱716,416,532	₱590,070,718	₱53,950,214	₱644,020,932

	Parent Company					
	2017			2016 (As Restated)		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	₱11,671,952	₱–	₱11,671,952	₱10,626,525	₱–	₱10,626,525
Due from BSP	105,497,459	–	105,497,459	123,799,952	–	123,799,952
Due from other banks	10,755,260	–	10,755,260	12,831,514	–	12,831,514
Interbank loans receivable	11,083,515	–	11,083,515	7,907,366	–	7,907,366
Securities held under agreements to resell	14,621,483	–	14,621,483	1,972,310	–	1,972,310
Financial assets at FVPL	2,829,877	–	2,829,877	1,880,071	–	1,880,071
AFS investments - gross (Note 9)	2,367,334	65,310,618	67,677,952	1,612,001	65,082,954	66,694,955
HTM investments	–	26,680,483	26,680,483	–	24,074,898	24,074,898
Loans and receivables - gross (Note 10)	185,404,588	271,855,633	457,260,221	158,852,021	234,495,768	393,347,789
Other assets - gross (Note 15)	685,979	500	686,479	467,146	64,131	531,277
	344,917,447	363,847,234	708,764,681	319,948,906	323,717,751	643,666,657
Nonfinancial Assets						
Property and equipment– gross (Note 11)	–	23,331,758	23,331,758	–	22,275,776	22,275,776
Investment properties– gross (Note 13)	–	20,051,634	20,051,634	–	20,968,723	20,968,723
Deferred tax assets	–	987,332	987,332	–	1,014,308	1,014,308
Investments in Subsidiaries and an Associate (Note 12)	–	28,407,414	28,407,414	–	28,379,668	28,379,668

(Forward)

	Parent Company					
	2017			2016 (As Restated)		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Goodwill (Note 14)	₱–	₱13,515,765	₱13,515,765	₱–	₱13,515,765	₱13,515,765
Intangible assets (Note 14)	–	6,662,558	6,662,558	–	4,395,964	4,395,964
Other assets– gross (Note 15)	8,153,885	860,282	9,014,167	6,123,328	636,357	6,759,685
	8,153,885	93,816,743	101,970,628	6,123,328	91,166,754	97,290,092
Asset of disposal group classified as held for sale (Note 37)	–	–	–	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			19,300,816			19,174,735
Unearned and other deferred income (Note 10)			1,241,587			1,116,929
Accumulated amortization and depreciation (Notes 11, 13 and 14)			11,422,607			9,159,530
			₱778,770,299			₱711,525,355
Financial Liabilities						
Deposit liabilities	₱545,272,109	₱ 51,132,929	₱596,405,038	₱501,442,928	₱40,747,695	₱542,190,623
Financial liabilities at FVPL	343,416	–	343,416	231,977	–	231,977
Bills and acceptances payable	34,792,160	6,608,644	41,400,804	21,876,831	12,109,867	33,986,698
Subordinated debt	–	–	–	–	3,497,798	3,497,798
Accrued interest payable (Note 20)	527,073	16,785	543,858	567,327	–	567,327
Accrued other expenses payable (Note 20)	1,053,158	–	1,053,158	965,525	–	965,525
Other liabilities (Note 22):						
Accounts payable	7,250,827	–	7,250,827	6,375,193	–	6,375,193
Bills purchased - contra	1,323,896	–	1,323,896	3,254,224	–	3,254,224
Managers' checks and demand drafts outstanding	2,042,181	–	2,042,181	1,003,755	–	1,003,755
Dormant credits	–	1,011,224	1,011,224	1,731	916,486	918,217
Accounts payable - electronic money	630,249	–	630,249	791,223	–	791,223
Due to other banks	836,992	–	836,992	763,046	–	763,046
Payment order payable	315,256	–	315,256	292,336	–	292,336
Margin deposits and cash letters of credit	55,058	–	55,058	162,972	–	162,972
Deposit on lease contracts	–	47,022	47,022	–	35,769	35,769
Deposit for keys on safety deposit boxes	14,403	–	14,403	14,140	–	14,140
	594,456,778	58,816,604	653,273,382	537,743,208	57,307,615	595,050,823
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	3,076,529	–	3,076,529	2,698,763	–	2,698,763
Income tax payable	833,708	–	833,708	60,898	–	60,898
Other liabilities	1,243,141	3,264,095	4,507,236	1,619,828	4,797,258	6,417,086
	5,153,378	3,264,095	8,417,473	4,379,489	4,797,258	9,176,747
	₱599,610,156	₱62,080,699	₱661,690,855	₱542,122,697	₱62,104,873	₱604,227,570

25. Equity

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares	Amount
Common - ₱40 par value		
Authorized	1,750,000,001	₱70,000,000
Issued and outstanding		
Balance at the beginning and end of the year	1,249,139,678	49,965,587

The Parent Company shares are listed in the PSE. As of December 31, 2017 and 2016, the Parent Company had 37,401 and 29,953 stockholders, respectively.

On January 17, 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001. The increase in authorized common shares is intended to accommodate the issuance of the Parent Company of common shares to ABC shareholders relative to the business combination.

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Prior to conversion to common shares, the preferred shares had the following features:

a. Non-voting, non-cumulative, fully participating on dividends with the common shares;
b. Convertible, at any time at the option of the holder who is qualified to own and hold common shares on a one (1) preferred share for one (1) common share basis;
c. With mandatory and automatic conversion into common shares upon the sale of such preferred shares to any person other than the NG or any other government agency or GOCC's; and
d. With rights to subscribe to additional new preferred shares with all of the features described above, in the event that the Bank shall offer new common shares for subscription, in such number corresponding to the number of shares being offered.

In February 2014, the Bank successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱71.0 each. The Rights Shares were offered to all eligible shareholders of the Bank at the proportion of fifteen (15) Rights Shares for every one hundred (100) common shares as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Bank. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Bank. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. It also strengthened the Bank's capital position under the Basel III standards, which took effect on January 1, 2014.

Surplus amounting to ₱7.7 billion and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱2.2 billion as of December 31, 2017 and 2016 which represent the balances of accumulated translation adjustment (₱1.6 billion), accumulated equity in net earnings (₱0.6 billion)and revaluation increment from land (₱7.7 billion) that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP.

<u>Accumulated Translation Adjustment</u>
As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion. The SEC approval is subject to the following conditions: (a) remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of Capital paid in excess of par value in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC; and (b) for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

<u>Surplus Reserves</u>
The surplus reserves consist of:

	2017	2016
Reserve for trust business (Note 33)	**₱517,605**	₱493,658
Reserve for self-insurance	**80,000**	80,000
	₱597,605	₱573,658

Reserve for self-insurance, contingencies and other account represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

<u>Other Equity Reserves</u>
On August 26, 2016, the Parent Company's BOD approved the grant of centennial bonus to its employees, officers and directors on record as of July 22, 2016, in the form of the Parent Company's shares of stock to be sourced from open market at fair value. Acquisition and distribution of the estimated 3.0 million shares shall be done based on a predetermined schedule over a period of five years, and are subject to service conditions. The grant is accounted for as equity-settled share-based payments. Grant date is April 27, 2017. Fair value per share at grant date is ₱65.20. The Parent Company recognized other employee benefit expense in relation to the grant of centennial bonus amounting to ₱77.7 million and ₱105.7 million in 2017 and 2016, respectively, in the statement of income and a corresponding increase in equity of the same amount in the statement of financial position. In 2017, the Group awarded 1.12 million centennial bonus shares and applied the settlement of the award against 'Other Equity Reserves' amounting to ₱113.2 million.

<u>Capital Management</u>
The primary objectives of the Parent Company's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods.

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

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

The BSP approved the booking of additional appraisal increment of ₱431.8 million in 2002 on properties and recognition of the same in determining the capital adequacy ratio, and booking of translation adjustment of ₱1.6 billion in 2002 representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2017 and 2016, CAR reported to the BSP, which considered combined credit, market and operational risk weighted asset (BSP Circular No. 538) are shown in the table below (amounts in millions).

	2017		2016	
Consolidated	**Actual**	**Required**	Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱112,344.77**		₱104,103.60	
Less: Regulatory Adjustments to CET 1	**23,401.42**		24,454.28	
CET1 Capital (Net)	**88,943.35**		79,649.32	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**88,943.35**		79,649.32	
Add: Tier 2 Capital	**4,696.48**		4,308.03	
Total qualifying capital	**₱93,639.83**	**₱61,010.62**	₱83,957.35	₱50,410.11
Risk weighted assets	**₱610,106.24**		₱504,101.07	
Tier 1 capital ratio	**14.58%**		15.80%	
Total capital ratio	**15.35%**		16.65%	

	2017		2016	
Parent			Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱108,605.50**		₱101,545.14	
Less: Regulatory Adjustments to CET 1	**47,409.15**		49,874.81	
CET1 Capital (Net)	**61,196.35**		51,670.33	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**61,196.35**		51,670.33	
Add: Tier 2 Capital	**4,228.83**		3,866.45	
Total qualifying capital	**₱65,425.18**	**₱54,377.23**	₱55,536.78	₱45,131.25
Risk weighted assets	**₱543,772.35**		₱451,312.51	
Tier 1 capital ratio	**11.25%**		11.45%	
Total capital ratio	**12.03%**		12.31%	

The Group and its individually regulated subsidiaries/operations have complied with all externally imposed capital requirement throughout the year.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular No. 781 sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

The Parent Company has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Surplus

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines. Surplus and Capital Paid in Excess of Par Value of the Parent Company amounting to 9.9 billion as of December 31, 2017 and 2016 which represents the balances of accumulated translation adjustment, accumulated equity in net earnings and revaluation increment from land that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP. Also, unrealized foreign exchange gains, except those attributable to cash and cash equivalents, unrealized actuarial gains, fair value adjustment or the gains arising from mark-to-market valuation, deferred tax asset recognized that reduced the income tax expense and increased the net income and retained earnings, adjustment due to deviation from PFRS/GAAP and other unrealized gains or adjustments, are excluded from the Bank's surplus available for dividend declaration.

A portion of a Group's surplus corresponding to the net earnings of the subsidiaries amounting to ₱3.3 billion and ₱2.8 billion as of December 31, 2017 and 2016, respectively, is not available for dividend declaration. The accumulated earnings become available for dividends upon receipt of cash dividends from subsidiaries.

Cash Dividends

On July 22, 2016, the BOD declared and approved cash dividend declaration of one peso (₱1.0) per share or a total of ₱1.3 billion out of the unrestricted surplus of the Parent Company as of March 31, 2016, to all stockholders of record as of August 19, 2016, and was paid on September 15, 2016. On August 19, 2016, the Parent Company received the approval from the BSP on the said dividend declaration.

Merger Incentives

In connection with the merger of the Parent Company with ABC, the BSP gave certain incentives and the more relevant incentives are:

(a) Recognition of the fair value adjustments under GAAP and RAP books;
(b) Full recognition of appraisal increment from the revaluation of premises, improvements and equipment in the computation of CAR.

Internal Capital Adequacy Assessment Process (ICAAP) Implementation

In compliance with BSP Circular 639, the Parent Company has adopted its live ICAAP Document for 2011 to 2013. However, the BOD and the Management recognized that ICAAP is beyond compliance, i.e. it is about how to effectively run the Parent Company's operations by ensuring that the Parent Company maintains at all times an appropriate level and quality of capital to meet its business objective and commensurate to its risk profile. In line with its ICAAP principles, the Parent Company shall maintain a capital level that will not only meet the BSP CAR requirement, but will also cover all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning/strategic management with risk management. The Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company complies with the required annual submission of updated ICAAP.

Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)	**2017**	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)
Return on average equity (a/b)	**7.10%**	6.67%	6.21%	**7.27%**	6.81%	6.20%
a) Net income	**₱8,156,545**	₱7,162,074	₱6,329,452	**₱8,160,563**	₱7,124,054	₱6,131,464
b) Average total equity	**114,849,326**	107,378,392	101,939,664	**112,188,614**	104,560,511	98,846,813
Return on average assets (c/d)	**1.03%**	1.00%	0.97%	**1.10%**	1.06%	1.01%
c) Net income	**₱8,156,545**	₱7,162,074	₱6,329,452	**₱8,160,563**	₱7,124,054	₱6,131,464
d) Average total assets	**795,068,058**	717,007,968	652,740,066	**745,147,826**	670,845,173	604,140,786
Net interest margin on average earning assets (e/f)	**3.12%**	3.16%	3.21%	**2.97%**	3.00%	3.15%

(Forward)

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	Consolidated			Parent Company		
	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)	**2017**	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)
e) Net interest income	**₱22,076,652**	₱19,566,502	₱17,691,839	**₱19,062,428**	₱17,057,909	₱15,712,416
f) Average interest earning assets	**707,087,648**	618,852,942	551,034,812	**642,325,579**	568,208,414	498,268,301

Note: Average balances were the sum of beginning and ending balances of the respective statement of financial position accounts as of the end of the year divided by two (2)

26. Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
Deposit-related	**₱875,642**	₱643,991	₱1,076,041	**₱853,030**	₱618,972	₱1,050,546
Remittance	**819,689**	830,032	739,779	**430,324**	460,899	363,822
Credit-related	**554,608**	503,891	500,852	**547,618**	498,514	479,174
Interchange fees	**503,133**	389,179	317,509	**503,133**	389,179	317,509
Underwriting fees	**389,283**	187,133	327,400	–	–	–
Trust fees (Note 33)	**300,047**	311,882	256,203	**300,047**	311,882	256,203
Commissions	**466,737**	448,089	820,497	**269,021**	305,574	685,396
Credit card-related	**185,637**	61,584	62,071	**185,637**	61,584	62,071
Miscellaneous	**86,085**	194,177	212,546	**41,973**	84,654	141,251
	₱4,180,861	₱3,569,958	₱4,312,898	**₱3,130,783**	₱2,731,258	₱3,355,972

Commissions include those income earned for services rendered on opening letters of credit, handling of collection items, domestic/export/import bills and telegraphic transfers and sale of demand drafts, traveler's checks and government securities.

The interchange fees and rewards revenue were generated from the credit card business acquired by the Parent Company through rewards revenue.

'Miscellaneous' includes income from security brokering activities and other fees and commission.

27. Net Insurance Premium and Benefits and Claims

Net Insurance Premium
This account consists of:

	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)
Gross earned premiums	**₱2,291,986**	₱2,348,900	₱2,432,737
Reinsurers' share of gross earned premiums	**(1,635,657)**	(1,723,973)	(1,890,813)
	₱656,329	₱624,927	₱541,924

Net Insurance Benefits and Claims
This account consists of:

	2017	2016 As Restated – Note 2)	2015 As Restated – Note 2)
Gross insurance contract benefits and claims paid	**₱428,225**	₱780,537	₱1,655,283
Reinsurers' share of gross insurance contract benefits and claims paid	**(86,845)**	(140,357)	(1,367,017)
Gross change in insurance contract liabilities	**147,880**	(201,403)	(530,579)
Reinsurers' share of change in insurance contract liabilities	**(168,563)**	(143,762)	662,863
	₱322,244	₱295,015	₱420,550

28. Miscellaneous Income and Expenses

Miscellaneous Income
This account consists of:

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
Rental income (Note 28)	**₱424,758**	₱376,631	₱338,055	**₱290,562**	₱275,317	₱266,067
Recoveries	**73,845**	405,363	162,430	**72,990**	251,805	90,179
Penalty charges	**59,574**	40,388	30,799	–	40,388	30,799
Dividends	**33,577**	17,854	22,190	**32,417**	14,716	18,338
Customs Fees	**15,966**	18,983	14,801	**15,966**	18,984	14,801
Sales deposit forfeiture	**5,064**	15,772	12,023	**5,064**	15,772	12,023
Referral and trust fees	**3,448**	2,811	2,382	–	–	–
Income from SPV	–	500,000	353,000	–	500,000	353,000
Recovery from insurance claim (Note 34)	–	–	709,160	–	–	709,160
Others	**277,285**	164,565	74,919	**175,042**	77,965	5,306
	₱893,517	₱1,542,367	₱1,719,759	**₱592,041**	₱1,194,947	₱1,499,673

'Others' consist of marketing allowance and income from wire transfers.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
Insurance	**₱1,428,680**	₱1,128,939	₱1,078,679	**₱1,287,724**	₱1,044,959	₱1,027,759
Secretarial, janitorial and messengerial	**1,283,655**	1,305,081	1,105,946	**1,199,446**	1,256,605	1,066,364
Marketing expenses	**928,613**	1,064,993	764,767	**836,491**	988,160	731,870
Information technology	**446,393**	499,319	489,036	**418,954**	471,262	465,872
Management and other professional fees	**431,312**	433,398	323,979	**359,078**	374,649	268,137
Travelling	**290,850**	248,433	229,251	**262,954**	223,896	209,116
Litigation expenses	**290,044**	323,726	235,526	**268,075**	304,783	224,669
Postage, telephone and cable	**187,953**	207,828	216,189	**132,872**	158,841	166,034
Entertainment and representation	**136,825**	99,024	86,095	**123,130**	89,944	72,799
Repairs and maintenance	**86,787**	82,113	81,711	**86,787**	82,113	81,711
Freight	**57,039**	45,727	34,195	**54,456**	43,986	32,556
Fuel and lubricants	**16,774**	21,237	25,476	**10,879**	17,521	24,275
Miscellaneous (Notes 13, 31 and 34)	**782,594**	682,926	648,694	**593,173**	547,469	540,824
	₱6,367,519	₱6,142,744	₱5,319,544	**₱5,634,019**	₱5,604,188	₱4,911,986

'Miscellaneous'also includes stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

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29. Retirement Plan

The Parent Company and certain subsidiaries of the Group, have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Retirement benefit liability (included in 'Other liabilities')	**₱1,526,962**	₱3,138,824	**₱1,485,426**	₱3,063,243
Net plan assets (included in 'Other assets')	**7,428**	2,714	**–**	–
	₱1,519,534	₱3,136,110	**₱1,485,426**	₱3,063,243

The Group's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2017 and 2016, the Parent Company has two separate regular retirement plans for the employees of PNB and ABC. In addition, the Parent Company provides certain post-employee benefit through a guarantee of a specified return on contributions in one of its employee investment plans (EIP).

The latest actuarial valuations for these retirement plans were made as of December 31, 2017. The following table shows the actuarial assumptions as of December 31, 2017 and 2016 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company					
			ABC		PNB		EIP	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Discount rate	**5.54%-5.91%**	5.06% - 5.31%	**5.54%**	5.17%	**5.54%**	5.17%	**5.54%**	5.17%
Salary rate increase	**5.00%-8.00%**	5.00% - 8.00%	**6.00%**	6.00%	**6.00%**	6.00%	**–**	–

The changes in the present value obligation and fair value of plan assets are as follows:

	Consolidated 2017											
		Net benefit costs*				Remeasurements in other comprehensive income						
	January 1, 2017	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan asset excluding amount included in net interest)**	**Actuarial changes Arising from demographic assumptions**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions by employer**	**December 31, 2017**
Present value of pension obligation	**₱7,512,542**	**₱550,064**	**₱387,047**	**₱937,111**	**(₱557,519)**	**₱–**	**(674,973)**	**(₱192,750)**	**(₱258,392)**	**(₱1,126,115)**	**₱–**	**₱6,766,019**
Fair value of plan assets	**4,376,432**	**–**	**226,243**	**226,234**	**(557,519)**	**(127,963)**	**–**	**–**	**–**	**(127,963)**	**1,329,292**	**5,246,485**
	₱3,136,110	**₱550,064**	**₱160,804**	**₱710,868**	**₱–**	**₱127,723**	**(674,973)**	**(₱192,750)**	**(₱258,392)**	**(₱1,002,182)**	**(₱1,329,292)**	**₱ 1,519,534**

**Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

	Consolidated 2016												
		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2016	Current service cost	Past Service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Others	Contributions by employer	December 31, 2016
Present value of pension obligation	₱6,823,317	₱533,442	₱–	₱326,287	₱859,729	(₱579,110)	₱–	(₱58,823)	₱467,429	₱408,606	₱–	₱–	₱7,512,542
Fair value of plan assets	3,871,359	–	–	186,219	186,219	(579,110)	(50,134)	–	–	(50,134)	–	948,098	4,376,432
	₱2,951,958	₱533,442	₱–	₱140,068	₱673,510	₱–	₱50,134	(58,832)	₱467,429	₱458,740	₱–	(₱948,098)	₱3,136,110

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

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Parent Company

2017

	January 1, 2017	Net benefit costs*: Current service cost	Net interest	Subtotal	Benefits paid	Remeasurement losses in other comprehensive income: Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2017
Present value of pension obligation	**₱7,320,262**	**₱519,965**	**₱377,257**	**₱897,222**	**(₱551,248)**	**₱–**	**(₱199,918)**	**(₱674,973)**	**(₱249,522)**	**(₱1,121,413)**	**₱–**	**₱6,544,823**
Fair value of plan assets	**4,257,019**	**–**	**220,088**	**220,088**	**(551,248)**	**(126,376)**	**–**		**–**	**(126,376)**	**1,259,914**	**5,059,397**
	₱3,063,243	**₱519,965**	**₱157,169**	**₱677,134**	**₱–**	**₱126,376**	**(₱196,918)**	**(₱674,973)**	**(₱249,522)**	**(₱995,037)**	**(₱1,259,914)**	**₱1,485,426**

**Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

Parent Company

2016

	January 1, 2016	Net benefit costs*: Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Remeasurement losses in other comprehensive income: Return on plan asset excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Others	Contributions by employer	December 31, 2016
Present value of pension obligation	₱6,666,412	₱492,729	₱–	₱319,738	₱812,467	(₱576,395)	₱–	(₱17,649)	₱435,427	₱417,778	₱–	₱–	₱7,320,262
Fair value of plan assets	3,776,677	–	–	181,658	181,658	(576,395)	(46,429)	–	–	(46,429)	–	921,508	4,257,019
	₱2,889,735	₱492,729	₱–	₱138,080	₱630,809	₱–	46,429	(₱17,649)	₱435,427	₱464,207	₱–	(₱921,508)	₱3,063,243

* *Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

The Group and the Parent Company expect to contribute ₱717.2 million and ₱684.5 million, respectively, to the defined benefit plans in 2018. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2017 is 10.5 years and 9.0 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Less than one year	**₱1,000,727**	₱347,321	**₱994,778**	₱341,323
More than one year to five years	**3,532,239**	1,671,800	**3,494,358**	1,646,006
More than five years to 10 years	**4,219,144**	3,393,078	**4,126,122**	3,338,327
More than 10 years to 15 years	**3,287,929**	4,877,000	**2,923,039**	4,687,986
More than 15 years	**10,419,581**	22,189,610	**7,201,910**	20,268,606

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Cash and cash equivalents	**₱1,793,329**	₱2,101,820	**₱1,755,075**	₱2,042,229
Equity investments				
Financial institutions (Note 34)	**448,357**	491,884	**445,454**	491,884
Others	**334,339**	8,346	**231,453**	5,440
Debt investment				
Private debt securities	**1,569,773**	1,373,837	**1,553,579**	1,354,853
Government securities	**976,062**	261,749	**958,308**	244,533
Investment in UITFs	**101,954**	122,356	**93,024**	101,572
Loans and receivables	**3,713**	3,713	**3,713**	3,713
Interest and other receivables	**21,016**	14,699	**20,767**	14,299
	5,248,543	4,378,404	**5,061,373**	4,258,523
Accrued expenses	**(2,058)**	(1,972)	**(1,976)**	(1,504)
	₱5,246,485	₱4,376,432	**₱5,059,397**	₱4,257,019

All equity and debt investments held have quoted prices in active markets. The remaining plan assets do not have quoted market prices in an active market, thus, their fair value is determined using the discounted cash flow methodology, using the Parent Company's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2017 and 2016 includes investments in the Parent Company shares of stock with fair value amounting to ₱445.5 million and ₱491.9 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

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The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2017			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱438,162)**	**+1.00%**	**(₱410,516)**
	-1.00%	**494,590**	**-1.00%**	**461,096**
Salary increase rate	**+1.00%**	**451,241**	**+1.00%**	**418,390**
	-1.00%	**(409,485)**	**-1.00%**	**(381,945)**
Employee turnover rate	**+10.00%**	**(105,324)**	**+10.00%**	**(91,209)**
	-10.00%	**105,324**	**-10.00%**	**91,209**

	2016			
	Consolidated		Parent Company	
	Possible fluctuations	Increase (decrease)	Possible fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱774,902)	+1.00%	(₱751,438)
	-1.00%	913,564	-1.00%	884,722
Salary increase rate	+1.00%	830,911	+1.00%	803,116
	-1.00%	(724,710)	-1.00%	(701,513)
Employee turnover rate	+10.00%	(66,070)	+10.00%	(52,572)
	-10.00%	66,070	-10.00%	52,572

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate and a 1.00% decrement in the discount rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate and a 1.00% increment in the discount rate.

The Group and the Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan assets of the Group and the Parent Company are allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

30. Leases

Operating Leases

Group as Lessee

The Parent Company leases the premises occupied by majority of its branches (about 31.97% of the branch sites are Parent Company-owned). Some of its subsidiaries also lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 25 years and are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 2.00% to 10.00%.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱787.1 million, ₱824.7 million and ₱881.5 million in 2017, 2016 and 2015, respectively, for the Group, of which ₱668.7 million, ₱787.7 million and ₱727.6 million in 2017, 2016, and 2015, respectively, pertain to the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follow:

	Consolidated		**Parent Company**	
	2017	2016	**2017**	2016
Within one year	**₱721,241**	₱439,613	**₱584,733**	₱319,498
Beyond one year but not more than five years	**1,575,142**	988,042	**1,329,240**	766,990
More than five years	**252,116**	280,004	**186,720**	212,890
	₱2,548,499	₱1,707,659	**₱2,100,693**	₱1,299,378

Group as Lessor

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5% per year). In 2017, 2016 and 2015, total rent income (included under 'Miscellaneous income') amounted to ₱424.8 million, ₱376.6 million and ₱338.1 million, respectively, for the Group and ₱290.6 million, ₱275.3 million and ₱266.1 million, respectively, for the Parent Company (Note 28).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		**Parent Company**	
	2017	2016	**2017**	2016
Within one year	**₱285,885**	₱313,458	**₱216,416**	₱164,501
Beyond one year but not more than five years	**521,046**	302,910	**488,264**	265,821
More than five years	**115,663**	34,849	**89,471**	16,155
	₱922,594	₱651,217	**₱794,151**	₱446,477

Finance Lease

Group as Lessor

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the bank's net investment outstanding in respect of the finance lease (EIR method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Future minimum lease receivables under finance leases are as follows:

	Consolidated		**Parent Company**	
	2017	2016	**2017**	2016
Within one year	**₱ 1,557,543**	₱1,738,954	**₱28,909**	₱23,509
Beyond one year but not more than five years	**1,308,300**	1,273,921	**43,000**	40,100
More than five years	**25,200**	36,500	**25,200**	36,500

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	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Gross investment in finance lease contracts receivable (Note 10)	**₱2,891,043**	₱3,049,375	**₱97,109**	₱100,109
Less amounts representing finance charges	**62,612**	355,743	**62,612**	56,880
Present value of minimum lease payments	**₱2,828,431**	₱2,693,632	**₱34,497**	₱43,229

31. Income and Other Taxes

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Effective November 1, 2005, Republic Act (RA) No. 9337, an act amending the National Internal Revenue Code (NIRC of 1997), provides that the RCIT rate shall be 30.00% and interest allowed as a deductible expenses shall be reduced by 33.00% of interest income subjected to final tax.

MCIT of 2.00% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the Parent Company and certain subsidiaries are allowed to deduct NOLCO from taxable income for the next three years from the period of incurrence.FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%. RA No. 9294 provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of:

	Consolidated			Parent Company		
	2017	2016 (As Restated – Note 2)	2015 (As Restated – Note 2)	**2017**	2016	2015
Current						
Regular	**₱1,898,387**	₱1,058,065	₱761,872	**₱1,577,777**	₱880,828	₱501,682
Final	**636,353**	665,615	543,084	**518,923**	429,058	512,401
	₱2,534,740	₱1,723,680	1,304,956	**2,096,700**	1,309,886	1,014,083
Deferred	**(212,527)**	(206,459)	314,538	**26,976**	(81,514)	96,238
	₱2,322,213	₱1,517,221	₱1,619,494	**₱2,123,676**	₱1,228,372	₱1,110,321

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Deferred tax asset on:				
Allowance for impairment, credit and other losses	**₱5,745,464**	₱5,142,623	**₱5,161,135**	₱4,695,139
Accumulated depreciation on investment properties	**523,003**	521,069	**514,119**	511,623
Deferred revenue	**98,819**	97,622	**98,819**	97,622
Pension	**56,239**	24,442	**–**	–
Deferred reinsurance on commission	**17,027**	13,382	**–**	–
Unrealized loss on AFS investment	**–**	1,116	**–**	830
Others	**96,843**	58,859	**8,904**	10,188
	6,537,395	5,859,113	**5,782,977**	5,315,402
Deferred tax liability on:				
Fair value adjustment on investment properties	**1,615,522**	1,448,798	**1,600,310**	1,448,798
Unrealized foreign exchange gains	**1,021,943**	664,971	**1,024,520**	665,237
Fair value adjustments due to business combination	**948,194**	1,043,112	**948,194**	1,043,112
Revaluation increment on land and buildings*	**736,436**	736,436	**736,436**	736,436
Unrealized trading gains on financial assets at FVPL	**164,480**	105,646	**164,480**	105,646
Deferred acquisition cost	**19,648**	19,354	**–**	–
Gain on remeasurement of previously held interest	**160,272**	160,272	**164,429**	164,429
Others	**193,132**	198,310	**139,749**	137,436
	4,842,100	4,376,899	**4,795,645**	4,301,094
	₱1,695,295	₱1,482,214	**₱987,332**	₱1,014,308

* *Balance includes DTL amounting to ₱736.4 million acquired from business combination*

As of December 31, 2017 and 2016, the Group's net deferred tax liabilities as disclosed in Other liabilities' (Note 22) include deferred tax liabilities on fair value adjustments due to business combination amounting to ₱148.3 million and on accelerated depreciation on property and equipment amounting to ₱9.3 million.

Benefit from deferred tax charged directly to OCI during the year follows:

	Consolidated			Parent Company		
	2017	2016	2015	**2017**	2016	2015
Net unrealized losses (gains) on AFS investments	**₱–**	₱286	₱2,887	**₱–**	₱–	₱2,887
Remeasurement losses on retirement plan	**554**	2,204	2,277	**–**	–	2,277

The movements in the net deferred tax assets of the Group include impact of CTA amounting to ₱8.2 million in 2016. The movements in the net deferred tax asset of the Parent Company include impact of CTA amounting to ₱3.7 million in 2016.

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Unrecognized Deferred Tax Assets
The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		**Parent Company**	
	2017	2016	**2017**	2016
Allowance for impairment and credit losses	**₱1,259,578**	₱1,676,551	**₱776,012**	₱1,112,654
Unamortized past service cost	**716,019**	603,280	**716,019**	603,280
Accrued expenses	**473,101**	442,562	**469,473**	442,537
Retirement liability	**445,628**	919,383	**445,628**	918,973
NOLCO	**430,886**	439,659	**–**	–
Unearned income	**106,881**	122,269	**106,881**	122,269
Derivative liabilities	**103,025**	69,593	**103,025**	69,593
Provision for IBNR	**46,645**	65,000	**–**	–
Other equity reserves	**21,064**	31,701	**21,064**	31,701
Conveyance of real estate inventories held for sale	**–**	34,321	**–**	34,321
Others	**5**	4,243	**–**	4,242
	₱3,602,832	₱4,408,562	**₱2,638,102**	₱3,339,570

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2014	₱263,581	₱4,231	₱170,349	Not applicable
2015	2,670	3,042	260,537	Not applicable
2016	2	2,668	–	2019
	₱266,253*	₱9,941	₱430,886	

The Group has net operating loss carryforwards for US federal tax purposes of USD6.2 million as of December 31, 2017 and 2016, respectively, and net operating loss carryforwards for California state tax purposes of USD4.1 million as of December 31, 2017 and 2016, respectively.

Unrecognized Deferred Tax Liabilities
As of December 31, 2017, there was a deferred tax liability of ₱698.8 million (₱727.2 million in 2016) for temporary differences of ₱2.2 billion (₱2.4 billion in 2016) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			**Parent Company**		
	2017	2016	2015	**2017**	2016	2015 (As Restated – Note 2)
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
FCDU income before tax	**(1.67)**	(3.68)	(4.62)	**(1.78)**	(3.78)	(5.10)
Net non-deductible expenses	**2.51**	6.90	10.14	**1.98**	6.23	8.12
Optional standard deduction	**(0.25)**	(0.02)	(0.38)	**–**	–	–
Tax-exempt income	**(4.11)**	(7.82)	(6.85)	**(3.49)**	(9.22)	(8.63)
Tax-paid income	**(6.76)**	(2.19)	(3.77)	**(6.80)**	(1.91)	(3.15)
Net unrecognized deferred tax assets	**2.44**	(3.80)	(3.70)	**0.73**	(3.88)	(5.91)
Effective income tax rate	**22.16%**	19.39%	20.82%	**20.64%**	17.44%	15.33%

Current tax regulations define expenses to be classified as entertainment, amusement and recreation (EAR) and set a limit for the amount that is deductible for tax purposes. EAR are limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expense' in the statements of income) amounted to ₱136.8 million in 2017, ₱99.02 million in 2016, and ₱86.1 million in 2015 for the Group, and ₱123.1 million in 2017, ₱89.9 million in 2016, and ₱72.8 million in 2015 for the Parent Company (Note 28).

32. Earnings Per Share

The following tables reflect the net income and share data used in the earnings per share computations:

Earnings per share attributable to equity holders of the Parent Company:

	2017	2016 (As Restated – Note 2)	2015
a) Net income attributable to equity holders of the Parent Company	**₱8,160,570**	₱7,123,952	₱6,131,365
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,140**	1,249,140	1,249,020
c) Basic/Diluted earnings per share (a/b)	**₱6.53**	₱5.70	₱4.91

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2017	2016 (As Restated – Note 2)	2015
a) Net income attributable to equity holders of the Parent Company	**₱8,160,570**	₱4,860,050	₱5,773,434
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,249,140**	1,249,140	1,249,140
c) Basic/Diluted earnings per share (a/b)	**₱6.53**	₱3.89	₱4.62

As of December 31, 2017, 2016 and 2015, there are no potential common shares with dilutive effect on the basic earnings per share.

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33. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱88.0 billion and ₱75.2 billion as of December 31, 2017 and 2016, respectively (Note 35). In connection with the trust functions of the Parent Company, government securities amounting to ₱1.0 billion and ₱924.8 million (included under 'AFS Investments') as of December 31, 2017 and 2016, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2017, 2016 and 2015 amounting to ₱300.0 million, ₱311.9 million and ₱256.2 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱23.9 million, ₱19.4 million and ₱16.6 million in 2017, 2016 and 2015, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital.

34. Related Party Transactions

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

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2017 and 2016, the Group and Parent Company were in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	Consolidated		Parent Company	
	2017	2016	**2017**	2016
Total Outstanding DOSRI Accounts*	**₱8,184,175**	₱11,900,939	**₱8,184,175**	₱11,900,939
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**1.71%**	2.89%	**1.94%**	3.23%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**1.71%**	2.89%	**1.94%**	3.23%
Percent of DOSRI accounts to total loans	**1.71%**	2.89%	**1.94%**	3.23%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.02%**	0.02%	**0.02%**	0.02%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.01%**	0.01%	**0.01%**	0.01%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	**0.01%**	0.01%	**0.01%**	0.01%

**Includes outstanding unused credit accommodations of ₱192.3 million as of December 31, 2017 and ₱178.7 million as of December 31, 2016.*

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10% of a bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

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

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

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	2017		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit Liabilities		**₱181,440**	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Interest expense	**₱1,880**		Interest expense on deposits
Net deposits	**61,366**		Net deposits during the period
Subsidiaries			
Receivables from customers		**2,263,933**	Term loan maturing in 2017 with 3.85% nominal rate;
Loan releases	**6,644,960**		Revolving credit lines with interest rate of 2.90%
Loan collections	**6,395,361**		maturity of three months; Unsecured
Loan commitments		**9,344,497**	Omnibus line; credit line
Interbank loans receivable		**126,739**	Foreign currency-denominated interbank term loans
Availments	**2,536,360**		with interest rates ranging from 0.65% to 1.00% and
Settlements	**2,526,014**		maturity terms ranging from 33 to 172 days
Due from other banks		**360,954**	Foreign currency-denominated demand and time deposits and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50%
Accrued interest receivable		**3,620**	Interest accrual on receivables from customers and interbank loans receivable
Dividend Receivable		**20,000**	Dividend declaration of subsidiaries
Accounts Receivable		**186,863**	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		**4,827,320**	Peso and foreign currency denominated demand, savings, and time deposits with annual fixed interest rates ranging from 0.01% to 1.10% and maturities from 8 to 297 days

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Category	Amount/ Volume (2017)	Outstanding Balance (2017)	Nature, Terms and Conditions (2017)
Net withdrawals	**₱637,902**		Net withdrawals during the period
Bills payable		**₱186,591**	Foreign currency-denominated bills payable with interest rates ranging from 0.87% to 1.90% and maturity terms ranging from 30 to 172 days
Availments	**2,743,583**		
Settlements	**4,333,988**		
Due to other banks		**32,238**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accounts Payable		**29**	Loan repayments received on behalf of subsidiary clients
Accrued interest payable		**12,306**	Accrued interest on deposit liabilities and bills payable
Rental deposit		**11,292**	Advance rental deposit received for 2 years and 3 months
Interest income	**59,979**		Interest income on receivable from customers, due from other banks and interbank loans receivable
Interest expense	**83,717**		Interest expense on deposit liabilities and bills payable
Rental income	**47,732**		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Securities transactions			
Purchases	**1,710,647**		Outright purchase of securities
Sales	**763,355**		Outright sale of securities
Trading loss	**17,443**		Loss from sale of investment securities
Affiliates			
Receivables from customers		**23,881,936**	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.82% to 6.00% with maturity terms ranging from 90 days to 12 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	**20,063,712**		
Loan Collections	**16,162,613**		
Loan commitments		**13,836,350**	Omnibus line; credit line
Investment in non-marketable equity securities		**20,000**	Common shares with acquisition cost of ₱100.00 per share
Sales contract receivable		**432,377**	Parent Company's investment properties on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	**1,825,274**		
Accrued interest receivable		**1,441**	Accrued interest on receivables from customers
Rental deposits		**10,171**	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		**13,496,612**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.75% and maturity terms ranging from 30 days to 365 days
Net deposits	**2,578,242**		Net deposits during the period
Accrued interest payable		**35**	Accrued interest payable from various deposits
Other liabilities		**4**	Various manager's check related to EISP and premium insurance
Accrued other expenses		**353,658**	Accruals in relation to promotional expenses
Interest income	**609,817**		Interest income on receivable from customers
Interest expense	**75,798**		Interest expense on deposit liabilities
Service fees and commission income	**124,743**		Bancassurance fees earned based on successful referrals and other milestones
Rental expense	**17,924**		Monthly rent payments with term ranging from 24 to 240 months

(Forward)

Category	Amount/ Volume (2017)	Outstanding Balance (2017)	Nature, Terms and Conditions (2017)
Miscellaneous expenses	**₱306,566**		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	**1,216**		Outright purchase of securities
Sales	**31,500**		Outright sale of securities
Trading gains	**2**		Gain from sale of investment securities
Associate			
Deposit liabilities		**₱337,471**	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Rental deposits		**27**	Advance rental and security deposits received for three months
Deferred income		**988,187**	Unamortized portion of income related to the sale of PNB Life
Interest expense	**650**		Interest expense on deposit liabilities
Service fees and commission income	**197,942**		Bancassurance fees earned based on successful referrals and income related to the sale of PNB Life

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Category	Amount/ Volume (2017)	Outstanding Balance (2017)	Nature, Terms and Conditions (2017)
Key Management Personnel			
Loans to officers		**12,743**	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	**2,197**		Settlement of loans and interest
Other equity reserves		**77,651**	Other employee benefit expense in relation to the grant of centennial bonus based on ₱70.0 per share
Transactions of subsidiaries with other related parties			
Due from banks		**1,129,366**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Accued interest receivable		**837**	Interest accrual on receivables from customers and sales contract receivable
Deposit liabilities		**1,970,230**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Other liabilities		**86**	Various manager's checks
Interest income	**18,588**		Interest income on receivable from customers
Interest expense	**36,572**		Interest expense on bills payable

Category	Amount/ Volume (2016)	Outstanding Balance (2016)	Nature, Terms and Conditions (2016)
Significant Investors			
Deposit Liabilities		₱120,074	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Interest expense	₱5,633		Interest expense on deposits
Net withdrawals	110,585		Net withdrawals during the period
Subsidiaries			
Receivables from customers		2,014,333	Term loan maturing in 2017 with 3.85% nominal rate; Revolving credit lines with interest rate of 2.90% maturity of three months; Unsecured
Loan releases	6,876,000		
Loan collections	6,740,334		
Loan commitments		7,433,296	Omnibus line; credit line
Interbank loans receivable		116,393	Foreign currency-denominated interbank term loans with interest rates ranging from 0.20% to 0.30% and maturity terms ranging from 30 to 150 days
Availments	1,349,191		
Settlements	1,390,990		

(Forward)

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	2016		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Due from other banks		₱428,290	Foreign currency-denominated demand deposits and time deposits with maturities of up to 90 days with annual fixed interest rates ranging from 0.01% to 4.50%
Accrued interest receivable		2,849	Interest accrual on receivables from customers and interbank loans receivable
Deposit liabilities		5,465,222	Peso and foreign currency denominated demand, savings and time deposits with annual fixed interest rates ranging from 0.125% to 1.125% and maturities from 30 to 365 days
Net withdrawals	₱501,832		Net withdrawals during the period
Bills payable		1,776,997	Foreign currency-denominated bills payable with interest rates ranging from 0.20% to 2.00% and maturity terms ranging from 30 to 183 days
Availments	1,971,729		
Settlements	2,097,198		
Due to other banks		45,211	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accrued interest payable		9,261	Accrued interest on deposit liabilities and bills payable
Rental deposit		10,900	Advance rental deposit received for 2 years and 3 mos.
Interest income	75,684		Interest income on receivable from customers, due from other banks and interbank loans receivable
Interest expense	149,832		Interest expense on deposit liabilities and bills payable
Rental income	55,003		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Securities transactions			
Purchases	1,549,350		Outright purchase of securities
Sales	1,218,139		Outright sale of securities
Trading loss	965		Loss from sale of investment securities
Affiliates			
Receivables from customers		19,404,084	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.82% to 6.00% with maturity terms ranging from 90 days to 12 years and payment terms of ranging from monthly to quarterly payments.
Loan releases	14,798,065		
Loan Collections	13,248,403		
Loan commitments		2,941,216	Omnibus line; credit line
Investment in non-marketable equity securities		269,719	Common shares with acquisition costs ranging from ₱5.00 to ₱100.00 per share
Sales contract receivable		2,257,651	Purchase of the Parent Company's investment properties on installment; secured with interest rate of 6.00%, maturity of five years
Accrued interest receivable		26,739	Accrued interest on receivables from customers
Rental deposits		10,171	Advance rental and security deposits received for two months, three months and two years
Operating lease		7,575	Lease contract for 5 years
Deposit liabilities		₱10,918,370	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.10% to 1.75% and maturity terms ranging from 30 days to 365 days
Net deposits	3,499,520		Net deposits during the period
Accrued interest payable		52	Accrued interest payable from various deposits
Interest income	388,599		Interest income on receivable from customers
Interest expense	75,633		Interest expense on deposit liabilities
Gain on sale of investment property	1,281,742		20.00% to 30.00% downpayment; 80.00% to 70.00% balance payable in 5 years. Interest-bearing at 6.00%
Rental income	53,253		Monthly rent income from related parties

(Forward)

	2016		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Rental expense	₱13,213		Monthly rent payments with term ranging from 24 to 240 months
Miscellaneous expense	438		Claims expense, comprehensive insurance, service and referral fees
Securities transactions			
Purchases	1,216		Outright purchase of securities
Sales	1,216		Outright sale of securities
Trading gains	–		Gain from sale of investment securities
Associate			
Deposit liabilities		₱352,146	Peso-denominated and foreign currency-denominated demand, savings and time deposits with annual interest rates ranging from 0.125% to 2.00% and maturity terms ranging from 30 days.
Other liabilities		115	Various manager's check related premium insurance
Interest expense	29,440		Interest expense on deposit liabilities
Rental income	10,158		Rental income from a five-year lease agreement, monthly rental subject to 5% escalation rate
Key Management Personnel			
Loans to officers		14,941	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	2,057		Settlement of loans and interest
Other equity reserves		105,670	Other employee benefit expense in relation to the grant of centennial bonus based on ₱70.0 per share
Transactions of subsidiaries with other related parties			
Due from banks		940,860	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Deposit liabilities		940,053	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Other liabilities		1,133	Various manager's check
Interest income	4,524		Interest income on receivable from customers
Interest expense	19,051		Interest expense on bills payable
Miscellaneous income	5		Premiums collected

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2017 and 2016 in relation to amounts due from related parties.

Outsourcing Agreement between the Parent Company and PNB GRF

The 'Pangarap Loans', which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. On March 19, 2004, the Parent Company and PNB GRF entered into an agreement where the Parent Company agreed to undertake all impaired Pangarap Loans of PNB GRF. PNB GRF transfers the impaired loans at their carrying values on a quarterly basis or when aggregate carrying value of the impaired loans amounts to HK$2.0 million, whichever comes earlier. Subject to BOD approval, PNB GRF regularly declares special dividends (recognized as a liability). These special dividends are being offset against the intercompany receivables from the Parent Company.

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Financial Assets at FVPL traded through PNB Securities
As of December 31, 2017 and 2016, the Parent Company's financial assets at FVPL include equity securities traded through PNB Securities with a fair value of ₱28.6 million and ₱27.2 million, respectively. The Parent Company recognized trading losses amounting to ₱16.6 million in 2017 and ₱13.5 million in 2016 and trading gains amounting to ₱7.2 million in 2015 from the trading transactions facilitated by PNB Securities.

Investment in OHBVI
The Group accounts for its investments in OHBVI as a subsidiary although the Group holds less than 50.00% of OHBVI's issued share capital on the basis of the voting rights of 42.78% assigned by certain stockholders to the Parent Company under a voting trust agreement. There are no other transactions with OHBVI during the year.

Compensation of Key Management Personnel
The compensation of the key management personnel for the Group and Parent Company follows:

	2017	2016	2015
Short-term employee benefits	**₱661,253**	₱581,302	₱589,199
Post-employment benefits	**60,554**	61,544	51,365
	₱721,807	₱642,846	₱640,564

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2017 and 2016, total per diem given to the BOD amounted to ₱39.4 million and ₱43.2 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all PNB Board activities and membership of committees and subsidiary companies. In 2017, Key Management Personnel received 43,803 Parent Bank Shares in relation to the centennial bonus distribution.

Joint Arrangements
The Parent Company and EPPI signed two Joint Venture Agreement (JVA) for the development of two real estate properties of the Parent Company included under 'Other assets' and with carrying values of ₱1.2 billion. EPPI and the Group are under common control. These two projects are among the Parent Company's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the Joint Venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and EPPI in accordance with the terms of the JVAs. These Joints Arrangements qualify as Joint Operations under PFRS 11.

In July 2016, the Bank executed deeds of conveyance to EPPI on the areas of the land under the JVA arrangement. The execution of the deeds of conveyance was made to facilitate the issuance of the condominium certificates of title to the buyers.

Outsourcing Agreement between the Parent Company and PNB SB
PNB SB entered into a "Deed of Assignment" with the Parent Company for the purchase, on a without recourse basis, housing (including contract-to-sell loans) and motor vehicle loans with a total carrying value of ₱5.2 billion in July and August 2016 and ₱5.0 billion on July 15, 2015. The purchase includes the assignment of the promissory notes and other relevant credit documents as well as collateral/s and other accessory contract thereto and was implemented in tranches in various dates. The total consideration paid for the purchased loans amounted to ₱5.0 billion in 2016. In 2016, the Parent Company recognized gain of ₱18.3 million.

PNB SB and the Parent Company entered into a servicing agreement pertaining to the purchased loan portfolio. The agreement shall be valid and binding until terminated by the either party if so required by the BSP or upon a 60-day prior written notice to the other party. As to the amount of service fee, the Parent Company shall charge PNB SB with the amount it charges it customers.

Service charges pertain to outsourced services rendered by the Parent Company, including legal and information technology services. These are payable on a monthly basis.

PNB SB has available credit lines with the Parent Company amounting to ₱750 million and ₱1.3 billion as of December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the credit lines remain undrawn.

Claim from PNB Gen
In 2015, the Parent Company recognized income amounted to ₱716.2 million under 'Miscellaneous income' arising from the fire insurance claims of the Parent Company from PNB Gen on involving the Ever Gotesco Grand Central ('Insured Property') which was mortgaged to the Parent Company by Gotesco Investment, Inc. and Ever Emporium, Inc. (collectively 'Ever Gotesco Group') to secure certain credit accommodations. The insurable interest of the Parent Company (as mortgagee) was insured with PNB Gen. The Insured Property was razed by fire on March 19, 2012, which justified the payment by PNB Gen of the insurance claims of the Parent Company, after the Court cleared the legal issues between PNB and Ever Gotesco Group that might potentially bar the payment thereof.

Transactions with Retirement Plans
Management of the retirement funds of the Group and the Parent Company is handled by the PNB Trust Banking Group (TBG). The fair values and carrying values of the funds of the Parent Company amounted to ₱5.2 billion and ₱4.4 billion as of December 31, 2017 and 2016, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		**Parent Company**	
	2017	2016	**2017**	2016
Investment in PNB Shares	**₱445,454**	₱491,884	**₱445,454**	₱491,884
Deposits with PNB	**63,387**	330,716	**58,332**	330,678
Investment in UITFs	**201,021**	122,306	**93,025**	101,572
Total Fund Assets	**₱709,862**	₱904,906	**₱596,811**	₱924,134
Unrealized gain (loss) on HFT (PNB shares)	**(₱46,430)**	₱23,423	**(₱46,430)**	₱23,423
Interest income	**3,276**	15,602	**571**	14,952
	(43,154)	39,025	**(45,859)**	38,375
Trust fees	**(6,083)**	(4,821)	**(5,872)**	(4,912)
Fund income (loss)	**(₱49,237)**	₱34,204	**(₱51,731)**	₱33,463

As of December 31, 2017 and 2016, the retirement fund of the Group and the Parent Company include 9,008,864 PNB shares classified under HFT. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

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The gain of the Fund arising from the sale of investment in the shares of the Parent Company amounted to ₱14.4 million.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's employee investment plans.

35. Provisions, Contingent Liabilities and Other Commitments

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

In 2017, the Group and the Parent Company's outstanding provisions for legal claims decreased by ₱330.0 million, from ₱1.3 billion at the end of 2016 to ₱1.0 billion as of December 31, 2017.

In 2016, the Group and the Parent Company's outstanding provisions for legal claims increased by ₱401.6 million, from ₱898.7 million at the end of 2015 to ₱1.3 billion as of December 31, 2016.

There were no significant settlements made in 2017.

<u>Tax Assessment</u>
In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

<u>BSP Reporting</u>
The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	Consolidated		**Parent Company**	
	2017	2016	**2017**	2016
Trust department accounts (Note 33)	**₱88,001,894**	₱75,238,152	**₱ 88,001,894**	₱75,238,152
Derivative forwards	**84,170,844**	40,000,448	**78,521,063**	34,886,157
Unutilized credit card lines	**34,566,065**	27,018,318	**27,018,318**	27,018,318
Interest rate swaps	**33,610,720**	33,610,720	**31,899,122**	33,610,720
Standby letters of credit	**31,301,441**	26,232,306	**31,246,248**	26,133,083
Deficiency claims receivable	**22,624,776**	22,337,807	**22,576,563**	22,285,950
Derivative spots	**5,086,321**	2,358,455	**5,086,321**	2,358,455
Items held as collateral	**1,823,033**	1,237	**1,823,018**	1,225
Inward bills for collection	**633,732**	1,001,375	**633,732**	974,300
Outward bills for collection	**248,776**	282,212	**116,605**	117,898
Confirmed export letters of credit	**93,985**	100,461	**93,985**	100,461
Unused commercial letters of credit	**57,541**	50,062	**57,541**	50,062
Shipping guarantees issued	**11,198**	13,716	**11,198**	13,716
Other contingent accounts	**311,860**	2,073,225	**297,552**	2,068,481

36. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, which is effective January 1, 2013, require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

2017

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets	**₱37,138,999**	**(₱36,646,558)**	**₱492,441**	**(₱44,921)**	**₱–**	**₱3,633,520**
Securities held under agreements to resell (Note 8)	**14,621,483**	**–**	**14,621,483**	**(148,225)**	**(14,473,258)**	**(148,225)**
Total	**₱51,760,482**	**(₱36,646,558)**	**₱15,113,924**	**(₱193,146)**	**(₱14,473,258)**	**₱3,485,295**

2016

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative assets	₱28,500,758	(₱28,152,954)	₱347,804	₱199,855	–	₱147,949
Securities held under agreements to resell (Note 8)	1,972,310	–	1,972,310	–	1,968,603	3,707
Total	₱30,473,068	(₱28,152,954)	₱2,320,114	₱199,855	₱1,968,603	₱151,656

Financial liabilities

2017

Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria**		**Net exposure [c-d]**
				Financial instruments	**Fair value of financial collateral**	
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities	**₱19,126,140**	**(₱19,390,528)**	**(₱264,388)**	**₱91,071**	**(₱–**	**(₱249,459)**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**35,350,259**	**–**	**35,350,259**	**–**	**(39,827,898)**	**-**
Total	**₱54,476,399**	**(₱19,390,528)**	**₱35,085,871**	**₱91,071**	**(₱39,827,898)**	**(₱249,459)**

** Included in bills and acceptances payable in the statements of financial position*

2016

Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		Net exposure [c-d]
				Financial instruments	Fair value of financial collateral	
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities	₱15,217,658	(₱15,449,106)	(₱231,448)	₱273,191	₱–	₱–
Securities sold under agreements to repurchase (Notes 9 and 19)*	20,635,171	–	20,635,171	–	24,657,929	–
Total	₱35,852,829	(₱15,449,106)	₱20,403,723	₱273,191	₱24,657,929	₱–

** Included in bills and acceptances payable in the statements of financial position*

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The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

37. Assets and Liabilities of Disposal Group Held for Sale

As disclosed in Note 12, the Group entered into a share purchase agreement with Allianz SE for the sale of 51% equity interest in APLII on December 21, 2015. As a result, APLII was classified as a disposal group held for sale and as a discontinued operation. The Group reclassified all the assets and liabilities of APLII to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position. The business of APLII represented the entirety of the Group's life insurance business until December 21, 2015. With APLII being classified as a discontinued operation in 2015, the consolidated statement of income and comprehensive income were presented to show the discontinued operations separately from the continued operations.

On June 6, 2016, the sale of APLII was completed. The Group recognized gain on sale amounting to ₱834.5 million recognized in "Net Income from Discontinued Operations" in the consolidated statement of income.

The results of operation of APLII follow:

	2016	2015
Interest Income on		
Loans and receivables	₱7,610	₱20,343
Trading and investment securities	195,605	443,116
Deposits with banks and others	5,151	3,504
	208,366	466,963
Net Service Fees And Commission Income	(67,591)	(281,639)
Net insurance premium	508,770	1,716,308
Net insurance benefits and claims	441,090	1,290,439
Net Insurance premium	67,680	425,869
Other Income		
Trading and investment securities gains - net	1,800	20,874
Foreign exchange gains (losses) - net	(876)	11,806
Miscellaneous	80,667	149,061
Total Operating Income	290,046	792,934
Operating Expenses		
Compensation and fringe benefits	71,741	223,322
Taxes and licenses	16,759	39,570
Occupancy and equipment-related costs	7,610	9,764
Depreciation and amortization	4,707	10,704
Provision for impairment, credit and other losses	4,704	32,765
Miscellaneous	39,692	74,573
Total Operating Expense	145,213	390,698

(Forward)

	2016	2015
Results from Operating Activities	₱144,833	₱402,236
Provision for income tax	21,049	44,305
Results from Operating Activities, net of tax	123,784	357,931
Gain on remeasurement	1,644,339	–
Gain on Sale of Discontinued Operation	834,535	–
Transaction Costs	153,307	–
Provision for Income Tax	185,449	–
Net Income from Discontinued Operations	₱2,263,902	₱357,931
Attributable to:		
Equity holders of the Parent Company	₱2,239,145	₱286,345
Non-controlling interests	24,757	71,586
	₱2,263,902	₱357,931

The major classes of assets and liabilities of APLII classified as disposal group held for sale to equity holders of the Parent follows:

	2016
Assets	
Cash and other cash items	₱546,621
Financial assets at fair value through profit or loss	14,506,651
AFS investments	7,922,461
HTM investments	1,254,898
Other receivables	473,259
Property and equipment - net	31,931
Other assets	41,791
	₱24,777,612
Liabilities	
Financial liabilities at fair value through profit or loss:	₱14,475,772
Accrued taxes, interest and other expenses	76,938
Insurance contract liability	7,097,270
Other liabilities	577,348
	₱22,227,328
Net assets of disposal group held for sale	2,550,284
Amounts included in accumulated OCI:	
Net unrealized gain on AFS investments	₱34,876
Remeasurement losses on retirement plan	(18,070)
	₱16,806

Cash flows from (used in) discontinued operations follow:

	2016	2015
The net cash flows directly associated with disposal group:		
Operating	₱171,535	₱1,210,588
Investing	(267,458)	(903,161)
	(₱95,923)	₱307,427

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38. **Notes to Statements of Cash Flows**

The Group applied creditable withholding taxes against its income tax payable amounting to ₱1.55 billion, ₱882.2 million and ₱504.0 million in 2017, 2016 and 2015, respectively.
The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱1.53 billion, ₱869.9 million and ₱498.3 million in 2017, 2016, and 2015, respectively.

In 2017, the non-cash changes on bills and acceptances payable amounted to ₱151.0 million and ₱149.9 million arising from unrealised foreign exchange differences for the Group and the Parent Company, respectively.

In 2015, the Group classified APLII as disposal group held for sale and as discontinued operation and classified assets, liabilities, and reserves of APLII amounting to ₱23.5 billion, ₱21.5 billion, and ₱0.1 billion, respectively, as held for sale.

In 2015, the Group transferred investment properties with a carrying value of ₱2.0 billion and ₱1.2 billion to property and equipment and to Other Assets (presented as 'Real Estate Investments Held under Development'), respectively.

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

For the Group, investment properties acquired through foreclosure and rescission amounted to ₱0.6 billion, ₱0.7 billion and ₱0.5 billion in 2017, 2016 and 2015, respectively. For the Parent Company, investment properties acquired through foreclosure and rescission amounted to ₱0.5 billion, ₱0.6 billion, and ₱0.4 billion in 2017, 2016 and 2015, respectively.

In 2016, the Group and the Parent Company applied transferred payables from Maybank amounting to ₱1.8 billion under bills payable and ₱1.6 billion under accrued interest payable against the principal and accrued interest components of the transferred receivables.

Interest income of the Group includes fair value amortization of loans and receivables amounting to ₱6.1 million, ₱9.2 million, and ₱16.9 million in 2017, 2016 and 2015, respectively.

Interest expense of the Group includes fair value amortization of deposit liabilities amounting to ₱10.7 million, ₱30.3 million, and ₱80.4 million in 2017, 2016 and 2015, respectively.

Depreciation and amortization expenses include fair value amortization of property and equipment, investment properties and intangible assets amounting to ₱256.1 million, ₱338.6 million and ₱352.4 million in 2017, 2016 and 2015, respectively.

39. **Approval of the Release of the Financial Statements**

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on February 23, 2018.

40. **Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010**

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company paid or accrued the following types of taxes for the tax period January to December 2017 (in absolute amounts).

1. Taxes and licenses

	Amount
Gross receipts tax	₱1,195,272,356
Documentary stamp taxes	1,803,180,144
Real estate tax	154,675,360
Local taxes	65,777,106
Others	64,413,138
	₱3,283,318,104

2. Withholdings taxes

	Remitted	Outstanding
Withholding Taxes on Compensation and Benefits	₱1,138,558,393	₱ 175,154,458
Final income taxes withheld on interest on deposits and yield on deposit substitutes	426,733,553	53,661,809
Expanded withholding taxes	167,935,552	16,125,382
VAT withholding taxes	1,367,169	271,019
Other Final Taxes	52,404,911	2,453,399
	₱1,786,999,578	₱247,666,067

Tax Cases and Assessments
As of December 31, 2017, the Parent Company has no final tax assessment but has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

The Philippine National Bank, the country's first universal bank, is the fourth largest privately-owned Philippine commercial bank. The Bank was established by the Government of the Philippines in 1916. As an instrument of economic development, PNB led the industry through the years with its agricultural modernization program and trade finance support for the country's agricultural exports. In addition, the Bank pioneered efforts in the OFW remittance business and introduced many innovations such as bank on wheels, computerized banking, ATM banking, mobile money changing, domestic traveler's checks, electronic filing and payment system for large taxpayers, and UITF ATMs. PNB has the largest number of overseas offices and one of the largest domestic branch networks among local banks.

The Bank's principal commercial banking activities include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, fund transfers, remittance servicing, asset management, a full range of retail banking and trust services, and treasury operations. Through its subsidiaries and affiliate, the Bank engages in thrift banking; full banking services in China and the United Kingdom; banking services in Hong Kong; and a number of diversified financial and related businesses such as remittance servicing in the United States, Canada and Hong Kong; investment banking; life and non-life insurance; stock brokerage; and leasing and financing services.

The Bank's customers include the corporate, public utilities (PUs), the middle-market, retail market, the Philippine Government, National Government Agencies (NGAs), local government units (LGUs), and government-owned and controlled corporations (GOCCs).

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

2017 vs. 2016

The Group's consolidated total assets stood at ₱836.2 billion as of December 31, 2017, 10.9% or ₱82.2 billion higher compared to ₱754.0 billion reported as of December 31, 2016. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items and Interbank Loans Receivable registered increases as of December 31, 2017, by ₱1.4 billion and ₱5.0 billion, respectively from ₱11.0 billion, and ₱7.8 billion, respectively as of December 31, 2016. On the other hand, Due from Bangko Sentral ng Pilipinas and Due from Other Banks decreased by ₱18.6 billion and by ₱0.7 billion from ₱127.3 billion and ₱22.7 billion as of December 31, 2016.

- Balance of Securities Held Under Agreements to Resell as of December 31, 2017 of ₱14.6 billion, which represents lending transactions of the Bank with the BSP, was higher by ₱12.6 billion compared to ₱2.0 billion as of December 31, 2016.

- Financial Assets at Fair Value Through Profit or Loss at ₱2.9 billion went up by 50.6% or ₱1.0 billion from ₱1.9 billion attributed mainly to the purchases of various investment securities, net of sold and matured securities.

- Available for Sale Investments and Held to Maturity Investments were higher at ₱69.8 billion and ₱26.8 billion, respectively as of December 31, 2017, an increase of ₱2.5 billion or by 3.7% and ₱2.6 billion or by 10.9% from the ₱67.3 billion and ₱24.2 billion level, respectively as of December 31, 2016 due to purchases of various investment securities, net of disposals and maturities.

- Loans and Receivables registered an increase at ₱502.1 billion or ₱73.9 billion higher than the ₱428.2 billion December 2016 level mainly due to loan releases, net of pay downs, mainly to various corporate and retail borrowers.

- Investment Properties decreased by ₱0.7 billion from ₱16.3 billion as of December 31, 2016 to ₱15.6 billion as of December 31, 2017, mainly due to disposal of foreclosed properties.

- Intangible Assets increased by ₱0.8 billion from ₱2.6 billion in December 31, 2017 mainly due to the capitalization of core banking integration costs and other software acquisitions.

- Deferred Tax Assets and Other Assets were higher by ₱0.2 billion and ₱1.8 billion from ₱1.5 billion to ₱1.7 billion and ₱7.1 billion to ₱8.9 billion, respectively. Increase in Other Assets was due to increases in creditable withholding taxes, deferred charges and outstanding clearing items received as of year-end.

Consolidated liabilities went up by 11.2% or ₱72.4 billion from ₱644.0 billion as of December 31, 2016 to ₱716.4 billion as of December 31, 2017. Major changes in liability accounts were as follows:

- Deposit liabilities totaled ₱637.9 billion, ₱67.4 billion higher compared to its year-end 2016 level of ₱570.5 billion due to increases in Demand deposits by ₱8.2 billion, Savings deposits by ₱10.4 billion, Time deposits by ₱41.8 and LTNCD by 7.0 billion.

- Bills and Acceptances Payable increased by ₱8.0 billion, from ₱35.9 billion to ₱43.9 billion, mainly accounted for by borrowings from other banks.

- Accrued Expenses increased by ₱0.4 billion from ₱4.9 billion as of December 31, 2016 to ₱5.3 billion as of December 31, 2017.

- Financial liabilities at Fair value through profit or loss was higher by ₱110 million from 2016 yearend balance of ₱0.2 billion.

- PNB exercised the Call Option on its ₱3.5 billion 6.75% Lower Tier 2 Unsecured Subordinated Notes on May 9, 2017.

- Income Tax Payable increased by ₱0.8 billion from ₱0.2 billion to ₱1.0 billion coming from income tax provisions for the year.

- Other Liabilities decreased by ₱0.9 billion, from ₱28.8 billion in December 31, 2016 to ₱27.9 billion as of December 31, 2017.

Total equity accounts stood at ₱119.7 billion from ₱110.0 billion as of December 31, 2016, or an improvement of ₱9.8 billion attributed to current period's net income of ₱8.2 billion, improvement/increase in Net Unrealized Loss on Available-for-Sale Investments, Accumulated Translation Adjustments and Remeasurement Losses on Retirement Plan.

2016 vs. 2015

The Group's consolidated assets reached at ₱754.0 billion as of December 31, 2016, 10.9% or ₱74.0 billion higher compared to ₱680.0 billion reported as of December 31, 2015. Changes (more than 5%) in assets were registered in the following accounts:

- Due from Bangko Sentral ng Pilipinas, Due from Other Banks and Interbank Loans Receivable also registered increases as of December 31, 2016, by ₱45.9 billion, ₱4.4 billion and ₱2.0 billion, respectively from ₱81.4 billion, ₱18.3 billion and ₱5.8 billion, respectively as of December 31, 2015. On the other hand, Cash and Other Cash Items decreased by ₱4.2 billion from ₱15.2 as of December 31, 2015.

- Loans and Receivables registered an increase at ₱428.2 billion or ₱62.1 billion higher than the ₱366.1 billion as of December 31, 2015 level mainly due to loan releases in the current year to various corporate borrowers.

- Financial Assets at Fair Value Through Profit or Loss at ₱1.9 billion as of December 31, 2016 was lower by 57.8% or ₱2.6 billion from ₱4.5 billion in 2015 attributed mainly due to the sale of various investment securities.

- Securities Held Under Agreements to Resell as of December 31, 2016 of ₱2.0 billion which represents lending transactions of the Bank with the BSP is lower by ₱12.6 billion compared to the ₱14.6 billion as of December 31, 2015.

- Investment Properties increased by ₱3.1 billion from ₱13.2 billion as of December 31, 2015 to ₱16.3 billion as of December 31, 2016 due to the following transactions:

    - reclassification of ₱3.2 billion Allied Bank Center from Property and Equipment
    - reclassification of ₱2.0 billion of other bank properties
    - disposal of ₱1.8 billion worth of foreclosed properties.
    - reclassification of ₱0.6 billion to Loans and Receivables

- Property and Equipment decreased by ₱4.0 billion from ₱22.1 billion as of December 31, 2015 to ₱18.1 billion as of December 31, 2016 mainly due to the reclassification of certain properties to Investment Properties as discussed in previous paragraph.

- Assets of Disposal Group Classified as Held for Sale

  On December 21, 2015, the Parent Company entered into a 15-year exclusive partnership with Allianz SE under the following arrangements:

    - Allianz SE will acquire 12,750 shares representing 51.00% stockholdings of PNB Life Insurance Inc. (PNB LII) and will have management control over the new joint venture company;
    - The new joint venture company will operate under the name of "Allianz PNB Life Insurance, Inc.";
    - A 15-year distribution agreement which will provide Allianz – an exclusive access to the branch network of the Parent Company and PNB SB.

  This required the reclassification of the accounts of PNB Life in the December 31, 2015 Financial Statement as assets for distribution. The necessary regulatory approvals have been obtained and the above sale agreement was implemented on June 6, 2016.

- The ₱2.5 billion Equity Investments pertains to the remaining investment of the Bank in Allianz PNB Life Insurance, Inc. now accounted for as an Investment in Associate as of December 31, 2016.

- Intangible Assets , Deferred Tax Assets and Other Assets were higher by ₱0.2 billion, ₱0.3 billion and ₱0.3 billion from ₱2.4 billion to ₱2.6 billion, ₱1.2 billion to ₱1.5 billion and ₱6.8 billion to ₱7.1 billion, respectively.

Consolidated liabilities went up by 12.0% or ₱68.8 billion from ₱575.2 billion as of December 31, 2015 to ₱644.0 billion as of December 31, 2016. Major changes in liability accounts were as follows:

- Deposit liabilities totaled ₱570.5 billion, ₱84.6 billion higher compared to its year-end 2015 level of ₱485.9 billion. Increases were registered in Demand, Savings, Time and LTNCD by ₱7.3 billion, ₱48.9 billion and by ₱23.0 billion and ₱5.4 billion, respectively.

- Bills and Acceptances Payable increased by ₱10.1 billion, from ₱25.8 billion to ₱35.9 billion, mainly accounted for by various borrowings from other banks.

- Financial liabilities at Fair value through profit or loss was higher at ₱0.2 billion as of December 31, 2016 from last year's ₱0.1 billion.

- Other Liabilities increased by ₱2.8 billion from ₱26.0 billion to ₱28.8 billion.

- Accrued Expenses decreased by ₱1.0 billion from ₱5.9 billion as of December 31, 2015 to ₱4.9 billion as of December 31, 2016.

- Subordinated Debt decreased from ₱10.0 billion as of December 31, 2015 to ₱3.5 billion as of December 31, 2016. On June 16, 2016, PNB exercised its Call Option on its ₱6.5 billion 6.75% Lower Tier 2 Unsecured Subordinated Notes.

- Decrease in Liabilities of Disposal Group Classified as Held for Sale was also attributed to sale of 51% equity in PNB Life as explained above under Assets Held for Distribution account.

Total equity accounts stood at ₱110.0 billion from ₱104.8 billion as of December 31, 2015, or higher by ₱5.2 billion attributed to current year's net income of ₱7.2 billion and increases in, ₱0.3 billion in Accumulated Translation Adjustment and ₱0.1 billion in Reserves of a Disposal Group Held for Distribution. These were partly offset by the declaration of ₱1.3 billion cash dividends in September 2016, decreases of ₱0.5 billion in remeasurement losses on retirement plan, Net Unrealized Loss on Available for Sale Investments of ₱0.4 billion and Non-controlling interest by ₱0.4 billion.

2015 vs. 2014

The Group's consolidated assets stood at ₱680.0 billion as of December 31, 2015, 8.7% or ₱54.6 billion higher compared to ₱625.4 billion total assets reported as of December 31, 2014. Changes (more than 5%) in assets were registered in the following accounts:

- Due from Other Banks registered an increase of ₱2.7 billion from ₱15.6 billion as of December 31, 2014. On the other hand, Due from Bangko Sentral ng Pilipinas decreased by ₱24.4 billion from ₱105.8 billion as of December31, 2014 due to lower Special Deposit Account placement in 2015. Interbank Loans Receivable also decreased by ₱1.9 billion from ₱7.7 billion as of December 31, 2014.

- Financial Assets at Fair Value Through Profit or Loss (FAFVPL) were lower at ₱4.5 billion, from ₱17.4 billion as of December 31, 2014, mainly due to reclassification of the ₱13.8 billion "Segregated Fund Assets" of PNB Life from FAFVPL to "Assets of Disposal Group Classified as Held for Sale" in line with the requirements of PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. This arose following an agreement entered into between the Bank and Allianz last December 2015 for Allianz SE to acquire 51% ownership in PNB Life Insurance. PFRS 5 requires assets and liabilities of PNB Life, together with the results of operations of a disposal group, to be classified separately from continuing operations.

- Securities Held Under Agreements to Resell as of December 31, 2015 of ₱14.6 billion represents lending transactions of the Bank with the BSP.

- Available for Sale Investments and Held to Maturity Investment were higher at ₱68.3 billion and ₱23.2 billion as of December 31, 2015, respectively, from their ₱63.1 billion and ₱23.0 billion levels as of December 31, 2014, an improvement of ₱5.2 billion and ₱0.2 billion, respectively, due mainly to acquisition of various investments securities.

- Loans and Receivables reached ₱366.1 billion, posting a significant growth of 15.8% or ₱49.8 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 ₱48.8 billion or 9.3% from its ₱526.4 billion level as of December 31, 2014 to ₱575.2 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 ₱8.5 billion and Time deposits by ₱30.9 billion partially offset by decrease in Savings by ₱1.1 billion.

- Bills and Acceptances Payable increased by ₱6.7 billion, from ₱19.1 billion to ₱25.8 billion, mainly accounted for by various borrowings from other banks. Accrued Expenses Payable also increased from ₱5.4 billion to ₱5.9 billion as of December 31, 2015.

- "Liabilities of Disposal Group Classified as Held for Sale" amounting to ₱21.5 billion pertains to liabilities of PNB Life which was presented under a separate liability line item also in view of the sale agreement with Allianz SE.

- Income Tax Payable increased by ₱49.2 million from ₱85.5 million to ₱134.7 million.

- Reduction of ₱7.4 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

These were partly offset by additional unrealized losses on mark to market of Available for sale investments of ₱0.7 billion and ₱0.1 billion reserves of a disposal group held for sale pertaining to other comprehensive income of PNB Life presented under a separate line item in equity.

Results of Operations

2017 vs 2016

- For the year ended December 31, 2017, the Bank registered a net income of ₱8.2 billion, ₱1.0 billion higher compared to the ₱7.2 billion net income for the same period last year.

- Net interest income totaled ₱22.1 billion, higher by 12.8% or ₱2.5 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio and income from deposits with banks which accounted for ₱3.0 billion and ₱0.7 billion increase in interest income, respectively, partly offset by the decline in interest on investment securities and interbank loans receivable by ₱0.1 billion and ₱0.3 billion. Total interest income was up by ₱3.3 billion from ₱24.3 billion to ₱27.6 billion. Total interest expense however, was also higher at ₱5.5 billion or by ₱0.7 billion from ₱4.8 billion last year.

- Other income is higher by ₱0.1 billion at ₱7.1 billion compared to ₱7.0 billion for the same period last year.

- Net service fees and commission income and net insurance premium were at ₱3.1 billion and ₱0.3 billion, respectively, for the year ended December 31, 2017.

- Administrative and other operating expenses amounted to ₱22.1 billion for the year ended December 31, 2017, lower compared to the same period last year mainly due to decrease in provision for impairment, credit and other losses by ₱2.3 billion. This was partly offset by increases in Compensation and fringe benefits, Taxes and Licenses, Occupancy and equipment related costs, Depreciation and amortization and miscellaneous expenses by ₱0.5 billion, ₱0.3 billion, ₱0.1 billion, ₱0.1 billion and ₱0.2 billion, respectively.

- Reported income from discontinued operations in June 2016 pertains to the income from the 51% ownership interest in PNB Life.

- Total Comprehensive Income for the year ended December 31, 2017 amounted to ₱9.8 billion, ₱3.1 billion higher compared to the ₱6.7 billion for the same period last year mainly due to higher remeasurement gains on retirement plan and net income reported in the current year.

2016 vs 2015

- For the year ended December 31, 2016, the Bank's consolidated net income stood at ₱7.2 billion, ₱0.9 billion higher compared to the ₱6.3 billion net income for the same period last year.

- Net interest income totaled ₱19.6 billion, higher by 10.6% or ₱1.9 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio and interbank loans receivable, which accounted for ₱2.6 billion and ₱0.6 billion, respectively, partly offset by the decline in income from deposits with banks and investment securities by ₱0.2 billion and ₱0.3 billion, respectively. Total interest income was up by ₱2.6 billion from ₱21.7 billion to ₱24.3 billion. Total interest expense however, was also higher at ₱4.8 billion or by ₱0.8 billion from ₱4.0 billion last year.

  Other income significantly increased to ₱7.0 billion from ₱5.1 billion compared to same period last year mainly due to the ₱0.9 billion gains from sale of foreclosed assets and from ₱0.8 billion and ₱0.3 billion increases in the Trading and Investment Securities gains and Foreign exchange gains, respectively. Miscellaneous income decreased by ₱0.2 billion from ₱1.7 billion last year.

- Net service fees and commission income and net insurance premium were at ₱2.7 billion and ₱0.3 billion, respectively, for the year ended December 31, 2016.

- Administrative and other operating expenses amounted to ₱23.1 billion for the year ended December 31, 2016, ₱4.2 billion higher compared to the same period last year. Increases were registered in provision for impairment, credit and other losses of ₱2.6 billion mainly due to reversal of ₱1.0 billion in 2015 of provision for possible liability in view of court ruling favorable to the Bank and increases and additional ₱1.6 billion in provision for impairment and credit losses. Compensation and fringe benefits, Taxes and Licenses and Miscellaneous Expenses also increased by ₱1.6 billion.

- Income from discontinued operations in the current year pertains to the net income realized from the sale of 51% interest in PNB Life implemented in June 2016.

- Total Comprehensive Income for the year ended December 31, 2016 amounted to ₱6.7 billion, ₱0.5 billion higher compared to the ₱6.2 billion for the same period last year mainly due to the increase in net income of ₱0.9 billion, net unrealized gain on Available for Sale Securities of ₱0.4 billion partly offset by decreases in remeasurement gains on retirement plan of ₱0.5 billion, translation adjustment by ₱0.4 billion, and ₱0.1 billion in non-controlling interests.

<u>2015 vs 2014</u>

- 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 ₱0.8 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio which accounted for ₱1.9 billion increase in interest income partly offset by the decline in income from deposits with banks by ₱1.1 billion. Total interest income was up by ₱1.2 billion from ₱20.5 billion to ₱21.7 billion. Total interest expense however, was slightly higher at ₱4.0 billion or by ₱0.4 billion from ₱3.6 billion last year, resulting to improvement in Net Interest Margin.

- Other income this year declined to ₱5.1 billion from ₱6.2 billion last year mainly due to the ₱0.7 billion trading gains recognized last year on the sale of a minority equity holdings and the continued reduction in treasury related income in the current year. The decline in other income was partly offset by growth in gains from sale of foreclosed assets of ₱0.1 billion in the current year.

- Net service fees and commission income and net insurance premium were at ₱3.6 billion and ₱0.1 billion, respectively, for the year ended December 31, 2015.

- Administrative and other operating expenses was slightly lower this year at ₱18.9 billion compared to P19.5 billion last year. The reduction was attributed to lower provisions this year of ₱0.6 billion compared to ₱2.3 billion in 2014 mainly due to a reversal this year of provision on the NSC case (refer to 34 AFS). Compensation and Fringe Benefits was higher by ₱0.6 billion. Miscellaneous expense increased by ₱0.5 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.

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.

  <u>Regulatory Qualifying Capital</u>

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

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

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

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

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

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

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

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 15.35%, 16.65%, and 19.24% as of December 31, 2017, 2016 and 2015, respectively, above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2017, 2016 and 2015:

CAPITAL ADEQUACY RATIO (CONSOLIDATED AND PARENT)
(Amount in Million Philippine Peso)

	CONSOLIDATED			PARENT		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
A. Tier 1 Capital	**112,344.766**	**104,103.597**	**97,272.252**	**108,605.501**	**101,545.136**	**94,044.294**
A.1 Common Equity Tier 1 (CET1) Capital (Sum of A.1(1) to A.1(13))	**112,344.766**	**104,103.597**	**97,272.252**	**108,605.501**	**101,545.136**	**94,044.294**
For Domestic Banks and Subsidiaries of Foreign Banks						
1 Paid-up common stock	49,965.587	49,965.587	49,965.587	49,965.587	49,965.587	49,965.587
2 Common stock dividends distributable	0.000	0.000	0.000	0.000	0.000	0.000
3 Additional paid-in capital 1/	31,331.251	31,331.251	31,331.251	31,331.251	31,331.251	31,331.251
4 Deposit for common stock subscription	0.000	0.000	0.000	0.000	0.000	0.000
5 Retained earnings	32,797.185	24,866.360	18,277.578	32,335.706	25,215.142	17,799.075
6 Undivided profits 2/	0.000	0.000	0.000	0.000	0.000	0.000
7 Other comprehensive income (Sum of A.1(7)(i) to A.1(7)(v))	(4,358.337)	(4,634.165)	(4,720.666)	(5,027.043)	(4,966.844)	(5,051.619)
8 Minority interest in subsidiary banks which are less than wholly-owned 4/	2,609.080	2,574.564	2,418.502	0.000	0.000	0.000
Minus:						
A.2 Regulatory Adjustments to CET1 Capital (Sum of A.2(1) to A.2(24))	**23,401.420**	**24,454.278**	**22,978.468**	**47,409.153**	**49,874.807**	**47,596.437**
4 Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1.816	2.583	1.515	1.816	2.583	1.515
5 Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	2,264.464	2,014.333	1,958.667	2,264.464	2,014.333	1,878.667
6 Deferred tax assets 9/	1,500.565	4,350.895	3,478.712	974.243	4,006.138	3,257.313
7 Goodwill 10/	13,515.765	13,515.765	13,515.765	13,515.765	13,515.765	13,515.765
8 Other intangible assets 11/	2,740.423	1,424.055	1,670.277	2,651.754	1,333.201	1,573.764
11 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) 13/	0.000	0.000	0.000	24,457.074	25,678.974	25,141.007
12 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) 13/	526.689	281.443	2,351.483	692.339	458.609	2,226.357
14 Significant minority investments (10%-50% of of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases) 13/	2,849.765	2,863.271	0.000	2,849.765	2,863.271	0.000
17 Other equity investments in non-financial allied undertakings and non-allied undertakings	1.933	1.933	1.933	1.933	1.933	1.933
19 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)	0.000	0.000	0.116	0.000	0.000	0.116
A.3 TOTAL COMMON EQUITY TIER 1 CAPITAL (A.1 minus A.2)	**88,943.346**	**79,649.319**	**74,293.784**	**61,196.348**	**51,670.329**	**46,447.857**
A.4 Additional Tier 1 (AT1) Capital (Sum of A.4(1) to A.4(4))	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
A.5 Regulatory Adjustments to Additional Tier 1 (AT1) Capital18/ (Sum of A.5(1)	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
A.6 TOTAL ADDITIONAL TIER 1 CAPITAL	0.000	0.000	0.000	0.000	0.000	0.000
A.7 TOTAL TIER 1 CAPITAL (Sum of A.3 and A.6)	**88,943.346**	**79,649.319**	**74,293.784**	**61,196.348**	**51,670.329**	**46,447.857**
B. Tier 2 (T2) Capital						
B.1 Tier 2 (T2) Capital (Sum of B.1(1) and B.1(6))	**4,696.483**	**4,308.027**	**13,763.244**	**4,228.829**	**3,866.446**	**13,417.009**
For Domestic Banks						
1 Instruments issued by the bank that are eligible as Tier 2 capital 21/ (Sum of B.1(1)(i) and B.1(1)(ii))	0.000	0.000	9,986.427	0.000	0.000	9,986.427
(i) Limited life preferred shares	0.000	0.000	0.000	0.000	0.000	0.000
(ii) Other limited life capital instruments **(Unsecured Subordinated Debt was eligible until 31 Dec 2015 as BSP Memorandum No. M2013-008 dated 05 Mar 2013)**	0.000	0.000	9,986.427	0.000	0.000	9,986.427
2 Deposit for subscription of T2 capital	0.000	0.000	0.000	0.000	0.000	0.000
3 Appraisal increment reserve – bank premises, as authorized by the Monetary Board	291.725	291.725	291.725	291.725	291.725	291.725
4 General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	4,404.758	4,016.302	3,485.092	3,937.104	3,574.721	3,138.857
5 Minority interest in subsidiary banks which are less than wholly-owned 22/	0.000	0.000	0.000	0.000	0.000	0.000
For Philippine Branch of a Foreign Bank						
6 General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	0.000	0.000	0.000	0.000	0.000	0.000
B.2 Regulatory Adjustments to Tier 2 capital (Sum B.2(1) to B.2(9))	0.000	0.000	0.000	0.000	0.000	0.000
B.3 TOTAL TIER 2 CAPITAL (B.1 minus B.2)	4,696.483	4,308.027	13,763.244	4,228.829	3,866.446	13,417.009
C. TOTAL QUALIFYING CAPITAL (Sum of A.7 and B.3)	**93,639.829**	**83,957.346**	**88,057.028**	**65,425.177**	**55,536.775**	**59,864.866**
Total Risk Weighted On-Balance Sheet Assets	527,831.541	446,101.620	405,219.194	467,534.043	397,730.498	366,857.832
20%	11,018.591	13,482.401	7,358.947	9,017.868	11,676.125	6,677.082
50%	34,373.114	24,819.389	16,841.447	32,824.606	22,328.759	15,459.492
75%	12,616.170	18,761.908	16,119.608	12,105.697	18,039.059	14,063.362
100%	449,816.496	371,161.410	345,521.954	397,208.424	330,044.869	312,532.594
150%	20,007.170	17,876.512	19,377.239	16,377.448	15,641.686	18,125.303
Total Risk-Weighted Off-Balance Sheet Assets	23,936.175	13,052.998	7,669.445	23,880.982	12,953.775	7,554.532
20%	26.308	0.000	127.791	26.308	0.000	127.791
50%	33.584	31.543	4,577.949	33.584	31.543	4,577.949
75%	0.000	173.496	344.806	0.000	173.496	344.807
100%	23,876.283	12,847.959	2,618.900	23,821.090	12,748.736	2,503.986
150%	0.000	0.000	0.000	0.000	0.000	0.000
Total Counterparty Risk Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions) [Part III.3]	3,256.262	1,622.161	1,304.542	3,256.262	1,622.161	1,304.541
Total Counterparty Risk Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions	801.313	498.213	499.469	763.321	471.136	471.965
TOTAL CREDIT RISK WEIGHTED ASSETS	555,825.291	461,274.992	414,692.651	495,434.608	412,777.570	376,188.870
Total Market Risk-Weighted Assets	9,880.165	2,752.606	3,428.025	9,909.562	2,703.429	3,067.984
Total Operational Risk-Weighted Assets	44,400.786	40,073.477	39,541.943	38,428.181	35,831.511	35,791.717
Total Risk Weighted Assets	**610,106.242**	**504,101.075**	**457,662.619**	**543,772.351**	**451,312.510**	**415,048.571**
Capital Ratios						
Common Equity Tier 1 Ratio	**14.58%**	**15.80%**	**16.23%**	**11.25%**	**11.45%**	**11.19%**
Capital Conversion Buffer	**8.58%**	**9.80%**	**10.23%**	**5.25%**	**5.45%**	**5.19%**
Tier 1 Capital Ratio	**14.58%**	**15.80%**	**16.23%**	**11.25%**	**11.45%**	**11.19%**
Total Capital Adequacy Ratio	**15.35%**	**16.65%**	**19.24%**	**12.03%**	**12.31%**	**14.42%**

- Asset Quality

  The Group's non-performing loans (gross of allowance for impairment losses) increased to ₱9.0 billion as of December 31, 2017 compared to ₱8.8 billion as of December 31, 2016. NPL ratios of the Bank based on BSP guidelines, net of valuation reserves is better than industry average at 0.26% as at December 31, 2017, compared to 0.18% at end of 2016. Gross NPL ratio is at 2.01% at end of 2017 and 2.31% at end of 2016.

- Profitability

	Year Ended	
	12/31/17	12/31/16
Return on equity (ROE)[1/]	7.1%	6.7%
Return on assets(ROA)[2/]	1.0 %	1.0%
Net interest margin(NIM)[3/]	3.1 %	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, 2017 was 29.1% compared to 31.8% as of December 31, 2016. Ratio of current assets to current liabilities was at 62.6% as of 31 December 2017 compared to 60.5% as of December 31, 2016.

- Cost Efficiency

  The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 65.2% for the year ended December 2017 compared to 67.4% for the same period last year.

Known trends, demands, commitments, events and uncertainties

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

Events that will trigger direct or contingent financial obligation

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

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