Philippine National Bank

2018 ANNUAL REPORT

DRIVEN
TO SERVE
You first.

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OUR COVER

Philippine National Bank (PNB) is committed to a future of stability, service excellence, and continuous improvement – qualities that have defined us for more than a century now. We dedicate ourselves to always putting our customers first through relevant financial solutions that cater to their needs in every stage of their lives. PNB is driven to serve *You First.*

FINANCIAL SUMMARY/ FINANCIAL HIGHLIGHTS

(in thousands except selected ratios, per common share data and Headcount)
GRI 201-1

	Consolidated		Parent Entity	
Minimum Required Data	2018	2017	2018	2017
Profitability				
Total Net Interest Income	**27,001,724**	22,023,968	**23,461,884**	19,062,428
Total Non-Interest Income	**11,682,130**	10,376,503	**11,117,810**	9,723,406
Total Non-Interest Expenses	**27,387,607**	23,340,331	**23,713,090**	20,463,394
Pre-provision profit	**11,296,247**	9,060,140	**10,866,604**	8,322,440
Allowance for credit losses	**1,740,177**	903,595	**1,401,528**	161,877
Net Income	**9,556,070**	8,156,545	**9,465,076**	8,160,563
Selected Balance Sheet Data				
Liquid Assets	**233,696,186**	243,339,461	**218,059,477**	224,137,498
Gross Loans	**574,476,950**	482,300,156	**503,049,694**	426,567,167
Total Assets	**983,648,186**	836,356,705	**911,800,586**	778,972,522
Deposits	**733,301,478**	637,920,257	**683,397,406**	596,405,038
Total Equity	**128,559,012**	119,737,949	**125,650,447**	117,079,445
Selected Ratios				
Return on equity	**7.70%**	7.10%	**7.80%**	7.27%
Return on assets	**1.05%**	1.03%	**1.12%**	1.10%
CET 1 capital ratio	**13.55%**	14.58%	**10.85%**	11.25%
Tier 1 capital ratio	**13.55%**	14.58%	**10.85%**	11.25%
Capital Adequacy Ratio	**14.35%**	15.35%	**11.63%**	12.03%
Per common share data:				
Net income per share:				
Basic	**7.58**	6.53	7.58	6.53
Diluted	**7.58**	6.53	7.58	6.53
Book value	**100.59**	93.74	100.59	93.74
Others				
Cash dividends declared			-	-
Headcount				
Officers			4,011	3,958
Staff			4,255	4,276

PNB

CORPORATE OBJECTIVES

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
  - o The preferred financial services provider
  - o 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 Mapaglingkod (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.**

PNB
you first.

SCOPE OF BUSINESS

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).

BUSINESS MODEL

GRI 102-2, 102-6

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, 711 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 Group (RBS) principally focuses on retail deposit products (i.e., current accounts, savings accounts and high cost accounts) and services. While the main purpose 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 referrals of 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 directed at providing the Bank's retail clients with multi-purpose personal loans, home mortgage loans, vehicle financing and credit card services.

TREASURY SECTOR

The Treasury Sector primarily manages the liquidity and regulatory reserves of the Bank and risk positions on interest rates and foreign exchange arising 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 overseas Filipino workers (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.

CHAIRMAN'S
MESSAGE TO SHAREHOLDERS

GRI 102-14

The Philippine banking industry provided a strong support platform for the economy. Domestic banks' balance sheets reflected sustained growth in assets and deposits.

ECONOMIC OVERVIEW

The Philippine economy remained resilient as Gross Domestic Product (GDP) grew over 6% in 2018 for the seventh consecutive year, reaffirming the country's standing as one of the fastest growing economies in Asia, trailing closely China's 6.6%.

On the demand side, economic expansion in 2018 was driven by the 14% surge in real investments amid aggressive public and private construction activities. Government expenditure likewise provided a boost to overall growth, accelerating by 12.8% on account of sustained spending on public infrastructure projects as well as expenditures on personnel services, operations and maintenance. Meanwhile, household spending slowed to 5.6% in 2018 from 5.9% on the back of muted consumer sentiment due to elevated prices while exports decelerated to 11.5% from 19.5% due to soft global demand.

Growth on the supply side was supported by the modest performance of the services and industry sectors which grew by 6.6% and 6.8%, respectively. Services were buoyed by the expansion of retail trade, financial intermediation, and public administration and defense. The industry sector was largely driven by construction, which grew by a hefty 15.9% in 2018 from 5.3% previously. Expansion of the agriculture sector, meanwhile, was flat at 0.8% in 2018.

The Philippine Peso averaged at Php52.7/$1 in 2018, a 4.3% depreciation from its year-ago average of Php50.4/$1 due to the increase in U.S. interest rates, global market volatilities, and widening Philippine current account deficit. Nevertheless, the continuous inflow of foreign exchange from remittances, foreign direct investments, BPO receipts, Gross International Reserves, and the country's robust economic growth provided support to the Peso.

The Philippine banking industry provided a strong support platform for the economy. Domestic banks' balance sheets reflected sustained growth in assets and deposits. Asset quality indicators remained healthy while capital adequacy ratios were maintained above international standards, even with the implemented tighter Basel III framework. The banks also grew steadily with total assets increasing by 11.5% to Php16.9 trillion and deposits rising by 8.8% to Php12.8 trillion as of end-2018. The Philippine banking system's Gross Non-Performing Loan ratio remained manageable at 1.77% in 2018. Loan exposures continued to be adequately covered with the banking system's NPL coverage ratio of 104.93% as of year-end.

PNB is determined to rise to challenges and to continuously transform as a responsive and dynamic bank – a financial partner that Filipinos can lean on.

STRATEGIC INITIATIVES

The year 2018 was another strong one for PNB. Driven by a tradition of service excellence, we took full advantage of opportunities to strengthen, modernize, and digitally adapt our services to keep up with the customer's financial needs.

One of our initiatives is PNB Connect, a comprehensive portfolio of customized financial solutions. Through PNB Connect, the Bank harnessed the supply chain by bringing together an entire community of small and medium enterprises, suppliers, and their customers. Cognizant of emerging technologies, we partnered with non-traditional financial institutions such as pawnshops, bayad centers, and remittance companies to cater to the unbanked population.

In October 2018, the integration of PNB Savings Bank (PNBSB) into PNB was approved by the Board of Directors, subject to regulatory and other necessary approvals. Upon full integration, PNB will be able to serve a wider customer base, while the customers of PNBSB will have access to PNB's diverse line-up of financial solutions. The integration brought the Bank's total domestic footprint to 711 branches. Beyond numbers, we are confident that this strategic move puts PNB in a better position to compete in the consumer and SME business segments.

GOOD CORPORATE GOVERNANCE

While focusing on initiatives to drive business and profitability, PNB has not forgotten its commitment to integrity. We recognize the importance of having a strong corporate governance and risk management framework in sustaining the Bank's business for the long term. Our efforts paid off. In July 2018, the Bank was recognized by the Institute of Corporate Directors (ICD) as among the top-performing publicly-listed companies (PLCs) that ranked high under the ASEAN Corporate Governance Scorecard (ACGS). Out of the 245 companies assessed, PNB was among the 21 Philippine PLCs that scored 90 points and above. The bank was also among the Top 5 PLCs in the Financial Sector recognized for exemplary corporate governance practices.

A NEW CHAPTER

In November 2018, President Reynaldo A. Maclang retired as bank president after dedicating over 40 years of his professional life to Allied Banking Corporation and PNB. He strengthened PNB and positioned it for faster growth. His leadership paved the way for the Bank to achieve significant milestones. We recognize and are thankful for his invaluable contributions.

Subsequently, we welcomed our new president and chief executive officer, Jose Arnulfo "Wick" A. Veloso. Coming in with over 30 years of extensive banking and capital markets experience, gained locally and overseas, he is expected to bring PNB to new levels of growth. The new leadership manifests our determination to rise to challenges and to continuously transform as a responsive and dynamic bank – a financial partner that Filipinos can lean on.

In closing, we express our gratitude to our Board of Directors for their vision and guidance; our Management team and employees, for their dedication in the face of challenges; and our customers and shareholders, for their unwavering support to PNB.

FLORENCIA G. TARRIELA
Chairman

PRESIDENT'S
MESSAGE TO SHAREHOLDERS

P9.6B
NET INCOME

P983.6B
CONSOLIDATED RESOURCES

HEALTHY FINANCIALS

PNB sustained healthy financial results in 2018 and scored milestones in various areas of our business.

Our Bank registered a net profit of Php9.6 billion, 17% higher than the earnings of Php8.2 billion in 2017. At the end of 2018, PNB's total consolidated resources stood at Php983.6 billion, up Php147.3 billion or 18% from year-ago level.

The growth in net profit resulted from sustained efforts in strengthening the Bank's core business. Total operating income improved by 20% to Php38.9 billion from year-ago level of Php32.3 billion on the back of increases in core revenues as well as gains from asset disposals. Net interest income reached Php27.0 billion, 23% higher compared to the previous year, driven by a 19% expansion in gross loans and the widening of net interest margin to 3.3% from 3.1%. Funding efficiencies were achieved behind a 22% increase in low-cost demand deposits which fueled growth in deposit liabilities.

Net service fees and commission income grew by 9% driven by improvements in deposit, trade, and credit card-related fees as well as bancassurance income which were partly offset by the decline in underwriting fees. Meanwhile, net gains from sale of acquired assets increased to Php5.9 billion compared to last year's Php3.9 billion in line with the Bank's ongoing strategy of reducing its non-earning assets. Excluding net gains from sales of foreclosed asset sales, the improvement in total operating income remains significant at 16% year-on-year.

Operating expenses grew by 13% over the same period last year as strong revenue growth translated to higher business taxes and other business-related expenses. Without taxes and licenses, core operating expenses grew by 8%.

We will consistently align our efforts to the needs of our customers, always staying true to our brand promise of serving 'You First'.

Despite the robust loan growth, PNB's asset quality remained strong with non-performing loan (NPL) ratios of 0.34% net of valuation reserves and 1.76% at gross. NPL coverage on the other hand stood at 156.87%. PNB's consolidated risk-based capital adequacy ratio (CAR) continued to exceed the minimum regulatory requirement of 10%, with CAR at 14.35% and Common Equity Tier (CET) 1 ratio at 13.55% by end-2018.

Recognizing the consistent improvement in PNB's credit profile, Fitch Ratings affirmed in November 2018 PNB's long-term Issuer Default Rating at BB+. Likewise, Moody's affirmed in December 2018 the Bank's foreign currency and local currency deposit ratings at Baa2/P-2, two notches above investment grade.

SUSTAINING PERFORMANCE

In April 2018, PNB debuted in the international bond market for medium term dollar funding. The Bank successfully issued US$300 million of 5-Year Fixed Rate Senior Notes out of its US$1 billion Medium Term Note (MTN) Program in Singapore and Hong Kong. This marked the first time that PNB tapped the international bond market for medium term dollar funding.

Demand for the offering reached approximately US$1.2 billion at its peak, equivalent to an oversubscription of 4x the issue size. The high demand for the initial issue was a testament to the international investors' strong confidence in PNB.
PNB participated in several landmark corporate finance deals to support the government's thrust for national development. We partnered with some of the country's large corporates for domestic funding projects such as Bloomberry Resorts Corporation, San Miguel Consolidated Power Corporation, and Megawide Construction Corporation, to name a few.

We strengthened our partnership with member companies of the Lucio Tan Group. We collaborated with Philippine Airlines (PAL) and Mabuhay Miles and launched two new credit card products with improved rewards features, addressing the needs of the growing lifestyle market.

As we drive efforts to grow our business and maintain profitability, we continued to harness our human asset. We ended the year with 8,266 Philnabankers, all committed to deliver competitive financial solutions and excellent service to our customers.

DRIVEN FOR BIGGER GROWTH

It is my great honor and privilege to be a part of PNB's journey as we reinforce our standing in the Philippine banking industry through aggressive yet safe growth. Emerging technologies and non-traditional competitors are just some of the challenges that are keeping us busy today. Now more than ever, we are driven to transform aspects of our business to achieve a bigger and better PNB – whether it's to streamline operations, adopt new technologies, explore new markets, or cultivate a new corporate mindset and culture. We will consistently align our efforts to the needs of our customers, always staying true to our brand promise of serving 'You First'.

On behalf of the top management and all Philnabankers, thank you for your constant trust and support to PNB. Rest assured that we will always be the Bank you can lean on.

JOSE ARNULFO "WICK" A. VELOSO
President and Chief Executive Officer

OPERATIONAL HIGHLIGHTS

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TO SERVE
you first.

RETAIL BANKING SECTOR

Branch Banking Group

Branch Banking Group grew its low-cost deposits ADB by 11% despite a huge drop in government deposits due to the mandate requiring government agencies to bank only with government banks. Similarly, BBG's time deposit ADB also rose by 12% within the year.

These results were achieved as the group continued its major strategy to 'Get, Keep, and Grow' which means Getting new-to-bank Customers; Keeping/Growing business with existing customers by offering other products and services; and converting them into complete customers. The group also intensified the daily execution of its PCMS sales activity with the use of its 'Sales Kit' on Prospecting new-to-bank clients, doing Calls and Meetings with prospects, and closing Sale. In 2018, BBG's leads rose by 154% while the closed sales surpassed previous year's record by 92%.

The cross-selling programs of the group delivered significant results in 2018. On the Bancassurance business with Allianz PNB Life, BBG contributed 93% of the annualized net premium comprising of various groups. PNB's Business Card is a credit card facility designed for small and medium enterprises, which is non-

PNB expanded its domestic branch network, with a year-end total of 644 branches.

collateralized, with a credit limit of Php200,000 up to Php3 million. It offers competitive interest rate with a minimal joining fee of two thousand pesos only.

To improve service delivery of the branches, technical competency training of branch front-liners was intensified. Continuing seminars on internal control consciousness were rolled out. PNB branches completed the certification requirements mandated by DOLE to ensure a safe and conducive working environment for employees and clients. These trainings enabled the branches to achieve significant improvements in service quality. These technical trainings were complemented by initiatives reinforcing proper work ethics and values, consistent with PNB's brand promise of "You First".

PNB expanded its domestic branch network, with a year-end total of 644 branches. The Mindanao State University extension office in Marawi City was converted to a regular branch to provide full-service banking to the community after the siege. In support of the Bangko Sentral ng Pilipinas' (BSP) objective of financial inclusion, PNB opened branch-lite units in far-flung areas to reach out to the unbanked, unserved and underserved communities.

The Bank recorded a total of 1,395 ATM units by the end of the year, inclusive of 70 Cash Accept Machines (CAMs).

Cash Management Solutions Division

Created by the Retail Banking Sector in 2017, the Cash Management Solutions Division (CMSD), was established to deliver end-to-end financial solutions to the business clients of the Branch Banking Group.

For 2018, CMSD endeavored to improve the cross-selling of cash management solutions to commercial accounts and to use it to drive income. The division registered a 5% increase in enrolled accounts and sold 991 new core solutions.

To create more value, CMSD proactively conducted roadshows and introduced new products to business customers, along with a relaunch of enhanced services. CMSD's close coordination with the branches resulted in several projects, generating increased deposits and fee-based income. The division looks forward to maximizing network opportunities and cascading initiatives in and out of its product network.

OPERATIONAL
HIGHLIGHTS

Global Filipino Banking Group

The Global Filipino Banking Group (GFBG) continued to operate the bank's overseas business, serving more than 10 million overseas Filipino workers (OFWs) across Asia, the Middle East, North America and Europe. With 72 overseas branches and offices, 196 tie-ups/agents/partners, and 545 correspondent banks world-wide, PNB's extensive overseas network remained the largest among Philippine universal banks.

In 2018, GFBG expanded the bank's remittance business by securing new domestic and overseas partnerships to ensure a more convenient and accessible experience for OFWs and their beneficiaries. GFBG acquired over 160 overseas tie-ups, agents and partners. Locally, the bank partnered with Villarica Pawnshop and Robinsons Department Store, which significantly increased the total number of payout outlets to over 7,400 across the country. To support the bank's digital initiatives, the business platform forged a partnership with fintech provider, Xchanged Inc., enabling mobile remittance service to over 40,000 Filipino customers in the United States.

Moreover, GFBG provided its OFW and foreign clients with a wide array of banking services and supplementary programs that promote financial inclusion. The group broadened the reach of its flagship home loan program, Own a Philippine Home Loan (OPHL), in more countries, particularly in the Middle East. Through aggressive marketing campaigns and participation in various international roadshows, the OPHL portfolio increased by 22%, with clients coming mostly from Hong Kong. In the fourth quarter, an Advice and Pay promo was launched in support of the bank's thrust for financial inclusion. The campaign encouraged non-PNB accountholders to explore the bank's wide array of services, from remittance to ATM-based deposit accounts, where they can conveniently claim succeeding remittances in over 20,000 ATMs across the country.

As part of corporate social responsibility, financial literacy programs and seminars were conducted overseas by the Bank's employees and key officials:

- Partnership with the Filipino Maranao community in Dubai and Sharjah in the United Arab Emirates
- Participation as a financial literacy mentor in the Post-Arrival Orientation Seminar (PAOS) of the Philippine Consulate in Hong Kong
- Recognition by the Malacañang Palace Banaag Awards for constant support to the financial literacy drive in Hong Kong and Macau
- Hosting of visiting Filipino students in the Financial Markets Certification program in Singapore
- Collaboration with the Philippines' Social Security System (SSS) to promote the Bank's overseas bills payment facility to OFWs in paying for their monthly contributions
- Various OFW orientation seminars in coordination with the government and the private sector

Cards Banking Solutions Group

The Cards Banking Solutions Group (CBSG) documented substantial increases in its key performance indicators and rolled out various marketing campaigns and loyalty programs that boosted the group's overall growth.

The group offered major installment promos such as Convert to Cash (C2C), Balance Transfer (BT) and Transaction Conversion (TC) with very competitive rates that tremendously increased merchant installment and, consequently, hiked profits. Improved media presence greatly helped in expanding the group's billing and acquisition efforts, responding to the market needs, and catering to a wide variety of cardholder base.

In April, the credit card functionality of the PNB Mobile Banking App and PNB Internet Banking was implemented, enabling cardholders to on-board and view their credit card balances and transactions. As of December, an estimate of 28,000 cardholders have enrolled their credit cards to the new digital features.

With a strengthened brand recall, PNB Cards introduced new card products with rewarding features. The PNB-PAL Mabuhay Miles NOW Mastercard, launched particularly for 'millennials', generated around 60,000 turn-ins/8,000 plus active accounts and half a billion billings since its launch in March 2018. Following this successful release was another co-branded card, the PNB-PAL Mabuhay Miles Debit Mastercard, which was inaugurated with a "Debit for Miles" promotion to encourage customer acquisition and usage. Customers were awarded with free Mabuhay Miles and earned entries for travel rewards via PAL. By the end of the year, the group achieved a significant 43% increase in all of its approved card statistics.

To proactively engage employees as 'brand ambassadors' of the new and improved card products, the group introduced a bank-wide PNB Cards Friday Shirt Campaign in partnership with Mastercard. The campaign aimed to increase employee knowledge on the different card payment products and revitalize brand awareness.

Pinnacle Priority Banking Division

The year 2018 was a milestone for Pinnacle Priority Banking Division (PPBD), a specialized team created under the guidance of the Retail Banking Sector. The division continued to function as the Bank's wealth management solution provider, catering to the needs of high-net-worth clients.

PPBD's portfolio registered 88% growth, and its assets under management (AUM) increased by Php4.5 billion from last year, tallying a gross of Php42 billion. The increases were mostly driven by the availability of new issues in the capital markets.

The division's client base grew by 63% from last year, with a total of 138 branch-referred and self-sourced nominated accounts. In cooperation with the Bank's business units as well as its subsidiaries and affiliate, the division acquired new customers through PPBD Relationship Managers' leads, capitalizing on branch banking network as well as client referrals.

To strengthen Pinnacle Priority Banking's brand image, the division collaborated with product providers and affiliates such as Allianz PNB Life, PNB Securities, and PNB Capital and Investment Corporation to organize client events such as Market Insights in Makati and Manila areas during the year. In addition, the division maximized cross-selling opportunities through collaboration with various business groups, pursuant to the prescribed risk and compliance parameters. These events were supplemented with daily wealth management news and timely advisories on market developments disseminated by PPBD wealth managers.

Another notable accomplishment of Pinnacle Priority Banking was the establishment of its second Wealth Management Hub at the Bonifacio Global City in Taguig. The newly inaugurated hub was opened in August as part of the division's strategy to strengthen connections and create new client bases. The hub serves as a comfortable and accessible place where customers can reach out to PPBD's highly skilled relationship managers for wealth management solutions and market updates.

INSTITUTIONAL BANKING SECTOR

The Institutional Banking Sector (IBS) continued to expand local and international reach and supported some of the most remarkable projects in the country. The sector increased asset level and market share without compromising profit, through selective participation in deals and maintaining top-of-mind strategic relationships with clients.

Impressive performance was seen from all lending units, spearheaded by the growth of the Commercial Banking Group (COMBG), resulting to the sector's significant growth in terms of loan level, loan ADB, and gross interest income.

IBS continued to participate in various landmark corporate finance deals to support the government's thrust for national development using a speed-to-market strategy and appointment of highly-competent and experienced relationship managers.

PNB was recognized by The Asset Triple A Country Awards 2018, together with PNB Savings Bank and investment arm, PNB Capital Corporation, for its proactive support in Bloomberry Resorts and Hotels' Php73.5-billion syndicated term loan facility. The transaction was cited by The Asset as one of the largest corporate syndications arranged in the Philippine debt market.

The sector's Corporate Banking Group also paved the way for the Bank's participation in international aircraft-related financing in cooperation with another Lucio Tan-owned company, Philippine Airlines (PAL).

IBS grew its ancillary business, earning the Bank additional fees from cash management and trade, deposits, and income from PNB subsidiaries. Greater efforts were taken to capture serviceable needs of clients relating to cash management solutions, trade requirements, insurance, and debt funding needs.

Likewise, IBS enhanced the cross-selling efforts of the Bank using PNB Connect to capture the entire value chain anchored on institutional clients from the suppliers, wholesalers, logistic providers, all the way to the tertiary market and end-users. To promote the Bank's latest innovations, PNB Connect conducted several campaigns and participated in various events. Likewise, new technology-based products, services, and solutions were launched with the integration of the Cash Management team and the expansion of Corporate Banking Group.

IBS also established credit product programs in partnership with non-traditional financial institutions such as pawnshops, payment centers, and remittance companies to cater to the unbanked population in far-flung areas.

OPERATIONAL
HIGHLIGHTS

TREASURY SECTOR

Despite the challenges presented to the banking industry in 2018, the Treasury Sector provided the Bank with liquidity support while generating interest earnings and trading gains amidst high inflation rates in the domestic market, and subdued global inflation risk.

The tight liquidity in the domestic market inspired the Treasury Sector to explore new, low-cost alternative liquidity sources to better manage funding costs.

As part of Treasury's overall liability management strategy, the Bank established a $1B Euro Medium Term Note (EMTN) programme and a PhP20B Long Term Negotiable Certificates of Deposits (LTNCD) program to broaden the Bank's base for fund-raising and distribute the maturity profile of its liabilities. Under the first tranche of the EMTN program, the Bank issued $300 million in fixed-rate senior notes in April.

The proceeds of these issuances would raise long-term stable funding for the Bank's general corporate purposes and support funding of the Bank's asset growth targets without compromising compliance with the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Moving forward, the Treasury Sector will continue to take advantage of sourcing low cost funds from non-traditional sources to support the Bank's goal of aggressive but safe growth.

TRUST BANKING GROUP

The Trust Banking Group (TBG) capitalized on strengthening its Unit Investment Trust Fund (UITF) products and innovating in the group's electronic distribution channels. TBG focused on automating the standard manual processes and launching new and enhanced products to respond to market needs.

Meanwhile, Phase 1 of the PNB UITF Mobile Banking was introduced to the public through the PNB Mobile Banking App. The group made major product upgrades to improve the competitive position of its funds, as well as to attract more customers to invest.

In line with the Bank's thrust towards financial inclusion and literacy, Trust Banking Group rolled out various investor forums in Metro Manila, Pampanga, Cebu, and Davao. Attendees were taught practical steps in estate planning and wealth creation, as well as investment forecasts and strategies. The group also implemented several tactical promos and incentive programs for branches to support its initiatives.

PNB SAVINGS BANK

PNB Savings Bank (PNBSB), the consumer lending arm of PNB, continued to innovate and expand its deposit and loan portfolio as one of the leading thrift banks in the country. PNBSB closed the year with total resources at Php61.7 billion, up by 20% from the previous year. The savings bank posted a net income of Php334 million while net interest income went up by 27%, year-on-year, at Php2.5 billion. The bank ended the year with a network of 67 branches, including its first interactive and fully-digital branch dubbed as the 'Branch of the Future' located at the ground floor of ETON Square Ortigas in San Juan City.

The launch of the 'Branch of the Future' in November highlighted the smart digital technologies that simplify everyday banking transactions. The branch is equipped with full-function ATM units, chatbot, telemedicine kiosk, and fun virtual games. Well-trained and courteous Universal Officers are on-hand to help clients get acquainted with the digital facilities and provide financial advice.

In addition to its thrust towards innovation, the consumer lending arm introduced various award-winning products:

- Smart Courier Service - complements deposit products and enables specific types of customers to enjoy free courier service for various bank-related transactions.
- Smart Multi-Purpose Loan – enhanced with free telemedicine services through Medgate and life and accidental death insurance coverage through Allianz PNB Life.
- SME Power Pack -- an integrated business solutions package including a comprehensive payroll program, accounting system, and check-writing facility.

To drive the growth of its consumer loans business, the PNBSB rolled-out various promos in 2018 for its Motor Vehicle Loan and Housing Loan business.

- Smart Auto Loan Free Auto Insurance - allowed eligible auto loan borrowers to enjoy a one-year free comprehensive auto insurance package and 24/7 emergency roadside assistance package.
- Home Flexi Loan Plus Promo - provided eligible borrowers free upgrade from a regular fire insurance to a Home Insure Plus package for the full term of the loan.
- PNB Savings Bank Smart Home Loan - offered special low rates of 5.50%, fixed for one year, and 6.25% fixed for two years, for a limited time.

PNB Savings Bank is committed to continue enhancing its products and services and to live up to its promise of empowering clients and transforming communities.

PLANS FOR 2019

PNB will draw strength from its successes as it lives up to a legacy of service excellence. Its brand promise, "You First," will continue to be the anchor in all customer-centric endeavors.

The Bank aims to implement strategies to address the customer's evolving needs. Along this line, PNB Connect, a comprehensive portfolio of customized financial solutions, will be aggressively marketed. Through PNB Connect, the Bank will harness the supply chain as it partners with non-traditional financial institutions.

PNB will begin taking steps to integrate PNB Savings Bank (PNBSB) into the Parent Bank. In this way, the Parent Bank will be able to serve more customers nationwide, while the customers of PNBSB will be able to avail of PNB's comprehensive line-up of products and services. This move to integrate gives PNB more competitive advantage in the consumer and SME markets.

While focusing on initiatives to drive business and profitability, PNB will ensure that a strong corporate governance and risk management framework are in place to support sustainability goals. Recognizing the value of its human resource asset in attaining the corporate objectives, PNB will continue to equip employees with the necessary capabilities to undertake the Bank's growth strategy. Likewise, the Bank will advance its technological abilities with the aim of growing the business across multiple channels.

PNB

VALUES

GRI 102-16

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.

AWARDS AND RECOGNITIONS

1 ANVIL AWARDS

PNB was honored by the Public Relations Society of the Philippines with four Silver Anvils during the Gabi ng Parangal 53rd Anvil Awards. The PNB 2016 Annual Report: "A Century of Excellence" was awarded for showcasing the Bank's hundred-year legacy to the Philippine banking system. The 2017 Wall Calendar also received a Silver Anvil as it presented the Bank's commitment to serving its customers first through a showcase of Philippine artistry. PNB Cards Banking Solutions Group was recognized for its "Experience More Firsts" which featured many of life's best experiences that customers can have using their PNB Cards. PNB's affiliate, Allianz PNB Life Insurance, Inc., won for its Allianz Junior Football Camp Online Video Campaign.

2 PHILIPPINE QUILL AWARDS

PNB was honored by the International Association of Business Communicators during the 16th Philippine Quill Awards. Winning an Award of Merit was the Coffee Table Book, PNB: One Hundred Years of Service Excellence which captures the Bank's eventful history supported by visuals and stories of PNB's valued clients, partners, and employees through the years.

3

4

5

3 CMO ASIA PHILIPPINES BEST BRAND AWARDS

PNB Savings Bank received the Marketing Campaign of the Year Award for its Power Saver Account program in the CMO Asia Best Brand Awards 2018. The Power Saver Account is a tiered, high interest-earning savings account product bundled with free telemedicine services by Medgate and life and accidental death insurance coverage by Allianz PNB Life.

4 ASIAN BANKING AND FINANCE RETAIL BANKING AWARDS 2018

PNB Savings Bank bagged two awards from the Asian Banking and Finance Retail Banking Awards: Consumer Finance Product of the Year for the Bank's Smart Personal Loan and Service Innovation of the Year for its Smart Auto Loan and Home Loan Plus products.

5 PDS ANNUAL AWARDS

The Philippine Dealing System (PDS) Group recognized PNB for taking the number one spot in the list of Top Fixed-Income Brokering Participants for 2017. PNB received the award during the PDS Annual Awards Night. PDS Group operates in a regulatory environment that ensures conformance to governance and regulatory requirements and commitment to stability, integrity, and investor protection. The awards program gathers and honors market participants and stakeholders across the financial sector, and PNB was recognized for its contribution in the capital market community.

MESSAGE FROM THE
BOARD STRATEGY AND POLICY COMMITTEE CHAIRMAN

FELIX ENRICO R. ALFILER
VICE-CHAIRMAN/DIRECTOR

The Board Strategy and Policy Committee (BSPC) was formed to review the Bank's short-, medium- and long-term strategies and to ensure that its operations, procedures, policies, risk appetite, capital program, investments in Human Resources and technology are all internally consistent and are focused on ensuring that the Bank's strategic objectives are realized. The BSPC likewise acts as a clearinghouse for trends and innovations in general banking approaches as well as developments that could disrupt traditional banking services.

The BSPC also reviewed strategic plans and evaluated actual outcomes that deviated from these plans so that alternative approaches are formulated to make sure that the plans' original objectives are met.

More importantly, discussions and planning were undertaken to formulate timely and effective generation of resources, whether through capital raising or borrowing, to ensure that the bank's asset growth is consistent with the objective of maintaining its status as the fourth largest Philippine bank.

As part of its oversight on capital planning, the Committee is tasked to review, evaluate, approve and/or endorse for Board approval the Bank's capital planning, risk assessment, policies and procedures and provide oversight on the adoption and implementation of the Bank's board-approved ICAAP program.

The BSPC ensures that the capital planning exercise fully supports the bank's growth objectives. It is the primary objective of the capital management of the Parent Company 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. PNB has always maintained a policy of "beyond compliance" and has embedded the capital adequacy requirement with its long-term strategic objectives. With the annual submission of the bank's ICAAP document, the approach and processes have continually improved over the years.

In line with the Bank's ICAAP Framework, the annual strategic planning exercise is an interactive process among the Bank's various business and support groups, including subsidiaries that culminated with the crafting of the three-year Business Plan aimed at achieving the corporate goal of becoming a bigger and better bank.

The risk assessment implementation reflects an enterprise-wide risk management framework in place with every unit of the bank and its subsidiaries actively participates. The road to ICAAP awareness and understanding continue as related education program is being conducted and disseminated in the whole enterprise. Continuous education keeps the bank armed in the presence of emerging threats such as cyber risk, financial technology and impact of social media. The bank acknowledges that as the evolution of the financial landscape brings forth benefits for customers and new business opportunities for the bank through the e-channel, its complexities carries with it challenges and risks such as issues on regulatory, legal, security and reputational.

With these factors and amid the economic environment, the Bank continued to register positive financial performance, ending 2018 with a high net income. The Bank's Capital Adequacy Ratio (CAR) and CET1 ratio on consolidated basis remained solid and well above the minimum ratios required by the BSP.

The financial industry faces strong 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.

As the economic environment evolves which necessitates new approaches to providing banking services, BSPC, as the Board committee, will continue to play its role as the guardian of strategies and policies, as well as the clearinghouse of banking innovations towards ensuring that PNB is true to its "You First" promise.

FELIX ENRICO R. ALFILER
Board Strategy and Policy Committee Chairman

CAPITAL STRUCTURE AND ADEQUACY

The Group's consolidated capital adequacy ratio were 14.4%, 15.4% and 16.7% as of December 31, 2018, 2017, and 2016 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, 2018, 2017, and 2016 (amounts in millions):

	Consolidated			Solo		
	2018	2017	2016	2018	2017	2016
Common Equity Tier 1 (CET1) Capital	**121,744**	**112,345**	**104,104**	**117,542**	**108,606**	**101,545**
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	40,887	32,797	24,866	40,373	32,336	25,215
Other comprehensive income	(3,335)	(4,358)	(4,634)	(4,128)	(5,027)	(4,967)
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,895	2,609	2,575	-	-	-
Regulatory Adjustments to CET1 Capital	**22,110**	**23,401**	**24,454**	**46,664**	**47,409**	**49,875**
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1	2	3	1	2	2
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	782	2,264	2,014	782	2,264	2,014
Deferred tax assets	1,503	1,501	4,351	974	974	4,006
Goodwill	13,516	13,516	13,516	13,516	13,516	13,516
Other intangible assets	2,979	2,740	1,424	2,893	2,652	1,333
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	-	-	25,015	24,547	25,679
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)	434	527	281	590	692	459
Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	2,894	2,850	2,863	2,894	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	**99,634**	**88,943**	**79,649**	**70,878**	**61,196**	**51,670**

Additional Tier 1 Capital (AT1)

	Consolidated			Solo		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**
TOTAL TIER 1 CAPITAL	**99,634**	**88,943**	**79,649**	**70,878**	**61,196**	**51,670**
Tier 2 (T2) Capital	**5,882**	**4,696**	**4,308**	**5,079**	**4,229**	**3,866**
Other limited life capital instruments **(Unsecured Subordinated Debt was eligible until 31 Dec 2015 as BSP Memorandum No. M2013-008 dated 05 Mar 2013)**	-	-	-			
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	5,590	4,405	4,016	4,787	3,937	3,575
Regulatory Adjustments to Tier 2 capital	**-**	**-**	-	-	-	-
Total Tier 2 Capital	**5,882**	**4,308**	**13,763**	**5,079**	**3,867**	**13,417**
TOTAL QUALIFYING CAPITAL	**105,516**	**93,640**	**83,957**	**75,957**	**65,425**	**55,537**

Risk Weighted Assets

The risk-weighted assets of the Group and Parent as of December 31, 2018, 2017 and 2016 are as follows:

	Consolidated			Solo		
	2018	**2017**	**2016**	**2018**	**2017**	**2016**
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	3,376	3,256	1,622	3,376	3,256	1,622
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	870	801	498	840	763	471
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	653,074	555,825	461,275	578,162	495,435	412,778
Market Risk Weighted Assets	33,709	9,980	2,753	33,564	9,910	2,703
Operational Risk-Weighted Assets	48,549	44,401	40,073	41,365	38,428	35,832
Total Risk Weighted Assets	**735,333**	**610,106**	**504,101**	**653,090**	**453,772**	**451,313**

CAPITAL STRUCTURE AND ADEQUACY

Capital Adequacy Ratios

	Consolidated			Solo		
Capital Ratios	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
CET1 Capital (BASEL III)	13.55%	14.58%	15.80%	10.85%	11.25%	11.45%
Capital Conservation Buffer	7.55%	8.80%	9.80%	4.85%	5.25%	5.45%
Tier 1 capital ratio	13.55%	14.80%	15.80%	10.85%	11.25%	11.45%
Capital Adequacy Ratio	**14.35%**	**15.35%**	**16.65%**	**11.63%**	**12.03%**	**12.31%**

ICAAP & Capital Adequacy Ratio Report

The bank's consolidated Qualifying Capital (QC) as of December 31, 2018 stands at P105,516 million with a corresponding Capital Adequacy Ratio (CAR) of 14.35%. The current consolidated QC still provides a good and sufficient margin above the minimum regulatory capital requirement of P73,533 million, 10% of the bank's P735,333 million Risk Weighted Assets (RWA).

PNB - Consolidated (in P Million)	As of date indicated Mar-18	Jun-18	Sep-18	Dec-18
Total Qualifying Capital	95,766	101,267	103,412	105,516
CAR	15.33%	15.14%	14.76%	14.35%
CET 1/Tier 1 Ratio	14.55%	14.39%	14.03%	13.55%
Total RWA – Pillar 1	624,784	669,077	700,643	735,332

Figure 1: PNB Consolidated CAR 2018

Under SOLO basis, current QC of Php75,955M and CAR of 11.63% still has 163bps leeway above the regulatory of Php65,309M to cover the PHP653,088M Risk Weighted Assets (RWA) as of December 31, 2018.

PNB - Solo (in P Million)	As of date indicated Mar-18	Jun-18	Sep-18	Dec-18
Total Qualifying Capital	66,541	71,636	73,618	75,955
CAR	12.06%	12.19%	11.84%	11.63%
CET 1/Tier 1 Ratio	11.27%	11.42%	11.08%	10.85%
Total RWA - Pillar 1	551,926	587,789	621,929	653,088

Figure 2: PNB Solo CAR 2018

MESSAGE FROM THE
BOARD OVERSIGHT RPT COMMITTEE CHAIRMAN

FEDERICO C. PASCUAL
DIRECTOR

Being a responsible financial institution, Philippine National Bank (PNB) remains steadfast and dedicated to conducting its affairs with integrity, objectivity, and honesty. As part of a large, diversified conglomerate with strong presence and dominant position in key Philippine industries, the Bank also recognizes that conflicts of interest could pose repercussions to the Bank and its depositors, creditors, fiduciary clients, and other stakeholders.

The financial sector is one of the industries most vulnerable to conflicts of interest. As such, policy makers are enhancing existing regulatory frameworks. In the local scene, the Bangko Sentral ng Pilipinas (BSP) has mandated financial institutions to identify, manage, and prevent conflicts of interest which may arise in the regular course of business. Remedies in the form of stringent regulation and efficient supervisory oversight are in place to encourage market discipline and promote transparency. One particular area of focus from BSP's standpoint is the conflict of interest due to dealings and transactions with related parties.

Most related party transactions (RPTs) are conducted with due diligence. As a rule, RPTs must always be conducted at an arm's length basis to prevent risks of potential abuse. Although the Organization for Economic Cooperation and Development claims that there is no strong definition of 'related parties' yet, the BSP, for purposes of monitoring and preventing such transactions, has defined related parties as encompassing the following: (i) the bank's subsidiaries as well as affiliates and any party that the bank exerts direct or indirect control over or that exerts direct or indirect control over the bank; (ii) the bank's directors, officers, stockholders, and related interests; (iii) and their close family members, as well as corresponding persons in affiliated companies. This shall also include such other person or juridical entity whose interests may pose potential conflict with the interest of the financial institution and, hence, is identified as a related party.

PNB is one with the OECD, BSP, and other regional and local movements in fighting abusive RPTs. The Bank adopts and adheres to established policy guidelines on RPTs, anchored on the following standards: (i) SEC's Code of Corporate Governance; (ii) Guidelines in Strengthening Corporate Governance on RPTs; (iii) BSP directives on RPTs; (iv) Prudential policy on loans to DOSRI, subsidiaries, and affiliates; (v) Basel Core Principles for Effective Banking Supervision No. 20, and other related laws and regulations.

The Bank recognizes that engaging in RPTs has economic benefits to the entire PNB Group. The Bank implements a monitoring system for RPTs. Management is prompted to take appropriate steps to mitigate accompanying risks. The Bank also ensures that RPTs conducted in the regular course of business are undertaken with the same economic terms as non-RPTs. Using sound judgment, the Bank's resources are not misappropriated or misapplied to ensure the best interest of the Bank.

Accomplishments of the Committee

Established in 2013, the Board Oversight RPT Committee (BORC) continues to assist the Board in performing its oversight functions on monitoring and managing potential conflicts of interests involving shareholders, board members, management, and other stakeholders of the PNB Group. The Committee is composed of five regular members, including three Independent Directors, and two non-voting members: the Chief Audit Executive and the Chief Compliance Officer. On a periodic basis, the BORC performs its critical function of reviewing and approving the guidelines for appropriate handling of RPTs, consistent with existing laws, rules and regulations, and global best practices. The RPT Policy Framework of the Bank has five key elements designed to promote good governance: (i) well-defined Board and senior management oversight; (ii) updated and Board-approved policies and procedures; (iii) enterprise-wide RPT training program; (iv) robust management information system (MIS) reporting; and (v) effective assessment and monitoring system.

The Bank focused on sustaining existing RPT policies and procedures in 2016. The policies were enhanced to align its provisions with new BSP directives and Basel III Guidelines on Good Corporate Governance. The expanded RPT policies cover the oversight functions of the Board and the BORC, the role of senior management in the implementation of the guidelines, and the development of the RPT database system. The revised procedures also require establishment of intensive RPT compliance awareness training programs and comprehensive audit programs conducted by external and internal auditors as well as independent compliance officers.

After sustaining existing RPT policies, the Bank enhanced its practices in 2017, particularly, in the following areas: (i) expanding the classification of RPTs into four major categories (DOSRI, subsidiaries and affiliates, other related parties, and related parties 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.

In 2018, the Bank further adopted robust measures to ensure that RPTs are conducted within prudent levels. Materiality thresholds for RPT limits and covered officers were revised and subsequently communicated to all units for guidance and strict compliance. Throughout the year, compliance bulletins were issued and disseminated through the Bank's intranet facility regarding: (i) RPT internal ceilings/limits; (ii) revised materiality thresholds for RPT limits and covered persons; (iii) material and non-material RPT reporting; (iv) exemption from the materiality threshold and reporting to BSP; and (v) reiteration of the availability of related party database.

For 2019, the Bank will continue fulfilling its commitment to be a responsible financial institution, bound by principles of fairness, equality, and impartial judgment.

FEDERICO C. PASCUAL
Board Oversight RPT Committee Chairman

MESSAGE FROM THE RISK OVERSIGHT COMMITTEE CHAIRMAN

CECILIO K. PEDRO
DIRECTOR

PNB operates in a highly regulated and constantly changing business environment where uncertainties also create opportunities for the institution. It is accountable to its regulators, shareholders, employees and customers with profitability, sustainable development and social responsibilities are continuously improved.

As global capital markets remained volatile over the past year, the emphasis on oversight of key risks has taken on added significance. The board attentively reviews the risk management framework, engages in defining the organization's risk appetite, continually assesses its risk profile, and ensures that risk thresholds are regularly monitored. Business results are evaluated against business objectives while operating within an effective risk control environment.

PNB follows 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. The same framework works to ensure optimizing the risk / return ratio through the monitoring processes against limits and thresholds. 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 2018, the ROC (comprising of 6 directors, with 3 independent directors) met 15 times to discuss the Bank's risk exposures from the identified material risks against the overall Bank's strategy.

The year 2018 is characterized by significant milestones: (1) creation of the Enterprise Information Security Group headed by the CISO (Chief Information Security Officer) reporting to the Risk Oversight Committee) and the enhancement of the Information Security Governance Framework. This strengthened the Bank's focus on managing cybersecurity risks' (2) Bank's compliance to the PFRS 9 accounting standards on credit financial instruments on classification and measurement, impairment (with a new expected credit loss impairment approach) and hedge accounting, (3) strengthening of the technology service delivery to ensure continued service to clients and stakeholders.

The continuing mission of risk management is to maintain a tight rein on the increasing risks under the context of new product and services offerings, as well as emerging trends on risks. The Bank's response is characterized by increased diligence in identifying risks, compliance to the changing regulatory environment and emerging of cyber security as a priority focus of awareness and risk mitigation. The message to all our personnel is clear – RISK IS EVERYONE's BUSINESS and to our stakeholders – WE ARE AT YOUR SERVICE! YOU FIRST!

CECILIO K. PEDRO
Risk Oversight Committee Chairman

RISK MANAGEMENT DISCLOSURE

INTRODUCTION

GRI 102-11, 102-15, 102-30

A clear understanding of risks surrounding the business activities is crucial for any organization to create sustainable stakeholder value through executing its strategies. It is therefore, essential to reinforce the overall strategy of an organization with a prudent risk management strategy so that the opportunities could be optimized while minimizing the effects of downside risks.

PNB, as one of the leading financial institutions in the country, with various allied undertakings and with an international footprint, performs a vital role of financial intermediation in the economy and in each of the communities it serves. With evolving global best practices standards towards continuing financial stability and resilience, PNB remains committed to comply with the regulatory guidelines 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.

RISK GOVERNANCE

A disciplined risk management culture and framework facilitates oversight of and accountability for risk at all levels of the organization and across all risk types. The Board of Directors, through the Risk Oversight Committee, exercises oversight and provides guidance to an experienced Senior Management team who works closely with their teams in managing risk. There is a rich risk culture, which seamlessly flows through not only within the Bank, but also across the Group subsidiaries and affiliates.

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 (CorGov)	• Management Committee (MANCOM)
• Board Audit and Compliance Committee (BACC)	• Asset and Liability Committee (ALCO)
• Risk Oversight Committee (ROC)	• Capital Management Sub-Committee of ALCO
• Board Strategy & Policy Committee (BSPC)	• Promotion Committees
• Board Oversight Related Party Transaction Committee (BORPTC)	• Operations Committee (OPCOM)
• Executive Committee (EXCOM)	• IT Evaluation Committee (ITEC)
• Trust Committee	• Branch Site Selection Committee (Domestic Branches)
• Board Information Technology Governance Committee (BITGC)	• Procurement Committee
	• Acquired Asset Disposal Committee (AADC)
	• Asset Disposal Committee (Head Office)
	• Ethical Standards Committee (ESC)
	• Accreditation of Overseas Remittance Agent – Selection of Expatriate Personnel and Branch Site (Overseas Offices)
	• Product Committee
	• Technology Committee (TechCom)
	• Senior Management Credit Committee (SMCC)
	• Sectoral / Regional Credit Committee(s)
	• Committee on Decorum and Investigation
	• Occupational Safety, Health and Family Welfare Committee (OSH-FW)
	• Philippine Anti-Money Laundering Review Committee

Figure 1: Board & Management Committees

Risk Oversight Committee (ROC)
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

As at end of 2018, ROC membership comprises of six (6) members; three (3) of whom are independent non-executive directors with a wide range of expertise as well as adequate knowledge of the bank's risk exposures.

Risk Oversight Committee Charter
The ROC has the following mandated functions:
1. Identify and evaluate exposures
2. Develop Risk Management Strategies
3. Oversee the implementation of the risk management plan / Review and Revise the plan as needed
4. To determine the Bank's risk appetite and set limits on risk taking activities of the Bank.

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.

The *three lines of defense* model provides an effective method for organizations to enhance communication regarding risk and control by clarifying these roles and responsibilities.

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. 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 are 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.

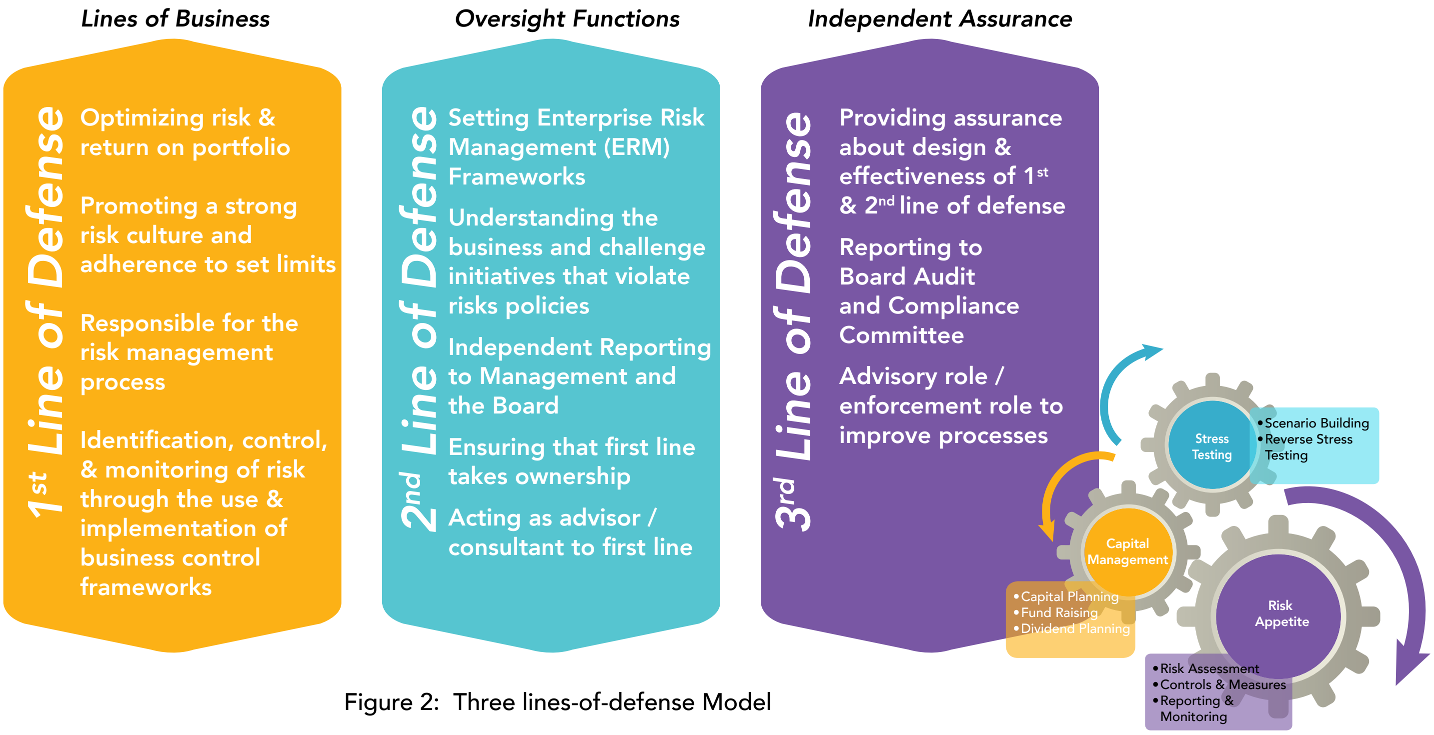


Figure 2: Three lines-of-defense Model

Risk Management Group

Risk Management Group (RMG) is independent from the business lines and is organized into 7 divisions: Credit Risk Division, BASEL/ICAAP/Operational Risk Management Division, Market & ALM Division, Information Technology Risk Division (to include Business Continuity Management, Outsourcing Risk, Project Management Monitoring), 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 origination.

IS/CYBER SECURITY GOVERNANCE FRAMEWORK

The IS/Cyber Security Governance Framework (see Figure 3) below ensures effectiveness and sustainability of the Information Security Management System. Proper governance will help the PNB Group in meeting optimal business value from information security and maintaining a balance between benefits and security risks.

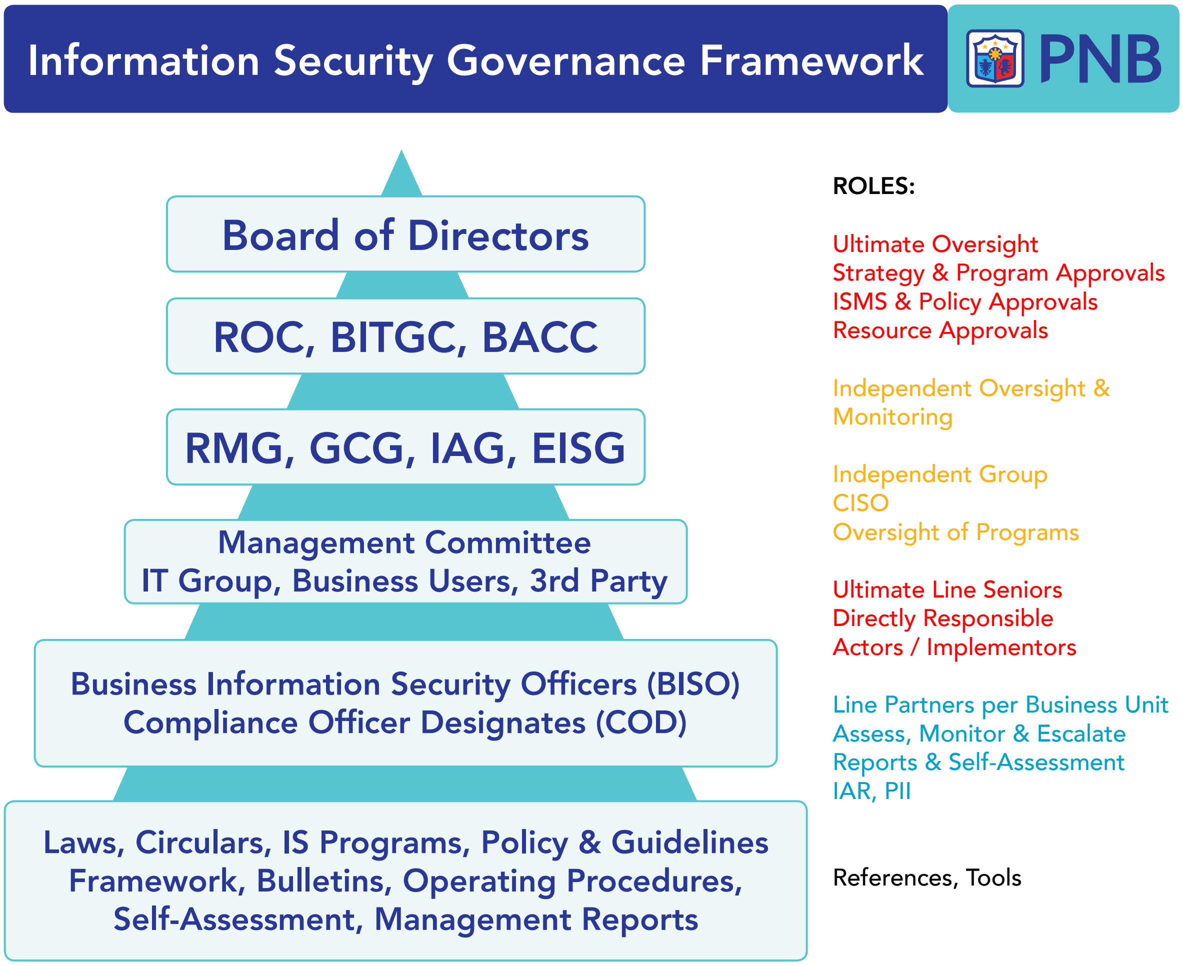


Figure 3: Information Security Governance Framework

Enterprise Information Security Group (EISG)
Information Security / Cyber Security Risk is assessed, monitored and managed through the Enterprise Information Security Group. EISG, headed by the bank's appointed CISO (Chief Information Security Officer) reports to the Risk Oversight Committee on matters concerning information security and cyber security concerns. The CISO also functions as lead Senior Officer for effective execution of the Information Security Incident Response Plan (SIRT).

EISG also manages the Security Operations Center dedicated to and organized to prevent, detect, assess and respond to cyber security threats and incidents, and to fulfill and assess regulatory compliance. EISG is organized into 2 divisions: Information Security (IS) Governance and Program Management and Cyber Security Operations Center (SOC). With risk management activities closely linked with ITG's (Information Technology Group) Infrastructure Management Division for Incident reporting and remediation, EISG manages both the prevention and response to untoward cyber threats as it occurs.

EISG fulfills the following mandates:
- Development and effective implementation of the PNB Group Information Security Strategic Plan (ISSP) and IS/Cyber Security Program (ISP/CSP).
- Management of the implementation of the bank's security programs and Enterprise Information Security Policies (EISP) & Guidelines through a preventive Information Security framework to protect PNB Group versus cyber threats via intensive monitoring and management of information security incident reporting enterprise-wide.
- Ensure compliance and security controls with the IS/CSP and the corresponding policies, standards, procedures across the organization and conduct security awareness and training programs catered to different set of stakeholders.
- Responsible for the implementation of Information Security Risk Management (ISRM) system.
- Perform governance and management functions on the PNB Group domestic and overseas branches, subsidiaries and affiliates through the designated Business Information Security Officers (BISOs) ascertaining regulatory adherence to information security-related host country laws and regulations.
- Responsible for enterprise development & collaboration with the technology and business users on IS / IT security policy and guidelines.
- Periodically review, assess and update, as often as necessary, the policies, procedures, guidelines and standards of the IS/CSP

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".

PNB's High Level Risk Appetite Statement
PNB pursues its business objectives by accepting risks up to the level where it remains aligned with the following HIGH-LEVEL RISK APPETTITE STATEMENT(S):

On Strategic / Business Risks:
- The Bank will avoid situations and actions that will result in negative impact on its reputation and if, and when an unfavorable situation arises, address these pro-actively to preserve the Bank's reputation and brand image
- The Bank aims for stability of earnings and maximize shareholder's value to ensure the continued Bank growth trajectory in the long term

On Operational/Technology/Cyber Security Risks:
- The bank maintains **LOW appetite for operational risk issues**. The Bank will maintain effective processes and systems through strong internal controls, quality assurance, and quality control programs to manage operational risk. This includes implementing control measures to ensuring continuity of business processes, managing proper vendor oversight, and employing appropriate governance processes in implementation of innovative and creative solutions
- The bank has **ZERO tolerance for damage to Bank assets from threats arising from malicious attacks**. To address this risk, the Bank aims for strong internal processes and the development and continuous improvement of robust technology controls.

- The Bank has a **LOW appetite for risks to the availability of systems which support its critical business functions**, including those which relate to core banking operations and financial markets operations. Service availability requirements have been identified and agreed with each business area.
- The Bank has a **LOW appetite for IT system-related incidents** which are generated by poor project implementation or poor change management practices.

On Personnel / Clientele Behavior:

- The Bank does not tolerate any dishonest or fraudulent behavior and is committed to deterring and preventing any incidence. It takes a very serious approach to cases, or suspected cases, of fraud or corruption perpetrated by its personnel, and responds fully and fairly in accordance with provisions of the Bank's Code of Conduct.

On Regulatory / Statutory Compliance:

- The Bank aims to remain in compliance with Philippine laws and Regulatory Bodies and its public mandate
- The Bank aims to remain compliant with the laws, regulations and guidelines as prescribed by the host countries where it is present
- The Bank aims to remain in compliance with generally accepted accounting principles and standards

The High-Level Risk Appetite Statement(s) are translated into measurable metrics and set limits that cover all relevant risk categories arising from the bank's business objectives which aims at keeping the overall risk profile within acceptable risk thresholds.

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 Threshold / Limits are regularly defined, reviewed and approved by the board.

For the Bank's Risk Threshold, the Capital Adequacy Ratio (CAR), which is the 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. 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 emerging Cyber Security risks* that the Group is exposed to (see Figure 4).

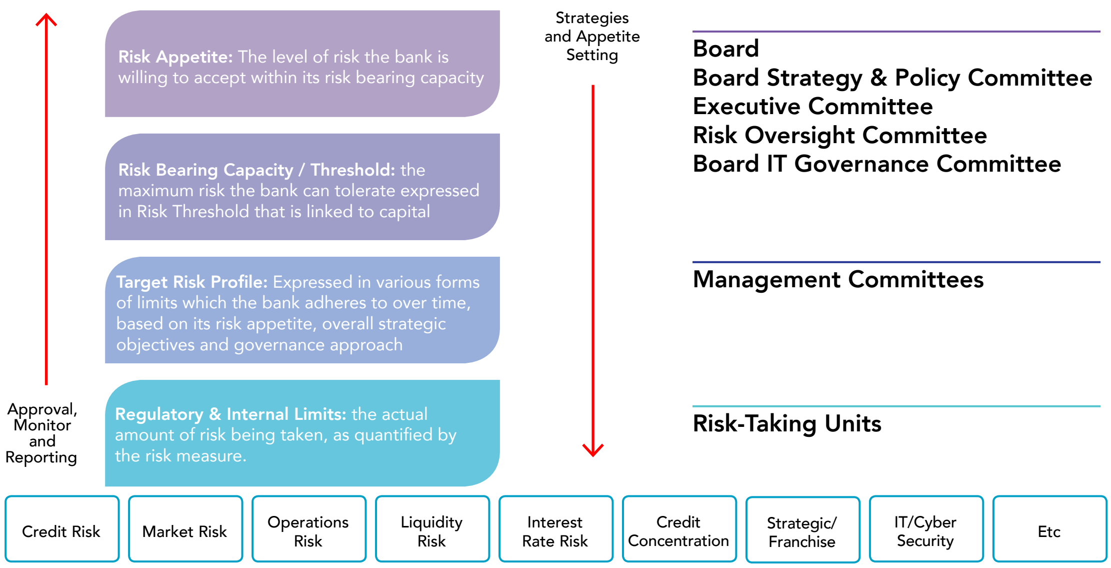


Figure 4: Risk Appetite, Risk Threshold, Risk Tolerance

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 Board Strategy & Policy Committee (BSPC) is tasked to review, evaluate, approve and/or endorse for Board approval – various policies, manuals of products and services offered to clients – domestic and overseas. Together with the ROC, BSPC also reviews, evaluates and approves/endorses to the Board for approval various Annual Strategic Forecasts, Plans and Budget by the revenue sectors of the bank. BSPC is responsible for the risk-taking activities and the periodic review of the Bank's ICAAP program.

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 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.

The RCSA is designed as a forward-looking tool to assess and measure the Bank's risk exposures. It is an exercise that 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.

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 focus from all 3 lines of defense. For the assessment period 2018-2020, these are based on the following ten (10) material risks, which are grouped under Pillar 1 and Pillar 2 risks, shall be covered in the bank's ICAAP Document submission to the BSP, and required for monitoring.

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

<u>Pillar 1 Risks</u>:

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

<u>Pillar 2 Risks</u>:

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 / Information Security / Data Privacy Risk
10. Information Technology Risk (covering Project Management / Core banking Implementation)

2018 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 2018 under Market & ALM Division are as follows:

Trading Market Risk/Price Risk

- Standardized the use of diversified approach of the Parametric VaR model calculation to include swap thirds.
- Prepared daily Value at Risk Report (VAR) and Monitoring of Stop loss report of different instrument for distribution to Treasury Sector, 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.

- Implement the annual limits 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.
- Ensure the implementation of the enhanced back testing framework for all trading instruments.
- 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

- Prepared 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.
- Prepared 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.
- Submitted the Market Risk Template (Trading Book and Banking Book) under the BSP Uniform Stress Testing requirement.
- Submitted the revised EAR calculation and framework on the adoption of the Six (6) Interest Rate Shocks Scenario (as suggested by Basel) for Model Validation of Internal Audit Group.
- Prepared the monthly Long-Term Gap reports with inputs from Institutional and Consumer Banking Group, Retail Banking Group and Treasury Group.
- Implemented activities on the annual limit setting and performed annual assessment of the reasonability and relevance of EaR limits of the Bank proper, its overseas branches and subsidiaries.
- Prepared the monthly Matching of Assets and Liabilities Report, which is a supplementary report to the ALCO and ROC.
- Provided 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

- Revised the deposit assumptions in the liquidity gap report in terms of its distribution across the short- and long-term horizons, incorporating the historical behavior of bank clients as suggested by the regulator (BSP).
- 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, and new limits as well as the enhanced technical documentation of Maximum Cumulative Outflow (MCO) model.
- Aligned the Stress Testing Framework for Liquidity Risk with the Bank's Updated Contingency Funding 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

- Monitored the compliance of the FVOCI portfolio with the approved Cumulative Loss Limits and Management Action Triggers (MATs).
- 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.

Credit Risk Management

Credit Risk Weighted Assets (CRWA) accounts for 89% (as of Dec 31, 2018) of the group's consolidated RWA of Ph735 billion. Credit risk is monitored as the primary risk for the Group's business. Credit Risk arises from the probability that counterparties / borrowers might default on their contractual obligations under loans and advances when due on in full. The bank also manages concentration risks by defining credit policy and institutionalizing limits on priority and non-priority industries, limits on specialized industries as a percentage of loan portfolio.

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 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.
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.
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 2018 under Credit Risk are as follows:

1. Compliance implementation to new regulatory issuances.
2. Continued monitoring of the trend of the loan portfolio, non-performing loans, and adequacy of loan loss reserves, concentration risk, credit risk ratings migration and status of non-performing accounts via the Credit Dashboard Reports.
3. Credit Reviews performed to ensure compliance with the policies and procedures.
4. Conducted quantitative model validation on Credit Card Scorecard to assess the conceptual soundness of the model, identify potential risk upon deployment and assurance that the model complied with the BSP requirement.
5. Performed scenario analysis and stress testing through Rapid Loan Portfolio Review of the possible impact of current market risk disruptions.
6. Monitoring of the bank's compliance to the internal and regulatory limits.
7. Assisted in preparing activities for the Bank's implementation of the PFRS 9 by 1 January 2018.
8. Provided risk awareness to the Bank's management training programs.

Operational Risk Management

Operational Risk Management (ORM) is at the core of a bank's operations - integrating risk management practices into processes, systems and culture. ORM's value lies in supporting and challenging them to align the business control environment with the bank's strategy by measuring and mitigating risk exposure, contributing to optimal return for stakeholders.

Highlights for the risk management activities for 2018 under the Operational Risk Management are as follows:

1. Improved the risk analytics and models that are associated with the risks; define the data requirements to improve the capabilities of the risk assessments.
2. Continuous build-up of risk taxonomy to include BSP and internal audit recommendations, and new guidelines from the regulatory agencies.
3. Identified High Risk Areas for efficient monitoring of critical risks across the organization.
4. Completed the Risk Education and Awareness Program (REAP) Roadshow to all Domestic Branches, Regional Centers and Subsidiaries.
5. Continuous enhancements in the Operations Risk Management Manual and Ops Risk Tools.
6. Institutionalized regular reporting and updates on Legal Risks and Customer Complaints.

Information Technology (to include Business Continuity Program, Project Monitoring, Business Outsourcing)

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.

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 (obsolescence, patch management, service availability, among others) that could potentially impact the business. IT Risk results to Information Security Risk since the risk could result to non-preservation of any or all of, the domains of information security; that is, confidentiality, integrity and availability of information asset.
b. **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.
c. **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.
d. **Project Risk** is the risk of failure on the implementation of technology projects, which impacts banks operations and service delivery. Project Health checks are conducted to ensure that proper project management activities are implemented to reduce the risk of project failures.

Highlights of risk management activities for IS/IT (including BCP) for 2018*:*

- Business Continuity Program Management – conduct of Business Impact Analysis, Simulation Drills and Exercises, Awareness Orientation Program
- Project Risk Monitoring – Project Assessment and Health checks for major technology projects
- Outsourcing and Vendor Risk Management Monitoring
- Project Health Check of Major Projects
- Formulation of enterprise policies and frameworks on technology risks (Obsolescence, Cloud Outsourcing, Project Benefits & lessons learned, Social Media Risk Management, Crisis Risk Management)

Data Privacy

The Bank respects and values data privacy rights and makes sure that all personal data collected from the data subjects are processed in adherence to the general principles of transparency, legitimate purpose, and proportionality. While reasons are founded in ethical and corporate responsibility, the Bank's privacy practices facilitate the following:

- *Good Corporate Citizenship:* A sound privacy practice is emblematic of reliable corporate citizens that respect data subjects' privacy.
- *Business Enablement:* Since the Bank uses significant volumes of personal data, privacy become a prerequisite to building enduring business relationships.
- *Legal Protection:* Appropriate privacy policies offer an opportunity to eliminate allegations of unlawful usage of personal information.

Recognizing the importance and criticality of personal information in achieving the Bank's vision and objectives, the Bank's Data Privacy Management System (Figure 5 below) has been developed and put in place by Management. The system includes security policies, organizational structures, and processes including technical, physical and environmental components among others.

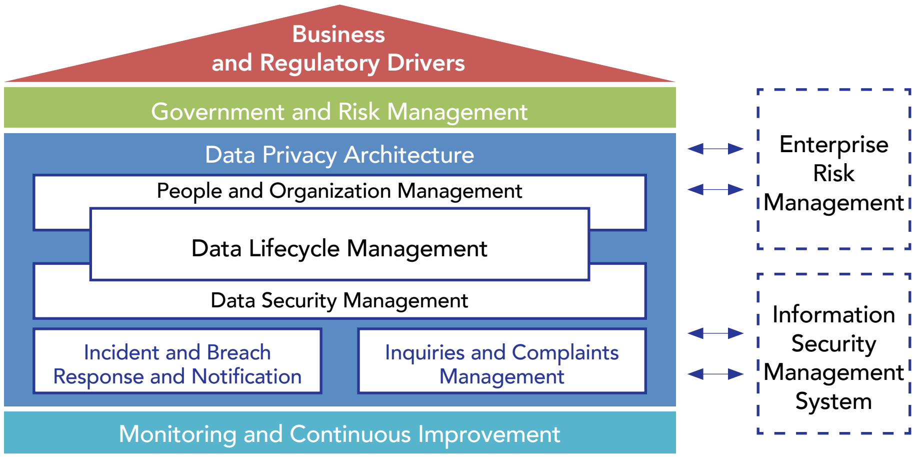


Figure 5: PNB Data Privacy Management System

The Bank's Data Privacy Management System is managed through the continuous review, evaluation and agreement between the Board of Directors and Management. The authority to oversee the implementation of the system is vested upon the Risk Oversight Committee as delegated by the Board of Directors. The Bank reviews the performance and ensures that safe and sound management practices are always adhere to in all of the Bank's engagement and transactions.

Consumer Protection is also thoroughly embedded within the data privacy management of the Bank. 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.

Highlights of the risk management activities for 2018 under the Data Privacy Risk Management are as follows:

- Implementation of PNB's Data Privacy Management System that includes roll-out of the Enterprise Data Privacy Policy and Sub-Policies.
- Follow through of the requirements and resolutions of the parent bank Privacy Impact Assessment.
- Conduct of the Privacy Impact Assessment under the EU GDPR requirements for the UK subsidiary.
- Monitoring and tracking of compliance and implementation activities under the NPC issued 32-point Implementing Rules and Regulations.
- Provided continuous 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.
- Tracking and monitoring of the submissions for consent statements, incident reporting and data sharing agreements with outsourced service providers.
- Functions as overall consultants for the business units implementation of their data privacy implementation activities.

Information Security / Cyber Security Risk

Cyber-threat defense involves the entire organization from top to bottom and governance plays a critical role. The bank's information security / 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.

Highlights of risk management activities (under the bank's **Enterprise Information Security Group**) for 2018:

1. **Security & Safety by Design**: The bank information assets are secured using principles recommended by global best practices – minimize attack surface area, establish security defaults, separation of duties, defense in depth among others. The bank embarks on a multiyear program with the following programs –

   Towards achievement of acceptable level of security and protection:
   a. release of information security guidelines on Secured Configuration,
   b. minimum security baseline & standards issuances,
   c. promoting continuous collaboration between business units and IT Group, where security policies are concerned.

   Initial preparedness for ISO27001 Certification:
   a. engagement with 3rd party subject matter experts for initial business requirements and gap analysis;
   b. updates of the Information Security Management System (ISMS) and corresponding guidelines for compliance.

2. **Proactive Security**: Practicing the principles of preventive security (assessment, monitoring and control) benefits the bank more than resolving breaches and incidences. The bank implements these via the following tools:
   a. 24/7 Security Operations Center (SOC) - engaged 3rd Party experts to implement for the bank a viable SOC solutions including creation of the bank's SOC Framework,
   b. implementing anti-DDOS, dark trace, digital forensic management, cyber response playbooks,
   c. creation of the Security Incident Response Team (SIRT),
   d. IS/IT Security Program (ISP) Management – following the guidelines as prescribed by Circular 982 and 1019;
   e. IS Performance Metrics and Dashboards Regular Reporting to the Risk Oversight Committee covering Emerging threats, continuous monitoring of results Vulnerability Assessment & Penetration Testing, Compromise Assessment, Security Patches, obsolescence, resolutions to IS / Cyber Incidents, among others.

3. Promotion of a **Security Centric Culture** - This promotion of continuous collaboration and engagement of open communication, employee engagement and ensuring adequate resource skills and capabilities.

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 Enterprise Data Warehouse (EDW) System is the single source of information for all regulatory and management reports and analytics including some operational reports for the Bank. In production for almost six (6) years now, continuous enhancements are being done to provide more relevant reports and analytics to the various business units. To date, there are over 1500 reports/analytics available in the EDW-BI system covering the following major subject areas:

- Customer Insight/View
- Customer Information Data Quality Monitoring System
- Deposit Information and Analytics
- Compliance to Regulatory Reporting Requirements
- On Credit Quality Assessment / Monitoring:
  - Credit Risk Rating and Migration Reports and Analytics, Decision support analytics
  - Loan Portfolio Reports and Analytics
  - Credit Facility/Loan Collateral Reports and Analysis
- Loss Events Reporting (LER) for Operational Risk Management
- Executive Dashboards, Analytics and Reports serviced for business & support groups

- Asset Liability Management Dashboard
- Regulatory Reports on Credit Risk Management: reports relating to the Expanded Real Estate Exposure (EREE), Capital Adequacy Ratio (CAR), and BSP Circular 855 Guidelines on Sound Credit Risk Management Practices, 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.

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 – December 2018	• Timely submission of the 2018 ICAAP Document and Recovery Plan • Enhancement of the ICAAP RCSA template with the following activities: (1) Auto-generated KRI top risks based on highest raw scores; (2) Continuous Risk Taxonomy build-up (e.g. risks related to subsidiaries, IAG and BSP findings); (3) Customized template for Domestic Branch, Area Office, Cash Center, PNB Savings' RCFC • Conduct of ICAAP awareness via HR Training Programs (MTP, BOTP and JEDI) and Auditor's Development Training Program • Regular monitoring of Capital (i.e. CAR and Leverage ratios) and Liquidity (i.e. LCR and NSFR) Ratios with presentation to the Risk Oversight Committee (ROC), including Capital Management Sub-Committee of ALCO and ALCO for the alerts • Increase oversight with subsidiaries for risk management concerns - involving risk assessment, risk appetite setting, risk limits review and monitoring, credit management review, among others • Roll-out of Part 1 ICAAP RCSA to the following: ✓ Parent Bank including regional centers and units ✓ Domestic and Overseas Branches and Offices ✓ Domestic and Foreign Subsidiaries • Draft and approval of the Bank's Stress Testing Framework
January - March 2019	• Perform the 2018 2nd Semester and 2019 1st Semester ICAAP RCSA Bank-wide Consolidation Results Discussion and Deliberation on the Bank's Material Risks with ICAAP Working Team, Management Committee (ManCom), Risk Oversight Committee (ROC), and Board Strategy and Policy Committee (BSPC) • Roll-out of Part 2 ICAAP Risk Quantification to Parent Bank and Subsidiaries • Active involvement of the Board in the Business Planning activities • Performed simulation for the new capital buffers • Timely submission of the 2019 ICAAP Document and Recovery Plan

Figure 6: ICAAP 2018-2019 Milestones

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

The bank's Capital Adequacy Ratio as of end of December 2018 stands at **14.35%** on a consolidated basis while the bank's Risk Weighted Assets (RWA) as of end 2018 amounted to **₱735,332** million composed of **₱653,074** million (Credit Risk Weighted Assets-CRWA)**,** **₱33,709** million (Market Risk Weighted Assets-MRWA) and), **₱48,549** million (Operational Risk Weighted Assets-ORWA).

Capital Adequacy Ratio

The Bank's total regulatory requirements for the four (4) quarters for 2018 are as follows:

Consolidated	Weighted Exposures (Quarters 2018)			
(Amounts in ₱0.000 million)	As of Dec 31	As of Sept 30	As of June 30	As of Mar 31
CRWA	653,074	618,488	616,672	572,353
MRWA	33,709	33,606	3,857	3,882
ORWA	48,549	48,549	48,549	48,549
Total Risk-Weighted Asset				
Common Equity Tier 1 Ratio	13.55%	14.03%	14.39%	14.55%
Capital Conservation Buffer	7.55%	8.03%	8.39%	8.55%
Tier 1 Capital Ratio	13.55%	14.03%	14.39%	14.55%
Total Capital Adequacy Ratio	**14.35%**	**14.76%**	**15.14%**	**15.33%**

MESSAGE FROM THE BOARD AUDIT AND COMPLIANCE COMMITTEE CHAIRMAN

EDGAR A. CUA
DIRECTOR

The Board Audit and Compliance Committee (BACC) 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 2018, 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 periodic financial statement signed by the CEO and CFO prior to submission to the Board, focusing particularly on: a) 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 2018, the Committee was composed of three (3) members, who are all Independent Directors (ID) and 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 strengthening and upholding good governance practices in the Bank.

MESSAGE FROM THE BOARD AUDIT AND COMPLIANCE COMMITTEE CHAIRMAN

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.

Activities for the calendar year 2018

The Committee held 16 meetings during the year – 12 regular meetings and 4 special meetings. A separate meeting was also held by the Committee with the external auditors, without anyone from Management present, as mandated by BSP Memorandum 2014-11 and BSP Circular 969.

Accomplishments and action plans are monitored to ensure the full discharge of all its functions. For the calendar year 2018, 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 and approved the conduct of the External Audit Tender Process to select the external auditor of the Bank and its Subsidiaries for the year 2019. Five (5) of the top audit firms in the country participated in the audit tender and underwent an exhaustive evaluation. The external audit tender was conducted in compliance with the Bangko Sentral ng Pilipinas (BSP) Manual of Regulations for Banks (MORB) and the Securities and Exchange Commission's (SEC) Code of Corporate Governance for Publicly Listed Companies in the Philippines, which require that the external auditor and/or auditing firm should be changed, or the lead and concurring partners be rotated every five (5) years or earlier;

- 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 2018, and the audit plan of the external auditors for the consolidated financial statements of the Bank for the period ending December 31, 2018;

- Reviewed the results of audits and recommendations of the internal and external auditors and their assessment of the Bank'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;

- 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 employees' awareness and consistent compliance with the 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 Internal Audit Group Manual, which covered significant enhancements in the Internal Audit Group's Audit Programs/Guides (APGs) to align with regulator requirements (newly developed APGs include Expected Credit Loss (ECL) Provision under PFRS 9 and Data Privacy), Risk Assessment Methodology, and various audit procedures.

- Amended Internal Audit Group Organizational Chart where a dedicated technical team, continuous auditing team and an additional assurance team were formed to support and enhance the review of the Bank's digital project initiatives, and Information System and its Governance.

- 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, 2018 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 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.

EDGAR A. CUA
Board Audit and Compliance Committee 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.

Major Technology Initiatives for 2018

Organizational Transformation. The Information Technology Group has embarked on a 3-year service transformation program to pave the way for the delivery of the Bank's strategic goals. Part of the program includes setting up a new IT management team to support a service-oriented organization with the appointment of key senior officers who are expert in various fields in infrastructure management, application development, operations support, service and quality management.

Significant progress has also been made by embarking on various training programs geared towards process improvements in critical areas of IT strategic planning, project management, service fulfillment, change management, incident and problem management, and service availability and capacity management, to name a few.

ITG is looking at reaping the benefits of these changes and gaining maturity in the long run which would translate to productivity improvement, better technology integration, customer/employee satisfaction, enhanced regulatory and audit compliance and risk reduction.

ITG commits to continually align and re-align its services to meet the business service expectations.

System Stability. As a key enabler for business, it is the responsibility of technology to provide and sustain adequate resources that will enable the bank to support its growing business. In 2018, ITG was able to maintain resource capacity for all computing platforms within the industry-accepted thresholds of 80%.

Operational Level Agreement. Turnaround times in resolving problem incidents have significantly improved by year-end, with the adoption of industry-based incident management framework focusing on enhanced escalation, root-cause analysis and service level management.

In order to manage and minimize business disruptions, ITG established "green zones" with the business units where changes to production systems are authorized to be carried out, as well as the conduct of collaborative review of implementation playbooks highlighting system interdependencies, impact analysis, cutover and rollback plans and post-production review and certification by the concerned units.

New Systems Implementation. Among the major system development and acquisition projects that were completed in 2018 include Domestic Remote Collection System (to support the fulfillment of trade transactions); migration of overseas branches to the new core banking system; new back-end system for PNB Securities (WinstockSS.Net); and Phase I of HCMS (Adrenalin), a fully-integrated end-to-end enterprise solution for the bank's human resource processing requirements. Four other major projects were also started in 2018 and are expected to be completed or delivered in 2019 including Cash Management System (CMS), Asset Liability Management, Integrated Management Information System, and Treasury Management System.

Infrastructure & Security Investments. PNB continued to pour in major investments for its infrastructure and security systems in line with its annual technology refresh to support and sustain operational efficiencies from its communications network and technology infrastructure covering the core network routers, switches and firewall, servers and desktops.

An Active Directory infrastructure was set-up to support the management of computers and other devices on the network, while a new enterprise endpoint security protection was implemented to improve encryption, management control, security and patching.

Productivity and Operational Efficiency. ITG started the rollout of Office 365 suite replacing Open Office as the standard productivity tool. Meanwhile, cloud-based M365 was piloted to 200 users as ITG readies the bank workforce for the adoption of a modern workplace.

Business Continuity. ITG continued to support the requirements for business continuity with the upgrade of its disaster recovery facilities at Carmona, Cavite. Various tests were conducted during the year for both domestic and overseas branches, ensuring that their BCP objectives are met in terms of data recovery, business restoration and availability of critical system.

With the capacity upgrade of both the main and backup data centers, swing back scenario, simulating a real-life incident, will now be part of the annual business recovery test.

LEONILO G. CORONEL
Board IT Governance Committee Chairman

MESSAGE FROM THE CORPORATE GOVERNANCE COMMITTEE CHAIRPERSON

FLORENCIA G. TARRIELA
CHAIRPERSON

The year 2018 has proven to be a significant period of reforms in corporate governance since it has been receiving closer attention and scrutiny than ever before—from companies, regulators, investors, and even the public at large. Across the globe, there has been an increased focus and reliance to corporate governance as a means to establish responsible and ethical business practices, foster a culture of transparency and accountability, and reinforce the interests of a broad spectrum of stakeholders. For PNB, corporate governance is a top priority.

In recent years, the Philippine financial sector witnessed a multitude of reforms in the corporate governance landscape brought about by tough regulatory regimes, growing influence and demands of various stakeholder groups, and emergence of global standards and best practices. Consumers, investors, governments, and the general public continue to put the spotlight on corporate governance as a strategic imperative to build public trust, create stakeholder value, and enhance accountability among publicly-listed companies. Regulators have introduced amendments to existing guidelines on corporate governance, such as BSP Circular 969: Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions, aimed at reinforcing board independence and composition, improving transparency and disclosure practices, and promoting prudence and responsible business conduct.

While corporate governance remains to be a relevant area of focus globally, PNB continues to perform practices that are responsive to a rapidly-changing regulatory and business environment. PNB recognizes that the way to do business is to have an eye for sustainable development while staying within the boundaries of laws, rules, and regulations. Sustainability is a primary source of competitive edge that enables us to maintain our foothold in the financial market and achieve our mission of becoming a leading provider of financial solutions. In the same vein, we believe that corporate governance is a critical component of strategic business management. PNB will undertake every effort necessary to create awareness within the organization to ensure that the principles of fairness, accountability, and transparency are upheld in conducting the day-to-day business of the Bank, its subsidiaries and affiliate.

The Corporate Governance Manual (the "Manual") of the Bank, which institutionalizes the principles of good corporate governance in the entire PNB Group, embodies the powers, duties, and responsibilities of the Board of Directors, Management Committee, and Staff in defining and upholding the Bank's culture and values. To manifest our commitment to aligning internal policies and procedures with the ever-changing regulatory framework and responding to international best practices, the Corporate Governance Monitoring Division regularly conducts review and evaluation of the Manual. In 2018, the Manual was revised to incorporate the Retirement and Succession Planning for Directors and the Appointment and Minimum Qualifications of Board Advisors.

PNB welcomed 2019 with enthusiasm and readiness to face new challenges, leverage on opportunities, benchmark with best practices and embrace trends in the realm of corporate governance. With the robust oversight of the Board and tenacious support and efforts of top management, the Committee will continue to pursue its bold vision of raising corporate governance to a level that is at par with global standards and, ultimately, advance the long-term interests of our stakeholders.

Awards and Recognitions
GRI 102-12

In 2018, the Bank was recognized as a top-performing publicly-listed organization in terms of corporate governance policy, norms, and practices by the Institute of Corporate Directors (ICD), the domestic ranking body of the ASEAN Corporate Governance Scorecard (ACGS). The ACGS entails a rigorous and comprehensive assessment of corporate governance performance among organizations with emphasis on five key areas: 1) Rights of Shareholders, 2) Equitable Treatment of Shareholders, 3) Role of Stakeholders, 4) Disclosure and Transparency, and 5) Responsibilities of the Board. Out of 245 participating companies, the Bank emerged as one of the 21 Philippine publicly-listed companies that scored 90 points and above. Moreover, PNB was also included among the Top 5 publicly-listed companies in the financial sector recognized for exemplary corporate governance practices.

Back in 2015, PNB was also cited by the Philippine Stock Exchange (PSE) as one of the Top Ten Bell Awardees. The award commends publicly listed companies and trading participants that practice the highest standards of corporate governance in the Philippines.

Accomplishments for the Year 2018
GRI 102-12, 102-20

A. Board Retreat
To start the year right, the Board embarked on a strategic planning session in January 2018 to revisit the Bank's past strategies, discuss the country's economic outlook and forecasts, and formulate key results areas, corporate objectives, and the overall direction of the Bank. The Board continues to reconcile the Bank's long-term business objectives with the recent developments in both local and international financial market.

B. ASEAN Corporate Governance Scorecard (ACGS)
In June 2018, the 2017 ACGS Assessment Results presented by ICD revealed the upgrade of the Bank's score vs. the previous year. PNB's improved overall rating was based on more stringent and rigorous parameters in the new version of the scorecard. Moreover, there has been a bank-wide drive to sustain this commendable performance, with the Board of Directors voicing strong support and interest to aim for a higher score. With the guidance of the Committee, the ACGS results have inspired employees to raise the governance norms and practices of the Bank.

C. Independent Directors' Meeting
The Board endeavors to exercise an objective and independent judgment on all corporate affairs. In July 2018, the independent directors met to discuss and revisit the top priorities and strategies of the Bank, including: 1) Harnessing the supply chain by bringing together an entire community of small and medium enterprises, suppliers, and their customers through the Ecosystem Strategy; 2) Implementing the Board-approved Digitization Program, including storage of digitized customer records as part of the Bank's active participation in the fight against money laundering, terrorism financing, and other financial crimes; and 3) Embracing financial technology and offering relevant, up-to-date products in the face of emerging competition from fintech disruptors and non-traditional financial intermediaries.

D. Global Reporting Initiative (GRI)
In September 2018, the Committee approved the thrust of the Bank to venture into GRI, a globally-recognized sustainability reporting framework designed to aid organizations in communicating their impact on critical sustainability issues. Headed by the Corporate Governance Executive, a specialized cross-functional project team was created to review the Bank's existing reporting practices, identify material and applicable Economic, Environment, Social and Governance (EESG) topics, and satisfy selected GRI reporting requirements. Relevant information pertaining to the Bank's existing and future economic, environmental, and social initiatives were collected, validated, and subsequently institutionalized vis-à-vis the standards.

E. 5th SEC-PSE Corporate Governance Forum
With the theme, "Ushering in the Era of Sustainability and Sustainable Business", the 5th SEC-PSE Corporate Governance Forum aims to create heightened awareness on the importance of embracing sustainability in an organization's core business and its corresponding impact to society and economic growth. For the past three years, PNB has partnered with the Securities and Exchange Commission and Philippine Stock Exchange by providing an avenue for the Board of Directors and Management Committee to undertake continuous training and education on relevant and timely corporate governance norms, trends, and best practices.

F. Sustainability Briefing with LT Group of Companies, Inc.
The LTGI, parent company of PNB, organized a sustainability reporting seminar in which representatives from SyCip Gorres Velayo & Co. (SGV) were invited to discuss recent developments and trends in sustainability reporting. In line with the SEC's Sustainability Reporting Guidelines for Publicly Listed Companies, the Bank, together with its parent company, commits to strengthen its efforts in fostering a culture of sustainability and observing accurate and timely disclosure of its ESG initiatives.

G. Integrated Annual Corporate Governance Report (I-ACGR)
To develop a more cohesive corporate governance framework, the SEC mandated the submission of the I-ACGR as a tool to harmonize the corporate governance reportorial requirements of the SEC and the PSE. In the process of accomplishing the I-ACGR, the Bank was able to benchmark its current practices with established corporate governance standards and regulations: SEC's Code of Corporate Governance for PLCs, PSE's Corporate Governance Guidelines for Listed Companies, and recommendations from the ACGS.

2018 has been a fruitful, rewarding, and productive year in the sphere of corporate governance. Looking ahead, the Committee is poised to embark on an exciting journey filled with opportunities to relentlessly strengthen the corporate governance policy of PNB.

FLORENCIA G. TARRIELA
Corporate Governance Committee Chairperson

CORPORATE GOVERNANCE

In the highly competitive and heavily-regulated financial industry, where laws, rules and regulations are extensive, corporate governance warrants special attention. At PNB, we believe that corporate governance is a dynamic component of our business – a system of stewardship and control designed to enable our organization to fulfil our long-term economic, moral, legal, and social obligations. Everyone plays an indispensable role in satisfying the Bank's governance standards and shaping an economically-sound, environment-friendly, and socially-responsible culture. PNB is driven by a deep-rooted mission of reinforcing the rights and protecting the interests of our stakeholders—both internal and external. Likewise, the Bank adopts a policy to fully adhere with the Code of Corporate Governance.

We strive to build and maintain trust, accountability, and transparency to maximize the long-term success of the Bank, thrive in a highly-competitive financial environment, and create sustainable value for all stakeholders. With this end in mind, the Bank is committed to strengthen our corporate governance structure and practices by aligning internal policies with relevant laws, rules and regulations, benchmarking against global standards and best practices, and collaborating with various organizations devoted to the development and enrichment of corporate governance in the country. In the pages ahead, the Bank provides a snapshot of our corporate governance framework and culture, and the measures undertaken to align policies with the highest standards and internationally-recognized practices.

CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

GRI 102-18

The Bank's corporate governance structure delineates the functions, duties, and responsibilities of everyone - the Board of Directors, top management, and staff – in ensuring adherence to the highest principles of good corporate governance. Collectively, we work hand in hand to continuously strengthen the practices of the Bank.

Compliance with the highest standards of corporate governance starts with the Board of Directors which has the responsibility to foster the long-term success of the Bank and sustain competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its shareholders and other stakeholders. The management, on the other hand, manages the day-to-day affairs of the Bank, its subsidiaries, and affiliate. They set the tone of good governance from the top and ensure that policies are consistently adopted and observed across the Bank, as approved by the Board.

Finally, every employee of PNB is expected to embrace the same degree of commitment to the desired level of corporate standards. There are well-established internal policies that prescribe ethical practices for PNB employees and safeguard the corporate image of the Bank.

BOARD'S OVERALL RESPONSIBILITY

GRI 102-26

The Board of Directors is primarily responsible for approving the objectives and strategies of the Bank and overseeing management's implementation. The Board is composed of distinguished professionals with collective working knowledge, experience, and expertise relevant to the banking sector. Likewise, the Board has the responsibility to determine the Bank's purpose, vision and mission, and strategies to carry out its objectives; ensure compliance with relevant laws, regulations and codes of best business practices; and adopt a system of internal checks and balances. Along with these primary responsibilities, other duties of the Board include: (i) appointing/selecting key members of senior management and heads of control functions for the approval of a sound remuneration and other incentives policy for personnel; (ii) approving and overseeing the implementation of the Bank's corporate governance framework; (iii) defining the risk tolerance level, understanding the nature and degree of risks the bank will be exposed to, and ensuring that these risks are properly addressed; (iv) ensuring that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources so responsibilities are carried out independently, objectively and effectively, among others.

ROLE OF INDEPENDENT DIRECTORS

Independence remains to be a relevant determinant of Board effectiveness since it can bring the right balance between demonstrating objective, impartial judgment and taking care of the Bank's well-being and its stakeholders. The Bank has five (5) independent directors, representing 1/3 or 33% of the Board, compliant with the SEC Code of Corporate Governance for publicly-listed companies. The appointment of the five independent directors was approved and confirmed by the appropriate regulatory bodies. These independent directors are as follow: (i) the Board Chairperson, Florencia G. Tarriela; (ii) Board Vice-Chairman, Felix Enrico R. Alfiler; and Board Members (iii) Edgar A. Cua, (iv) Federico C. Pascual, and (v) Cecilio K. Pedro.

Recognizing the importance of the role of independent directors, the Chairperson of the Board is an Independent Director consistent with the SEC, BSP and ASEAN Corporate Governance Scorecard. Moreover, the Board has elected the independent directors to act as Chairperson of the Board and Chairman of the four (4) Board control Committees: (i) Board Audit and Compliance Committee, (ii) Corporate Governance/Nomination/Remuneration and Sustainability Committee, (iii) Risk Oversight Committee and (iv) Board Oversight RPT Committee. Majority of the members of the control Committees are Independent Directors, including the Chairman. The Independent Directors also sit in other critical committees such as the Board IT Governance Committee, Trust Committee, and Board Strategy and Policy Committee.

CHAIRPERSON OF THE BOARD

GRI 102-23

The Board Chairperson is Ms. Florencia G. Tarriela, who has held the position 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 Executives of the Philippines (FINEX) and Institute of Corporate Directors (ICD). She has also been a Board Trustee of Tulay sa Pag-unlad, Inc. (TSPI) since 2003. A former Undersecretary of Finance, she also used to be an alternate Board Member of the following: Monetary Board of BSP, Land Bank of the Philippines, and the Philippine Deposit Insurance Corporation (PDIC). She was a Managing Partner and the first Filipina Vice President of Citibank N.A., Philippines. Currently, she is a columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of BusinessWorld.

As an Independent Director, Chairperson Tarriela sits as Chairman of the Corporate Governance/Nomination/Remuneration and Sustainability Committee and member of the Board Audit and Compliance Committee and the Board IT Governance Committee. She also sits as a Non-Voting Member in the Board Executive Committee.

The Board Chairperson 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 the Management Committee has the responsibility to execute the strategic plans of the Bank.

BOARD COMPOSITION

GRI 102-22, 102-27

The Bank's Board of Directors is composed of 15 individuals of proven competence, integrity, and probity. All are Non-Executive Members except the President and the five Independent Directors. The members of the Board are selected from a broad pool of competent and qualified candidates and elected annually by the stockholders.

We recognize that having a diverse and inclusive board composition provides innumerable opportunities in bringing wider range of views, expertise, and experience. The Bank observes diversity in the Board as there is no membership restriction on account of age, gender, nationality, race, and other observable variables. Two directors are above 80 years old, five are above 70 years old, three and five are in their 60s and 50s, respectively. To date, three out of 15 members or 20% of the Board are women - the highest percentage of representation. One of the directors is a British citizen. The Board has 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 a broad and collective range of expertise that provides value in sustaining and upholding good corporate governance practices.

Four out of 15 PNB directors are ICD Fellows: Chairperson Florencia G. Tarriela, Director Florido P. Casuela, Director Leonilo G. Coronel and Director Christopher J. Nelson. They were confirmed by the ICD as directors for their 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 who contribute to the development of corporate governance policy and best practices. Fellows participate 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	18	2	0.0000001601
2	Felix Enrico R. Alfiler	ID (Vice-Chairman)	N/A	7	10,215	0.0008177628
3	Jose Arnulfo A. Veloso*	ED	N/A	0	131,001	0.0104872980
4	Florido P. Casuela	NED	N/A	13	133	0.0000106473
5	Leonilo G. Coronel	NED	N/A	6	1	0.0000000801
6	Edgar A. Cua	ID	N/A	3	100	0.0000080055
7	Estelito P. Mendoza	NED	N/A	10	1,150	0.0000920634
8	Christopher J. Nelson	NED	N/A	6	100	0.0000080055
9	Federico C. Pascual	ID	N/A	5	39	0.0000031221
10	Cecilio K. Pedro	ID	N/A	5	5,000	0.0004002755
11	Carmen K. Tan	NED	N/A	3	5,000	0.0004002755
12	Lucio C. Tan	NED	N/A	19	14,843,119	1.1882673540
13	Lucio K. Tan, Jr.	NED	N/A	11	2,300	0.0001841267
14	Michael G. Tan	NED	N/A	6	250	0.0000200138
15	Vivienne K. Tan	NED	N/A	2	10	0.0000008006

**Director Jose Arnulfo A. Veloso was elected as Director effective November 16, 2018.*

SELECTION PROCESS FOR BOARD AND SENIOR MANAGEMENT

GRI 102-24

The Corporate Governance/Nomination/Remuneration/Sustainability Committee observes a rigorous yet effective selection process for identifying, assessing, and selecting the members of the Board and senior executives of the Bank as well as their appointment in various Board committees.

The Committee, acting as the Bank's Nomination Committee, promulgates the guidelines and criteria governing the conduct of the nomination. Nomination of the directors are conducted by the Committee prior to the Annual Stockholders' Meeting. All recommendations are signed by the nominating stockholders, together with the acceptance and conformity by the intended nominees. The Committee pre-screens the qualifications and prepares the final list of candidates, including the information each person.

The Committee determines whether the nominees are fit and qualified to be appointed as members of the Board based on their: (a) knowledge, skills, experience, and - in the case of non-executive directors – capacity for independent thinking in light of the Bank's business and risk profile; (b) track record of integrity and good reputation; (c) time element to carry out responsibilities; and (d) ability to promote smooth interaction among 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 individuals whose names appear in the final list of candidates shall be eligible for election. No other nominations shall be accommodated after the final list has been drafted, and no further nominations shall be 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 office for one year, until their successors are elected.

It is the Board's responsibility to oversee the selection and performance of senior management. The Board is responsible for the appointment of competent, honest, and highly-driven members to the Management Committee; monitoring and assessment of the Management Committee's performance based on established standards that are consistent with the Bank's strategic objectives; adoption of an effective succession planning program; and the conduct of regular review of PNB's policies in collaboration with the Management Committee. The Board also ensures that the Management Committee's expertise and knowledge will remain relevant given the Bank's strategic objectives, complexity of operations, as well as business and regulatory environments.

BOARD-LEVEL COMMITTEES, MEMBERSHIP, AND FUNCTIONS

The Board has delegated certain functions to board-level committees to enable more focused and specialized attention on specific areas. Currently, there are eight Board Committees that have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliate: Board Executive Committee; Board Audit and Compliance Committee; Corporate Governance/ Nomination/Remuneration and Sustainability Committee; Board Risk Oversight Committee; Board Trust Committee; Board Oversight RPT Committee; Board IT Governance Committee; and Board Strategy and Policy Committee.

The authority, duties and responsibilities, as well as the frequency of the Board committee meetings are stated in their respective charters. Meetings are generally held on a monthly basis which may include special Board committee meetings when necessary. The Board committee secretariats are responsible for ensuring that 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.

Board-Level Committee	Membership As of November 23, 2018	Functions
Board Audit & Compliance Committee (BACC)	Chairman: 1. Edgar A. Cua* Members: 2. Felix Enrico R. Alfiler* 3. Florencia G. Tarriela*	The Board Audit & Compliance Committee (BACC) is responsible for assisting the Board in the performance of its oversight function relating to financial reporting process, systems of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. The BACC also provides oversight for internal and external auditors and ensures that they act independently from each other; provides oversight for compliance functions and/or compliance programs; conducts annual independent audit of PNB's financial statements; and evaluates the engagement of the external auditors, including qualifications, independence, and performance. Moreover, the Committee oversees the compliance of PNB with legal and regulatory requirements, including disclosure controls and procedures. The Committee also investigates significant issues/ concerns and escalates results to the Board.
Corporate Governance/ Nomination/ Remuneration & Sustainability Committee	Chairperson: 1. Florencia G. Tarriela* Members: 2. Felix Enrico R. Alfiler* 3. Federico C. Pascual* 4. Cecilio K. Pedro*	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. It oversees the implementation of the corporate governance framework and periodically reviews the framework to ensure that it remains appropriate in light of material changes to the bank's size, complexity and business strategy, as well as its business and regulatory environments.
Risk Oversight Committee (ROC)	Chairman: 1. Cecilio K. Pedro* Members: 2. Felix Enrico R. Alfiler* 3. Florido P. Casuela 4. Edgar A. Cua* 5. Leonilo G. Coronel 6. Vivienne K. Tan	The Risk Oversight Committee (ROC) was created to assist the Board in overseeing the risk profile and approves the risk management framework of PNB and its related subsidiaries and affiliate. It is mandated to set risk appetite; approve frameworks, policies and processes for managing risk; and accept risks beyond the approval discretion provided to management. It has the authority to direct management to submit regular reports on current risk exposures on credit, market, interest rate, liquidity, operational, legal, compliance, strategic, reputation, technology, and other areas, as well as to address such risks.

Board-Level Committee	Membership As of November 23, 2018	Functions
Board Oversight RPT Committee (BORC)	Chairman: 1. Federico C. Pascual* 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) was created to assist the Board in performing its oversight functions of monitoring and managing potential conflicts of interest of shareholders, Board members, management, and other stakeholders. The Committee oversees the evaluation of related party transactions (RPTs) that present the risk of potential abuse and ensures that the Bank's Related Party Transaction (RPT) policy guidelines are effectively implemented. It exercises sound and objective judgment on the RPTs for the best interest of the Bank and sees to it that the processes and approvals are conducted at arm's length basis.
Board Executive Committee	Chairman: 1. Florido P. Casuela Members: 2. Leonilo G. Coronel 3. Christopher J. Nelson 4. Lucio K. Tan, Jr. 5. Michael G. Tan 6. Vivienne K. Tan 7. Jose Arnulfo A. Veloso	The Board Executive Committee is responsible for the review, discussion, approval and/or endorsement to Board, of the following: (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; and (b) policies, procedures, and manuals of products and services other than personnel policies, as proposed or initiated by Management. It also provides 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.
Trust Committee	Chairman: 1. Christopher J. Nelson Members: 2. Vivienne K. Tan 3. Federico C. Pascual* 4. Jose Arnulfo A. Veloso (Ex-Officio) 5. Joy Jasmin R. Santos (Ex-Officio)	The Trust Committee, a special committee reporting directly to the Board of Directors, is primarily responsible for overseeing the fiduciary activities of the Bank. It ensures that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices. The Committee is also responsible for the initial review of assets placed under the custody of the Trust Banking Group in its capacity as trustee or fiduciary; investment, re-investment and disposition of funds or property; and review and approval of transactions between trust and/or fiduciary accounts, among others.
Board IT Governance Committee (BITGC)	Chairman: 1. Leonilo G. Coronel Members: 2. Lucio K. Tan, Jr. 3. Christopher J. Nelson 4. Florido P. Casuela 5. Florencia G. Tarriela* 6. Vivienne K. Tan	The Board IT Governance Committee (ITGC) was established to assist the Board in performing its oversight functions of reviewing, approving, and monitoring the IT Risk Management Framework and IT Strategic Plan of PNB. It reviews and endorses for approval of the Board the Enterprise IT Strategic Plans of the Parent Bank, its subsidiaries, and affiliate. The Committee also reviews and monitors significant IT concerns and corrective actions arising from regulatory examinations, internal audits, and external reviews.

Board-Level Committee	Membership As of November 23, 2018	Functions
Board Strategy and Policy Committee (BSPC)	Chairman: 1. Felix Enrico R. Alfiler* Members: 2. Florido P. Casuela 3. Leonilo G. Coronel 4. Edgar A. Cua* 5. Christopher J. Nelson 6. Federico C. Pascual* 7. Michael G. Tan 8. Vivienne K. Tan 9. Florencia G. Tarriela*	The Board Strategy and Policy Committee (BSPC) shall be the governing board committee to exercise authority and delegate to management the implementation of the board approved strategic plans and policies. The BSPC reviews, evaluates, approves and/or endorses for Board approval the following: new products; amendments to product;, marketing programs; and policies, procedures and manuals pertaining thereto. It also performs oversight function on the business plans, initiatives, risk and regulatory compliance. Likewise, it reviews the strategic objectives and business priorities, direction, overall plans, and result areas that relate to the thrusts and programs of the Bank.

** Independent Director*

PERFORMANCE ASSESSMENT PROGRAM

GRI 102-28

At PNB, evaluating the performance of the Board and the Management Committee is the foundation of the Bank's corporate governance assessment and monitoring.

The Chairman, individual members of the Board, and the Committees conduct annual self-assessment to evaluate performance in the previous year. The self-assessment is done through an established evaluation system, a tool to determine and measure directors' and senior management's compliance with corporate governance standards and practices. An external facilitator is engaged every three years to assist in the self-assessment exercise. A Management Component Rating Checklist is employed based on the Management criteria per BSP CAMELS rating system. This tool is designed to assess and measure the quality of corporate governance practices of the Bank. Annual results are discussed in the Corporate Governance/Nomination/Remuneration and Sustainability Committee and to the Board.

As part of the Bank's Total Performance Management System, the Bank utilizes a competency-based annual Performance Appraisal and Development Report (PADR) for its officers and staff. It is used to drive organizational performance by identifying and documenting individual performance goals that are aligned with the organization's business objectives.

To ensure that annual targets are achieved, the Bank implements a Quarterly Performance Progress Review (QPPR) 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 competencies as the review focuses on performance coaching. Likewise, it provides a vehicle to strengthen the feedback mechanism during the year-long performance cycle. The QPPRs for the first three quarters are used as supporting documents/reference for the annual evaluation of the officer's performance.

DIRECTORS' ATTENDANCE TO BOARD MEETINGS

Board meetings are held every fourth Friday of the month. The schedule is set every December of each year. To aid the Board in making decisions that are well-informed, in good faith, with due diligence and care, and in the best interest of the Bank, the Corporate Secretary distributes all materials at least two weeks prior to scheduled meeting. For the year 2018, the Directors manifested their ability and commitment to fulfill their fiduciary responsibilities by attending and actively participating in the regular and special meetings of the Board. All Directors met more than the 50% requirement for attendance.

Name of Directors	Board No. of Meetings	Board Audit & Compliance Committee (BACC)		Corporate Governance / Nomination / Remuneration and Sustainability Committee		Risk Oversight Committee (ROC)		Board Oversight Related Party Committee (BORC)		Executive Committee		Trust Committee		Board Information Technology Committee (BITGC)		Board Strategy and Policy Committee (BSPC) (A)	
		Attended	%	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%	Attended	%
1. Florencia G. Tarriela *	15	12	80	14	100									12	86	43	100
2. Felix Enrico R. Alfiler *	15	15	100	14	100	20	100									42	98
3. Jose Arnulfo A. Veloso	2 (B)									4	100	1	100				
4. Florido P. Casuela	16					20	100			53	100			14	100	43	100
5. Leonilo G. Coronel	16					19	95			52	98			14	100	43	100
6. Edgar A. Cua *	16	15	100			20	100	13	100							43	100
7. Estelito P. Mendoza	12																
8. Christopher J. Nelson	16									52	98	12	100	13	93	43	100
9. Federico C. Pascual *	16			14	100			13	100			12	100			40	93
10. Cecilio K. Pedro *	14			11	79	18	90	13	100								
11. Carmen K. Tan	15																
12. Lucio C. Tan	15																
13. Lucio K. Tan, Jr.	11									31	58			12	86		
14. Michael G. Tan	16									47	89					40	93
15. Vivienne K. Tan	16 (C)					13	81			41	85	8	100	14	100	36	84
Total No. of Meetings Held for the Year	**16**	**15**		**14**		**20**		**13**		**53**		**12**		**14**		**43**	

(A) New Board Committee created on February 23, 2018

(B) Elected as Member of the Board of Directors effective November 16, 2018; Elected as Executive Committee Member and Trust Committee Member on November 23, 2018

(C) Elected as Risk Oversight Committee Member and the Trust Committee Member on April 24, 2018; Elected as Executive Committee Member on January 22, 2018

*Independent Director

CHANGES IN THE BOARD OF DIRECTORS

GRI 102-10

In August 2018, the Board approved the retirement of Mr. Reynaldo Maclang as President and Chief Executive Officer. Mr. Reynaldo Maclang has dedicated over 40 years of his professional life to Allied Banking Corporation, PNB, and the Lucio Tan Group. This includes his stint as President of the former Allied Savings Bank and as President of parent bank, Allied Bank. He was later appointed as PNB Director and eventually became PNB President. In his retirement, PNB extended its deepest gratitude and appreciation for his invaluable contributions, untiring service, and exceptional leadership which paved the way for the Bank to achieve significant milestones. Mr. Reynaldo Maclang is currently a Board Advisor.

The Bank welcomed Jose Arnulfo "Wick" Veloso as its new President and Chief Executive Officer effective November 16, 2018. With over 30 years of extensive banking and capital markets experience, Mr. Wick Veloso brings with him his depth of experience and capabilities to accelerate PNB to new levels of growth. The appointment of Mr. Wick Veloso is a manifestation of the Bank's determination to continuously transform itself as a responsive and dynamic financial partner of the Filipino.

ORIENTATION AND EDUCATION PROGRAM

We believe that continuous training and education aids the Board in the performance of their functions and optimizes the expertise and competence of the individual Directors.

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. First-time directors shall attend corporate governance training for at least eight hours, while the annual continuing training shall be for at least four hours. A director, within a period of six 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.

As part of the Bank's Compliance Academy Program, a home study program for Directors was established to apprise the members of the Board on the latest anti-money laundering trends and threats, risk management, internal policies and procedures, and sound industry practices. The program also covers updates on global corporate governance standards and revised RPT policies aligned with regulatory guidelines. In-house training programs are in place to ensure that the Directors, Management Committee, and staff are up-to-date in their qualifications for their respective positions and areas of responsibility.

RETIREMENT AND SUCCESSION MANAGEMENT PROGRAM

GRI 201-3

Retirement Policy

The Bank has a Retirement Plan for its employees that provides funds for the payment of separation benefits to employees who are eligible under the Bank's Retirement Plan, including cases of disability or death while on service.

There are three modes of retirement, as follow: (i) **Normal Retirement**: an employee shall be compulsorily retired from service and shall be entitled to receive the benefits under the Plan upon reaching 60 years of age or upon completing 35 years of service, whichever comes first. (ii) **Early Retirement**: with the consent of the Bank, an employee who has not yet reached the normal retirement requirement may opt to avail of the early or optional retirement benefits under the Plan upon reaching (a) 55 years of age and rendering at least 10 years of continuous service; or (b) completing at least eleven 11 years of service. (iii.) **Late Retirement**. Any employee may offer his service to the Bank beyond the normal retirement date, but not beyond 65 years of age. Such retirement, however, shall be subject to the approval of the Bank on a case-to-case basis. Employees who intend to resign from service but do not meet the prescribed eligibility requirements are not entitled to any separation pay.

Succession Management Program

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

A Talent Board consisting of senior officers has been created to monitor and 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 Candidates - the respective Sector or 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.** Conduct of Talent Audit - the process of evaluating / assessing the shortlisted nominees' competencies through online 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 train in the Assessment and Development Center. The training result is made an integral part of the IDP. The implementation of the development plan is done in coordination with HRG.
- **e.** Talent Review – the progress of the talent is monitored and evaluated.
- **f.** 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 he trained for.

REMUNERATION POLICY

PNB aims to sustain a strong, performance-conducive environment that would attract, motivate, and retain the best talents. For this purpose, the Bank maintains a Remuneration Policy that commensurately compensates its directors and officers 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 well-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. The policy allows the Bank to be competitive with industry counterparts. It identifies 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 benefits such as healthcare plan, group life insurance, and group accident insurance.

Officers' Compensation and Benefits

The compensation package for 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 monthly basic salary, allowances for business-related expenses, official travel, etc., and cash award upon reaching service milestones of at least 10 years and every five years thereafter; (ii) Non-monetary benefits consist of healthcare plan for the officer and two of his qualified primary dependents, group life insurance, group accident insurance, leave privileges, car plan, and 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 earlier cited.

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

GRI 102-25

The Bank recognizes that conflicts of interest may arise due to dealings and transactions with related parties. 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 undertaken in the same manner as similar transactions with non-related parties. No corporate or business resource of the Bank are to be misappropriated or misapplied and sound judgment is always 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.

In this light, PNB ensures that individual and aggregate exposures to related parties are within prudent levels, consistent with defined limit; monitored through independent reviews by Internal Audit and Global Compliance Groups; and covered by 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, Management Committee, and stockholders are required to disclose to the Board if they are 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 conflicts of interest shall inhibit themselves from the decision-making process and abstain from participating in the discussion, approval and management of such transactions or matters affecting the Bank. The BORC may inform the Corporate Governance/Nomination/Remuneration and Sustainability Committee of the directors/officers' actual or potential conflicts of interest with the Bank, as necessary.

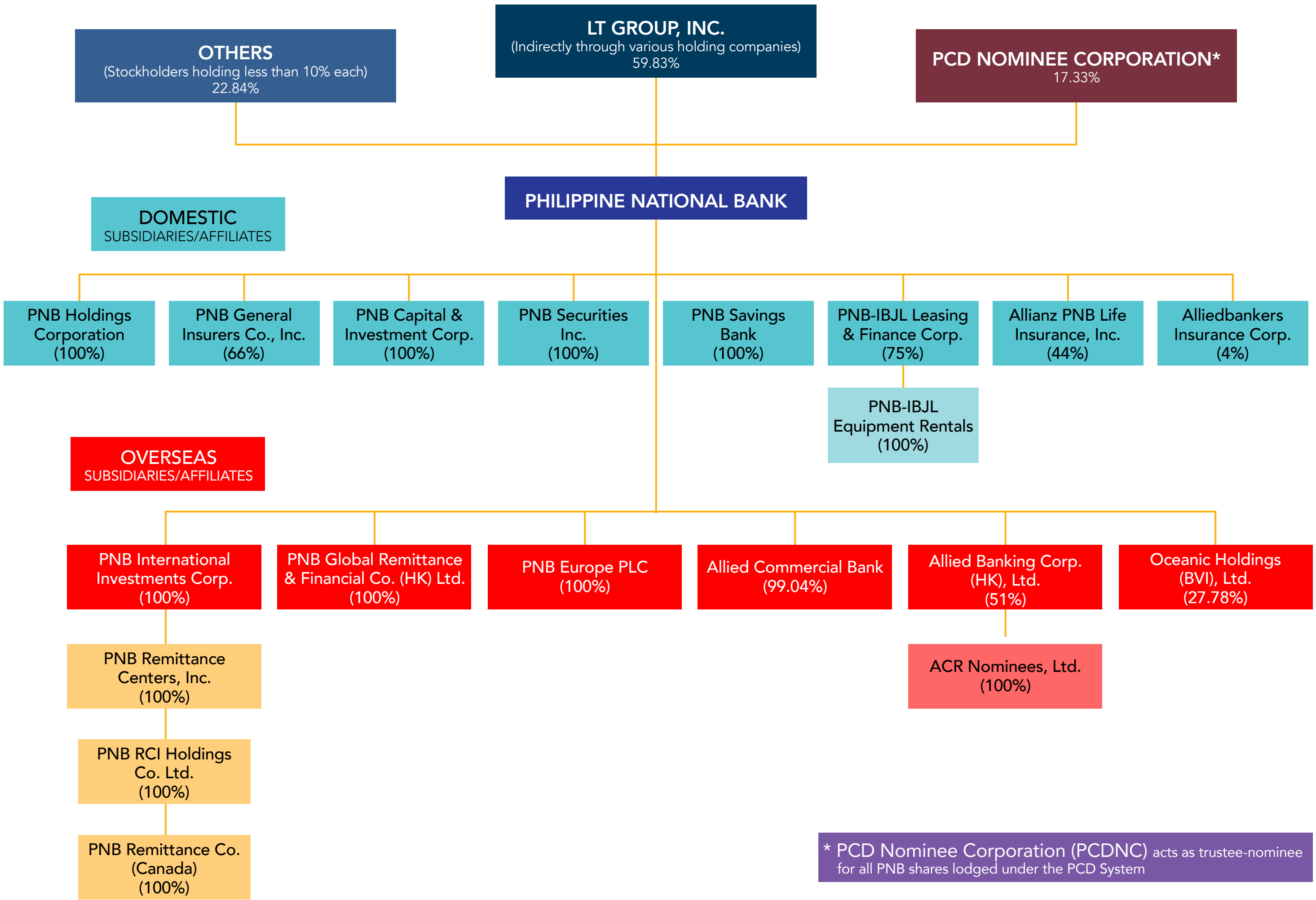
The following critical factors are to be considered in the evaluation of RPTs: (i) the related party's relationship to the Bank and interest in the transaction; (ii) the material facts of the proposed RPT, including the proposed aggregate value of such transactions; (iii) the benefits to the Bank of the proposed RPT; (iv) the availability of other sources of comparable products or services; and (v) the comparative assessment between the proposed RPT and similar non-related party transactions.

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 of monitoring and managing potential conflicts of interest, and to ensure that exposures to related parties are effectively managed, 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 sustaining existing RPT policies and procedures. The policies were enhanced to align with the new BSP Circular on RPT, the principles of the 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 Management Committee was reflected in the revised Operations Manual procedure; (ii) development of the RPT database system; (iii) enhancement of the review and audit programs conducted by the independent teams of Internal Audit Group and Global Compliance Group; and (iv) the external auditors and examinations performed by regulatory bodies.

CONGLOMERATE MAP
As of December 31, 2018

GRI 102-5



* PCD Nominee Corporation (PCDNC) acts as trustee-nominee for all PNB shares lodged under the PCD System

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.

After sustaining existing RPT policies, the Bank enhanced its RPT practices in 2017 through the following: (i) expanded classification of RPTs into four (4) major categories: DOSRI, Subsidiaries/ Affiliates, Other Related Parties; and Related Parties 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.

In 2018, the Bank further adopted robust measures to ensure that RPTs are conducted within prudent levels. Throughout the year, compliance bulletins were issued and disseminated through the Bank's intranet facility regarding: (i) RPT internal ceilings/limits; (ii) revised materiality thresholds for RPT limits and covered persons; (iii) material and non-material RPT reporting; (iv) exemption from the materiality threshold and reporting to BSP; and (v) reiteration of the availability of related party database.

BOARD OVERSIGHT RPT COMMITTEE (BORC)

Created in September 2013, the BORC is tasked to assist the Board in performing its oversight functions of monitoring and managing potential conflicts of interest involving the Bank's directors, officers, stockholders, subsidiaries and affiliates, and other related parties. The Committee is composed of five regular members, three Independent Directors (IDs), including the Chairman; and two non-voting members, the Chief Audit Executive (CAE) and the Chief Compliance Officer (CCO). The CCO is designated as Secretariat of the Committee.

The duties and responsibilities of the BORC include: (i) reviewing and approving RPT policy guidelines; (ii) evaluating on an ongoing basis existing relations 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.

COMPLIANCE SYSTEM

PNB staunchly upholds compliance in the conduct of business, ensuring that everything it does is within the boundaries of laws, rules, and regulations. The Bank actively promotes the safety and soundness of its operations by maintaining an environment that is governed by high standards and best practices of good corporate governance.

The Global Compliance Group, which reports directly to the Board Audit and Compliance Committee (BACC), is primarily responsible for promoting compliance with laws and regulations of various regulating bodies and adherence to international best practices. The Chief Compliance Officer is directly responsible for the effective implementation and management of the enterprise-wide compliance system covering domestic and foreign branches, offices, subsidiaries, and affiliate. 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 and Sustainability Committee in the conduct of their corporate governance oversight functions.

Anti-Money Laundering Compliance. We play an active role in preserving the integrity of the financial system and preventing the occurrence of financial crimes. The Bank manifests its commitment to support AMLC's global fight against money laundering (ML) and terrorist financing (TF) through its anti-money laundering unit, the Global AML Compliance Division. Under the guidance and supervision of the Chief Compliance Officer, the Division ensures that policies, controls, and procedures are in place to manage and mitigate ML/TF risks.

The Board and the Management Committee have the ultimate responsibility to fully comply with the provisions of the Anti-Money Laundering Act (AMLA) of 2001 and its implementing rules and regulations. They ensure that oversight of the Bank's compliance is adequate. In the same manner, the Board and Management Committee are consistently being apprised on the latest anti-money laundering laws, rules, and regulations, risk management, internal policies and procedures, and sound industry practices to enable them to fully comply with their obligations and responsibilities.

A comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program has been defined and implemented by the Bank, which is geared towards the promotion of high ethical and professional standards and the prevention of the bank being used, intentionally or unintentionally, for money laundering and terrorist financing. A Senior AML Compliance Officer was designated as the lead implementor of the program and is also tasked to liaise between the Bank, the BSP, and the AMLC on matters relating to the Bank's AML/CFT compliance.

TABLE OF ORGANIZATION

As of March 15, 2019

GRI 102-5

- **BOARD OF DIRECTORS**
  Chairman Florencia G. Tarriela
  - Corporate Secretary's Office
    VP M. K. Ilarde
  - Trust Committee
    - Trust Banking Group
      FVP J. J. Santos
  - Risk Oversight Committee
    - Risk Management Group
      FVP S. Yap
    - Enterprise Information Security Group
      SVP & Chief Information Security Officer
      R. Oscuro
  - Board IT Governance Committee
  - Executive Committee
  - Board Strategy & Policy Committee
  - Board Oversight RPT Committee
  - Corporate Governance Committee
  - Board Audit & Compliance Committee
    - Global Compliance Group
      FSVP & Chief Compliance Officer
      A. Cordero
    - Internal Audit Group
      FSVP & Chief Audit Executive
      M. Tengco
  - **OFFICE OF THE PRESIDENT**
    Pres. & CEO Jose Arnulfo "Wick" A. Veloso
    - Corporate Treasurer
      SVP M. Lim
    - Strategy & Financial Advisory Sector
      EVP C. Luy
      - Strategy & Planning Group
      - Wealth Management Group
        EVP C. Luy
        (concurrent)
    - Treasury Sector
      SVP & OIC N. Malabag
    - Retail Banking Sector
      EVP B. Tocmo
      - Branch Banking Group-MM
        SVP E. Ramos
      - Branch Banking Group-Luzon
        SVP A. Baculi
      - Branch Banking Group-Vismin
        FVP C. Dimaala
      - Global Filipino Banking Group
        SVP T. Sebastian
      - Card Banking Solutions Group
        FVP C. Quiros
      - RBS Sales & Support Group
        SVP A. Joson
    - Institutional Banking Sector
      EVP C. Audencial
      - Commercial Banking Group
      - Corporate Banking Group
        SVP A. Ang
      - Chinese Banking Group
      - Ecosystem Division
        SVP M. Caculitan
      - Financial Institution Division
        SVP E. Cua
    - Enterprise Services Sector
      FSVP A. M. Padilla
      - Remedial Accounts Management Group
        SVP M. Tiburcio
      - Acquired Assets Management Group
        FVP N. Ngo
      - Administration Group
        SAVP E. Maldonado
      - Corporate Security Group
        SAVP & OIC R. Soriano
    - Legal Group
      SVP & Chief Legal Counsel
      M. Bahena
    - Financial Management Sector
      EVP & Chief Financial Officer
      N. Reyes
      - Accounting & Controllership Group
        FVP J. Bonus
      - Central Management Information Service Division
        VP G. Punzalan
    - Marketing & Brand Management Sector
      EVP J. Hernandez
      - Marketing Services Group
      - Product Development Group
      - Data Analytics Group
    - Digital Innovation Group
      SVP N. M. Reyes
    - Credit Management Group
      SVP & Chief Credit Officer
      N. Vergara
    - Information Technology Group
      SVP & Acting Head
      M. Morallos
    - Human Resources Group
      SVP S. C. Austero
    - Operations Group
      SVP M. F. L. Jayme

Regulatory Compliance. The Regulatory Compliance Division ensures adherence to banking laws, rules, regulations, and guidelines issued and mandated by the Bank's various regulators. The Division observes ongoing dissemination of regulatory issuances to various units through the appointed Compliance Officer Designates. Likewise, it builds a constructive dialogue between the Global Compliance Group and the various offices to properly identify any compliance deficiencies and, subsequently, take corrective action in a timely and consistent manner.

Business Vehicle Management Compliance. The business vehicles under Philippine National Bank, as the Parent Bank, are divided into two: (i) domestic subsidiaries; and (ii) foreign branches, subsidiaries and offices. The Business Vehicle Management Compliance Division is tasked to monitor and ensure consistent compliance of the Bank's legal vehicles to local laws, rules, and regulations and those issued by the different host country regulators governing the operations of the foreign branches and business vehicle entities. The Chief Compliance Officer is working closely with the legal vehicles to ensure clarity, understanding, and effectiveness of the implementation of new regulatory requirements.

Compliance Testing and Review. Robust compliance monitoring and testing play a key role in identifying weaknesses in existing compliance system controls and is a critical component of an effective compliance program. Compliance testing is necessary to validate that key assumptions, data sources, and procedures utilized in measuring and monitoring compliance issues are consistently reliable.

Corporate Governance. The Corporate Governance Monitoring Unit has evolved to a Division to provide support to the Chairman of the Board, thru the Chief Compliance Officer as the designated Corporate Governance Executive. The Division is dedicated to strengthening the governance norms of the Bank. Championing globally-recognized standards and best practices, the Division provides support for the effective implementation of the Corporate Governance and RPT Compliance frameworks. Through continued dialogue and collaborative working relationship with regulators and various organizations, such as the SEC, PSE, and ICD, the Division is poised to continue upholding principles of good corporate governance.

The Global Compliance Group continues to evolve to reinforce the Bank's Compliance System with the creation of the Compliance Testing Review Division (CTRD) to institutionalize compliance testing reviews among the bank units, branches and business vehicles. CTRD complements the four major divisions: Global AML Compliance Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division and Corporate Governance Monitoring Division.

In 2017, two Deputy Chief Compliance Officer (DCCO) positions were created to assist the Chief Compliance Officer in providing oversight to the Divisions under supervision and to fast track implementation of succession planning.

With the legal and regulatory environment changing rapidly, along with new emerging risks such as cybercrime and security threats, the Global Compliance Group has responded by adjusting its organizational structure, fine-tuning its internal policies and procedures, and institutionalizing bank-wide processes:

- The Compliance Academy Program was formalized to promote a strong compliance culture. Recognizing the importance of continuous education to effectively implement a sound compliance framework, the Global Compliance Group is committed to conduct awareness trainings, workshops, electronic learning, briefing, and modular sessions in coordination with other business units.
- In pursuit of the PNB core values and to promote a safe and sound banking environment, the Bank developed the Ethical Standards Compliance Program. It provides the ethical standards that employees must observe to ensure the integrity of business operations and to comply with regulatory requirements and expectations.
- The AML Cybercrime Committee was created to address the risks brought by rapidly evolving technology and the rising threat of AML cybercrime cases. Moreover, a new AML Cybercrime Officer was appointed to act as the central point of contact for all identified cybercrime related transactions that go through the Bank's frontline and core banking system applications. He ensures that cybercrime related transactions are immediately coordinated with concerned units. He makes sure actions are taken to mitigate/control the ML/TF risks associated with cybercrime activities. Findings are monitored and reported to the Board and Management Committee.
- The DCCO role was assigned to three full-time personnel. Each DCCO is tasked to assist the CCO in providing oversight and guidance to the five divisions under the Global Compliance Group.
- Approved by the Board in 2018, the Counter-Terrorism Financing Sub-Committee was created with the main function of responding immediately to terrorist financing matters and identifying risks associated to terrorist financing. It is also responsible for providing reliable information to the Management, the Board, and relevant regulating agencies.
- The Compliance Testing Review Division was expanded from two to four departments. This enables the Division to employ a more focused, specialized attention on the following areas: AML Compliance Review, Regulatory Compliance Review, Legal Vehicle Compliance Review, and Corporate Governance/RPT Compliance Review.

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 when they escalate feedback and concerns. 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, to the Management Committee which ensures that all relevant units effectively support the consumer protection activities of the Bank.

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

- **Disclosure and Transparency** – PNB ensures that the customers have a reasonable holistic understanding of the products and services 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** – With PNB, customers have the right to expect that their financial transactions are kept confidential. The bank ensures that appropriate information security and data privacy policies, well-defined protocols, secured databases, and periodically re-validated procedures in handling client information are in place.
- **Fair Treatment** – PNB's customers are treated fairly, honestly, professionally and are not offered financial products and services that are not aligned to their financial needs. The Bank ensures that the necessary resources and procedures are in place, and that internal monitoring and control mechanisms are established for safeguarding the best interest of the customers.
- **Effective Recourse** – PNB's customers are provided accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints about their financial transactions.
- **Financial Education and Awareness** – As part of PNB's corporate social responsibility program, the Bank provides financial education initiatives to give consumers the knowledge, skills, and confidence to understand and evaluate the information they receive and to 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, and private messaging via social media; and self-service portals such as internet and mobile banking. Each complaint is acknowledged within one to two business days and processed with a turnaround time ranging from five to 20 business days, considering the complexity of the situation. Also available is the complaint management process, a cross-functional activity involving multiple offices, which provide priority assistance in resolving customer concerns.

In 2018, the Bank reviewed and updated the Consumer Protection Policies and implemented the Enhanced Customer Relationship Management System (ECRM) which is a workflow manager and logging tool for customer concerns.

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 consumers in their journey to financial health and wealth. The Bank is committed to equip consumers with the information and tools they need to make smart financial decisions towards achieving their goals.

WORKING FOR A SUSTAINABLE FUTURE TODAY

In 2018, PNB embarked on a series of initiatives as part of our continuing journey towards sustainability.

We believe that sustainability starts from within. Our capacity to sustain our business is contingent on the quality of our human capital, the condition of our physical resources, the viability of the businesses that we support, and our relationship with the communities.

When we are able to take care of our own people and make sound business decisions, we become more capable of fulfilling our role as a partner in nation-building. In all our efforts, our constant mandate is to create long-term value for our various stakeholders.

PNB remains committed and driven to be a dependable financial partner of the Filipinos of today and of future generations.

STAKEHOLDER MANAGEMENT PLAN

GRI 102-40

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 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 REPORT

REPORTING COVERAGE AND PARAMETERS

GRI 102-50, 102-54

The deep-rooted mission of achieving sustainability is ingrained into the culture and tradition of PNB. Coupled with our commitment to provide meaningful contributions to nation-building and enhance our economic, social, and environmental performance, we also hold a voracious appetite for transparency and accountability.

This report has been prepared in accordance with the GRI Standards: Core option. It covers initiatives within the period of January 1 to December 31, 2018. It provides a snapshot of our overall financial, environmental, social, and governance performance and how we create stakeholder value.

REPORTING PROCESS

GRI 102-21, 102-29, 102-31, 102-32, 102-46, 102-47

1. Exploring the Global Initiative (GRI) Reporting
   In January 2017, an overview of the GRI has been 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).

2. Establishing stakeholder engagement
   Headed by the President, a specialized cross-functional project team was created to review the Bank's existing reporting practices, identify material and applicable ESG topics, and satisfy selected GRI standards.

3. Formalizing the reporting process
   The Corporate Governance/Nomination/Remuneration and Sustainability Committee, a board-level committee tasked to promote ESG advocacies and exercise corporate governance oversight functions, is responsible for identifying and managing the Bank's economic, environmental, and social topics and their impacts. Likewise, the Committee demonstrated the Bank's commitment to supplement its transparency and disclosure practices by venturing into GRI Sustainability Reporting. On a monthly basis, the Committee discusses and reviews the Bank's significant economic, environmental, and social contributions and their impacts, risks, and opportunities.

4. Data gathering, interpretation, and validation
   A comprehensive, all-embracing assessment of needs and key concerns was conducted to appropriately determine material topics with significant influence on stakeholder decision-making. Relevant information pertaining to the Bank's existing and future economic, environmental, and social initiatives were collected, validated and subsequently standardized vis-à-vis the GRI reporting requirements.

CONTACT INFORMATION

GRI 102-53

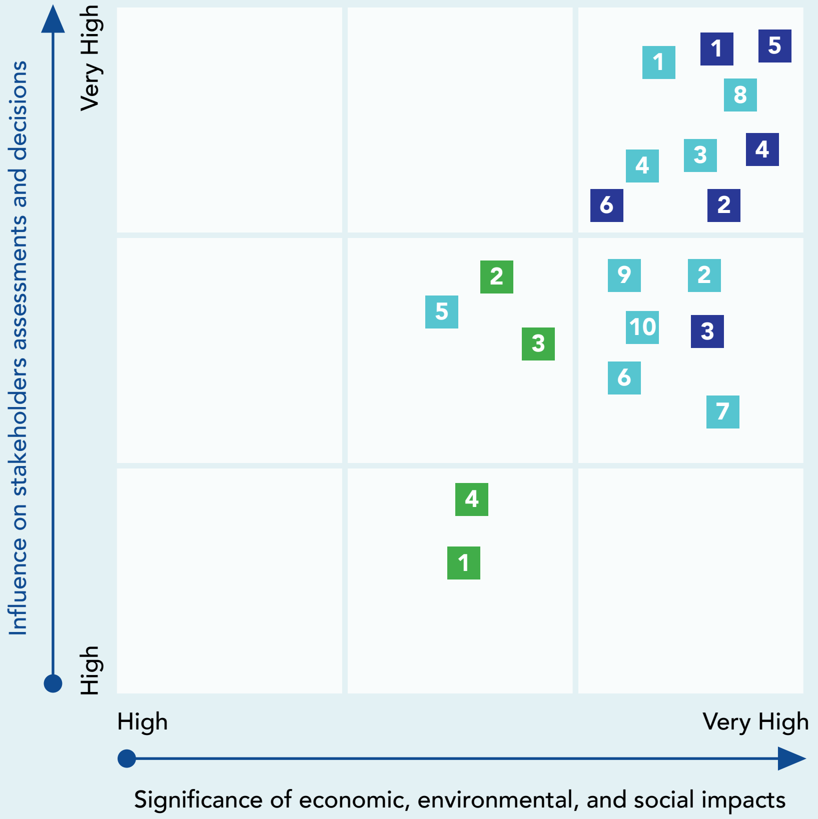
For questions, comments, and suggestions, contact us:

PNB – Office of the Corporate Secretary
9/F, PNB Financial Center, Pres. D. Macapagal Blvd., Pasay City
Tel. No. (+632) 526 3131 Local 4106

Stockholder Relations Officer: Atty. Maila Katrina Y. Ilarde
Email: ilardemky@pnb.com.ph

PNB – Investor Relations Unit
9/F, PNB Financial Center, Pres. D. Macapagal Blvd., Pasay City
Tel. No: (632) 526-3131 local 2120
Investor Relations Officer: Ms. Emeline C. Centeno
E-mail address: centenoec@pnb.com.ph, iru@pnb.com.ph

Customer Service Hotline: (632) 573-8888
Email: customercare@pnb.com



ECONOMIC
1. Economic Performance
2. Indirect Economic Impact
3. Anti-Corruption
4. Risk Management
5. Compliance
6. Corporate Governance

ENVIRONMENTAL
1. Water and Effluents
2. Biodiversity
3. Environmental Impact
4. Emissions

SOCIAL
1. Employment
2. Occupational Health and Safety
3. Training and Education
4. Diversity and Equal Opportunity
5. Non-discrimination
6. Freedom of Association and Collective Bargaining
7. Marketing and Labeling
8. Customer Privacy
9. Local Communities
10. Human Rights

STAKEHOLDER ENGAGEMENT
GRI 102-42, 102-43, 102-44

Becoming cognizant of our stakeholders' key concerns and expectations is a universal goal in our organization – one that is embedded at the heart of our operations, strategy, and culture. We recognize the inseparable link between the health of our business and the long-term interests of our stakeholders.

At PNB, we seek to provide solutions that meet the fast-paced and ever-changing issues, concerns, and expectations of a broad spectrum of stakeholders – internal and external – to effectively build a truly sustainable organization.

SUSTAINABILITY REPORT

	How do we engage them?	What are their key concerns & expectations?	What are we doing?
Customers As a customer-centric organization, we are a firm believer that cultivating a long-term relationship with our clients is an essential ingredient of good corporate governance and sustainable development.	• Face-to-face contact with branch personnel • Telephone calls • Correspondence/letters • Website • E-mail • Social media engagement	• Products and services that are responsive to their needs • Efficient customer service • Protection of client information • Accessibility and convenience • Competence of bank personnel to address inquiries, complaints, concerns	We nurture customer relationships through establishing branch presence across the globe, offering relevant financial solutions, maintaining a reliable 24/7 Customer Service Hotline, and enhancing strategic recruitment efforts to attract a highly-professionalized, competent workforce.
Employees We don't need to look far beyond our own premises to realize the depth and breadth of stakeholder engagement we've fostered over the years. PNB believes that its people are its most valued asset.	• Regular meetings • Quarterly Pulong Ng Bayan • Correspondence/letters	• Work-life fit • Training and development • Career progression • Volunteerism on CSR programs • Competitive compensation	The Human Resource Group runs year-round initiatives and programs to promote employee well-being: development and training, employee welfare and wellness programs, employee recognition, and enhanced performance appraisal.
Investors Investor relations enable us to maintain our foothold in the financial market, while we stand to obtain capital for the effective conduct of our business.	• Annual stockholders meeting • Investor briefings • Investor relations program	• Strong financial performance • Shareholder returns • Corporate Governance • Transparency and disclosure • Continued business growth	A corporate governance framework in accordance with global standards and best practices, coupled with strong Board and Management oversight, has been established to satisfy the demands and concerns of our investors.
Regulators We are committed to respect, uphold and adhere to banking laws, rules and regulations to actively promote the safety and soundness of our banking operations.	• Periodic examinations • Correspondence/letters • Meetings	• Conduct of sound business operations • Compliance to laws, rules and regulations • Timely and accurate reporting and disclosure practices • Transparency and accountability	We work closely with the regulators by providing timely and accurate regulatory reports, instituting a proactive dialogue, and maintaining an overall banking climate that fully adheres to banking laws, rules, and regulations.
Communities Apart from growing our business, we pursue initiatives that focus on serving communities and promoting sustainability in areas where we have business presence.	• Financial awareness and education • Environmental protection • Philanthropic initiatives • Other overarching sustainability projects	• Projects and initiatives supporting the economic, environmental, and social landscape of the community • Positive and negative impacts of projects and initiatives	We strive to make positive contributions in areas where we have business presence by promoting financial inclusion through financial literacy programs, supporting various environmental projects, and upholding social welfare.

ECONOMIC
You First means delivering value to stakeholders

ECONOMIC VALUE DISTRIBUTION
GRI 201-1

As a financial institution, PNB generates and delivers economic values to its various stakeholders: salaries and fringe benefits for employees; taxes for the government; payments for suppliers and service providers; dividends for stockholders; donations and contributions for the disadvantaged members of society; and fees for industry associations

Economic Impact in Million Php	2018 in millions	% of Total
Amount paid to suppliers	3,753	22.21%
Consolidated membership fees & dues	17	0.10%
Consolidated charitable contributions	15	0.09%
Wages & benefits paid to employees	9,380	55.52%
Dividends paid to stockholders (2018 less 2017)	0	0.00%
Taxes paid to government	3,729	22.07%
Total	16,894	100.00%

DIVIDEND POLICY

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."

PROCUREMENT PRACTICE

As a financial services organization, PNB follows a simple and practical procurement process. Sourcing of requirements is being facilitated by the Corporate Services Department (CSD). The objective of the procurement process is to minimize risks in case of disruption. The Bank maintains and adheres to a Vendor Management Policy which requires business owners to periodically evaluate the capacity and technical capability of suppliers and outsourcing partners. CSD is also required to keep a pool of accredited suppliers and service providers to ensure availability of materials and services when required.

ENVIRONMENTAL
You First means protecting our planet

PROMOTING ENERGY EFFICIENCY
GRI 302-1, 302-2, 302-4

PNB, through the Administration Group, implemented year-round initiatives to reduce energy consumption.

The Administration Group conducted energy management audit for the PNB Financial Center head office with focus on the following aspects:

- Remote monitoring of energy consumption
- Installation of Variable Speed Drive because energy is consumed through electric motors (66% of energy used in the building is consumed by electric motor and air conditioning system)
- Analysis of the electric utility bills of power providers, Meralco and AC Energy (demand charge, energy charge, energy charge per kwhr)
- Electric Monthly Sharing of PNB Tenant / Department
- Conduct of power quality and power factor correction
- Upgrade of electrical system and equipment. For 2018, the following steps were taken:
    - Upgrading or replacement of chillers – the old chiller's efficiency was at 1 kilowatt per ton while the new chiller is at .56 per ton, thereby saving 44% on the chiller usage. Approximate consumption is at 650 kW per hour per chiller.
    - Replacement of all air handling units (AHUs) – the Bank has replaced the 20-year-old AHU cooling coil with new ones, increasing efficiency to 100% and, consequently, decreasing the load of chillers.
    - Replacement of conventional lights bulbs with LED lights – the previous electron-stimulated luminescence (ESL) bulbs, which consumed 11 watts were replaced with LED lights which only consume five watts. The 28-watt T5 fluorescent tubes were replaced with 16-watt LED tubes.

With these measures, around 135 kW per hour is saved or 1,135,775.46 kwhr per month, or 13,629,305.5 kwhr annually. This translates to monetary savings of Php10,572,668.56 a year.

The Bank is currently studying the possibility of utilizing solar power as the main source of electricity in select areas of the head office.

REDUCING WATER CONSUMPTION
GRI 303-1, 303-2, 303-4, 303-5

PNB remains vigilant in monitoring water consumption in its premises. The Bank implements year-round efforts to reduce water consumption by decreasing the volume of "used" water for toilet and urinal flushing; and replacing three leaking units of hydropneumatics tank, leaking water valves, defective faucets, urinals flusher and water closet flushers. Through these measures, the Bank saved a total of Php207,900 in water consumption.

At the head office, water supplied by Manila Water are stored in the cistern tank located at the basement. Water is pumped to the storage tank at the roof deck. Water is distributed through gravity and by booster pumps.

Four drinking fountains are installed in the building and are being maintained by a private contractor. Water going to the drinking fountain is purified using two units of five micron filter, charcoal filter, and ultraviolet light. Water is tested periodically for bacterial contamination.

As for treatment and management of effluent or waste water, PNB Makati Center works with concessionaire, Manila Water, while PNB Financial Center processes waste water at PNB's existing sewage treatment plant (STP). Water discharged from the existing STP meets the requirements of DENR Administrative Order 1990-35 waste water effluent standards. The Bank is presently constructing a new STP to ensure compliance with the additional stringent parameters on waste water effluent per DENR Administrative Order 2016-08.

REDUCING CARBON FOOTPRINT
GRI 305-5, 305-6

PNB endeavors to help reduce carbon footprint by observing proper waste disposal. Domestic waste is collected by the Makati Commercial Estate Association, Inc. (MACEA). Hazardous waste is collected by a private contractor accredited by the Department of Environment and Natural Resources (DENR).

Non-Hazardous Waste	Quantity Gathered for 2018
Domestic Waste	20, 800 kgs

Hazardous Waste	Quantity Gathered for 2018
Used Oil	600 liters
Lead Acid batteries	30 pcs
Busted florescent / LED Lamps	800 pcs
Contaminated Rugs	20 kgs
Expired paints	5 gals.
Ozone Depleting substance	100 kgs
Electronic Waste	100 kgs

The Bank is planning to invest in infrastructure projects that would further support the reduction of carbon footprint.

A study is currently being done to replace 80 units of package-type air-conditioning due to its high energy consumption. Soon, the Bank will also phase out the use of ozone-depleting substance such as refrigerant R 22 and replace it with the more environment-friendly refrigerant R401A.

By using high-efficiency technologies, PNB aims to lessen the use of energy and, eventually, be able to reduce carbon footprint. Through simple but effective ways, the Bank hopes to contribute in preserving the planet for future generations.

SOCIAL
You First means caring for people

NURTURING PHILNABANKERS
GRI 102-7, 102-8, 102-41, 401-1, 405-1, 407-1

Employees are PNB's key asset and the Bank is consistent in its efforts to ensure a steady pool of qualified talents and to promote their overall well-being.

As of year-end 2018, PNB has an 8,266-strong workforce worldwide, with those at the rank-and-file level numbering slightly higher than the officers. The Retail Banking Sector, by virtue of the Bank's extensive nationwide branch network, continues to have the biggest number of manpower at more than half of the employee population.

Rank	No. of Employees
Officers	4,011
Rank & File	4,255
Grand Total	8,266

Gender	No. of Employees
Female	5,512
Male	2,754
Total	8,266

The Bank has maintained gender parity with a 2:1 ratio as 67% of the workforce are female and 33% are male. In terms of key management positions, the same ratio holds as 59% of key management positions are held by women.

EMPLOYEE BREAKDOWN PER GENDER/RANK/AGE RANGE
As of December 31, 2018

Age range	Female	Male	Total
25 y/o & below	937	425	1,362
26 - 30 y/o	1,000	451	1,451
31 - 35 y/o	871	481	1,352
36 - 40 y/o	658	435	1,093
41 - 45 y/o	431	228	659
46 - 50 y/o	752	338	1,090
51 - 55 y/o	642	279	921
56 - 60 y/o	192	106	298
Above 60 y/o	29	11	40
Grand Total	5,512	2,754	8,266

Rank	Female	Male	Grand Total
President		1	1
Executive Vice President		3	3
First Senior Vice President	3	1	4
Senior Vice President	18	12	30
First Vice President	21	18	39
Vice President	32	21	53
Senior Assistant Vice President	54	44	98
Assistant Vice President	116	74	190
Senior Manager	161	102	263
Manager 2	215	129	344
Manager 1	423	205	628
Assistant Manager 2	814	343	1,157
Assistant Manager 1	849	352	1,201
Senior Specialist	224	139	363
Specialist	247	144	391
Senior Assistant	376	205	581
Assistant	856	429	1,285
Senior Clerk	1,103	530	1,633
Junior Clerk		2	2
Grand Total	5,512	2,754	8,266

PNB has a remarkably young population, where 50% of employees are below 35 years old, 34% are classified as "millennials", and 16% are considered part of "Generation Z". Out of the 8,266 employees, 3,438 or 42% are covered by the Collective Bargaining Agreement.

Age Range of New Hires	Female	Male	Grand Total
20 - 25 y/o	288	156	444
26 - 30 y/o	50	32	82
31 - 35 y/o	22	17	39
36 - 40 y/o	16	18	34
41 - 45 y/o	6	4	10
46 - 50 y/o	13	5	18
51 - 55 y/o	4	4	8
60 and above	0	1	1
Grand Total	399	237	636

PNB increased its hiring rate by 25% from 509 new employees in 2017 to 635 in 2018. Moreover, 63% of the newly-hired employees in 2018 are women, with 72% belonging to the 20- to 25-year-old age range. Meanwhile, 66% of the newly-hired male employees belong to the said age range. This age bracket is comprised of the so-called Generation Z and millennials.

Likewise, the Bank slightly improved its turnover rate from 7.81% in 2017 to 7.25% in 2018.

As part of its strategic recruitment efforts, PNB has partnered with leading academic institutions as a participant in university job fairs. In 2018, the Bank participated in 19 university job fairs. HR Group continues to explore sources of fresh talents to meet the diverse job requirements of the Bank.

CONTINUOUS LEARNING & DEVELOPMENT
GRI 404-1, 404-3

People development remains a priority of PNB. The Human Resource Group, through its Institute for Banking Excellence, sees to it that employees are upskilled to sustain the Bank's overall competitiveness in a rapidly changing financial environment.

Out of the total population, 7,394 Philnabankers or 89% underwent training programs to better equip them to fulfill their jobs. The average training hours per employee is 87.36 hours per year. Of the total number of trained employees, 68% were female and 32% were male.

In terms of rank, 50% of the training participants came from the rank-and-file level; 42% were junior officers (assistant manager to manager); 6% were mid-level officers (senior manager to senior assistant vice president); and 2% hold senior management positions (vice president and up).

Moreover, 6,938 or 84.26% of total employee population underwent annual performance appraisal and development process where significant performance areas such as core competencies and quantifiable targets are assessed and evaluated.

COMPETITIVE REMUNERATION & BENEFITS PACKAGE
GRI 102-35, 102-36, 102-37, 401-2, 401-3, 405-2

As one of the top five banks in the country, PNB continues to value its human capital by providing a competitive and holistic rewards program.

In January 2018, the Human Resource Group launched PNB's total rewards program dubbed, COMPLETE, which stands for Compensation and Benefits, Monetary Allowance, Perks and Privileges, Life-Work Effectiveness, Employee Rewards and Recognition, Training and Development, and Engagement.

To remain competitive and relevant in a fast-evolving banking industry, the Bank regularly reviews its compensation and benefits package. For rank and file employees, review is done through the Collective Bargaining Agreement (CBA). The recent / existing three–year agreement took effect in July 2017. For officers, review is done annually based on officers' performance and results of the industry compensation survey.

The Bank exercises fairness in designing the remuneration package. Employees' compensation is not determined by their gender. The employee's role in the organization, competency level, work performance, previous work experience, certifications, and employment tenure are some of the factors that determine remuneration. Improvements on remuneration are presented to the Corporate Governance/Nomination/ Remuneration and Sustainability Committee for discussion, and then endorsed to the Board for final approval.

PNB's benefits package continues to be one of the most competitive in the industry. Full-time employees are covered by a comprehensive health care plan, on top of the standard group life insurance coverage. The health care plan is extended to full-time employees' qualified dependents. Eligible officers are entitled to avail of car plans. Also, their eligible dependents may avail of scholarship programs under the Tan Yan Kee Foundation.

The Bank recognizes that employees experience various life events outside work. Apart from the standard vacation and sick leaves, the following leave types are also available for eligible employees: maternity and paternity leaves, birthday leave, emergency leave, solo parent leave, bereavement leave, special leave for female employees, and special leave for victims under the Anti-Violence Against Women and Their Children Act of 2004.

Other standard benefits for eligible full-time employees are: retirement plan; guaranteed bonuses; loyalty awards; employee loans; perfect attendance awards; free uniforms; holiday pay; rice subsidy and meal allowance for rank-and-file employees; and financial death assistance.

	Female	Male	Total
No. of qualified employees who took parental leave	150	7	157
No. of qualified employees who took the leave and returned after the leave expired	150	7	157
No. of qualified employees who took the leave and returned and were still employed one year after returning	142	5	147

HEALTH & SAFETY
GRI 403-1, 403-2, 403-4, 403-5, 403-6

Cognizant of the need to provide a safe environment to its employees and clientele, the Bank created an Occupational Safety, Health and Family Welfare Committee that takes care of safety and health concerns within bank premises. The committee is composed of representatives from both management and employees, with the latter represented by employee union officers. Meetings are held regularly and reports are submitted to monitor and evaluate the committee's programs.

The Bank engages employees through the appointment of Safety Officers who are tasked to identify hazards and contribute to risk assessment and control. These officers are formally trained and certified in the Basic Occupational Safety and Health (BOSH) program. In 2018, select Safety Officers completed the Loss Control Management seminar and the Safety Program Audit.

In partnership with health care provider, ValuCare, HRG conducted wellness lectures for head office employees. To keep employees abreast with relevant health issues, 16 email wellness bulletins and e-newsletters were disseminated nationwide, with topics ranging from stress management, to lifestyle diseases, to nutrition. Practical knowledge on health and wellness not only helps employees get fit; it also enhances productivity at work.

Throughout the year, a continuing training program is held to promote safety awareness and to inculcate safe working habits among Philnabankers.

DIVERSITY & INCLUSION
GRI 406-1

PNB has strengthened its commitment to a non-discriminatory culture. In November 2018, the Bank approved and implemented the Policy on Diversity and Inclusion. To date, there has been no incident of discrimination in the Bank. As mentioned earlier, there is diversity in employee population in terms of gender and age.

LAWFUL & ETHICAL BEHAVIOR
GRI 102-17, 205-2, 205-3

As a leading financial institution, PNB is committed to uphold the public's trust. Following are the policies and guidelines established to ensure lawful and ethical behavior among its directors, top management, and employees: Code of Conduct, Corporate Governance Manual, Policy on Selling PNB Securities, Policy on Soliciting and/or Receiving Gifts, Personal Investment Policy, Whistleblower Policy, and Office Decorum including Anti-Bribery and Anti-Corruption provisions.

The Code of Conduct, Office Decorum, policies on Whistleblowing and Anti-Bribery and Anti-Corruption are part of the on-boarding process for new employees. For easy reference, all employees can access the documents through the Bank's intranet facility.

To date, there has been no reported incidents of bribery and corruption among employees.

MANAGEMENT OF LABOR RELATIONS

Maintaining industrial peace has always been a top priority for PNB. The Bank's labor relations unit regularly invites representatives from the employee unions to Labor Management Council meetings. These sessions aim to tackle employee concerns and clarify revisions in HR policies. Upon implementation, approved HR policies are disseminated through the Bank's intranet facility.

HUMAN RIGHTS IN THE WORKPLACE
GRI 412-2

As part of the Bank's initiatives to uphold human rights in the workplace, the Institute of Banking Excellence organized training sessions for employees on human rights policies and procedures. A total of 3,272 employees attended the said training sessions, for a total of 28,656 training hours.

RECOGNIZING EXCELLENCE AND VALUES

Excellence abounds in PNB and remarkable performance is recognized. Through the HR Group, the Bank has institutionalized the nationwide Quarterly Service Excellence Awards which seeks to distinguish individuals and teams that deliver exceptional results while upholding the Bank's core values. The various business groups also hold their own recognition programs to reward and encourage high-level performance among employees. Apart from the formal recognition programs, Philnabankers were encouraged to express their appreciation for fellow Philnabankers through the internal campaign, "Celebrate Love at Work".

As part of the values campaign, the HR Group also launched the program called, "LOVE (Living Our Values Everyday) at PNB". Through email blasts, employees read about stories of fellow employees and business groups that demonstrate the core values of Service Orientation, Pride, Commitment, Team Orientation, Trustworthiness, and being Adaptive to Change. The stories are meant to inspire the readers to live the core values as they go about their day-to-day life in PNB.

PROMOTING WORK-LIFE HARMONY

PNB believes in promoting a person's holistic growth and holds various activities that enable overall wellness and camaraderie. After all, a healthy work force is a prerequisite for productivity.

- Health & Fitness
  PNB maintains two well-equipped gyms at its head office in Pasay City wherein employees can work out and use amenities for a very minimal membership fee. Periodically, the bank, through the HR Group, partners with external health and fitness establishments to provide substantial discounts to employees who want to avail of services. The Bank also allows employees to organize sports-related interest groups and supports them by allowing the use of office facilities.

- Spirituality
  The Bank acknowledges that spirituality holds a special place in Philippine culture. The PNB head office houses a well-appointed chapel wherein daily worship services are held. Every year, the Bank engages renowned priests to officiate special healing masses, which are always a well-attended event. Other endeavors supported by the Bank include the Fiesta del Sto. Nino celebration held every January and special events such as the veneration of sacred relics of St. Pio of Pietrelcina.

- Employee Sale Events
  PNB makes it convenient for employees to shop by holding seasonal in-house bazaars and food fairs through PNB Cards and as part of the anniversary celebration. Concessionaires and entrepreneurs put up booths featuring a wide variety of clothes, accessories, bags, shoes and food for all ages.

- Townhall Meetings & Bank-wide Celebrations
  PNB provides an avenue for employees to get together such as the quarterly Pulong Ng Bayan employee townhall meetings and the regular townhall gatherings of the various business groups. The Bank also supports the celebration of special occasions. Every July, a week-long celebration marks the Bank's founding anniversary with employee bazaars, online trivia games, sports events, and group talent competitions. PNB also allocates budget for Christmas celebrations and yearly teambuilding activities.

SUPPORTING COMMUNITIES
GRI 304-2, 304-3, 413-1

Corporate social responsibility (CSR) is an integral part of good corporate governance in PNB. In 2018, the Bank institutionalized CSR by forming the CSR Unit, tasked to develop and implement initiatives geared towards responsible corporate citizenship. Programs are anchored on three pillars: Livelihood, Financial Literacy, and Environment. The unit is also responsible for leading employee volunteerism activities of the Bank, in coordination with the HRG, Corporate Security Group, and the various business units.

INTERNATIONAL COASTAL CLEANUP

PNB participated in the International Coastal Cleanup organized by the Department of Environment and Natural Resources along SM by the Bay in Pasay City on September 22. PNB participated in the cleanup in response to an invitation by SM Supermalls. Over 70 PNB employee volunteers worked in pairs to collect trash and record the collection. A total of 65 double extra-large garbage bags filled with various marine garbage were collected, which included plastic items, decaying plants, and even pieces of drift woods and bamboos from the breakwater area.

BLOODLETTING ACTIVITY

A bloodletting activity was held from December 10 to 11 at the PNB Financial Center. A total of 76 bags of blood were donated to the Philippine Red Cross, which translates to 43,200 milliliters of clean blood for patients.

RELIEF OPERATIONS FOR BULACAN FAMILIES

PNB extended help to the families of Barangay Camalig, Meycauayan, Bulacan who were affected by Typhoon 'Carding' and the other monsoon rains that hit the country. The beneficiary families received 300 packages containing loaves of bread, canned goods, and noodles in a simple event held on August 23 at the Camalig Elementary School. The initiative was led by the North Luzon Area 4 of PNB's Retail Banking Sector. Also joining the project were volunteers from the local government of Meycauayan, Bulacan.

RECYCLING FOR SOCIAL ENTERPRISE

Over five tons of old tarpaulins and brochures were donated by PNB and Philippine Airlines to Caritas Manila, a leading social service and development ministry. The project aimed to enable better waste management and to help communities to become self-sustaining through livelihood opportunities. The items were recycled into functional apparel items such as wallets by the women of Caritas Manila's partner communities. The items were sold at a kiosk in PNB Financial Center by social enterprise arm, Caritas Margins. Proceeds from the sale provide income to the women of marginalized partner families and communities.

FINANCIAL LITERACY SESSIONS

PNB Taft-Malate and PNB Roxas-CM Recto branches conducted financial literacy sessions for grade school and high school students of St. Scholastica College, Manila and Tapaz National High School in Tapaz, Capiz. The sessions aimed to teach participants about good money management habits. The events were part of the Retail Banking Sector's roadshow caravan for PNB's MyFirst Savings Account product.

SCHOOL OUTREACH ACTIVITIES

Branches have been doing outreach activities for years now, mostly for schools in the communities they serve.

The Retail Banking Sector held outreach activities for public schools in time for the opening of the academic year. North Luzon branches participated in the Brigada Eskwela on June 2, benefitting six schools: Patac Elementary School, Basco Central School, Camanggaan Elementary School, Candon National High School, Bangued Western Central School, and Florentino Camaquin Integrated School. In Mindanao, the PNB Zamboanga MCLL Highway Branch held a back to-school donation drive. Meanwhile, branches in the Central Metro Manila area reached out to Batino Elementary School (SPED Center) in Quezon City.

For Philnabankers, the Christmas season is always a good opportunity to share blessings. Apart from the usual parties with gift-giving and fun activities, employee volunteers look for ways to make the season of giving more meaningful through education-related donations raised from their own fund-raising and collaboration with partner organizations. Among the schools the branches reached out to were: Pancian Elementary School in Ilocos Norte; Sisters of Mary of Banneux, Inc. in Cavite and Dalahican Elementary School in Lucena City.

COMMUNITY SERVICE

Aside from school activities, volunteers from branches and business units also reach out to the marginalized and disadvantaged sectors of society.

Volunteers from the branches took time to care for the elderly. Among the outreach projects done were for Bahay ni Maria, home of the elderly in Calamba, Laguna and GRACES Home for the Elderly in Quezon City.

Branch volunteers also bonded with orphaned children at the following shelter organizations: SOS Orphanage Village in Zarraga, Iloilo; White Cross Orphanage in San Juan City; Tulay ng Kabataan Foundation, Inc. in Intramuros, Manila; Anawim Lay Missions Foundation, Inc. in Rizal; Bethany Orphanage in Guiguinto, Bulacan; and the Sto. Nino Foundation and Holy Trinity Home for Children, both in Quezon City

The branches also exerted efforts to spend time and give donations to the Aeta communities of Brgy. Bueno in Capas, Tarlac; the inmates and jail guards of Maasin City Jail in Leyte; and even the rescued dogs of PAWS in Katipunan, Quezon City.

Outreach programs were led by the branches for family beneficiaries such as the: feeding program for Barangay Homapon in Legazpi City in Bicol; gift-giving for families in Matnog, Daraga, Albay; more than a thousand families in Miagao, Iloilo and beneficiaries of Buenvista Fellowship Center in Antique.

In December 2018, PNB employees volunteered for the Kiddie Business Camp and Christmas party held at the Our Lady of Sorrows Outreach Foundation, Inc. in Pasay City. The children beneficiaries learned how they can be little entrepreneurs through making and selling graham balls and bead bracelets. Apart from receiving business starter kits and gift bags with school supplies, the kids also enjoyed games, music and prizes. On the same day, the Institutional Banking Sector, in partnership with the Korean Chamber of Commerce Philippines, held an outreach program in Malate, Manila where 300 families received gift packs containing food items such as rice, canned goods, and noodles.

At the head office, employee volunteers from the Systems and Methods Department expressed appreciation for PNB's service providers by holding a gift-giving activity for the latter's children last December. The children beneficiaries got to bring home gifts and enjoy food and fun activities.

MANAGING THE SUPPLY CHAIN
GRI 102-9

PNB continues to search for means to ensure that existing and potential customers can readily access its products and services.

The Retail Banking Sector's supply chain system consists of organic products and services delivered through its nationwide network of branches, electronic banking channels, and outsourced services. The development and mode of distribution of products and services take into account customer needs and preferences, guided by the Bank's established policies and systems on risk management, compliance, transparency, and data privacy.

To some extent, the sector also provides its clientele with products and services supplied by its joint venture partners, Allianz PNB Life Insurance, Inc. and PNB-IBJL Leasing and Finance Corporation; bank subsidiaries PNB General Insurers Co., Inc. and PNB Capital and Investment Corporation; as well as third-party service providers selected through a rigid vendor accreditation process.

Distribution of the Bank's primary products and services are done through its nationwide network of 644 branches; 1,325 ATMs (onsite and offsite); and 70 Cash Accept Machines (CAMs). This is supplemented by other e-banking channels such as the PNB Internet Banking and PNB Mobile Banking App, as well as the PNB Bank on Wheels.

Meanwhile, the Institutional Banking Sector established PNB Connect, a comprehensive portfolio of customized financial solutions. Through PNB Connect, the Bank harnesses the supply chain by bringing together an entire community of small and medium enterprises, suppliers, and their customers. PNB Connect was formed in response to the heightened demand for sophisticated, technology-based financial products that are offered by competitor banks, non-bank financial institutions, and non-traditional competitors. Examples of these products are:

- Bayad Connect. PNB signed an agreement with Bayad Center to utilize the Bayad Connect Mobile Application, a digital financial service solution. The partnership aims to increase collection agents in remote areas where there are few or non-existing banking channels; improve collection efficiency, and promote financial inclusion. Since the launch, PNB has been aggressively tapping potential partner agents to accept payments on behalf of billers from both Bayad Center and PNB. To date, Palawan Electric Cooperative, which services the electricity distribution over the entire island of Palawan, is one of the flagship clients of this innovative product.
- Corporate Remote Collection System (RCS). PNB partnered with non-bank financial institutions to further expand its branch network in far-flung and remote areas of the country in accepting deposits.
- Credit Programs. A customized financial solution designed to facilitate and fast-track the grant of credit facilities to both suppliers and customers of key anchor clients of the Bank, on the basis of pre-determined, acceptable parameters. The aim is to facilitate the flow of operating funds within the value chain. To date, the Bank has successfully launched seven credit product programs for industries in the power distribution, automotive, construction, and consumer goods distribution.

ASSESSING ENVIRONMENTAL IMPACT
GRI 308-1

PNB monitors creditors' compliance with environmental laws and regulations. This is made possible through covenants provided in the financial agreements and through submission of permits such as the Environmental Compliance Certificate (ECC) issued by the Department of Environment Natural Resources (DENR). This is done upon satisfactory review of documentary requirements such as, but not limited to, the Environmental Impact Assessment (EIA) Report for Environmentally Critical Projects (ECPs). By law, this includes power, infrastructure, industrial and mining projects as well as projects situated in Environmentally Critical Areas (i.e. national parks, sanctuaries, and potential tourist spots).

The EIA is a comprehensive study which assesses the ECP's impact on any of the following areas as well as the proposed management plan and periodic monitoring to address such issues:

- Overall geology (i.e. change in terrain/slope/topography, inducement of landslides/collapse)
- Terrestrial and Marine Ecology (i.e. loss of habitat, flora and fauna species)
- Hydrology and Oceanography (i.e. change in depth of nearby streams/lakes, inducement of flooding, water resource use and competition)
- Air Quality
- Displacement of existing settlers (i.e. indigenous people)
- Cultural Heritage and Lifestyle
- Indigenous People's Rights
- Public health
- Host community
- Traffic situation

The EIA is also subject to public consultation with all legitimate stakeholders and potentially-affected communities. It is then presented to the host local government unit (LGU) for inputs prior to issuance of the ECC.

Effectively, the ECC and the loan covenants are the measures employed to ensure that key projects have undergone a comprehensive assessment for environmental and social impact and that such impacts are mitigated and monitored on a periodic basis.

To date, PNB has participated in funding environmentally compliant ECPs, which include:

1. Over 3,700MW of operational power plants over Philippines which delivered over around 22% of total power generation in the Philippines
2. Around 910MW of power projects under construction scheduled to deliver power by 2019
3. Over 180km of toll roads servicing over a total of 725,000 vehicles daily

ENABLING INFRASTRUCTURE INVESTMENTS
GRI 203-1, 203-2

PNB implements financing programs to support eco-friendly businesses and sustainable infrastructure that promote economic development. By supporting these types of projects, the Bank is able to fulfill its role as the country's financial partner in nation-building.

SAN MIGUEL GLASS PACKAGING PLANT
PNB financed the construction of a glass production facility of SMY Asia Corp., a subsidiary of San Miguel Corporation, located in Cavite. This facility is capable of producing around 438 million of glass packaging for food, beverage and pharmaceutical products. Glass is made from natural raw materials such as sand, cullets, limestone and soda ash which are eternally and perpetually recyclable, thus, reducing carbon emission and consumption of raw materials.

CLARK INTERNATIONAL AIRPORT EXPANSION PROJECT
PNB supported Megawide GMR Construction JV, Inc. (MGCJVI) as the EPC contractor of the government's first hybrid PPP project – construction of the new passenger terminal at Clark International Airport (CIA). Project shall increase CIA's capacity from 4.2 million passengers per annum to 8 million passengers per annum.

AIRCRAFT REFLEETING
PNB participated in the financing of the acquisition of two brand new Airbus A321NEO (new engine option) aircraft in line with the aircraft re-fleeting program of Philippine Airlines (PAL). The Airbus A321NEO aircraft utilizes the latest technologies which result to as much as 15% to 20% reduction in fuel consumption.

ARCHIPELAGO PHILIPPINES FERRIES CORPORATION (APFC)
PNB signed a loan agreement with APFC to partially finance the acquisition of five brand new catamaran roll-on/roll-off vessels. The new vessels will be part of APFC's modernization drive to complete its goal of operating 30 RoRo vessels by 2020. The newly designed ferries will have a capacity of 275 passengers and have incorporated enhanced features for added safety, power efficiency and comfort. The vessel also has a car deck that can hold up to 34 cars and seven trucks or buses; roll on roll off ramp & safety life rafts that can serve up to 396 persons in case of emergency; elevator for people with disabilities; a cafeteria; and an engine room that is compliant with international maritime standards and has a state-of-the-art navigation and control system.

MANILA WATER COMPANY, INC.

PNB partially financed capital expenditure requirements of Manila Water Company Inc. (MWC), a concessionaire that has the exclusive right to provide water and used water services to the eastern side ("East Zone") of the franchise area of the Metropolitan Waterworks and Sewerage System (MWSS). MWC serves more than six million people in the East Zone across 23 cities and municipalities, comprising a broad range of residential, commercial, and industrial customers.

ARENDELLE COLD LOGISTICS, INC. & EISBERG COLD LOGISTICS INC.

PNB supported ISOC Group's venture into automated cold storage facilities located in Taguig and Caloocan, with aggregate capacity in excess of 30,000 pallets. Facilities will utilize Automated Storage and Retrieval System (ASRS) technology, the first of its kind in the Philippines. ASRS consists of a variety of computer-controlled systems for automatically placing and retrieving loads from defined storage locations.

ATHLETE'S VILLAGE – STA. CRUZ LAGUNA

Under the approved Php2-billion term loan facility for the Province of Laguna, one of the projects that PNB financed was the construction of the Athlete's Village located at Brgy. Bubukal, Sta. Cruz, with total contract cost of Php289,529,872.14. The project aims to contribute to the progress of the Municipality of Sta. Cruz which is a first-class urban municipality as well as the capital town in the province. The Athlete's Village will provide convenient, safe and accessible lodging for sports delegates. This structure has a floor area of 8,800 square meters and a capacity of 400 beds, providing secured rooms and quarters for all the players, coaches, trainers and committees.

MANDANI BAY QUAY (MBQ) RESIDENTIAL TOWERS 1 AND 2

PNB will be financing the construction of two residential towers and retail podium of the Mandani Bay Project, a 20-hectare mixed-use property located in Mandaue City Cebu. MBQ is designed as a green building which, upon completion, will comply with the BERDE Green Building Rating System, a matrix formulated by the Philippine Green Building Council. Compliance with the BERDE Matrix is in line with the Green Building Ordinance of Mandaue City, with the aim of constructing buildings using environment-friendly methods and resources that are least disruptive to the environment.

OBSERVING COMPLIANCE IN MARKETING EFFORTS

GRI 417-3

In compliance with the Bank's risk management requirement, the Marketing Communications Division (MCD) has developed a Privacy Impact Assessment to determine which work processes of the different units under MCD are at risk in terms of divulging personal identifiable information of clients.

In order to safeguard and protect data for business continuity, MCD put in place its own Network Attached Storage (NAS), an alternate online back-up site for data and file storage. It is housed in the PNB IT infrastructure and is mirrored in the office at Calamba, Laguna. Access to the NAS is password-protected.

For the digital channels of the bank, the following were identified as high priorities in terms of client information:

- Portals in the website that require passwords of the clients (i.e., Cashnet, IBS/Global banking)
- Website Security in general
- Vendor Management for the following;
  - o E-mails
  - o Short Message Service (SMS)
  - o Facebook Messenger
  - o Chatbot
  - o Website

To maintain website security, the Bank commissioned the services of a third-party provider to filter public access to PNB's official website. In addition, PNB has a stringent process and criteria for vetting and approving vendors for any of its IT-related needs.

All business units ensure that all advertising and promotional collaterals undergo the standard screening process, are approved by the assigned business and marketing units prior to release, and compliant to all regulatory requirements, such as those required by the BSP, SEC, PDIC, BancNet, Department of Trade and Industry, and Insurance Commission.

For 2018, there has been no incident of non-compliance in marketing efforts.

As part of risk management, MCD has prepared a crisis communications plan to equip stakeholders with the appropriate communication tools to be employed when identified crises arise. The crisis communications plan applies to various channels including traditional media (e.g. TV, radio, print) and digital channels (e.g. social media, websites, etc.).

To comply with BSP requirements, the Bank produces the Annual Report publication which shares the Bank's financial performance for the previous year, its operational highlights as well as organizational updates. In relation to this, the Annual Stockholders' Meeting is held every last Tuesday of April. Led by the Investor Relations unit and the Office of the Corporate Secretary, the annual meeting is attended by the board of directors, stockholders and investors of the bank.

ENHANCING CUSTOMER EXPERIENCE

Our clients are the lifeline of our business. Every effort, every idea, every solution that we deliver are meant to give our customers a great banking experience.

DIGITAL BANKING

PNB enhanced its mobile banking services by supporting the government's National Retail Payment System's (NRPS) Philippine Electronic Fund Transfer System and Operations Network or PESONet. Depositors can do electronic fund transfers of up to Php100,000 to any participating banks within the Philippines and funds will be credited on the same banking day. PNB customers can transfer funds through PESONet by logging on to the PNB Mobile Banking App. The app guarantees secure online banking to protect the customers' accounts. Apart from inter-bank fund transfers, online bills payment, and viewing of transaction history, PNB Mobile Banking app users who have PNB credit cards can also keep track of their credit card transactions by using the app.

SAFETY & SECURITY

The PNB Mobile Banking App guarantees secure online banking to protect the customers' accounts. Security features such as the One-Time-Pin (OTP), Touch ID, email alerts, and SMS alerts are available to ensure a safe and convenient mobile banking experience.

In addition, a second layer of security was put in place for online banking transactions. Aside from using their own password, clients who transact using PNB's online channels are also sent OTPs or one-time temporary passwords.

DATA PRIVACY
GRI 418-1

PNB respects and values data privacy rights, and makes sure that all personal data collected from the data subjects are processed in adherence to the general principles of transparency, legitimate purpose, and proportionality. Recognizing the importance and criticality of personal information in achieving the Bank's vision and objectives, the Bank's Data Privacy Management System has been developed and put in place by Management. PNB also appointed a Data Privacy Officer (DPO) who is 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.

PNB's journey to sustainability continues. As we make progress, the Bank remains grounded on its brand promise.

"You First" will always be our anchor as we nurture our human capital, as we develop new financial solutions, as we grow our client's wealth, and as we serve communities.

We are committed to make the PNB legacy of stability and excellence last for another century.

PNB is here to stay.

INDUSTRY MEMBERSHIPS

GRI 102-13

Integrated Bar of the Philippines
Bankers Association of the Philippines
Association of Certified Fraud Examiners
ACI Phillipines, The Financial Markets Association, Inc.
Association of Certified Public Accountant in Commerce
Association of AML Officers (AMLO)
Association of Bank Compliance Officers (ABCOMP)
Agusan Chamber
Asian Bankers Institute
Bankers Institute of the Philippines
Bank Marketing Association of the Philippines
British Chamber
Bank Security Management Association
Credit Management Association of the Philippines
Credit Card Association of the Philippines
Executives Finance Management Association
Federation of the Philippines Industries, Inc.
Financial Executive Institute of the Philippines
Financial Technology of the Philippines
Institute of Corporate Directors, Inc.
Institute of Internal Auditors of the Philippines
Japanese Chamber
Korean Chamber
Information Systems, Audit and Control Association
Makati Commercial Estate Association, Inc.
Management Association of the Philippines
Money Market Association of the Philippines, Inc.
Philippines Association of National Advertisers, Inc.
Philippine Chamber of Commerce and Industries, Inc.
People Management Association of the Philippines
Mabuhay Miles
Philippines Payments Management, Inc.
Public Relations Society of the Philippines
Rotary Club
Tax Management Association of the Philippines
Trust Officers Association of the Philippines
Women's Business World

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PNB

PROFILES OF THE

BOARD OF DIRECTORS

BOARD OF DIRECTORS

MAILA KATRINA Y. ILARDE
Corporate Secretary

MANUEL T. GONZALES
Advisor

HARRY C. TAN
Advisor

VIVIENNE K. TAN
Director

WILLIAM T. LIM
Advisor

ESTELITO P. MENDOZA
Director

LUCIO K. TAN, JR.
Director

CARMEN K. TAN
Director

FELIX ENRICO R. ALFILER
Vice Chairman

FLORIDO P. CASUELA
Director

LUCIO C. TAN
Director

FLORENCIA G. TARRIELA
Chairman

JOSE ARNULFO "WICK" A. VELOSO
President


FEDERICO C. PASCUAL
Director
MICHAEL G. TAN
Director
CHRISTOPHER J. NELSON
Director
EDGAR A. CUA
Director
LEONILO G. CORONEL
Director
CECILIO K. PEDRO
Director

BOARD OF DIRECTORS

FLORENCIA G. TARRIELA

AGE	• 71
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. • Director of Bankers Association of the Philippines • 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 • Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBA, Foundation for Filipino Entrepreneurship, Inc., FINEX Foundation and FINEX Academy
OTHER PREVIOUS POSITIONS	• Undersecretary of Finance • Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation • Managing Partner and the first Filipina Vice President of Citibank N. A. • President, Bank Administration Institute of the Philippines • Independent Director of PNB Life Insurance, Inc.
AWARDS/CITATIONS	• 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement • 2018 Go Negosyo Woman Intrapreneur Awardee

FELIX ENRICO R. ALFILER

AGE	• 69
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., PNB RCI Holdings Co., Ltd., and PNB International Investments Corp. • Independent Director of PNB Savings Bank
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

JOSE ARNULFO "WICK" A. VELOSO

AGE
- 53

NATIONALITY
- Filipino

EDUCATION
- BSC Marketing Management, De La Salle University

CURRENT POSITION IN THE BANK
- President and CEO of the Bank

DATE OF FIRST APPOINTMENT
- November 16, 2018

DIRECTORSHIP IN OTHER LISTED COMPANIES
- None

OTHER CURRENT POSITIONS
- Director of Allianz-PNB Life Insurance, Inc.
- Director of Philippine Dealing & Exchange Corporation, Philippine Securities Settlement Corporation, Asian Bankers Association, and Bancnet, Inc.

OTHER PREVIOUS POSITIONS
- President and CEO of HSBC Philippines
- Chairman and Director of HSBC Insurance Brokers (Philippines), Inc.
- Chairman and Director of HSBC Savings Bank (Philippines), Inc.
- Managing Director, Treasurer and Head of Global Banking and Markets of HSBC Global Markets
- Treasurer and Head of Global Markets of HSBC Treasury
- Head of Asian Local Currency Debt Trading (Asia Pacific) of HSBC
- Head of Credit Derivative (Asia Pacific) of HSBC
- Head of Domestic Treasury of PCI Bank/PCI-Capital
- Fixed Income Portfolio Head of Citibank
- Fixed Income Trader of Asia Trust
- Supervisor of Urban Bank
- Management Trainee of Urban Bank

FLORIDO P. CASUELA

AGE
- 77

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
- Study Tour (Micro Finance Program and Cooperatives), under the Auspices of the United States Agency for International Development

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), Inc.

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
- 72

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
- 63

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

OTHER 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 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	• 88
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 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	• 59
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. • Executive Chairman of the British Chamber of Commerce of the Philippines, Inc. • Member of the Society of Fellows of the Institute of Corporate Directors • Trustee of 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 • Trustee of Bellagio 3 Condominium Association, Inc.

BOARD OF DIRECTORS

FEDERICO C. PASCUAL

AGE	• 76
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 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 20 years in different capacities, 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 Global Energy Growth System, 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	• 65
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

CARMEN K. TAN

AGE
- 77

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 of 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

LUCIO C. TAN

AGE
- 84

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 of LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation

OTHER CURRENT POSITIONS
- Chairman and CEO of Philippine Airlines, Inc. and University of the East
- Chairman/President of Tangent Holdings Corporation and Lucky Travel Corporation
- Chairman of 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 of 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.
- Founder of the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President

OTHER PREVIOUS POSITIONS
- Chairman of 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

BOARD OF DIRECTORS

LUCIO K. TAN, JR.

AGE
- 52

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, Northwestern University and The School of Business and Management, 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
- Vice Chairman of Philippine Airlines, Inc.
- President/COO of Tanduay Distillers, Inc.
- President of Eton Properties Philippines, Inc.
- Director of 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., Air Philippines Corporation, AlliedBankers 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, Inc., Himmel Industries, Inc.
- Executive Vice President 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, Bulawan Mining Corporation, and PNB Forex, Inc.
- Executive Vice President of Fortune Tobacco Corporation

MICHAEL G. TAN

AGE
- 52

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
- President & Chief Operating Officer of LT Group, Inc.
- Director & Treasurer of PAL Holdings, Inc.
- Director of Victorias Milling Company, Inc.

OTHER CURRENT POSITIONS
- Director of PNB Savings Bank, PNB Management and Development Corporation, Allied Commercial Bank Xiamen, PNB Global Remittance and Financial Company (HK) Ltd., Allied Banking Corporation (Hong Kong) Ltd., Alliedbankers Insurance Corporation
- President & Chief Operating Officer of Asia Brewery, Inc.
- Director of Eton Properties Philippines, Inc., PMFTC, Inc., Tanduay Distillers, Inc., Tangent Holdings Corporation, Abacus Distribution Systems Philippines, Inc., Air Philippines Corporation, ALI-Eton Development Corporation, Asia's Emerging Dragon Corporation, Lucky Travel Corporation, Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., Philippine Airlines, Inc., Philippine Airlines Foundation, Inc.

OTHER PREVIOUS POSITIONS
- Chairman of PNB Holdings Corporation
- Director of Bulawan Mining Corporation and PNB Forex, Inc.
- Director of Allied Banking Corporation from January 30, 2008 until its merger with PNB on February 9, 2013

VIVIENNE K. TAN

AGE
- 50

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
- Director of PNB Management and Development Corporation and Eton Properties Philippines, Inc.
- Board Advisor of LT Group, Inc.
- 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
- Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in 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
- 35

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

DIRECTORSHIP IN OTHER LISTED COMPANIES
- None

OTHER CURRENT POSITIONS
- 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 ADVISORS

MANUEL T. GONZALES

AGE	• 81
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
OTHER CURRENT POSITIONS	• Director of PNB Securities, Inc. and AlliedBankers Insurance Corporation • Board Advisor of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation
OTHER PREVIOUS POSITIONS	• Director of Allied Banking Corporation and Allied Leasing and Finance 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	• 78
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
OTHER CURRENT POSITIONS	• President of Jas Lordan, Inc. • Director of PNB Holdings Corporation, Allied Commercial Bank, 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.
OTHER 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	• 72
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 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	• Chairman of Bulawan Mining Corporation • Director of Philippine National Bank • Director of Allied Banking Corporation • Director of Philippine Airlines • Director of MacroAsia Corporation

PROFILES OF THE MANAGEMENT COMMITTEE

MANAGEMENT COMMITTEE

As of March 15, 2019

SVP SCHUBERT CAESAR C. AUSTERO

FVP MARTIN G. TENGCO, JR.

FVP SIMEON T. YAP[1]

SVP ROLAND V. OSCURO

FSVP ALICE Z. CORDERO

SVP MARIE FE LIZA S. JAYME

FSVP CARMELA LETICIA A. PAMA

[1]FVP Simeon T. Yap was appointed as Chief Risk Officer effective March 1, 2019.

EVP NELSON C. REYES

EVP CHESTER Y. LUY[2]

EVP CENON C. AUDENCIAL, JR.

EVP BERNARDO H. TOCMO

PRESIDENT JOSE ARNULFO "WICK" A. VELOSO

EVP JOVENCIO DB. HERNANDEZ[3]

[2]EVP Chester Y. Luy was appointed as Strategy & Financial Advisory Sector Head effective January 28, 2019.
[3]EVP Jovencio DB. Hernandez was appointed as Marketing & Brand Management Sector Head effective February 1, 2019.

SVP MANUEL
C. BAHENA, JR.

SVP NOEL
C. MALABAG[4]

SVP NORMAN
MARTIN C. REYES

SVP. MICHAEL
M. MORALLOS[5]

SVP NANETTE
O. VERGARA

FSVP AIDA
M. PADILLA

FVP JOY JASMIN
R. SANTOS

SVP MARIA PAZ
D. LIM

[4]*SVP Noel C. Malabag was designated as Officer-In-Charge of the Treasury Sector effective February 18, 2019.*
[5]*SVP Michael M. Morallos was appointed as Acting Head of the Information Technology Group effective March 5, 2019.*

MANAGEMENT COMMITTEE

CENON C. AUDENCIAL, JR., 60, 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.

CHESTER Y. LUY, 50, Filipino, Executive Vice President, is the Head of the Strategy and Financial Advisory Sector. The Strategy Group is responsible for crafting the bank's overall business strategy as well as its competitive positioning within the industry. The Bank's Financial Advisory Sector is comprised of the Wealth Management Group and the Trust Group. Most recently, Mr. Luy served as the Senior Executive Vice President and Treasurer of Rizal Commercial Banking Corporation (RCBC). He served as the Group Head for the Financial Advisory and Markets Group which is comprised of the Treasury Group and the Wealth Management Group at RCBC. Mr. Luy has 26 years of experience in banking and finance. He served in leadership roles as Managing Director across a variety of businesses with several international banks and was based in New York, Singapore and Manila. His leadership experience includes Treasury, Wealth Management and Private Banking, Trust-related businesses like Investment Management and Research, Corporate Finance and Investment Banking and Credit Risk Analysis. He graduated from the University of the Philippines with a Bachelor of Science degree in Business Administration (Magna Cum Laude) and was awarded as the "Most Outstanding Business Administration Student for the Class of 1990". He earned his Masters in Management (MBA) degree from the J.L. Kellogg Graduate School of Management at Northwestern University. He is a CFA (Chartered Financial Analyst). He served as a member of the Singapore Institute of Directors, an association of independent directors in Singapore and served on the board of a Singapore-based hospitality and real estate entity.

JOVENCIO DB. HERNANDEZ, 66, Filipino, Executive Vice President, is the Head of Marketing and Brand Management Sector. A Certified Public Accountant, he obtained his Bachelor of Science in Commerce, Major in Accounting, from De La Salle College. Prior to his appointment, he was the President of PNB Savings Bank and Head of PNB Retail Banking Group. He was also a Senior Vice President and Head of the Consumer Banking Group of Security Bank, Senior Vice President for the Retail Banking of Union Bank of the Philippines in 2004, Commercial Director of Colgate Palmolive in 1996, Senior Country Operations Officer of Citibank in 1995, and Group Product Manager of CFC Corporation and Unilever in 1982 and 1980, respectively. He was formerly the President of Security Finance in 2004 and First Union Plans in 2003. He was also a director of SB Forex and Security – Phil Am. He served as Treasurer, director and Executive Committee Member of Bancnet in 2004-2006, Bancnet director, Treasurer and Executive Committee Member from 2013 to 2015.

NELSON C. REYES, 55, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as the Chief Financial Officer. Prior to joining the Bank, he was the Chief Financial Officer of the Hongkong and Shanghai Banking Corporation (HSBC), Ltd., Philippine Branch, a position he held since 2004. He was also a director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned 28 years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia, Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

BERNARDO H. TOCMO, 57, 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. Mr. Tocmo was also a director of Allianz PNB Life Insurance, Inc. from March 2017 to February 2019. Mr. Tocmo obtained his Masters in Business Economics from the University of Asia and the Pacific where he likewise finished the Strategic Business Economics Program. He graduated with a Bachelor of Science 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.

AIDA M. PADILLA, 69, Filipino, is the 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.

SCHUBERT CAESAR C. AUSTERO, 56, Filipino, Senior Vice President, is the Head of the Human Resource Group. He has been connected with PNB since 2006 as the Head of Human Capital Development Division and as Deputy HR Head. A Bachelor of Arts graduate at 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 for 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; and as director for strategic planning. 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.

ALICE Z. CORDERO, 62, 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, affiliate 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 her 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 Allied Banking Corporation (ABC) from 2007-2010. She worked with Citibank N.A - Manila Branch for almost 20 years, from 1988-2007, and held various senior positions in the Consumer Banking Group, including Compliance and Control Director from 1999-2005 and concurrent Regional Compliance and Control Director for Philippines and Guam in 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.

CARMELA LETICIA A. PAMA, 62, Filipino, First Senior Vice President, is the Data Protection Officer 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 Masters in Business Administration degree from the Stern School of Business, New York University. She started her banking career with Citibank N.A. (Phils.) where she held various positions in the areas of Treasury Trading and Marketing, and Operations and Quality Development. She left Citibank with the rank of Vice President and moved to Banco Santander to open its Philippine operations. Prior to joining PNB on October 9, 2006, she was a Consulting Services Practice Manager at Oracle Corporation (Phils.) from 1999 to 2005, with project implementation at the Asian Development Bank (ADB), among others.

MANUEL C. BAHENA, JR., 57, 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.

MANAGEMENT COMMITTEE

MARIE FE LIZA S. JAYME, 56, 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 with a degree in 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. Sine 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.

NOEL C. MALABAG, 47, Filipino, Senior Vice President, is the Officer-in-Charge of the Treasury Sector. Mr. Malabag brings with him over 24 years of experience in the financial markets, rising up the ranks from Junior Trader to Head of Treasury. He spent 19 years in HSBC Philippines expanding his expertise in global interest rate markets, foreign exchange, derivatives and liquidity management. In 2015, he became the Treasurer of the Philippine Veterans Bank where he spearheaded innovation not only in trading practices but also in and across risk policy, compliance, control procedures and business models – all of which helped unlock and increase efficiency and profit scale for the enterprise. As a respected member of the banking industry, he has been a key resource for reforms and policy-making in our country's financial markets through various industry associations, including the Open Market Committee of the Bankers Association of the Philippines, Money Market Association of the Philippines and ACI Philippines. He obtained his Bachelor of Science degree in Commerce, major in Marketing Management from the De La Salle University.

MARIA PAZ D. LIM, 57, Filipino, Senior Vice President, is the Corporate Treasurer. She is also the incumbent 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 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.

MICHAEL M. MORALLOS, 50, Filipino, Senior Vice President, is the acting Head of the Information Technology Group. He obtained his Bachelor of Arts degree major in Philosophy and Political Science from the University of the Philippines and completed advanced computer studies at the National Computer Institute of the Philippines. His company trainings include Wharton Senior Executive Program, IBM Project Management, Ateneo Banking Principles and extensive systems training at the FIS Training Center, LR, Arkansas. He brings with him over 25 years of work experience and was a Senior FIS Systematics Consultant. Prior to joining PNB, he was First Senior Vice President and Head of Technology Platform at the Siam Commercial Bank, the largest Thai bank with over 28 million Customer Accounts and 1,200 domestic branches. He was Technical Consultant for Systematics Heath Check for Digital Transformation, retro-fitting new Systematics features such as Native ALERTS and Web Services. He was tasked to push the core source data to the Enterprise Operational Data Store to support ongoing Enterprise Digital projects for Mobile and Internet, Bundling and Pricing Engine, On-Boarding, Wealth and Data Analytics. He was a business process analyst and solutions provider, helped establish the Solutioning Team as a focal point of better business solutions.

ROLAND V. OSCURO, 55, Filipino, Senior Vice President, is the Chief Information Security Officer and Head of Enterprise Information Security Group. He obtained his Bachelor of Science in Electronics 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 the Head of Network Management Division of 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.

JOY JASMIN R. SANTOS, 45, Filipino, First Vice President, is the Chief Trust Officer and Head of Trust Banking Group. She has served as Vice President and Corporate Trust Division Head from 2013 to 2017 and Business Development Division Head from 2010 to 2012. Prior to joining PNB in June 2010, she was the International Business Development Head for Asia of Globe Telecom. She was also Vice President for Retail Banking of Citibank Savings, Inc. from 2005 to 2009. She has also served managerial positions in American Express Bank in 2004, Keppel Bank in 2001 and Bank of the Philippine Islands from 1994 to 1999. Ms. Santos graduated as Cum Laude in 1994 from the Ateneo de Manila University with a degree of Bachelor of Arts, Major in Management Economics and obtained her Masters in Business Administration from the Australian National University, Canberra, Australia in 2002.

NANETTE O. VERGARA, 58, 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 & 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 Vice President and Head of Credit Risk Management.

NORMAN MARTIN C. REYES, 53, Filipino, Senior Vice President, is the Head of the Digital Innovation 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., 53, 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 obtained 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 (ABC) 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 CAE and Information Systems Audit Division Head until his appointment as CAE of PNB on June 1, 2017. He also served as the Business Continuity Coordinator of ABC 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.

SIMEON T. YAP, 57, Filipino, First Vice President, is the Bank's Chief Risk Officer and Head of the Risk Management Group. He is an economics graduate from the University of the Philippines' School of Economics. Prior to joining PNB, he was the Market Risk Officer of Security Bank from 2009 to 2018. He was also the Associate Director for Product Development of PDEx in 2008. He was also with Citibank where he was a trader, Money Market Head of Citibank Shanghai and Market Risk Officer.

PNB SUBSIDIARIES AND AFFILIATE

As of March 15, 2019

MARY ANN A. SANTOS
PNB SAVINGS BANK

OLAF KLIESOW
ALLIANZ PNB LIFE
INSURANCE, INC.

PERFECTO M. DOMINGO
PNB GENERAL
INSURERS CO., INC.

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.

PNB branches remain to be the main distribution channel of Allianz PNB Life, with over 400 financial advisors and 1,200 active life changer agents nationwide. Allianz PNB Life also has a distributorship arrangement with HSBC Insurance Brokers Philippines, making its insurance products available to HSBC bank clients.

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 December 2015, China's banking regulator, the China Banking Regulatory Commission (CBRC), Xiamen Office approved ACB's application to engage in CNY-denominated business for all clients except citizens within the territory of China.

In April 2016, ACB completed the preparatory work for its CNY business and the CBRC Xiamen Office issued the opinions on passing the inspection on ACB's application for its CNY business.

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.

ACB formally launched its CNY business on April 12, 2017.

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 offer 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, payroll account and smart courier.

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 real estate mortgage for foreign nationals acquisition of condominium units and commercial office units and buildings), 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 was established to meet the equipment acquisition requirements of clients who wish to enjoy added advantages of an 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 17 money transfer offices in six states of the United States of America.

PNB RCI also owns PNB Remittance Company, Nevada (PNBRCN) and PNBRCI Holding Company, Limited (PNBRCI Holding). On November 1, 2018, PNB RCI took over the business of PNB RCN and operated it as a branch under PNB RCI's money transmitter license in Nevada. 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.

MARKET PRICE OF AND DIVIDENDS ON PNB COMMON EQUITY

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:

	2016		2017		**2018**	
	High	Low	High	Low	**High**	**Low**
Jan – Mar	53.90	43.00	61.00	53.00	**59.15**	**53.80**
Apr – Jun	59.85	46.45	71.00	54.90	**56.00**	**47.95**
Jul – Sep	64.75	56.35	68.40	59.15	**49.90**	**43.00**
Oct – Dec	58.90	54.15	60.20	55.05	**44.60**	**38.95**

The trading price of each PNB common share as of February 28, 2019 was ₱50.00.

2. **Holders**

There are 36,940 shareholders as of December 31, 2018. 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:

	Name of Stockholder	Nationality	Common Shares[1/]	Percentage to Total Outstanding Capital Stock	Voting Status
1.	PCD Nominee Corp. (Filipino)	Filipino	120,508,187	9.6472947840	*
2.	Key Landmark Investments, Ltd.	Filipino	109,115,864	8.7352812437	*
3.	PCD Nominee Corp. (Non-Filipino)	Non-Filipino	96,016,381	7.6866008414	*
4.	Solar Holdings Corporation	Filipino	67,148,224	5.3755576884	*
5.	Caravan Holdings Corporation	Filipino	67,148,224	5.3755576884	*
6.	True Success Profits Ltd.	Filipino	67,148,224	5.3755576884	*
7.	Prima Equities & Investments Corp.	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	*

Name of Stockholder	Nationality	Common Shares[1/]	Percentage to Total Outstanding Capital Stock	Voting Status
11. Multiple Star Holdings Corp.	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 Corp.	Filipino	21,301,405	1.7052860761	*
16. Fil-Care Holdings, Inc.	Filipino	20,836,937	1.6681030446	*
17. Fairlink Holdings Corp.	Filipino	20,637,854	1.6521654354	*
18. Purple Crystal Holdings, Inc.	Filipino	19,980,373	1.5995307292	*
19. Kentron Holdings & Equities Corp.	Filipino	19,944,760	1.5966797270	*
20. Fragile Touch Investments, Ltd.	Filipino	18,581,537	1.4875467754	*

* *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.*

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

3. Dividends

The Bank'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."*

FINANCIAL STATEMENTS

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 2018, 2017 and 20 I 6 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, Gorrcs, 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

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer

NELSON C. REYES
Executive Vice President and Chief Financial Officer

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SUBSCRIBED AND SWORN to before me this ___ day of March 2019 affiants exhibiting to me their Passport Identification No.

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Book No. 11
Series of 2019

[illegible] SANTIAGO, CPA
[illegible] December 31, 20[illegible]

STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS)

	Consolidated		Parent Company	
	December 31		December 31	
	2018	2017	**2018**	2017
ASSETS				
Cash and Other Cash Items	**₱16,825,487**	₱12,391,139	**₱15,904,663**	₱11,671,952
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**102,723,312**	108,743,985	**98,665,375**	105,497,459
Due from Other Banks (Note 33)	**20,525,318**	22,025,322	**10,459,496**	10,755,260
Interbank Loans Receivable (Notes 8 and 33)	**11,248,455**	12,837,721	**11,689,414**	11,083,515
Securities Held Under Agreements to Resell (Notes 8 and 35)	**20,700,000**	14,621,483	**20,700,000**	14,621,483
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**9,999,447**	2,882,395	**9,983,636**	2,829,877
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**51,674,167**	–	**50,656,893**	–
Available-for-Sale Investments (Note 9)	**–**	69,837,416	**–**	67,677,952
Investment Securities at Amortized Cost (Note 9)	**99,772,711**	–	**99,586,329**	–
Held-to-Maturity Investments (Note 9)	**–**	26,805,131	**–**	26,680,483
Loans and Receivables (Notes 10 and 33)	**581,695,477**	502,318,740	**510,819,274**	441,715,528
Property and Equipment (Note 11)	**19,710,145**	18,664,357	**17,606,143**	16,894,236
Investments in Subsidiaries and an Associate (Note 12)	**2,418,842**	2,363,757	**28,230,661**	28,407,414
Investment Properties (Note 13)	**13,488,866**	15,594,385	**13,149,358**	15,318,408
Deferred Tax Assets (Note 30)	**2,086,510**	1,695,295	**1,452,153**	987,332
Intangible Assets (Note 14)	**3,025,157**	3,322,857	**2,879,853**	3,163,243
Goodwill (Note 14)	**13,375,407**	13,375,407	**13,515,765**	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	**8,238,623**	–	**595,146**	–
Other Assets (Note 15)	**6,140,262**	8,877,315	**5,906,427**	8,152,615
TOTAL ASSETS	**₱983,648,186**	₱836,356,705	**₱911,800,586**	₱778,972,522

LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱153,065,163**	₱125,581,889	**₱149,539,540**	₱123,396,962
Savings	**401,622,361**	351,422,377	**394,004,547**	345,279,463
Time	**147,210,729**	129,552,035	**108,450,094**	96,364,657
Long Term Negotiable Certificates	**31,403,225**	31,363,956	**31,403,225**	31,363,956
	733,301,478	637,920,257	**683,397,406**	596,405,038
Financial Liabilities at FVTPL (Notes 18 and 35)	**470,648**	343,522	**468,279**	343,416
Bills and Acceptances Payable (Notes 19, 33 and 35)	**70,082,835**	43,916,687	**62,706,795**	41,400,804
Accrued Taxes, Interest and Other Expenses (Note 20)	**6,167,398**	5,323,487	**5,559,960**	4,673,545
Bonds Payable (Note 21)	**15,661,372**	–	**15,661,372**	–
Income Tax Payable	**900,693**	993,245	**823,739**	833,708
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	**7,237,811**	–	**–**	–
Other Liabilities (Note 22)	**21,266,939**	28,121,558	**17,532,588**	18,236,566
	855,089,174	716,618,756	**786,150,139**	661,893,077
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**₱49,965,587**	₱49,965,587	**₱49,965,587**	₱49,965,587
Capital Paid in Excess of Par Value (Note 25)	**31,331,251**	31,331,251	**31,331,251**	31,331,251
Surplus Reserves (Notes 25 and 32)	**620,573**	597,605	**620,573**	597,605
Surplus (Note 25)	**46,613,457**	38,831,522	**46,613,704**	38,831,716
Net Unrealized Loss on Financial Assets at FVOCI (Note 9)	**(3,181,335)**	–	**(3,181,335)**	–
Net Unrealized Loss on Available-for-Sale Investments (Note 9)	**–**	(3,040,507)	**–**	(3,040,507)
Remeasurement Losses on Retirement Plan (Note 28)	**(1,520,538)**	(2,106,586)	**(1,520,538)**	(2,106,586)
Accumulated Translation Adjustment (Note 25)	**1,776,923**	1,417,884	**1,776,923**	1,417,884

(Forward)

	Consolidated		Parent Company	
	December 31		December 31	
	2018	2017	**2018**	2017
Other Equity Reserves (Note 25)	**₱53,895**	₱70,215	**₱53,895**	₱70,215
Share in Aggregate Reserves on Life Insurance Policies (Note 12)	**12,280**	12,280	**12,280**	12,280
Other Equity Adjustment	**13,959**	13,959	**–**	–
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	**(21,893)**	–	**(21,893)**	–
	125,664,159	117,093,210	**125,650,447**	117,079,445
NON-CONTROLLING INTERESTS (Note 12)	**2,894,853**	2,644,739	**–**	–
	128,559,012	119,737,949	**125,650,447**	117,079,445
TOTAL LIABILITIES AND EQUITY	**₱983,648,186**	₱836,356,705	**₱911,800,586**	₱778,972,522

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT EARNINGS PER SHARE)

	Consolidated			Parent Company		
	December 31			December 31		
	2018	2017 (As Restated – Note 36)	2016	**2018**	2017	2016
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 33)	**₱30,202,480**	₱22,669,107	₱19,685,958	**₱25,504,159**	₱19,245,810	₱16,923,864
Investment securities at amortized cost and FVOCI, AFS and HTM Investments (Note 9)	**4,534,297**	3,053,243	3,162,349	**4,502,331**	3,033,873	3,138,597
Deposits with banks and others (Notes 7 and 33)	**775,820**	1,324,526	625,950	**524,723**	1,053,354	440,664
Interbank loans receivable and securities held under agreements to resell (Note 8)	**379,378**	480,021	794,000	**350,808**	446,134	794,312
Financial assets at FVTPL (Note 9)	**120,667**	38,779	40,854	**120,667**	38,779	76,947
	36,012,642	27,565,676	24,309,111	**31,002,688**	23,817,950	21,374,384
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**7,871,173**	4,794,227	3,780,242	**6,591,288**	4,104,798	3,356,866
Bonds payable (Note 21)	**477,405**	–	–	**477,405**	–	–
Bills payable and other borrowings (Notes 19, 21 and 33)	**662,340**	747,481	997,621	**472,111**	650,724	959,609
	9,010,918	5,541,708	4,777,863	**7,540,804**	4,755,522	4,316,475
NET INTEREST INCOME	**27,001,724**	22,023,968	19,531,248	**23,461,884**	19,062,428	17,057,909
Service fees and commission income (Notes 26 and 33)	**4,251,692**	3,982,496	3,401,850	**3,524,263**	3,130,783	2,731,258
Service fees and commission expense (Note 33)	**773,082**	786,917	666,755	**616,207**	592,427	480,549
NET SERVICE FEES AND COMMISSION INCOME	**3,478,610**	3,195,579	2,735,095	**2,908,056**	2,538,356	2,250,709
OTHER INCOME						
Net gains on sale or exchange of assets (Note 13)	**5,861,143**	3,921,136	2,510,361	**5,841,136**	3,862,341	2,517,861
Foreign exchange gains - net (Note 23)	**942,372**	1,676,926	1,486,224	**578,180**	1,675,985	926,529
Trading and investment securities gains – net (Notes 9 and 33)	**150,691**	559,758	1,364,355	**157,678**	556,429	1,369,514
Equity in net earnings of subsidiaries and an associate (Note 12)	**43,847**	59,215	70,220	**530,885**	498,254	231,780
Miscellaneous (Note 27)	**1,425,439**	893,517	1,538,964	**1,101,875**	592,041	1,194,947
TOTAL OPERATING INCOME	**38,903,826**	32,330,099	29,236,467	**34,579,694**	28,785,834	25,549,249
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	**9,380,199**	8,959,754	8,399,954	**7,943,135**	7,754,566	7,370,977
Taxes and licenses (Note 30)	**3,729,016**	2,489,342	2,171,272	**3,343,899**	2,222,755	1,952,291
Depreciation and amortization (Note 11)	**1,944,808**	1,678,227	1,549,569	**1,542,712**	1,385,357	1,343,583
Occupancy and equipment-related costs (Note 29)	**1,716,315**	1,577,367	1,457,157	**1,453,341**	1,343,021	1,262,952
Provision for impairment, credit and other losses (Note 16)	**1,740,177**	903,595	3,212,774	**1,401,528**	161,877	1,707,494
Miscellaneous (Note 27)	**6,953,525**	6,320,707	6,103,814	**6,125,334**	5,634,019	5,604,188
TOTAL OPERATING EXPENSES	**25,464,040**	21,928,992	22,894,540	**21,809,949**	18,501,595	19,241,485
INCOME BEFORE INCOME TAX	**13,439,786**	10,401,107	6,341,927	**12,769,745**	10,284,239	6,307,764
PROVISION FOR INCOME TAX (Note 30)	**3,663,744**	2,314,934	1,509,522	**3,304,670**	2,123,676	1,228,372
NET INCOME FROM CONTINUING OPERATIONS	**9,776,042**	8,086,173	4,832,405	**9,465,075**	8,160,563	5,079,392
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**(219,972)**	70,372	2,329,669	**–**	–	2,044,662
NET INCOME	**₱9,556,070**	₱8,156,545	₱7,162,074	**₱9,465,075**	₱8,160,563	₱7,124,054
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱9,465,022**	₱8,160,570	₱7,123,952			
Non-controlling Interests	**91,048**	(4,025)	38,122			
	₱9,556,070	₱8,156,545	₱7,162,074			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱7.58**	₱6.53	₱5.70			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱7.75**	₱6.48	₱3.84			

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017 (As Restated – Note 36)	2016	**2018**	2017	2016
NET INCOME	**₱9,556,070**	₱8,156,545	₱7,162,074	**₱9,465,075**	₱8,160,563	₱7,124,054
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized loss on financial assets at FVOCI (Note 9)	**(2,133,032)**	–	–	**(2,224,305)**	–	–
Net change in unrealized gain (loss) on available-for-sale investments (Note 9)	**–**	454,188	(193,484)	**–**	468,861	(185,603)
Income tax effect (Note 30)	**–**	–	286	**–**	–	–
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Note 9)	**(375,390)**	–	–	**(284,117)**	–	–
Share in changes in net unrealized gains (losses) on available for sale investments of subsidiaries and an associate (Note 9)	**–**	(24,756)	(245,867)	**–**	(39,429)	(253,748)
	(2,508,422)	429,432	(439,065)	**(2,508,422)**	429,432	(439,351)
Accumulated translation adjustment	**484,289**	504,736	420,381	**154,076**	(5,932)	282,600
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	**–**	–	–	**204,963**	508,594	20,154
	(2,024,133)	934,168	(18,684)	**(2,149,383)**	932,094	(136,597)
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 gains (losses) on retirement plan (Note 28)	**193,128**	952,143	(458,740)	**109,596**	973,728	(464,207)
Income tax effect (Note 30)	**–**	554	2,204	**–**	–	–
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**386,628**	(236,632)	1,208	**470,160**	(258,461)	6,569
	579,756	725,258	(452,241)	**579,756**	724,460	(454,551)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(1,444,377)**	1,659,426	(470,925)	**(1,569,627)**	1,656,554	(591,148)
TOTAL COMPREHENSIVE INCOME	**₱8,111,693**	₱9,815,971	₱6,691,149	**₱7,895,448**	₱9,817,117	₱6,532,906
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱7,895,558**	₱9,817,124	₱6,532,804			
Non-controlling interests	**216,135**	(1,153)	158,345			
	₱8,111,693	₱9,815,971	₱6,691,149			

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

(IN THOUSANDS)

	Consolidated															
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Note 25)	Surplus (Note 25)	Net Unrealized Gain/(Loss) on Financial Assets at FVOCI (Note 9)	Net Unrealized Loss on Available-for-Sale Investments (Note 9)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves (Note 25)	Other Equity Adjustment	Share in Aggregate Reserves on Life Insurance Policies (Note 120	Reserves of a Disposal Group Held for Sale (Note 36)	Parent Company Shares Held by a Subsidiary	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2018, as previously reported	₱49,965,587	₱31,331,251	₱597,605	₱38,831,522	₱–	(₱3,040,507)	(₱2,106,586)	₱1,417,884	₱70,215	₱13,959	₱12,280	₱–	₱–	₱117,093,210	₱2,644,739	₱119,737,949
Effect of the adoption of Philippine Financial Reporting Standards 9 (Note 2)	–	–	–	(1,660,119)	(688,514)	3,040,507	–	–	–	–	–	–	–	691,874	–	691,874
Balance at January 1, 2018, as restated	49,965,587	31,331,251	597,605	37,171,403	(688,514)	–	(2,106,586)	1,417,884	70,215	13,959	12,280	–	–	117,785,084	2,644,739	120,429,823
Total comprehensive income (loss) for the year	–	–	–	9,465,022	(2,508,422)	–	579,756	359,039	–	–	–	–	–	7,895,395	216,135	8,111,530
Sale of investment in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	100,000	100,000
Dissolution of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(62,655)	(62,655)
Other equity reserve (Note 32)	–	–	–	–	–	–	–	–	(16,320)	–	–	–	–	(16,320)	–	(16,320)
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,366)	(3,366)
Reserves of Disposal Group Classified as Held for Sale (Note 36)	–	–	–	–	15,601	–	6,292	–	–	–	–	(21,893)	–	–	–	–
Transfer to surplus reserves (Note 32)	–	–	22,968	(22,968)	–	–	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2018	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,181,335)	₱–	(₱1,520,538)	₱1,776,923	₱53,895	₱13,959	₱12,280	(₱21,893)	–	₱125,664,159	₱2,894,853	₱128,559,012
Balance at January 1, 2017	₱49,965,587	₱31,331,251	₱573,658	₱30,694,899	₱–	(₱3,469,939)	(₱2,821,853)	₱915,222	₱105,670	₱13,959	₱3,087	₱–	₱–	₱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
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,270)	(3,270)
Other equity reserves (Note 25)	–	–	–	–	–	–	–	–	(35,455)	–	–	–	–	(35,455)	–	(35,455)
Transfer to surplus reserves (Note 32)	–	–	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	₱13,959	₱12,280	₱–	₱–	₱117,093,210	₱2,644,739	₱119,737,949
Balance at January 1, 2016	₱49,965,587	₱31,331,251	₱554,263	₱24,839,480	₱–	(₱3,030,588)	(₱2,364,215)	₱612,468	₱	₱13,959	₱	(₱133,500)	(₱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 32)	–	–	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	₱13,959	₱3,087	₱–	–	₱107,311,541	₱2,649,162	₱109,960,703

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

(IN THOUSANDS)

	Parent Company											
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Note 25)	Surplus (Note 25)	Net Unrealized Gain/(Loss) on Financial Assets at FVOCI (Note 9)	Net Unrealized Loss on Available-for-Sale Investments (Note 9)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves (Note 25)	Reserves of a Disposal Group Held for Sale (Note 36)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Total
Balance at January 1, 2018, as previously reported	**₱49,965,587**	**₱31,331,251**	**₱597,605**	**₱38,831,716**	**₱–**	**(₱3,040,507)**	**(₱2,106,586)**	**₱1,417,884**	**₱70,215**	**₱–**	**₱12,280**	**₱117,079,445**
Effect of the adoption of Philippine Financial Reporting Standards 9 (Note 2)	**–**	**–**	**–**	**(1,660,119)**	**(688,514)**	**3,040,507**	**–**	**–**	**–**	**–**	**–**	**691,874**
Balance at January 1, 2018, as restated	**49,965,587**	**31,331,251**	**597,605**	**37,171,597**	**(688,514)**	**–**	**(2,106,586)**	**1,417,884**	**70,215**	**–**	**12,280**	**117,771,319**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**9,465,075**	**(2,508,422)**	**–**	**579,756**	**359,039**	**–**	**–**	**–**	**7,895,448**
Transfer to surplus reserves (Note 32)	**–**	**–**	**22,968**	**(22,968)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other equity reserves (Note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,320)**	**–**	**–**	**(16,320)**
Reserves of Disposal Group Classified as Held for Sale (Note 36)	**–**	**–**	**–**	**–**	**15,601**	**–**	**6,292**	**–**	**–**	**(21,893)**	**–**	**–**
Balance at December 31, 2018	**₱49,965,587**	**₱31,331,251**	**₱620,573**	**₱46,613,704**	**(₱3,181,335)**	**₱–**	**(₱1,520,538)**	**₱1,776,923**	**₱53,895**	**(₱21,893)**	**₱12,280**	**₱125,650,447**
Balance at January 1, 2017	₱49,965,587	₱31,331,251	₱573,658	₱30,695,100	₱–	(₱3,469,939)	(₱2,821,853)	₱915,222	₱105,670	₱–	₱3,087	₱107,297,783
Total comprehensive income for the year	–	–	–	8,160,563		429,432	715,267	502,662			9,193	9,817,117
Other equity reserves (Note 25)	–	–	–	–	–	–	–	–	(35,455)		–	(35,455)
Transfer to surplus reserves (Note 32)	–	–	23,947	(23,947)	–	–	–	–	–	–		–
Balance at December 31, 2017	₱49,965,587	₱31,331,251	₱597,605	₱38,831,716	₱–	(₱3,040,507)	(₱2,106,586)	₱1,417,884	₱70,215	₱–	₱12,280	₱117,079,445
Balance at January 1, 2016	₱49,965,587	₱31,331,251	₱554,263	₱24,839,580	₱–	(₱3,030,588)	(₱2,364,215)	₱612,468	₱–	(₱85,106)	₱3,087	₱101,826,327
Total comprehensive income (loss) for the year	–	–	–	7,124,054	–	(439,351)	(457,638)	302,754	–	–	–	6,529,819
Cash dividends declared (Note 25)	–	–	–	(1,249,139)	–	–	–	–	–	–	–	(1,249,139)
Transfer to surplus reserves (Note 32)	–	–	19,395	(19,395)	–	–	–	–	–	–	–	
Reserves of a disposal group classified as held for sale (Note 37)	–	–	–	–	–	–	–	–	–	85,106	–	85,106
Other equity reserves (Note 25)	–	–	–	–	–	–	–	–	105,670	–	–	105,670
Balance at December 31, 2016	₱49,965,587	₱31,331,251	₱573,658	₱30,695,100	₱–	(₱3,469,939)	(₱2,821,853)	₱915,222	₱105,670	₱–	₱3,087	₱107,297,783

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017 (As Restated - Note 36)	2016	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱13,439,786**	₱10,401,107	₱6,341,927	**₱12,769,745**	₱10,284,239	₱6,307,764
Income (loss) before income tax from discontinued operations (Note 36)	**(196,611)**	77,651	2,543,866	**–**	–	2,325,568
Income before income tax	**13,243,175**	10,478,758	8,885,793	**12,769,745**	10,284,239	8,633,332
Adjustments for:						
Net gain on sale or exchange of assets (Note 13)	**(5,861,143)**	(3,921,136)	(2,510,361)	**(5,841,136)**	(3,862,341)	(2,517,861)
Depreciation and amortization (Notes 11 and 36)	**1,950,977**	1,684,391	1,554,640	**1,542,712**	1,385,357	1,343,583
Amortization of premium on investment securities	**789,981**	1,383,338	1,144,317	**1,034,142**	1,375,100	1,137,513
Provision for impairment, credit and other losses (Notes 16 and 36)	**1,752,812**	884,132	3,212,694	**1,401,528**	161,877	1,707,494
Loss (gain) on mark-to-market of derivatives (Note 23)	**899,614**	(128,417)	698,071	**899,614**	(124,679)	698,071
Realized trading gain on financial assets at FVOCI (Note 9)	**(167,902)**	–	–	**(167,902)**	–	–
Realized trading gain on available-for-sale investments (Note 9)	**–**	(506,238)	(1,348,496)	**–**	(506,238)	(1,350,453)
Amortization of transaction costs (Notes 17 and 21)	**51,502**	60,239	36,640	**51,502**	60,239	36,640
Equity in net earnings of subsidiaries and an associate (Note 12)	**(43,847)**	(59,215)	(70,220)	**(530,885)**	(498,254)	(231,780)
Gain on remeasurement of a previously held interest (Note 12)	**–**	–	(1,644,339)	**–**	–	(1,644,339)
Unrealized foreign exchange loss on bills payable and acceptances	**1,298,559**	–	–	**1,292,591**	–	–
Gain from sale of previously held interest (Note 12)	**–**	–	(681,228)	**–**	–	(681,228)
Recoveries on receivable from special purpose vehicle (Note 27)	**–**	–	(500,000)	**–**	–	(500,000)
Amortization of fair value loss of held-to-maturity investments reclassified to available-for-sale investments (Note 9)	**–**	141,802	145,727	**–**	141,802	140,332
Realized and unrealized gain on financial assets at FVPL (Note 9 and 36)	**21,548**	(61,485)	4,651	**10,386**	58,156	6,113
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)	**678,014**	(798,815)	(547,222)	**274,268**	(828,073)	(508,224)
Financial assets at FVTPL	**(8,039,543)**	(778,629)	1,888,845	**(8,063,597)**	(808,168)	1,923,254
Loans and receivables	**(88,550,596)**	(75,945,020)	(66,337,861)	**(73,552,230)**	(63,393,954)	(52,436,762)
Other assets	**1,785,717**	(777,538)	(1,558,302)	**3,669,296**	(2,103,444)	(615,025)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**127,126**	–	–	**124,863**	–	–
Deposit liabilities	**95,341,952**	67,387,302	84,510,588	**86,953,099**	54,189,539	71,640,617
Accrued taxes, interest and other expenses	**1,083,584**	379,861	729,486	**886,416**	441,930	520,970
Other liabilities	**825,972**	(187,797)	1,273,977	**(103,155)**	(1,129,101)	626,229
Net cash generated from (used in) operations	**17,187,502**	(764,467)	28,888,294	**22,651,257**	(5,156,013)	27,928,476
Income taxes paid	**(4,060,889)**	(1,524,208)	(784,682)	**(3,313,721)**	(1,350,866)	(715,203)
Net cash provided by (used in) operating activities	**13,126,613**	(2,288,675)	28,103,612	**19,337,536**	(6,506,879)	27,213,273
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI/available-for-sale investments	**41,459,104**	199,856,642	83,143,335	**41,862,566**	199,690,619	81,843,119
Maturities of financial assets at amortized cost	**19,356,795**	–	–	**37,694,571**	–	–
Disposal of investment properties	**8,456,263**	5,570,269	2,387,170	**8,493,918**	5,119,922	2,255,377
Disposal of property and equipment (Note 11)	**123,767**	29,719	142,129	**135,257**	172,226	418,869
Disposal group classified as held for sale/Investment in shares of a subsidiary (Notes 12 and 37)	**–**	–	3,230,966	–	–	3,230,966
Collection of receivables from special purpose vehicle	**–**	–	500,000	–	–	500,000
Share in dividends from subsidiaries (Note 12)	**–**	–	–	–	1,333,350	66,125

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017 (As Restated - Note 36)	2016	**2018**	2017	2016
Acquisitions of:						
Financial Assets at FVOCI/available-for-sale investments	**(₱23,729,263)**	(₱202,587,314)	(₱83,486,942)	**(₱25,122,624)**	(₱201,794,860)	(₱82,272,241)
Property and equipment (Note 11)	**(3,026,508)**	(1,964,768)	(2,023,627)	**(2,263,064)**	(1,658,985)	(1,740,338)
Software cost (Note 14)	**(169,231)**	(1,162,121)	(406,053)	**(160,857)**	(1,045,743)	(404,837)
Financial assets at amortized cost	**(93,782,890)**	**–**	–	**(111,057,852)**	–	–
Held-to-maturity investments	**–**	(2,801,983)	–	**–**	(2,726,786)	–
Additional investments in subsidiaries (Note 12)	**–**	–	–	**(266,000)**	(700,000)	(292,416)
Closure of subsidiaries (Note 12)	**–**	–	–	–	50,000	–
Net cash provided by (used in) investing activities	**(51,311,963)**	(3,059,556)	3,486,978	**(50,684,085)**	(1,560,257)	3,604,624
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	**187,599,609**	164,866,720	180,747,610	**178,534,210**	159,025,830	175,375,030
Proceeds from bonds payable	**15,398,696**	–	–	**15,398,696**	–	–
Settlement of:						
Bills and acceptances payable (Note 21)	**(162,732,019)**	(157,020,131)	(169,839,126)	**(158,520,810)**	(151,794,765)	(165,576,107)
Subordinated debt	**–**	(3,500,000)	(6,500,000)	–	(3,500,000)	(6,500,000)
Cash dividends declared and paid (Note 25)	**–**	–	(1,249,139)	–	–	(1,249,139)
Acquisition of non-controlling interest in subsidiaries (Note 12)	**–**	–	(292,416)	–	–	–
Dividends paid to non-controlling interest	**–**	(3,270)	(43,209)	–	–	–
Net cash provided by financing activities	**40,266,286**	4,343,319	2,823,720	**35,412,096**	3,731,065	2,049,784
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,080,936**	(1,004,912)	34,414,310	**4,063,547**	(4,336,071)	32,867,681
CASH AND CASH EQUIVALENTS AT BEGINNING 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	**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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**16,825,487**	12,391,139	11,014,663	**15,904,663**	11,671,952	10,626,525
Due from Bangko Sentral ng Pilipinas	**102,723,312**	108,743,985	127,337,861	**98,665,375**	105,497,459	123,799,952
Due from other banks	**20,525,318**	22,025,322	22,709,805	**10,459,496**	10,755,260	12,831,514
Interbank loans receivable (Note 8)	**10,580,432**	11,491,684	7,243,886	**10,581,083**	9,700,916	7,352,840
Securities held under agreements to resell	**20,700,000**	14,621,483	1,972,310	**20,700,000**	14,621,483	1,972,310
	₱171,354,549	₱169,273,613	₱170,278,525	**₱156,310,617**	₱152,247,070	₱156,583,141
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱8,151,979**	₱5,317,161	₱4,620,623	**₱6,768,648**	₱4,617,444	₱4,254,991
Interest received	**32,906,482**	28,559,267	22,279,734	**28,399,766**	25,320,173	20,653,077
Dividends received	**3,366**	3,270	17,593	**3,366**	32,417	80,841

See accompanying Notes to Financial Statements.

PRODUCTS AND SERVICES

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 – An account for individuals who require a low maintaining balance which may be used for basic payments such as utilities, amortizations, subscriptions, and the like.
     - Regular Checking Account – An account that issues checks as a medium of payment.

   - The following checking accounts earn interest that give premium earnings:
     - Priority Checking Account – A special checking account which earns regular savings rate intended for businesses and high net-worth individuals. Account is evidenced by a checkbook, debit card and passbook.
     - Executive Checking Account – A checking account that comes with a check-writing facility for corporate clients.
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 – An interest-bearing deposit account where withdrawal is made over the counter upon presentation of withdrawal slip and passbook.
     - Debit Savings Account – A regular savings account accessed through a debit card enabled for POS transactions and online purchases. For added perks and privileges, the PNB Priority Debit Mastercard is available.
     - Co-branded Debit Cards – Makes payment convenient, secure and rewarding by allowing cardholders to earn rewards points when used for shopping and dining which can be converted to Mabuhay Miles. Available in the following variants: PNB-PAL Mabuhay Miles Debit Mastercard and PNB-PAL Mabuhay Miles Priority Debit Mastercard.
     - TAP Mastercard Savings Account – A zero-maintaining savings account evidenced by a Paypass-enabled Mastercard Debit Card with worldwide acceptance.
   - Special savings accounts intended to specific target markets or with special documentary requirements.
     - Direct Deposit Program – A passbook-based savings account that caters to US Federal Government pensioners living in the Philippines.
     - OFW Savings Debit Account – A regular savings account with zero maintaining balance intended for OFWs and their beneficiaries.
     - Pensioner Account – A regular savings account intended for SSS pensioners.
     - MyFirst Savings Account – A savings account for students and children aged 19 years old and below with no required maintaining balance.
     - Debit Account Lite – A zero-maintaining savings account intended for the unbanked, particularly microbusinesses and low-income households.

   - Savings account with ADB-based tiered rates.
     - Top Saver Account – A special savings account that offers higher interest rates as the level of savings increase.
3. Time Deposit Accounts
   - Deposit accounts that offer higher returns held for a specific period of time.
     - Regular Time Deposit Account – A time deposit for short term placements starting at 30 days and below 360 days with automatic rollover set-up for principal and interest.
     - Treasury Negotiated Time Deposit – A short term single-maturity time deposit with interest rates quoted and approved by Treasury Sector.
4. Prepaid Cards
   - 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. Available in the following variants: PNB Prepaid Mastercard and PNB-PAL Mabuhay Miles Prepaid Mastercard.
5. Business Cards
   - A virtual card facility with credit a limit of up to P3 million offered to the SME market.

A2. US Dollar Accounts

1. Current Accounts
   - The Greencheck Account is a Dollar-denominated, non-interest-bearing checking deposit account.
2. Savings Accounts
   - The following are passbook-based Dollar Savings account:
     - Dollar Savings Account – An interest-bearing Dollar savings account.
     - OFW Dollar Savings Account – A Dollar savings account for OFWs and their beneficiaries.
     - Direct Deposit Dollar Savings Account – A Dollar-denominated regular savings account with lower maintaining balance and service charges for US Federal pensioners living in the Philippines.
3. Time Deposit Accounts
   - Interest-bearing Dollar-denominated deposit account maintained for a specific period of time.
     - Greenmarket Time Deposit – A Dollar-denominated time deposit for short term placements starting at 30 days and below 360 days with automatic rollover set-up for principal and interest.
     - Dollar Treasury Negotiated Time Deposit – A short term single-maturity Dollar-denominated time deposit with interest rates quoted and approved by Treasury Sector.
     - Top Dollar Time Deposit Account – A Dollar-denominated time deposit account with a term of 2, 3, 4 or 5 years and evidenced by a time deposit confirmation advice.

A3. Other Foreign Currency Accounts

1. Savings Accounts
   - Interest earning foreign currency-denominated savings account evidenced by a passbook.
     - Euro Savings Account
     - Chinese Yuan (Renminbi) Savings Account
   - Non-interest earning foreign currency-denominated savings account evidenced by a passbook
     - Japanese Yen Savings Account
     - Canadian Dollar Savings Account
     - Singaporean Dollar Savings Account
     - Hong Kong Dollar Savings Account
     - Great Britain Pound Savings Account
     - Swiss Franc 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.
     - Chinese Yuan (Renminbi) Time Deposit
     - Euro 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. Fund Transfer
   - Provides efficient domestic electronic intra-bank funds transfer (PNB to PNB) and inter-bank funds transfer (PNB to other banks).

3. 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.

4. Collections Management
   - This makes clients' collection activities easy and efficient through the use of e-Collect, Auto-Debit Arrangement (ADA), PDC Online, Cash Mover and Retail Cash Mover.

5. Disbursement Management
   - Payment service that lightens the workload by speeding up the pay-out process through the use of the following solutions:
     - Executive Checking (EC) Writer (Formerly ECA Basic)
     - EC Writer Plus
     - Executive Check Online
     - Corporate e-Pay
     - Autopay
     - Cash Over-the-Counter
     - Paywise
     - Paywise Plus
     - Meralco ADA

6. Government Payments
   - Allows corporate customers to pay their dues and contributions to government agencies online and to disburse its employees' benefits through the following:
     - PNB e-Tax
     - PNB e-Gov
     - SSS Sickness & Maternity Benefits Payment thru the Bank

A5. Electronic Banking Services

1. PNB Digital Banking
   - These are digital banking channels offered to PNB bank customers. It allows doing routine banking transactions like paying bills, transferring funds and inquiring about account balance securely using desktop/laptop/tablet computer through PNB Internet Banking or with any mobile device through the PNB Mobile Banking App.

2. Automated Teller Machine (ATM)
   - An electronic channel which allows clients to access their account and perform banking transactions any time of the day.
   - The following services can be availed through the ATM:
     - Balance Inquiry
     - Cash Withdrawal
     - Cash Deposit (at Cash Accept Machines)
     - Fund Transfers
     - Bills Payment
     - Prepaid Auto Reload
     - Checkbook Reorder
     - PIN Change
     - Statement Request

A6. Safety Deposit Boxes

- Valued bank clients may rent a Safety Deposit Box where valuables, legal documents and other prized possessions may be kept. It is located in a secured vault within bank premises.

A7. PNB Savings Bank Deposit Products

1. Power Earner 5 Years Plus 1 Day Time Deposit
   - A time deposit account that offers higher yielding rate, fixed income through monthly credit of interest, and security through fixed rate for the duration of 5 years and 1 day.

2. Regular Time Deposit
   - An interest-bearing deposit account documented by a confirmation of time deposit, subject to withdrawal on a future agreed date or fixed period of time via the crediting of an affiliate account under the same account holder.

3. Power Saver Account
   - A tiered, high interest-earning savings product bundled with free telemedicine services through Medgate and life and accidental death insurance coverage through Allianz PNB Life.

4. Peso Savings
   - An interest-bearing peso account that comes with a passbook and/or ATM card.

5. Check Plus
   - An interest-bearing checking and savings account in one. It comes with an optional ATM.

6. Checking/Demand Deposit
   - A non-interest earning peso deposit account that is subject to withdrawal through issuance of check.

7. NOW (Negotiable Order of Withdrawal) Account
   - An interest-bearing peso savings account with the convenience of a current account.

8. Cash Card and Debit Card
   - PNB Savings Bank Debit and Prepaid Cards are equipped with EMV, an advanced security technology that provides enhanced protection against fraud for both online and offline transaction.

9. US Dollar Savings Deposit Account
   - An interest earning US Dollar deposit savings account evidenced by a passbook. It accepts various forms of deposits such as: US Dollar Notes, Bank Drafts, Dollar Currency Personal Checks and Remittances.

10. US Dollar Denominated Time Deposit
    - An interest-bearing deposit account maintained for a specific period of time, evidenced by a US Dollar certificate of time deposit.

11. Smart Courier
    - A product that offers the convenience of doing bank transactions from the comfort of the client's home or office.

12. SME Power Pack
    - An integrated business solutions package offered to PNB Savings Bank Business Checking Accounts with an average daily balance of P1,500,000.00.

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.

5. AZpire Growth Prime
   - A regular-pay, whole life policy designed for specific needs such as saving and investment with a fund value directly linked to the performance of the fund chosen in the currency elected by the policyholder.

Savings and Investment/Retirement

6. AZpire Peak Prime
   - A regular-pay, whole life policy designed for specific needs such as building a retirement with a fund value directly linked to the performance of the fund chosen in the currency elected by the policyholder.

Savings and Investment/Education

7. AZpire Wiz Prime
   - A regular-pay, whole life policy designed for specific needs such as planning for education with a fund value directly linked to the performance of the fund chosen in the currency elected by the policyholder.

Protection/Retirement

8. 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

9. 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

10. 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.

11. Health Dynamics
    - A regular-pay, whole life policy with critical illness coverage, and a fund value directly linked to the performance of the fund chosen in the currency elected by the policyholder.

Education

12. 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 is also due upon maturity of the policy

Estate Planning

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

Other Specialized Insurance

14. 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.

15. 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.

16. 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.

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

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

19. 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.

20. 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. Credit to Global Filipino Card
   - It is a re-loadable prepaid card that can receive remittances from overseas.
2. Credit to PNB Accounts
   - Remittance are credited to PNB accounts
3. Credit to Other Banks
   - Remittance for credit to other local banks
4. Door-to-Door Delivery
   - Remittance for delivery to the residence of the beneficiary via PNB's accredited courier
5. Cash Pick-Up
   - Remittance sent through PNB's overseas offices and tie-up partners can be claimed in any of PNB's domestic branches and accredited pay out partners.

C2. Sending Remittances

The facilities that OFWs can use to send remittance are:

- Over the Counter – via PNB overseas branches, PNB Remittance Centers, Agents, Tie-up partners, and convenience stores (7 Eleven in Hong Kong)
- Online – available through PNB Web Remittance service in Europe and the USA
- Mobile – mobile remittance application available through Xchanged Inc. (Guam)
- Phone – available through PNB Phone Remit in Europe and the USA
- Mail – available through Japanese Post (Japan) and PostFinance (Switzerland)

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.
3. Deposit Accounts
   - Savings, Checking and Time Deposit Accounts that are available in Hong Kong, Singapore, New York, Los Angeles and Tokyo branches.
4. Corporate, Credit and Trade Facilities available in Hong Kong and Japan

D. FUND TRANSFER AND RELATED SERVICES

D1. *International Foreign Currency Funds Transfers - Incoming/Outgoing*

Inward foreign remittances and fund transfers using the facilities of PNB's overseas branches and the Society for Worldwide Interbank Financial Telecommunication (SWIFT) for foreign correspondent banks.

1. Foreign Currency Funds Transfers
   - Incoming and outgoing transfers using the Integrated Remittance Service World (IRSW), Agent Remittance System (ARS) and Global Remittance Solution (GRS) facilities
2. SWIFT for foreign correspondent banks
   - It is a secure, dedicated, global communication network that supports a range of financial messaging services.

D2. *Domestic Interbank Funds Transfers - Incoming/Outgoing*

1. Philippine Domestic Dollar Transfer System (PDDTS)
   - PCHC's electronic fund transfer system for US Dollar where the transfer of money occurs real-time.
2. Real Time Gross Settlement (RTGS)
   - BSP's electronic fund transfer system for Peso where the transfer of money occurs real-time.
3. Philippine EFT System & Operations Network (PesoNet)
   - An electronic, batch fund transfer facility that allows a PNB account holder to send payment / fund transfer instruction for credit to a deposit account maintained in another PESONet participating financial institution. It is available via PNB's mobile and internet banking.
4. Instapay
   - An Electronic Fund Transfer (EFT) service that allows real-time low-value payment / fund transfer transactions from a PNB deposit account for credit to a deposit account maintained in another Instapay participating financial institution in the Philippines.
5. 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.
6. 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.
7. 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 US Bank to handle checks electronically and makes check processing faster, streamline cash flow and reduce risk of check fraud. The Check 21 Act allows the recipient of the original paper check to create a digital version of the original check into an electronic format called a substitute check, thereby eliminating the need for further handling of the physical document.

PRODUCTS AND SERVICES

E. TREASURY PRODUCTS AND SERVICES

E1. *Fixed Income Securities and Money Market Instruments*

- Debt instruments issued by government, a corporation or a financial institution, which provide investors with periodic interest payments and eventual return of principal on maturity.

E1. Foreign Exchange Spot

- An agreement to purchase or sell foreign currency for delivery at spot settlement.

E2. Foreign Exchange Forward

- An agreement to purchase or sell foreign currency for delivery at a specified future date at an agreed upon exchange rate.

E3. Non-Deliverable Forward

- A net-settled foreign exchange forward transaction.

E4. Foreign Exchange Swaps

- An agreement to exchange two currencies as a spot transaction with a simultaneous agreement to re-exchange the same currencies as a forward transaction on a pre-determined future date at a pre-agreed exchange rate.

E5. Interest Rate Swaps

- An agreement to exchange streams of cash flows based on a notional principal amount with one stream calculated against a floating interest rate and the other stream calculated against a fixed interest rate.

E6. Cross Currency Swaps

- An agreement to exchange streams of cash flows based on two principal amounts denominated in two different currencies.

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 PAS5 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); Omnibus Line)
2. Export Financing Facilities
   - These are facilities available to the exporter for his financing needs (i.e. Export Advance Loan; Export Bills Purchase Line/Export Bills Purchase)
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; 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 cooperatives/planters' association (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 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

G4. Consumer Loans

1. PNB Smart Home Loan
   - A housing loan that is designed to finance the acquisition, construction or renovation of a residential property. It comes with PNB Smart Home Insurance, a comprehensive home insurance which could be combined with the client's monthly amortizations.
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
   - A loan that lets clients experience monthly amortizations/payments that start at a competitive rate and go down the same way as the value of the car. It also comes with a PNB Smart Auto Insurance, a comprehensive auto insurance that could be combined with the client's light and easy monthly auto loan payments.
5. Smart Home Loan and Smart Auto Loan Plus
   - These are value-added services extended by the Bank to its auto loan and home loan clients. For a minimal fee, the Smart Auto Loan or Home Loan Plus, take away the hassle in processing required paper work upon maturity of auto loans, cancellation of chattel mortgage, cancellation of real-estate mortgage, or payment of annual real property taxes.
6. Smart Salary Loan
   - A loan that helps client's live life to the fullest without draining their savings. The new platform gives clients a convenient and hassle-free mobile-enabled system, allowing them to apply and get quick approvals through any digital device, anytime, and anywhere.
7. SSS Pension Loan
   - It provides a faster turnaround time by crediting pensions directly to the customer's PNB/PNB Savings Bank accounts. Clients can enjoy a very low interest rate and special features at no extra cost such as Credit Insurance; ATMSafe; and Healthy Ka Pinoy Emergency Medical Card.
8. Smart Personal Loan
   - A multi-purpose loan extended to individuals based on their personal merits that can be used for various purposes such as for medical expenses, education, home renovation, purchase of household items, vacation trips, and other personal needs.
9. Japan OFW Loan
   - A credit facility exclusively for trainees of PNB Global Marketing Services placement agency clients bound for Japan.
10. Smart Business Loan
    - A loan that offers a reasonable loan term facility and easy loan payment options so clients can grow and expand their business ventures.
11. 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.
12. Pangarap Loan
    - A multi-purpose loan facility secured by deposits that is available in Singapore and Hong Kong.

G5. 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 with the different PNB Co-Branded Cards.
     - 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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As of March 15, 2019

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Jose Arnulfo "Wick" Veloso

First Senior Vice President
Zacarias Gallardo, Jr.

First Vice President
Constantino Yap

Assistant Vice President
Lita Victoria Fernandez
Gemma Lim

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Vice President
Maila Katrina Ilarde

Senior Assistant Vice President
Ma Cristina Advincula

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Chester Luy

Corporate Planning and Research Division

Senior Vice President
Emeline Centeno

Assistant Vice President
Janet Antonio
Marcena Puno

Pinnacle Priority Banking

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Acquired Assets Management Group

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As of March 15, 2019

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Assistant Vice President
Generoso Frias

Subsidiaries and Affiliates Division

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Ma Corazon Cresencia Contreras

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Kelvin Aquilino
Albert Guangco
Zorina Jingco
Darius Kenny
Roberto Noceda
Irene Tan

Senior Assistant Vice President
Pamela Benito
Ramon Siyluy, Jr.
Ricardo Villegas
Elvis Yu

Assistant Vice President
Mildred Alcantara
Marjorie Ballesteros
Felicitas Flores
Ma Eloisa Opena
Sotero Paner, Jr.
Susan Principe
Ria Rivera
Rhizzy Ann Roque
Jayson Siocson
Ivo Te
Sidney Gerard Zosa

Corporate Banking Group

Senior Vice President
Allan Ang
Humildad Santelices

First Vice President
Jean Marie Baruelo

Senior Assistant Vice President
Janeen Pua
Ma Lucia Roderos

Assistant Vice President
Roselle Ann Aliscad
Patricia Marie De Las Penas
Nikki Angela Orsolino
William Henry Timoteo

INTERNAL AUDIT GROUP

First Vice President
Martin Tengco, Jr.

Vice President
Samuel Lazaro

Senior Assistant Vice President
Rodolfo Del Rosario

Assistant Vice President
Jonas Jason Baltasar
Meylord Capanzana
Eugeniano Catipay
Ricardo Dimacali, Jr.
Miguel Gutierrez
Donnabel Leal
Analisa San Pedro
Elizabeth Sanchez

MARKETING AND BRAND MANAGEMENT SECTOR

Executive Vice President
Jovencio DB. Hernandez

Marketing Services Group

First Vice President
Damasen Paul Cid

Vice President
Ella May Navallo

Senior Assistant Vice President
Leia Regala-Teodoro
Catherine Suzette Solomon

Assistant Vice President
Lourdes Atis
Gerald Michael Calaguian
John Robert Gamit
Conrad Paul Pascual, Jr.

DIGITAL INNOVATION GROUP

Senior Vice President
Norman Martin Reyes

OFFICE OF THE CORPORATE TREASURER

Senior Vice President
Maria Paz Lim

First Vice President
Ginina Trazo

Assistant Vice President
Marrissa Lorenzo

OPERATIONS GROUP

Senior Vice President
Marie Fe Liza Jayme
Maria Luisa Toribio

First Vice President
Marilyn Prescilla Aguas
Ma Agnes Almosara
David Stephen Cu
Fe Dela Pena
Ma Cirila Panganiban
Melita Tan

Vice President
Josephine Marie Donato
Maria Karen Menez
Cynthia Molina
Lorna Santos

Senior Assistant Vice President
Ma Windy Batan
Vic Cobarrubias
Marilou Ramos
Mary Rose Rodillas
Maria Fe Tolentino
Rhodora Villanueva

Assistant Vice President
Udy Co
Emjay Socorro De Chavez
Malou Francisco
Noel Go
Hazel Hong
Reylyn Im
Editha Jose
Maria Mercedes Malaluan
Mimosa Nicdao
Evangeline Roxas
Flordeliza Santillan
Rosalinda Sumaya
Corazon Tumang
Alexander Zaide

RETAIL BANKING SECTOR

Executive Vice President
Bernardo Tocmo

Cards Banking Solutions Group

First Vice President
Christian Eugene Quiros

Vice President
Ma Luisa Alarcon

Senior Assistant Vice President
Minna Ambas
Sheila Caeg-Bilog
Jayson Evangelista
Johann Gan
Lennie Hong
Michael Lee
Joel Escolastico Tirona

Assistant Vice President
Dereina Lissa Abiog
Francis Adofina
Ivy Aquino
Christian David
Jocelyn Opaco
Elizabeth Salas

Branch Banking Group

Senior Vice President
Antonio Baculi
Edilberto Ramos

First Vice President
Carlo Dimaala

Domestic Branches

First Vice President
Manuel Labayne, Jr.
Bernabe Punsalan
Carina Salonga

Vice President
Shirley Ching
Josephine Aurelia Diaz
Mary Rose Gonzales
Dwight Lawrence Leyco
Carlos Oliver Leytte
Marie Therese Montecer
Jay Pesigan
Ma Lelis Singson
Lourdes Valencia

Senior Assistant Vice President
Anna Liza Arellano
Yvonne Beltran
Carlo Lucas Buan
Aron Bugalon
Carlo Salvador Chua
Jocelyn Diawan
Rosemary Fernandez
Abigail Gironella
Gino Gonzalez
Frederick Manuel Javate
Reyel Lacson
Irma Madonna Leonardo
Sharon Marie Magpayo
Editha Manago
Arturo Martinez
Jaybert Jose Ong
Ma Jessica Reyes
Christine Marie Rillera
Ariel Roca
Vito Antonio Rubio
John Hilarion Salas
Sheila Sy
Felisabel Taganas
Alona Tambunting
Elaine Tan
Loreta Trasadas
Shella Marie Villacorta
Delia Villanueva

Assistant Vice President
Anastasia Angeles
Roberto Arellano, Jr.
Doris Bargayo
Ma Annaliza Bartolome
Ma Lilibeth Borja
Irenio Cain, Jr.
Rosemarie Carmona
Ruth Carrasco
Felicitas Castillo
Alan John Ching
Bryan Chua
Manuelito Chua
Rolando Chua
George Clemena
Ma Irene Corrales
Mary Jane Dacanay
Alain Dimaunahan
Bonnie Duran
Virle Mae Encisa
Enrique Eugenio
Marilyn Fijer
Ramir Garbo
Jo An Isaac
Nicolas Isip
Elaine Janiola

MANAGEMENT DIRECTORY

As of March 15, 2019

Michael Kalalo
Lilibeth Landicho
Walter Lasaca
Maria Russel Lau
Brigida Lee
Carolyn Lim
Edson Lim
Albert Lopez
Elinor Macrohon
Cristina Magpantay
Ma Isabel Makayan
Maria Lizza Mauricio
Frances Mendoza
Merly Mercado
Maria Osilla Molina
Arlene Morales
Fietzie Ann Ocampo
Khristine Patena
Dolly Pineda
Alvin Pornasdoro
Patrick Punzalan
Jeffrey Querubin
Buen Rabuya
Rommel Remotigue
Blesilda Reyes
Maria Luisa Rivera
Jerry Rosete
Pearcy Joy Salvador
Gregorio Santiago, Jr.
Jovilhyn Singcuenco
Cristina So
Julie Sy
Rosario Tan
Baby Annie Torres
Ernest Uy
Hyna Uy
Maria Uy
Jose Villamar
Ma Rolina Villanueva
Rosita Yap

Global Filipino Banking Group

Senior Vice President
Teresita Sebastian

First Vice President
Roderick Enriquez
Cristy Vicentina
Ernesto Villacorta

Vice President
Julius Rifareal

Senior Assistant Vice President
Arnel Mariano
Elise Rue Ramos
Angelito Maria Rivera

Assistant Vice President
Maria Corazon Yay Jeremillo
Arlene Perez
Maricel Prudente
Elmer Querol
Raquel Rabang
Joel Eric Talosig

RBS Sales and Support Group

Senior Vice President
Maria Adelia Joson

First Vice President
Katherine Cabrera
Cesar Evasco
Maria Isabel Gonzalez
Reynaldo Intal
Jennifer Ng

Vice President
Emmanuel Victa

Senior Assistant Vice President
Don Cornelius Alviar
Ma Luisa Cruz
Ma Luisa Tapang

Assistant Vice President
Sophia Monica Ang
Victoria Aquino
Winifred Bernardo
Jonathan Cruz
Cesar Engcoy, Jr.
Margarette Grace Garces
Anne Kristine Ingente
Melanie Mancenido
Analyn Pecate
Ma Ursula Sobrevinas

RISK MANAGEMENT GROUP

First Senior Vice President
Carmela Leticia Pama

First Vice President
Simeon Yap

Vice President
Juliet Dytoc

Senior Assistant Vice President
Coleen Mejia
Fryda Porciuncula

Assistant Vice President
Marrita Lim
Cecilia Magbanua
Jo Aaron Reyes
Pamela Torres

TREASURY SECTOR

Senior Vice President
Noel Malabag
Esther Capule
Ma Lourdes Liwag
Maria Victoria Manimbo

First Vice President
Mary Lourdes Uy

Vice President
Inulli Ty

Senior Assistant Vice President
Lester De Alday
Neil Enciso
Jose Benjamin Nunez III

Assistant Vice President
Cezar Bayonito
Kathlynn Ann Lopez
Elin Nicolas

BRANCHES AND OFFICES

GRI 102-4

DOMESTIC

Metro Manila Branches

ANTIPOLO-CIRCUMFERENTIAL
Circumferential Road
Brgy. Dalig, Antipolo City, Rizal
Tel. Nos. (02) 697-0060 / 697-0041

ANTIPOLO-MASINAG
Silicon Valley Bldg.
169 Sumulong Highway
Mayamot, Antipolo City, Rizal
Tel. Nos. (02) 682-3012 / 681-5846

ANTIPOLO-P. OLIVEROS
89 P. Oliveros St., Kapitolyo Arcade
San Roque, Antipolo City, Rizal
Tel. Nos. (02) 697-2015 / 697-2018

ANTIPOLO-SUMULONG-MASINAG
F. N. Crisostomo Bldg. 2
Sumulong Highway
Mayamot, Antipolo City, Rizal
Tel. Nos. (02) 682-3461 / 682-3463

BGC-7TH AVENUE
G/F, Twenty-Four Seven
Mckinley Bldg., 24th St. cor. 7th Ave.
Bonifacio Global City, Taguig City
Tel. Nos. (02) 817-0370 / 817-0435

BGC-BURGOS CIRCLE
Unit GF-4, The Fort Residences
30th St. cor. 2nd Avenue
Padre Burgos Circle, Bonifacio
Global City, Taguig City
Tel. Nos. (02) 478-9724 / 478-9722

BGC-INFINITY
G/F, 101 The Infinity Tower
26th St., Fort Bonifacio, Taguig City
Tel. Nos. (02) 553-9709 / 553-9711

BGC-LUXE RESIDENCES
Shop 2, The Luxe Residences
28th St. cor 4th Ave., Bonifacio
Global City, Taguig City
Tel. Nos. (02) 808-0721 / 808-1454

BGC-MENARCO
Unit C, G/F, The Menarco Tower
32nd St., Bonifacio Global City
Taguig City
Tel. Nos. (02) 850-8362 / 2527

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. (02) 244-8748 / 242-8243
Fax No. (02) 244-8737

BINONDO-NUEVA
Lot 17-18, Blk. 2037, Yuchengco
(formerly Nueva) St. &
Tomas Pinpin St., Binondo, Manila
Tel. Nos. (02) 242-8451 / 242-8452

BINONDO-PLAZA DEL CONDE
G/F, San Fernando Towers
Plaza del Conde St., Binondo, Manila
Tel. Nos. (02) 243-6576 / 243-6581
Fax No. (02) 243-6580

BINONDO-QUINTIN PAREDES
Alliance Bldg., 410 Quintin
Paredes St., Binondo, Manila
Tel. Nos. (02) 241-2384 / 241-2284
Fax No. (02) 241-2277 / 241-2356
(02) 241-2385 / 241-2285

BINONDO-REINA REGENTE
1067 Don Felipe St., (near cor. Reina
Regente), Binondo, Manila
Tel. Nos. (02) 243-8478 / 242-9493

BINONDO-SAN FERNANDO
452 San Fernando St. cor. Elcano St.
Binondo, Manila
Tel. Nos. (02) 242-8450 / 242-8449

BINONDO-SAN NICOLAS
534 Gedisco Towers, Asuncion St.
San Nicolas, Manila
Tel. Nos. (02) 243-3329 / 244-8963
(02) 244-8964

CAINTA-FELIX AVE.-SAN ISIDRO
F. P. Felix Avenue, Brgy. San Isidro
Cainta, Rizal
Tel. Nos. (02) 645-7341 / 645-6026

CAINTA-ORTIGAS AVE. EXT.
Paramount Plaza, Km. 17
Ortigas Ave. Ext., Brgy. Sto. Domingo
Cainta, Rizal
Tel. Nos. (02) 535-0794 / 535-0795

CAINTA-SAN ISIDRO
RRCG Transport Bldg., Km. 18
Ortigas Avenue Extension
Brgy. San Isidro, Cainta, Rizal
Tel. Nos. (02) 470-8642 / 997-8103

CAINTA-VILLAGE EAST
G/F, Arellano Bldg., Felix Ave.
cor. Village East Ave., Cainta, Rizal
Tel. Nos. (02) 656-8633 / 656-8581

CALOOCAN-A. MABINI
451 A. Mabini cor. J. Rodriguez St.
Caloocan City
Tel. Nos. (02) 288-6486 / 288-6729

CALOOCAN-EDSA BALINTAWAK
337-339 EDSA cor. Don Vicente
Ang St., Caloocan City
Tel. Nos. (02) 366-9407 / 364-2646

CALOOCAN-GRACE PARK-3RD AVE.
126 Rizal Avenue Ext., between 2nd
and 3rd Avenue, Grace Park,
Caloocan City
Tel. Nos. (02) 990-3449 / 990-7977
Fax No. (02) 990-7922

CALOOCAN-GRACE PARK-7TH AVE.
322 Rizal Ave. Ext. near cor. 7th Ave.
Grace Park, Caloocan City
Tel. Nos. (02) 363-6521 / 363-7239
Fax No. (02) 363-1076

CALOOCAN-GRACE PARK-10TH AVE.
354 A-C 10th Ave., cor 2nd St.
East Grace Park, Caloocan City
Tel. Nos. (02) 365-8578 / 365-6173

CALOOCAN-MACARTHUR HIGHWAY
G/F, The Grandz Commercial
Building, Calle Cuatro, MacArthur
Highway, Caloocan City
Tel. Nos. (02) 366-5988 / 366-8413
Fax No. (02) 366-5989

CALOOCAN-MONUMENTO
419 D&I Bldg., EDSA, Caloocan City
Tel. Nos. (02) 361-6448 / 364-0906

CALOOCAN-RIZAL AVE. EXT.
1716 Rizal Ave. Ext. cor. L.
Bustamante St., Caloocan City
Tel. Nos. (02) 361-0287 / 366-8416
Fax No. (02) 366-8414 / 361-0286

CALOOCAN-SAMSON ROAD
149 Samson Road
cor. P. Bonifacio St., Caloocan City
Tel. Nos. (02) 332-7501 / 367-6659

CALOOCAN-SANGANDAAN
Gen. San Miguel St., Brgy. 4, Zone 1
Sangandaan, Dist. II, Caloocan City
Tel. Nos. (02) 288-2450 / 288-2446

DIVISORIA-168 MALL
Stall 3S-04, 168 Shopping Mall
Sta. Elena, Soler Sts., Binondo, Manila
Tel. Nos. (02) 254-5279 / 254-7479

DIVISORIA-ELCANO
706-708 Elcano St., Binondo, Manila
Tel. Nos. (02) 243-5852 / 243-5845
Fax No. (02) 244-4852

DIVISORIA-JUAN LUNA
CK Bldg., 750 Juan Luna St.
Binondo, Manila
Tel. Nos. (02) 242-9031 / 243-1929
243-1946

DIVISORIA-STO. CRISTO
767 Sto. Cristo cor.
M. delos Santos Sts. Divisoria, Manila
Temporary Site: 706-708 Elcano St.
Binondo, Manila (Divisoria-Elcano)
Effective: May 28, 2018
Tel. Nos. (02) 242-6266 / 241-1326
Fax No. (02) 242-6264

DIVISORIA-STO. CRISTO-C.M. RECTO
869 Sto. Cristo St., Binondo, Manila
Tel. Nos. (02) 242-6319 / 242-8135
247-4470

GREENHILLS-CLUB FILIPINO DRIVE
G/F, One Kennedy Place
Club Filipino Drive, Greenhills
San Juan City
Tel. Nos. (02) 725-4341 / 725-5929
725-5084

GREENHILLS-ORTIGAS AVE.
G/F, Limketkai Bldg., Ortigas Ave.
Greenhills, San Juan
Tel. Nos. (02) 723-7801 / 726-7574
726-8995

HEAD OFFICE CENTER
G/F, PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City
Trunk Lines: (02) 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. (02) 826-9706 / 826-9734

LAS PIÑAS-ALMANZA
Consolidated Asiatic Project, Inc.
Bldg., Alabang-Zapote Road
Brgy. Almanza Uno, Las Piñas City
Tel. Nos. (02) 800-4722 / 800-4853

LAS PIÑAS-ALMANZA UNO
Hernz Arcade, Alabang-Zapote Road
Almanza, Las Piñas City
Tel. Nos. (02) 800-0597 / 806-6905

LAS PIÑAS-CITY HALL
#19 Alabang Zapote Road
Pamplona II, Las Piñas City
Tel. Nos. (02) 871-1745 / 871-3149

LAS PIÑAS-NAGA ROAD
Lot 2A, Naga Road cor.
DBP Extension, Pulang Lupa Dos
Las Piñas City
Tel. Nos. (02) 804-1021 / 804-1022

LAS PIÑAS-ONE TOWNSQUARE PLACE
G/F, Unit A101 One Townsquare
Place, Alabang-Zapote Road
Las Piñas City
Tel. Nos. (02) 772-2709
Fax No. (02) 772-2706

BRANCHES AND OFFICES

LAS PIÑAS-PAMPLONA
267 Alabang-Zapote Road
Pamplona Tres, Las Piñas City
Tel. Nos. (02) 847-9373 / 847-9010

LAS PIÑAS-ZAPOTE
99 Real Street, Alabang-Zapote Road
Pamplona 1, Las Piñas City
Tel. Nos. (02) 871-4106 / 808-9863

MAKATI-AGUIRRE
G/F, 112 All Seasons Building
Aguirre St., Legaspi Village
Makati City
Tel. Nos. (02) 893-8192 / 894-2538

MAKATI-ALLIED BANK CENTER
G/F, Allied Bank Center
6754 Ayala Ave. cor. Legazpi St.
Makati City
Tel. No. (02) 816-3311 to 50
Fax No. (02) 813-7168

MAKATI-AMORSOLO
114 Don Pablo Building
Amorsolo St., Legaspi Village
Makati City
Tel. Nos. (02) 818-2198 / 841-0295

MAKATI-AYALA AVE.
G/F, VGP Center, 6772 Ayala Ave.
Makati City
Tel. Nos. (02) 894-1432 / 817-9936

MAKATI-AYALA RUFINO
Unit 1-B, G/F, Rufino Tower
Ayala Ave. cor Rufino St., Makati City
Tel. Nos. (02) 889-0955 / 817-8699

MAKATI-BANGKAL
G/F, E. P. Hernandez Bldg.
1646 Evangelista St.
Bangkal, Makati City
Tel. Nos. (02) 889-0395 / 889-0396

MAKATI-BEL-AIR
52 Jupiter St., Bel-Air, Makati City
Tel. Nos. (02) 519-8042 / 519-8276

MAKATI-BENAVIDEZ
Unit G-1D, G/F BSA Mansion
108 Benavidez St., Legaspi Village
Makati City
Tel. Nos. (02) 840-3039 / 840-3040

MAKATI-BUENDIA-DIAN
56 Gil Puyat Ave.
Buendia, Makati City
Tel. Nos. (02) 845-1541 / 845-1542

MAKATI-BUENDIA-EDISON
G/F Visard Bldg.
19 Sen. Gil Puyat Ave., Makati City
Tel. Nos. (02) 843-5889 / 844-9956

MAKATI-BUENDIA-PETRON MEGA PLAZA
G/F, Petron Mega Plaza Bldg.
358 Sen. Gil Puyat Ave., Makati City
Tel. Nos. (02) 886-3379 / 886-3377

MAKATI-C. PALANCA
G/F, Unit G1and G2, BSA Suites
G103 C. Palanca cor. dela Rosa Sts.
Makati City
Tel. Nos. (02) 822-7996 / 822-7975

MAKATI-CHINO ROCES AVE. EXT.
GA Building, 2303 Don Chino
Roces Ave. Ext., Makati City
Tel. Nos. (02) 840-3796 / 840-3801

MAKATI-DASMARIÑAS VILLAGE
2284 Allegro Center, Chino Roces
Avenue Extension, Makati City
Tel. Nos. (02) 846-9330 / 846-5144

MAKATI-DELA COSTA
G/F, Classica Tower Condominium
114 H.V. Dela Costa St.
Salcedo Village, Makati City
Tel. Nos. (02) 887-0029 / 887-0023

MAKATI-ETON YAKAL
Unit 5A, Belton Place Makati
Pasong Tamo cor. Yakal Sts.
Makati City
Tel. Nos. (02) 844-5706 / 844-5709

MAKATI-GREENBELT
G/F, 114 Charter House Building
Legaspi St., Legaspi Village
Makati City
Tel. Nos. (02) 892-6094 / 892-6341

MAKATI-GUADALUPE
Pacmac Bldg., 23 EDSA Guadalupe
Nuevo, Makati City
Tel. Nos. (02) 882-4636 / 882-1904

MAKATI-LEGASPI SOTTO
VMC Bldg. Legaspi & Sotto Sts.
Legaspi Village, Makati City
Tel. Nos. (02) 848-3589 / 848-3591

MAKATI-LEVISTE ST.-SALCEDO VILLAGE
G/F, LPL Mansions Condominium
122 L.P. Leviste St., Salcedo Village
Makati City
Tel. Nos. (02) 848-2593 / 848-2574

MAKATI-METROPOLITAN AVENUE
G/F, 1012 BUMA Bldg., Metropolitan
Ave., San Antonio Village, Makati City
Tel. Nos. (02) 897-5815 / 897-4408

MAKATI-PASONG TAMO
2233 Chino Roces Avenue
Makati City
Tel. Nos. (02) 813-4013 / 813-4012
Fax No. (02) 893-9206

MAKATI-POBLACION
Cor. Angono and Cardona Sts.
1210 J. P. Rizal, Makati City
Tel. Nos. (02) 899-1430 / 897-9932

MAKATI-ROCKWELL CENTER
Stall No. RS-03, G/F Manansala Tower
Estrella St. cor. Joya Drive
Rockwell Center, Makati City
Tel. Nos. (02) 551-2001 / 551-8978

MAKATI-SALCEDO ST.-LEGASPI VILLAGE
First Life Center, 174 Salcedo St.
Legaspi Village, Makati City
Tel. Nos. (02) 893-7841/ 892-7856

MAKATI-SAN LORENZO
G/F, Jackson Bldg.
926 A. Arnaiz Avenue, Makati City
Tel. No. (02) 894-4165

MAKATI-SAN LORENZO-ARNAIZ
G/F, Power Realty Bldg.
1012 A. Arnaiz Avenue
Brgy. San Lorenzo, Makati City
Tel. Nos. (02) 887-7770 / 887-7771
Fax No. (02) 887-7772

MALABON-F. SEVILLA
F. Sevilla Blvd., Brgy. Tañong
Malabon City
Tel. Nos. (02) 281-3154 / 281-4727

MALABON-GOV. PASCUAL
157 Gov. Pascual Avenue
Acacia, Malabon City
Tel. No. (02) 288-5106
Fax No. (02) 288-5105

MALABON-POTRERO
A & S Building, 189 MacArthur
Highway, Potrero, Malabon City
Tel. Nos. (02) 291-2742 / 444-6263
447-4291

MALABON-RIZAL AVE.
701 Rizal Avenue Ext.
cor. Magsaysay St., Malabon City
Tel. Nos. (02) 281-5859 / 281-3230
Fax No. (02) 281-3338

MANDALUYONG SHAW-ACACIA LANE
VSK Building, 2 Acacia Lane
cor. Shaw Blvd., Mandaluyong City
Tel. Nos. (02) 532-4249 / 532-4230

MANDALUYONG SHAW-PRINCETON
G/F, Sun Plaza Bldg., 1505 Shaw Blvd.
cor. Princeton St., Mandaluyong City
Tel. Nos. (02) 661-9466 / 570-3134

MANDALUYONG-BONI AVENUE
654 Boni Ave., Mandaluyong City
Tel. Nos. (02) 531-4833 / 532-5691

MANDALUYONG-CENTERA-RELIANCE
Unit 1C-03, Avida Towers Centera
EDSA cor. Reliance St., Brgy. Highway
Hills, Mandaluyong City
Tel. Nos. (02) 927-2987 / 927-4391
Fax No. (02) 928-6776

MANDALUYONG-HIGHWAY HILLS
471 Shaw Blvd., Mandaluyong City
Tel. Nos. (02) 534-8020 / 533-4243

MANDALUYONG-PIONEER
G/F, B. Guerrero Complex
123 Pioneer St., Mandaluyong City
Tel. Nos. (02) 638-9310 / 638-9565

MANDALUYONG-SHANGRI-LA PLAZA
Unit AX 116 P3 Carpark Bldg.
Shangri-la Annex Plaza Mall
EDSA cor. Shaw Blvd.
Mandaluyong City
Tel. Nos. (02) 633-9223 / 633-9224

MANDALUYONG-SHAW BLVD.
Unit G06, Global Link Center
No. 710-712 Shaw Boulevard
Brgy. Wack Wack, Mandaluyong City
Tel. Nos. (02) 726-1832 / 726-9258

MANDALUYONG-WACK-WACK
G/F, Summit One Tower
530 Shaw Blvd., Mandaluyong City
Tel. Nos. 533-7093 / 533-1808

MANILA-ADRIATICO-HARRISON PLAZA
RMSC Bldg., A. Adriatico St.
Malate, Manila
Tel. Nos. (02) 525-2489 / 524-9851
525-2462

MANILA-ARRANQUE
1427 Citiriser Building, Soler St.
Sta. Cruz, Manila
Tel. Nos. (02) 733-2671 / 733-2691
733-2677

MANILA-BAMBANG-MASANGKAY
G/F, ST Condominium
1480 G. Masangkay St.
Sta. Cruz, Manila
Tel. Nos. (02) 254-2506 / 254-2530
Fax No. (02) 254-2503

MANILA-BENAVIDEZ-LA TORRE
G/F, Oxford Parksuites
Benavidez cor. La Torre Sts.
Brgy. 260, Tondo, Manila
Tel. Nos. (02) 733-7198 / 733-7931
Fax No. (02) 733-7204

MANILA-BLUMENTRITT- L. RIVERA
Citidorm Blumentritt, 1848
Blumentritt cor. Leonor Rivera Sts.
Sta. Cruz, Manila
Tel. Nos. (02) 732-7150 / 732-7156

MANILA-BSP
G/F, Cafetorium Building
BSP Complex, A. Mabini
cor. P. Ocampo Sts., Malate, Manila
Tel. Nos. (02) 708-7680 / 708-7682
521-5583

MANILA-CENTURY PARK HOTEL
G/F, Century Park Hotel, M. Adriatico
cor. P. Ocampo Sts., Malate, Manila
Tel. Nos. (02) 524-8385 / 525-3792
528-8888 local 2018
Fax No. (02) 525-0232

MANILA-C.M. RECTO
G/F, Dr. Lucio C. Tan Bldg.
UE Manila Annex, C.M. Recto, Manila
Tel. Nos. (02) 734-0799 / 734-0899

MANILA-DAPITAN
1710 Dapitan St. cor.
M. dela Fuente St., Sampaloc, Manila
Tel. Nos. (02) 7419829 / 7315925

MANILA-EARNSHAW
1357 Earnshaw cor. Jhocson Sts.
Sampaloc, Manila
Tel. Nos. (02) 742-7971 / 742-7975

MANILA-ERMITA U.N. AVE.
Physician's Tower, 533 U.N. Avenue
cor. San Carlos St., Ermita, Manila
Tel. Nos. (02) 525-0859 / 524-7851
525-0857

MANILA-ERMITA-ROXAS BLVD.
Roxas Boulevard cor. Arquiza St.
Ermita, Manila
Tel. Nos. (02) 254-7631 / 254-7630
254-7632 / 254-7634
Fax No. (02) 254-7635

MANILA-ESCOLTA
G/F, Regina Bldg., Escolta, Manila
Tel. Nos. (02) 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. (02) 735-6592 / 735-6593

MANILA-FLORENTINO TORRES
740 Florentino Torres St.
Sta. Cruz, Manila
Tel. Nos. (02) 734-2462 / 733-6682

MANILA-FUGOSO ST.
JT Centrale, No. 1686, Brgy. 311
Zone 31, V. Fugoso cor. Felix Huertas
St., 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. (02) 781-3010 / 781-3011

MANILA-INTRAMUROS-CATHEDRAL
707 Shipping Center Condominium
A. Soriano Jr. St., Intramuros, Manila
Tel. Nos. (02) 527-5694 / 527-5693

MANILA-INTRAMUROS-FORT SANTIAGO
G/F, Marine Technology Bldg.
cor. A Soriano Ave. & Arzobispo St.
Intramuros, Manila
Tel. Nos. (02) 527-1255 / 527-7380

MANILA-J. ABAD SANTOS-BAMBANG
Unit B, Dynasty Towers, J. Abad
Santos cor. Bambang Sts., Manila
Tel. Nos. (02) 255-2237 / 255-2238
253-5606

MANILA-JOSE ABAD SANTOS
1450-1452 Coyuco Bldg.
Jose Abad Santos, Tondo, Manila
Tel. Nos. (02) 256-8905 / 256-9893

MANILA-J.P. LAUREL
G/F, Gama Bldg., J. P. Laurel
cor. Minerva Sts., San Miguel, Manila
Tel. Nos. (02) 735-9965 / 735-9967

MANILA-LEON GUINTO
G/F, Marlow Bldg.
2120 Leon Guinto St., Malate, Manila
Tel. Nos. (02) 559-8956 / 559-8955
567-4548

MANILA-LUNETA-T.M. KALAW
National Historical Institute
(NHI) Compound, T.M. Kalaw St.
Ermita, Manila
Tel. Nos. (02) 524-8926 / 524-2774
524-2879

MANILA-MACEDA-LAON LAAN
G/F, Maceda Place Bldg., Laong-Laan
cor. Maceda Sts., Sampaloc, Manila
Tel. Nos. (02) 732-9617 / 749-0038

MANILA-MALATE-ADRIATICO
G/F, Pearl Garden Hotel
1700 M. Adriatico cor. Malvar Sts.
Malate, Manila
Tel. Nos. (02) 526-0382 / 521-0861
Fax No. (02) 525-1460

MANILA-MALATE-TAFT
Mark 1 Building, 1971 Taft Avenue
Malate , Manila
Tel. Nos. (02) 354-0710 / 354-4447

MANILA-MORAYTA
929 Consuelo Building
Nicanor Reyes St., Sampaloc, Manila
Tel. Nos. (02) 735-1227 / 735-4572

MANILA-NORTH BAY
511 Honorio Lopez Blvd.
Balut, Tondo, Manila
Tel. Nos. (02) 253-8471 / 251-9212
Fax No. (02) 251-7309

MANILA-PACO-PEDRO GIL
756 Pedro Gil cor. Pasaje-Rosario Sts.
Paco, Manila
Tel. Nos. (02) 525-5641 / 525-7820
Fax No. (02) 523-1514

MANILA-PADRE FAURA
PAL Learning Center Bldg.
540 Padre Faura cor. Adriatico Sts.
Ermita, Manila
Tel. No. (02) 526-4461
Fax No. (02) 526-4458

MANILA-PADRE RADA
647 RCS Bldg., Padre Rada St.
Tondo, Manila
Tel. Nos. (02) 245-0050 / 245-0243
Fax No. (02) 245-0309

MANILA-PANDACAN
Jesus cor. T. San Luis Sts.
Pandacan, Manila
Tel. Nos. (02) 564-0870 / 563-1031

MANILA-PGH
PGH Compound, Taft Avenue
Ermita, Manila
Tel. Nos. (02) 524-3565 / 523-9110
(02) 524-3558

MANILA-PORT AREA
G/F, Bureau of Customs Compound
South Harbor, Port Area, Manila
Temporary Site: G/F Marine Technology Bldg., cor. A. Soriano Ave. & Arzobispo St., Intramuros, Manila (Manila-Intramuros-Fort Santiago) Effective: February 22, 2019
Tel. Nos. 527-4432 / 527-4433

MANILA-PRITIL-CAPULONG
MTSC Bldg., Juan Luna cor.
Capulong Ext., Tondo, Manila 1012
Tel. Nos. (02) 252-9639 / 252-9669

MANILA-QUIAPO-C. PALANCA
201 C. Palanca cor. Quezon Blvd.
Quiapo, Manila
Tel. Nos. (02) 733-1730 / 733-1960
Fax No. (02) 733-1821

MANILA-REMEDIOS
G/F, Royal Plaza Twin Towers
Condominium, 648 Remedios
cor. Ma. Orosa Sts., Malate, Manila
Tel. Nos. (02) 400-8594 / 400-8588
Fax No. (02) 400-8543

MANILA-RIZAL AVE.-HERRERA
Rizal Avenue cor. Saturnino
Herrera St., Sta. Cruz, Manila
Tel. Nos. (02) 254-2519 / 254-2520

MANILA-RIZAL AVE.-LAGUNA
2229-2231 Rizal Avenue
Sta. Cruz, Manila
Tel. Nos. (02) 257-1053 / 257-1054

MANILA-SAN ANDRES
1155 Swanson Building
cor. Linao St., San Andres, Manila
Tel. Nos. (02) 524-6632 / 525-6673
Fax No. (02) 522-2057

MANILA-STA. ANA
G/F, Real Casa de Manila Building
Lot 2, Blk. 1416, Pedro Gil St.
Sta. Ana, Manila
Tel. Nos. (02) 708-9350 / 708-9360

MANILA-T. ALONZO
905 T. Alonzo cor. Ongpin Sts.
Sta. Cruz, Manila
Tel. Nos. (02) 733-9572 / 733-9571
Fax No. (02) 734-3239

MANILA-TAFT AVE.-ONE ARCHERS
G/F, One Archers' Place
Condominium, 2311 Taft Avenue
Malate, Manila
Tel. No. (02) 708-0147
Fax No. (02) 708-2203

MANILA-TONDO-JUAN LUNA
1941-1943 Juan Luna St.
Tondo, Manila
Tel. Nos. (02) 252-9769 / 253-9838
252-3026

MANILA-TUTUBAN MALL
LS 31 Podium Level, Tutuban Prime
Block Mall, Tutuban Center
C.M. Recto, Manila
Tel. Nos. (02) 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. (02) 736-4422 / 736-4420

MANILA-U.N. AVE.
G/F, UMC Bldg., 900 U.N. Avenue
Ermita, Manila
Tel. Nos. (02) 521-4826 / 524-6723
521-7637

MARIKINA-A. TUAZON
45 Gil Fernando Ave.
cor. Chestnut St., Brgy. San Roque
Marikina City
Tel. Nos. (02) 646-7302 / 646-1805

MARIKINA-CALUMPANG
G/F, RBI Center Building
Calderon St. cor. J.P. Rizal Sts.
Brgy. Calumpang, Mariking City
Tel. Nos. (02) 646-7928 / 646-7816

MARIKINA-CONCEPCION
Bayan-Bayanan Ave.
cor. Eustaquio St.
Concepcion, Marikina City
Tel. Nos. (02) 942-2842 / 942-0425

MARIKINA-SHOE AVE.
Shoe Ave. cor. W. Paz St.
Sta. Elena, Marikina City
Tel. Nos. (02) 681-0701 / 681-0699

MUNTINLUPA-ALABANG-AYALA SOUTH PARK
G/F, Ayala Malls South Park
Alabang, Muntinlupa City
Tel. Nos. (02) 825-3552 / 829-8242

BRANCHES AND OFFICES

MUNTINLUPA-ALABANG-MADRIGAL BUSINESS PARK
G/F, Page 1 Building, 1215 Acacia Avenue, Madrigal Business Park
Ayala Alabang, Muntinlupa City
Tel. Nos. (02) 807-6065 / 842-3550

MUNTINLUPA-BELLEVUE-FILINVEST
G/F, Bellevue Hotel, North Bridgeway
Northgate Cyberzone, Filinvest
Corporate City, Alabang
Muntinlupa City
Tel. Nos. (02) 771-2427 / 771-2429

MUNTINLUPA-EAST SERVICE ROAD
Uratex Bldg., Km. 23, East Service Road, Brgy. Cupang, Muntinlupa City
Tel. Nos. (02) 403-2598 / 823-6635

MUNTINLUPA-FILINVEST AVENUE
BC Group Center, Filinvest Avenue & East Asia Drive, Filinvest
Corporate City, Muntinlupa City
Tel. Nos. (02) 836-8048 / 836-8578

MUNTINLUPA-POBLACION
G/F, Arbar Building, National Highway, Poblacion, Muntinlupa City
Tel. Nos. (02) 861-2988 / 861-2990

MUNTINLUPA-STARMALL ALABANG
Upper Ground Level, Starmall Alabang, South Superhighway
Alabang, Muntinlupa City
Tel. Nos. (02) 828-5023 / 555-0668

NAIA 1-ARRIVAL AREA
Arrival Area Lobby, NAIA Terminal 1
Parañaque City
Tel. Nos. (02) 879-6040 / 831-2640

NAIA 1-DEPARTURE AREA
Departure Area, NAIA Terminal 1
Parañaque City
Tel. No. (02) 832-2660
Fax No. (02) 832-2606

NAIA 2-DEPARTURE AREA
NAIA Centennial Terminal 2
Northwing Level Departure
Intl., Bldg., Pasay City
Tel. Nos. (02) 879-5946 / 879-5949
Fax No. (02) 879-5947

NAIA 3-ARRIVAL AREA
Arrival Area, NAIA Terminal 3
Pasay City
MIAA Trunk Line: 8777-888 loc. 8272
Direct Line: (02) 785-6018

NAVOTAS-FISH PORT
Bulungan cor. Daungan Ave.
Navotas Fish Port Complex, North Bay Boulevard South, Navotas City
Tel. Nos. (02) 351-4650 / 351-4649

NAVOTAS-M. NAVAL
865 M. Naval St., Navotas City
Tel. Nos. (02) 281-8934 / 281-9001
Fax No. (02) 282-4021

PARAÑAQUE-ASEANA CITY
G/F, Space 127, Monarch Parksuites
Bradco Avenue, Aseana Business Park, Parañaque City
Tel. Nos. (02) 511-71-93
403-91-98

PARAÑAQUE-BETTER LIVING
50 ABC Bldg., Doña Soledad Ave.
Better Living Subd., Parañaque City
Tel. Nos. (02) 824-3472 / 822-6086
Fax No. (02) 822-6084

PARAÑAQUE-BF HOMES-AGUIRRE AVENUE
47 Aguirre Ave. cor. Tirona St.
BF Homes, Parañaque City
Tel. Nos. (02) 478-8878 / 808-1145

PARAÑAQUE-BF HOMES-PHASE 3
CFB Building, 322 Aguirre Avenue
BF Homes, Parañaque City
Tel. Nos. (02) 808-6408 / 808-6563
Fax No. (02) 856-4021

PARAÑAQUE-BF HOMES-PRES. AVE.
43-C President Avenue, BF Homes
Parañaque City
Tel. Nos. (02) 807-3540 / 809-2523
Fax No. (02) 809-2524

PARAÑAQUE-BICUTAN-DOÑA SOLEDAD
VCD Building, 89 Doña Soledad Avenue Betterliving Subdivision
Bicutan, Parañaque City
Tel. No. (02) 824-4955
Fax No. (02) 824-4953

PARAÑAQUE-EAST SERVICE ROAD
Iba cor. Malugay Sts., East Service Road, Brgy. San Martin de Porres
United Parañaque
Tel. Nos. (02) 551-0508 / 824-3891
Fax No. (02) 821-3087

PARAÑAQUE-OYSTER PLAZA
Unit D1, Oyster Plaza Bldg.
Ninoy Aquino Ave.
Brgy. San Dionisio, Paranaque City
Tel. Nos. (02) 829-0710 / 829-0711
Fax No. (02) 829-1937

PARAÑAQUE-SUCAT-A. SANTOS
G/F, Kingsland Bldg., Dr. A. Santos Avenue, Sucat, Parañaque City
Tel. Nos. (02) 826-1931 / 826-1921

PARAÑAQUE-SUCAT-EVACOM
G/F, AC Raftel Center
8193 Dr. A. Santos Ave., Sucat Road
Parañaque City
Tel. Nos. (02) 820-0180 / 820-0181

PASAY-BACLARAN
2976 Mexico Avenue, Pasay City
Tel. Nos. (02) 832-0394 / 831-5264
Fax No. (02) 832-0391

PASAY-CARTIMAR
SATA Corp. Bldg.
2217 Cartimar-Taft Avenue
Pasay City
Tel. Nos. (02) 834-0765 / 833-2268

PASAY-DOMESTIC AIRPORT RD.
G/F, PAL Data Center Bldg.
Domestic Airport Road, Pasay City
Tel. Nos. (02) 851-4377 / 805-1423
Fax No. (02) 851-4375

PASAY-EDSA EXTENSION
235-A Loring St., Pasay City
Tel. Nos. (02) 659-5586 / 551-2728
Fax No. (02) 833-8620

PASAY-GSIS
Level 1 GSIS Bldg., Financial Center
Roxas Blvd., Pasay City
Tel. No. (02) 891-6345

PASAY-LIBERTAD
277 P. Villanueva St.
Libertad Pasay City
Tel. Nos. (02) 551-2370 / 833-2415
Fax No. (02) 551-2369

PASAY-ROXAS BLVD.
Suite 101, CTC Building
2232 Roxas Boulevard, Pasay City
Tel. Nos. (02) 832-3901 / 832-3902
551-0238

PASAY-TAFT
2482 Taft Avenue, Pasay City
Tel. Nos. (02) 833-2413 / 833-2414
Fax No. (02) 831-5986

PASAY-VILLAMOR AIR BASE
G/F, Airmens Mall Bldg.
cor Andrews & Sales Sts.
Villamor Air Base, Pasay City
Tel. Nos. (02) 854-0055 / 854-1675

PASIG-CAPITOL COMMONS
Unit 2, G/F Unimart Capitol Commons, Shaw Blvd. cor. Meralco Ave., Brgy. Oranbo, Pasig City
Tel. Nos. (02) 636-7465 / 631-3996

PASIG-C. RAYMUNDO
G/F, JG Bldg., C. Raymundo Ave.
Maybunga, Pasig City
Tel. Nos. (02) 656-9199 / 656-6629

PASIG-JULIA VARGAS
Lot 5, Block 13-A, Julia Vargas & Jade Drive, Brgy. San Antonio
Ortigas Center, Pasig City
Tel. Nos. (02) 573-7848/ 573-8418

PASIG-KAPASIGAN
Emiliano A. Santos Bldg., A. Mabini cor. Dr. Sixto Antonio Ave., Pasig City
Tel. Nos. (02) 643-6225 / 641-0623

PASIG-ORTIGAS CENTER
G/F, JMT Bldg., ADB Avenue
Ortigas Center, Pasig City
Tel. Nos. (02) 635-3719 / 633-8189

PASIG-ORTIGAS EXT.
103 B. Gan Building, Ortigas Ave. Ext.
Rosario, Pasig City
Tel. Nos. (02) 641-0704 / 641-0706
(02) 641-0705

PASIG-ORTIGAS GARNET
Unit 104, Taipan Place Building
Emerald Ave., Ortigas Center
Pasig City
Tel. Nos. (02) 637-5851 / 637-5852

PASIG-SANTOLAN
Amang Rodriguez Ave.
Brgy. Dela Paz, Santolan, Pasig City
Tel. Nos. (02) 647-5552 / 682-7972

PASIG-SHAW
G/F, Jade Center Condominium
105 Shaw Blvd., Brgy. Oranbo
Pasig City
Tel. Nos. (02) 633-9618 / 633-9625
633-9627

PASIG-TIENDESITAS
G/F, Units 4-5, Silver City Bldg.
No. 03, Frontera Verde Drive
Ortigas Center, Pasig City
Tel. Nos. (02) 656-1235 / 656-9126

Q.C.-A. BONIFACIO
789 A. Bonifacio Ave., Brgy. Pag-Ibig sa Nayon, Balintawak, Quezon City
Tel. No. (02) 415-6002
Fax No. (02) 363-6052

Q.C.-ACROPOLIS
251 TriQuetra Bldg.
E. Rodriguez Jr. Ave.
Brgy. Bagumbayan, Quezon City
Tel. Nos. (02) 395-5117 / 395-5118

Q.C.-ARANETA CENTER
Unit 5, G/F, Manhattan Heights
Araneta Center, Cubao, Quezon City
Tel. Nos. (02) 912-1655 / 912-6654

Q.C.-BANAWE
210 Banawe Street,
Brgy. Tatalon, Quezon City
Tel. Nos. (02) 743-9164 / 743-3678
Fax No. (02) 712-9630

Q.C.-BANAWE-N. ROXAS
G/F Prosperity Banawe Center
395 Banawe cor. N. Roxas Sts.
Quezon City
Tel. Nos. (02) 712-9727 /743-7566
Fax No. (02) 743-7565

Q.C.-BATASANG PAMBANSA
Main Entrance, Batasan Pambansa Complex, Constitutional Hills
Quezon City
Tel. Nos. (02) 951-7590 / 951-7591

Q.C.-BSP
Bangko Sentral ng Pilipinas
Security Plant Complex, East Avenue
Diliman, Quezon City
Tel. Nos. (02) 926-4881/ 988-4899

Q.C.-COA
COA Building
Commonwealth Avenue
Quezon City
Tel. Nos. (02) 932-9027 / 932-9026

Q.C.-COMMONWEALTH AVENUE
G/F, KC Square Bldg.
529 Commonwealth Avenue
Diliman, Quezon City
Tel. Nos. (02) 932-1891 / 951-4893

Q.C.-CUBAO MAIN
Cor. Gen. Araneta St.
Aurora Blvd., Cubao, Quezon City
Tel. Nos. (02) 911-2916 / 912-1938

Q.C.-CUBAO-HARVARD
SRMC Bldg., 901 Aurora Blvd.
cor. Harvard & Stanford Sts.
Cubao, Quezon City
Tel. Nos. (02) 912-3070 / 912-2577
913-1068 / 912-2571
Fax No. (02) 913-4503

Q.C.-DEL MONTE
116 Del Monte Ave.
cor. D. Tuazon St., Brgy. Maharlika
Quezon City
Tel. Nos. (02) 742-3360 / 742-3361

Q.C.-DEL MONTE-FRISCO
972 Del Monte Ave.
cor. San Pedro Bautista St.
SFDM, Quezon City
Tel. Nos. (02) 372-5784 / 372-5786
Fax No. (02) 372-5785

Q.C.-DELTA
101-N dela Merced Bldg.
West Avenue cor. Quezon Avenue
Quezon City
Tel. Nos. (02) 372-1539 / 372-1541

Q.C.-DON ANTONIO HEIGHTS
30 G/F, Puno Foundation Bldg.
Brgy. Holy Spirit, Quezon City
Tel. Nos. (02) 952-2740 / 952-2741

Q.C.-E. RODRIGUEZ SR. AVE.
1706 Rimando Building
E. Rodriguez Sr. Ave.
Cubao, Quezon City
Tel. No. (02) 726-0763
Fax No. (02) 726-0726

Q.C.-E. RODRIGUEZ-G. ARANETA
599 B, G. Araneta Ave.
cor. E. Rodriguez Sr. Ave.
Doña Imelda, Quezon City
Tel. Nos. (02) 732-8238 / 732-8224
(02) 732-8218

Q.C.-EASTWOOD
MDC 100 Building, Mezzanine Level
Unit M3, E. Rodriguez Jr. Ave.
cor. Eastwood Ave.
Brgy. Bagumbayan, Quezon City
Tel. Nos. (02) 961-0309 / 961-0514

Q.C.-EDSA ROOSEVELT
1024 Global Trade Center Bldg.
EDSA, Quezon City
Tel. Nos. (02) 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. (02) 332-5368 / 332-6258
332-6665

Q.C.-ELLIPTICAL ROAD
Elliptical Road cor. Kalayaan Avenue
Diliman, Quezon City
Tel. Nos. (02) 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. (02) 470-6264 / 470-6646

Q.C.-EVER COMMONWEALTH
Lower G/F, Stall No. 20
Ever Commonwealth Mall
Commonwealth Avenue
Quezon City
Tel. Nos. (02) 932-6633 / 951-7342

Q.C.-FAIRVIEW COMMONWEALTH
70 Commonwealth Ave., Fairview
Park Subd., Fairview, Quezon City
Tel. No. (02) 938-7099
Fax No. (02) 938-7098

Q.C.-FAIRVIEW-REGALADO AVE.
No. 41, Regalado Ave.
West Fairview, Quezon City
Tel. Nos. (02) 938-7429 / 431-2955

Q.C.-FRISCO
136 Roosevelt Ave.
Brgy. Paraiso, SFDM, Quezon City
Tel. Nos. (02) 373-6604 / 373-6605

Q.C.-GALAS
20 A. Bayani St. cor. Bustamante
Galas, Quezon City
Tel. Nos. (02) 781-9476 / 781-9477

Q.C.-GRACE VILLAGE
G/F, TSPS Bldg., Christian cor.
Grace Sts., Grace Village, Quezon City
Tel. Nos. (02) 367-8465 / 367-9325
Fax No. (02) 367-9321

Q.C.-GRANADA
G/F, Xavier Hills Condominium
32 Granada cor. N. Domingo Sts.
Brgy. Valencia, Quezon City
Tel. Nos. (02) 727-4788 / 723-7389
727-4787

Q.C.-KAMUNING
118 Kamuning Road, Quezon City
Tel. Nos. (02) 922-5804 / 928-0117

Q.C.-KATIPUNAN-AURORA BLVD.
Aurora Blvd., (near PSBA)
Brgy. Loyola Heights, Quezon City
Tel. Nos. (02) 421-2331 / 421-2330
Fax No. (02) 421-2329

Q.C.-KATIPUNAN-LOYOLA HEIGHTS
335 Agcor Bldg., Katipunan Ave.
Loyola Heights, Quezon City
Tel. Nos. (02) 929-8814 / 433-2021
433-2022

Q.C.-KATIPUNAN-ST. IGNATIUS
G/F, Linear Building
142 Katipunan Road, Quezon City
Tel. Nos. (02) 912-8077 / 912-8078

Q.C.-LAGRO
BDI Center Inc., Lot 33, Blk. 114
Regalado Ave., Greater Lagro
Quezon City
Tel. Nos. (02) 930-3105 to 3106

Q.C.-LAGRO-QUIRINO
Km. 21, Lester Bldg.,
Quirino Highway, Lagro, Quezon City
Tel. Nos. (02) 419-6527 / 939-1160

Q.C.-MATALINO
21 Tempus Bldg., Matalino St.
Diliman, Quezon City
Tel. Nos. (02) 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. (02) 456-8582 / 983-0376

Q.C.-MWSS
MWSS Compound, Katipunan Road
Balara, Quezon City
Tel. Nos. (02) 927-5443 / 922-3765
922-3764

Q.C.-NEW MANILA
322 E. Rodriguez Sr. Ave.
New Manila, Quezon City
Tel. Nos. (02) 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.-N.S. AMORANTO
Unit 103, "R" Place Building
255 N.S. Amoranto Sr. Avenue
Quezon City
Tel. Nos. (02) 413-0566 / 413-0568
731-7991
Fax No. (02) 731-7987

Q.C.-NOVALICHES-GULOD
903 Quirino Hi-way, Brgy. Gulod
Novaliches, Quezon City
Tel. Nos. (02) 936-1008 / 936-1547
930-6036
Fax No. (02) 930-6037

Q.C.-NOVALICHES-TALIPAPA
513 Quirino Highway, Talipapa
Novaliches, Quezon City
Tel. Nos. (02) 984-6505 / 984-0024

Q.C.-NPC
Agham Road, Diliman, Quezon City
Tel. Nos. (02) 927-8842 / 927-8829

Q.C.-P. TUAZON
279 P. Tuazon Blvd.
Cubao, Quezon City
Tel. Nos. (02) 913-3346 / 9133344
Fax No. (02) 911-9909

Q.C.-PROJECT 3-AURORA BLVD.
1003 Aurora Blvd. cor. Lauan St.
Quirino Dist., Quezon City
Tel. No. (02) 913-8735
Fax No. (02) 913-5117

Q.C.-PROJECT 8
Mecca Trading Bldg., Congressional
Avenue, Project 8, Quezon City
Tel. Nos. (02) 426-2236 / 924-2563

Q.C.-QUADRANGLE
Unit I, Paramount Bldg., EDSA
cor. West Ave., Quezon City
Tel. Nos. (02) 927-4134 / 928-4820
920-1390

Q.C.-RETIRO
422 Edificio Enriqueta Bldg.
N.S. Amoranto St., Sta. Mesa Heights
Quezon City
Tel. Nos. (02) 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. (02) 373-6022 / 373-6024

Q.C.-ROOSEVELT AVE.
256 Roosevelt Ave., Brgy. San
Antonio, San Francisco del Monte
Quezon City
Tel. Nos. (02) 374-2717/ 374-3574
Fax No. (02) 374-3573

Q.C.-SSS DILIMAN
G/F, SSS Building, East Avenue
Diliman, Quezon City
Tel. Nos. (02) 927-2804 / 433-1688
433-1716

Q.C.-TANDANG SORA
Tandang Sora Ave. cor. San Miguel
Village, Brgy. Pasong Tamo
Quezon City
Tel. Nos. (02) 939-5094 / 454-4773

Q.C.-TIMOG
G/F, Newgrange Bldg.
32 Timog Ave., Brgy. Laging Handa
Quezon City
Tel. Nos. (02) 373-9041 / 373-9045

BRANCHES AND OFFICES

Q.C.-TIMOG EDSA
Upper G/F, Caswynn Bldg.
134 Timog Avenue, Brgy. Sacred Heart, Quezon City
Tel. Nos. (02) 924-8920 / 928-3659
Fax No. (02) 928-3804

Q.C.-TOMAS MORATO
114 Tomas Morato Avenue
Barangay Kamuning, Quezon City
Tel. No. (02) 740-7875
740-7876

Q.C.-UERMMMC
UERMMMC, No. 64 Aurora Blvd.
Brgy. Dona Imelda, Quezon City
Tel. Nos. (02) 716-2419 / 716-1964
Fax No. (02) 714-3729

Q.C.-UP CAMPUS
No. 3 Apacible St., UP Campus
Diliman, Quezon City
Tel. Nos. (02) 927-0452 / 927-4713

Q.C.-VISAYAS AVENUE
Wilcon City Center, 121 Visayas Ave.
Brgy. Bahay Toro, Quezon City
Tel. Nos. (02) 926-1586 / 926-1656
Fax No. (02) 926-1630

Q.C.-VISAYAS CONGRESSIONAL
#22 RTS Building, Congressional Ave.
Quezon City
Tel. Nos. (02) 426-7300 / 426-2429

Q.C.-WELCOME ROTONDA
10 Doña Natividad Bldg.
Quezon Ave., Welcome Rotonda
Quezon City
Tel. Nos. (02) 740-4982 / 731-3145
740-7639

Q.C.-WEST AVENUE
92 West Ave., Brgy. Philam
Quezon City
Tel. Nos. (02) 929-3185 / 921-1915
929-8683

Q.C.-WEST TRIANGLE
1396 Quezon Ave., Brgy. South Triangle, Quezon City
Tel. Nos. (02) 373-0770 / 373-8612

Q.C.-ZABARTE
1131 Quirino Hi-way
Brgy. Kaligayahan, Novaliches
Quezon City
Tel. Nos. (02) 417-3314
461-3582 (telefax)

RIZAL-ANGONO
Quezon Ave. cor. E. Dela Paz St.
Brgy. San Pedro, Angono, Rizal
Tel. Nos. (02) 451-0720 / 295-4646

RIZAL-MONTALBAN
E. Rodriguez Ave., cor. Midtown Subdivision, Rosario, Rodriguez, Rizal
Tel. Nos. (02) 470-1661 / 942-7210

RIZAL-SAN MATEO
19 Gen. Luna St., Brgy. Banaba
San Mateo, Rizal
Tel. Nos. (02) 570-2010 / 570-2011

RIZAL-TANAY
Tanay New Public Market Road
Brgy. Plaza Aldea, Tanay, Rizal
Tel. Nos. (02) 654-0211 / 693-1191

RIZAL-TAYTAY
Ilog Pugad National Road
Brgy. San Juan, Taytay, Rizal
Tel. No. (02) 781-8223

SAN JUAN-ANNAPOLIS
G/F, Continental Plaza, Annapolis St.
Greenhills, San Juan City
Tel. Nos. (02) 723-5267 / 723-0902
723-0903

SAN JUAN-F. BLUMENTRITT
213 F. Blumentritt St.
cor. Lope K. Santos, San Juan City
Tel. Nos. (02) 727-3643 / 724-6717

SAN JUAN-JOSE ABAD SANTOS
G/F, TNA Building, Jose Abad Santos
Little Baguio, San Juan City
Tel. No. (02) 242-0364 / 242-0085

TAGUIG- FTI COMPLEX
Lot 55, G/F Old Admin Bldg.
FTI Complex,Taguig City
Tel. Nos. (02) 822-2012 / 822-2013

TAGUIG-BAYANI ROAD
G/F GPI Bldg., 53 Bayani Road
Fort Bonifacio, Taguig City
Tel. Nos. (02) 518-8083 / 518-8084

TAGUIG-MCKINLEY HILL
G/F, Unit B, McKinley Hill 810 Bldg.
Upper McKinley Road, McKinley Town Center, Fort Bonifacio
Taguig City
Tel. Nos. (02) 552-1515 / 555-0651

TAGUIG-MCKINLEY WEST
G/F, Unit A108, West Campus Bldg.
Mckinley West, Taguig City
Tel. Nos. (02) 817-8985 / 817-8986

VALENZUELA-GEN. T. DE LEON
4024 General T. de Leon St.
Brgy. Gen. T. de Leon, Valenzuela City
Tel. No. (02) 921-9486
Fax No. (02) 921-4030

VALENZUELA-KARUHATAN
313 San Vicente St. cor. MacArthur Highway, Karuhatan, Valenzuela City
Temporary site: 101 MacArthur Hi-way, Bo. Marulas, Valenzuela City (Valenzuela-MacArthur)
Effective: January 15, 2018
Tel. Nos. (02) 292-9131 / 291-2826
291-2827

VALENZUELA-MACARTHUR
101 MacArthur Hi-way, Bo. Marulas
Valenzuela City
Tel. Nos. (02) 291-6574 / 291-6568
Fax No. (02) 291-6567

VALENZUELA-MALINTA
Moiriah's Building, 407 MacArthur Highway, Malinta, Valenzuela City
Tel. Nos. (02) 293-6267 / 291-2576
Fax No. (02) 291-2508

VALENZUELA-PASO DE BLAS
179 Paso de Blas, Valenzuela City
Tel. No. (02) 291-1101
Fax No. (02) 291-1102

Luzon Branches

ABRA-BANGUED
McKinley cor. Peñarrubia Sts.
Zone 4, Bangued, Abra
Tel. Nos. (074) 752-8440
(074) 752-8441

ABRA-BANGUED-MAGALLANES
Taft cor. Magallanes Sts., Zone 5
Bangued, Abra
Tel. Nos. (074) 752-8435
Fax No. (074) 752-8436

AGOO-CONSOLACION
Cor. Verceles St., Consolacion
Agoo, La Union
Tel. Nos. (072) 710-0057

AGOO-SAN ANTONIO
B&D Bldg. National Highway
San Antonio, Agoo, La Union
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
Temporary Site: ANST Bldg. II, Rizal St. Brgy. 14, Albay District., Legaspi City (PNB Legazpi City-Albay Capitol Branch)
Effective: October 29, 2018
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., Brgy. 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
Tel. Nos. (045) 888-8811
(045) 888-8800

BACOOR CITY-AGUINALDO HI-WAY
KM 17, Aguinaldo Highway
Bacoor City, Cavite
Tel. Nos. (046) 471-2678
(046) 471-1150

BACOOR CITY-MOLINO
I.K. Commercial Bldg., Villa Maria Subd., Molino Highway, Molino III
Bacoor City, 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 City, 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. No. (074) 442-7349
442-7348
Fax No. (074) 442-7350

BAGUIO CITY-MAGSAYSAY AVE.
G/F, Lyman Ogilby Centrum Bldg.
358 Magsaysay Ave., Baguio City
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
Shuntug St. cor. Fernando G. Bautista Drive Baguio City
Tel. Nos. (074) 447-3509
(074) 447-3360

BAGUIO CITY-SESSION ROAD
51 Session Road
cor. Upper Mabini St., Baguio City
Tel. Nos. (074) 442-4244
(074) 442-3833

BATAAN-BALANGA
Zulueta St., Poblacion
Balanga, Bataan
Tel. Nos. (047) 237-2218
(047) 791-1204

BATAAN-DINALUPIHAN
BDA Bldg., San Ramon Highway
Dinalupihan, Bataan
Tel. Nos. (047) 481-1361
(047) 481-3906

BATAAN-MARIVELES-BEPZ
Bataan Economic Zone, Luzon Ave.
FAB Mariveles, Bataan
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 Hi-way
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
Tel. Nos. (043) 723-7037
(043) 723-0226

BATANGAS CITY-PALLOCAN WEST
G/F, MAJ Bldg., National Highway
Pallocan West, Batangas City
Tel. Nos. (043) 318-2356
(043) 723-1857

BATANGAS-BALAYAN
147 Plaza Mabini, Balayan, Batangas
Tel. No. (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., cor. Ilustre Ave.
and P. De Joya St., Lemery, Batangas
Tel. Nos. (043) 740-0443
(043) 214-2273

BATANGAS-NASUGBU
J. P. Laurel cor. 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
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
0922-4720544

BULACAN-STA. MARIA
Jose Corazon De Jesus St.
Poblacion, Sta. Maria, Bulacan
Tel. Nos. (044) 893-0589
(044) 641-1555

CABANATUAN-CENTRAL MARKET
Cor. 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

CAGAYAN-APARRI
J.P. Rizal St., Aparri, Cagayan
Tel. No. (078) 888-2115

CAGAYAN-SANCHEZ MIRA
C-2 Maharlika Highway
Sanchez Mira, Cagayan
Tel. No. (078) 396-0496

CAGAYAN-TUAO
GF, Villacete Bldg., National Highway
Pata, Tuao, Cagayan
Tel. Nos. (078) 373-1162
(078) 373-1163
0917-6203695

CAGAYAN-TUGUEGARAO-BONIFACIO
Bonifacio St., Tuguegarao City
Cagayan
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) 440-3390

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
Tel. No. (077) 674-1291

CATANDUANES-VIRAC
G/F, Johnson Building, Rizal Ave.
Sta. Cruz, 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-AGUINALDO
Sayoc Abella Bldg.
E. Aguinaldo Hi-way
Imus City, Cavite
Tel. Nos. (046) 471-0189
(046) 471-0289
Fax No. (046) 471-0389

CAVITE-IMUS BAYAN
GF, J. Antonio Bldg.
1167 Gen. Aguinaldo Highway
Bayan Luma 7, Imus City, Cavite
Tel. Nos. (046) 471-4088
(046) 471-1009

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
Temporary Site: G/F, Event's Place
Premier Plaza, Emilio Aguinaldo
Hi-way, Brgy. Lucsuhin, Silang, Cavite
Effective: October 22, 2018
Tel. Nos. (046) 414-0660
(046) 414-0661

CAVITE-TANZA
G/F, Annie's Plaza Building
A. Soriano Highway, Daang Amaya
Tanza, Cavite
Tel. Nos. (046) 481-8892
Fax No. (046) 481-8893

DAGUPAN CITY-A.B. FERNANDEZ
A.B. Fernandez Ave., Dagupan City
Tel. Nos. (075) 522-2371
(075) 529-0892

DAGUPAN CITY-A.B. FERNANDEZ-NABLE
A. B. Fernandez Ave. cor. Nable St.
Dagupan City, Pangasinan
Tel. Nos. (075) 515-3792
(075) 522-2341

BRANCHES AND OFFICES

DAGUPAN CITY-PEREZ BLVD.
Orient Pacific Building, Perez Blvd.
cor. Rizal Ext., Dagupan City
Tel. Nos. (075) 522-8729
(075) 522-8730

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
Brgy. 1 S. Valdez cor. San Marcelino &
Concepcion Sts., Batac City
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
(054) 299-2341

ISABELA-ALICIA
Armando & Leticia de Guia Bldg.
San Mateo Road, Antonino
Alicia, Isabela
Tel. No. (078) 323-2343

ISABELA-CAUAYAN
Maharlika Hi-way cor. Cabatuan Rd.
Cauayan, Isabela
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
Tel. No. (078) 624- 2235

ISABELA-ILAGAN
Old Capitol Site Calamagui 2
Ilagan City, Isabela
Tel. No. (078) 624-2136

ISABELA-ROXAS
Cor. Don Mariano Marcos Ave. &
Bernabe St., Roxas, Isabela
Tel. Nos. (078) 642-0225
0917 572-8886

ISABELA-SANTIAGO-MAHARLIKA
Marcos Highway cor. Camacam St.
Centro East, Santiago City, Isabela
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
Tel. Nos. (072) 242-1446
(072) 242-0908

LA UNION-SAN FERNANDO-QUEZON AVE.
612 Quezon Ave., San Fernando City
La Union
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. Nos. (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
G/F, 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
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 Hi-way
San Pedro, Laguna
Tel. Nos. (02) 868-9968
(02) 847-8829

LAGUNA-SAN PEDRO-NATIONAL HI-WAY
Km. 31, National Highway
Brgy. Nueva, San Pedro, Laguna
Tel. Nos. 808-4275
847-5120
847-5121
Fax No. 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. Nos. (049) 501-3526
Fax No. (049) 501-1901

LAGUNA-STA. ROSA
Old National Hi-way, Balibago
Sta Rosa City
Tel. Nos. (049) 8372602
(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.
cor. J. P. Rizal St., Laoag City
Tel. Nos. (077) 772-0144
(077) 772-0145

LEGAZPI CITY-ALBAY CAPITOL
ANST Bldg. II, Rizal St., Brgy. 14
Albay District, Legaspi City
Tel. Nos. (052) 480-3497
(052) 820-1434

LEGAZPI CITY-DON B. ERQUIAGA
Cor. Don B. Erquiaga and
Rizal Sts., Legazpi City
Tel. No. (052) 480-7898

LEGAZPI CITY-IMPERIAL
35 F. Imperial St., Legaspi City, Albay
Tel. Nos. (02) 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. No. (043) 757-2144
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 cor. 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
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.
Brgy. Murallon, Boac, Marinduque
Tel. No. (042) 332-1365

MARINDUQUE-STA. CRUZ
G/F, RMR Bldg., Quezon St.
Brgy. Maharlika, Sta. Cruz
Marinduque
Tel. No. 0917-8737879

MASBATE CITY
Quezon St., Brgy. Pating
Masbate City, Masbate
Tel. No. (056) 333-2238
(056) 333-4507

MEYCAUAYAN
Sawmill Bldg., MacArthur Hiway
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
Mountain Province
Tel. Nos. (074) 462-4008
0939-9250807

NAGA CITY-GEN. LUNA
Gen. Luna St., Brgy. Abella
Naga City, Camarines Sur
Tel. No. (054) 473-9072

NAGA CITY-MAGSAYSAY AVE.
G/F G Square Bldg., Magsaysay Ave.
cor. Catmon II St., Balatas
Naga City, Camarines Sur
Tel. Nos. (054) 473-5558
(054) 473-3088

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 St., Poblacion, Gapan City
Nueva Ecija
Tel. No. (044) 486-0314
Fax No. (044) 486-1337

NUEVA ECIJA-GAPAN-SAN VICENTE
Tinio St., San Vicente, Gapan City
Nueva Ecija
Tel. Nos. (044) 486-0281
(044) 486-1063

NUEVA ECIJA-GUIMBA
CATMAN Bldg., Provincial Road
cor. Faigal St., Saranay District
Guimba, Nueva Ecija
Tel. No. (044) 958-3049

NUEVA ECIJA-MUÑOZ
D. Delos Santos cor. Tobias Sts.
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
Tel. Nos. (044) 940-4131
(044) 958-8877

NUEVA ECIJA-STA. ROSA
JNB Bldg., Maharlika Highway
Brgy. Cojuanco, Sta. Rosa, Nueva Ecija
Tel. No. (044) 940-0478

NUEVA VIZCAYA-BAYOMBONG
J. P. Rizal St., District 4, Bayombong
Nueva Vizcaya
Tel. Nos. (078) 321-2454
(078) 321-2278

NUEVA VIZCAYA-SOLANO
Maharlika 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 cor. M.H. Del Pilar Sts.
Brgy. 6, San Jose
Occidental Mindoro
Tel. No. (043) 491-1834

OLONGAPO CITY-MAGSAYSAY DRIVE
97 YBC Leisure Center, 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
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
Tel. Nos. (047) 252-7964
(047) 252-7963 (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

PAMPANGA-APALIT
G/F, Primemed Quest Alliance Bldg.
MacArthur Highway, San Vicente
Apalit, Pampanga
Tel. Nos. (045) 879-0082
(045) 652-0040

PAMPANGA-CLARK FIELD
Clark Center II, Retail 4 & 5
Berthaphil III, Jose Abad Santos Ave.
Clark Freeport Zone
Tel. Nos. (045) 599-2228
(045) 599-3043

PAMPANGA-GUAGUA
PNB Guagua Bldg., Brgy. Sto. Cristo
Guagua, Pampanga
Tel. Nos. (045) 900-0149
(045) 901-0140

PAMPANGA-LUBAO
OG Road, Ela Paz Arcade
Brgy. Sta. Cruz, Lubao
Pampanga
Tel. Nos. (045) 971-5021
(045) 971-5020 (telefax)

PAMPANGA-MABALACAT-DAU
MacArthur Highway
Dau, Mabalacat, Pampanga
Tel. Nos. (045) 892-2538
(045) 624-0490

PAMPANGA-MABALACAT-MABIGA
Destiny Building, MacArthur
Highway, Mabiga, Mabalacat 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) 696-2189

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. No. (075) 634-1878

PANGASINAN-TAYUG
PNB Tayug Branch Bldg.
Zaragoza Street, Poblacion
Tayug, Pangasinan
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

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 Fernando
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 Building
Brgy. 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

SANTIAGO-PANGANIBAN
Municipal Integrated Parking Bldg.
Panganiban St., Brgy. Centro East
Santiago City, Isabela
Tel. No. (078) 305-1627
Fax No. (078) 682-8276

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. (056) 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-CAMILING
Rizal St., Poblacion G, Camiling, Tarlac
Tel. Nos. (045) 934-0499
(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 CITY-F. TAÑEDO
F. Tanedo St., San Nicolas, Tarlac City
Tel. Nos. (045) 982-1315
(045) 982-2805

TARLAC CITY-ZAMORA
Unit 123, A & E Bldg., #06 Zamora St.
Brgy. San Roque, Tarlac City
Tel. No. (045) 982-0638
Fax No. (045) 982-2384

TARLAC-CONCEPCION
A. Dizon St., San Nicolas
Concepcion, Tarlac
Tel. No. (045) 923-0153

TARLAC-PANIQUI
M.H. Del Pilar St., cor. MacArthur
Hi-way, Paniqui, Tarlac
Tel. Nos. (045) 931-0383
(045) 931-0656

URDANETA CITY-ALEXANDER
AAG Bldg. 2, Alexander St.
Urdaneta City, Pangasinan
Tel. No. (075) 529-0034

URDANETA CITY-NANCAYASAN
MacArthur Highway, Nancayasan
Urdaneta City, Pangasinan
Tel. Nos. (075) 568-2451
(075) 656-2613

VIGAN CITY-FLORENTINO
Leona Florentino St.
Vigan City, Ilocos Sur
Tel. No. (077) 722-2515

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
Tel. Nos. (047) 811-1586
(047) 811-2721

ZAMBALES-STA. CRUZ
Brgy. Hall, Poblacion South
Sta. Cruz, Zambales
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
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 cor. 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) 707-7956
(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 Sts.
Bacolod City Negros Occidental
Tel. Nos. (034) 433-4046
(034) 707-7959

BILIRAN-NAVAL
Ballesteros St., Naval, Biliran
Tel. No. (053) 500-9024
(053) 500-9025

BOHOL-TUBIGON
Cor. Cabangbang Avenue &
Jesus Vaño Sts., 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: (036) 288-3607
Fax No. (036) 288-3048

CAPIZ ROXAS-C.M. RECTO
Cor. CM Recto & G. Del Pilar Sts.
Brgy. III, Roxas City, Capiz
Tel. Nos. (036) 522-9330
(036) 621-0789

CAPIZ ROXAS DOWNTOWN
Roxas Ave., Roxas City, Capiz
Tel. Nos. (036) 621-1112
(036) 522-1005
Fax No. (036) 621-2749

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

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) 253-1662
(032) 253-1663

CEBU-BANAWA
One Pavilion Mall, R. Duterte St.
Banawa, Cebu City
Tel. Nos. (032) 260-0833
(032) 260-0834

CEBU-BANILAD-FORTUNA
AS Fortuna St., Banilad
Mandaue City, Cebu
Tel. Nos. (032) 346-6184
(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. Nos. (032) 487-9058
Fax No. (032) 487-9057

CEBU-COLON
G/F J. Avila Bldg., Collonnade Mall
Colon St., Cebu City
Tel. Nos. (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., Osmena 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 cor. 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-MACTAN INT'L AIRPORT
Lower Ground, Waterfront Mactan
Airport Rd., Pusok, Lapu-Lapu City
Cebu
Tel. No. (032) 340-0029

CEBU-M.C. BRIONES
Cor. M.C. Briones &
Jakosalem Streets, Cebu City
Tel. Nos. (032) 255-1699
(032) 253-7676
(032) 253-8537

CEBU-MAMBALING
G/F, Supermetro Mambaling
F. Llamas St. cor. Cebu South Road
Basak, San Nicolas, Cebu City
Tel. Nos. (032) 414-6037
(032) 261-5845

CEBU-MANDAUE CENTRO
G/F, Gaisano Grand Mall
Mandaue Centro, A. Del Rosario St.
Mandaue City, 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, Cebu
Tel. Nos. (032) 340-1589
(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 7-9
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
Highway 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 Road
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
Tel. Nos. 0917-8737432
0947-9901678

ILOILO-ALDEGUER
St. Catherine Arcade
Aldeguer St., Iloilo City
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
Tel. Nos. (033) 321-5420
(033) 517-7888

ILOILO-GEN. LUNA
Go Sam Building, Gen. Luna St.
Iloilo City
Tel. Nos. (033) 508-7133
(033) 338-0626
Fax No. (033) 336-9722

ILOILO-IZNART
Iznart cor. Montinola Sts.
Brgy. Pres. Roxas City Proper
Iloilo City
Tel. Nos. (033) 337-2476
(033) 337-1705
(033) 335-0473

ILOILO-JARO
#8 Lopez Jaena St.
Jaro, Iloilo City
Tel. No. (033) 329-0750

ILOILO-JARO HECHANOVA
P.T. Española Building
Gran Plains Subdivision
Brgy. M.V. Hechanova, Tabuk Suba
Jaro, Iloilo City
Tel. Nos. (033) 320-3348
(033) 508-7560
(033) 320-3336

ILOILO-LA PAZ
G/F, Inayan Building, Rizal Street
La Paz, Iloilo City
Tel. Nos. (033) 320-1506
(033) 501-9950

ILOILO-LEDESMA
Ledesma cor. Quezon Sts.
Brgy. Ed Ganzon, Iloilo City
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
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-BAYBAY CITY-VSU
G/F, Technology Business
Incubation Center Bldg.
Visayas State University
Brgy. Pangasugan, Baybay City, Leyte

LEYTE-ORMOC CITY-BONIFACIO
Cor. Cata-ag & Bonifacio Sts.
Ormoc City, Leyte
Tel. Nos. (053) 561-9757
(053) 255-4304
0917-7200201

LEYTE-ORMOC COGON
G/F, Gabas Building, Lilia Avenue
Brgy. Cogon, Ormoc City, Leyte
Tel. Nos. (053) 255-5237
(053) 561-9578

LEYTE-PALOMPON
G/F Municipal Bldg., Rizal St.
Palompon, Leyte
Tel. Nos. (053) 555-9041
(053) 338-2104

NEGROS OCC.-BINALBAGAN
Don Pedro R. Yulo St., Binalbagan
Negros Occidental
Tel. Nos. (034) 388-8261
(034) 388-8271

NEGROS OCC.-CADIZ CITY
Cor. Luna and Cabahug Sts.
Cadiz City, Negros Occidental
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
Tel. Nos. (034) 460-2222
(034) 460-3330

NEGROS OCC.-SAN CARLOS CITY
V. Gustilo St., San Carlos City
Negros Occidental
Tel. Nos. (034) 729-9411
(034) 312-5250

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. Nos. (035) 415-8184
Fax No. (035) 527-0209

NORTHERN SAMAR-CATARMAN
Cor. Garcia & Jacinto Sts., Brgy. Narra
Catarman, Northern Samar
Tel. Nos. (055) 500-9003
(055) 251-8453

PALAWAN-PUERTO PRINCESA-RIZAL AVE.
Brgy. Manggahan, Rizal Avenue
Puerto Princesa City, Palawan
Tel. Nos. (048) 723-6617
(048) 433-6617
(048) 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

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-HINUNANGAN
Cor. National Highway & Washington
Street, Brgy. Salog, Hinunangan
Southern Leyte
Tel. No. 0927-3140893

SOUTHERN LEYTE-MAASIN CITY
Cor. Juan Luna & Allen Sts.
Tunga-Tunga, Maasin City
Southern Leyte
Tel. No. (053) 381-2113
Fax No. (053) 570-9625

SOUTHERN LEYTE-SOGOD
Osmena St., Zone 2 , Sogod
Southern Leyte
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. No. (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. No. (085) 343-8019

BASILAN-ISABELA-ROXAS
Roxas Ave., Isabela City, Basilan
Tel. Nos. (062) 200-7259
(062) 200-7265

BASILAN-ISABELA-STRONG BLVD.
Strong Blvd., Isabela, Basilan
Tel. No. 0917-8737952

BUKIDNON-MARAMAG
J. Tan, Bldg., Sayre Highway
North Poblacion, Maramag
Bukidnon
Tel. Nos. 0905-4152884
0917-7045012

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. No. (088) 387-1080
(088) 387-1081

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. No. (088) 857-5684

CDO-LAPASAN HIGHWAY
G/F, RMT Building, Lapasan Highway
Cagayan de Oro City, Misamis
Oriental
Tel. No. (088) 859-1277
Fax No. (088) 856-4732

CDO-LIMKETKAI DRIVE
Limketkai Center, Lapasan, Cagayan
de Oro City, Misamis Oriental
Tel. No. (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. No. (088) 856-1146

COTABATO CITY-DOROTHEO
Alejandro Dorotheo St.
cor. Corcuera Sts., 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 cor. Lapu-Lapu Ext.
Brgy. Visayan Village, Tagum City
Davao del Norte
Tel. No. (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, C.M. 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

DAVAO-GAISANO CABANTIAN
G/F, Units 22-24, Gaisano Grand
Citygate, Cabantian cor. Tiggato
Road, Buhangin, Davao City
Tel. Nos. (082) 234-0558
(082) 234-4520

DAVAO-J.P. LAUREL AVE.
Upper Ground Floor, Units 1A & 1B
Robinsons Cybergate Delta,
J.P. Laurel Avenue, Bajada, Davao City
Tel. Nos. (082) 225-7370
(082) 225-7368

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) 297-5637

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
Tel. No. (082) 222-0514
(082) 225-5895

DAVAO-OBRERO
G/F JJ's Commune Bldg., Loyola St.
Bo. Obrero, Davao City
Tel. No. (082) 224-2474
(082) 224-2479

DAVAO-PANACAN
Units 11-13, G/F, GRI Business Center
Maharlika Highway, Brgy. Panacan
Davao City
Tel. No. (082) 225-4413
(082) 225-4553

DAVAO-SAMAL ISLAND
Purok 1, Sitio Pantalan
Barangay Miranda, Babak District
Island Garden City of Samal
Davao del Norte

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 cor. C.M. Recto Sts.
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
Tel. Nos. (082) 221-1851
(082) 226-3145

DAVAO-TORIL
Anecita G. Uy Bldg., Saavedra St.
Toril, Davao City
Tel. Nos. (082) 291-0030
(082) 291-0028

DAVAO-VICTORIA PLAZA
G/F, Victoria Plaza Mall
J.P. Laurel Ave., Bajada, Davao City
Tel. Nos. (082) 225-7438
(082) 225-7437

DIPOLOG CITY-GEN. LUNA
Gen. Luna cor. C. P. Garcia Sts.
Dipolog City, Zamboanga del Norte
Tel. Nos. (065) 212-4827
(065) 212-7212

DIPOLOG CITY-RIZAL
Rizal Ave. cor. Osmena St.
Dipolog City, Zamboanga del Norte
Tel. Nos. (065) 212-2573
(065) 908-2600

GENERAL SANTOS-CITY HALL DRIVE
Osmena 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. No. (083) 554-9092
(083) 554-9093

GENERAL SANTOS-P. ACHARON
Pedro Acharon Blvd.
General Santos City, South Cotabato
Tel. No. (083) 553-6626
Fax No. (083) 552-4201

BRANCHES AND OFFICES

GENERAL SANTOS-SANTIAGO
RD Realty Development Bldg.
Santiago Blvd., General Santos City
South Cotabato
Tel. No. (083) 553-5283
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
(063) 221-3892

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 cor. 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. No. (088) 813-2051

MALAYBALAY CITY-RIZAL
Flores Bldg., cor. Rizal & Tabios Sts.
Brgy. 5, Malaybalay City, Bukidnon
Tel. Nos. (088) 813-2459
(088) 813-2460

MARAWI CITY-MSU CAMPUS
Dimaporo Gymnasium, MSU-Main
Campus, Brgy. Rapasun/Sikap
Marawi City, Lanao del Sur
Tel. Nos. 0918 937-4600
0917 886-7080

MISAMIS OCC.-OROQUIETA CITY
Sen. Jose Ozamis St., Lower Lamac
Oroquieta City, Misamis Occidental
Tel. Nos. (088) 531-2055
(088) 531-1052

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. Nos. (064) 288-1696
(064) 288-5118

NORTH COTABATO-MIDSAYAP
Quezon Avenue, Midsayap
North Cotabato
Tel. Nos. (064) 229-8004
(064) 229-8459

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-GAISANO CAPITAL
G/F Gaisano Capital Pagadian
Rizal Avenue, San Pedro District
Pagadian City, Zamboanga del Sur
Tel. No. (062) 215-2760

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

SIARGAO ISLAND-DAPA
G/F, Dapa Commercial Center
Juan Luna St., Brgy. 7 Poblacion
Dapa, Siargao Island
Surigao del Norte
Tel. No. 0917 512-6112

SULTAN KUDARAT-ISULAN
Sen. Ninoy Aquino Ave.
Brgy. Kalawag III, 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

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. No. (086) 826-8001

SURIGAO DEL SUR-BISLIG CITY
Cor. Abarca & Espiritu Sts.
Mangagoy, Bislig, Surigao del Sur
Temporary Site:
G/F, Gaisano Capital Bislig
Andres Soriano Ave., Mangagoy
Bislig City, Surigao del Sur
Tel. No. (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
Cor. 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. No. (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
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

REGION HEADS

North Metro Manila
CARLOS OLIVER L. LEYTTE

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
ARIEL V. ROCA

AREA HEADS

NORTH METRO MANILA

NMM-1 Blesilda S. Reyes
NMM-2 Merly I Mercado
NMM-3 Editha P. Mañago
NMM-4 Sharon Marie C. Magpayo
NMM-5 Dwight Lawrence T. Leyco

CENTRAL METRO MANILA

CMM-1 Arturo S. Martinez
CMM-2 Yvonne P. Beltran
CMM-3 Felisabel L. Taganas
CMM-4 Josephine Aurelia V. Diaz
CMM-5 Shella Marie B. Villacorta
CMM-6 Ma. Lelis R. Singson

SOUTH METRO MANILA

SMM-1 Carlo Lucas M. Buan
SMM-2 Marie Therese T. Montecer
SMM-3 Aron B. Bugalon
SMM-4 Mary Rose D. Gonzales
SMM-5 Alona S. Tambunting
SMM-6 Delia F. Villanueva
NAIA Cluster
Baby Annie K. Torres

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 Alvin J. Pornasdoro
NOL 6 Ma. Lourdes M. Valencia
NOL 7 Ramir E. Garbo

SOUTHERN LUZON

SOL 1 Elaine D. Janiola
SOL 2 Marilyn P. Fijer
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 Albert C. Lopez
VIS 6 Jaybert Jose A. Ong
VIS 7 Gabriel John Nathaniel A. Pizarro
VIS 8 Abigail P. Gironella

MINDANAO

MIN 1 Maria Jessica N. Reyes
MIN 2 John Michael L. Tan
MIN 3 Ernest T. Uy
MIN 4 Rommel T. Remotigue
MIN 5 Anastasia N. Angeles
MIN 6 Bonnie M. Duran
MIN 7 Elinor A. Macrohon

COMMERCIAL BANKING GROUP

Metro Manila

MAKATI BUSINESS CENTER
3rd Flr., PNB Makati
6754 Ayala Avenue
Cor. Legaspi Street, Makati City
Tel. No.: (02) 894-1816

SAVP Pamela T. Benito

BINONDO BUSINESS CENTER
PNB Binondo-Quintin Paredes
Branch Alliance Building
410 Q. Paredes Street
Binondo, Manila
Tel. Nos.: (02) 241-2377
(02) 241-2281

FVP Linda C. Lao

CALOOCAN BUSINESS CENTER
PNB Caloocan - Rizal Ave. Ext. Branch
1716 Rizal Avenue Extension
Cor. L. Bustamante Street
Caloocan City
Tel. No.: (02) 361-2888

VP Irene T. Sih-Tan

QUEZON CITY BUSINESS CENTER
PNB QC-Cubao Main
Mezzanine Floor, Aurora Boulevard
Cubao, Quezon City
Tel. No.: (02) 912-1947

SAVP & OIC Pamela T. Benito

GREENHILLS BUSINESS CENTER
PNB Greenhills-Ortigas Ave.
Rm. 205 Limketkai Building
Ortigas Avenue, Greenhills
(opposite Caltex Station)
San Juan, Metro Manila
Tel. Nos.: (02) 724-3312
(02) 744-2566

VP Kelvin S. Aquilino

GREENHILLS BUSINESS CENTER
ORTIGAS EXTENSION OFFICE
PNB Pasig-Julia Vargas Branch
Lot 5, Block 13-A Julia Vargas and
Jade Drive, Brgy. San Antonio
Ortigas Center, Pasig City
Tel. Nos.: (02) 240-4140
(02) 240-4179

VP Kelvin S. Aquilino

Luzon

ANGELES BUSINESS CENTER
PNB Angeles - Sto. Rosario 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 Isabela - Cauayan Branch
Maharlika Highway cor.
Cabatuan Road San Fermin
Cauayan City, Isabela
Tel. Nos.: (078) 652-1408
(078) 652-2243

M2 Verme F. Fugaban

DAGUPAN BUSINESS CENTER
PNB Dagupan City -
A. B. Fernandez Branch
A. B. Fernandez Avenue
Dagupan City, Pangasinan
Tel. No.: (075) 522-0898

AVP Felicitas G. Flores

BATANGAS BUSINESS CENTER
PNB Lipa City - B. Morada Branch
2nd Floor PNB Building
B. Morada Avenue
Lipa City, Batangas
Tel. No.: (043) 723-1409

M2 Sherlyn C. Nicolas

NAGA BUSINESS CENTER
PNB Naga City - Gen. Luna
2nd Floor PNB Building
General Luna Street, Naga City
Tel. Nos.: (054) 473-0393
(054) 472-9281

SM Don C. Fajardo

Visayas

ILOILO BUSINESS CENTER
2nd Floor, PNB Iloilo - Ledesma Branch Building cor. Quezon - Ledesma Street, Iloilo City
Tel. No.: (033) 320-0855

SM Wilfredo C. Hontanar

ILOILO BUSINESS CENTER - BACOLOD EXTENSION OFFICE
PNB Bacolod Branch
Lacson Street, Bacolod City
Tel. Nos.: (034) 433-3449
(034) 434-9068

SM Wilfredo C. Hontanar

CEBU BUSINESS CENTER
2nd Floor, PNB Jakosalem Branch Building, cor. D. Legaspi & Jakosalem Streets, Cebu City
Tel. Nos.: (032) 254-6889
(032) 253-6909
(032) 412-1130

VP Zorina C. Jingco

Mindanao

CAGAYAN DE ORO BUSINESS CENTER
PNB CDO-Limketkai Drive Branch
2nd Floor, PNB Building
Limketkai Drive, Lapasan
Cagayan de Oro City
Tel. No.: (088) 856-3684

AVP Marjorie P. Ballesteros

CAGAYAN DE ORO-BUTUAN OFFICE (sub-center)
PNB BUTUAN CITY - MONTILLA
Montilla Boulevard, Butuan City
Tel. No.: (085) 816-2366

AVP Marjorie P. Ballesteros

DAVAO BUSINESS CENTER
PNB Davao - San Pedro - C.M. Recto
C. M. Recto cor. San Pedro Streets
Davao City
Tel. Nos.: (082) 221-2053
(082) 221-2521

AVP Ma. Eloisa D. Opeña

GENERAL SANTOS BUSINESS CENTER
PNB General Santos - City Hall Drive Branch, 2nd Floor PNB Building
City Hall Drive, Osmeña Street
General Santos City
Tel. Nos.: (083) 553-5344
(083) 553-5343

AVP Ria D. Rivera

ZAMBOANGA BUSINESS CENTER
2F PNB Sucabon Branch
Zone II, Mayor Jaldon Street
Zamboanga City
Tel Nos.: (062) 991-1798

SAVP Ramon B. Siyluy Jr

REGIONAL CONSUMER FINANCE CENTERS

Luzon

NOL
PNB Dagupan Branch
AB Fernandez Ave., Dagupan City
Pangasinan
Tel. No.: (075) 515-2744

Romar Marlo Sison

CAV
PNB Cauayan Branch
Maharlika Highway cor.
Cabatuan Road Cauayan, Isabela
Tel. No.: (078) 652-1416

Novella A. Antonio

CEL 1
PNB Savings Bank Cabanatuan
Syquio Business Center , Daan Sarile
Cabanatuan City, Nueva Ecija
Tel. No.: (044) 940-9454

Albert A. Corpuz

CEL 2
PNB Angeles Branch
730 Sto. Rosario St., Angeles City
Pampanga
Tel. No.: 09988421862
09175077219

Raleigh S. Pangan

SOL 1
PNB Lipa Branch
2/F B. Morada Avenue
Lipa City, Batangas
Tel. No.: (043) 723-0050

Armand Joseph V. Sabalvaro

SOL 2
PNB San Pablo Branch
Marcos Paulino St.
San Pablo City, Laguna
Tel. No.: (049) 562-0756

Elaine O. Arcega

BICOL
PNB Naga Branch
Gen. Luna St., Naga City
Camarines Sur
Tel. No.: (054) 473-1234
(054) 440-1723

Jona Joy S. Palacio

Visayas

CEBU BOHOL SAMAR LEYTE
PNB Savings Mabolo
2nd Flr. GPH Central Building
F. Cabahug St., Mabolo City, Cebu
Tel. No.: (032) 412-1797
(032) 412-1884
(032) 256-3365

Leila Q. Amante

NEGROS
PNB Bacolod Branch
Lacson Sts., Bacolod City
Negros Occidental
Tel. No.: (034) 434-5127
(034) 434-8712

Gy L. Canonero

PANAY
PNB Savings Bank-Iloilo
2nd Flr. J&B Building, Mabini St. Iloilo
Tel. No.: (033) 328-1172

Gy L. Canonero

Mindanao

SOMIN
PNB Davao Branch
3/F PNB Davao Branch
cor. CM Recto and San Pedro St.
Davao City
Tel. No.: (082) 305-4438

Erwin M. Panimdim

NOMIN
PNB Limketkai Branch
Lapasan Cagayan de Oro
Tel. No.: (0822) 729-801
loc 6712

Gervacio Gervie T. Go III

WESMIN
PNB Zamboanga Branch
J. Alano St., Zamboanga City
Tel. No.: (062) 991-0797
loc 6713

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) 2230 2116
Fax Nos. (852) 2525-3107
(852) 2541-6645
Email Address:
pnbhkgrp@pnb.com.ph
deguzmanke@pnb.com.ph

Katherine E. De Guzman
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) 2543-6006
Fax Nos. (852) 2525-3107
(852) 2541-6645
Email Address:
fernandezar@pnb.com.ph

Annabelle R. Fernandez
Officer-In-Charge

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:
delalunaic@pnb.com.ph

Imee Dela Luna
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:
biloypp@pnb.com.ph

Paulino Biloy
OIC

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:
baldonsl@pnb.com.ph

Sofia L. Baldon
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:
lenchicoel@pnb.com.ph

Eduardo L. Lenchico
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:
adecermp@pnb.com.ph

Maricel Adecer
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:
ipfs@pnb.com.ph

Felicicima S. Ip
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:
enriquezrt@pnb.com.ph
tokyo@pnb.com.ph
customercare@pnbtokyo.co.jp

Roderick T. Enriquez
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:
macaraeg@pnbtokyo.co.jp
nagoya@pnb.com.ph
pnbnagoya@pnbtokyo.co.jp

Marco C. Macaraeg
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 and Oceania

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
guamboa@pnb.com.ph
gambro@pnb.com.ph

Mario R. Palisoc
General Manager

PNB Bahrain Representative Office
11/F Bahrain Tower, Government One Avenue Manama, State of Bahrain POB 20493
Tel. No: (973) 1722-4707
Fax No. (973) 1722-4710
Email Address:
jotael@pnb.com.ph

Emmanuel L. Jota
Representative 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

PNB Desk ANB Hera Jeddah
Arab National Bank, Hera Jeddah
TeleMoney Center, Jeddah
Saudi Arabia

PNB Desk ANB Balad Jeddah
Arab National Bank
Balad Telemoney Center, Aswaq
Building, Corniche, Balad District
Jeddah, KSA
Tel. No: (966) 5084 86492
Email Address:
macapantonan@pnb-sa.net

Abdullah N. Macapanton
Officer for Business Development

PNB Desk ANB 2nd Industrial Riyadh
Easter Ring Road Ext.
2nd Industrial Area City, Riyadh, KSA

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

PNB Desk ANB Jubail
Arab National Bank
Jubail Telemoney Center
Jeddah St., Across Riyadh Bank
P.O. Box 351 Jubail 31941, KSA

PNB Desk ANB Khobar
Arab National Bank
Al Khobar Telemoney Center
1st Street, Rahmaniyah,
Alkhobar KSA
Tel. No: (966) 5078-75421
Email Address:
lbanafg@pnb-sa.net

Jose Francisco G. Albana
Offier for Business Development

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

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:
razalanvg@pnb-sa.net

Victorino Razalan
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

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

Dubai Representative Office
Room No. 202A 2/F, Al Nakheel
Building, Kuwait Street Cor. Zaabeel
Road, Karama, P.O. Box
52357, Dubai, UAE
Tel. No: (971) 4-3365-940
Email Address:
salomabaosm@pnb.com.ph
moralesjl@pnb.com.ph

Salimar M. Salomabao
Concurrent ME Region Head & General Manager

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:
gondamra@pnb.com.ph

Marc Rommulus A. Gonda
Officer for Business Development

Qatar Marketing Office
c/o Alzaman Exchange W.L.L.
Mansoura Al Meera, Doha, State of
Qatar, PO Box 23497

Paris Representative Office
18, Rue Pasquier
75008 Paris
Tel. Nos: +331 78414272
Email Address:
villacortaen@pnbglobal.com

Ernesto N. Villacorta
Chief Representative

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
3435 Wilshire Boulevard, Ste.
104 Ground Floor, Equitable Plaza
Los Angeles, California 90010, U.S.A.
Tel. Nos: (213) 926-8227
(213) 709-1580
(323) 308-8173
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:
bustamanteeb@pnb.com.ph

Eric B. Bustamante
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:
delacruzgl@pnb.com.ph

Gemma L. Dela Cruz
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:
njavier@pnbrci.com

Nelson V. Javier
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:
njavier@pnbrci.com

Nelson V. Javier
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:
njavier@pnbrci.com;
corporate@pnbrci.com

Nelson V. Javier
President & CEO

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

Veronica Sese
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 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

Jefferson Martinez
Branch Supervisor

PNB RCI Seattle
1368 Southcenter Mall Ste. 110
Tukwila, WA 98188
Tel. No: (206) 702-3277
Email Address:
seattle@pnbrci.com

Rizzalyn Santos
Person-In-Charge

PNB RCI COR
316 W 2nd Street, 7th Floor
Los Angeles, California 90012, USA
Tel. No: (213) 739-9952
Fax No. (213) 640-4460
Email Address:
corporatebranch@pnbrci.com

Cezlyn Sophenasky
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 (Fe)
Person-In-Charge

PNB RCI Las Vegas
3890 S. Maryland Parkway
Suite G, Las Vegas NV 89119
Tel. No: (702) 836-3386
Fax No. (702) 474-9068
Email Address:
lasvegas@pnbrci.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:
alex.barros@rccmail.com

Antonio Alex M. Barros
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

Mercy Grace Letrondo
Branch Supervisor

PNB RCC Sherbourne Branch
3-545 Sherbourne St., Toronto M4X
1 W5, 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 Andrada
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 IP8, Canada
Tel. Nos: (604) 737-4939
(604) 737-4944
Fax No. (604) 754-4948
Email Address:
vancouver@pnb.com.ph

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@pnb.com.ph

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@pnb.com.ph

Grace Barlaan
Branch Supervisor

PNB Domestic Subsidiaries and Affiliate

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
cor. Legaspi Street, Makati City 1226
Tel Nos.: (02) 892-5555
(02) 816-3311
(02) 816-3111
Fax No.: (02) 893-0032
E-mail Add.:
info@pnb-ibjlleasing.com.ph

Florencia G. Tarriela
Chairman

Modette Ines V. Cariño
President & CEO

PNB-IBJL Equipment Rentals Corporation
5th Floor, PNB Makati Center
6754 Ayala Avenue
cor. Legaspi Street, Makati City 1226
Tel Nos.: (02) 892-5555
(02) 816-3311
(02) 816-3111
Fax No.: (02) 893-0032
E-mail Add.:
info@pnb-ibjlleasing.com.ph

Florencia G. Tarriela
Chairman

Modette Ines V. Cariño
President & CEO

PNB General Insurers Co., Inc.
2nd Floor, PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City 1300
Tel Nos.: (02) 526-3268 to 69
(02) 526-3635, 37 to 38
Fax No.: (02) 526-3643
E-mail Add.:
pnbgen_insurers@pnb.com.ph

Felix Enrico R. Alfiler
Chairman

Perfecto M. Domingo
President

PNB Savings Bank
10th Floor, PNB Makati Center
6754 Ayala Avenue
cor. Legaspi Street, Makati City 1226
Tel No.: (02) 816-3311 loc. 3142
Fax Nos.: (02) 812-8352
(02) 814-0596
E-mail Add.:
santosmaa@pnb.com.ph

Lucio C. Tan
Chairman

Jovencio DB. Hernandez
President
(resigned effective January 31, 2019)

Mary Ann A. Santos
Acting President
(effective February 1, 2019)

PNB Securities, Inc.
3rd Floor, PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City 1300
Tel Nos.: (02) 526-3678
(02) 526-3478
(02) 526-3510
Trading: (02) 839-2629 to 31
(02) 817-5186
Fax No.: (02) 526-3477
E-mail Add.:
pnbsitrade@pnb.com.ph

Florido P. Casuela
Chairman

Manuel Antonio G. Lisbona
President

Allianz PNB Life Insurance, Inc.
9th Floor, PNB Makati Center
6754 Ayala Avenue
cor. Legaspi Street, Makati City 1226
Tel No.: (02) 818-LIFE (5433)
(02) 818-HELP (4357)
Fax No.: (02) 818-2701
E-mail Add.:
info@allianzpnblife.ph

Lucio C. Tan
Chairman

Olaf Kliesow
President & CEO

Philippine National Bank

DRIVEN
TO SERVE
You first.

2018 Notes to
Financial Statements
and Management's
Discussion and Analysis

PNB
You first.

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 2018, 2017 and 2016 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

JOSE ARNULFO A. VELOSO
President and Chief Executive Officer

NELSON C. REYES
Executive Vice President and Chief Financial Officer

21 MAR 2019

SUBSCRIBED AND SWORN to before me this ___ day of March 2019 affiants exhibiting to me their Passport Identification No.

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Page No. 43
Book No. IV
Series of 2019

ATTY. SHERRYL R. BLANQUISCO-SANTIAGO, CPA
Notary Public for Pasay City
Commission No. 18-34 until December 31, 2019
9F PNB Financial Center,
Pres. D.P. Macapagal Blvd., Pasay City
Roll No. 55787/IBP Lifetime Member No. 07522
PTR No. PC6437311/01-14-19/Pasay City

Philippine National Bank and Subsidiaries

Financial Statements
December 31, 2018 and 2017
and Years Ended December 31, 2018,
2017 and 2016

and

Independent Auditor's Report

SGV

Building a better
working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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, 2018 and 2017 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, 2018, 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, 2018 and 2017, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2018 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.

Applicable to the audit of the consolidated and parent company financial statements

Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group and the Parent Company adopted PFRS 9, Financial Instruments, which replaced PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group and the Parent Company used the modified retrospective approach in adopting PFRS 9.

1. Classification and Measurement of Financial Assets

   As at January 1, 2018 (the transition date), the Group and the Parent Company classified their financial assets based on their business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. This resulted in transition adjustments that increased surplus by ₱732.04 million and decreased other comprehensive loss by ₱2.29 billion, respectively, for the Group and the Parent Company. Thereafter, the financial assets were accounted for based on the transition date classification, while newly originated or acquired financial assets were classified based on the PFRS 9 classification criteria.

   The Group's and the Parent Company's application of the PFRS 9 classification criteria is significant to our audit as the classification determines how financial assets are measured and accounted for in the financial statements.

   The disclosures in relation to the adoption of the PFRS 9 classification criteria are included in Note 2 to the financial statements.

Audit Response
We obtained an understanding of the Group's and the Parent Company's contracts review process to establish the contractual cash flow characteristics of debt financial assets, including the identification of standard and non-standard contracts, and reviewed the assessment made by management by inspecting underlying contracts on a sample basis. We obtained the board approved business models for the Group's and the Parent Company's portfolios of financial assets. We compared the parameters set within the business models with the portfolio and risk management policies of the Group and the Parent Company. For significant portfolios, we assessed frequency and relative amount of sales in the past, understood how the business performance is measured and evaluated performance measurement reports.

We checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

2. Expected Credit Loss (ECL)

The Group's and the Parent Company's adoption of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

The application of the ECL model increased the allowance for credit losses and other comprehensive income as of January 1, 2018 by ₱2.90 billion and ₱58.50 million, respectively, for the Group, and by ₱1.91 billion, and ₱58.50 million, respectively, for the Parent Company. Provision for credit losses of the Group and the Parent Company in 2018 using the ECL model amounted to ₱1.81 billion and ₱1.47 billion, respectively.

Refer to Notes 2 and 16 of the financial statements for the disclosure on the transition adjustments and details of the allowance for credit losses using the ECL model, respectively.

Audit Response
We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the Group's and the Parent Company's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place, (c) tested the Group's and the Parent Company's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Group's and Parent Company's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's and the Parent Company's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

We involved our internal specialists in the performance of the above procedures.

Recoverability of Deferred Tax Assets

As of December 31, 2018, the deferred tax assets of the Group and the Parent Company amounted to ₱2.09 billion and ₱1.45 billion, respectively. The analysis of the recoverability of deferred tax assets was significant to our audit because the assessment process is complex and judgmental, and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company.

The disclosures in relation to deferred income taxes are included in Note 30 to the financial statements.

Audit response
We involved our internal specialist in interpreting the tax regulations, testing the temporary differences identified by the Group and the Parent Company and the applicable tax rate. We also re-performed the calculation of the deferred tax assets. We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates with that of the industry and the historical performance of the Group. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Impairment Testing of Goodwill

As at December 31, 2018, the Group and the Parent Company has goodwill amounting to ₱13.38 billion as a result of the acquisition of Allied Banking Corporation in 2013. Under PFRS, the Group is required annually to 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 it involves significant judgment and is based on assumptions such as estimates of future cash flows from business, interest margin, discount rate, current local gross domestic product and long-term growth rate used to project cash flows.

The disclosures related to goodwill impairment are included in Note 14 to 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 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 and to economic and industry forecasts. We tested the current local gross domestic product and parameters used in the derivation of the discount rate against market data.

Valuation of Retirement Benefit Liability

The Group has a defined benefit plan covering all regular employees. As at December 31, 2018, the retirement liability of the Group and the Parent Company amounted to ₱1.15 billion and ₱1.22 billion, respectively. Accumulated remeasurement losses amounted to ₱1.52 billion which accounts for 1.18% and 1.21% of the Group and Parent Company's total equity, respectively, as at December 31, 2018. The valuation of the retirement benefit liability requires the assistance of an external actuary whose calculations depend on certain assumptions, such as prospective salary increase and employee turnover rates, 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 28 to 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 rates 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.

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, 2018, 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, 2018 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 39 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. 7332590, January 3, 2019, Makati City

February 28, 2019

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2018	2017	**2018**	2017
ASSETS				
Cash and Other Cash Items	**₱16,825,487**	₱12,391,139	**₱15,904,663**	₱11,671,952
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	**102,723,312**	108,743,985	**98,665,375**	105,497,459
Due from Other Banks (Note 33)	**20,525,318**	22,025,322	**10,459,496**	10,755,260
Interbank Loans Receivable (Notes 8 and 33)	**11,248,455**	12,837,721	**11,689,414**	11,083,515
Securities Held Under Agreements to Resell (Notes 8 and 35)	**20,700,000**	14,621,483	**20,700,000**	14,621,483
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	**9,999,447**	2,882,395	**9,983,636**	2,829,877
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	**51,674,167**	–	**50,656,893**	–
Available-for-Sale Investments (Note 9)	**–**	69,837,416	**–**	67,677,952
Investment Securities at Amortized Cost (Note 9)	**99,772,711**	–	**99,586,329**	–
Held-to-Maturity Investments (Note 9)	**–**	26,805,131	**–**	26,680,483
Loans and Receivables (Notes 10 and 33)	**581,695,477**	502,318,740	**510,819,274**	441,715,528
Property and Equipment (Note 11)	**19,710,145**	18,664,357	**17,606,143**	16,894,236
Investments in Subsidiaries and an Associate (Note 12)	**2,418,842**	2,363,757	**28,230,661**	28,407,414
Investment Properties (Note 13)	**13,488,866**	15,594,385	**13,149,358**	15,318,408
Deferred Tax Assets (Note 30)	**2,086,510**	1,695,295	**1,452,153**	987,332
Intangible Assets (Note 14)	**3,025,157**	3,322,857	**2,879,853**	3,163,243
Goodwill (Note 14)	**13,375,407**	13,375,407	**13,515,765**	13,515,765
Assets of Disposal Group Classified as Held for Sale (Note 36)	**8,238,623**	–	**595,146**	–
Other Assets (Note 15)	**6,140,262**	8,877,315	**5,906,427**	8,152,615
TOTAL ASSETS	**₱983,648,186**	₱836,356,705	**₱911,800,586**	₱778,972,522
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	**₱153,065,163**	₱125,581,889	**₱149,539,540**	₱123,396,962
Savings	**401,622,361**	351,422,377	**394,004,547**	345,279,463
Time	**147,210,729**	129,552,035	**108,450,094**	96,364,657
Long Term Negotiable Certificates	**31,403,225**	31,363,956	**31,403,225**	31,363,956
	733,301,478	637,920,257	**683,397,406**	596,405,038
Financial Liabilities at FVTPL (Notes 18 and 35)	**470,648**	343,522	**468,279**	343,416
Bills and Acceptances Payable (Notes 19, 33 and 35)	**70,082,835**	43,916,687	**62,706,795**	41,400,804
Accrued Taxes, Interest and Other Expenses (Note 20)	**6,167,398**	5,323,487	**5,559,960**	4,673,545
Bonds Payable (Note 21)	**15,661,372**	–	**15,661,372**	–
Income Tax Payable	**900,693**	993,245	**823,739**	833,708
Liabilities of Disposal Group Classified as Held for Sale (Note 36)	**7,237,811**	–	**–**	–
Other Liabilities (Note 22)	**21,266,939**	28,121,558	**17,532,588**	18,236,566
	855,089,174	716,618,756	**786,150,139**	661,893,077
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	**₱49,965,587**	₱49,965,587	**₱49,965,587**	₱49,965,587
Capital Paid in Excess of Par Value (Note 25)	**31,331,251**	31,331,251	**31,331,251**	31,331,251
Surplus Reserves (Notes 25 and 32)	**620,573**	597,605	**620,573**	597,605
Surplus (Note 25)	**46,613,457**	38,831,522	**46,613,704**	38,831,716
Net Unrealized Loss on Financial Assets at FVOCI (Note 9)	**(3,181,335)**	–	**(3,181,335)**	–
Net Unrealized Loss on Available-for-Sale Investments (Note 9)	**–**	(3,040,507)	**–**	(3,040,507)
Remeasurement Losses on Retirement Plan (Note 28)	**(1,520,538)**	(2,106,586)	**(1,520,538)**	(2,106,586)
Accumulated Translation Adjustment (Note 25)	**1,776,923**	1,417,884	**1,776,923**	1,417,884

(Forward)

	Consolidated		Parent Company	
	December 31		December 31	
	2018	2017	**2018**	2017
Other Equity Reserves (Note 25)	**₱53,895**	₱70,215	**₱53,895**	₱70,215
Share in Aggregate Reserves on Life Insurance Policies (Note 12)	**12,280**	12,280	**12,280**	12,280
Other Equity Adjustment	**13,959**	13,959	**–**	–
Reserves of a Disposal Group Classified as Held for Sale (Notes 12 and 36)	**(21,893)**	–	**(21,893)**	–
	125,664,159	117,093,210	**125,650,447**	117,079,445
NON-CONTROLLING INTERESTS (Note 12)	**2,894,853**	2,644,739	**–**	–
	128,559,012	119,737,949	**125,650,447**	117,079,445
TOTAL LIABILITIES AND EQUITY	**₱983,648,186**	₱836,356,705	**₱911,800,586**	₱778,972,522

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	December 31			December 31		
	2018	2017 (As Restated – Note 36)	2016 (As Restated – Note 36)	**2018**	2017	2016
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 33)	**₱30,202,480**	₱22,669,107	₱19,685,958	**₱25,504,159**	₱19,245,810	₱16,923,864
Investment securities at amortized cost and FVOCI, AFS and HTM Investments (Note 9)	**4,534,297**	3,053,243	3,162,349	**4,502,331**	3,033,873	3,138,597
Deposits with banks and others (Notes 7 and 33)	**775,820**	1,324,526	625,950	**524,723**	1,053,354	440,664
Interbank loans receivable and securities held under agreements to resell (Note 8)	**379,378**	480,021	794,000	**350,808**	446,134	794,312
Financial assets at FVTPL (Note 9)	**120,667**	38,779	40,854	**120,667**	38,779	76,947
	36,012,642	27,565,676	24,309,111	**31,002,688**	23,817,950	21,374,384
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	**7,871,173**	4,794,227	3,780,242	**6,591,288**	4,104,798	3,356,866
Bonds payable (Note 21)	**477,405**	–	–	**477,405**	–	–
Bills payable and other borrowings (Notes 19, 21 and 33)	**662,340**	747,481	997,621	**472,111**	650,724	959,609
	9,010,918	5,541,708	4,777,863	**7,540,804**	4,755,522	4,316,475
NET INTEREST INCOME	**27,001,724**	22,023,968	19,531,248	**23,461,884**	19,062,428	17,057,909
Service fees and commission income (Notes 26 and 33)	**4,251,692**	3,982,496	3,401,850	**3,524,263**	3,130,783	2,731,258
Service fees and commission expense (Note 33)	**773,082**	786,917	666,755	**616,207**	592,427	480,549
NET SERVICE FEES AND COMMISSION INCOME	**3,478,610**	3,195,579	2,735,095	**2,908,056**	2,538,356	2,250,709
OTHER INCOME						
Net gains on sale or exchange of assets (Note 13)	**5,861,143**	3,921,136	2,510,361	**5,841,136**	3,862,341	2,517,861
Foreign exchange gains - net (Note 23)	**942,372**	1,676,926	1,486,224	**578,180**	1,675,985	926,529
Trading and investment securities gains – net (Notes 9 and 33)	**150,691**	559,758	1,364,355	**157,678**	556,429	1,369,514
Equity in net earnings of subsidiaries and an associate (Note 12)	**43,847**	59,215	70,220	**530,885**	498,254	231,780
Miscellaneous (Note 27)	**1,425,439**	893,517	1,538,964	**1,101,875**	592,041	1,194,947
TOTAL OPERATING INCOME	**38,903,826**	32,330,099	29,236,467	**34,579,694**	28,785,834	25,549,249
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	**9,380,199**	8,959,754	8,399,954	**7,943,135**	7,754,566	7,370,977
Taxes and licenses (Note 30)	**3,729,016**	2,489,342	2,171,272	**3,343,899**	2,222,755	1,952,291
Depreciation and amortization (Note 11)	**1,944,808**	1,678,227	1,549,569	**1,542,712**	1,385,357	1,343,583
Occupancy and equipment-related costs (Note 29)	**1,716,315**	1,577,367	1,457,157	**1,453,341**	1,343,021	1,262,952
Provision for impairment, credit and other losses (Note 16)	**1,740,177**	903,595	3,212,774	**1,401,528**	161,877	1,707,494
Miscellaneous (Note 27)	**6,953,525**	6,320,707	6,103,814	**6,125,334**	5,634,019	5,604,188
TOTAL OPERATING EXPENSES	**25,464,040**	21,928,992	22,894,540	**21,809,949**	18,501,595	19,241,485
INCOME BEFORE INCOME TAX	**13,439,786**	10,401,107	6,341,927	**12,769,745**	10,284,239	6,307,764
PROVISION FOR INCOME TAX (Note 30)	**3,663,744**	2,314,934	1,509,522	**3,304,670**	2,123,676	1,228,372
NET INCOME FROM CONTINUING OPERATIONS	**9,776,042**	8,086,173	4,832,405	**9,465,075**	8,160,563	5,079,392
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 12 and 36)	**(219,972)**	70,372	2,329,669	**–**	–	2,044,662
NET INCOME	**₱9,556,070**	₱8,156,545	₱7,162,074	**₱9,465,075**	₱8,160,563	₱7,124,054
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	**₱9,465,022**	₱8,160,570	₱7,123,952			
Non-controlling Interests	**91,048**	(4,025)	38,122			
	₱9,556,070	₱8,156,545	₱7,162,074			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱7.58**	₱6.53	₱5.70			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 31)	**₱7.75**	₱6.48	₱3.84			

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	Consolidated			P
			Years Ended December 31	
		2017	2016	
	2018	(As Restated – Note 36)		**2018**
NET INCOME	**₱9,556,070**	₱8,156,545	₱7,162,074	**₱9,465,075**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that recycle to profit or loss in subsequent periods:				
Net change in unrealized loss on financial assets at FVOCI (Note 9)	**(2,133,032)**	–	–	**(2,224,305)**
Net change in unrealized gain (loss) on available-for-sale investments (Note 9)	–	454,188	(193,484)	–
Income tax effect (Note 30)	–	–	286	–
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Note 9)	**(375,390)**	–	–	**(284,117)**
Share in changes in net unrealized gains (losses) on available for sale investments of subsidiaries and an associate (Note 9)	–	(24,756)	(245,867)	–
	(2,508,422)	429,432	(439,065)	**(2,508,422)**
Accumulated translation adjustment	**484,289**	504,736	420,381	**154,076**
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	–	–	–	**204,963**
	(2,024,133)	934,168	(18,684)	**(2,149,383)**
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	–
Remeasurement gains (losses) on retirement plan (Note 28)	**193,128**	952,143	(458,740)	**109,596**
Income tax effect (Note 30)	–	554	2,204	–
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	**386,628**	(236,632)	1,208	**470,160**
	579,756	725,258	(452,241)	**579,756**
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(1,444,377)**	1,659,426	(470,925)	**(1,569,627)**
TOTAL COMPREHENSIVE INCOME	**₱8,111,693**	₱9,815,971	₱6,691,149	**₱7,895,448**
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	**₱7,895,558**	₱9,817,124	₱6,532,804	
Non-controlling interests	**216,135**	(1,153)	158,345	
	₱8,111,693	₱9,815,971	₱6,691,149	

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

	Consolidated															
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Note 25)	Surplus (Note 25)	Net Unrealized Gain/(Loss) on Financial Assets at FVOCI (Note 9)	Net Unrealized Loss on Available-for-Sale Investments (Note 9)	Remeasurement Losses on Retirement Plan	Accumulated Translation Adjustment	Other Equity Reserves (Note 25)	Other Equity Adjustment	Share in Aggregate Reserves on Life Insurance Policies (Note 120	Reserves of a Disposal Group Held for Sale (Note 36)	Parent Company Shares Held by a Subsidiary	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2018, as previously reported	**₱49,965,587**	**₱31,331,251**	**₱597,605**	**₱38,831,522**	**₱–**	**(₱3,040,507)**	**(₱2,106,586)**	**₱1,417,884**	**₱70,215**	**₱13,959**	**₱12,280**	**₱–**	**₱–**	**₱117,093,210**	**₱2,644,739**	**₱119,737,949**
Effect of the adoption of Philippine Financial Reporting Standards 9 (Note 2)	–	–	–	**(1,660,119)**	**(688,514)**	**3,040,507**	–	–	–	–	–	–	–	**691,874**	–	**691,874**
Balance at January 1, 2018, as restated	**49,965,587**	**31,331,251**	**597,605**	**37,171,403**	**(688,514)**	–	**(2,106,586)**	**1,417,884**	**70,215**	**13,959**	**12,280**	–	–	**117,785,084**	**2,644,739**	**120,429,823**
Total comprehensive income (loss) for the year	–	–	–	**9,465,022**	**(2,508,422)**	–	**579,756**	**359,039**	–	–	–	–	–	**7,895,395**	**216,135**	**8,111,530**
Sale of investment in a subsidiary (Note 12)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**100,000**	**100,000**
Dissolution of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**(62,655)**	**(62,655)**
Other equity reserve (Note 32)	–	–	–	–	–	–	–	–	**(16,320)**	–	–	–	–	**(16,320)**	–	**(16,320)**
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**(3,366)**	**(3,366)**
Reserves of Disposal Group Classified as Held for Sale (Note 36)	–	–	–	–	**15,601**	–	**6,292**	–	–	–	–	**(21,893)**	–	–	–	–
Transfer to surplus reserves (Note 32)	–	–	**22,968**	**(22,968)**	–	–	–	–	–	–	–	–	–	–	–	–
Balance at December 31, 2018	**₱49,965,587**	**₱31,331,251**	**₱620,573**	**₱46,613,457**	**(₱3,181,335)**	**₱–**	**(₱1,520,538)**	**₱1,776,923**	**₱53,895**	**₱13,959**	**₱12,280**	**(₱21,893)**	–	**₱125,664,159**	**₱2,894,853**	**₱128,559,012**
Balance at January 1, 2017	₱49,965,587	₱31,331,251	₱573,658	₱30,694,899	₱–	(₱3,469,939)	(₱2,821,853)	₱915,222	₱105,670	₱13,959	₱3,087	₱–	₱–	₱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
Declaration of dividends by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,270)	(3,270)
Other equity reserves (Note 25)	–	–	–	–	–	–	–	–	(35,455)	–	–	–	–	(35,455)	–	(35,455)
Transfer to surplus reserves (Note 32)	–	–	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	₱13,959	₱12,280	₱–	₱–	₱117,093,210	₱2,644,739	₱119,737,949
Balance at January 1, 2016	₱49,965,587	₱31,331,251	₱554,263	₱24,839,480	₱–	(₱3,030,588)	(₱2,364,215)	₱612,468	₱	₱13,959	₱	(₱133,500)	(₱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 32)	–	–	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	₱13,959	₱3,087	₱–	–	₱107,311,541	₱2,649,162	₱109,960,703

See accompanying Notes to Financial Statements.

	Parent Company											
	Capital Stock (Note 25)	**Capital Paid in Excess of Par Value** (Note 25)	**Surplus Reserves** (Note 25)	**Surplus** (Note 25)	**Net Unrealized Gain/(Loss) on Financial Assets at FVOCI** (Note 9)	**Net Unrealized Loss on Available-for-Sale Investments** (Note 9)	**Remeasurement Losses on Retirement Plan**	**Accumulated Translation Adjustment**	**Other Equity Reserves** (Note 25)	**Reserves of a Disposal Group Held for Sale** (Note 36)	**Share in Aggregate Reserves on Life Insurance Policies** (Note 12)	**Total**
Balance at January 1, 2018, as previously reported	**₱49,965,587**	**₱31,331,251**	**₱597,605**	**₱38,831,716**	**₱–**	**(₱3,040,507)**	**(₱2,106,586)**	**₱1,417,884**	**₱70,215**	**₱–**	**₱12,280**	**₱117,079,445**
Effect of the adoption of Philippine Financial Reporting Standards 9 (Note 2)	–	–	–	**(1,660,119)**	**(688,514)**	**3,040,507**	–	–	–	–	–	**691,874**
Balance at January 1, 2018, as restated	**49,965,587**	**31,331,251**	**597,605**	**37,171,597**	**(688,514)**	–	**(2,106,586)**	**1,417,884**	**70,215**	–	**12,280**	**117,771,319**
Total comprehensive income (loss) for the year	–	–	–	**9,465,075**	**(2,508,422)**	–	**579,756**	**359,039**	–	–	–	**7,895,448**
Transfer to surplus reserves (Note 32)	–	–	**22,968**	**(22,968)**	–	–	–	–	–	–	–	–
Other equity reserves (Note 25)	–	–	–	–	–	–	–	–	**(16,320)**	–	–	**(16,320)**
Reserves of Disposal Group Classified as Held for Sale (Note 36)	–	–	–	–	**15,601**	–	**6,292**	–	–	**(21,893)**	–	–
Balance at December 31, 2018	**₱49,965,587**	**₱31,331,251**	**₱620,573**	**₱46,613,704**	**(₱3,181,335)**	**₱–**	**(₱1,520,538)**	**₱1,776,923**	**₱53,895**	**(₱21,893)**	**₱12,280**	**₱125,650,447**
Balance at January 1, 2017	₱49,965,587	₱31,331,251	₱573,658	₱30,695,100	₱–	(₱3,469,939)	(₱2,821,853)	₱915,222	₱105,670	₱–	₱3,087	₱107,297,783
Total comprehensive income for the year	–	–	–	8,160,563		429,432	715,267	502,662			9,193	9,817,117
Other equity reserves (Note 25)	–	–	–	–	–	–	–	–	(35,455)		–	(35,455)
Transfer to surplus reserves (Note 32)	–	–	23,947	(23,947)	–	–	–	–	–	–		–
Balance at December 31, 2017	₱49,965,587	₱31,331,251	₱597,605	₱38,831,716	₱–	(₱3,040,507)	(₱2,106,586)	₱1,417,884	₱70,215	₱–	₱12,280	₱117,079,445
Balance at January 1, 2016	₱49,965,587	₱31,331,251	₱554,263	₱24,839,580	₱–	(₱3,030,588)	(₱2,364,215)	₱612,468	₱–	(₱85,106)	₱3,087	₱101,826,327
Total comprehensive income (loss) for the year	–	–	–	7,124,054	–	(439,351)	(457,638)	302,754	–	–	–	6,529,819
Cash dividends declared (Note 25)	–	–	–	(1,249,139)	–	–	–	–	–	–	–	(1,249,139)
Transfer to surplus reserves (Note 32)	–	–	19,395	(19,395)	–	–	–	–	–	–	–	
Reserves of a disposal group classified as held for sale (Note 37)	–	–	–	–	–	–	–	–	–	85,106	–	85,106
Other equity reserves (Note 25)	–	–	–	–	–	–	–	–	105,670	–	–	105,670
Balance at December 31, 2016	₱49,965,587	₱31,331,251	₱573,658	₱30,695,100	₱–	(₱3,469,939)	(₱2,821,853)	₱915,222	₱105,670	₱–	₱3,087	₱107,297,783

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017 (As Restated - Note 36)	2016 (As Restated - Note 36)	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax from continuing operations	**₱13,439,786**	₱10,401,107	₱6,341,927	**₱12,769,745**	₱10,284,239	₱6,307,764
Income (loss) before income tax from discontinued operations (Note 36)	**(196,611)**	77,651	2,543,866	**–**	–	2,325,568
Income before income tax	**13,243,175**	10,478,758	8,885,793	**12,769,745**	10,284,239	8,633,332
Adjustments for:						
Net gain on sale or exchange of assets (Note 13)	**(5,861,143)**	(3,921,136)	(2,510,361)	**(5,841,136)**	(3,862,341)	(2,517,861)
Depreciation and amortization (Notes 11 and 36)	**1,950,977**	1,684,391	1,554,640	**1,542,712**	1,385,357	1,343,583
Amortization of premium on investment securities	**789,981**	1,383,338	1,144,317	**1,034,142**	1,375,100	1,137,513
Provision for impairment, credit and other losses (Notes 16 and 36)	**1,752,812**	884,132	3,212,694	**1,401,528**	161,877	1,707,494
Loss (gain) on mark-to-market of derivatives (Note 23)	**899,614**	(128,417)	698,071	**899,614**	(124,679)	698,071
Realized trading gain on financial assets at FVOCI (Note 9)	**(167,902)**	–	–	**(167,902)**	–	–
Realized trading gain on available-for-sale investments (Note 9)	**–**	(506,238)	(1,348,496)	**–**	(506,238)	(1,350,453)
Amortization of transaction costs (Notes 17 and 21)	**51,502**	60,239	36,640	**51,502**	60,239	36,640
Equity in net earnings of subsidiaries and an associate (Note 12)	**(43,847)**	(59,215)	(70,220)	**(530,885)**	(498,254)	(231,780)
Gain on remeasurement of a previously held interest (Note 12)	**–**	–	(1,644,339)	**–**	–	(1,644,339)
Unrealized foreign exchange loss on bills payable and acceptances	**1,298,559**	–	–	**1,292,591**	–	–
Gain from sale of previously held interest (Note 12)	**–**	–	(681,228)	**–**	–	(681,228)
Recoveries on receivable from special purpose vehicle (Note 27)	**–**	–	(500,000)	**–**	–	(500,000)
Amortization of fair value loss of held-to-maturity investments reclassified to available-for-sale investments (Note 9)	**–**	141,802	145,727	**–**	141,802	140,332
Realized and unrealized gain on financial assets at FVPL (Note 9 and 36)	**21,548**	(61,485)	4,651	**10,386**	58,156	6,113
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)	**678,014**	(798,815)	(547,222)	**274,268**	(828,073)	(508,224)
Financial assets at FVTPL	**(8,039,543)**	(778,629)	1,888,845	**(8,063,597)**	(808,168)	1,923,254
Loans and receivables	**(88,550,596)**	(75,945,020)	(66,337,861)	**(73,552,230)**	(63,393,954)	(52,436,762)
Other assets	**1,785,717**	(777,538)	(1,558,302)	**3,669,296**	(2,103,444)	(615,025)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	**127,126**	–	–	**124,863**	–	–
Deposit liabilities	**95,341,952**	67,387,302	84,510,588	**86,953,099**	54,189,539	71,640,617
Accrued taxes, interest and other expenses	**1,083,584**	379,861	729,486	**886,416**	441,930	520,970
Other liabilities	**825,972**	(187,797)	1,273,977	**(103,155)**	(1,129,101)	626,229
Net cash generated from (used in) operations	**17,187,502**	(764,467)	28,888,294	**22,651,257**	(5,156,013)	27,928,476
Income taxes paid	**(4,060,889)**	(1,524,208)	(784,682)	**(3,313,721)**	(1,350,866)	(715,203)
Net cash provided by (used in) operating activities	**13,126,613**	(2,288,675)	28,103,612	**19,337,536**	(6,506,879)	27,213,273
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of financial assets at FVOCI/available-for-sale investments	**41,459,104**	199,856,642	83,143,335	**41,862,566**	199,690,619	81,843,119
Maturities of financial assets at amortized cost	**19,356,795**	–	–	**37,694,571**	–	–
Disposal of investment properties	**8,456,263**	5,570,269	2,387,170	**8,493,918**	5,119,922	2,255,377
Disposal of property and equipment (Note 11)	**123,767**	29,719	142,129	**135,257**	172,226	418,869
Disposal group classified as held for sale/Investment in shares of a subsidiary (Notes 12 and 37)	**–**	–	3,230,966	–	–	3,230,966
Collection of receivables from special purpose vehicle	**–**	–	500,000	–	–	500,000
Share in dividends from subsidiaries (Note 12)	**–**	–	–	–	1,333,350	66,125

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017 (As Restated - Note 36)	2016	2018	2017	2016
Acquisitions of:						
Financial Assets at FVOCI/available-for-sale investments	**(₱23,729,263)**	(₱202,587,314)	(₱83,486,942)	**(₱25,122,624)**	(₱201,794,860)	(₱82,272,241)
Property and equipment (Note 11)	**(3,026,508)**	(1,964,768)	(2,023,627)	**(2,263,064)**	(1,658,985)	(1,740,338)
Software cost (Note 14)	**(169,231)**	(1,162,121)	(406,053)	**(160,857)**	(1,045,743)	(404,837)
Financial assets at amortized cost	**(93,782,890)**	–	–	**(111,057,852)**	–	–
Held-to-maturity investments	**–**	(2,801,983)	–	**–**	(2,726,786)	–
Additional investments in subsidiaries (Note 12)	**–**	–	–	**(266,000)**	(700,000)	(292,416)
Closure of subsidiaries (Note 12)	**–**	–	–	–	50,000	–
Net cash provided by (used in) investing activities	**(51,311,963)**	(3,059,556)	3,486,978	**(50,684,085)**	(1,560,257)	3,604,624
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	**187,599,609**	164,866,720	180,747,610	**178,534,210**	159,025,830	175,375,030
Proceeds from bonds payable	**15,398,696**	–	–	**15,398,696**	–	–
Settlement of:						
Bills and acceptances payable (Note 21)	**(162,732,019)**	(157,020,131)	(169,839,126)	**(158,520,810)**	(151,794,765)	(165,576,107)
Subordinated debt	**–**	(3,500,000)	(6,500,000)	–	(3,500,000)	(6,500,000)
Cash dividends declared and paid (Note 25)	**–**	–	(1,249,139)	–	–	(1,249,139)
Acquisition of non-controlling interest in subsidiaries (Note 12)	**–**	–	(292,416)	–	–	–
Dividends paid to non-controlling interest	**–**	(3,270)	(43,209)	–	–	–
Net cash provided by financing activities	**40,266,286**	4,343,319	2,823,720	**35,412,096**	3,731,065	2,049,784
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,080,936**	(1,004,912)	34,414,310	**4,063,547**	(4,336,071)	32,867,681
CASH AND CASH EQUIVALENTS AT BEGINNING 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	**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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**16,825,487**	12,391,139	11,014,663	**15,904,663**	11,671,952	10,626,525
Due from Bangko Sentral ng Pilipinas	**102,723,312**	108,743,985	127,337,861	**98,665,375**	105,497,459	123,799,952
Due from other banks	**20,525,318**	22,025,322	22,709,805	**10,459,496**	10,755,260	12,831,514
Interbank loans receivable (Note 8)	**10,580,432**	11,491,684	7,243,886	**10,581,083**	9,700,916	7,352,840
Securities held under agreements to resell	**20,700,000**	14,621,483	1,972,310	**20,700,000**	14,621,483	1,972,310
	₱171,354,549	₱169,273,613	₱170,278,525	**₱156,310,617**	₱152,247,070	₱156,583,141
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱8,151,979**	₱5,317,161	₱4,620,623	**₱6,768,648**	₱4,617,444	₱4,254,991
Interest received	**32,906,482**	28,559,267	22,279,734	**28,399,766**	25,320,173	20,653,077
Dividends received	**3,366**	3,270	17,593	**3,366**	32,417	80,841

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousand Pesos except When Otherwise Indicated)

1. **Corporate Information**

Philippine National Bank (the Parent Company) 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, Philippines. As of December 31, 2018 and 2017, 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. 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 711 and 692 domestic branches as of December 31, 2018 and 2017, respectively.

The Parent Company has 72 branches, representative offices, remittance centers and subsidiaries as of December 31, 2018 and 2017, 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, 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 (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI)/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 statement 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 statement 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 at 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 (NCI), 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 NCI 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

<u>Non-controlling Interests</u>
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), NCI consist of the amount attributed to such interest at initial recognition and the NCI's 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 adoption of the following amendments and improvements to PFRS which are effective beginning on or after January 1, 2018. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, these new and revised accounting standards have no impact to the Group.

- <u>*New and Amended Standards*</u>
  - Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  - Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- <u>*Annual Improvements to PFRSs (2014-2017 Cycle)*</u>
  - Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (*Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  - Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

PFRS 9, *Financial Instruments*
Effective January 1, 2018, PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 also supersedes all earlier versions of the standard, thereby bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

PFRS 9 is required to be applied on a retrospective basis, with certain exceptions. As permitted, the Group did not restate prior period comparative financial statements when the Group adopted the requirements of the new standard. Therefore, the comparative information for 2017 is reported under Philippine Accounting Standard (PAS) 39 and is not comparable to information presented in 2018. Restatements and differences in the carrying amounts of financial instruments arising from the adoption of PFRS 9 have been recognized in the 2018 opening balances of surplus and OCI as if the Group had always applied PFRS 9.

The Group adopted the classification and measurement, impairment and hedge accounting requirements of the standard as follows:

Classification and Measurement
Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. 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 financial assets at 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 as financial assets at FVTPL. Subsequent measurement of instruments classified as financial assets at 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 "hold to collect and for sale" basis will be classified as financial assets at FVOCI. Debt instruments that are managed on a "hold to collect" basis will be classified as investment securities at amortized cost. Subsequent measurement of instruments classified as financial assets at FVOCI and at 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 financial assets at FVOCI or at amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument as financial asset 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 financial asset 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.

Under PFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.

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 continue to be measured as financial assets/liabilities 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.

Incurred loss versus Expected Credit Loss Methodology
The application of ECL significantly changed 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 are 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.

The adoption of PFRS 9 as at January 1, 2018 resulted in the reversal of net unrealized losses in OCI of ₱2.4 billion and reduction in surplus of ₱1.7 billion.

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as of January 1, 2018 follow:

Consolidated	**December 31, 2017 under PAS 39**						**January 1, 2018 under PFRS 9**	
	Category	**Amount**	**Reclassification**		**Re-measurement**	**ECL**	**Category**	**Amount**
Loans and advances to banks								
Due from BSP		₱108,743,985	₱–		₱–	₱–		₱108,743,985
Due from other banks		22,025,322	–		–	–		22,025,322
Interbank loans receivable and securities purchased under agreements to resell		27,459,204	–		–	–		27,459,204
	Loans and Receivable	₱158,228,511	₱–		₱–	₱–	Amortized Cost	₱158,228,511
Financial assets at FVTPL								
Debt		₱2,239,257	₱–		₱–	₱–	FVTPL	₱2,239,257
Equity		80,154	(80,154)		–	–		–
			80,085		–	–	FVTPL	80,085
			69		–	–	FVOCI	69
Derivatives		562,984	–		–	–	FVTPL	562,984
	FVPL Investments	₱2,882,395	₱–		₱–	₱–		₱2,882,395
Available-for-sale investments								
Debt		₱68,545,945	(₱68,545,945)		₱–	₱–		₱–
			31,694,862	*A*	–	–	FVOCI	31,694,862
			36,851,083	*B/H*	702,171	(22,365)	Amortized Cost	37,530,889
Equity		1,291,471	(1,291,471)					
			803,398	*C/E*	(11,722)	–	FVOCI	791,676
			488,073	*D*	–	–	FVTPL	488,073
	AFS Investment	₱69,837,416	₱–		₱690,449	(₱22,365)		₱70,505,500
Held-to-maturity investments		₱26,805,131	(26,805,131)		₱–	₱–		₱–
			9,205,240	*F/H*	773,071	(5,926)	Amortized Cost	9,972,385
			17,599,891	*A/G*	1,522,087	–	FVOCI	19,121,978
	Held to Maturity	₱26,805,131	₱–		₱2,295,158	(₱5,926)		₱29,094,363
Loans and receivables		₱502,116,517	(₱10,934,147)	*H*	₱–	(₱2,770,343)	Amortized Cost (Loans and receivables)	₱488,412,026
			488,771		–	–	Amortized Cost (Investments securities at amortized cost)	488,771
			10,445,376	*A/I*	39,924	–	FVOCI	10,485,300
	Loans and Receivable	₱502,116,517	₱–		₱39,924	(₱2,770,344)		499,386,097
		₱759,869,970	₱–		₱3,025,531	(₱2,798,635)		₱760,096,866

Parent Company	December 31, 2017 under PAS 39 Category	Amount	Reclassification		Re-measurement	ECL	January 1, 2018 under PFRS 9 Category	Amount
Loans and advances to banks								
Due from BSP		₱105,497,459	₱–		₱–	₱–		₱105,497,459
Due from other banks		10,755,260	–		–	–		10,755,260
Interbank loans receivable and securities purchased under agreement to resell		25,704,998	–		–	–		25,704,998
	Loans and Receivable	₱141,957,717	₱–		₱–	₱–	Amortized Cost	₱141,957,717
Financial assets at FVPL								
Debt		₱2,239,257	₱–		₱–	₱–	FVTPL	₱2,239,257
Equity		30,928	(30,928)		–	–		
			30,859		–	–	FVTPL	30,859
			69		–	–	FVOCI	69
Derivatives		559,692	–		–	–	FVTPL	559,692
	FVPL	₱2,829,877	₱–		₱–	₱–		₱2,829,877
Available-for-sale investments								
Debt		₱66,526,925	(₱66,526,925)		₱–	₱–		₱–
			30,403,354	***A***	–	–	FVOCI	30,403,354
			36,123,571	***B/H***	667,104	(22,365)	Amortized Cost	36,768,310
Equity		1,151,027	(1,151,027)		–	–		–
			664,231	***C/E***	(11,722)	–	FVOCI	652,509
			486,796	***D***	–	–	FVTPL	486,796
	AFS Investment	₱67,677,952	₱–		₱655,382	(₱22,365)		₱68,310,969
Held-to-maturity investments								
Debt		₱26,680,483	(26,680,483)		₱–	₱–		–
			9,080,592	***F/H***	773,071	(5,926)	Amortized Cost	₱9,847,737
			17,599,891	***A/G***	1,522,087	–	FVOCI	19,121,978
	Held to Maturity	₱26,680,483	₱–		₱2,295,158	(₱5,926)		₱28,969,715
Loans and receivables		₱441,513,305	(₱10,933,397)	***H***	₱–	(₱1,908,533)	Amortized Cost (Loans and receivables)	₱428,671,375
			488,021		–	–	Amortized Cost (Investments securities at amortized cost)	488,021
			10,445,376	***A/I***	39,924	–	FVOCI	10,485,300
	Loans and Receivables	₱441,513,305	₱–		₱39,924	(₱1,908,533)		₱439,644,696
		₱680,659,334			₱2,990,464	(₱1,936,824)		₱681,712,974

The impact on the Group and Parent Company's surplus and net unrealized loss upon adoption of PFRS 9 are as follows:

		Consolidated	Parent Company
Net unrealized losses			
Closing balance under PAS 39 (December 31, 2017)		(₱3,040,507)	(₱3,040,507)
Classification and measurement:			
Reversal of net unrealized losses (AFS investments to investment securities at amortized cost)	B/	702,171	667,104
Recognition of net unrealized losses on equity securities	C/	(11,722)	(11,722)
Reclassification of net unrealized losses to Surplus (FVPL to FVOCI)	D/	(4,820)	(4,820)

		Consolidated	Parent Company
Reversal of allowance on AFS equity investments reclassified to financial assets at FVOCI	E/	(₱625,500)	(₱625,500)
Reversal of unamortized net unrealized losses on previously reclassified AFS investments to HTM investments	F/	671,353	671,353
Recognition of net unrealized gains or reversal of unamortized net unrealized losses (HTM investment to FVOCI)	G/	1,522,087	1,522,087
Recognition of net unrealized gain (Loans and receivables at amortized cost to FVOCI)	I/	39,924	39,924
Share in impact of PFRS 9 adoption by subsidiaries		–	35,067
		2,293,493	2,293,493
Expected credit losses:			
Recognition of ECL on financial assets at FVOCI	A/	58,500	58,500
		2,351,993	2,351,993
Opening balance under PFRS 9 (January 1, 2018)		(₱688,514)	(₱688,514)
Surplus			
Closing balance under PAS 39 (December 31, 2017)		₱38,831,522	₱38,831,716
Classification and measurement:			
Reversal of allowance on AFS equity investments reclassified to financial assets at FVOCI	E/	625,500	625,500
Reclassification of net unrealized losses from Surplus (FVOCI to FVTPL)	D/	4,820	4,820
Reversal of amortized net unrealized losses on previously reclassified AFS investments to HTM investments	F/	101,718	101,718
		732,038	732,038
Expected credit losses:			
Recognition of ECL on financial assets at FVOCI	A/	(58,500)	(58,500)
Recognition of ECL on financial assets at amortized cost	H/	(2,798,635)	(1,936,823)
Share in impact of PFRS 9 adoption by subsidiaries		–	(861,812)
Income tax effect		464,978	464,978
		(2,392,157)	(2,392,157)
		(1,660,119)	(1,660,119)
Opening balance under PFRS 9 (January 1, 2018)		₱37,171,403	₱37,171,597

The following explains how applying the new classification requirements of PFRS 9 led to changes in classification of certain financial assets of the Group and Parent Company on January 1, 2018:

- Certain equity investment securities previously classified as financial assets at FVTPL with carrying value of ₱0.69 million were reclassified to financial assets at FVOCI in compliance with the defined business models.
- Certain debt instruments previously classified as AFS investments with carrying value of ₱36.85 billion for the Group and ₱36.12 billion for the Parent Company were reclassified to investment securities at amortized cost since the business model is to collect contractual cash flows up until its corresponding maturities.

- The Group has elected the option to irrevocably designate some of its AFS equity investments with carrying value of ₱803.40 million for the Group and ₱664.23 million for the Parent Company as at financial assets at FVOCI.
- Certain equity investments of the Group and Parent Company previous classified as AFS investments with carrying value of ₱488.07 million and ₱486.80 million, respectively, were reclassified to financial assets at FVTPL in compliance with the defined business model.
- A portion of its previously held-to-maturity investments with carrying value of ₱17.60 billion were reclassified to financial assets at FVOCI. Certain unquoted debt securities previously classified as 'loans and receivables' with carrying value of ₱10.4 billion were transferred to financial assets at FVOCI.   These debt securities are managed to collect contractual cash flows and sell to realize fair value changes prior to maturities of the securities.

The table below presents a reconciliation of the prior period's closing impairment allowance measured in accordance with PAS 39 to the opening impairment allowance determined in accordance with PFRS 9 as of January 1, 2018:

Consolidated

Measurement category	**Impairment Allowance under PAS 39**	**Transition adjustment**	**Impairment Allowance Under PFRS 9**
Loans and receivables			
Receivables from customers	₱8,496,015	₱2,509,248	₱11,005,263
Unquoted debt securities *	3,739,983	(3,683,233)	56,750
Other receivables	3,528,062	261,095	3,789,157
Financial assets at FVOCI**	–	58,500	58,500
Investment securities at amortized cost	–	3,711,523	3,711,523
	₱15,764,060	₱2,857,133	₱18,621,193

**Certain unquoted debt securities were transferred to Investment securities at amortized cost as part of the adoption of PFRS 9*
***Recognized in other comprehensive income*

Parent Company

Measurement category	**Impairment Allowance under PAS 39**	**Transition adjustment**	**Impairment Allowance Under PFRS 9**
Loans and receivables			
Receivables from customers	₱7,549,863	₱1,908,533	₱9,458,396
Unquoted debt securities *	3,683,232	(3,683,232)	–
Other receivables	3,272,232	–	3,272,232
Financial assets at FVOCI**	–	58,500	58,500
Investment securities at amortized cost	–	3,711,523	3,711,523
	₱14,505,327	₱1,995,324	₱16,500,651

**Certain unquoted debt securities were transferred to Investment securities at amortized cost as part of the adoption of PFRS 9*
***Recognized in other comprehensive income*

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 supersedes all current revenue recognition requirements under PFRSs. The Group adopted PFRS 15 using the modified retrospective application with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

Reward points program on credit card business
Prior to the adoption of PFRS 15, reward points program offered by the Parent Company to its credit card customers resulted in the allocation of a portion of the service fee (interchange fee) to the reward points using the fair value of points issued and recognition of deferred revenue in relation to points issued but not yet redeemed or expired. The Parent Company concluded that under PFRS 15 these reward points constitute a separate performance obligation because they provide a material right to credit card customers and a portion of the service fee was allocated to the rewards points earned by the customers. The Parent Company determined that, considering the relative stand-alone transaction prices, the amount attributable to earned reward points was lower compared to the previous accounting policy. The change did not have a material impact on the deferred revenue related to the amount attributable to earned reward points.

There were no adjustments recognized to the opening balances of surplus as at January 1, 2018 as the adoption of PFRS 15 did not materially impact the Group's accounting of revenues from service charges, fees and commissions and gains or losses from sale of investment properties.

PFRS 4 (Amendments), *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

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 NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI 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.

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 PFRS 9, *Financial Instruments*, 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 PFRS 9, it is measured at fair value at each reporting date with changes in fair value recognized in profit or loss. 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 NCI 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 NCI, 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 plan to sell the asset and 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 36 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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gair or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively.)

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.
All non-life insurance products issued by the Group meet the definitions of insurance contract.

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 FVTPL and financial assets at FVOCI/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 – Classification and Subsequent Measurement of Financial Assets

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 FVTPL, the initial measurement of financial instruments includes transaction costs.

Derivatives recorded at FVTPL

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.

Policies applicable beginning January 1, 2018

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost.

The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Group first assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than insignificant exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL. Only financial assets that pass the SPPI test are eligible to be measured at FVOCI or at amortized cost.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at Financial assets at FVTPL, irrespective of the business model. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income.

Financial Assets at FVOCI
Financial assets at FVOCI include debt and equity securities. After initial measurement, financial assets at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as 'Change in net unrealized loss on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, is reported in the statement of income. Interest earned on holding debt securities at debt securities at FVOCI are reported as 'Interest income' using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading and securities gain (loss) - net' in the statement of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election at initial recognition to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statement of income as 'Dividends' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statement of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and securities purchased under resale agreements (SPURA)', 'Investment securities at amortized cost', 'Loans and receivables' and those under other assets.

'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). 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, financial assets at amortized cost 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 credit losses are recognized in 'Provision for impairment, credit and other losses' in the statement of income.

Policies applicable prior to January 1, 2018
The Group classifies its financial assets in the following categories: financial assets at FVTPL, 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 FVTPL and other financial liabilities at amortized cost.

Financial assets or financial liabilities held-for-trading
Financial assets or financial liabilities held for trading (classified as 'Financial Assets at FVTPL' or 'Financial Liabilities at FVTPL') 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 FVTPL
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 FVTPL 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 FVTPL 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 FVTPL, 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 FVTPL 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.

<u>Impairment of Financial Assets</u>

<u>*Policies applicable beginning January 1, 2018*</u>
Overview of the ECL principles
The adoption of PFRS 9 has changed the Group's loss impairment method on financial assets by replacing PAS 39's incurred loss approach with a forward-looking ECL approach which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under PFRS 9.

The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no SICR of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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-month ECL.

- 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 requirements under PAS 39 for impaired financial instruments.

Definition of "Default" and "Cure"
A default is considered to have occurred when (a) the obligor is past due for more than 90 days on any material credit obligation to the Group, or (b) the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral, as applicable. An instrument is considered to be no longer in default when it no longer meets any of the default criteria and has exhibited satisfactory and acceptable track record for six consecutive payment periods, subject to applicable rules and regulations of the BSP.

Determining Significant Increase in Credit Risk
At each reporting date, the Group shall assess whether the credit risk on a loan or credit exposure has increased significantly since initial recognition. The Group's assessment of SICR involves looking at (a) quantitative element, (b) qualitative element, and (c) if unpaid for at least 30 days ("backstop").

The quantitative element is being looked through statistical models or credit ratings process or scoring process that captures certain information which the Group shall consider as relevant in assessing changes in credit risk. The Group may also look at the number of notches downgrade of credit risk rating (CRR) or certain thresholds for the probabilities of default being generated from statistical models to determine whether SICR has occurred subsequent to initial recognition date.

Staging Transfer
Credit exposures shall be transferred from Stage 1 to Stage 2 if there is SICR from initial recognition date. Exposures shall be classified as Stage 2 if (a) the exposure have potential weaknesses, based on current and/or forward-looking information, that warrant management's close attention. Said weaknesses, if left uncorrected, may affect the repayment of these exposures. (b) If there are adverse or foreseen adverse economic or market conditions that may affect the counterparty's ability to meet the scheduled repayments in the future.

Exposures shall be transferred from Stage 3 (non-performing) to Stage 1 (performing) when there is sufficient evidence to support their full collection. Such exposures should exhibit both the quantitative and qualitative indicators of probable collection prior to their transfer. Quantitative indicator is characterized by payments made within an observation period. Qualitative indicator pertains to the results of assessment of the borrower's financial capacity.

As a general rule, full collection is probable when payments of interest and/or principal are received for at least six months.

Modified or Restructured Loans and Other Credit Exposures
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. Such modifications can be provided depending on the borrower's current or expected financial difficulties. Modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date and schedule of periodic payments.

If a loan or credit exposure has been renegotiated or modified, and was not derecognized, the Group shall assess whether there has been a SICR by comparing the (a) risk of default at reporting date based on modified terms, and the (b) risk of default at initial recognition date based on original terms.

Purchased or Originated Credit-Impaired Loans
A loan is considered as credit-impaired on purchase or origination if there is evidence of impairment at the time of initial recognition (i. e., acquired/purchased at a deep discounted price). The Group shall only recognize the cumulative changes in lifetime ECL since initial recognition as a loss allowance for purchased or originated credit-impaired loan.

Measurement of ECL
ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether there has been SICR since initial recognition. ECL calculations are based on the following components:

- Probability of default (PD) - an estimate of the likelihood that a borrower will default on its obligations over the next 12 months for Stage 1 or over the remaining life of the credit exposure for Stages 2 and 3.
- Exposure-at-default (EAD) - an estimate of the exposure at a future/default date taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, expected drawdown on committed facilities and accrued interest from missed payments.
- Loss-given-default (LGD) - an estimate of the loss arising in case where defaults occurs at a given time. It is based on the difference between the contractual cash flow due and those that the Group would expect to receive, including from any collateral.
- Discount rate - represents the rate to be used to discount an expected loss to a present value at the reporting date using the original effective interest rate determined at initial recognition.

Forward-looking information shall be considered in estimating/determining the 12-month and lifetime PD, EAD and LGD depending on the credit exposure.

Macroeconomic Forecasts, Forward-looking Information and Probability-weighted Scenarios
ECL measurement is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Experienced credit judgment is essential in assessing the soundness of forward-looking information and in ensuring that these are adequately supported.

Forward-looking macroeconomic information and scenarios shall consider:

- Factors that may affect the general economic or market conditions in which the Group operates, such as gross domestic product growth rates, foreign exchange rates, inflation rate, etc.
- Changes in government policies, rules and regulations, such as adjustments to policy rates
- Other factors pertinent to the Group, including the proper identification and mitigation of risks such as incidences of loan defaults/losses, etc.

The Group applied a simplified ECL approach for its other loans and receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to product conditions over the span of a given observation period.

Policies applicable prior to January 1, 2018
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.

Investment securities 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 and undrawn loan commitments
In the ordinary course of business, the Group gives loan commitments and 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 under PAS 39, the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position.

Starting January 1, 2018, these contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life.

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

Prior to January 1, 2018, under PAS 18, *Revenue*, 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. Revenue is measured at the fair value of the consideration received.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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 within the scope of PFRS 15:

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.

The Bank assessed that there is no difference in accounting for service fees and commission income under PFRS 15 and PAS 18.

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.

Prior to the adoption of PFRS 15, 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 or have expired. The deferred balance is included under 'Other liabilities' in the statement of financial position.

Upon adoption of PFRS 15 beginning January 1, 2018, the Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The amount allocated to the loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote.

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.

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 (i.e., upon transfer of control under PFRS 15 and transfer of risks and rewards under PAS 18) and when the collectability of the sales price is reasonably assured.

Revenues outside the scope of PFRS 15:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities at FVOCI/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'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Commission earned on reinsurance
Reinsurance commissions are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertain to the premiums for the last two 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 FVTPL and gains and losses from disposal of financial assets at FVOCI/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. 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. 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.

Expenses

Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Expenses are recognized when incurred.

Taxes and licenses

This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract. When claims are paid, such reinsurance assets are reclassified to 'Loans and receivables' (Note 36).

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 under 'Liabilities of disposal group' will be withheld and recognized as Funds held for reinsurers and included as part of 'Liabilities of disposal group' in the consolidated statement of financial position. The amount withheld is generally released after a year.

Deferred Acquisition Cost (DAC)
Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred. Subsequent to initial recognition, these costs are amortized using the 24th method except for marine cargo where the DAC pertains to the commissions for the last two months of the year. Amortization is charged to 'Service fees and commission expense' in the consolidated statement of income. The unamortized acquisition costs are shown as 'Deferred acquisition costs' in the assets section of the consolidated statement of financial position.

An impairment review is performed at 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.

Property and Equipment
Land is stated at cost less any impairment in value and depreciable properties such as buildings, long-term leasehold land, leasehold improvements, and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Long-term leasehold land is amortized over the term of the lease. Leasehold improvements are amortized over lease term and the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

The estimated useful lives follow:

	Years
Buildings	25 - 50
Furniture, fixtures and equipment	5
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter

The useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the period the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be reliably measured in which case the investment property acquired is measured at the carrying amount of asset given up. Any gain or loss on exchange is recognized in the statement of income under 'Net gain on sale or exchange of assets'.

Foreclosed properties are classified under 'Investment Properties' upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and any impairment in value.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the depreciable investment properties ranging from 10 to 25 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Net gain on sale or exchange of assets' in the period of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Other Properties Acquired

Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Group applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the estimated useful life of five years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the respective useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

Software costs

Software costs, included in 'Intangible Assets', are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over five years on a straight-line basis. The estimated useful life and the amortization method are reviewed periodically to ensure that the period and the method of amortization are consistent with the expected pattern of economic benefits from the software. Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Customer relationship and core deposit intangibles

Customer relationship intangibles (CRI) and core deposit intangibles (CDI) are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposit are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the commercial loans business is amortized on a straight-line basis over its useful life of 3 years while core deposit is amortized on a straight-line basis over its useful life of 10 years.

Impairment of Nonfinancial Assets

Property and equipment, investment properties, intangible assets and other properties acquired
At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangibles and other properties acquired with finite useful lives may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the period in which it arises. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such reversal, the depreciation and amortization expense is adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

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 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'/'Net Unrealized loss on FVOCI' which comprises changes in fair value of AFS investments.

Future Changes in Accounting Policies

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on their financial statements.

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.

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.

Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
This addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Annual Improvements to PFRS 2015 to 2017 Cycle
PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously held interest in a joint operation*
The amendments clarify when an entity remeasures previously held interests in a business that is classified as a joint operation. If the entity obtains control, it remeasures previously held interests in that business. If the entity only obtains joint control, it does not remeasure previously held interests in that business.

PAS 12, *Income Taxes - Income tax consequence of payments on financial instruments classified as equity*
The amendments clarify that the requirements to recognize the income tax consequence of dividends where the transactions or events that generate distributable profits are recognized apply to all income tax consequences of dividends.

PAS 23, *Borrowing Costs - Borrowing costs eligible for capitalization*
The amendments clarify that a specific borrowing that remains outstanding after the related asset is ready for its intended use becomes part of the general borrowings when calculating the capitalization rate on general borrowings.

Effective beginning on or after January 1, 2020 (subject to Board of Accountancy's Approval)
Amendments to PFRS 3, *Business Combinations - Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply to future business combinations of the Group.

Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8,Accounting Policies*, *Changes in Accounting Estimates and Errors - Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021 (subject to Board of Accountancy's Approval)
PFRS 17*, Insurance Contracts*
PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. The standard is effective for annual periods beginning on or after January 1, 2021. Early application is permitted but only if the entity also applies PFRS 9 and PFRS 15. The Group is still assessing the impact of adopting this standard.

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 34).

(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 parties, 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 partial sale of interest in 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).

(h) *Classification of financial assets beginning January 1, 2018*
Beginning January 1, 2018, the Group classifies its financial assets depending on the results of the SPPI tests and on the business model used for managing those financial assets.

The SPPI test is the first of two tests that determine the classification of a financial asset. When performing the SPPI test, the Group applies judgment and evaluates relevant factors and characteristics such as the behavior and nature of contractual cash flows, its original currency denomination, the timing and frequency of interest rate repricing, contingent events that would alter the amount and/or timing of cash flows, leverage features, prepayment or extension options and other features that may modify the consideration for the time value of money.

The business model assessment (BMA) is the second test. The BMA reflects how financial assets are managed in order to generate net cash inflows, The Group performs BMA based on the following factors:

- Business objectives and strategies for holding financial assets
- Performance measures and benchmarks being used to evaluate the Group's key management personnel accountable to the financial assets
- Attendant risks and the tools applied in managing them
- Compensation structure, including whether based on fair value changes of the investments managed or on the generated cash flows from transactions
- Frequency and timing of disposals

In applying judgment, the Group also considers the circumstances surrounding the transaction as well as the prudential requirements of the BSP, particularly the guidelines contained in Circular No. 1011.

Estimates

(a) *Credit losses on financial assets beginning January 1, 2018*

The Group's ECL calculations are mainly derived from outputs of complex statistical models and expert judgment, with a number of underlying assumptions regarding the choice of variable inputs as well as their independencies. Elements of the ECL models that are treated as accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessments should be done individually or collectively.
- Quantitative and qualitative criteria for determining whether there has been SICR as at a given reporting date and the corresponding transfers between stages.
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs.
- Selection of forward-looking information and determination of probability weightings to derive the ECL.

Refer to Note 16 for the details of the carrying value of financial assets subject to ECL and for the details of the ECL.

(b) *Credit losses on loans and receivables prior to January 1, 2018*

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. Refer to Note 16 for the details of the allowance for credit losses.

(c) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Group and Parent Company's estimates of future taxable income indicate that certain temporary differences will be realized in the future. The amounts of recognized and unrecognized deferred tax assets are disclosed in Note 30.

(d) *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 28.

(e) *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.

(f) *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.

(g) 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.

The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claims settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are assessed for adequacy and changes made are charged to provision. Insurance contract liabilities are not discounted for the time value of money.

The carrying values of total provisions for claims reported and claims IBNR are included in the ‘Insurance contract liabilities’ disclosed in Notes 22 and 36.

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 a ₱13.3 billion increase in risk weighted assets or a ₱1.7 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 2019-2021, these are based on the following nine (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
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, remedial sector and credit management 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 Group 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

c. adequacy of loan loss reserves
d. trend of nonperforming loans (NPLs)
e. concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc.)

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. On January 1, 2018, upon the adoption of PFRS 9, the Group re-evaluated the segmentation of its loan portfolio so that it is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward looking conditions. Therefore, the comparative information for 2017 is not comparable to the information presented for 2018 (see Note 10).

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.

Collateral and other credit enhancement
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - deposit hold outs, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Sector which adheres to the general policy of disposing assets at the highest possible market value.

Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

Maximum exposure to credit risk after collateral held or other credit enhancements

An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2018			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱20,700,000**	**₱19,947,247**	**₱752,753**	**₱19,947,247**
Loans and receivables:				
Receivables from customers*:				
Corporates	**471,254,760**	**349,173,297**	**122,081,463**	**349,173,297**
LGU	**6,849,595**	**203,000**	**6,646,595**	**203,000**
Credit Cards	**12,336,487**	**–**	**12,336,487**	**–**
Retail SME	**11,079,479**	**19,751,481**	**–**	**11,079,479**
Housing Loans	**32,569,910**	**32,010,871**	**559,039**	**32,010,871**
Auto Loans	**11,511,890**	**10,948,300**	**563,590**	**10,948,300**
Others	**16,988,708**	**13,688,546**	**3,300,162**	**13,688,546**
Other receivables	**18,455,311**	**11,841,204**	**6,614,107**	**11,841,204**
	₱601,746,140	**₱457,563,946**	**₱152,854,196**	**₱448,891,944**

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Consolidated			
	2017			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱14,621,483	₱14,473,258	₱148,225	₱14,473,258
Loans and receivables:				
Receivables from customers*:				
Business loans	402,208,252	573,328,885	–	402,208,252
Consumers	44,780,030	36,704,079	9,365,239	35,414,791
GOCCs and National Government Agencies (NGAs)	17,328,887	15,117,428	2,211,459	15,117,428
LGUs	6,958,150	1,024,131	5,934,019	1,024,131
Fringe benefits	502,609	553,035	–	502,609
Unquoted debt securities	10,934,147	–	10,934,147	–
Other receivable	18,931,337	16,084,896	2,846,441	16,084,896
	₱516,264,895	₱657,285,712	₱31,439,530	₱484,825,365

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Parent			
	2018			
	Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Securities held under agreements to resell	**₱20,700,000**	**₱19,947,247**	**₱752,753**	**₱19,947,247**
Loans and receivables:				
Receivables from customers*:				
Corporates	**453,054,812**	**323,072,021**	**129,982,791**	**323,072,021**
LGU	**6,849,595**	**203,000**	**6,646,595**	**203,000**
Credit Cards	**12,336,487**	**–**	**12,336,487**	**–**
Retail SME	**7,240,249**	**6,387,250**	**852,999**	**6,387,250**
Housing Loans	**1,569,098**	**1,405,724**	**163,374**	**1,405,724**
Auto Loans	**433**	**4,074**	**–**	**433**
Others	**13,487,060**	**13,480,147**	**6,913**	**13,480,147**
Other receivable	**16,281,540**	**11,835,919**	**4,445,621**	**11,835,919**
	₱531,519,274	**₱376,335,382**	**₱155,187,533**	**₱376,331,741**

	Parent Company			
	2017			
	Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Securities held under agreements to resell	₱14,621,483	₱14,473,258	₱148,225	14,473,258
Loans and receivables:				
Receivables from customers:				
Business loans	382,322,273	546,762,806	–	382,322,273
Consumers	10,900,358	1,567,307	10,250,924	1,567,307
GOCCs and NGAs	17,328,887	15,117,428	1,288,788	15,117,428
LGUs	6,958,150	1,024,131	5,934,019	1,024,131
Fringe benefits	468,272	522,070	–	468,272
Unquoted debt securities	10,933,395	–	10,933,395	–
Other receivable	12,804,193	16,012,112	–	12,804,193
	₱456,337,011	₱595,479,112	₱28,555,351	₱427,776,862

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 34 to the financial statements.

Excessive risk concentration
Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Group 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 Group 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
   The internal limits set by the Parent Company for group exposures are as follows:
   CRR 1-12 – up to 95% of the regulatory Single Borrowers Limit (SBL)
   CRR 13-18 – up to of the regulatory SBL
   CRR 18-26 – up to 50% of the regulatory SBL

   For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration

The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location:

	Consolidated			
	2018			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱550,890,988**	**₱119,582,436**	**₱126,685,703**	**₱797,159,127**
Asia (excluding the Philippines)	**27,523,240**	**34,425,377**	**13,337,474**	**75,286,091**
USA and Canada	**909,044**	**7,058,104**	**6,360,517**	**14,327,665**
Oceania	**1,684,104**	**–**	**–**	**1,684,104**
Other European Union Countries	**–**	**39,599**	**1,532,835**	**1,572,434**
United Kingdom	**38,764**	**340,809**	**8,069,032**	**8,448,605**
Middle East	**–**	**–**	**16,530**	**16,530**
	₱581,046,140	**₱161,446,325**	**₱156,002,091**	**₱898,494,556**

* *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			
	2017			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱468,318,223	₱79,432,010	₱128,064,005	₱675,814,238
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
	₱501,643,412	₱99,524,942	₱158,973,996	₱760,142,350

* *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			
	2018			
	Loans and receivables	**Trading and investment securities**	**Other financial assets***	**Total**
Philippines	**₱493,649,414**	**₱118,495,863**	**₱122,138,458**	**₱734,283,735**
Asia (excluding the Philippines)	**14,645,344**	**34,423,612**	**6,792,458**	**55,861,414**
United Kingdom	**840,412**	**6,926,975**	**4,617,267**	**12,384,654**
Oceania	**1,684,104**	**–**	**–**	**1,684,104**
USA and Canada	**–**	**39,599**	**1,465,439**	**1,505,038**
Other European Union Countries	**–**	**340,809**	**7,155,383**	**7,496,192**
Middle East	**–**	**–**	**16,530**	**16,530**
	₱510,819,274	**₱160,226,858**	**₱142,185,535**	**₱813,231,667**

**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	₱417,889,498	₱77,297,223	₱122,665,366	₱617,852,087
Asia (excluding the Philippines)	19,753,264	10,971,619	6,437,886	37,162,769
United Kingdom	674,104	2,326,180	8,460,359	11,460,643
Oceania	3,398,662	479	–	3,399,141
USA and Canada	–	382,808	2,062,191	2,444,999
Other European Union Countries	–	6,210,003	3,007,451	9,217,454
Middle East	–	–	10,943	10,943
	₱441,715,528	₱97,188,312	₱142,644,196	₱681,548,036

**Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', and other financial assets booked under 'Other assets' (Note 15)*

c. Concentration by Industry

The tables below show the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements.

	Consolidated			
	2018			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
Primary target industry:				
Financial intermediaries	**₱91,268,308**	**₱32,395,927**	**₱132,938,912**	**₱256,603,147**
Wholesale and retail	**82,912,802**	–	–	**82,912,802**
Electricity, gas and water	**72,396,544**	**3,825,413**	–	**76,221,957**
Transport, storage and communication	**42,056,873**	**243,736**	–	**42,300,609**
Manufacturing	**49,251,873**	**446,044**	–	**49,697,917**
Public administration and defense	**18,007,819**	–	–	**18,007,819**
Agriculture, hunting and forestry	**7,293,753**	–	–	**7,293,753**
Secondary target industry:				
Government	**961,957**	**101,119,242**	**22,148,910**	**124,230,109**
Real estate, renting and business activities	**83,011,051**	**240,191**	–	**83,251,242**
Construction	**25,852,120**	**14,604,914**	–	**40,457,034**
Others**	**108,033,040**	**8,570,858**	**914,269**	**117,518,167**
	₱581,046,140	**₱161,446,325**	**₱156,002,091**	**₱898,494,556**

* *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)*

	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	82,787,585	9,217,989	–	92,005,574
Construction	18,742,726	–	–	18,742,726
Others**	81,356,402	7,577,849	745,486	89,679,737
	₱501,643,412	₱99,524,942	₱158,973,996	₱760,142,350

* *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			
	2018			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱91,254,439**	**₱32,382,583**	**₱22,148,910**	**₱145,785,932**
Wholesale and retail	**78,593,080**	**–**	**–**	**78,593,080**
Electricity, gas and water	**72,366,879**	**3,825,374**	**–**	**76,192,253**
Transport, storage and communication	**40,749,110**	**–**	**–**	**40,749,110**
Manufacturing	**45,073,568**	**446,044**	**–**	**45,519,612**
Public administration and defense	**18,007,819**	**–**	**–**	**18,007,819**
Agriculture, hunting and forestry	**7,274,620**	**–**	**–**	**7,274,620**
Secondary target industry:				
Government	**961,957**	**99,421,494**	**119,365,375**	**219,748,826**
Real estate, renting and business activities	**79,407,958**	**14,604,914**	**–**	**94,012,872**
Construction	**25,173,391**	**–**	**–**	**25,173,391**
Others*	**51,956,453**	**9,546,449**	**671,250**	**62,174,152**
	₱510,819,274	**₱160,226,858**	**₱142,185,535**	**₱813,231,667**

* *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	75,203,807	8,986,299	–	84,190,106
Construction	17,703,490	–	–	17,703,490
Others*	40,041,108	7,479,073	686,479	48,206,660
	₱441,715,528	₱97,188,312	₱142,644,196	₱681,548,036

* *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

Beginning January 1, 2018

As previously mentioned, the Group re-evaluated the segmentation of its loan portfolio so that it is grouped based on the underlying risk characteristics that are expected to respond in a similar manner to macroeconomic factors and forward-looking conditions. Moreover, the Group has aligned the portfolio segmentation to sound practice guidelines of internal ratings-based banks.

Generally, the Group's exposures can be categorized as either Non-Retail and Retail. Non-Retail portfolio of the Group consists of debt obligations of sovereigns, financial institutions, corporations, partnerships, or proprietorships. In particular, the Group's Non-retail portfolio segments are as follows: Sovereigns, Financial Institutions, Specialised Lending (e.g. Project Finance), Large Corporates, Middle Market and Commercial SME, GOCCs and LGUs. Retail exposures are exposures to individual person or persons or to a small business, and are not usually managed on an individual basis but as groups of exposures with similar risk characteristics. This includes Credit Cards, Consumer Loans and Retail SME, among others.

Loans and Receivables

The credit quality of Non-Retail portfolio is evaluated and monitored using external ratings and internal credit risk rating system. In 2018, the Parent Company transitioned to a new internal credit risk rating system but maintained the 2-dimensional structure; that is, there is still a borrower risk rating (BRR) and the facility risk rating (FRR).

Specific borrower rating models were developed by the Group to capture specific and unique risk characteristics of each of the Non-Retail segment. The borrower risk rating is measured based on financial condition of the borrower combined with an assessment of non-financial factors such as management, industry outlook and market competition. The BRR models captures overlays and early warning signals as well.

The Group uses a single scale with 26 risk grades for all its borrower risk rating models. The 26-risk grade internal default masterscale is a representation of a common measure of relative default risk associated with the obligors/counterparties. The internal default masterscale is mapped to a global rating scale.

Facility Risk Rating on the other hand assesses potential loss of the Group in case of default, which considers collateral type and level of collateralization of the facility. The FRR has 9-grades, i.e. FRR A to FRR I.

The CRR or final credit risk rating shall be expressed in alphanumeric terms, e.g. CRR 1A which is a combination of the general creditworthiness of the borrower (BRR 1) and the potential loss of the Group in the event of the borrower's default (FRR A).

The credit quality and corresponding BRRs of the Parent Company's and PNB SB receivables from customers are defined below:

Credit quality	**26-grade CRR system** **Used beginning January 1, 2018**
High S&P Equivalent Global Rating: AAA to BBB-	*BRR 1 Excellent* Borrower has an exceptionally strong capacity to meet its financial commitments. No existing disruptions or future disruptions are highly unlikely. Probability of going into default in the coming year is very minimal/low. *BRR 2 Very Strong* Borrower has a very strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. It differs from BRR 1 borrowers only to a small degree. Probability of going into default in the coming year is very minimal/low. *BRR 3 Strong* Borrower has a strong capacity to meet its financial commitments. No existing disruptions or future disruptions are unlikely. However, adverse economic conditions or changing circumstances could lead to somewhat lesser capacity to meet financial obligations than in higher-rated borrowers. Probability of going into default in the coming year is very minimal/low. *BRR 4-6 Good* Borrower has an adequate capacity to meet its financial commitments in the normal course of its business. With identified disruptions from external factors but company has or will likely overcome. Default possibility is minimal/low. *BRR 7-9 Satisfactory* Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 4 to BRR 6 with slightly lesser quality. Default possibility BRR 8 is minimal/low. *BRR 10-12 Adequate* Borrower has an adequate capacity to meet its financial commitments under the normal course of business. However, adverse economic conditions and changing circumstances are more likely to weaken the borrower's capacity to meet its financial commitments. Default possibility is minimal/low.
Standard S&P Equivalent Global Rating: BB+ to BB-	*BRR 13-15 Average* Borrower still has the capacity to meet its financial commitments and withstand normal business cycles, however, any prolonged unfavorable economic and/or market conditions would create an immediate deterioration beyond acceptable levels. With identified disruptions from external forces, impact on the borrower is uncertain. Default is a possibility.

Credit quality	26-grade CRR system Used beginning January 1, 2018
	BRR 16-18 Acceptable Borrower under this rating scale basically possesses the characteristics of borrowers rated as BRR 13 to BRR 15 with slightly lesser quality. Default is a possibility. *BRR 19-20 Vulnerable* Borrower is less vulnerable in the near term than other low-rated borrowers. However, it faces major ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the borrower's inadequate capacity to meet its financial commitment. Default is a possibility
Substandard S&P Equivalent Global Rating: B+ to CCC-	*BRR 21-22 Weak* Borrower is more vulnerable than the borrowers rated BRR 19 and BRR 20 but the borrower currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the borrower's capacity or willingness to meet its financial commitments. Default is more than a possibility. *BRR 23-25 Watchlist* Borrower is currently vulnerable and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Borrower may already be experiencing losses and impaired capital in the case of BRR 25.
Impaired S&P Equivalent Global Rating: D	*BRR 26 Default* Default will be a general default. Borrower will fail to pay all or substantially all of its obligations as they come due.

For the Retail segment of the portfolio, such as Retail SME, Credit Cards, Housing and Auto Loans, credit scoring is being used in evaluating the creditworthiness of the borrower.

The table below shows the credit quality of the Group's and the Parent Company's receivables from customers, gross of allowance for credit losses and unearned and other deferred income, but net of residual values of leased assets, as of December 31, 2018:

	Consolidated			
	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Subject to CRR				
Non-Retail - Corporate				
High	**₱246,664,735**	**₱1,157,818**	**₱–**	**₱247,822,553**
Standard	**160,962,888**	**3,171,281**	**–**	**164,134,169**
Substandard	**39,018,920**	**844,624**	**–**	**39,863,544**
Impaired	**–**	**–**	**4,724,646**	**4,724,646**
	446,646,543	**5,173,723**	**4,724,646**	**456,544,912**
Subject to Scoring & Unrated				
Non-Retail	**22,672,264**	**4,808,639**	**64,611**	**27,545,514**
Corporate	**15,794,933**	**4,790,671**	**39,695**	**20,625,299**
LGU	**6,877,331**	**17,968**	**24,916**	**6,920,215**
Retail	**67,797,340**	**590,180**	**2,659,337**	**71,046,857**
Auto Loans	**11,682,195**	**21,442**	**39,608**	**11,743,245**
Housing Loans	**33,649,887**	**36,453**	**157,056**	**33,843,395**
Retail SME	**10,717,155**	**138,835**	**1,192,164**	**12,048,154**
Credit Card	**11,748,103**	**393,450**	**1,270,510**	**13,412,063**
Others	**16,074,232**	**501,025**	**2,115,073**	**18,690,330**
	106,543,836	**5,899,844**	**4,839,022**	**117,282,701**
	₱553,190,379	**₱11,073,567**	**₱9,563,668**	**₱573,827,613**

	Parent Company			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Subject to CRR				
Non-Retail - Corporate				
High	₱234,340,295	₱1,112,772	₱–	₱235,453,067
Standard	160,962,888	3,171,281	–	164,134,169
Substandard	39,018,920	844,624	–	39,863,544
Impaired	–	–	4,723,905	4,723,905
	434,322,103	5,128,677	4,723,905	444,174,685
Subject to Scoring & Unrated				
Non-Retail	16,806,236	4,457,670	66,810	21,330,716
Corporate	9,928,905	4,439,702	41,894	14,410,501
LGU	6,877,331	17,968	24,916	6,920,215
Retail	19,744,284	535,608	2,629,113	22,909,005
Auto Loans	417	–	39,608	40,025
Housing Loans	1,483,609	15,850	127,863	1,627,322
Retail SME	6,512,155	126,308	1,191,132	7,829,595
Credit Card	11,748,103	393,450	1,270,510	13,412,063
Others	11,829,729	526,282	2,279,277	14,635,288
	48,380,248	5,519,561	4,975,200	58,875,009
	₱482,702,351	₱10,648,238	₱9,699,105	₱503,049,694

Prior to January 1, 2018
The credit quality of financial assets is assessed and managed using external and internal ratings. For receivables from customers classified as business loans, the credit quality is generally monitored using the 14-grade CRR System which is integrated in the credit process particularly in loan pricing and allocation of valuation reserves. The model on risk ratings is assessed and updated regularly.

Validation of the individual internal risk rating is conducted by the Credit Management Division to maintain accurate and consistent risk ratings across the credit portfolio. The rating system has two parts, namely, the borrower's rating and the facility rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information such as industry outlook and market competition to provide the main inputs for the measurement of credit or counterparty risk.

Loans and Receivables
The CRRs of the Parent Company's Receivables from customers (applied to loans with asset size of above ₱15.0 million) are defined below:

CRR 1 - Excellent
Loans receivables rated as excellent include borrowers which are significant in size, with long and successful history of operations, an industry leader, with ready access to all equity and debt markets and have proven its strong debt service capacity.

CRR 2 - Super Prime
Loans receivables rated as super prime include borrowers whose ability to service all debt and meet financial obligations remains unquestioned.

CRR 3 - Prime
Under normal economic conditions, borrowers in this rating have good access to public market to raise funds and face no major uncertainties which could impair repayment.

CRR 4 - Very Good
Loans receivables rated as very good include borrowers whose ability to service all debts and meet financial obligations remain unquestioned, but current adverse economic conditions or changing circumstances have minimal impact on payment of obligations.

CRR 5 - Good
Loans receivables rated as good include borrowers with good operating history and solid management, but payment capacity could be vulnerable to adverse business, financial or economic conditions.

CRR 6 - Satisfactory
These are loans receivables to borrowers whose ability to service all debt and meet financial obligations remains unquestioned, but with somewhat lesser capacity than in CRR 5 accounts.

CRR 7 - Average
These are loans receivables to borrowers having ability to repay the loan in the normal course of business activity, although may not be strong enough to sustain a major setback.

CRR 8 – 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 asset size of ₱15.0 million and below. 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 receivables from customers, gross of allowance for credit losses and unearned and other deferred income, for each CRR as of December 31, 2017, 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 Receivables 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 Receivables from Customers				
Consumers	51,341,531	1,426,568	218,224	52,986,323
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	–	–	–	–
	77,076,768	1,935,039	1,092,207	80,104,013
	₱471,531,861	₱2,629,683	₱7,463,289	₱481,624,832

	Parent Company			
	2017			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivables 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 Receivables from Customers				
Business Loans	18,942,189	407,654	710,897	20,060,740
Consumers	10,392,839	1,254,482	205,197	11,852,518
LGUs	7,000,975	35,325	150,344	7,186,644
Fringe Benefits	467,380	4,266	12,743	484,389
GOCCs and NGAs	–	–	–	–
	36,803,383	1,701,727	1,079,181	39,584,291
	₱418,995,617	₱2,300,129	₱5,271,420	₱426,567,166

Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due.

As of December 31, 2018, the analysis of past due status of receivables from customers that are subject to scoring and unrated follows:

	Consolidated				
	2018				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
LGU	**₱2,601,143**	**₱–**	**₱–**	**₱–**	**₱2,601,143**
Credit Card	**857**	**134,027**	**448,475**	**860,799**	**1,444,158**
Retail SME	**448,609**	**118,568**	**27,433**	**887,445**	**1,482,055**
Housing Loans	**149**	**6,589**	**20,150**	**5,417**	**32,305**
Auto Loans	**1,005**	**3,200**	**3,276**	**53,569**	**61,050**
Others	**101,342**	**4,200**	**4,193**	**1,079,508**	**1,189,243**
Total	**₱3,153,105**	**₱266,584**	**₱503,527**	**₱2,886,738**	**₱6,809,954**

	Parent Company 2018				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
LGU	₱2,601,143	₱–	₱–	₱–	₱2,601,143
Auto Loans	857	134,027	448,475	860,799	1,444,158
Housing Loans	448,173	107,614	26,810	788,103	1,370,700
Retail SME	–	4,501	2,640	–	7,141
Credit Card	–	–	19	39,589	39,608
Others	81,491	4,004	3,737	1,073,497	1,162,729
Total	₱3,131,664	₱250,146	₱481,681	₱2,761,988	₱6,625,479

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

	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	₱1,402,492	₱2,300,129

Trading and Investment Securities and Other Financial Assets
In ensuring quality investment portfolio, the Group 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 receivables from customers, which are monitored using external ratings.

	Consolidated 2018					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated	Total
Due from BSP[1/]	**₱–**	**₱–**	**₱4,057,938**	**₱4,057,938**	**₱98,665,375**	**₱102,723,313**
Due from other banks	**8,756,826**	**5,844,679**	**2,843,242**	**17,444,747**	**3,080,571**	**20,525,318**
Interbank loans receivables	**3,260,307**	**7,385,582**	**453,379**	**11,099,268**	**149,187**	**11,248,455**
Securities held under agreements to resell	**–**	**–**	**–**	**–**	**20,700,000**	**20,700,000**
Financial assets at FVOCI						
Government securities	**1,078,129**	**–**	**32,038,366**	**33,116,495**	**–**	**33,116,495**
Private debt securities	**403,959**	**4,794,125**	**4,447,169**	**9,645,253**	**8,026,756**	**17,672,009**
Quoted equity securities	**–**	**–**	**183,148**	**183,148**	**616,392**	**799,540**
Unquoted equity securities	**–**	**–**	**–**	**–**	**86,123**	**86,123**
Investment securities at amortized cost:						
Government securities	**33,463**	**–**	**59,986,408**	**60,019,871**	**201,444**	**60,221,315**
Private debt securities	**1,227,609**	**5,089,990**	**3,967,772**	**10,285,371**	**29,266,025**	**39,551,396**
Financial assets at amortized cost:						
Others[4/]	**–**	**–**	**18,836,276**	**18,836,276**	**–**	**18,836,276**

[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).

	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
Equity securities	97,206	12,648	298,156	408,010	154,974	562,984
Derivative assets[2/]	–	–	–	–	31,305	31,305
Private debt 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	41,621,224
Private debt securities	2,283,698	5,941,865	9,044,338	17,269,901	9,650,145	26,920,046
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	10,933,395
Others[4/]	–	–	12,561,523	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.

	Parent Company					
	2018					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated**	**Total**
Due from BSP[1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱98,665,375**	**₱98,665,375**
Due from other banks	**3,275,420**	**3,838,006**	**792,377**	**7,905,803**	**2,553,693**	**10,459,496**
Interbank loans receivables	**3,260,307**	**7,385,582**	**453,379**	**11,099,269**	**590,145**	**11,689,414**
Securities held under agreements to resell	–	–	–	–	**20,700,000**	**20,700,000**
Financial assets at FVOCI						
Government securities	**783,879**	–	**31,913,930**	**32,697,809**	–	**32,697,809**
Private debt securities	–	**4,794,125**	**4,447,168**	**9,241,293**	**8,073,591**	**17,314,884**
Quoted equity securities	–	–	–	–	**558,077**	**558,077**
Unquoted equity securities	–	–	–	–	**86,123**	**86,123**
Investment securities at amortized cost						
Government securities	**33,463**	–	**59,800,026**	**59,833,489**	**201,444**	**60,034,933**
Financial assets at amortized cost:						
Others[4/]	–	–	**17,308,833**	**17,308,833**	–	**17,308,833**

[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 and financial assets under other assets (Note 10).

	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	–	–	–	–	1,004,873	1,004,873
Private debt securities	–	–	–	–	146,154	146,154
Quoted equity securities						
Unquoted equity securities	266	–	23,959,337	23,959,603	2,720,881	26,680,484
HTM investments						
Government securities	–	–	148,723	148,723	10,784,671	10,933,394
Loans and receivables:	–	–	12,804,193	12,804,193	–	12,804,193
Unquoted debt securities[3/]	–	–	–	–	1,004,873	1,004,873
Others[4/]	–	–	–	–	12,950,347	12,950,347

[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 and financial assets under other assets (Notes 10 and 15).
[5/] Financial assets that are unrated are neither past due nor impaired.

Liquidity Risk and Funding Management

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they come due without incurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Group'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					
	2018					
	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	₱16,825,487	₱–	₱–	₱–	₱–	₱16,825,487
Due from BSP and other banks	123,248,630	–	–	–	–	123,248,630
Interbank loans receivable	10,664,790	2,442,863	–	–	–	13,107,653
Securities held under agreements to resell	20,713,656	–	–	–	–	20,713,656
Financial assets at FVTPL:						
Government securities	8,457,711	–	–	–	–	8,457,711
Private debt securities	415,583	–	–	–	–	415,583
Equity securities	545,149	–	–	–	–	545,149
Investment in UITFs	6,375	–	–	–	–	6,375
Derivative assets:						
Gross contractual receivable	27,666,556	10,536,098	60,497	112,041	683,409	39,058,601
Gross contractual payable	(27,520,484)	(10,490,192)	(42,937)	(81,911)	(411,484)	(38,547,008)
	146,072	45,906	17,560	30,130	271,925	511,593
Financial Assets at FVOCI:						
Government securities	987,525	553,618	3,725,942	1,192,976	28,389,989	34,850,050
Private debt securities	319,173	152,913	484,719	2,756,936	14,374,652	18,088,393
Equity securities	–	–	–	–	885,663	885,663
Investment securities at amortized cost						
Government securities	684,637	1,140,676	1,740,843	7,563,320	60,259,803	71,389,279
Private debt securities	1,237,106	12,857,236	1,430,423	2,469,149	31,928,967	49,922,881
Financial assets at amortized cost:						
Receivables from customers	91,596,975	71,842,884	29,824,138	15,111,527	471,459,416	679,834,940
Other receivables	3,899,850	87,502	3,997	3,702,950	18,739,286	26,433,585
Other assets	669,790	–	–	–	135,215	805,005
Total financial assets	₱280,418,509	₱89,123,598	₱37,227,622	₱32,826,988	₱626,444,916	₱1,066,041,633

(Forward)

	Consolidated					
	2018					
	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 Liabilities						
Deposit liabilities:						
Demand	**₱153,065,163**	**₱–**	**₱–**	**₱–**	**₱–**	**₱153,065,163**
Savings	**325,879,492**	**55,277,943**	**11,124,898**	**3,934,958**	**59,492,319**	**455,709,610**
Time and LTNCDs	**64,510,020**	**47,939,843**	**15,741,007**	**12,397,727**	**47,608,239**	**188,196,836**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**21,312,878**	**4,168,069**	**59,131**	**112,041**	**625,556**	**26,277,675**
Gross contractual receivable	**(21,151,285)**	**(4,103,918)**	**(43,927)**	**(84,634)**	**(431,172)**	**(25,814,936)**
	161,593	**64,151**	**15,204**	**27,407**	**194,384**	**462,739**
Bills and acceptances payable	**21,220,087**	**31,470,973**	**7,650,651**	**1,731,191**	**9,251,132**	**71,324,034**
Bonds Payable	**–**	**–**	**335,198**	**335,198**	**18,044,999**	**18,715,395**
Accrued interest payable and accrued other expenses payable	**530,393**	**545,676**	**318,565**	**478,357**	**719,006**	**2,591,997**
Other liabilities	**9,374,656**	**79,932**	**10,663**	**4,958,474**	**1,483,565**	**15,907,290**
Total financial liabilities	**₱574,741,404**	**₱135,378,518**	**₱35,196,186**	**₱23,863,312**	**₱136,793,644**	**₱905,973,064**

	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 held 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

(Forward)

	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
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

	Parent Company 2018					
	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	**₱15,904,663**	**₱–**	**₱–**	**₱–**	**₱–**	**₱15,904,663**
Due from BSP and other banks	**109,124,871**	–	–	–	–	**109,124,871**
Interbank loans receivable	**10,802,556**	**2,489,016**	–	**411,692**	–	**13,703,264**
Securities held under agreements to resell	**20,705,463**	–	–	–	–	**20,705,463**
Financial assets at FVTPL:						
Government securities	**8,457,711**	–	–	–	–	**8,457,711**
Private debt securities	**415,583**	–	–	–	–	**415,583**
Equity securities	**537,478**	–	–	–	–	**537,478**
Derivative assets:						
Gross contractual receivable	**27,666,538**	**10,535,716**	**59,131**	**112,041**	**683,409**	**39,056,835**
Gross contractual payable	**(27,520,484)**	**(10,490,192)**	**(42,937)**	**(81,911)**	**(411,484)**	**(38,547,008)**
	146,054	**45,524**	**16,194**	**30,130**	**271,925**	**509,827**
Financial Assets at FVOCI:						
Government securities	**860,264**	**553,410**	**3,676,724**	**1,118,623**	**27,737,653**	**33,946,674**
Private debt securities	**319,173**	**152,913**	**594,186**	**2,756,936**	**14,102,844**	**17,926,052**
Equity securities	–	–	–	–	**644,200**	**644,200**
Investment securities at amortized cost:						
Government securities	**653,485**	**1,117,154**	**1,668,329**	**7,306,538**	**59,680,400**	**70,425,906**
Private debt securities	**1,275,473**	**12,857,236**	**1,430,423**	**2,469,149**	**31,666,253**	**49,698,534**
Financial assets at amortized cost:						
Receivables from customers	**81,472,022**	**68,788,473**	**27,138,592**	**10,523,511**	**418,403,360**	**606,325,958**
Other receivables	**5,433,667**	**16,076**	**15,730**	**74,065**	**18,678,032**	**24,217,570**
Other assets	**670,750**	–	–	–	**500**	**671,250**
Total financial assets	**₱256,779,213**	**₱86,019,802**	**₱34,540,178**	**₱24,690,644**	**₱571,185,167**	**₱973,212,004**
Financial Liabilities						
Deposit liabilities:						
Demand	**₱149,539,540**	**₱–**	**₱–**	**₱–**	**₱–**	**₱149,539,540**
Savings	**317,778,999**	**55,277,943**	**11,124,898**	**3,934,958**	**59,492,319**	**447,609,117**
Time and LTNCDs	**51,362,124**	**30,407,644**	**13,203,801**	**11,043,590**	**39,049,996**	**145,067,155**
Financial liabilities at FVTPL:						
Derivative liabilities:						
Gross contractual payable	**21,312,878**	**4,168,069**	**59,131**	**112,041**	**625,556**	**26,277,675**
Gross contractual receivable	**(21,152,094)**	**(4,104,998)**	**(44,407)**	**(84,634)**	**(431,172)**	**(25,817,305)**
	160,784	**63,071**	**14,724**	**27,407**	**194,384**	**460,370**
Bills and acceptances payable	**21,130,622**	**27,986,302**	**6,850,651**	**92,303**	**7,451,938**	**63,511,816**
Bonds Payable	–	–	**335,198**	**335,198**	**18,044,999**	**18,715,395**
Accrued interest payable and accrued other expenses payable	**375,980**	**504,207**	**309,134**	**424,874**	**688,624**	**2,302,819**
Other liabilities	**11,748,075**	–	–	–	**1,052,542**	**12,800,617**
Total financial liabilities	**₱552,096,124**	**₱114,239,167**	**₱31,838,406**	**₱15,858,330**	**₱125,974,802**	**₱840,006,829**

	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 held under agreements to resell	14,625,088	–	–	–	–	14,625,088
Financial assets at FVPL:						
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

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 2018 and 2017, 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, 2018	**₱5.27**	**₱523.30**	**₱4.59**	**₱533.16**
Average Daily	**3.49**	**292.78**	**2.98**	**299.25**
Highest	**14.85**	**574.50**	**5.04**	**594.39**
Lowest	**0.45**	**93.54**	**0.48**	**94.47**

* *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, 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*

Structural Market Risk

Non-trading Market Risk
Interest rate risk
The Group 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 Group to interest rate risk. The Group 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 Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the loan accounts are assessed based on next repricing date, thus as an example, if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Group uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Group 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 Group BOD sets a limit on the level of EaR exposure tolerable to the Group. 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					
	2018					
	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	**₱17,188,885**	**₱2,226,848**	**₱358,643**	**₱114,017**	**₱103,360,241**	**₱123,248,634**
Interbank loans receivable and securities held under agreements to resell	**27,252,060**	**4,293,432**	–	**402,963**	–	**31,948,455**
Receivables from customers and other receivables - gross**	**133,599,243**	**49,477,333**	**14,250,209**	**10,655,001**	**85,551,833**	**293,533,619**
Total financial assets	**₱178,040,188**	**₱55,997,613**	**₱14,608,852**	**₱11,171,981**	**₱188,912,074**	**₱448,730,704**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱103,372,627**	**₱51,010,318**	**₱17,409,707**	**₱9,855,407**	**₱219,974,302**	**₱401,622,361**
Time***	**54,243,105**	**29,114,902**	**12,695,184**	**7,290,497**	**43,867,041**	**147,210,729**
Bonds payable	–	–	–	–	**15,661,372**	**15,661,372**
Bills and acceptances payable	**26,009,666**	**29,625,656**	**9,334,172**	**438,375**	**4,674,965**	**70,082,834**
Total financial liabilities	**₱183,625,398**	**₱109,750,876**	**₱39,439,063**	**₱17,584,279**	**₱284,177,680**	**₱634,577,295**
Repricing gap	**(₱5,585,210)**	**(₱53,753,263)**	**(₱24,830,211)**	**(₱6,412,298)**	**(₱95,265,605)**	**₱(185,364,773)**
Cumulative gap	**(5,585,210)**	**(59,338,473)**	**(84,168,684)**	**(90,580,982)**	**(185,846,588)**	**185,846,588**

* *Financial instruments that are not subject to repricing/rollforward were excluded.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
****Excludes LTNCD.*

	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
Receivables 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.*
** *Receivables from customers excludes residual value of leased assets (Note 10).*
*** *Excludes LTNCD.*

	Parent Company					
	2018					
	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	**₱11,459,496**	**₱–**	**₱–**	**₱–**	**₱97,665,375**	**₱109,124,871**
Interbank loans receivable and securities held under repurchase agreement	**27,525,060**	**4,734,391**	**–**	**402,963**	**–**	**32,662,414**
Receivable from customers and other receivables - gross**	**133,599,243**	**49,477,333**	**14,250,209**	**10,655,001**	**85,551,833**	**293,533,619**
Total financial assets	**₱172,310,800**	**₱54,211,724**	**₱14,250,209**	**₱11,057,964**	**₱183,217,208**	**₱435,047,905**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱100,441,913**	**₱51,010,318**	**₱17,409,707**	**₱9,855,407**	**₱215,287,201**	**₱394,004,546**
Time***	**49,533,469**	**25,235,898**	**10,842,175**	**10,433,332**	**12,405,219**	**108,450,093**
Bonds payable					**15,661,372**	**15,661,372**
Bills and acceptances payable	**25,718,272**	**29,020,039**	**7,065,172**	**161,502**	**741,810**	**62,706,795**
Total financial liabilities	**₱175,693,655**	**₱105,266,255**	**₱35,317,054**	**₱20,450,242**	**₱244,095,602**	**₱580,822,808**
Repricing gap	**(₱3,382,855)**	**(₱51,054,531)**	**(₱21,066,846)**	**(₱9,392,278)**	**(₱60,878,394)**	**(₱145,774,904)**
Cumulative gap	**(3,382,855)**	**(54,437,386)**	**(75,504,231)**	**(84,896,509)**	**(145,774,903)**	

* *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					
	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 and securities held under repurchase agreement	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 and bonds 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.*

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, 2018 and 2017:

	Consolidated			
	2018		2017	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱321,344**	**₱321,344**	₱195,558	₱195,558
-50bps	**(321,344)**	**(321,344)**	(195,558)	(195,558)
+100bps	**642,687**	**642,687**	391,117	391,117
-100bps	**(642,687)**	**(642,687)**	(391,117)	(391,117)

	Parent Company			
	2018		2017	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱293,938**	**₱293,938**	₱244,450	₱244,450
-50bps	**(293,938)**	**(293,938)**	(244,450)	(244,450)
+100bps	**587,876**	**587,876**	488,901	488,901
-100bps	**(587,876)**	**(587,876)**	(488,901)	(488,901)

As one of the long-term goals in the risk management process, the Group 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 Group 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 and PNBSB's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company.

Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

The table below summarizes the exposure to foreign exchange rate risk. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in Philippine peso equivalent).

	Consolidated					
	2018			2017		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱137,978**	**₱330,617**	**₱468,595**	₱156,558	₱518,612	₱675,170
Due from other banks	**8,777,120**	**9,814,266**	**18,591,386**	9,553,985	7,081,852	16,635,837
Interbank loans receivable and securities held under agreements to resell	**2,869,290**	**1,950,059**	**4,819,349**	2,904,298	1,678,936	4,583,234
Loans and receivables	**18,453,000**	**11,376,886**	**29,829,886**	13,729,348	941,223	14,670,571
Financial Assets at FVTPL	**446,926**	**882**	**447,808**	–	–	–
AFS investments				14,380,453	1,592,873	15,973,326
Financial Assets at FVOCI	**4,180,482**	**1,325,930**	**5,506,412**	–	–	–
HTM investments				7,250	–	7,250
Investment securities at amortized cost	**10,206,937**	**775,295**	**10,982,232**	–	–	–
Other assets	**3,539,425**	**1,238,191**	**4,777,616**	61,789	210,440	272,229
Total assets	**48,611,158**	**26,812,126**	**75,423,284**	40,793,681	12,023,936	52,817,617
Liabilities						
Deposit liabilities	**9,288,237**	**9,261,411**	**18,549,648**	9,304,064	4,154,433	13,458,497
Derivative liabilities	**1,184**	**2,300**	**3,484**	–	1,335	1,335
Bills and acceptances payable	**8,548,504**	**26,777,697**	**35,326,201**	12,464,796	7,667,327	20,132,123
Accrued interest payable	**75,571**	**107,362**	**182,933**	55,593	36,856	92,449
Other liabilities	**1,390,598**	**1,135,891**	**2,526,489**	10,658,664	434,957	11,093,621
Total liabilities	**19,304,094**	**37,284,661**	**56,588,755**	32,483,117	12,294,908	44,778,025
Net Exposure	**₱29,307,064**	**(₱10,472,535)**	**₱18,834,529**	₱8,310,564	(₱270,972)	₱8,039,592

* *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					
	2018			2017		
	USD	**Others***	**Total**	USD	Others*	Total
Assets						
COCI and due from BSP	**₱81,634**	**₱328,417**	**₱410,051**	₱27,480	₱516,152	₱543,632
Due from other banks	**4,264,743**	**2,861,495**	**7,126,238**	2,367,235	5,732,388	8,099,623
Interbank loans receivable and securities held under agreements to resell	**2,869,290**	**1,950,059**	**4,819,349**	2,904,298	1,678,936	4,583,234
Loans and receivables	**15,902,948**	**540,618**	**16,443,566**	12,448,339	593,535	13,041,874
Financial Assets at FVTPL	**446,044**	**–**	**446,044**			
AFS investments				14,379,915	1,518,490	15,898,405
Financial Assets at FVOCI	**4,154,658**	**1,252,187**	**5,406,845**			
HTM investments				7,250	–	7,250
Investment securities at amortized cost	**10,153,480**	**775,295**	**10,928,775**			
Other assets	**3,512,644**	**28,210**	**3,540,854**	55,641	199,912	255,553
Total assets	**41,385,441**	**7,736,281**	**49,121,722**	32,190,158	10,239,413	42,429,571
Liabilities						
Deposit liabilities	**2,156,093**	**4,118,554**	**6,274,647**	2,059,160	4,126,954	6,186,114
Derivative liabilities	**–**	**1,116**	**1,116**	–	1,335	1,335
Bills and acceptances payable	**8,379,264**	**26,425,533**	**34,804,797**	12,335,654	7,501,224	19,836,878
Accrued interest payable	**58,511**	**17,325**	**75,836**	43,110	17,213	60,323
Other liabilities	**992,992**	**141,222**	**1,134,214**	10,438,562	141,435	10,579,997
Total liabilities	**11,586,860**	**30,703,750**	**42,290,609**	24,876,486	11,788,161	36,664,647
Net Exposure	**₱29,798,581**	**(₱22,967,469)**	**₱6,831,112**	₱7,313,672	(₱1,548,748)	₱5,764,924

* *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 ₱4.7 billion (sold) and ₱5.4 billion (bought) as of December 31, 2018 and ₱1.1 billion (sold) and ₱265.7 million (bought) as of December 31, 2017.

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, 2018 and 2017 follow:

	2018	2017
US dollar - Philippine peso exchange rate	**₱52.58 to USD1.00**	₱49.93 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, 2018 and 2017:

	2018			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**₱251,592**	**₱293,397**	**₱256,439**	**₱297,986**
-1.00%	**(251,592)**	**(293,071)**	**(256,439)**	**(297,986)**

	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)

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

Capital management and management of insurance and financial risks

Governance framework

The Group has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It also supports the effective implementation of policies at the overall company and individual business unit levels.

The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

Regulatory framework

Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The Group has an insurance business which is subject to the regulatory requirements of the 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.'s (PNB Gen) 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.

As of December 31, 2018 and 2017, PNB Gen has an estimated statutory net worth amounting to ₱615 million and ₱592.3 million, respectively. PNB Gen's RBC ratio as of December 31, 2018 and 2017 is 219% and 262%, respectively.

In a letter dated January 31, 2019 addressed to the Parent Bank, the BSP approved on December 28, 2018 the request of the Parent Bank to infuse ₱280.0 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. Also, there is an on-going business combination talk between Alliedbankers Insurance Corporation (ABIC) and PNB Gen.

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.

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. Multiples were determined that is most relevant to assessing the value of the unquoted securities (e.g., earnings, book value). The selection of the appropriate multiple within the range is based on qualitative and quantitative factors specific to the measurement. Where the government debt securities are not quoted or the market prices are not readily available, the fair value is determined in reference to PHP BVAL rates and interpolated PDST-R2 rates provided by the Philippine Dealing and Exchange Corporation (PDEx) in 2018 and 2017, respectively.

Equity securities - For publicly traded equity securities, fair values are based on quoted prices. In 2017, unquoted equity securities are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. In 2018, remeasurement of such unquoted equity securities to their fair values is not material to the financial statements.

Investments in UITFs classified as financial assets at FVTPL - 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, bonds payable 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, bonds payable and subordinated debt - Fair value is estimated based on the discounted cash flow methodology that makes use of interpolated risk-free rates plus spread . The discount rate used in estimating the fair values of the subordinated debt, bonds payable, bills payable and time deposits ranges from 6.61% to 6.97% and 3.00% to 4.13% as of December 31, 2018 and 2017, respectively.
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.

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 FVTPL and financial assets at FVOCI/AFS investments.

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

The Group and the Parent Company held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated					
	2018					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVTPL:						
Government securities	12/28/18	₱8,457,711	₱7,127,592	₱1,330,119	₱–	₱8,457,711
Derivative assets	12/28/18	574,629	–	516,775	57,854	574,629
Private debt securities	12/28/18	415,583	–	415,583	–	415,583
Equity securities	12/28/18	545,149	545,149	–	–	545,149
Investments in UITF	12/28/18	6,375	–	6,375	–	6,375
Financial assets at FVOCI:						
Government securities	12/28/18	33,116,495	19,415,700	13,700,795	–	33,116,495
Private debt securities	12/28/18	17,672,009	5,581,723	12,090,285	–	17,672,008
Equity securities	12/28/18	885,663	488,029	281,910	115,724	885,663
		₱61,673,613	₱33,158,193	₱28,341,842	₱173,578	₱61,673,614
Liabilities measured at fair value:						
Financial Liabilities						
Financial Liabilities at FVPL:						
Derivative liabilities	12/28/18	₱470,648	₱–	₱470,648	₱–	₱470,648
Assets for which fair values are disclosed:						
Financial Assets						
Investment securities at amortized cost*	12/28/18	₱99,772,711	₱87,006,196	₱8,980,697	₱200,702	₱96,187,595
Financial assets at amortized cost:**						
Receivables from customers	12/28/18	561,627,786	–	–	563,770,117	563,770,117
		₱661,400,497	₱87,006,196	₱8,980,697	₱563,970,819	₱659,957,712
Nonfinancial Assets						
Investment property:						
Land	12/28/18	₱11,298,258	₱–	₱–	₱22,583,028	₱22,583,028
Buildings and improvements	12/28/18	2,190,608	–	–	2,662,848	2,662,848
		₱13,488,866	₱–	₱–	₱25,245,876	₱25,245,876
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/28/18	₱147,210,729	₱–	₱–	₱144,481,264	₱144,481,264
LTNCDs	12/28/18	31,403,225	–	–	28,517,657	28,517,657
Bonds payable	12/28/18	15,661,372	–	–	14,499,746	14,499,746
Bills payable	12/28/18	68,316,974	–	–	60,436,716	60,436,716
		₱262,592,300	₱–	₱–	₱247,935,383	₱247,935,383

* *Net of allowance for expected credit losses (Note 9)*
** *Net of allowance for expected credit losses and unearned and other deferred income (Note 10)*

	Consolidated					
	2017					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value:						
Financial Assets						
Financial assets at FVTPL:						
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	–	–	481,557,275	481,557,275
Unquoted debt securities	12/29/17	10,934,148	–	–	10,942,367	10,942,367
		₱510,232,982	₱23,732,936	₱4,191,145	₱492,499,642	₱520,423,723
Nonfinancial Assets						
Investment property:						
Land	12/29/17	₱13,161,936	₱–	₱–	₱18,995,358	₱18,995,358
Buildings and improvements	12/29/17	2,432,449	–	–	3,730,716	3,730,716
		₱15,594,385	₱–	₱–	₱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)*

	Parent Company					
	2018					
	Valuation Date	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:						
Financial Assets						
Financial assets at FVPL:						
Government securities	**12/28/18**	**₱8,457,712**	**₱7,127,592**	**₱1,330,119**	**₱–**	**₱8,457,712**
Derivative assets	**12/28/18**	**572,864**	**–**	**515,010**	**57,854**	**572,864**
Private debt securities	**12/28/18**	**415,583**	**–**	**415,583**	**–**	**415,583**
Equity securities	**12/28/18**	**537,477**	**537,477**	**–**	**–**	**537,477**
Financial assets at FVOCI:						
Government securities*	**12/28/18**	**32,697,809**	**19,040,788**	**13,657,021**	**–**	**32,697,809**
Private debt securities*	**12/28/18**	**17,314,884**	**5,534,891**	**11,779,993**	**–**	**17,314,884**
Equity securities	**12/28/18**	**644,200**	**353,853**	**175,190**	**115,157**	**644,200**
		₱60,640,529	**₱48,663,320**	**₱11,919,355**	**₱57,854**	**₱60,640,529**
Liabilities measured at fair value:						
Financial Liabilities						
Financial liabilities at FVPL:						
Designated at FVPL:						
Derivative liabilities	**12/28/18**	**₱468,279**	**₱–**	**₱468,279**	**₱–**	**₱468,279**
Assets for which fair values are disclosed:						
Financial Assets						
Investment securities at amortized cost	**12/28/18**	**₱99,586,329**	**₱86,862,640**	**₱8,980,697**	**₱200,702**	**₱96,043,409**
Financial assets at amortized cost*						
Receivables from customers	**12/28/18**	**492,777,306**	**–**	**–**	**497,752,999**	**497,752,999**
		₱592,363,635	**₱86,862,640**	**₱8,980,697**	**₱497,953,701**	**₱593,796,408**
Nonfinancial Assets						
Investment property:***						
Land	**12/28/18**	**₱10,963,770**	**₱–**	**₱–**	**₱22,008,927**	**₱22,008,927**
Buildings and improvements	**12/28/18**	**2,185,588**			**2,286,209**	**2,286,209**
		₱13,149,358	**₱–**	**₱–**	**₱24,295,136**	**₱24,295,136**
Liabilities for which fair values are disclosed:						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	**12/28/18**	**₱108,450,094**	**₱–**	**₱–**	**₱105,450,094**	**₱105,450,094**
LTNCDs	**12/28/18**	**31,403,225**	–	–	**28,517,657**	**28,517,657**
Bonds payable	**12/28/18**	**15,661,372**	–	–	**16,019,776**	**16,019,776**
Bills payable	**12/28/18**	**60,940,934**	–	–	**60,928,743**	**60,928,743**
		₱216,455,625	**₱–**	**₱–**	**₱210,916,270**	**₱210,916,270**

* *Net of allowance for expected credit losses (Note 9)*

** *Net of allowance for expected credit losses and unearned and other deferred income (Note 10)*

	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)*

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, 2018 and 2017, 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.

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

Valuation Techniques	
	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.
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.

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:

	2018					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,287,627	₱21,844,985	₱3,583,152	₱870,454	(₱584,495)	₱27,001,724
Inter-segment	14,775,986	(14,652,247)	(123,739)	–	–	–
Net interest margin after inter-segment transactions	16,063,613	7,192,738	3,459,413	870,454	(584,495)	27,001,724
Other income	2,538,607	8,377,408	485,407	1,535,363	(261,602)	12,675,182
Segment revenue	18,602,220	15,570,146	3,944,820	2,405,817	(846,097)	39,676,906
Other expenses	12,726,476	2,343,403	375,651	1,836,700	(925,897)	16,356,334
Segment result	₱5,875,744	₱13,226,743	₱3,569,169	₱569,117	₱79,800	23,036,620
Unallocated expenses						9,880,790
Income before income tax						13,439,786
Income tax						3,663,744

(Forward)

	2018					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Net income from continuing operations						**₱9,776,042**
Net loss from discontinued operations						**(219,972)**
Net income						**9,556,070**
Non-controlling interests						**91,048**
Net income for the year attributable to equity holders of the Parent Company						**₱9,465,022**
Other segment information						
Capital expenditures	**₱1,241,242**	**₱2,180**	**₱268**	**₱495,658**	**₱**	**₱1,739,348**
Unallocated capital expenditure						**1,824,707**
Total capital expenditure						**₱3,564,055**
Depreciation and amortization	**₱599,118**	**₱33,299**	**₱1,192**	**₱230,307**	**₱44,873**	**₱908,788**
Unallocated depreciation and amortization						**1,042,189**
Total depreciation and amortization						**₱1,950,977**
Provision for (reversal of) impairment, credit and other losses	**₱854,341**	**₱800,926**	**₱–**	**₱2,579**	**₱94,966**	**₱1,752,812**

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	2017 (As Restated-Note 36)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,404,759	₱17,112,989	₱3,313,723	₱70,505	₱121,992	₱22,023,968
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	70,505	121,992	22,023,968
Other income	1,881,419	4,934,248	1,916,158	2,485,075	(123,852)	11,093,048
Segment revenue	12,745,391	12,853,504	4,964,401	2,555,580	(1,860)	33,117,016
Other expenses	10,621,656	1,127,527	168,908	848,870	68,159	12,835,120
Segment result	₱2,123,735	₱11,725,977	₱4,795,493	₱1,706,710	(₱70,019)	₱20,281,896
Unallocated expenses						9,880,789
Income before income tax						10,401,107
Income tax						2,314,934
Net income from continuing operations						8,086,173
Net income from discontinued operations						70,373
Net income						8,156,546
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						1,985,662
Total capital expenditure						₱3,092,907
Depreciation and amortization	₱520,812	₱138,463	₱1,478	₱275,536	₱–	₱936,289
Unallocated depreciation and amortization						748,102
Total depreciation and amortization						₱1,684,391
Provision for (reversal of) impairment, credit and other losses	(₱1,477)	₱599,901	(₱41,417)	(₱7,068)	₱334,193	₱884,132

** The adjustments and eliminations column mainly represent the RAP to PFRS adjustments*

	2016 (As Restated-Note 36)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱1,136,370	₱15,027,877	₱3,014,495	₱91,352	₱261,154	₱19,531,248
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	91,352	261,154	19,531,248
Other income	1,896,868	4,274,575	2,284,097	3,720,743	(1,804,309)	10,371,974
Segment revenue	8,378,464	11,546,323	7,709,495	3,812,095	(1,543,155)	29,903,222
Other expenses	(8,207,826)	(3,611,997)	(200,330)	(3,793,804)	(632,593)	(16,446,550)
Segment result	₱170,638	₱7,934,326	₱7,509,165	₱18,291	(₱2,175,748)	13,456,672
Unallocated expenses						(7,114,745)
Income before income tax						6,341,927
Income tax						1,509,713
Net income from continuing operations						4,832,214
Net income from discontinued operations						2,329,669
Net Income						7,161,883
Non-controlling interest						(38,122)
Net income for the year attributable to equity holders of the Parent Company						₱7,123,761
Other segment information						
Capital expenditures	₱1,063,897	₱5,723	₱961	₱510,870	₱–	₱1,581,451
Unallocated capital expenditure						848,229
Total capital expenditure						₱2,429,680
Depreciation and amortization	₱493,221	₱22,318	₱2,663	₱644,739	₱–	₱1,162,941
Unallocated depreciation and amortization						391,669
Total depreciation and amortization						₱1,554,610
Provision for 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*

	As of December 31, 2018					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱176,979,190**	**₱521,012,459**	**₱196,800,341**	**₱100,415,100**	**(₱15,695,142)**	**₱979,511,948**
Unallocated assets						**4,136,238**
Total assets						**₱983,648,186**
Segment liabilities	**₱584,241,976**	**₱129,260,747**	**₱118,145,318**	**₱34,755,735**	**(₱15,261,242)**	**₱851,142,534**
Unallocated liabilities						**3,946,640**
Total liabilities						**₱855,089,174**

** 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	₱109,094,556	(₱19,433,076)	₱833,257,857
Unallocated assets						2,837,880
Total assets						₱836,095,737
Segment liabilities	₱528,053,875	₱84,384,861	₱87,966,482	₱31,965,562	(₱19,192,245)	₱713,178,535
Unallocated liabilities						3,440,221
Total liabilities						₱716,618,756

* *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	
	2018	2017	**2018**	2017	**2018**	2017
Philippines	**₱451,576,392**	₱387,750,978	**₱821,782,475**	₱687,972,640	**₱3,555,349**	₱3,083,414
Asia (excluding Philippines)	**5,828,575**	6,775,199	**30,496,429**	25,761,863	**8,053**	7,484
USA and Canada	**127,628,675**	84,655,334	**2,311,128**	2,342,588	**632**	1,822
United Kingdom	**1,731,423**	2,883,469	**499,142**	541,665	**21**	187
	₱586,765,065	₱482,064,980	**₱855,089,174**	₱716,618,756	**₱3,564,055**	₱3,092,907

** 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		
	2018	2017	**2018**	2017	2016
Philippines	**₱44,358,069**	₱37,217,949	**₱37,577,151**	₱31,441,324	₱27,819,680
Asia (excluding Philippines)	**881,144**	212,586	**1,290,100**	1,021,619	1,267,659
USA and Canada	**–**	3,795	**684,794**	543,158	668,833
United Kingdom	**–**	–	**124,861**	110,915	147,050
	₱45,239,213	₱37,434,330	**₱39,676,908**	₱33,117,016	₱29,903,222

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

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Demand deposit (Note 17)	**₱101,027,312**	₱99,743,985	**₱97,665,375**	₱96,497,459
Term deposit facility (TDF)	**1,696,000**	9,000,000	**1,000,000**	9,000,000
	₱102,723,312	₱108,743,985	**₱98,665,375**	₱105,497,459

TDFs bear annual interest rates ranging from 3.22% to 5.24% in 2018, from 3.45% to 3.50% in 2017 and from 2.50% to 3.50% in 2016.

8. Interbank Loans Receivable and Securities Held Under Agreements to Resell

The Group's and the Parent Company's peso-denominated interbank loans receivables bear interest ranging from 3.03% to 3.06% in 2018, from 2.56% to 2.63% in 2017 and from 2.56% to 3.19% in 2016; and from 0.01% to 5.09%, from 0.20 to 4.40% and from 0.01% to 4.40%, for foreign-currency denominated placements in 2018, 2017 and 2016 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	
	2018	2017	**2018**	2017
Interbank loans receivable	**₱11,248,455**	₱12,837,721	**₱11,689,414**	₱11,083,515
Less: Interbank loans receivable not considered as cash and cash equivalents	**668,023**	1,346,037	**1,108,331**	1,382,599
	₱10,580,432	₱11,491,684	**₱10,581,083**	₱9,700,916

The Group's and the Parent Company's peso-denominated securities held under agreements to resell bear interest ranging from 3.00% to 4.75%, 3.00%, and from 3.00% to 4.00% in 2018, 2017 and 2016, respectively.

Interest income recorded in 2018, 2017 and 2016 by the Group amounted to ₱379.4 million, ₱480.0 million and ₱794 million, respectively. Interest income recorded in 2018, 2017 and 2016 of the Parent Company amounted to ₱350.8 million, ₱446.1 million and ₱794.3 million, respectively.

The fair value of the treasury bills pledged under these agreements as of December 31, 2018 and 2017 amounted to ₱19.9 billion and ₱14.6 billion, respectively.

9. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Financial assets at FVTPL	**₱9,999,447**	₱2,882,395	**₱9,983,636**	₱2,829,877
Financial assets at FVOCI	**51,674,167**	–	**50,656,893**	–
Investment securities at amortized cost	**99,772,711**	–	**99,586,329**	–
AFS investments	**–**	69,837,416	**–**	67,677,952
HTM investments	**–**	26,805,131	**–**	26,680,483
	₱161,446,325	₱99,524,942	**₱160,226,858**	₱97,188,312

Financial Assets at FVTPL

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Government securities	**₱8,457,711**	₱2,207,952	**₱8,457,711**	₱2,207,952
Derivative assets (Notes 23 and 35)	**574,629**	562,984	**572,864**	559,692
Equity securities	**545,149**	73,918	**537,478**	30,928
Private debt securities	**415,583**	31,305	**415,583**	31,305
Investment in UITFs	**6,375**	6,236	**–**	–
	₱9,999,447	₱2,882,395	**₱9,983,636**	₱2,829,877

As of December 31, 2018 and 2017, unrealized loss on government and private debt securities recognized by the Group and the Parent Company amounted to ₱5.4 million and ₱73.0 million, respectively.

In 2018, 2017, and 2016, the nominal interest rates of government securities range from 2.75% to 8.38%, from 2.13% to 6.13% and from 2.75% to 10.63%, respectively.

In 2018, 2017, and 2016, the nominal interest rates of private debt securities range from 3.0% to 7.50%, from 5.23% to 6.63% and from 5.50% to 7.38%, respectively.

The carrying amount of equity securities includes unrealized loss of ₱7.9 million and ₱22.0 million as of December 31, 2018 and 2017, respectively, for the Group and unrealized loss of ₱0.9 million and ₱22.0 million as of December 31, 2018 and 2017, respectively, for the Parent Company.

The carrying amount of investment in UITF includes unrealized loss of ₱0.1 million and ₱0.2 million as of December 31, 2018 and 2017, respectively for the Group.

<u>Financial Assets at FVOCI</u>
As of December 31, 2018, this account consists of:

	Consolidated	Parent Company
Government securities (Note 19)	₱33,116,495	₱32,697,809
Private debt securities (Note 19)	17,672,009	17,314,884
Equity securities		
Quoted	799,540	558,077
Unquoted	86,123	86,123
	₱51,674,167	₱50,656,893

As of December 31, 2018, the ECL on debt securities at FVOCI (included in "Net unrealized loss on financial assets at FVOCI") amounted to ₱46.35 million for the Group and the Parent Company (see Note 16).

In 2018, 2017 and 2016, the nominal interest rates of government securities range from 1.83% to 11.63%, from 1.05% to 10.63% and 2.75% to 10.63%respectively.

In 2018, 2017 and 2016, the nominal interest rates of private debt securities range from 2.63% to 7.38% and from 5.50% to 7.38%, respectively.

As of December 31, 2018, the fair value of financial assets at FVOCI in the form of government and private bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreement transactions with foreign banks amounted to ₱21.5 billion (see 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.

The allowance for financial assets at FVOCI as of January 1, 2018 was ₱58.5 million and decreased by ₱12.2 million at December 31, 2018. Movements over the year were mostly driven by movements in the corresponding gross figures in 2018.

AFS Investments
As of December 31, 2017, this account consists of:

	Consolidated	Parent Company
Government debt securities (Notes 19 and 33)	₱41,625,900	₱40,082,376
Private securities (Note 19)	26,920,045	26,444,549
Equity securities - net of allowance for impairment losses (Note 16)		
Quoted	1,144,779	1,004,873
Unquoted	146,692	146,154
	₱69,837,416	₱67,677,952

The movements in net unrealized loss on FVOCI/AFS investments of the Group are as follows:

	2018	2017	2016		
	Group	Group	Parent Company	NCI	Total
Balance at the beginning of the year	**(₱3,040,507)**	(₱3,469,939)	(₱3,030,588)	₱168,630	(₱2,861,958)
Effect of transition adjustments (Note 2)	**2,351,993**	–	–	–	–
Balance as at January 1, 2018, as restated	**(688,514)**	(3,469,939)	(3,030,588)	168,630	(2,861,958)
Changes in fair values of financial asset at FVOCI/AFS investments	**(2,388,783)**	(193,852)	(1,684,747)	–	(1,684,747)
Provision for impairment/Expected credit losses (Note 16)	**(12,151)**	–	(15,856)	–	(15,856)
Realized gains	**167,902**	506,238	1,362,462	(360)	1,362,102
Amortization of net unrealized loss on AFS investments reclassified as HTM investments	**–**	141,802	144,371	1,079	145,450
Share in net unrealized losses of an associate (Note 12)	**(375,390)**	(24,756)	(245,867)	–	(245,867)
Effect of disposal group classified as held-for-sale (Note 36)	**15,601**	–	–	(169,349)	(169,349)
	(3,181,335)	3,040,507	3,470,225	(168,630)	(3,470,225)
Income tax effect (Note 31)	**–**	–	286	–	286
Balance at end of year	**(₱3,181,335)**	(₱3,040,507)	(₱3,469,939)	₱–	(₱3,469,939)

The changes in the net unrealized loss on financial assets at FVOCI/AFS investments of the Parent Company follow:

	2018	2017	2016
Balance at the beginning of the year	**(₱3,040,507)**	(₱3,469,939)	(₱3,030,588)
PFRS 9 transition adjustments (Note 2)	**2,316,926**	–	–
Share in impact of PFRS 9 adoption by subsidiaries (Note 2)	**35,067**	–	–
Balance as at January 1, 2018, as restated	**(688,514)**	(3,469,939)	(3,030,588)
Changes in fair values of financial assets at FVOCI/AFS investments	**(2,380,056)**	(179,179)	(1,660,796)
Provision for impairment/Expected credit losses (Note 16)	**(12,151)**	–	(15,601)
Realized gains	**167,902**	506,238	1,350,453
Amortization of net unrealized loss on AFS investments reclassified as HTM	**–**	141,802	140,341
Share in net unrealized losses of subsidiaries and an associate (Note 12)	**(284,117)**	(39,429)	(253,748)
Effect of disposal group classified as held-for-sale (Note 36)	**15,601**	–	–
	(3,181,335)	(3,040,507)	(3,469,939)
Income tax effect (Note 31)	**–**	–	–
Balance at end of year	**(₱3,181,335)**	(₱3,040,507)	(₱3,469,939)

As of December 31, 2017, 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 ₱26.7 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.

Investment Securities at Amortized Cost

As of December 31, 2018, this account consists of:

	Consolidated	Parent Company
Government securities (Note 19)	**₱60,278,202**	**₱60,091,820**
Private debt securities (Note 10)	**43,263,773**	**43,263,773**
	103,541,975	**103,355,593**
Less allowance for expected credit losses (Note 16)	**(3,769,264)**	**(3,769,264)**
	₱99,772,711	**₱99,586,329**

The allowance for expected credit losses as of January 1, 2018 was ₱3.7 billion and increased by ₱57.7 million at December 31, 2018. Movements over the year were mostly driven by newly originated assets which remained in Stage 1 in 2018. The impairment allowance under PAS 39 for HTM investments was nil.

As of December 31, 2018, the carrying value of investment securities at amortized cost in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions amounted to ₱36.7 billion (Note 19).

HTM Investments
As of December 31, 2017 this account consists of:

	Consolidated	Parent Company
Government securities (Note 19)	₱26,580,342	₱26,455,694
Private debt securities	224,789	224,789
	₱26,805,131	₱26,680,483

As of December 31, 2017, the carrying value of the HTM investments in the form of government bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with BSP amounted to ₱16.5 billion (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 losses amounting to ₱2.7 billion that have been recognized in OCI were amortized to profit or loss over the remaining life of the HTM investments using effective interest rates ranging from 3.60% to 5.64% until December 31, 2017. Upon adoption of PFRS 9, the remaining unamortized loss was reversed or closed to the related asset.

As of December 31, 2017, the carrying values and fair values of the Group's and Parent Company's reclassified investment securities amounted to ₱24.0 billion and ₱25.0 billion, respectively. Had these securities not been reclassified as HTM investments, 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.

As of December 31, 2018, there were no reclassified HTM investments as they are already classified during transition period to investment securities at amortized cost and financial assets at FVOCI.

Interest Income on Financial Assets at FVOCI, Investment Securities at Amortized Cost and AFS and HTM investments

This account consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Financial assets at FVOCI	**₱2,219,013**	₱–	₱–	**₱2,189,159**	₱–	₱–
Investment securities at amortized cost	**2,315,284**	–	–	**2,313,172**	–	–
AFS investments	–	2,074,563	2,235,697	–	2,056,154	2,212,466
HTM investments	–	978,680	926,652	–	977,719	926,131
	₱4,534,297	₱3,053,243	₱3,162,349	**₱4,502,331**	₱3,033,873	₱3,138,597

Effective interest rates range from 0.41% to 6.30% for peso-denominated Financial assets at FVOCI in 2018. Effective interest rates range from 0.88% to 9.33% and 1.31% to 5.93% in 2017 and 2016, respectively, for peso-denominated AFS investments.

Effective interest rates range from 1.13% to 6.00% for foreign currency-denominated Financial assets at FVOCI in 2018. Effective interest rates range from 0.04% to 10.30% and 1.29% to 5.30% in 2017 and 2016, respectively, for foreign currency-denominated AFS investments.

Investment securities at amortized cost bear effective annual interest rates ranging from 0.11% to 8.25% in 2018. HTM investments bear effective annual interest rates ranging from 2.75% to 10.63% in 2017 and 3.60% to 5.64% in 2016.

Trading and Investment Securities Gains - net

This account consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Continuing operations:						
Financial assets at FVTPL	**(₱17,372)**	₱61,485	(₱9,315)	**(₱10,385)**	₱58,156	(₱6,113)
Financial assets at FVOCI						
Government securities	**132,670**	–	–	**132,670**	–	–
Private debt securities	**35,232**			**35,232**		
AFS investments	–	506,238	1,348,496	–	506,238	1,350,453
Derivative financial instruments (Note 23)	**161**	(7,965)	25,174	**161**	(7,965)	25,174
	150,691	559,758	1,364,355	**157,678**	556,429	1,369,514
Discontinued operations:						
AFS investments (Note 36)	**(4,176)**	–	13,966	–	–	–
	₱146,515	₱559,758	₱1,378,321	**₱157,678**	₱556,429	₱1,369,514

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Receivables from customers:				
Loans and discounts	**₱541,934,296**	₱455,839,142	**₱474,384,927**	₱403,254,903
Credit card receivables	**13,412,063**	10,145,474	**13,412,063**	10,145,474
Customers' liabilities on letters of credit and trust receipts	**12,230,782**	9,490,075	**12,046,744**	9,364,742
Lease contracts receivable (Note 29)	**2,928,339**	2,891,043	**9,618**	97,109
Bills purchased (Note 22)	**2,205,608**	1,702,535	**1,430,481**	1,473,052
Customers' liabilities on acceptances (Note 19)	**1,765,862**	2,231,887	**1,765,861**	2,231,887
	574,476,950	482,300,156	**503,049,694**	426,567,167
Less unearned and other deferred income	**979,678**	1,350,885	**677,052**	1,039,364
	573,497,272	480,949,271	**502,372,642**	425,527,803
Unquoted debt securities*	**–**	14,674,130	**–**	14,616,628
Other receivables:				
Sales contract receivables (Note 33)	**12,296,470**	7,588,301	**12,242,869**	7,549,113
Accrued interest receivable	**6,539,806**	4,235,075	**5,065,963**	3,497,184
Accounts receivable	**3,883,904**	10,073,663	**3,253,521**	4,538,103
Miscellaneous	**536,982**	562,360	**509,861**	492,025
	23,257,162	22,459,399	**21,072,214**	16,076,425
	596,754,434	518,082,800	**523,444,856**	456,220,856
Less allowance for credit losses (Note 16)	**15,058,957**	15,764,060	**12,625,582**	14,505,328
	₱581,695,477	₱502,318,740	**₱510,819,274**	₱441,715,528

**Unquoted debt securities were transferred to investment securities at amortized cost and financial assets at FVOCI as part of the adoption of PFRS 9*

Below is the reconciliation of loans and receivables as to classes:

	Consolidated								
	2018								
	Corporate Loans	LGU	Credit Cards	Retail SMEs	Housing Loans	Auto Loans	Other Loans	Other Receivables	Total
Receivables from customers:									
Loans and discounts	₱468,488,623	₱6,920,215	₱–	₱11,820,434	₱33,843,395	₱11,743,245	₱9,118,384	₱–	₱541,934,296
Credit card receivables	–	–	13,412,063	–	–	–	–	–	13,412,063
Customers' liabilities on letters of credit and trust receipts	6,183,217	–	–	208,255	–	–	5,839,310	–	12,230,782
Lease contracts receivable (Note 29)	–	–	–	–	–	–	2,928,339	–	2,928,339
Bills purchased (Note 22)	1,514,735	–	–	16,828	–	–	674,045	–	2,205,608
Customers' liabilities on acceptances (Note 19)	983,637	–	–	2,637	–	–	779,588	–	1,765,862
	477,170,212	6,920,215	13,412,063	12,048,154	33,843,395	11,743,245	19,339,666	–	574,476,950
Other receivables:									
Sales contract receivables	–	–	–	–	–	–	–	12,296,470	12,296,470
Accrued interest receivable	–	–	–	–	–	–	–	6,539,806	6,539,806
Accounts receivable	–	–	–	–	–	–	–	3,883,904	3,883,904
Miscellaneous	–	–	–	–	–	–	–	536,982	536,982
	477,170,212	6,920,215	13,412,063	12,048,154	33,843,395	11,743,245	19,339,666	23,257,162	597,734,112
Less: Unearned and other deferred income	755,202	–	–	104,542	–	–	117,096	2,838	979,678
Allowance for credit losses (Note 16)	5,160,250	70,620	1,075,576	864,133	1,273,485	231,355	1,584,526	4,799,012	15,058,957
	₱471,254,760	₱6,849,595	₱12,336,487	₱11,079,479	₱32,569,910	₱11,511,890	₱17,638,044	₱18,455,312	₱581,695,477

	Consolidated 2017							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivables 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 29)	2,891,043	–	–	–	–	–	–	2,891,043
Bills purchased (Note 22)	1,702,535	–	–	–	–	–	–	1,702,535
Customers' liabilities on acceptances (Note 19)	2,231,887	–	–	–	–	–	–	2,231,887
	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	25,329	3,089	–	–	1,350,885
	409,652,350	17,429,380	7,176,573	46,174,608	516,360	–	–	480,949,271
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	46,174,608	516,360	14,674,130	22,459,399	518,082,800
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	₱44,781,738	₱502,609	₱10,934,147	₱18,931,337	₱502,318,740

	Parent Company 2018								
	Corporate Loans	**LGU**	**Credit Cards**	**Retail SMEs**	**Housing Loans**	**Auto Loans**	**Other Loans**	**Other Receivables**	**Total**
Receivables from customers:									
Loans and discounts	**₱450,849,723**	**₱6,920,215**	**₱–**	**₱7,614,915**	**₱1,627,322**	**₱40,025**	**₱7,332,727**	**₱–**	**₱474,384,927**
Credit card receivables	**–**	**–**	**13,412,063**	**–**	**–**	**–**	**–**	**–**	**13,412,063**
Customers' liabilities on letters of credit and trust receipts	**6,012,028**	**–**	**–**	**195,405**	**–**	**–**	**5,839,311**	**–**	**12,046,744**
Lease contracts receivable (Note 29)	**–**	**–**	**–**	**–**	**–**	**–**	**9,618**	**–**	**9,618**
Bills purchased (Note 22)	**739,798**	**–**	**–**	**16,638**	**–**	**–**	**674,045**	**–**	**1,430,481**
Customers' liabilities on acceptances (Note 19)	**983,637**	**–**	**–**	**2,637**	**–**	**–**	**779,587**	**–**	**1,765,861**
	458,585,186	**6,920,215**	**13,412,063**	**7,829,595**	**1,627,322**	**40,025**	**14,635,288**	**–**	**503,049,694**
Other receivables:									
Sales contract receivables	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**12,242,869**	**12,242,869**
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,065,963**	**5,065,963**
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,253,521**	**3,253,521**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**509,861**	**509,861**
	458,585,186	**6,920,215**	**13,412,063**	**7,829,595**	**1,627,322**	**40,025**	**14,635,288**	**21,072,214**	**524,121,908**
Less: Unearned and other deferred income	**546,141**	**–**	**–**	**10,977**	**–**	**–**	**117,096**	**2,838**	**677,052**
Allowance for credit losses (Note 16)	**4,984,233**	**70,620**	**1,075,576**	**578,369**	**58,224**	**39,592**	**1,031,132**	**4,787,836**	**12,625,582**
	₱453,054,812	**₱6,849,595**	**₱12,336,487**	**₱7,240,249**	**₱1,569,098**	**₱433**	**₱13,487,060**	**₱16,281,540**	**₱510,819,274**

	Parent Company 2017							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivables from customers:								
Loans and discounts	₱375,964,636	₱17,742,839	₱7,190,864	₱2,026,412	₱330,152	–	–	₱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
Lease contracts receivable (Note 29)	97,109	–	–	–	–	–	–	97,109
Bills purchased (Note 22)	1,473,052	–	–	–	–	–	–	1,473,052
Customers' liabilities on acceptances (Note 19)	2,231,887	–	–	–	–	–	–	2,231,887
	389,217,134	17,742,839	7,190,864	11,931,220	485,110	–	–	426,567,167
Less unearned and other deferred income	700,826	313,459	14,291	7,698	3,090	–	–	1,039,364
	388,516,308	17,429,380	7,176,573	11,923,522	482,020	–	–	425,527,803
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
	388,516,308	17,429,380	7,176,573	11,923,522	482,020	14,616,628	16,076,425	456,220,856
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
	₱382,322,273	₱17,328,887	₱6,958,150	₱10,900,358	₱468,272	₱10,933,395	₱12,804,193	₱441,715,528

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 and liabilities in connection with the sale of the Parent Company's 60.00% equity in Maybank.

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, 2018 and 2017, the remaining receivables amounted to ₱0.3 billion which is fully covered by an allowance.

Unquoted debt instruments
In 2017, 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, the notes are carried at their recoverable values. On January 1, 2018, unquoted debt instruments amounting to ₱488.77 million and ₱10.45 billion were reclassified to Investment securities at amortized cost and Financial assets at FVOCI, respectively, upon adoption of PFRS 9 (see Note 2).

Lease contract receivables
An analysis of the Group's and the Parent Company's lease contract receivables follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Minimum lease payments				
Due within one year	**₱1,101,635**	₱1,265,542	**₱3,118**	₱28,909
Due beyond one year but not over five years	**1,151,333**	924,973	**6,500**	43,000
Due beyond five years	**26,034**	25,201	–	25,200
	2,279,002	2,215,716	**9,618**	97,109
Residual value of leased equipment				
Due within one year	**298,725**	292,000	–	–
Due beyond one year but not over five years	**350,612**	383,327	–	–
	649,337	675,327	–	–
Gross investment in lease contract receivables (Note 29)	**₱2,928,339**	₱2,891,043	**₱9,618**	₱97,109

Accounts receivables
As of December 31, 2018, insurance receivables of PNB Gen amounting to ₱5.0 billion (net of allowance for credit losses of ₱208.6 million) were reclassified to Assets of Disposal Group Classified as Held for Sale (see Note 36).

Interest income
Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Receivables from customers and sales contract receivables	**₱30,202,480**	₱22,523,095	₱19,634,798	**₱25,504,159**	₱19,100,932	₱16,874,365
Unquoted debt securities	–	146,012	51,160	–	144,878	49,499
	₱30,202,480	₱22,669,107	₱19,398,958	**₱25,504,159**	₱19,245,810	₱16,923,864

As of December 31, 2018 and 2017, 64.09% and 78.83%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2018 and 2017, 61.66% and 79.07%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 1.75% to 9.00% in 2018, from 1.94% to 9.00% in 2017 and from 2.30% to 8.75% in 2016 for foreign currency-denominated receivables, and from 1.53% to 13.00% in 2018, from 1.9% to 7.98% in 2017 and from 0.50% to 15.25% in 2016 for peso-denominated receivables.

Sales contract receivables bear fixed interest rates per annum ranging from 3.30% to 21.00%, 2.70% to 21.00% and 5.00% to 21.00% in 2018, 2017 and 2016, respectively.

<u>BSP Reporting</u>

An industry sector analysis of the Group's and the Parent Company's receivables from customers before taking into account the unearned and other deferred income and allowance for credit losses is shown below.

	Consolidated				**Parent Company**			
	2018		2017		**2018**		2017	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Financial intermediaries	**₱96,278,488**	**16.76**	₱72,757,733	15.09	**₱92,274,585**	**18.34**	₱69,382,757	16.27
Wholesale and retail	**87,989,193**	**15.32**	74,279,581	15.40	**79,904,533**	**15.88**	69,846,899	16.37
Electricity, gas and water	**75,194,463**	**13.09**	64,921,830	13.46	**73,139,221**	**14.54**	62,947,842	14.76
Manufacturing	**51,156,432**	**8.90**	33,118,627	6.87	**45,848,301**	**9.11**	29,905,637	7.01
Transport, storage and communication	**44,401,302**	**7.73**	40,565,972	8.41	**41,374,773**	**8.22**	38,270,489	8.97
Public administration and defense	**18,034,106**	**3.14**	22,998,264	4.77	**18,034,106**	**3.58**	22,630,209	5.31
Agriculture, hunting and forestry	**8,072,538**	**1.41**	7,023,471	1.46	**7,290,142**	**1.45**	6,403,860	1.50
Secondary target industry:								
Real estate, renting and business activities	**84,432,904**	**14.70**	78,823,937	16.34	**75,432,007**	**15.00**	73,609,101	17.26
Construction	**27,489,273**	**4.79**	19,264,219	3.99	**25,562,907**	**5.08**	17,682,688	4.15
Others	**81,428,251**	**14.16**	68,546,522	14.21	**44,189,119**	**8.80**	35,887,685	8.40
	₱574,476,950	**100.00**	₱482,300,156	100.00	**₱503,049,694**	**100.00**	₱426,567,167	100.00

The information (gross of unearned and other deferred income and allowance for credit losses) relating to receivables from customers as to secured and unsecured and as to collateral follows:

	Consolidated				**Parent Company**			
	2018		2017		**2018**		2017	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱90,846,785**	**15.81**	₱69,798,045	14.47	**₱57,344,870**	**11.40**	₱56,166,102	13.17
Chattel mortgage	**28,853,799**	**5.02**	28,159,567	5.84	**13,791,833**	**2.74**	26,187,151	6.14
Bank deposit hold-out	**22,786,131**	**3.97**	14,600,056	3.03	**22,305,850**	**4.43**	14,530,200	3.41
Shares of stocks	**–**	**–**	1,412,136	0.29	**–**	**–**	1,412,136	0.33
Others	**81,550,765**	**14.20**	75,308,199	15.61	**78,199,196**	**15.55**	72,719,502	17.05
	224,037,480	**39.00**	189,278,003	39.24	**171,641,749**	**34.12**	171,015,091	40.09
Unsecured	**350,439,470**	**61.00**	293,022,153	60.76	**331,407,945**	**65.88**	255,552,076	59.91
	₱574,476,950	**100.00**	₱482,300,156	100.00	**₱503,049,694**	**100.00**	₱426,567,167	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	
	2018	2017	**2018**	2017
Secured	**₱6,739,828**	₱6,721,812	**₱4,144,629**	₱4,803,416
Unsecured	**6,112,628**	4,923,617	**5,305,268**	4,222,671
	₱12,852,456	₱11,645,429	**₱9,449,897**	₱9,026,087

Loans and receivables are considered non-performing, even without any missed contractual payments, when considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, are considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics are considered non-performing after contractual due date or after they have become past due. Restructured loans are considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification is retained.

Non-performing loans and receivables remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs. As of December 31, 2018 and 2017, NPLs of ₱9.4 billion and ₱9.0 billion, respectively which the Parent Company reported to the BSP are gross of specific allowance amounting to ₱7.6 billion and ₱7.9 billion, respectively. Most of these loans are secured by real estate or chattel mortgages.

As of December 31, 2018 and 2017, gross and net NPL ratios of the Parent Company were 1.76% and 0.34%, and 2.01% and 0.26%, respectively.

Restructured loans of the Group and the Parent Company as of December 31, 2018 and 2017 amounted to ₱2.1 billion and ₱1.6 billion, respectively.

11. **Property and Equipment**

The composition of and movements in property and equipment follow:

	Consolidated 2018						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Long-term Leasehold Land**	**Construction In-progress**	**Leasehold Improvements**	**Total**
Cost							
Balance at beginning of year	**₱11,469,376**	**₱6,043,314**	**₱5,599,720**	**₱566,245**	**₱856,472**	**₱1,351,284**	**₱25,886,411**
Additions	**–**	**418,578**	**1,345,486**	**–**	**1,048,288**	**214,156**	**3,026,508**
Disposals	**–**	**(57,419)**	**(304,963)**	**–**		**(3,595)**	**(365,977)**
Transfers/others	**(2,132)**	**59,843**	**(11,727)**	**13,079**	**(698,703)**	**(4,078)**	**(643,718)**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(45,459)**	**–**	**–**	**(6,076)**	**(51,535)**
Balance at end of year	**11,467,244**	**6,464,316**	**6,583,057**	**579,324**	**1,206,057**	**1,551,691**	**27,851,689**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**2,803,449**	**3,338,151**	**38,435**	**–**	**813,533**	**6,993,568**
Depreciation and amortization	**–**	**257,784**	**823,696**	**5,688**	**–**	**197,517**	**1,284,685**
Disposals	**–**	**(14,414)**	**(256,198)**	**–**	**–**		**(270,612)**
Transfers/others	**–**	**(50,097)**	**(777)**	**4,785**	**–**	**(11,454)**	**(57,543)**
Effect of disposal group classified as held for sale (Note 36)	**–**	**–**	**(31,615)**	**–**	**–**	**(5,425)**	**(37,040)**
Balance at end of year	**–**	**2,996,722**	**3,873,257**	**48,908**	**–**	**994,171**	**7,913,058**
Allowance for Impairment Losses (Note 16)	**90,116**	**138,370**	–	–	**–**	–	**228,486**
Net Book Value at End of Year	**₱11,377,128**	**₱3,329,224**	**₱2,709,800**	**₱530,416**	**₱1,206,057**	**₱557,520**	**₱19,710,145**

	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	–	197,239	755,165	–	785,486	192,896	1,930,786
Disposals	–	(13,821)	(239,343)	–	–	(13,076)	(266,240)
Transfers/others	(1,049)	142,135	136,794	(1,025)	(627,145)	76,847	(273,443)
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	657,938	5,518	–	184,217	1,091,437
Disposals	–	(8,568)	(219,582)	–	–	(12,653)	(240,803)
Transfers/others	–	(2,913)	(17,876)	(385)	–	(5,612)	(26,786)
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

	Parent Company 2018					
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Construction In-progress**	**Leasehold Improvements**	**Total**
Cost						
Balance at beginning of year	**₱11,266,176**	**₱5,801,707**	**₱4,347,447**	**₱856,473**	**₱1,059,955**	**₱23,331,758**
Additions	–	**375,743**	**687,937**	**1,048,288**	**151,096**	**2,263,064**
Disposals	–	**(19,117)**	**(163,932)**	–	–	**(183,049)**
Transfers/others	**(2,133)**	**57,961**	**(5,825)**	**(698,705)**	**(4,678)**	**(653,380)**
Balance at end of year	**11,264,043**	**6,216,294**	**4,865,627**	**1,206,056**	**1,206,373**	**24,758,393**
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	**2,750,464**	**2,760,305**	–	**698,718**	**6,209,487**
Depreciation and amortization	–	**256,337**	**561,787**	–	**149,331**	**967,455**
Disposals	–	**(14,414)**	**(162,596)**	–	–	**(177,010)**
Transfers/others	–	**(63,345)**	**(767)**	–	**(11,604)**	**(75,716)**
Balance at end of year	–	**2,929,042**	**3,158,729**	–	**836,445**	**6,924,216**
Allowance for Impairment Losses (Note 16)	**89,664**	**138,370**	–	–	–	**228,034**
Net Book Value at End of Year	**₱11,174,379**	**₱3,148,882**	**₱1,706,898**	**₱1,206,056**	**₱369,928**	**₱17,606,143**

	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	–	181,135	512,520	785,486	179,844	1,658,985
Disposals	–	(13,821)	(181,651)	–	(4,342)	(199,814)
Transfers/others	7	146,196	69,724	(627,145)	8,029	(403,189)
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	–	(8,568)	(176,803)	–	(4,342)	(189,713)
Transfers/others	–	(1,324)	(23,218)	–	(5,541)	(30,083)
Balance at end of year	–	2,750,464	2,760,305	–	698,719	6,209,488
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

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 ₱2.6 billion and ₱1.0 billion as of December 31, 2018 and 2017, respectively.

Gain on disposal of property and equipment in 2018, 2017 and 2016 amounted to ₱28.4 million, ₱4.3 million, and ₱1.2 million, respectively, for the Group and ₱28.4 million, ₱2.0 million and ₱1.5 million, respectively, for the Parent Company (see Note 13).
Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
		As Restated – Note 36				
Continuing operations:						
Depreciation						
Property and equipment	**₱1,279,116**	₱1,086,012	₱1,008,596	**₱967,456**	₱886,788	₱835,467
Investment properties (Note 13)	**177,611**	152,894	226,545	**129,615**	136,507	206,472
Chattel mortgage	**27,876**	33,009	22,000	**1,330**	8,122	22,001
Amortization - Intangible assets (Note 14)	**460,205**	406,312	292,423	**444,311**	353,940	279,643
	1,944,808	1,678,227	1,549,564	**1,542,712**	1,385,357	1,343,583
Discontinued operations:						
Property and equipment (Note 36)	**5,569**	5,425	4,822	**–**	–	–
Intangible assets (Note 36)	**600**	739	254	**–**	–	–
	₱1,950,977	₱1,684,391	₱1,554,640	**₱1,542,712**	₱1,385,357	₱1,343,583

Certain property and equipment of the Parent Company with carrying amount of ₱98.3 million and ₱9.3 million are temporarily idle as of December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, property and equipment of the Parent Company with gross carrying amount of ₱5.1 billion are fully depreciated but are still being used.

12. Investments in Subsidiaries and an Associate

The consolidated financial statements of the Group include:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership Direct	Percentage of Ownership Indirect
Subsidiaries					
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) [a]	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) [b]	Remittance	- do -	USD	–	**100.00**
PNB Remittance Co. (Nevada) [c]	Remittance	-do-	USD	–	**100.00**
PNB RCI Holding Co. Ltd. [c]	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) [d]	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)	Leasing/Financing	Philippines	Php	**75.00**	–
PNB-IBJL Equipment Rentals Corporation	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**	–
ACR Nominees Limited *	Banking	- do -	HKD	–	**51.00**
Oceanic Holding (BVI) Ltd.*	Holding Company	British Virgin Islands	USD	**27.78**	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	- do -	Php	**44.00**	–

** Subsidiaries acquired as a result of the merger with ABC*
[a] *Investment in PNB Gen has been classified as held for sale following the approval of the Parent Company's BOD on the sale of its ownership interest to ABIC*
[a] *Owned through PNB IIC*
[b] *Owned through PNB RCI*
[c] *Owned through PNB RCI Holding Co. Ltd*

The details of this account follow:

	Consolidated 2018	Consolidated 2017	Parent Company 2018	Parent Company 2017
Investment in Subsidiaries				
PNB SB	**₱–**	₱–	**₱10,935,041**	₱10,935,041
ACB	**–**	–	**6,087,520**	6,087,520
PNB IIC	**–**	–	**2,028,202**	2,028,202
PNB Europe PLC	**–**	–	**1,006,536**	1,006,536
ABCHKL	**–**	–	**947,586**	947,586
PNB GRF	**–**	–	**753,061**	753,061
PNB Holdings	**–**	–	**377,876**	377,876
PNB Capital	**–**	–	**850,000**	850,000
ABUK	**–**	–	**320,858**	320,858
OHBVI	**–**	–	**291,841**	291,841
PILFC	**–**	–	**481,943**	181,943
PNB Securities	**–**	–	**62,351**	62,351
PNB Corporation - Guam	**–**	–	**7,672**	7,672
ALFC	**–**	–	**–**	148,400
PNB Gen (Note 36)	**–**	–	**980,000**	800,000
	–	–	**25,130,487**	24,798,887
Investment in an Associate – APLII (44% owned)	**2,728,089**	2,728,089	**2,728,089**	2,728,089

(Forward)

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Accumulated equity in net earnings of subsidiaries and an associate:				
Balance at beginning of year	**₱129,435**	₱70,220	**₱472,031**	₱1,314,542
Effect of PFRS 9 adoption (Note 2)	**–**	–	**(861,812)**	–
Balance at beginning of year as restated	**129,435**	70,220	**(389,781)**	1,314,542
Equity in net earnings for the year	**43,847**	59,215	**530,885**	498,254
Transfer to 'Assets of a disposal group held for sale'			**(595,146)**	
Dissolution of a subsidiary	**–**	–	**48,607**	(7,415)
	173,282	129,435	**(405,435)**	1,805,381
Dividends received for the year	**–**	–	**–**	(1,333,350)
	173,282	129,435	**(405,435)**	472,031
Accumulated share in:				
Net unrealized losses on financial assets at FVOCI/available-for-sale investments (Note 9)	**(646,013)**	(270,623)	**(585,029)**	(300,912)
Remeasurement gain on retirement plan	**151,204**	(235,424)	**180,336**	(289,824)
Aggregate reserves on life insurance policies	**12,280**	12,280	**12,280**	12,280
Accumulated translation adjustments	**–**	–	**1,191,826**	986,863
Transfer to 'Reserves of a disposal group held for sale'	**–**	–	**(21,893)**	–
	(482,529)	(493,767)	**777,520**	408,407
	₱2,418,842	₱2,363,757	**₱28,230,661**	₱28,407,414

As of December 31, 2018 and 2017, 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.

Investments in PILFC

On January 22, 2018, the Parent Company's Board of Directors (BOD) approved the capital infusion of ₱400.0 million to PILFC. This resulted in an increase in the ownership interest of the Parent Company to PILFC from 75% to 85%. The remaining interest is owned by IBJ Leasing Co., Ltd (IBJLC), a foreign company incorporated in Japan.

Notwithstanding the change in the ownership interests of the parties due to the Parent Company's additional capital infusion, IBJLC will maintain its 25% voting rights in PILFC. To implement such effective voting rights, the Parent Company will issue in favor of IBJLC an irrevocable proxy to represent the Parent Company and vote the 1,000,000 shares registered in the Parent Company's name at all meetings of the stockholders of PILFC, or until IBJLC has purchased from the Parent Company the 1,000,000 common shares of PILFC, whichever is earlier.

On July 27, 2018, the BOD approved the sale of 1,000,000 shares at par in PILFC for ₱100 million at par. On August 29, 2018, a deed of assignment was executed by the Parent Company and IBJLC, for the one million common shares of PILFC. Thus, the Parent Company's ownership in PILFC remained at 75% as of December 31, 2018.

Disposal of PNB Gen shares in exchange for Alliedbankers Insurance Corp. shares

On April 26, 2018, the BOD of the Parent Company and its subsidiary, PNB Holdings, approved the exchange of all their holdings in PNB Gen, in exchange of shares in ABIC, an affiliate (see Note 36).

Investment in PNB Savings

On September 28, 2018, the Parent Company's BOD approved (a) the full integration of PNB SB through the acquisition of its assets and assumption of its liabilities in exchange for cash, subject to regulatory and other necessary approvals.

Material non-controlling interests

Proportion of equity interest held by material NCI follows:

		Equity interest of NCI		Accumulated balances of material NCI		Profit allocated to material NCI	
	Principal Activities	**2018**	2017	**2018**	2017	**2018**	2017
ABCHKL	Banking	**49.00%**	49.00%	**₱1,693,807**	₱1,501,069	**₱80,595**	₱83,431
OHBVI	Holding Company	**72.22**	72.22	**1,008,307**	956,750	**749**	9,602

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% 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.

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% 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 "Deferred Revenue - Bancassurance" (see 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.

Summarized financial information of APLII as of December 31, 2018 and 2017 follows:

	2018	2017
Current assets	**₱1,260,591**	₱1,178,768
Noncurrent assets	**28,363,443**	26,305,819
Current liabilities	**1,079,194**	1,693,635
Noncurrent liabilities	**26,504,728**	23,994,598

	2017	2016
Total assets	**₱29,624,034**	₱27,484,587
Total liabilities	**27,583,922**	25,688,233
	2,040,112	1,796,354
Percentage of ownership of the Group	**44%**	44%
Share in the net assets of the associate	**₱897,649**	₱790,396

The difference between the share in the net assets of APLII and the carrying value of the investments represents premium on acquisition/retained interest.

Summarized statement of income of APLII for the year ended December 31, 2018 and 2017 follows:

	2018	2017
Revenues	**₱2,752,253**	₱2,190,474
Costs and expenses	**(2,602,153)**	(2,018,549)
Net income	**150,100**	171,925
Other comprehensive income	**128,595**	(133,356)
Total comprehensive income	**₱278,695**	₱38,569
Group's share of comprehensive income for the period	**₱122,626**	₱75,647

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.

Dissolution of ALFC
On December 18, 2017, the Securities and Exchange Commission (SEC) approved the dissolution of ALFC. Liquidating dividends amounting to ₱84.0 million were paid to Parent Company last April 3, 2018.

The following table presents financial information of ABCHKL as of December 31, 2018 and 2017:

	2018	2017
Statement of Financial Position		
Current assets	**₱11,079,475**	₱7,253,27
Non-current assets	**1,007,236**	551,083
Current liabilities	**8,396,635**	1,212,875
Non-current liabilities	**155,708**	36,711

	2018	2017
Statement of Comprehensive Income		
Revenues	**₱444,968**	₱422,605
Expenses	**280,490**	252,338
Net income	**164,478**	170,267
Total comprehensive income	**319,254**	197,254

	2018	2017
Statement of Cash Flows		
Net cash provided used in operating activities	**(₱274,555)**	(₱445,033)
Net cash provided used in investing activities	**(891)**	(4,818)
Net cash used in financing activities	**(6,971)**	(6,615)

The following table presents financial information of OHBVI as of December 31, 2018 and 2017:

	2018	2017
Statement of Financial Position		
Current assets	**₱1,396,160**	1,327,511
Current liabilities	**–**	2,739
Statement of Comprehensive Income		
Revenues/Net income/Total comprehensive	**13,296**	13,296
Statement of Cash Flows		
Net cash provided used in operating activities	**68,649**	(810,665)

As of December 31, 2018 and 2017, the NCI in respect of PILFC and ACB is not material to the Group.

<u>Significant restrictions</u>
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, 2018 and 2017, the total assets of banking subsidiaries amounted to ₱75.2 billion and ₱73.6 billion, respectively; and ₱8.2 billion and ₱7.6 billion for insurance subsidiaries, respectively.

13. Investment Properties

Breakdown of investment properties:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Properties held for lease	**₱4,715,184**	₱4,762,380	**₱5,019,733**	₱5,078,689
Foreclosed assets	**8,773,682**	10,832,005	**8,129,625**	10,239,719
Total	**₱13,488,866**	₱15,594,385	**₱13,149,358**	₱15,318,408

The composition of and movements in this account follow:

	Consolidated		
	2018		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱15,864,125**	**₱4,474,906**	**₱20,339,031**
Additions	**518,404**	**315,460**	**833,864**
Disposals	**(2,050,017)**	**(581,409)**	**(2,631,426)**
Transfers/others	**(5,518)**	**69,515**	**63,997**
Balance at end of year	**14,326,994**	**4,278,472**	**18,605,466**
Accumulated Depreciation			
Balance at beginning of year	–	**1,725,681**	**1,725,681**
Depreciation (Note 11)	–	**177,611**	**177,611**
Disposals	–	**(243,085)**	**(243,085)**
Transfer/others		**173,030**	**173,030**
Balance at end of year	–	**1,833,237**	**1,833,237**
Allowance for Impairment Losses (Note 16)	**3,028,736**	**254,627**	**3,283,363**
Net Book Value at End of Year	**₱11,298,258**	**₱2,190,608**	**₱13,488,866**

	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

	Parent Company		
	2018		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	**₱15,535,748**	**₱4,515,886**	**₱20,051,634**
Additions	**500,445**	**279,554**	**779,999**
Disposals	**(2,050,017)**	**(581,409)**	**(2,631,426)**
Transfers/Others	**6,329**	**28,688**	**35,017**
Balance at end of year	**13,992,505**	**4,242,719**	**18,235,224**
Accumulated Depreciation			
Balance at beginning of year	–	**1,713,804**	**1,713,804**
Depreciation (Note 11)	–	**129,615**	**129,615**
Disposals	–	**(243,085)**	**(243,085)**
Transfers/others		**201,064**	**201,064**
Balance at end of year	–	**1,801,399**	**1,801,399**
Allowance for Impairment Losses (Note 16)	**3,028,735**	**255,732**	**3,284,467**
Net Book Value at End of Year	**₱10,963,770**	**₱2,185,588**	**₱13,149,358**

	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)	–	136,507	136,507
Disposals/Transfers/Others	–	(115,224)	(115,224)
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

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 ₱307.8 million and ₱115.9 million, as of December 31, 2018 and 2017, 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 ₱4.3 billion and ₱5.3 billion as of December 31, 2018 and 2017, respectively. For the Parent Company, the total recoverable value of certain investment properties that were impaired amounted to ₱4.2 billion and ₱5.2 billion as of December 31, 2018 and 2017, respectively.

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 ₱58.6 million, ₱27.5 million and ₱13.6 million in 2018, 2017, and 2016, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱271.4 million, ₱173.9 million and ₱201.8 million in 2018, 2017, and 2016, 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 ₱58.6 million, ₱27.5 million and ₱8.3 million in 2018, 2017, and 2016, respectively. Direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱271.4 million, ₱167.1 million and ₱201.6 million in 2018, 2017, and 2016, respectively.

Net gains on sale or exchange of assets
This account consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Net gains from sale of investment properties (Note 33)	**₱5,703,523**	₱3,755,533	₱2,343,634	**₱5,683,516**	₱3,698,236	₱2,387,472
Net gains from foreclosure and repossession of investment properties	**129,218**	162,125	165,570	**129,218**	162,125	128,927
Net gains from sale of property and equipment (Note 11)	**28,402**	4,282	1,157	**28,402**	1,980	1,462
Net loss from sale of receivables	–	(804)	–	–	–	–
	₱5,861,143	₱3,921,136	₱2,510,361	**₱5,841,136**	₱3,862,341	₱2,517,861

14. Goodwill and Intangible Assets

Goodwill and intangible assets consist of:

	Consolidated 2018				
	Intangible Assets				
	Core Deposit	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱3,410,865**	**₱5,700,597**	**₱13,375,407**
Additions	–	–	**169,231**	**169,231**	–
Cumulative translation adjustment	–	–	**1,520**	**1,520**	–
Effect of disposal group classified as held for sale (Note 36)	–	–	**(30,463)**	**(30,463)**	–
Balance at end of year	**1,897,789**	**391,943**	**3,551,153**	**5,840,885**	**13,375,407**
Accumulated Amortization					
Balance at beginning of year	**928,862**	**391,943**	**1,056,935**	**2,377,740**	–
Amortization (Note 11)	**189,779**	–	**271,026**	**460,805**	–
Cumulative translation adjustment	–	–	**(559)**	**(559)**	–
Effect of disposal group classified as held for sale (Note 36)	–	–	**(22,258)**	**(22,258)**	–
Balance at end of year	**1,118,641**	**391,943**	**1,305,144**	**2,815,728**	–
Net Book Value at End of Year	**₱779,148**	**₱–**	**₱2,246,009**	**₱3,025,157**	**₱13,375,407**

	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	–
Cumulative translation adjustment	–	–	9,482	9,482	–
Balance at end of year	1,897,789	391,943	3,410,865	5,700,597	13,375,407
Accumulated Amortization					
Balance at beginning of year	739,083	391,943	838,679	1,969,705	–
Amortization (Note 11)	189,779	–	217,272	407,051	–
Cumulative translation adjustment	–	–	984	984	–
Balance at end of year	928,862	391,943	1,056,935	2,377,740	
Net Book Value at End of Year	₱968,927	₱–	₱2,353,930	₱3,322,857	₱13,375,407

	Parent Company 2018 Intangible Assets				
	Core Deposit	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱ 391,943**	**₱4,395,633**	**₱6,685,365**	**₱ 13,515,765**
Additions	–	–	**160,857**	**160,857**	–
Others	–	–	**227**	**227**	–
Balance at end of year	**1,897,789**	**391,943**	**4,556,717**	**6,846,449**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**928,862**	**391,943**	**2,201,317**	**3,522,122**	–
Amortization (Note 11)	**189,779**	–	**254,532**	**444,311**	–
Others	–	–	**163**	**163**	–
Balance at end of year	**1,118,641**	**391,943**	**2,456,012**	**3,966,596**	–
Net Book Value at End of Year	**₱ 779,148**	**₱ –**	**₱ 2,100,705**	**₱ 2,879,853**	**₱ 13,515,765**

	Parent Company 2017 Intangible Assets				
	Core Deposit	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱1,897,789	₱391,943	₱3,350,558	₱5,640,290	₱13,515,765
Additions	–	–	1,045,743	1,045,743	–
Cumulative translation adjustment	–	–	(668)	(668)	–
Balance at end of year	1,897,789	391,943	4,395,633	6,685,365	13,515,765
Accumulated Amortization					
Balance at beginning of year	739,083	391,943	2,037,812	3,168,838	–
Amortization (Note 11)	189,779	–	164,161	353,940	–
Cumulative translation adjustment		–	(656)	(656)	–
Balance at end of year	928,862	391,943	2,201,317	3,522,122	
Net Book Value at End of Year	₱968,927	₱–	₱2,194,316	₱3,163,243	₱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, 2018 and 2017 includes capitalized development costs amounting to ₱0.5 billion and ₱2.2 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 the recognition of goodwill amounting to ₱13.38 billion.

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 ₱3.0 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:

	2018			2017		
	Retail Banking	**Corporate Banking**	**Treasury**	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	**11.90%**	**11.90%**	**7.76%**	8.16%	8.16%	6.89%
Projected growth rate	**6.50%**	**6.50%**	**6.50%**	6.80%	6.80%	6.80%

The calculation of value in use for retail banking, corporate banking and treasury CGUs is most sensitive to interest margin, discount rates, projected growth rates used to extrapolate cash flows beyond the budget period, and current local gross domestic product.

Discount rate
The discount rate applied have been determined based on cost of equity for retail and corporate banking segments and weighted average cost of capital for treasury segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor. The values for the risk-free interest rate, the market risk premium and the beta factors were obtained from external sources of information.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the units to exceed their recoverable amount.

15. **Other assets**

This account consists of:

	Consolidated		Pa
	2018	2017	
Financial			
Return checks and other cash items	**₱169,997**	₱409,257	**₱16**
Checks for clearing	**499,792**	285,676	**49**
Security deposits	**129,309**	45,697	
Receivable from SPV	**500**	500	
Others	**5,407**	4,355	**3**
	805,005	745,485	**671**
Non-financial			
Creditable withholding taxes	**4,038,042**	5,272,020	**4,01**
Real estate inventories held under development (Note 33)	**728,752**	728,752	**72**
Deferred benefits	**564,343**	577,291	**54**
Prepaid expenses	**485,170**	390,290	**38**
Documentary stamps on hand	**438,312**	234,234	**431**
Chattel mortgage properties-net of depreciation	**109,264**	149,347	**32**
Stationeries and supplies	**99,176**	95,129	**93**
Deferred reinsurance premium (Note 36)	**–**	816,058	
Miscellaneous	**50,801**	822,799	**18**
	6,513,860	9,085,920	**6,41**
	7,318,865	9,831,405	**7,08**
Less allowance for impairment losses (Note 16)	**1,178,605**	954,090	**1,17**
	₱6,140,262	₱8,877,135	**₱5,90**

Real estate inventories held under development
This represents parcels of land contributed by the Parent Company under joint a
estate developers to be developed as residential condominium units and subdivis

Deferred reinsurance premiums
The deferred reinsurance premiums of the Group refer to portion of reinsurance
are unexpired as of December 31, 2018 and 2017 (see Note 36).

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future
one year, such as insurance premiums, rent and interest on time certificates of de
advance which shall be amortized monthly.

Deferred benefits
This represents the share of the Group in the cost of transportation equipment ac
Group's car plan which shall be amortized monthly.

Chattel mortgage properties
As of December 31, 2018 and 2017, accumulated depreciation on chattel mortga
acquired by the Group in settlement of loans amounted to ₱105.9 million and ₱

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 Group. Collections from OPII in 2016 amounting to ₱500.0 million are recorded under 'Miscellaneous Income' (see Note 27).

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		
	2018	2017	2016	**2018**	2017	2016
Continuing operations:						
Provision for (reversal of) impairment	**(₱71,135)**	₱421,792	₱114,448	**(₱71,135)**	₱422,451	₱113,593
Provision for credit losses	**1,811,312**	812,986	2,696,773	**1,472,663**	70,609	1,192,348
Provision for (reversal of) other losses (Note 33)	–	(331,183)	401,553	–	(331,183)	401,553
	1,740,177	903,595	3,212,774	**1,401,528**	161,877	1,707,494
Discontinued operations:						
Provision for credit losses (Note 36)	**12,635**	(19,463)	(80)	–	–	–
	₱1,752,812	₱884,132	₱3,212,694	**₱1,401,528**	₱161,877	₱1,707,494

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated						
	2018				2017		
	Financial Assets at FVOCI	**Financial Assets at Amortized Cost**	**Loans and Receivables**	**Other Assets**	AFS Investments - Equity securities	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱–**	**₱–**	**₱15,764,060**	**₱500**	₱875,475	14,892,814	₱500
Effect of PFRS 9 adoption	**58,500**	**3,711,523**	**(912,890)**	**–**	–	–	–
Balance as restated	**58,500**	**3,711,523**	**14,851,170**	**500**	875,475	14,892,814	500
Provisions	**–**	**57,741**	**1,765,723**	**–**	–	793,524	–
Reversal of provision	**(12,151)**	**–**	**–**				
Accounts charged-off	**–**	**–**	**(420,193)**	**–**	(249,720)	(474,876)	–
Transfers and others	**–**	**–**	**(1,138,243)**	**–**	(125)	552,598	–
Balance at end of year	**₱46,349**	**₱3,769,264**	**₱15,058,457**	**₱500**	₱625,630	₱15,764,060	₱500

	Parent Company						
	2018				2017		
	Financial Assets at FVOCI	**Financial Assets at Amortized Cost**	**Loans and Receivables**	**Other Assets**	AFS Investments - Equity securities	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱–**	**₱–**	**14,505,328**	**₱500**	₱875,220	₱14,032,123	₱500
Effect of PFRS 9 adoption	**58,500**	**3,711,523**	**(1,774,700)**	–	–	–	–
Balance as restated	**58,500**	**3,711,523**	**12,730,628**	**500**	875,220	14,032,123	500
Provisions	–	**57,741**	**1,427,073**	–	–	70,609	–
Reversal of provision	**(12,151)**	–	–	–			
Accounts charged-off	–	–	**(420,193)**	–	(249,720)	(206,898)	–
Transfers and others	–	–	**(1,111,926)**	–	–	609,494	–
Balance at end of year	**46,349**	**3,769,264**	**12,625,582**	**₱500**	₱625,500	₱14,505,328	₱500

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated					
	2018			2017		
	Property and Equipment	**Investment Properties**	**Other Assets**	Property and Equipment	Investment Properties	Other Assets
Balance at beginning of year	**₱228,486**	**₱3,018,965**	**₱954,090**	₱228,233	₱3,296,341	₱770,162
Provisions (reversals)	–	**13,221**	**(84,356)**	21	(46,377)	468,148
Disposals	–	**(25,274)**	**(301)**	(220)	(152,718)	(1,136)
Transfers and others	–	**276,451**	**308,672**	452	(78,281)	(283,084)
Balance at end of year	**₱228,486**	**₱3,283,363**	**₱1,178,105**	₱228,486	₱3,018,965	₱954,090

	Parent Company					
	2018			2017		
	Property and Equipment	**Investment Properties**	**Other Assets**	Property and Equipment	Investment Properties	Other Assets
Balance at beginning of year	**₱228,034**	**₱3,019,422**	**₱922,032**	₱228,233	₱3,301,072	₱737,588
Provisions (reversals)	–	**13,221**	**(84,356)**	21	(46,377)	468,808
Disposals	–	**(25,274)**	**(301)**	(220)	(152,718)	(1,136)
Transfers and others	–	**277,098**	**340,680**	–	(82,555)	(283,228)
Balance at end of year	**₱228,034**	**₱3,284,467**	**₱1,178,055**	₱228,034	₱3,019,422	₱922,032

The reconciliation of allowance for the receivables from customers are shown below. The balances at the beginning of the year reflect the amounts after considering the effect of adoption of PFRS 9 (see Note 2).

	Consolidated			
	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate Loans*				
Beginning Balance	**₱1,469,029**	**₱23,150**	**₱3,850,384**	**₱5,342,563**
Newly originated assets which remained in Stage 1 as at year-end	**477,090**	–	–	**477,090**
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	**30,229**	**499,307**	**529,536**
Transfers to Stage 1	**1,082**	**(921)**	**(161)**	–
Transfers to Stage 2	**(4,437)**	**4,437**	–	–
Transfers to Stage 3	**(2,163)**	**(5,012)**	**7,175**	–
Transfers to Asset Held for Sale	–	–	–	–
Accounts charged off	–	–	**(94,461)**	**(94,461)**
Provisions	**82,761**	**136,288**	**440,496**	**659,545**
Effect of collections and other movements	**(728,076)**	**(151,579)**	**(874,368)**	**(1,754,023)**
Ending Balance	**1,295,286**	**36,592**	**3,828,372**	**5,160,250**

(Forward)

	Consolidated			
	2018			
	Stage 1	Stage 2	Stage 3	Total
LGU				
Beginning Balance	₱3,510	₱5,415	₱24,915	₱ 33,840
Newly originated assets which remained in Stage 1 as at year-end	7,430	–	–	7,430
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	–	–	–
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	–	–
Provisions	–	–	–	–
Effect of collections and other movements	30,575	(1,225)	–	29,350
Ending Balance	41,515	4,190	24,915	70,620
Credit Cards				
Beginning Balance	36,041	42,372	501,035	579,448
Newly originated assets which remained in Stage 1 as at year-end	18,591	–	–	18,591
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	13,923	67,864	81,787
Transfers to Stage 1	142,041	(7,467)	(134,574)	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	(106,197)	106,197	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	(132,531)	–	(132,531)
Provisions	–	–	–	–
Effect of collections and other movements	(277,074)	248,567	556,789	528,282
Ending Balance	(80,401)	58,667	1,097,311	1,075,577
Retail SMEs				
Beginning Balance	156,783	6,190	558,726	721,699
Newly originated assets which remained in Stage 1 as at year-end	46,891	–	–	46,891
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	8,304	68,455	76,759
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(187)	187	–	–
Transfers to Stage 3	(1,114)	(320)	1,464	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	(27,833)	(27,833)
Provisions	486	1,532	9,799	11,817
Effect of collections and other movements	(6,006)	49,355	(8,549)	34,800
Ending Balance	196,823	65,248	602,062	864,133
Housing Loans				
Beginning Balance	400,894	788,987	(374,370)	815,511
Newly originated assets which remained in Stage 1 as at year-end	35,622	–	–	35,622
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	37,823	11,149	48,972
Transfers to Stage 1	7,215	(7,137)	(78)	–
Transfers to Stage 2	(435,782)	534,643	(98,861)	–
Transfers to Stage 3	(51,117)	(70,076)	121,193	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	–	–
Provisions	13,748	22,392	17,529	53,669
Effect of collections and other movements	901,826	(774,030)	191,915	319,711
Ending Balance	872,406	532,602	(131,523)	1,273,485

(Forward)

	Consolidated			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Auto Loans				
Beginning Balance	₱70,682	₱5,117	₱74,066	₱149,865
Newly originated assets which remained in Stage 1 as at year-end	8,863	–	–	8,863
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	4,962	1,623	6,585
Transfers to Stage 1	2,293	(2,206)	(87)	–
Transfers to Stage 2	(2,576)	3,386	(810)	–
Transfers to Stage 3	(3,926)	(7,332)	11,258	–
Accounts charged off	–	–	–	–
Transfers to Assets Held for Sale	–	–	(5,416)	(5,416)
Provisions	(7,067)	6,516	(3,281)	(3,832)
Effect of collections and other movements	45,882	57,377	(27,969)	75,290
Ending Balance	114,151	67,820	49,384	231,355
Other Loans				
Beginning Balance	734,409	363,554	1,219,525	2,317,488
Newly originated assets which remained in Stage 1 as at year-end	304	–	–	304
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	4,999	940	5,939
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(5,529)	(3,368)	8,897	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	(38,601)	(38,601)
Provisions	168,037	16,882	18,330	203,249
Effect of collections and other movements	(369,686)	(314,513)	(219,654)	(903,853)
Ending Balance	527,535	67,554	989,437	1,584,526
Other Receivables				
Beginning Balance	2,715,351	923,602	1,025,211	4,664,164
Newly originated assets which remained in Stage 1 as at year-end	12,478	–	–	12,478
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	–	–	–
Transfers to Stage 1	936	(171)	(765)	–
Transfers to Stage 2	(2,364)	2,364	–	–
Transfers to Stage 3	–	(457)	457	–
Transfers to Asset Held for Sale	(195,272)	–	–	(195,272)
Accounts charged off	–	–	(29,409)	(29,409)
Provisions	76,395	–	28,333	104,728
Effect of collections and other movements	(1,565,880)	1,722,322	85,881	242,323
Ending Balance	1,041,644	2,647,660	1,109,708	4,799,012
Total Loans and Receivables				
Beginning Balance	5,586,699	2,158,387	6,879,492	14,624,578
Newly originated assets which remained in Stage 1 as at year-end	607,269	–	–	607,269
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	100,240	649,338	749,578
Transfers to Stage 1	153,567	(17,902)	(135,665)	–
Transfers to Stage 2	(445,346)	545,017	(99,671)	–
Transfers to Stage 3	(63,879)	(192,762)	256,641	–
Transfers to Asset Held for Sale	(346,086)	198,783	(47,969)	(195,272)
Accounts charged off	–	(132,531)	(195,720)	(328,251)
Provisions	334,360	183,610	511,206	1,029,176
Effect of collections and other movements	(1,968,439)	836,274	(295,955)	(1,428,120)
Ending Balance	₱3,858,145	₱3,679,116	₱7,521,697	₱15,058,958

*Allowance for ECL on corporate loans includes ECL on undrawn loan commitment. The balance of commitments as of January 1, 2018 was ₱87.8 million, increased by ₱63.4 million at December 31, 2018. Movements during the year were mostly driven by new loan facility availments in 2018.

	Parent Company			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Corporate Loans*				
Beginning Balance	₱1,405,697	₱22,673	₱3,839,860	₱5,268,230
Newly originated assets which remained in Stage 1 as at year-end	476,383	–	–	476,383
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	19,531	498,861	518,392
Transfers to Stage 1	1,319	(1,319)	–	–
Transfers to Stage 2	(4,442)	4,442	–	–
Transfers to Stage 3	(2,167)	(5,012)	7,179	–
Transfers to Asset Held for Sale	–	–	–	–
Accounts charged off	–	–	(94,461)	(94,461)
Provisions	7,958	136,288	437,473	581,719
Effect of collections and other movements	(740,963)	(150,709)	(874,358)	(1,766,030)
Ending Balance	1,143,785	25,894	3,814,554	4,984,233
LGU				
Beginning Balance	3,510	5,415	24,915	33,840
Newly originated assets which remained in Stage 1 as at year-end	7,430	–	–	7,430
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	–	–	–
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	–	–
Provisions	–	–	–	–
Effect of collections and other movements	30,575	(1,225)	-	29,350
Ending Balance	41,515	4,190	24,915	70,620
Credit Cards				
Beginning Balance	36,041	42,372	501,035	579,448
Newly originated assets which remained in Stage 1 as at year-end	18,591	–	–	18,591
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	13,923	67,864	81,787
Transfers to Stage 1	142,041	(7,467)	(134,574)	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	(106,197)	106,197	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	(132,531)	–	(132,531)
Provisions	–	–	–	–
Effect of collections and other movements	(277,074)	248,567	556,789	528,282
Ending Balance	(80,401)	58,667	1,097,311	1,075,577
Retail SMEs				
Beginning Balance	74,686	5,935	483,607	564,228
Newly originated assets which remained in Stage 1 as at year-end	44,940	–	–	44,940
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	2,418	35,319	37,737
Transfers to Stage 1	50	–	(50)	–
Transfers to Stage 2	(593)	908	(315)	–
Transfers to Stage 3	(547)	–	547	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	(27,833)	(27,833)
Provisions	361	337	28,362	29,060
Effect of collections and other movements	(67,784)	(1,809)	(170)	(69,763)
Ending Balance	51,113	7,789	519,467	578,369
Housing Loans				
Beginning Balance	1,398	678	40,245	42,321
Newly originated assets which remained in Stage 1 as at year-end	6	–	–	6

(Forward)

	Parent Company			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Newly originated assets which moved to Stages 2 and 3 as at year-end	₱–	₱3	₱4,497	₱4,500
Transfers to Stage 1	134	(38)	(96)	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(207)	(89)	296	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	–	–
Provisions	–	–	252	252
Effect of collections and other movements	20,341	322	(9,518)	11,145
Ending Balance	21,672	876	35,676	58,224
Auto Loans				
Beginning Balance	17	38	43,120	43,175
Newly originated assets which remained in Stage 1 as at year-end	–	–	–	–
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	–	–	–
Transfers to Stage 1	17	(17)	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Accounts charged off	–	–	–	–
Transfers to Assets Held for Sale	–	–	(5,416)	(5,416)
Provisions	–	–	–	–
Effect of collections and other movements	(31)	(21)	1,885	1,833
Ending Balance	3	–	39,589	39,592
Other Loans				
Beginning Balance	2,142	362,248	1,194,078	1,558,468
Newly originated assets which remained in Stage 1 as at year-end	154	–	–	154
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	141	–	141
Transfers to Stage 1	404	(335)	(69)	–
Transfers to Stage 2	(411)	757	(346)	–
Transfers to Stage 3	(40)	(303)	343	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	(38,601)	(38,601)
Provisions	–	13,480	37,683	51,163
Effect of collections and other movements	(2,047)	(318,416)	(219,730)	(540,193)
Ending Balance	202	57,572	973,358	1,031,132
Other Receivables				
Beginning Balance	2,613,376	920,913	936,791	4,471,080
Newly originated assets which remained in Stage 1 as at year-end	–	–	–	–
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	–	–	–
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Transfers to Asset Held for Sale	–	–	–	–
Accounts charged off	–	–	(29,409)	(29,409)
Provisions	–	–	28,333	28,333
Effect of collections and other movements	(1,509,281)	1,723,906	103,207	317,832
Ending Balance	1,104,095	2,644,819	1,038,922	4,787,836
Total Loans and Receivables				
Beginning Balance	4,136,867	1,360,272	7,063,651	12,560,790
Newly originated assets which remained in Stage 1 as at year-end	547,504	–	–	547,504
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	36,016	606,541	642,557
Transfers to Stage 1	143,965	(9,176)	(134,789)	–
Transfers to Stage 2	(5,446)	6,107	(661)	–

(Forward)

	Parent Company			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 3	(₱2,961)	(₱111,601)	₱114,562	₱–
Transfers to Asset Held for Sale	–	–	–	–
Accounts charged off	–	(132,531)	(195,720)	(328,251)
Provisions	8,319	150,105	532,103	690,527
Effect of collections and other movements	(2,554,264)	1,500,615	(441,895)	(1,487,544)
Ending Balance	₱2,273,984	₱2,799,807	₱7,543,792	₱12,625,583

*Allowance for ECL on corporate loans includes ECL on undrawn loan commitment. The balance of commitments as of January 1, 2018 was ₱87.8 million, increased by ₱63.4 million at December 31, 2018. Movements during the year were mostly driven by new loan facility availments in 2018.

Movements of the gross carrying amounts of receivables from customers are shown below:

	Consolidated			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Corporate Loans				
Beginning Balance	₱384,446,065	₱3,003,511	₱6,000,790	₱393,450,366
Newly originated assets which remained in Stage 1 as at year-end	231,847,502	–	–	231,847,502
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	4,519,519	1,334,506	5,854,025
Transfers to Stage 1	296,280	(296,280)	–	–
Transfers to Stage 2	(839,071)	839,071	–	–
Transfers to Stage 3	(393,213)	(251,314)	644,527	–
Transfers to Asset Held for Sale	(8,352)	–	–	(8,352)
Accounts charged off	–	–	(94,461)	(94,461)
Effect of collections and other movements	(151,775,885)	(2,022,248)	(835,937)	(154,634,070)
Ending Balance	463,573,326	5,792,259	7,049,425	476,415,010
LGU				
Beginning Balance	7,017,292	23,227	24,916	7,065,435
Newly originated assets which remained in Stage 1 as at year-end	6,877,331	–	–	6,877,331
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	16,070	24,916	40,986
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	–	–
Effect of collections and other movements	(7,017,292)	(21,329)	(24,916)	(7,063,537)
Ending Balance	6,877,331	17,968	24,916	6,920,215
Credit Cards				
Beginning Balance	9,184,514	294,477	666,483	10,145,474
Newly originated assets which remained in Stage 1 as at year-end	2,894,354	–	–	2,894,354
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	76,426	81,210	157,637
Transfers to Stage 1	83,458	(78,154)	(5,304)	–
Transfers to Stage 2	(263,134)	271,709	(8,575)	–
Transfers to Stage 3	(620,055)	(162,122)	782,177	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	(137,452)	(42,326)	(182,554)	(362,332)
Effect of collections and other movements	602,249	33,483	(58,802)	576,930
Ending Balance	11,743,934	393,493	1,274,635	13,412,063
Retail SMEs				
Beginning Balance	11,648,490	337,636	488,606	12,474,732
Newly originated assets which remained in Stage 1 as at year-end	8,237,072	–	–	8,237,072
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	188,861	1,443,678	1,632,539
Transfers to Stage 1	–	–	–	–

(Forward)

	Consolidated 2018			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 2	(₱191,176)	₱191,176	₱–	₱–
Transfers to Stage 3	(70,456)	(92,824)	163,280	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	(27,833)	(27,833)
Effect of collections and other movements	(9,353,577)	(424,002)	(595,319)	(10,372,898)
Ending Balance	10,270,353	200,847	1,472,412	11,943,612
Housing Loans				
Beginning Balance	16,469,522	8,717,747	1,676,936	26,864,205
Newly originated assets which remained in Stage 1 as at year-end	6,773,796	–	–	6,773,796
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	355,084	46,294	401,378
Transfers to Stage 1	2,066,914	(2,038,294)	(28,620)	–
Transfers to Stage 2	(4,814,883)	5,904,269	(1,089,386)	–
Transfers to Stage 3	(282,094)	(385,334)	667,428	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	–	–
Effect of collections and other movements	2,559,095	(4,815,526)	2,060,447	(195,984)
Ending Balance	22,772,350	7,737,946	3,333,099	33,843,395
Auto Loans				
Beginning Balance	6,251,527	2,757,834	218,887	9,228,248
Newly originated assets which remained in Stage 1 as at year-end	5,171,719	–	–	5,171,719
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	338,571	12,530	351,101
Transfers to Stage 1	887,495	(853,998)	(33,497)	–
Transfers to Stage 2	(1,407,767)	1,847,521	(439,754)	–
Transfers to Stage 3	(21,707)	(40,541)	62,248	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts Charged off	–	–	(5,416)	(5,416)
Effect of collections and other movements	(1,462,711)	(1,883,474)	343,778	(3,002,407)
Ending Balance	9,418,556	2,165,913	158,776	11,743,245
Other Loans				
Beginning Balance	19,627,677	696,618	1,350,439	21,674,734
Newly originated assets which remained in Stage 1 as at year-end	7,296,449	–	–	7,296,449
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	6,463,430	3,695	6,467,125
Transfers to Stage 1	19,194	–	(19,194)	–
Transfers to Stage 2	(76,478)	114,267	(37,789)	–
Transfers to Stage 3	(8,273)	–	8,273	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts Charged off	–	–	(38,602)	(38,602)
Effect of collections and other movements	(14,994,689)	(1,383,128)	200,682	(16,177,135)
Ending Balance	11,863,880	5,891,187	1,467,504	19,222,571
Other Receivables				
Beginning Balance	16,740,788	4,723,127	833,454	22,297,369
Newly originated assets which remained in Stage 1 as at year-end	11,275,032	–	–	11,275,032
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	143,045	130,350	273,395
Transfers to Stage 1	131,651	(52,696)	(78,955)	–
Transfers to Stage 2	(33,598)	57,500	(23,902)	–
Transfers to Stage 3	(20,443)	(3,999)	24,442	–
Transfers to Asset Held for Sale	(5,089,832)	–	–	(5,089,832)
Accounts Charged off	–	–	(29,408)	(29,408)
Effect of collections and other movements	(5,227,408)	(222,836)	(21,989)	(5,472,233)
Ending Balance	17,776,190	4,644,141	833,992	23,254,323
Total Loans and Receivables				

(Forward)

	Consolidated			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Beginning Balance	₱471,385,875	₱ 20,554,177	₱11,260,511	₱503,200,563
Newly originated assets which remained in Stage 1 as at year-end	280,373,255	–	–	280,373,255
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	12,101,006	3,077,179	15,178,186
Transfers to Stage 1	3,484,992	(3,319,422)	(165,570)	–
Transfers to Stage 2	(7,626,107)	9,225,513	(1,599,406)	–
Transfers to Stage 3	(1,416,241)	(936,134)	2,352,375	–
Transfers to Asset Held for Sale	(5,098,184)	–	–	(5,098,184)
Accounts Charged off	(137,452)	(42,326)	(378,274)	(558,052)
Effect of collections and other movements	(186,670,218)	(10,739,060)	1,067,944	(196,341,334)
Ending Balance	₱554,295,920	₱26,843,754	₱15,614,759	₱596,754,434

	Parent Company			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Corporate Loans				
Beginning Balance	₱377,379,028	₱2,170,755	₱4,950,332	₱384,500,115
Newly originated assets which remained in Stage 1 as at year-end	229,278,616	–	–	229,278,616
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	4,333,052	1,328,441	5,661,493
Transfers to Stage 1	300,679	(300,679)	–	–
Transfers to Stage 2	(925,229)	925,229	–	–
Transfers to Stage 3	(458,770)	(251,314)	710,084	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts Charged off	–	–	(94,461)	(94,461)
Effect of collections and other movements	(158,891,821)	(1,739,461)	(675,436)	(161,306,718)
Ending Balance	446,682,503	5,137,582	6,218,960	458,039,045
LGU				
Beginning Balance	7,017,292	23,227	24,916	7,065,435
Newly originated assets which remained in Stage 1 as at year-end	6,877,331	–	–	6,877,331
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	16,070	24,916	40,986
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	–	–
Effect of collections and other movements	(7,017,292)	(21,329)	(24,916)	(7,063,537)
Ending Balance	6,877,331	17,968	24,916	6,920,215
Credit Cards				
Beginning Balance	9,184,514	294,477	666,483	10,145,474
Newly originated assets which remained in Stage 1 as at year-end	2,894,354	–	–	2,894,354
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	76,426	81,210	157,637
Transfers to Stage 1	83,458	(78,154)	(5,304)	–
Transfers to Stage 2	(263,134)	271,709	(8,575)	–
Transfers to Stage 3	(620,055)	(162,122)	782,177	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts Charged off	(137,452)	(42,326)	(182,554)	(362,332)
Effect of collections and other movements	602,249	33,483	(58,802)	576,930
Ending Balance	11,743,934	393,493	1,274,635	13,412,062
Retail SMEs				
Beginning Balance	9,352,537	77,189	324,783	9,754,509
Newly originated assets which remained in Stage 1 as at year-end	6,494,319	–	–	6,494,319
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	125,965	1,383,885	1,509,850

(Forward)

	Parent Company			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 1	₱833	₱–	(₱833)	₱–
Transfers to Stage 2	(105,242)	105,242	–	–
Transfers to Stage 3	(186,948)	(14,410)	201,358	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts Charged off	–	–	(27,833)	(27,833)
Effect of collections and other movements	(9,072,022)	(168,021)	(672,184)	(9,912,227)
Ending Balance	6,483,477	125,965	1,209,176	7,818,618
Housing Loans				
Beginning Balance	1,272,340	7,848	247,536	1,527,724
Newly originated assets which remained in Stage 1 as at year-end	8,644	–	–	8,644
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	63	16,830	16,893
Transfers to Stage 1	947	(421)	(526)	–
Transfers to Stage 2	(18,313)	18,313	–	–
Transfers to Stage 3	(6,190)	(2,909)	9,099	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts charged off	–	–	–	–
Effect of collections and other movements	140,253	(7,044)	(59,148)	74,061
Ending Balance	1,397,681	15,850	213,791	1,627,322
Auto Loans				
Beginning Balance	3,506	420	47,776	51,702
Newly originated assets which remained in Stage 1 as at year-end	–	–	–	–
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	–	–	–
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(130)	–	130	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts Charged off	–	–	(5,416)	(5,416)
Effect of collections and other movements	(2,959)	(420)	(2,882)	(6,261)
Ending Balance	417	–	39,608	40,025
Other Loans				
Beginning Balance	10,609,247	492,402	1,173,090	12,274,739
Newly originated assets which remained in Stage 1 as at year-end	5,576,195	–	–	5,576,195
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	6,420,312	–	6,420,312
Transfers to Stage 1	2,712	(2,251)	(461)	–
Transfers to Stage 2	(109,767)	111,665	(1,898)	–
Transfers to Stage 3	(8,268)	(3,750)	12,018	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts Charged off	–	–	(38,602)	(38,602)
Effect of collections and other movements	(8,635,954)	(1,282,617)	204,119	(9,714,452)
Ending Balance	7,434,165	5,735,761	1,348,266	14,518,192
Other Receivables				
Beginning Balance	10,519,844	4,723,127	833,454	16,076,425
Newly originated assets which remained in Stage 1 as at year-end	10,495,560	–	–	10,495,560
Newly originated assets which moved to Stages 2 and 3 as at year-end	–	143,045	130,350	273,395
Transfers to Stage 1	131,651	(52,696)	(78,955)	–
Transfers to Stage 2	(33,598)	57,500	(23,902)	–
Transfers to Stage 3	(20,443)	(3,999)	24,442	–
Transfers to Assets Held for Sale	–	–	–	–
Accounts Charged off	–	–	(29,408)	(29,408)
Effect of collections and other movements	(5,501,771)	(222,836)	(21,989)	(5,746,596)
Ending Balance	15,591,243	4,644,141	833,992	21,069,376
Total Loans and Receivables				

(Forward)

	Parent Company			
	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Beginning Balance	**₱425,338,308**	**₱7,789,445**	**₱8,268,370**	**₱441,396,123**
Newly originated assets which remained in Stage 1 as at year-end	**261,625,019**	**–**	**–**	**261,625,019**
Newly originated assets which moved to Stages 2 and 3 as at year-end	**–**	**11,114,933**	**2,965,632**	**14,080,565**
Transfers to Stage 1	**520,280**	**(434,201)**	**(86,079)**	**–**
Transfers to Stage 2	**(1,455,283)**	**1,489,658**	**(34,375)**	**–**
Transfers to Stage 3	**(1,300,804)**	**(438,504)**	**1,739,308**	**–**
Transfers to Assets Held for Sale	**–**	**–**	**–**	**–**
Accounts Charged off	**(137,452)**	**(42,326)**	**(378,274)**	**(558,052)**
Effect of collections and other movements	**(188,379,317)**	**(3,408,245)**	**(1,311,238)**	**(193,098,800)**
Ending Balance	**₱496,210,751**	**₱16,070,760**	**₱11,163,344**	**₱523,444,855**

The movements in allowance for credit losses for loans and receivables by class follow:

	Consolidated							
	2017							
	Receivables 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

	Parent Company							
	2017							
	Receivables 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

17. Deposit Liabilities

As of December 31, 2018 and 2017, noninterest-bearing deposit liabilities amounted to ₱28.6 billion and ₱28.9 billion, respectively, for the Group and ₱25.2 billion and ₱24.8 billion, respectively, for the Parent Company. The remaining deposit liabilities of the Group generally earn annual fixed interest rates ranging from 0.00% to 10.00% in 2018, 0.01% to 4.13% in 2017 and 0.00% to 6.23% in 2016 for peso-denominated deposit liabilities, and from 0.01% to 8.00% in 2018, 0.00% to 2.10% in 2017 and 0.00% to 3.71% in 2016 for foreign currency-denominated deposit liabilities. The remaining deposit liabilities of the Parent Company generally earn annual fixed interest rates ranging from 0.00% to 10.00% in 2018, 0.01% to 4.13% in 2017 and 0.01% to 6.23% in 2016 for peso-denominated deposit liabilities, and from 0.01% to 8.00% in 2018, 0.00% to 2.10% in 2017 and 0.00% to 2.25% in 2016 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 18.00% and 8.00%, respectively.

Available reserves booked under 'Due from BSP' are as follows:

	2018	2017
Parent Company	**₱97,665,375**	₱96,497,459
PNB SB	**3,361,937**	2,850,526
	₱101,027,312	₱99,347,985

Long-term Negotiable Certificates of Time Deposits
Time deposit includes the following Long-term Negotiable Certificates of Time Deposits (LTNCDs) issued by the Parent Company:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	**Carrying Value** **2018**	2017
October 26, 2017	April 26, 2023	₱6,350,000	3.88%	Quarterly	**₱6,316,699**	₱6,310,033
April 27, 2017	October 27, 2022	3,765,000	3.75%	Quarterly	**3,747,669**	3,743,546
December 6, 2016	June 6, 2022	5,380,000	3.25%	Quarterly	**5,355,858**	5,349,341
December 12, 2014	June 12, 2020	7,000,000	4.13%	Quarterly	**6,985,553**	6,976,118
October 21, 2013	April 22, 2019	4,000,000	3.25%	Quarterly	**3,998,167**	3,992,376
August 5, 2013	February 5, 2019	5,000,000	3.00%	Quarterly	**4,999,279**	4,992,542
		₱31,495,000			**₱31,403,225**	₱31,363,956

Other significant terms and conditions of the above LTNCDs follow:

- Issue price at 100.00% of the face value of each LTNCD.

- 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.

- 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.

- 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.

- 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.

- 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.

- 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		
	2018	2017	2016	**2018**	2017	2016
Savings	**₱3,240,636**	₱1,940,283	₱2,124,979	**₱3,236,424**	₱1,904,459	₱2,074,446
Time	**3,338,531**	1,815,853	798,894	**2,079,674**	1,169,541	431,161
LTNCDs	**1,170,378**	933,632	764,230	**1,170,378**	933,631	764,230
Demand	**121,628**	104,459	92,139	**104,812**	97,167	87,029
	₱7,871,173	₱4,794,227	₱3,780,242	**₱6,591,288**	₱4,104,798	₱3,356,866

In 2018, 2017 and 2016, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱39.3 million, ₱32.1 million and ₱25.3 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱91.8 million and ₱131.0 million as of December 31, 2018 and 2017, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Derivative liabilities (Notes 23 and 35)	**₱470,648**	₱343,522	**₱468,279**	₱343,416

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Bills payable to:				
BSP and local banks (Note 33)	**₱67,792,569**	₱41,435,696	**₱ 60,940,934**	₱39,167,156
Foreign banks	**521,405**	157,849	–	–
Others	**3,000**	91,255	–	1,761
	68,316,974	41,684,800	**60,940,934**	39,168,917
Acceptances outstanding (Note 10)	**1,765,861**	2,231,887	**1,765,861**	2,231,887
	₱70,082,835	₱43,916,687	**₱62,706,795**	₱41,400,804

Foreign currency-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.04% to 4.41%, from 0.05% to 3.61%, from 0.30% to 1.75% in 2018, 2017 and 2016, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest of 0.63% to 5.37%, 0.63% in 2018, 2017 and 2016, respectively.

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 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, 2018, bills payable with a carrying amount of ₱48.0 billion is secured by a pledge of certain Financial assets at FVOCI with carrying value and fair value of ₱19.7 billion and Investment securities at amortized cost with carrying value and fair value of ₱36.7 billion and ₱33.7 billion, respectively (Note 9).

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 HTM investments with carrying value and fair value of ₱16.5 billion and ₱17.8 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 Financial assets at FVOCI and investment securities at amortized costs, 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.

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Bills payable	**₱600,354**	₱600,334	₱526,755	**₱434,650**	₱507,332	₱492,650
Subordinated debt (Note 21)	–	75,314	416,871	–	75,314	416,871
Others	**61,986**	71,833	53,995	**37,461**	68,078	50,088
	₱662,340	₱747,481	₱997,621	**₱ 472,111**	₱650,724	₱959,609

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Accrued taxes and other expenses	**₱4,730,917**	₱4,690,580	**₱4,295,448**	₱4,129,687
Accrued interest	**1,436,481**	632,907	**1,264,512**	543,858
	₱6,167,398	₱5,323,487	**₱5,559,960**	₱4,673,545

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Financial liabilities:				
Promotional expenses	**₱628,559**	₱483,570	**₱592,769**	₱483,570
Rent and utilities payable	**162,629**	188,962	**139,511**	157,195
Information technology-related expenses	**145,206**	204,666	**127,914**	195,599
Management, directors and other professional fees	**124,776**	172,133	**84,117**	142,313
Repairs and maintenance	**94,346**	74,481	**93,996**	74,481
	1,155,516	1,123,812	**1,038,307**	1,053,158
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**1,648,520**	1,637,877	**1,635,451**	1,564,909
PDIC insurance premiums	**716,041**	660,290	**667,982**	589,876
Other taxes and licenses	**571,574**	539,720	**515,292**	337,765
Employee benefits	**235,603**	476,032	**127,374**	474,868
Other expenses	**403,663**	252,849	**311,042**	109,111
	3,575,401	3,566,768	**3,257,141**	3,076,529
	₱4,730,917	₱4,690,580	**₱4,295,448**	₱4,129,687

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

21. Bonds Payable and Subordinated Debt

Bonds Payable

4.25% USD300 Million Fixed Rate Medium Term Note

On April 26, 2018, the Group issued 4.25% fixed coupon rate (EIR of 4.43%) unsecured medium term note listed on the Singapore Stock Exchange at par value of $300 million in preparation for the higher capital and liquidity requirements required by the Bangko Sentral ng Pilipinas in the succeeding year. The bonds have an issue price of 99.532%, interest payable at semi-annual, tenor of five years and a day, and maturity of April 27, 2023.

As of December 31, 2018, the unamortized transaction cost of bonds payable amounted to ₱116.3 million. Amortization of transaction costs amounting to ₱12.2 million was charged to 'Interest expenses - bonds payable' in the statement of income.

5.875% ₱3.5 Billion Subordinated Notes

On May 9, 2012, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱3.5 billion that qualify as Lower Tier 2 capital. EIR on this note is 6.05%.

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.

6.75% ₱6.5 Billion Subordinated Notes

On June 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.

In 2017 and 2016 amortization of transaction costs amounting to ₱2.2 million and ₱11.4 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		December 31	
	2018	2017	**2018**	2017
Financial				
Accounts payable	**₱9,036,865**	₱8,759,527	**₱7,398,716**	₱7,250,827
Bills purchased - contra (Note 10)	**1,396,318**	1,324,447	**1,396,128**	1,323,896
Manager's checks and demand drafts outstanding	**1,545,888**	2,345,787	**1,217,043**	2,042,181
Dormant credits	**946,354**	1,094,176	**922,167**	1,011,224
Due to other banks	**919,838**	1,212,436	**538,861**	836,992
Deposits on lease contracts	**823,968**	773,020	**130,375**	47,022
Accounts payable - electronic money	**519,810**	643,000	**519,810**	630,249
Payment order payable	**632,477**	315,256	**630,395**	315,256
Margin deposits and cash letters of credit	**44,383**	55,058	**31,651**	55,058
Transmission liability	**25,896**	21,809	**–**	–
Deposit for keys on safety deposit boxes	**15,493**	14,403	**15,471**	14,403
Insurance contract liabilities (Note 36)	**–**	4,929,392	**–**	–
Commission payable	**–**	74,094	**–**	–
	15,907,290	21,562,405	**12,800,617**	13,527,108
Nonfinancial				
Retirement benefit liability (Note 28)	**1,221,893**	1,526,962	**1,221,705**	1,485,426
Deferred revenue - Bancassurance (Note 12)	**793,274**	866,473	**793,274**	866,473
Provisions (Note 34)	**969,106**	969,106	**969,106**	969,106
Deferred revenue - Credit card-related	**290,969**	202,223	**290,969**	202,223
Due to Treasurer of the Philippines	**571,235**	574,261	**570,742**	573,768
Withholding tax payable	**513,136**	283,471	**476,196**	254,164
Deferred tax liabilities (Note 30)	**161,526**	157,511	**–**	–
SSS, Philhealth, Employer's Compensation Premiums and Pag-IBIG Contributions Payable	**28,619**	27,571	**28,160**	26,792
Reserve for unearned premiums (Note 36)	**–**	1,273,279	**–**	–
Miscellaneous	**809,892**	678,296	**381,819**	331,506
	5,359,650	6,559,153	**4,731,971**	4,709,458
	₱21,266,939	₱28,121,558	**₱17,532,588**	₱18,236,566

Deferred revenue - Bancassurance pertains to the allocated portion of the consideration received for the disposal of APLII related to the Exclusive Distribution Right (Note 12). In 2018 and 2017, amortization of other deferred revenue amounting to ₱73.2 million were recognized under 'Service fees and commission income' (see Note 26).

Deferred revenue - Credit card-related include portion of fee allocated to points issued which is deferred by the Group and recognized as revenue when the points are redeemed or have expired.

'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, 2018 and 2017 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated 2018			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	**₱1,710**	**₱97,106**	**53.11**	**482,974**
JPY	**24,985**	**16**	**0.01**	**6,018,002**
HKD	**874**	**36**	**0.13**	**219,355**
CNY	**33**	**–**	**0.14**	**1,000**
GBP	**211**	**–**	**1.26**	**1,100**
EUR	**60,822**	**74,001**	**1.15**	**385,712**
SELL:				
USD	**119,480**	**2,965**	**52.98**	**690,340**
CAD	**1,365**	**–**	**0.75**	**2,005**
GBP	**–**	**428**	**1.27**	**3,700**
CHF	**7**	**–**	**0.99**	**200**
HKD	**36**	**1,222**	**0.13**	**276,171**
EUR	**–**	**432**	**1.14**	**3,618**
JPY	**91**	**9,469**	**0.01**	**1,121,000**
SGD	**–**	**14**	**0.73**	**200**
AUD	**72**	**–**	**0.71**	**500**
Interest rate swaps	**307,089**	**284,959**		
Warrants	**57,854**	**–**		
	₱574,629	**₱470,648**		

**The notional amounts and average forward rates pertain to original currencies.*

	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

(Forward)

	Consolidated 2017			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
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.

	Parent Company 2018			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	**₱828**	**₱97,106**	**53.11**	**266,500**
JPY	**24,985**	**16**	**0.01**	**6,018,002**
HKD	**–**	**36**	**0.13**	**3,912**
CNY	**33**	**–**	**0.14**	**1,000**
GBP	**211**	**–**	**1.26**	**1,100**
EUR	**60,813**	**74,001**	**1.15**	**384,781**
SELL:				
USD	**119,480**	**1,781**	**53.11**	**418,613**
CAD	**1,365**	**–**	**0.75**	**2,005**
GBP	**–**	**428**	**1.27**	**3,700**
CHF	**7**	**–**	**0.99**	**200**
HKD	**36**	**47**	**0.13**	**5,912**
EUR	**–**	**421**	**1.14**	**2,150**
JPY	**91**	**9,470**	**0.01**	**1,121,000**
SGD	**–**	**14**	**0.73**	**200**
AUD	**72**		**0.71**	**500**
Interest rate swaps	**307,089**	**284,959**		
Warrants	**57,854**			
	₱572,864	**₱468,279**		

The notional amounts and average forward rates pertain to original currencies.

	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.

As of December 31, 2018 and 2017, the Parent Company holds 275,075 shares and 306,405 shares of ROP Warrants Series B1 at their fair value of USD1.1 million and USD1.1 million, respectively.

The table below shows the rollforward analysis of net derivatives assets (liabilities) as of December 31, 2018 and 2017:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Balance at the beginning of the 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
Changes in fair value				
Currency forwards and spots*	**(899,453)**	136,382	**(899,453)**	132,644
Interest rate swaps and warrants**	**161**	(7,965)	**161**	(7,965)
	(899,614)	128,417	**(899,614)**	124,679
Availments (Settlements)	**782,810**	(95,246)	**787,601**	(95,246)
Balance at end of year:				
Derivative assets	**574,628**	562,984	**572,864**	559,692
Derivative liabilities	**470,648**	343,522	**468,279**	343,416
	₱103,980	₱219,462	**₱104,585**	₱216,276

* *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					
	2018			2017		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱16,825,487**	**₱–**	**₱16,825,487**	₱12,391,139	₱–	₱12,391,139
Due from BSP	**102,723,312**	**–**	**102,723,312**	108,743,985	–	108,743,985
Due from other banks	**20,525,318**	**–**	**20,525,318**	22,025,321	–	22,025,322
Interbank loans receivable	**11,248,455**	**–**	**11,248,455**	12,837,721	–	12,837,721
Securities held under agreements to resell	**20,700,000**	**–**	**20,700,000**	14,621,483	–	14,621,483
Financial assets at FVPL	**9,999,447**	**–**	**9,999,447**	2,882,395	–	2,882,395
Financial assets at FVOCI - gross (Note 9)	**9,229,229**	**42,444,938**	**51,674,167**			
AFS investments - gross (Note 9)	**–**	**–**	**–**	4,526,929	65,936,118	70,463,047
Investment securities at amortized cost – gross (Note 9)	**25,190,527**	**78,351,448**	**103,541,975**			
HTM investments	**–**	**–**	**–**	–	26,805,131	26,805,131
Loans and receivables - gross (Note 10)	**205,184,833**	**391,899,941**	**597,084,774**	202,558,115	316,402,283	518,960,399
Other assets - gross (Note 15)	**669,790**	**135,215**	**805,005**	699,288	46,197	745,485
	422,296,398	**512,831,542**	**935,127,940**	381,286,376	409,189,729	790,476,105
Nonfinancial Assets						
Property and equipment - gross (Note 11)	**–**	**27,851,686**	**27,851,686**	–	25,866,409	25,866,409
Investments in Subsidiaries and an Associate - (Note 12)	**–**	**2,418,842**	**2,418,842**	–	2,363,757	2,363,757
Investment properties - gross (Note 13)	**–**	**18,605,466**	**18,605,466**	–	20,339,032	20,339,032
Deferred tax assets	**–**	**2,086,510**	**2,086,510**	–	1,695,480	1,695,480
Goodwill (Note 14)	**–**	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets (Note 14)	**–**	**7,056,896**	**7,056,896**	–	6,873,305	6,873,305

(Forward)

	Consolidated					
	2018			2017		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Residual value of leased assets (Note 10)	**₱298,726**	**₱350,611**	**₱649,337**	₱292,000	₱383,327	₱675,327
Other assets - gross (Note 15)	**4,633,103**	**1,880,758**	**6,513,861**	7,107,386	1,978,533	9,085,919
	4,931,829	**73,626,176**	**78,558,005**	7,399,386	72,875,250	80,274,636
Assets of disposal group classified as held for sale (Note 36)	**8,238,623**	–	**8,238,623**	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			**23,518,674**			20,591,233
Unearned and other deferred income (Note 10)			**979,678**			1,553,108
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**13,778,030**			12,269,696
			₱983,648,186			₱836,356,705
Financial Liabilities						
Deposit liabilities	**₱686,082,355**	**₱47,219,123**	**₱733,301,478**	₱553,599,950	₱84,320,307	₱637,920,257
Financial liabilities at FVPL	**470,648**	–	**470,648**	343,522	–	343,522
Bonds Payable	–	**15,661,372**	**15,661,372**			
Bills and acceptances payable	**60,549,245**	**9,533,590**	**70,082,835**	36,811,547	7,105,140	43,916,687
Accrued interest payable (Note 20)	**1,408,168**	**28,313**	**1,436,481**	632,907	–	632,907
Accrued other expenses payable (Note 20)	**464,823**	**690,693**	**1,155,516**	1,123,812	–	1,123,812
Other liabilities (Note 22):						
Accounts payable	**7,901,687**	**16,839**	**7,918,526**	8,725,544	33,983	8,759,527
Insurance contract liabilities	–	–	–	4,929,392	–	4,929,392
Bills purchased – contra	**1,396,318**	–	**1,396,318**	1,323,896	–	1,323,896
Managers' checks and demand drafts outstanding	**1,545,888**	–	**1,545,888**	2,345,787	–	2,345,787
Dormant credits	–	**922,167**	**922,167**	–	1,078,052	1,078,052
Due to other banks	**919,838**	–	**919,838**	1,212,436	–	1,212,436
Deposit on lease contracts	**303,596**	**520,372**	**823,968**	316,246	456,774	773,020
Accounts payable – electronic money	**519,810**	–	**519,810**	643,000	–	643,000
Payment order payable	**632,477**	–	**632,477**	315,256	–	315,256
Margin deposits and cash letters of credit	**44,383**	–	**44,383**	55,058	–	55,058
Transmission liability	**25,896**	–	**25,896**	21,809	–	21,809
Deposit for keys on safety deposit boxes	**15,493**	–	**15,493**	14,403	–	14,403
Commission payable	–	–	–	74,094	–	74,094
	762,280,625	**74,592,489**	**836,873,094**	612,488,659	92,994,256	705,482,915
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	**3,575,401**	–	**3,575,401**	3,566,768	–	3,566,768
Income tax payable	**900,693**	–	**900,693**	993,245	–	993,245
Other liabilities (Note 22)	**1,119,973**	**3,744,052**	**4,864,025**	2,816,660	3,759,168	6,657,828
	5,579,747	**3,744,052**	**9,340,119**	7,376,673	3,759,168	11,135,915
Liabilities of disposal group classified as held for sale (Note 36)	**7,237,811**	–	**7,237,811**	–	–	–
	₱776,216,523	**₱78,180,086**	**₱855,089,173**	₱619,865,332	₱96,753,424	₱716,618,756

	Parent Company					
	2018			2017		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱15,904,663**	**₱–**	**15,904,663**	₱11,671,952	₱–	₱11,671,952
Due from BSP	**98,665,375**	–	**98,665,375**	105,497,459	–	105,497,459
Due from other banks	**10,459,496**	–	**10,459,496**	10,755,260	–	10,755,260
Interbank loans receivable	**11,689,414**	–	**11,689,414**	11,083,515	–	11,083,515
Securities held under agreements to resell	**20,700,000**	–	**20,700,000**	14,621,483	–	14,621,483
Financial assets at FVTPL	**9,983,636**	–	**9,983,636**	2,829,877	–	2,829,877
AFS investments - gross (Note 9)	**9,369,217**	**41,287,676**	**50,656,893**	2,992,834	65,310,618	68,303,452
HTM investments	**25,839,002**	**77,516,591**	**103,355,593**	–	26,680,483	26,680,483
Loans and receivables - gross (Note 10)	**190,824,032**	**333,297,876**	**524,121,908**	185,606,811	271,855,633	457,262,444
Other assets - gross (Note 15)	**670,750**	**500**	**671,250**	685,979	500	686,479
	394,105,585	**452,102,643**	**842,208,228**	345,745,170	363,847,234	709,392,404

(Forward)

	Parent Company					
	2018			2017		
	Less than Twelve Months	Over Twelve Months	Total	Less than Twelve Months	Over Twelve Months	Total
Nonfinancial Assets						
Property and equipment– gross (Note 11)	₱–	₱24,758,394	₱24,758,394	₱–	₱23,331,758	₱23,331,758
Investment properties– gross (Note 13)	–	18,235,224	18,235,224	–	20,051,634	20,051,634
Deferred tax assets	–	1,452,153	1,452,153	–	987,332	987,332
Investments in Subsidiaries and an Associate (Note 12)	–	28,230,664	28,230,664	–	28,407,414	28,407,414
Goodwill (Note 14)	–	13,515,765	13,515,765	–	13,515,765	13,515,765
Intangible assets (Note 14)	–	846,449	6,846,449	–	6,662,558	6,662,558
Other assets– gross (Note 15)	5,081,850	1,331,879	6,413,729	7,528,386	860,282	8,388,688
	5,081,850	94,370,528	99,452,377	7,528,386	93,816,743	101,345,128
Asset of disposal group classified as held for sale (Note 36)	–	–	–	–	–	–
Less: Allowance for impairment and credit losses (Note 16)			20,490,757			19,300,816
Unearned and other deferred income (Note 10)			677,052			1,241,587
Accumulated amortization and depreciation (Notes 11, 13 and 14)			12,692,211			11,422,607
			₱911,800,856			₱778,972,522
Financial Liabilities						
Deposit liabilities	₱644,774,714	₱38,622,692	₱683,397,406	₱545,272,109	₱ 51,132,929	₱596,405,038
Financial liabilities at FVPL	468,279	–	468,279	343,416	–	343,416
Bonds Payable	–	15,661,372	15,661,372			
Bills and acceptances payable	55,747,402	6,959,393	62,706,795	34,792,160	6,608,644	41,400,804
Subordinated debt	–	–	–	–	–	–
Accrued interest payable (Note 20)	1,236,199	28,313	1,264,512	527,073	16,785	543,858
Accrued other expenses payable (Note 20)	377,995	660,312	1,038,307	1,053,158	–	1,053,158
Other liabilities (Note 22):						
Accounts payable	7,918,526	–	7,918,526	7,250,827	–	7,250,827
Bills purchased - contra	1,396,128	–	1,396,128	1,323,896	–	1,323,896
Managers' checks and demand drafts outstanding	1,217,043	–	1,217,043	2,042,181	–	2,042,181
Dormant credits	–	922,167	922,167	–	952,479	952,479
Accounts payable - electronic money	519,810	–	519,810	630,249	–	630,249
Due to other banks	538,861	–	538,861	836,992	–	836,992
Payment order payable	630,395	–	630,395	315,256	–	315,256
Margin deposits and cash letters of credit	31,651	–	31,651	55,058	–	55,058
Deposit on lease contracts	–	130,375	130,375	–	47,022	47,022
Deposit for keys on safety deposit boxes	15,471	–	15,471	14,403	–	14,403
	714,872,474	62,984,624	777,857,098	594,456,778	58,757,859	653,214,637
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	3,257,141	–	3,257,141	3,076,529	–	3,076,529
Income tax payable	823,739	–	823,739	833,708	–	833,708
Other liabilities	649,785	3,562,375	4,212,161	1,184,398	3,525,062	4,709,460
	4,714,345	3,562,375	8,293,040	5,153,378	3,525,063	8,678,440
	₱719,586,819	₱66,546,999	₱786,150,138	₱599,610,156	₱62,341,666	₱661,893,077

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, 2018 and 2017, the Parent Company had 36,940 and 37,401 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. 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 Group shall offer new common shares for subscription, in such number corresponding to the number of shares being offered.

In February 2014, the Parent Company successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱71.0 each. The Rights Shares were offered to all eligible shareholders of the Parent Company at the proportion of fifteen (15) Rights Shares for every one hundred (100) common shares as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Parent Company. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Parent Company. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. It also strengthened the Parent Company's capital position under the Basel III standards, which took effect on January 1, 2014.

Surplus amounting to ₱7.7 billion and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱2.2 billion as of December 31, 2018 and 2017 which represent the balances of accumulated translation adjustment (₱1.6 billion), accumulated equity in net earnings (₱0.6 billion) and revaluation increment from land (₱7.7 billion) that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP.

Accumulated Translation Adjustment
As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion including ₱0.6 billion accumulated equity in net earnings as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion. The SEC approval is subject to the following conditions: (a) remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of Capital paid in excess of par value in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC; and (b) for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

Surplus Reserves
The surplus reserves consist of:

	2018	2017
Reserve for trust business (Note 32)	**₱540,573**	₱517,605
Reserve for self-insurance	**80,000**	80,000
	₱620,573	₱597,605

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.

Other Equity Reserves

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 ₱16.3 million and ₱35.45 million in 2018 and 2017, respectively, in the statement of income and a corresponding increase in equity of the same amount in the statement of financial position. In 2018 and 2017, the Group awarded 343 thousand and 1.12 million centennial bonus shares and applied the settlement of the award against 'Other Equity Reserves'.

Capital Management

The primary objectives of the Parent Company's capital management are to ensure that it complies with externally imposed capital requirements and it maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Parent Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Parent Company may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods.

Regulatory Qualifying Capital

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

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the MB of the BSP.

The BSP approved the booking of additional appraisal increment of ₱431.8 million in 2002 on properties and recognition of the same in determining the capital adequacy ratio, and booking of translation adjustment of ₱1.6 billion in 2002 representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2018 and 2017, 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).

	2018		2017	
Consolidated	**Actual**	**Required**	Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱121,743.82**		₱112,344.77	
Less: Regulatory Adjustments to CET 1	**22,109.52**		23,401.42	
CET1 Capital (Net)	**99,634.30**		88,943.35	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**99,634.30**		88,943.35	
Add: Tier 2 Capital	**5,881.88**		4,696.48	
Total qualifying capital	**₱105,516.18**	**₱73,533.23**	₱93,639.83	₱61,010.62
Risk weighted assets	**₱735,332.30**		₱610,106.24	
Tier 1 capital ratio	**13.55%**		14.58%	
Total capital ratio	**14.35%**		15.35%	

	2018		2017	
Parent			Actual	Required
Common Equity Tier 1 Capital (CET1)	**₱117,541.46**		₱108,605.50	
Less: Regulatory Adjustments to CET 1	**46,665.49**		47,409.15	
CET1 Capital (Net)	**70,875.97**		61,196.35	
Add: Additional Tier 1 Capital (AT1)	**0.00**		0.00	
Tier 1 Capital	**70,875.95**		61,196.35	
Add: Tier 2 Capital	**5,079.21**		4,228.83	
Total qualifying capital	**₱75,955.16**	**₱65,308.84**	₱65,425.18	₱54,377.23
Risk weighted assets	**₱653,088.43**		₱543,772.35	
Tier 1 capital ratio	**10.85%**		11.25%	
Total capital ratio	**11.63%**		12.03%	

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.

The Group and its individually regulated subsidiaries/operations have complied with all externally imposed capital requirement throughout the year.

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, 2018 and 2017 which represents the balances of accumulated translation adjustment, accumulated equity in net earnings and revaluation increment from land that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP. Also, unrealized foreign exchange gains, except those attributable to cash and cash equivalents, unrealized actuarial gains, fair value adjustment or the gains arising from mark-to-market valuation, deferred tax asset recognized that reduced the income tax expense and increased the net income and retained earnings, adjustment due to deviation from PFRS/GAAP and other unrealized gains or adjustments, are excluded from the Parent Company's surplus available for dividend declaration.

A portion of a Group's surplus corresponding to the net earnings of the subsidiaries amounting to ₱3.8 billion and ₱3.3 billion as of December 31, 2018 and 2017, 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			
	2018	(As Restated –Note 36)		**2018**	2017	2016
Return on average equity (a/b)	**7.70%**	7.10%	6.67%	**7.80%**	7.27%	6.81%
a) Net income	**₱9,556,070**	₱8,156,545	₱7,162,074	**₱9,465,075**	₱8,160,563	₱7,124,054
b) Average total equity	**124,148,481**	114,849,326	107,378,392	**121,364,947**	112,188,614	104,560,511
Return on average assets (c/d)	**1.05%**	1.03%	1.00%	**1.12%**	1.10%	1.06%
c) Net income	**₱9,556,070**	₱8,156,545	₱7,162,074	**₱9,465,076**	₱8,160,563	₱7,124,054
d) Average total assets	**910,002,446**	795,068,059	717,007,968	**845,386,554**	745,147,826	670,845,173
Net interest margin on average earning assets (e/f)	**3.30%**	3.11%	2.79%	**3.17%**	2.97%	3.00%
e) Net interest income	**₱27,001,724**	₱22,023,968	₱19,531,248	**₱23,461,884**	₱19,062,428	₱17,057,909
f) Average interest earning assets	**817,382,993**	707,087,648	657,206,552	**740,890,904**	642,325,579	568,208,414

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		
	2018	2017	2016	**2018**	2017	2016
Deposit-related	**₱1,075,496**	₱889,067	₱643,991	**₱930,563**	₱866,454	₱618,972
Remittance	**766,652**	819,689	830,032	**401,223**	430,324	460,899
Interchange fees	**625,059**	503,133	389,179	**625,059**	503,133	389,179
Credit-related	**612,058**	554,608	504,346	**604,790**	547,618	498,969
Credit card-related	**407,013**	278,579	214,135	**407,013**	278,579	214,135
Trust fees (Note 32)	**279,131**	300,047	311,882	**279,131**	300,047	311,882
Bancassurance	**208,653**	130,450	89,162	**208,653**	130,450	89,162
Underwriting fees	**140,660**	389,283	187,133	**-**	–	–
Miscellaneous	**136,970**	117,640	231,990	**67,831**	74,178	148,060
	₱4,251,692	₱3,982,496	₱3,401,850	**₱3,524,263**	₱3,130,783	₱2,731,258

The interchange fees and credit card-related fees 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. Miscellaneous Income and Expenses

Miscellaneous Income

This account consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Rental income (Note 29)	**₱767,505**	₱424,758	₱232,107	**₱583,636**	₱290,562	₱275,317
Recoveries	**58,584**	73,845	729,594	**57,767**	72,990	251,805
Dividends	**55,906**	33,577	14,886	**54,520**	32,417	14,716
Sales deposit forfeiture	**45,859**	5,064	15,772	**45,859**	5,064	15,772
Referral and trust fees	**3,011**	3,448	2,811	–	–	–
Income from SPV	–	–	500,000	–	–	500,000
Others	**494,574**	352,825	43,794	**360,093**	191,008	137,337
	₱1,425,439	₱893,517	₱1,538,964	**₱1,101,875**	₱592,041	₱1,194,947

'Others' consist of marketing allowance and income from wire transfers.

Miscellaneous Expenses
This account consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Insurance	**₱1,601,771**	₱1,428,464	₱1,128,749	**₱1,397,590**	₱1,287,724	₱1,044,959
Secretarial, janitorial and messengerial	**1,472,872**	1,277,955	1,299,477	**1,379,306**	1,199,446	1,256,605
Marketing expenses	**1,170,997**	920,519	1,057,625	**1,032,695**	836,491	988,160
Information technology	**561,597**	440,017	494,162	**542,478**	418,954	471,262
Management and other professional fees	**413,040**	428,237	431,660	**346,398**	359,078	374,649
Travelling	**324,220**	284,307	244,312	**297,506**	262,954	223,896
Litigation expenses & A/A expenses	**490,732**	290,044	323,726	**473,660**	268,075	304,783
Postage, telephone and cable	**215,362**	184,939	204,196	**156,160**	132,872	158,841
Entertainment and representation	**131,260**	134,139	98,048	**119,713**	123,130	89,944
Repairs and maintenance	**75,235**	86,787	82,113	**75,235**	86,787	82,113
Freight	**28,093**	57,039	45,727	**25,350**	54,456	43,986
Fuel and lubricants	**19,425**	16,774	21,237	**11,541**	10,879	17,521
Miscellaneous (Notes 13, 30 and 33)	**448,921**	771,486	672,782	**267,702**	593,173	547,469
	₱6,953,525	₱6,320,707	₱6,103,814	**₱6,125,334**	₱5,634,019	₱5,604,188

'Miscellaneous' also includes stationery and supplies used, donation, fines, penalties, periodicals, magazines and other charges.

28. 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	
	2018	2017	**2018**	2017
Retirement benefit liability (included in 'Other liabilities')	**₱1,221,893**	₱1,526,962	**₱1,221,705**	₱1,485,426
Net plan assets (included in 'Other assets')	**76,509**	7,428	**–**	–
	₱1,145,384	₱1,519,534	**₱1,221,705**	₱1,485,426

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, 2018 and 2017, 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, 2018. The following table shows the actuarial assumptions as of December 31, 2018 and 2017 used in determining the retirement benefit obligation of the Group:

			Parent Company					
	Consolidated		ABC		PNB		EIP	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Discount rate	**7.23%-8.11%**	5.54%-5.91%	**7.23%**	5.54%	**7.23%**	5.54%	**7.23%**	5.54%
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 2018												
		Net benefit costs*					Remeasurements in other comprehensive income						
	January 1, 2018	**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 demographic assumptions**	**Actuarial changes arising from experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions by employer**	**December 31, 2018**
Present value of pension obligation	**₱6,766,019**	**₱474,133**	**₱352,310**	**₱309,229**	**₱ 1,135,672**	**(₱578,442)**	**₱–**	**₱–**	**₱ 125,974**	**(₱805,995)**	**(₱680,021)**	**₱–**	**₱6,643,228**
Fair value of plan assets	**5,246,485**	–	–	**240,726**	**240,726**	**(578,442)**	**(465,081)**	–	–	–	**(465,081)**	**1,054,156**	**5,497,844**
	₱1,519,534	**₱474,133**	**₱352,310**	**₱ 68,503**	**₱ 894,946**	**₱–**	**₱465,081**	**₱–**	**₱125,974**	**(₱805,995)**	**(₱214,940)**	**(₱1,054,156)**	**₱1,145,384**

Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income

	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	226,243	(557,519)	(127,963)	–	–	–	(127,963)	1,329,292	5,246,485
	₱3,136,110	₱550,064	₱160,804	₱710,868	₱–	₱127,963	(674,973)	(₱192,750)	(₱258,392)	(₱998,152)	(₱1,329,292)	₱ 1,519,534

Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income

Parent Company

2018

	January 1, 2018	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 demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2018
Present value of pension obligation	₱6,544,823	₱432,091	₱352,310	₱ 368,296	₱ 1,152,697	(₱578,307)	₱–	₱152,146	₱–	(₱728,626)	(₱576,480)	₱–	₱6,542,733
Fair value of plan assets	5,059,397	–	–	280,697	280,697	(578,307)	(460,592)	–	–	–	(460,592)	1,019,833	5,321,028
	₱1,485,426	₱432,091	₱352,310	₱87,599	₱872,000	₱–	₱460,592	₱152,146	₱–	(₱728,626)	(₱115,888)	(₱1,019,833)	₱1,221,705

**Net benefit costs is included in 'Compensation and fringe benefits' in the statement of income*

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	(₱199,918)	(₱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*

The Group and the Parent Company expect to contribute ₱979.3 million and ₱968.1 million, respectively, to the defined benefit plans in 2019. The average duration of the retirement liability of the Group and the Parent Company as of December 31, 2018 is 16.5 years and 14.0 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Less than one year	**₱1,088,338**	₱1,000,727	**₱1,077,394**	₱994,778
More than one year to five years	**4,139,446**	3,532,239	**4,115,892**	3,494,358
More than five years to 10 years	**4,477,940**	4,219,144	**4,370,627**	4,126,122
More than 10 years to 15 years	**3,227,264**	3,287,929	**2,960,912**	2,923,039
More than 15 years	**8,754,548**	10,419,581	**6,705,994**	7,201,910

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Cash and cash equivalents	**₱988,595**	₱1,793,329	**₱974,608**	₱1,755,075
Equity investments				
Financial institutions (Note 33)	**321,213**	448,357	**321,213**	445,454
Others	**332,518**	334,339	**317,924**	231,453
Debt investment				
Private debt securities	**2,323,954**	1,569,773	**2,312,092**	1,553,579
Government securities	**1,026,785**	976,062	**1,017,080**	958,308
Investment in UITFs	**476,336**	101,954	**352,144**	93,024
Loans and receivables	**1,367**	3,713	**248**	3,713
Interest and other receivables	**29,090**	21,016	**27,692**	20,767
	5,499,858	5,248,543	**5,323,001**	5,061,373
Accrued expenses	**(2,014)**	(2,058)	**(1,973)**	(1,976)
	₱5,497,844	₱5,246,485	**₱5,321,028**	₱5,059,397

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 Group's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2018 and 2017 includes investments in the Parent Company shares of stock with fair value amounting to ₱321.2 million and ₱445.5 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	2018			
	Consolidated		**Parent Company**	
	Possible fluctuations	**Increase (decrease)**	**Possible fluctuations**	**Increase (decrease)**
Discount rate	**+1.00%**	**(₱387,382)**	**+1.00%**	**(₱375,372)**
	-1.00%	**431,448**	**-1.00%**	**417,013**
Salary increase rate	**+1.00%**	**398,146**	**+1.00%**	**383,553**
	-1.00%	**(373,888)**	**-1.00%**	**(361,488)**
Employee turnover rate	**+10.00%**	**(53,082)**	**+10.00%**	**(64,019)**
	-10.00%	**53,082**	**-10.00%**	**64,019**

	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

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.

29. **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 ₱844.6 million, ₱787.1 million and ₱824.7 million in 2018, 2017 and 2016, respectively, for the Group, of which ₱808.3 million, ₱668.7 million and ₱787.7 million in 2018, 2017, and 2016, respectively, pertain to the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Within one year	**₱803,019**	₱721,241	**₱595,764**	₱584,733
Beyond one year but not more than five years	**1,569,722**	1,575,142	**1,176,135**	1,329,240
More than five years	**411,909**	252,116	**343,927**	186,720
	₱2,784,650	₱2,548,499	**₱2,115,826**	₱2,100,693

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 2018, 2017 and 2016, total rent income (included under 'Miscellaneous income') amounted to ₱767.5 million, ₱424.8 million and ₱232.1 million, respectively, for the Group and ₱583.6 million, ₱290.6 million and ₱275.3 million, respectively, for the Parent Company (Note 27).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Within one year	**₱492,548**	₱285,885	**₱219,106**	₱216,416
Beyond one year but not more than five years	**1,130,331**	521,046	**786,391**	488,264
More than five years	**401,779**	115,663	**401,779**	89,471
	₱2,024,658	₱922,594	**₱1,407,276**	₱794,151

Finance Lease

Group as Lessor

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease (effective interest 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	
	2018	2017	**2018**	2017
Within one year	**₱1,400,361**	₱1,557,543	**₱3,118**	₱28,909
Beyond one year but not more than five years	**1,501,944**	1,308,300	**6,500**	43,000
More than five years	**26,034**	25,200	–	25,200
Gross investment in finance lease contracts receivable (Note 10)	**2,928,339**	2,891,043	**9,618**	97,109
Less amounts representing finance charges	**13,770**	62,612	**13,770**	62,612
Present value of minimum lease payments	**₱2,914,569**	₱2,828,431	**(₱4,152)**	₱34,497

30. 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 15.00%. 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		
	2018	2017 As Restated – Note 36	2016	**2018**	2017	2016
Current						
Regular	**₱2,888,800**	₱1,898,387	₱1,055,483	**₱2,610,768**	₱1,577,777	₱880,828
Final	**720,504**	571,632	655,650	**692,984**	548,095	429,058
	₱3,609,304	₱2,470,019	₱1,711,133	**₱3,303,752**	₱2,125,872	₱1,309,886
Deferred	**54,440**	(155,085)	(201,611)	**918**	(2,196)	(81,514)
	₱3,663,744	₱2,314,934	₱1,509,522	**₱3,304,670**	₱2,123,676	₱1,228,372

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Deferred tax asset on:				
Allowance for impairment, credit and other losses	**₱4,230,174**	₱5,745,464	**₱3,673,894**	₱5,161,135
Accumulated depreciation on investment properties	**565,226**	523,003	**540,320**	514,119
Deferred revenue	**168,330**	98,819	**168,330**	98,819
Retirement liability	**30,587**	56,239	–	–
Unrealized trading losses on financial assets at FVTPL	**25,289**	–	**25,289**	–
Unrealized trading losses on financial assets at FVOCI	**707**	–	–	–
Deferred reinsurance on commission	–	17,027	–	–
Others	**71,680**	96,843	–	8,904
	5,091,993	6,537,395	**4,407,833**	5,782,977
Deferred tax liability on:				
Revaluation increment on land and buildings*	**736,436**	736,436	**736,436**	736,436
Fair value adjustment on investment properties	**1,248,724**	1,615,522	**1,245,547**	1,600,310
Unrealized foreign exchange gains	**124,651**	1,021,943	**124,651**	1,024,520
Fair value adjustments due to business combination	**620,039**	948,194	**620,039**	948,194
Unrealized trading gains on financial assets at FVPL	–	164,480		164,480
Deferred acquisition cost	–	19,648	–	–
Gain on remeasurement of previously held interest	**164,429**	160,272	**164,429**	164,429
Others	**111,204**	175,605	**64,578**	157,276
	3,005,483	4,842,100	**2,955,680**	4,795,645
	₱2,086,510	₱1,695,295	**₱1,452,153**	₱987,332

* *Balance represents DTL acquired from business combination*

On January 1, 2018, the Bank recognized deferred tax asset amounting to ₱0.46 billion as part of its transition adjustment related to the additional allowance for credit losses recognized upon the adoption of PFRS 9 (see Note 2).

As of December 31, 2018 and 2017, 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 ₱7.9 million and ₱9.3 million, respectively.

Benefit from deferred tax charged directly to OCI pertains to remeasurement losses on retirement plan amounting to ₱0.55 million and ₱2.20 billion in 2017 and 2016, respectively and to net unrealized losses on AFS investments amounting to ₱0.29 million in 2016 for the Group.

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.

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	
	2018	2017	**2018**	2017
Allowance for impairment and credit losses	**₱9,361,434**	₱1,259,578	**₱8,399,510**	₱2,586,707
Accrued expenses	**2,883,285**	1,577,003	**2,462,170**	1,564,910
Retirement liability	**2,463,288**	445,628	**1,221,707**	1,485,427
Unamortized past service cost	**1,221,833**	2,386,730	**2,882,583**	2,386,730
Unrealized loss on financial asset at FVOCI/AFS investments	**1,173,243**	–	**1,173,243**	–
NOLCO	**260,537**	1,485,427	–	–
Derivative liabilities	**182,904**	343,417	**182,903**	343,417
Other equity reserves	**70,215**	70,213	**70,213**	6,319
Provision for IBNR	**42,025**	155,483	–	–
Unearned income	**–**	356,270	–	356,270
Others	**105**	16	**–**	–
	₱17,658,869	₱8,079,765	**₱16,392,329**	₱8,729,780

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 USD8.7 million and USD6.2 million as of December 31, 2018 and 2017, respectively, and net operating loss carryforwards for California state tax purposes of USD5.2 million and USD4.1 million as of December 31, 2018 and 2017, respectively.

Unrecognized Deferred Tax Liabilities

As of December 31, 2018, there was a deferred tax liability of ₱674.6 million (₱698.8 million in 2017) for temporary differences of ₱2.2 billion (₱2.2 billion in 2017) 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		
	2018	2017	2016	**2018**	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
FCDU income before tax	**(4.20)**	(1.67)	(3.68)	**(3.28)**	(1.78)	(3.78)
Net non-deductible expenses	**8.00**	2.51	6.90	**6.27**	1.98	6.23
Optional standard deduction	–	(0.25)	(0.02)	–	–	–
Tax-exempt income	**(3.56)**	(4.11)	(7.82)	**(3.69)**	(3.49)	(9.22)
Tax-paid income	**(2.61)**	(6.76)	(2.19)	**(2.36)**	(6.80)	(1.91)
Net unrecognized deferred tax assets	**(0.21)**	2.44	(3.80)	**(1.06)**	0.73	(3.88)
Effective income tax rate	**27.84%**	22.16%	19.39%	**25.88%**	20.64%	17.44%

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 ₱131.26 million in 2018, ₱134.14 million in 2017, and ₱98.05 million in 2016 for the Group, and ₱119.71 million in 2018, ₱123.13 million in 2017, and ₱89.94 million in 2016 for the Parent Company (Note 27).

31. 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:

	2018	2017	2016
a) Net income attributable to equity holders of the Parent Company	**₱9,465,022**	₱8,160,570	₱7,123,952
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)	**₱7.58**	₱6.53	₱5.70

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2018	2017	2016
a) Net income attributable to equity holders of the Parent Company from Continuing Operations	**₱9,684,994**	₱8,090,198	₱4,794,283
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)	**₱7.75**	₱6.48	₱3.84

As of December 31, 2018, 2017 and 2016, there are no potential common shares with dilutive effect on the basic earnings per share.

32. 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 ₱87.7 billion and ₱88.0 billion as of December 31, 2018 and 2017, respectively (Note 34). In connection with the trust functions of the Parent Company, government securities amounting to ₱941.5 million (included under 'Investment Securities at Amortized Cost') and ₱1.0 billion (included under 'AFS Investments') as of December 31, 2018 and 2017, respectively, are deposited with the BSP in compliance with trust regulations (Note 9).

Trust fee income in 2018, 2017 and 2016 amounting to ₱279.1 million, ₱300.0 million and ₱311.9 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱23.0 million, ₱23.9 million and ₱19.4 million in 2018, 2017 and 2016, respectively, which correspond to 10.0% 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.

33. 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, 2018 and 2017, 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**	
	2018	2017	**2018**	2017
Total Outstanding DOSRI Accounts*	**₱7,894,862**	₱8,184,175	**₱7,894,862**	₱8,184,175
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**1.39%**	1.71%	**1.58%**	1.94%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**1.39%**	1.71%	**1.58%**	1.94%
Percent of DOSRI accounts to total loans	**1.39%**	1.71%	**1.58%**	1.94%
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 ₱860.0 million as of December 31, 2018 and ₱192.3 million as of December 31, 2017.*

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 Parent Company'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 and their subsidiaries and associates called affiliates;
- 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.

	2018		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investors			
Deposit Liabilities		**₱493,180**	Peso-denominated savings deposits with annual rates ranging from 0.10% to 0.125%
Interest expense	**₱15,976**		Interest expense on deposits
Net withdrawals	**311,740**		Net withdrawals during the period
Subsidiaries			
Receivables from customers		**257,804**	Term loan maturing in 2018 with 3.85% nominal rate; Revolving credit lines with interest rate of 2.90% maturity of three months; Unsecured
Loan releases	**8,146,771**		
Loan collections	**10,152,899**		
Loan commitments		**10,914,480**	Omnibus line; credit line
Interbank loans receivable		**440,959**	Foreign currency-denominated interbank term loans with interest rates ranging from 0.65% to 1.00% and maturity terms ranging from 33 to 172 days
Availments	**5,130,011**		
Settlements	**4,815,791**		
Due from other banks		**471,229**	Foreign currency-denominated demand 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		**3,616**	Interest accrual on receivables from customers and interbank loans receivable
Accounts Receivable		**176,041**	Advances to finance pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		**5,624,250**	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
Net deposits	**796,930**		Net withdrawals during the period
Bills payable		**37,846**	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	**274,350**		
Settlements	**423,095**		
Due to other banks		**26,748**	Foreign currency-denominated clearing accounts used for funding and settlement of remittances
Accounts Payable		**12**	Loan repayments received on behalf of subsidiary clients

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			2018
Accrued interest payable		28,123	Accrued interest on deposit liabilities and bills payable
Rental deposit		8,412	Advance rental deposit received for 2 years and 3 months
Interest income	70,926		Interest income on receivables from customers, due from other banks and interbank loans receivable
Interest expense	41,018		Interest expense on deposit liabilities and bills payable
Rental income	47,985		Rental income from one to three years lease agreement, with escalation rate of 10.00% per annum
Miscellaneous other income	1,614		Management and other professional fees
Securities transactions			
Purchases	2,589,086		Outright purchase of securities
Sales	424,196		Outright sale of securities
Trading loss	8,398		Loss from sale of investment securities
Affiliates			
Receivables from customers		36,531,649	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	15,123,255		
Loan Collections	9,044,373		
Loan commitments		13,934,400	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		4,819,685	Parent Company's investment properties sold on installment; secured with interest rate of 6.00%, maturity of five years
Settlements	52,692		
Gain on sale of investment properties	3,942,967		Sale of investment properties with interest rate of 4.5% for the first year and quarterly repricing of PDST-R2 for three months plus 1% for the succeeding years.
Accrued interest receivable		211,965	Accrued interest on receivables from customers
Rental deposits		30,535	Advance rental and security deposits received for two months, three months and two years
Deposit liabilities		16,054,153	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	2,557,541		Net withdrawals during the period
Bonds Payable		104,409	Foreign currency bonds with interest rate of 4.25% with maturity terms of five years.
Accrued interest payable		29,014	Accrued interest payable from various deposits
Other liabilities		3	Various manager's check related to EISP and premium insurance
Accrued other expenses		371,416	Accruals in relation to promotional expenses
Interest income	1,194,578		Interest income on receivables from customers
Interest expense	191,663		Interest expense on deposit liabilities
Service fees and commission income			Bancassurance fees earned based on successful referrals and other milestones
Rental expense	18,242		Monthly rent payments with term ranging from 24 to 240 months
Miscellaneous expenses	324,938		Promotional expenses for Mabuhay Miles redemption
Securities transactions			
Purchases	41,500		Outright purchase of securities
Sales	501,800		Outright sale of securities
Trading gains	7,793		Gain from sale of investment securities

(Forward)

	2018		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Associate			
Deposit liabilities		**₱836,717**	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.
Accrued interest payable		**775**	Accrued interest payable from various deposits
Rental deposits		**27**	Advance rental and security deposits received for three months
Deferred income		**914,988**	Unamortized portion of income related to the sale of APII
Interest expense	**₱2,923**		Interest expense on deposit liabilities
Service fees and commission income	**217,532**		Bancassurance fees earned based on successful referrals and income related to the sale of APII
Key Management Personnel			
Loans to officers		**7,708**	Housing loans to senior officers with interest rates ranging from 3.00% to 15.00%; Secured and unimpaired
Loan collections	**5,035**		Settlement of loans and interest
Other equity reserves	**77,652**		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		**773,853**	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		**2,721,772**	With annual fixed interest rates ranging from 0.01% to 3.75% and includes time deposits with maturities of up to 90 days
Accrued interest payable		**2,503**	Accrued interest payable from various deposits
Interest income	**36,893**		Interest income on receivables from customers
Interest expense	**75,436**		Interest expense on bills payable

	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; Revolving credit lines with interest rate of 2.90% maturity of three months; Unsecured
Loan releases	6,644,960		
Loan collections	6,395,361		
Loan commitments		9,344,497	Omnibus line; credit line
Interbank loans receivable		126,739	Foreign currency-denominated interbank term loans with interest rates ranging from 0.65% to 1.00% and maturity terms ranging from 33 to 172 days
Availments	2,536,360		
Settlements	2,526,014		

(Forward)

	2017		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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
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 receivables 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

	2017		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Accrued other expenses		353,658	Accruals in relation to promotional expenses
Interest income	609,817		Interest income on receivables 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
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
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
Accrued 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 receivables from customers
Interest expense	36,572		Interest expense on bills payable

The related party transactions shall be settled in cash.

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. In early 2016, the Parent Company and PNB GRF amended the agreement wherein PNB GRF calls on the deposits when a Pangarap loan is in default and requests the Parent Bank to credit the peso collateral deposit to their settlement account maintained with the Parent Bank.

Financial Assets at FVTPL traded through PNB Securities
As of December 31, 2018 and 2017, the Parent Company's financial assets at FVPL include equity securities traded through PNB Securities with a fair value of ₱94 million and ₱28.6 million, respectively. The Parent Company recognized trading losses amounting to ₱16.7 million in 2018, ₱16.6 million in 2017 and ₱13.5 million in 2016 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:

	2018	2017	2016
Short-term employee benefits	**₱691,450**	₱661,253	₱581,302
Post-employment benefits	**47,215**	60,554	61,544
	₱738,665	₱721,807	₱642,846

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 2018 and 2017, total per diem given to the BOD amounted to ₱43.0 million and ₱39.4 million, respectively, recorded in 'Miscellaneous expenses' in the statement of income. Directors' remuneration covers all PNB Board activities and membership of committees and subsidiary companies. In 2018 and 2017, key management personnel received Parent Company shares in relation to the centennial bonus distribution of 46,736 and 43,803, respectively.

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 at the time of signing. 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 Parent Company 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 as of December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the credit lines remain undrawn.

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 ₱5.3 billion and ₱5.1 billion as of December 31, 2018 and 2017, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Investment in PNB Shares	**₱321,213**	₱445,454	**₱321,213**	₱445,454
Deposits with PNB	**102,689**	63,387	**102,326**	58,332
Investment in UITFs	**476,336**	201,021	**352,144**	93,025
Total Fund Assets	**₱900,238**	₱709,862	**₱775,683**	₱596,811
Unrealized loss on HFT (PNB shares)	**(₱124,241)**	(₱46,430)	**(₱124,241)**	(₱46,430)
Interest income	**1,293**	3,276	**850**	571
	(122,948)	(43,154)	**(123,391)**	(45,859)
Trust fees	**(6,449)**	(6,083)	**(6,288)**	(5,872)
Fund loss	**(₱129,397)**	(₱49,237)	**(₱129,679)**	(₱51,731)

As of December 31, 2018 and 2017, the retirement fund of the Group and the Parent Company includes 7,513,746 and 7,856,328 PNB shares, respectively, classified as FVPTL. 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.

The gain of the Fund arising from the sale of investment in the shares of the Parent Company amounted to ₱6.8 million.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's employee investment plans.

34. **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 2018, the Group and the Parent Company's outstanding provisions for legal claims remained at ₱1 billion as of December 31, 2018 and 2017.

In 2017, the Group and the Parent Company's outstanding provisions for legal claims decreased by ₱331.2 million, from ₱1.3 billion at the end of 2016 to ₱1 billion as of December 31, 2017.

There were no significant settlements made in 2018.

Tax Assessment

In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

BSP Reporting

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Derivative forwards	**₱90,091,191**	₱84,170,844	**₱83,530,898**	₱78,521,063
Trust department accounts (Note 32)	**87,746,184**	88,001,894	**87,746,184**	88,001,894
Standby letters of credit	**43,503,980**	31,301,441	**43,503,980**	31,246,248
Unutilized credit card lines	**42,577,148**	34,566,065	**42,577,148**	27,018,318
Interest rate swaps	**31,587,678**	33,610,720	**31,587,678**	31,899,122
Deficiency claims receivable	**22,671,321**	22,624,776	**22,621,405**	22,576,563
Derivative spots	**12,069,390**	5,086,321	**12,069,390**	5,086,321
Items held as collateral	**1,577,577**	1,823,033	**1,577,550**	1,823,018
Inward bills for collection	**560,885**	633,732	**558,506**	633,732
Unused commercial letters of credit	**278,721**	57,541	**278,721**	57,541
Outward bills for collection	**229,428**	248,776	**101,345**	116,605
Shipping guarantees issued	**11,510**	11,198	**11,510**	11,198
Confirmed export letters of credit	**3,944**	93,985	**3,944**	93,985
Other contingent accounts	**62,059**	311,860	**39,306**	297,552

35. Offsetting of Financial Assets and Liabilities

The Group is required 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

2018						
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	**₱46,075,448**	**(₱45,569,485)**	**₱505,963**	**(₱58,838)**	**₱–**	**₱447,125**
Securities held under agreements to resell (Note 8)	**20,700,000**	–	**20,700,000**	–	**(19,947,247)**	**752,753**
Total	**₱ 66,775,448**	**(₱45,569,485)**	**₱ 21,205,963**	**(₱58,838)**	**(₱19,947,247)**	**₱ 1,199,878**

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

Financial liabilities

2018						
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	**₱32,870,042**	**(₱33,325,851)**	**(₱455,809)**	**(₱92,025)**	**₱–**	**(₱363,784)**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**48,035,239**	–	**48,035,239**	–	**(56,368,809)**	**-**
Total	**₱80,905,281**	**(₱33,325,851)**	**₱47,579,430**	**(₱92,025)**	**(₱56,368,809)**	**(₱363,784)**

** Included in bills and acceptances payable in the statements of financial position*

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*

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.

36. Assets and Liabilities of Disposal Group Classified as Held for Sale and Discontinued Operation

The net income (loss) from discontinued operations consist of:

	Consolidated		
	2018	2017	2016
PNB Gen	**(₱219,972)**	₱70,373	₱65,767
APLII	–	–	2,263,902
	(₱219,972)	₱70,373	₱2,329,669

APLII

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. 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
Interest Income on	
Loans and receivables	₱7,610
Trading and investment securities	195,605
Deposits with banks and others	5,151
	208,366
Net Service Fees and Commission Income	(67,591)
Net insurance premium	508,770
Net insurance benefits and claims	441,090
Net Insurance premium	67,680
Other Income	
Trading and investment securities gains - net	1,800
Foreign exchange losses - net	(876)
Miscellaneous	80,667
Total Operating Income	290,046

(Forward)

	2016
Operating Expenses	
Compensation and fringe benefits	₱71,741
Taxes and licenses	16,759
Occupancy and equipment-related costs	7,610
Depreciation and amortization	4,707
Provision for impairment, credit and other losses	4,704
Miscellaneous	39,692
Total Operating Expense	145,213
Results from Operating Activities	144,833
Provision for income tax	21,049
Results from Operating Activities, net of tax	123,784
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
Attributable to:	
Equity holders of the Parent Company	₱2,239,145
Non-controlling interests	24,757
	₱2,263,902

Cash flows from (used in) discontinued operations follow:

	2016
The net cash flows directly associated with disposal group:	
Operating	₱171,535
Investing	(267,458)
	(₱95,923)

<u>PNB Gen</u>
On April 26, 2018, the BOD of the Parent Company and PNB Holdings approved the exchange of all their holdings in PNB Gen for shares in ABIC. As a result, the Group reclassified all the assets and liabilities of PNB Gen 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 PNB Gen represented the entirety of the Group's non-life insurance business. PNB Gen was previously presented in the 'Others' section of the business segment disclosure. With PNB Gen being classified as a discontinued operation in 2018, the comparative consolidated statement of income and comprehensive income and cash flow in 2017 and 2016 have been re-presented to show the discontinued operations separately from the continued operations.

The results of operation of PNB Gen are presented below:

	2018	2017	2016
Interest Income on			
Loans and receivables	**₱355**	₱370	₱451
Investment securities	**60,477**	46,698	29,391
Deposits with banks and others	**1,994**	5,618	5,412
	62,826	52,686	35,254

(Forward)

	2018	2017	2016
Net Service Fees and Commission Income (Expense)	**₱7,592**	(₱102,215)	(₱79,664)
Net insurance premium	**1,228,794**	656,329	624,927
Net insurance benefits and claims	**1,292,949**	(322,244)	295,015
Net Insurance premium	**(64,155)**	334,083	329,912
Other Income			
Trading and investment securities gains/(loss) - net	**(4,176)**	–	13,966
Foreign exchange gains/(loss) - net	**15,921**	(2,556)	1,516
Miscellaneous	**–**	–	3,403
Total Operating Income	**18,007**	281,997	301,387
Operating Expenses			
Compensation and fringe benefits	**130,241**	149,084	170,040
Occupancy and equipment-related costs	**18,695**	18,699	16,185
Provision for reversal of credit losses	**12,635**	(19,463)	(80)
Depreciation and amortization	**6,169**	6,164	5,076
Taxes and licenses	**931**	3,051	770
Miscellaneous	**45,948**	46,811	38,930
Total Operating Expenses	**214,619**	204,346	230,921
Income (Loss) before income tax from Operating Activities	**(₱196,611)**	₱77,651	₱73,466
Provision for income tax	**23,361**	7,278	7,699
Net Income (Loss) from Discontinued Operations	**(₱219,972)**	₱70,373	₱65,767

Net Insurance Premium

This account consists of:

	2018	2017	2016
Gross earned premiums	**₱2,501,725**	₱2,291,986	₱2,348,900
Reinsurers' share of gross earned premiums	**(1,272,931)**	(1,635,657)	(1,723,973)
	(₱1,228,794)	₱656,329	₱624,927

Net Insurance Benefits and Claims

This account consists of:

	2018	2017	2016
Gross insurance contract benefits and claims paid	**₱1,711,759**	₱428,225	₱780,537
Reinsurers' share of gross insurance contract benefits and claims paid	**(606,275)**	(86,845)	(140,357)
Gross change in insurance contract liabilities	**109,703**	147,880	(201,403)
Reinsurers' share of change in insurance contract liabilities	**77,763**	(167,016)	(143,762)
	₱1,292,950	₱322,244	₱295,015

The major classes of assets and liabilities of PNB Gen classified as disposal group as of December 31, 2018 follows:

Assets	
Due from other banks	₱477,761
Financial assets at FVTPL	1,329
Financial assets at FVOCI	455,654
Investment securities at amortized cost	1,033,150
Loans and other receivables - net	4,970,998
Deferred reinsurance premium	985,966
Property and equipment - net	14,495
Deferred tax assets	26,180
Intangible assets - net	8,205
Other assets	264,885
	₱8,238,623
Liabilities	
Accrued taxes, interest and other expenses	₱ 229,263
Insurance contract liabilities	5,420,609
Reserved for unearned reinsurance premium	1,438,001
Accounts payable	136,987
Other liabilities	12,951
	₱7,237,811
Net assets of disposal group held for sale	₱1,000,812
Amounts included in accumulated OCI:	
Net unrealized loss on financial assets at FVOCI	(₱15,601)
Remeasurement losses on retirement plan	(6,292)
	(₱21,893)

Net cash flow used in discontinued operations follow:

	2018
The net cash flows directly associated with the disposal group:	
Operating	(₱232,229)
Investing	212,896
	(₱19,333)

37. Notes to Statements of Cash Flows

The Group applied creditable withholding taxes against its income tax payable amounting to ₱2.58 billion, ₱1.55 billion and ₱882.2 million in 2018, 2017 and 2016, respectively.
The Parent Company applied creditable withholding taxes against its income tax payable amounting to ₱2.58 billion, ₱1.53 billion and ₱869.9 million in 2018, 2017, and 2016, respectively as a result of the merger.

In 2018, the Group reclassified PNB Gen as disposal group classified as held for sale and as discontinued operation and classified assets, liabilities, and reserves of PNB Gen amounting to ₱8.24 billion, ₱7.24 billion and ₱2.50 million, respectively, as held for sale.

In 2018, the non-cash changes on bills and acceptances payable amounted to ₱1.30 million and ₱1.29 million arising from unrealized foreign exchange differences for the Group and the Parent Company, respectively.

In 2018, bonds payable includes unrealized foreign exchange differences for the Group and Parent Company amounted to ₱250.44 million.

For the Group, investment properties acquired through foreclosure and rescission amounted ₱0.8 billion, ₱0.6 billion, and ₱0.7 billion in 2018, 2017 and 2016, respectively. For the Parent Company, investment properties acquired through foreclosure and rescission ₱0.8 billion, ₱0.5 billion and ₱0.6 billion in 2018, 2017 and 2016, respectively.

Interest income of the Group includes fair value amortization of loans and receivables amounting to ₱6.0 million, ₱6.1 million, and ₱9.2 million in 2018, 2017 and 2016, respectively.

Interest expense of the Group includes fair value amortization of deposit liabilities amounting to ₱51.5 million, ₱10.7 million, and ₱30.3 million in 2018, 2017 and 2016, respectively.

Depreciation and amortization expenses include fair value amortization of property and equipment, investment properties and intangible assets amounting to ₱213.8 million, ₱256.1 million and ₱338.6 million in 2018, 2017 and 2016, respectively.

38. 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 28, 2019.

39. 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 2018 (in absolute amounts).

1. Taxes and licenses

	Amount
Gross receipts tax	₱1,705,754,202
Documentary stamp taxes	2,980,000000
Real estate tax	173,742,098
Local taxes	80,295,447
Others	32,245,496
	₱4,972,037,243

2. Withholding taxes

	Remitted	Outstanding
Withholding Taxes on Compensation and Benefits	₱776,856,894	₱ 148,835,410
Final income taxes withheld on interest on deposits and yield on deposit substitutes	601,451,287	261,319,630
Expanded withholding taxes	178,021,141	15,850,313
VAT withholding taxes	1,928,912	
Other Final Taxes	47,865,134	2,801,756
	₱1,606,123,368	₱428,807,109

Tax Cases and Assessments

As of December 31, 2018, 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.

Item 6. Management's Discussion and Analysis

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

2018 vs 2017

The Group's consolidated total assets stood at P983.6 billion as of December 31, 2018, 17.6% or P147.2 billion higher compared to P836.4 billion reported as of December 31, 2017. 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 as of December 31, 2018 went down by P6.0 billion, P1.5 billion and P1.6 billion from P108.7 billion, P22.0 billion and P12.8 billion, respectively as of December 31, 2017.

- Balance of Securities Held Under Agreements to Resell as of December 31, 2018 of P20.7 billion, which represents lending transactions of the Bank with the BSP, increased by P6.1 billion compared to P14.6 billion as of December 31, 2017.

  Please refer to the statements of cash flow for more information relating to cash and cash equivalents.

- Financial Assets at Fair Value Through Profit or Loss at P10.0 billion was higher by P7.1 billion from P2.9 billion attributed mainly to the purchases of various investment securities, net of sold and matured securities.

- Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) was lower at P51.7 billion as of December 31, 2018, a decline of P18.1 billion or by 25.9% from the P69.8 billion level as of December 31, 2017 due to sale and maturities of various investment securities. FVOCI is presented under Available for Sale Investments in the December 31, 2017 financial statements.

- Financial Assets at Amortized Cost (FAAC) was higher at P99.8 billion as of December 31, 2018, an increase of P73.0 billion from the P26.8 billion level as of December 31, 2017 due to acquisitions of various investment securities net of matured accounts. FAAC is presented under Held to Maturity Investments in the December 31, 2017 financial statements.

- Loans and Receivables is at P581.7 billion or P79.4 billion higher than the P502.3 billion as of December 31, 2017 level mainly due to loan releases in the current year to various borrowers, net of paydowns.

- Investment Properties decreased by P2.1 billion from P15.6 billion as of December 31, 2017 to P13.5 billion as of December 31, 2018 due mainly to the disposal of P2.1 billion worth of foreclosed properties.

- On April 26, 2018, the Board of Directors (BOD) of PNB and its subsidiary, PNB Holdings, approved the exchange of all their holdings in PNB General Insurance (PNB Gen), a subsidiary, for shares in Allied Bankers Insurance Corporation (ABIC), an affiliate. As a result, the Group reclassified all the assets and liabilities of PNB Gen 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.

- Other Assets amounted to P6.1 billion as of December 31, 2018 or a decline of P2.8 billion from P8.9 billion as of December 31, 2017.

Consolidated liabilities increased by 19.3% or P138.5 billion from P716.6 billion as of December 31, 2017 to P855.1 billion as of December 31, 2018. Major changes in liability accounts were as follows:

- Deposit liabilities totaled P733.3 billion, P95.4 billion higher compared to its year-end 2017 level of P637.9 billion. Savings deposits went up by P50.2 billion, Demand deposits increased by P27.5 billion and Time deposits went up by P17.6 billion.

- Bills and Acceptances Payable increased by P26.2 billion, from P43.9 billion to P70.1 billion, mainly accounted for by borrowings from other banks.

- Bonds Payable amounted to P15.7 billion as of December 31, 2018 representing outstanding borrowings under the Euro Medium Term Note programme of the Bank.

- Financial liabilities at Fair value through profit or loss increased by P0.2 billion from 2017 year-end balance of P0.3 billion.

- Accrued Taxes, Interest and Other Expenses was higher by P0.9 billion, from P5.3 billion in December 31, 2017 to P6.2 billion as of December 31, 2018.

- Income Tax Payable decreased by P0.1 billion from P1.0 billion to P0.9 billion as of December 31, 2017 and December 31, 2018, respectively.

Total equity accounts stood at P128.6 billion from P119.7 billion as of December 31, 2017, or an improvement of P8.9 billion attributed mainly to the following:

- current year's net income attributable to Equity Holders of the Parent Company of P9.5 billion
- additional translation gain of P0.4 billion
- remeasurement gain on retirement plan P0.6 billion
- increase in non-controlling interest of P0.3 billion
- net unrealized gain of FVOCI/AFS of P0.2 billion

These were partly offset by P1.8 billion effect of the adoption of Philippine Financial Reporting Standards.

2017 vs. 2016

The Group's consolidated total assets stood at P836.4 billion as of December 31, 2017, 10.9% or P82.4 billion higher compared to P754.0 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 P1.4 billion and P5.0 billion, respectively from P11.0 billion, and P7.8 billion, respectively as of December 31, 2016. On the other hand, Due from Bangko Sentral ng Pilipinas and Due from Other Banks decreased by P18.6 billion and by P0.7 billion from P127.3 billion and P22.7 billion as of December 31, 2016.

- Balance of Securities Held Under Agreements to Resell as of December 31, 2017 of P14.6 billion, which represents lending transactions of the Bank with the BSP, was higher by P12.6 billion compared to P2.0 billion as of December 31, 2016.

- Financial Assets at Fair Value Through Profit or Loss at P2.9 billion went up by 50.6% or P1.0 billion from P1.9 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 P69.8 billion and P26.8 billion, respectively as of December 31, 2017, an increase of P2.5 billion or by 3.7% and P2.6 billion or by 10.9% from the P67.3 billion and P24.2 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 P502.3 billion or P74.1 billion higher than the P428.2 billion December 2016 level mainly due to loan releases, net of pay downs, mainly to various corporate and retail borrowers.

- Investment Properties decreased by P0.7 billion from P16.3 billion as of December 31, 2016 to P15.6 billion as of December 31, 2017, mainly due to disposal of foreclosed properties.

- Intangible Assets increased by P0.8 billion from P2.6 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 P0.2 billion and P1.8 billion from P1.5 billion to P1.7 billion and P7.1 billion to P8.9 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 11.3% or P72.6 billion from P644.0 billion as of December 31, 2016 to P716.6 billion as of December 31, 2017. Major changes in liability accounts were as follows:

- Deposit liabilities totaled P637.9 billion, P67.4 billion higher compared to its year-end 2016 level of P570.5 billion due to increases in Demand deposits by P8.3 billion, Savings deposits by P10.4 billion, Time deposits by P41.8 and LTNCD by P7.0 billion.

- Bills and Acceptances Payable increased by P8.0 billion, from P35.9 billion to P43.9 billion, mainly accounted for by borrowings from other banks.

- Accrued Expenses increased by P0.4 billion from P4.9 billion as of December 31, 2016 to P5.3 billion as of December 31, 2017.

- Financial liabilities at Fair value through profit or loss was higher by P0.1 billion from 2016 year-end balance of P0.2 billion.

- PNB exercised the Call Option on its P3.5 billion 6.75% Lower Tier 2 Unsecured Subordinated Notes on May 2017.

- Income Tax Payable increased by P0.8 billion from P0.2 billion to P1.0 billion coming from income tax provisions for the year.

- Other Liabilities decreased by P0.7 billion, from P28.8 billion in December 31, 2016 to P28.1 billion as of December 31, 2017.

Total equity accounts stood at P119.7 billion from P110.0 billion as of December 31, 2016, or an improvement of P9.7 billion attributed to current period's net income of P8.2 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 P754.0 billion as of December 31, 2016, 10.9% or P74.0 billion higher compared to P680.0 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 P46.0 billion, P4.4 billion and P2.0 billion, respectively from P81.4 billion, P18.3 billion and P5.8 billion, respectively as of December 31, 2015. On the other hand, Cash and Other Cash Items decreased by P4.2 billion from P15.2 as of December 31, 2015.

- Loans and Receivables registered an increase at P428.2 billion or P62.1 billion higher than the P366.1 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 P1.9 billion as of December 31, 2016 was lower by 57.6% or P2.6 billion from P4.5 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 P2.0 billion which represents lending transactions of the Bank with the BSP is lower by P12.6 billion compared to the P14.6 billion as of December 31, 2015.

- Investment Properties increased by P3.1 billion from P13.2 billion as of December 31, 2015 to P16.3 billion as of December 31, 2016 due to the following transactions:

    - reclassification of P3.2 billion Allied Bank Center from Property and Equipment
    - reclassification of P2.0 billion of other bank properties
    - disposal of P1.8 billion worth of foreclosed properties
    - reclassification of P0.6 billion to Loans and Receivables

- Property and Equipment decreased by P4.0 billion from P22.1 billion as of December 31, 2015 to P18.1 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 Savings Bank (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 P2.6 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 P0.2 billion, P0.3 billion and P0.3 billion from P2.4 billion to P2.6 billion, P1.2 billion to P1.5 billion and P6.8 billion to P7.1 billion, respectively.

Consolidated liabilities went up by 12.0% or P68.8 billion from P575.2 billion as of December 31, 2015 to P644.0 billion as of December 31, 2016. Major changes in liability accounts were as follows:

- Deposit liabilities totaled P570.5 billion, P84.6 billion higher compared to its year-end 2015 level of P485.9 billion. Increases were registered in Demand, Savings, Time and LTNCD by P7.3 billion, P48.9 billion and by P23.0 billion and P5.4 billion, respectively.

- Bills and Acceptances Payable increased by P10.1 billion, from P25.8 billion to P35.9 billion, mainly accounted for by various borrowings from other banks.

- Financial liabilities at Fair value through profit or loss was higher at P0.2 billion as of December 31, 2016 from last year's P0.1 billion.

- Other Liabilities increased by P2.8 billion from P26.0 billion to P28.8 billion
- Accrued Expenses decreased by P1.0 billion from P5.9 billion as of December 31, 2015 to P4.9 billion as of December 31, 2016.

- Subordinated Debt decreased from P10.0 billion as of December 31, 2015 to P3.5 billion as of December 31, 2016. On June 16, 2016, PNB exercised its Call Option on its P6.5 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 P110.0 billion from P104.8 billion as of December 31, 2015, or higher by P5.2 billion attributed to current year's net income of P7.2 billion and increases in, P0.3 billion in Accumulated Translation Adjustment and P0.1 billion in Reserves of a Disposal Group Held for Distribution. These were partly offset by the declaration of P1.3 billion cash dividends in September 2016, decreases of P0.5 billion in remeasurement losses on retirement plan, Net Unrealized Loss on Available for Sale Investments of P0.4 billion and Non-controlling interest by P0.4 billion.

Results of Operations

2018 vs 2017

- For the year ended December 31, 2018, the Bank registered a net income of P9.6 billion, P1.4 billion or 17.1% higher than the P8.2 billion net income for the same period last year on account of substantial improvements in core income primarily net interest income and gains from the sale of foreclosed assets.

- Net interest income totaled P27.0 billion, higher by 22.7% or P5.0 billion compared to the same period last year mainly due to the expansion in the loan and investment securities portfolio which accounted for the P7.5 billion and P1.5 billion increase in interest income, respectively. This was partly offset by the decrease in interest income of deposits with banks and others by P0.5 billion. Total interest income increased by 30.4% or P8.4 billion from P27.6 billion to P36.0 billion. Total interest expense however, was also higher at P9.0 billion or by 63.6% or by P3.5 billion from P5.5 billion last year.

- Other income increased significantly to P8.4 billion compared to P7.1 billion for the same period last year mainly due to higher net gain on sale or exchange of assets by P1.9 billion and improvement in miscellaneous income by P0.5 billion partly offset by P0.4 billion decline in trading and investment securities gains and of P0.7 billion decrease in foreign exchange gain.

- Net service fees and commission income stood at P3.5 billion, 8.9% or P0.3 billion higher compared the same period last year. The minimal growth was attributed to lower levels of underwriting and investment banking fees.

- Administrative and other operating expenses amounted to P25.5 billion for the year ended December 31, 2018.

- On April 26, 2018, the BOD of PNB and its subsidiary, PNB Holdings, approved the exchange of all their holdings in PNB General Insurance (PNB Gen), a subsidiary, for shares in Allied Bankers Insurance Corporation (ABIC), an affiliate. As a result, the Group reclassified all the assets and liabilities of PNB Gen 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. With PNB Gen being classified as a discontinued operation in 2018, the comparative consolidated statement of income and comprehensive income and cash flow in 2017 have been re-presented to show the discontinued operations separately from the continued operations.

- Total Comprehensive Income for the year ended December 31, 2018 amounted to P8.1 billion.

2017 vs 2016

- For the year ended December 31, 2017, the Bank registered a net income of P8.2 billion, P1.0 billion higher compared to the P7.2 billion net income for the same period last year.

- Net interest income totaled P22.0 billion, higher by 12.8% or P2.5 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 P3.0 billion and P0.7 billion increase in interest income, respectively, partly offset by the decline in interest on investment securities and interbank loans receivable by P0.1 billion and P0.3 billion. Total interest income was up by P3.3 billion from P24.3 billion to P27.6 billion. Total interest expense however, was also higher at P5.5 billion or by P0.7 billion from P4.8 billion last year.

- Other income is higher by P0.1 billion at P7.1 billion compared to P7.0 billion for the same period last year.

- Net service fees and commission income at P3.2 billion for the year ended December 31, 2017.

- Administrative and other operating expenses amounted to P21.9 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 P2.3 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 P0.6 billion, P0.3 billion, P0.1 billion, P0.2 billion and P0.2 billion, respectively.

- Reported income from discontinued operations in June 2016 pertains to the income from the 51% ownership interest in PNB Life and net income of PNB Gen due to classification as a discontinued operation.

- Total Comprehensive Income for the year ended December 31, 2017 amounted to P9.8 billion, P3.1 billion higher compared to the P6.7 billion for the same period last year mainly due to higher remeasurement gains on retirement plan and net income reported in the current year.

<u>2016 vs 2015</u>

- For the year ended December 31, 2016, the Bank's consolidated net income stood at P7.2 billion, P0.9 billion higher compared to the P6.3 billion net income for the same period last year.

- Net interest income totaled P19.5 billion, higher by 10.4% or P1.8 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 P2.6 billion and P0.6 billion, respectively, partly offset by the decline in income from deposits with banks and investment securities by P0.2 billion and P0.3 billion, respectively. Total interest income was up by P2.6 billion from P21.7 billion to P24.3 billion. Total interest expense however, was also higher at P4.8 billion or by P0.8 billion from P4.0 billion last year.

  Other income significantly increased to P7.0 billion from P5.1 billion compared to same period last year mainly due to the P0.9 billion gains from sale of foreclosed assets and from P0.8 billion and P0.3 billion increases in the Trading and Investment Securities gains and Foreign exchange gains, respectively. Miscellaneous income decreased by P0.2 billion from P1.7 billion last year.

- Net service fees and commission income at P2.7 billion for the year ended December 31, 2016.

- Administrative and other operating expenses amounted to P23.1 billion for the year ended December 31, 2016, P4.2 billion higher compared to the same period last year. Increases were registered in provision for impairment, credit and other losses of P2.6 billion mainly due to reversal of P1.0 billion in 2015 of provision for possible liability in view of court ruling favorable to the Bank and increases and additional P1.6 billion in provision for impairment and credit losses. Compensation and fringe benefits, Taxes and Licenses and Miscellaneous Expenses also increased by P0.4 billion, P0.3 billion and P0.8 billion, respectively.

- Income from discontinued operations in 2016 pertains to the net income realized from the sale of 51% interest in PNB Life implemented in June 2016 and net income of PNB Gen due to classification as a discontinued operation.

- Total Comprehensive Income for the year ended December 31, 2016 amounted to P6.7 billion, P0.5 billion higher compared to the P6.2 billion for the same period last year mainly due to the increase in net income of P0.9 billion, net unrealized gain on Available for Sale Securities of P0.4 billion partly offset by decreases in remeasurement gains on retirement plan of P0.5 billion, translation adjustment by P0.4 billion, and P0.1 billion in non-controlling interests.

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 the same to the Board ICAAP Steering Committee / Board.

- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

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

  Regulatory Qualifying Capital

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

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

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

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

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

a. Common equity Tier 1 capital consists of 1) paid up common stock that meet the eligibility criteria, 2) common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, 3) deposits for common stock subscription, 4) retained earnings, 5) undivided profits, 6) 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 14.35%, 15.35%, and 16.65% as of December 31, 2018, 2017 and 2016, respectively, above the minimum 10% required by BSP. For the detailed calculation and discussion kindly refer to Item 1, no. 10 – Risk Management.

- Asset Quality

  The Parent Company's non-performing loans (gross of allowance for impairment losses) increased to P9.45 billion as of December 31, 2018 compared to P9.0 billion as of December 31, 2017. NPL ratios of the Bank based on BSP guidelines, net of valuation reserves is better than industry average at 0.34% as at December 31, 2018, compared to 0.26% at end of 2017. Gross NPL ratio is at 1.76% at end of 2018 and 2.01% at end of 2017.

- Profitability

	Year Ended	
	12/31/18	12/31/17
Return on equity (ROE)[1/]	7.7%	7.1%
Return on assets (ROA)[2/]	1.1 %	1.0 %
Net interest margin (NIM)[3/]	3.3 %	3.1 %

[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, 2018 was 23.8% compared to 29.1% as of December 31, 2017. Ratio of current assets to current liabilities was at 54.9% as of 31 December 2018 compared to 58.5% as of December 31, 2017.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 61.0% for the year ended December 2018 compared to 65.2% for the same period last year.

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Philippine National Bank

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