



**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
HELD ON APRIL 25, 2017 AT THE GRAND BALLROOM
UPPER LOBBY, CENTURY PARK HOTEL
599 PABLO OCAMPO SR., MALATE MANILA**

DIRECTORS/STOCKHOLDERS PRESENT

Please refer to "Annex A"

I. CALL TO ORDER

The meeting commenced with the singing of the National Anthem, and thereafter the delivery of the invocation by EVP Horacio E. Cebrero III. SVP Norman Martin C. Reyes acted as the Master of Ceremonies.

Chairman Florencia G. Tarriela then welcomed the stockholders and called the meeting to order at 8:10 a.m.

Corporate Secretary Maila Katrina Y. Ilarde recorded the minutes of the proceedings.

II. SECRETARY'S PROOF OF NOTICE AND QUORUM

The Chairman requested the Corporate Secretary to show proof that the required notice of the meeting was duly sent to all the stockholders. In response, the Corporate Secretary said that in accordance with the requirements of the Securities Regulation Code, the New Disclosure Rules of the Securities and Exchange Commission, and SEC Memorandum Circular No. 19, series of 2016, written notice of the meeting was sent to all shareholders of record as of record date, March 27, 2017, at least twenty eight (28) days prior to the date of the meeting. The Certification executed by the Bank's Stock and Transfer Agent on the sending of notices was then submitted for the record. The Corporate Secretary further said that in accordance with Section 4.4, Article IV of the Bank's Amended By-Laws, the notice was likewise published daily for one week from April 7-13, 2017 in Manila Bulletin, Philippine Daily Inquirer and Philippine Star.

The Chairman thereafter requested the Corporate Secretary to certify the existence of a quorum. The Corporate Secretary said that based on the attendance record and the proxies and powers of attorney on hand, there was present, in person a total of 34,980 shares or 0.0028% of the Bank's total outstanding shares and, present by proxies and powers of attorney, a total of 1,049,678,214 shares or 84.0321% of the total outstanding shares. The Corporate Secretary therefore certified that the total number of shares present in person and represented by proxies and powers of attorney was 1,049,713,194 shares or 84.0349% of the Bank's total outstanding shares, and as such, a quorum existed for the valid transaction of business.

III. APPROVAL OF THE MINUTES OF THE 2016 ANNUAL STOCKHOLDERS' MEETING HELD ON MAY 31, 2016

The next item in the Agenda was the approval of the Minutes of the 2016 Annual Stockholders' Meeting held on May 31, 2016. Upon the inquiry of the Chairman as regards the stockholders' access to the Minutes, the Corporate Secretary said that

copies of the Minutes, which were uploaded to the Bank's website three days after last year's meeting, or on June 3, 2016, were made available at the registration table for all the stockholders. Further, a summary of the matters discussed at the May 31, 2016 Annual Stockholders' Meeting was flashed on the screen for the examination of the stockholders. The salient matters approved at last year's meeting were likewise included in the Information Statement previously distributed to the stockholders. The Corporate Secretary therefore confirmed that the stockholders were apprised of, and had access to, the Minutes of last year's meeting.

Ms. Cria Pasquil, a stockholder, moved that the reading of the Minutes of the 2016 Annual Stockholders' Meeting held on May 31, 2016 be dispensed with and that the same as appearing in Bank records be approved. Another stockholder seconded the motion.

There being no comments/objections, the Minutes of the 2016 Annual Stockholders' Meeting held on May 31, 2016 were duly approved, as follows:

Approving	1,049,713,194
Dissenting	0
Abstaining	0

IV. REPORT OF THE PRESIDENT ON THE RESULTS OF OPERATIONS FOR THE YEAR 2016

The Chairman called on the President and Chief Executive Officer, Mr. Reynaldo A. Maclang, to present his report on the results of operations for the year 2016.

The President then rendered his report, as follows:

"2016 was an important milestone for Philippine National Bank as we celebrated our 100th anniversary last July 22. We are all privileged and elated to be part of this esteemed institution during such a momentous period. Reaching 100 years is a major accomplishment by itself but to remain a dominant player in a rapidly transforming industry makes PNB's centennial even more laudable and inspiring.

As stakeholders of this Bank, we should all be proud of the rich heritage PNB has carved out in its 10 decades of existence. From being the de facto Central Bank of the Philippines in 1916, PNB moved forward to become the first universal bank licensed to operate in the country in 1980. Through its initial privatization in 1989, PNB emerged as one of the widest publicly-owned local banks to date. Moreover, its merger with Allied Banking Corporation in 2013 fortified PNB's status as the fourth largest private universal bank in the country with resources of ₱753.8 billion as of year-end 2016.

The Bank's legacy has been shaped to a large extent by its shared history with our country. As you are aware, PNB was the premiere bank that catalyzed the development and growth of many vital industries starting from the pre-war to the post-war period. 100 years later today, PNB continues to mobilize funds for the country's priority industries such as renewable energy, infrastructure and transportation. Aside from granting credit accommodations to large corporates, the middle market and SMEs, PNB also helps fulfill the aspirations of families and individuals through its consumer loans. PNB Savings Bank, its wholly-



owned subsidiary, is at the forefront today of many innovative products and technology-driven services to provide faster and responsive housing loans, car financing and personal loans to its diverse market. PNB's lending operations clearly reflect the depth and breadth of its impact in the Philippine economy which it will continue to perform with vigor in the coming years.

From its humble beginnings of having only one domestic branch the Iloilo Branch in 1916 and one overseas office, the New York office in 1917, PNB is now present in almost all major cities and municipalities in the country. In several areas, it is even the only commercial bank serving the community. Today, PNB also operates across the United States, Canada, Europe, the Middle East and Asia where most Overseas Filipinos work or reside. Its distribution network currently stands at 681 domestic branches, inclusive of PNB Savings Bank, and 73 overseas branches and offices. In addition, the Bank is closely engaged with 4.3 million customers through its various platforms: branches, ATMs, and electronic banking channels; providing a wide variety of products and services catering to all their banking needs.

In the area of technology, PNB held the distinction of being the first bank in the whole Far East to introduce the on-line electronic data processing. This year, we are in the midst of converting into a new core banking platform that will enable us to implement top-of-the-line systems in the market to deepen our relationship with clients. As the Bank shifts its operations more and more towards digital banking platform, PNB has been strengthening its cyber security system, the details of which I cannot divulge for obvious reasons. In fact, PNB was cited as the first bank to have filed a case under the Cybercrime Prevention Act since the Bank's cyber security system was able to detect the said computer-related forgery at the initial stage. Furthermore, PNB also completed the migration to a more secured Europay/MasterCard/Visa or EMV chip for our ATM and POS terminals, debit and credit cards at par with global standard.

In addition, a more robust electronic banking platform has been put in place to provide banking convenience to our clientele, many of whom are digital-savvy, reflective of the lifestyle of the millennials. Aligned with this digital shift, we launched the Mobile Banking App which offers secure online banking for clients who do their transactions via smartphones. We are also currently evaluating various Fin Tech solutions that will enable the Bank to deliver more personalized and convenient services to our clients.

True to its customer service orientation, PNB launched the Bank on Wheels in 1970 to make banking services more accessible to the countryside. At present, a modern PNB Bank on Wheels is providing clients a wide variety of offsite services where they need it, such as: cash withdrawals, bills payment, fund transfers, and even internet banking, among others. I am pleased to report that our Bank on Wheels was cited in 2016 as the "Most Innovative Banking Service" by three international award-giving bodies, the Global Business Outlook Awards, the International Finance Magazine Awards, and the Global Banking and Finance Review Awards.

The spirit of innovation and service excellence continue strongly today in PNB. Recent initiatives included the launch of the ATM UITF Facility which allows customers to invest in Unit Investment Trust Funds via the



ATM. The Global Filipino Prepaid Remittance Card was enhanced last year to offer ATMSafe to cardholders. ATMSafe is a pioneering insurance product that provides free insurance coverage to replace lost money withdrawn from the ATM due to theft or fraud, up to ₱50,000. Likewise, PNB was also recognized for having the "Best Remittance Product in the Philippines" by The Asian Banker, validating our effort to provide our customers with excellent remittance services. The SSS Pension Loan Program of PNB Savings Bank also won the "New Consumer Lending Product of the Year Award" from the Asian Banking and Finance 2016 Retail Banking Awards. The program provides pensioners with a multi-purpose loan at more affordable rates. Last but not the least, the strategic bancassurance partnership we forged last year with Allianz SE, one of the largest international life insurance companies worldwide, allows PNB to provide its customers with a complete range of insurance products, services and solutions.

While strengthening its core business, PNB has also invested in improving further its customer service to meet the exacting demands of today's more informed clientele. Our "You First" campaign purposely epitomizes this key objective of putting customers first. At the heart of "You First" is providing personalized financial solutions. "You First" also promotes to the younger generation PNB's brand of unique and agile service.

The remarkable achievements of PNB that you are hearing about today were made possible through the hard work and dedication of our officers and staff. They are highly competent and very reliable. We shall continue to invest in training our employees to further improve their knowledge and enhance their skills for their advancement. Of course, behind the Bank's transformation to successfully overcome the challenges of a highly volatile business environment is your strong support as PNB's stakeholders. For this reason, PNB declared dividends in 2016. A cash dividend of ₱1.00 per share was approved by the Board of Directors payable to stockholders of record as of August 19, 2016. Total payout from unrestricted earnings for dividend distribution amounted to ₱1.2 Billion. This marked PNB's first dividend declaration after its full privatization in 2007.

All of us in the Board and Management remains committed to sustaining PNB's financial stability and accelerating its growth momentum and prosperity in the succeeding decades. Along this line, PNB's Board of Directors, together with senior management, has crafted a well-laid out strategic plan focused on maximizing shareholder value, delivering customer satisfaction and managing risks."

The President then requested the Chief Financial Officer, Mr. Nelson C. Reyes, to report on the financial results of the operation of the Bank for the year 2016.

Mr. Reyes presented his report, as follows:

"In the midst of a challenging economic environment and dynamically evolving banking landscape, PNB concluded 2016 with a Net Income of ₱7.2 billion, 14% higher than the previous year's level.



The Bank's core income continued to provide a steady and increasing source of revenues. In particular, Net Interest Income grew by 11% to ₱19.6 billion, accounting for nearly two-thirds of total operating income.

Despite margin compression, Interest Income on loans and receivables rose by 15% to ₱19.7 billion, supported by a 16% growth in the Bank's loan portfolio, propelled by double-digit increases in corporate, commercial/SME and consumer lending business.

This efficient deployment of funds translated to the Bank's Loans-to-Deposits ratio settling at 73%.

On the other hand, Interest Expense was contained at ₱4.8 billion as the bulk of deposits remained in low cost funds. Similarly, the redemption of PNB's P6.5 billion Lower Tier 2 Unsecured Subordinated Notes in June 2016 with interest rate of 6.75% also helped in limiting the increase in interest expense.

The Bank's strong profitability last year was also boosted by the double-digit growth in its non-interest income.

Trading and foreign exchange gains registered a 61% increase year-on-year, as the bank benefited from growth in transaction volumes and favorable market conditions.

Gains from the sale of foreclosed assets also grew by 57% to ₱2.5 billion as the Bank continued to focus on reducing its non-earning assets.

The Bank's income was also augmented by the one-time gain from the sale of PNB's 51% stake in its life insurance subsidiary, PNB Life Insurance, Inc., to Allianz SE.

Excluding the costs incurred for the migration to a more secured EMV chip and the successful thematic marketing campaign, operating expenses were kept at single-digit growth as the Bank continued to reap gains out of its continuing expense rationalization programs which included branch realignments and process improvements, among others.

As a result, our cost efficiency ratio improved to 64% from 69% a year ago. We were focused in growing and strengthening the Bank's balance sheet. PNB's total consolidated resources stood at ₱753.7 billion, up by 11% or ₱74.0 billion from year-ago level.

Asset build-up was funded by a 17% rise in deposits as PNB leveraged on its extensive branch network and implemented initiatives to grow CASA deposits.

Despite the aggressive loan expansion, PNB's asset quality remained solid as the Non-Performing Loan (NPL) ratios declined further to 0.18% (net of valuation reserves) and 2.3% (at gross) from 0.25% and 2.6%, respectively in December 2015. NPL coverage is now at 133%.

Capital Adequacy Ratio (CAR) stood at 16.7% and Common Equity Tier (CET) 1 ratio was at 15.8% - both well-above the minimum regulatory requirements."



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

Mr. Ishmael Canua, a stockholder, asked for the schedule of operations of the Bank's branches in line with the upcoming ASEAN Summit. In response, EVP Bernardo Tocmo said that the branches will be open on April 27, 2017. For April 28, 2017, Mr. Tocmo said that selected branches in Metro Manila will be open. He added that the NAIA branch will be open for 24 hours.

Mr. Canua also asked for the steps taken by the Bank in preparation for typhoons and earthquakes. Mr. Tocmo said that the Bank's contingency plans were in place. For instance, during the Yolanda typhoon, the Bank had back-up sites in Zamboanga. Mr. Canua thereafter asked if PNB was looking for foreign partners. Mr. Maclang said that the Bank had always been open to opportunities. He also expressed the Bank's willingness to listen in case a foreign investor wished to discuss any such opportunities with PNB.

Mr. Canua inquired about a possible merger of PNB and BPI. In response, Mr. Maclang said that while speculations regarding the matter arose 4 or 5 years ago, none such merger took place.

On Mr. Canua's inquiry regarding agency banking and a potential partnership with PAL, Mr. Maclang mentioned that agency banking was covered by a new circular issued by the BSP. While the Bank used convenience stores and pawnshops as payment outlets for remittances, there were no plans yet to partner with PAL or any other entity for deposit servicing.

Mr. Canua also asked about the Bank's policies with respect to loan applications in light of the *Rent Sangla* scam. PNB Savings Bank President, Mr. Jovencio Hernandez said that the Bank was not affected by the scam since all policies regarding loan applications and approvals were in place.

Mr. Canua suggested acceptance and processing of mobile payments through certain mobile application such as Android Pay, Apple Pay and Samsung Pay. SVP Martin Reyes said that a study regarding the matter was ongoing.

Ms. Valerie Gonzales, a stockholder, then inquired on how the Bank handled its related party transactions. In response, Mr. Federico C. Pascual, the Chairman of the Bank's Board Oversight RPT Committee, said that the Committee ensures that all related party transactions are entered into at an arms length basis, and without undue favors to the related party. Mr. Pascual also assured the stockholders that the review and approval of related party transactions were done in accordance with BSP and SEC circulars on the matter.

Mr. Mariano M. Soria, a PNB retiree and a stockholder of the Bank, expressed his gratitude to the Bank for declaring cash dividends in favor of the stockholders. He said that it's the first time after two decades that he received dividends from PNB. He thus asked if the stockholders can expect another dividend payout in 2017. EVP Nelson Reyes assured Mr. Soria that dividend payments are always top of mind of the Senior Management Committee and the Board of Directors. He explained that while the Bank

was in a position to declare dividends, the Bank also had the duty to ensure its ability to grow the business and increase its earnings. He added that there were likewise regulatory requirements that needed to be complied with. Mr. Soria then expressed his gratitude to the Management and the Board of Directors for their heartfelt support to the retirees. He also said that SVP Schubert Austero promptly addressed an issue raised by the retirees.

Ms. Jenny Gomez, a retiree of the Bank, said that upon a reading of the Annual Report, she chanced upon the Bank's Mission Statement which included the delivery of products and services that will create value and enrich the lives of customers, employees, shareholders and communities. She said that she agreed 100% with the statement, and added that PNB enriched her life and made it very meaningful.

Mr. Guillermo Gili Jr. then asked for updates regarding certain past due accounts of the Bank. The Chief Legal Counsel, Atty. Manuel Bahena, said that Uniwide was in the process of liquidation where PNB participated as one of the creditors. Rubberworld and Tan Yu accounts were already settled. With respect to the Eduarosa account, FSVP Emmanuel German Plan said that Eduarosa had no existing bank obligation and that foreclosure already took place.

Ms. Karen Dialino inquired on the Bank's positioning in connection with the Duterte Administration's golden age of infrastructure. EVP Cenon Audencial said that as early as 3 years ago, the Bank already targeted the construction industry in the countryside. He also confirmed the Bank's active participation in PPP projects. PNB Capital and Investment Corporation President, Mr. Gerry Valenciano, added that with respect to the funding of the projects, PNB Capital was spearheading top activities and projects. He said that the Bank was working on the largest and visible projects in the industry.

Ms. Dialino then congratulated PNB, its directors, employees, management and staff for a job well done on servicing and bringing innovative products to customers. She said that PNB remained updated with the latest technology, which made banking more convenient to clients and stockholders.

After further discussion, Ms. Tarriela thanked the stockholders for their comments and questions.

V. APPROVAL OF THE 2016 ANNUAL REPORT

Ms. Stephanie Dysangco moved for the notation and approval of the Annual Report, including the audited financial statements of PNB as of December 31, 2016. Mr. Elvin Salindo duly seconded the motion. There being no objections, the motion was approved, as follows:

STOCKHOLDERS RESOLUTION NO. 01-17

RESOLVED, AS IT IS HEREBY RESOLVED, that the the Bank's 2016 Annual Report, together with the Audited Financial Statements for the year ended December 31, 2016, be noted and approved.



The Corporate Secretary was then instructed to reflect in the Minutes that the motion was unanimously approved:

Approving	1,049,713,194
Dissenting	0
Abstaining	0

VI. RATIFICATION OF ALL THE LEGAL ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS SINCE THE 2016 ANNUAL STOCKHOLDERS' MEETING

The next item in the Agenda was the confirmation and ratification of all the legal acts, including the approvals of material related party transactions, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2016 Annual Stockholder' Meeting. A summary of the acts submitted for ratification was flashed on the screen for the examination of the stockholders. As explained by the President, all the said acts, resolutions and proceedings consisted of regular banking transactions and policy formulation which were undertaken in the regular course of business of the Bank.

Mr. Elvin Salindo then moved for the approval, confirmation and ratification of all the acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2016 Annual Stockholders' meeting up to the present. Ms. Billie Cabal seconded the motion.

There being no objection, the motion was approved, as follows:

STOCKHOLDERS RESOLUTION NO. 02-17

RESOLVED, AS IT HEREBY RESOLVED that all legal acts, resolutions and proceedings of the Board of Directors and Corporate Officers of the Bank from the last Annual Stockholders' Meeting on May 31, 2016 up to the present, as reflected in the Minutes of the Meetings of the Board of Directors and the Board Committees be approved, confirmed and ratified.

The Corporate Secretary was then instructed to reflect in the Minutes that the motion was unanimously approved:

Approving	1,049,713,194
Dissenting	0
Abstaining	0

VIII. ELECTION OF DIRECTORS

The Corporate Secretary reported that the Bank's Corporate Governance Committee, acting as the Nominations Committee, approved the nomination of the

