

GRF entered into an agreement wherein the Parent Company agreed to undertake all impaired Pangarap Loans of PNB GRF. PNB GRF transfers the impaired loans at their carrying values on a quarterly basis or when aggregate carrying value of the impaired loans amounts to HK\$2.0 million, whichever comes earlier. Subject to BOD approval, PNB GRF regularly declares special dividends (recognized as a liability). These special dividends are offset against the intercompany receivables from the Parent Company.

In June 2013, the Parent Company and PNB GRF agreed to amend the settlement procedure on defaulted Pangarap Loans. Under the new settlement procedure, the Parent Company, in which the pledged deposits of the defaulted Pangarap Loans are placed with, will remit the corresponding defaulted amounts (including accrued interests, surcharges and other related charges) from the pledged deposits of the defaulted customers to PNB GRF. The remitted amounts are being offset against the intercompany receivables from the Parent Company.

Financial Assets at FVPL traded through PNB Securities

As of December 31, 2015 and 2014, the Parent Company's financial assets at FVPL include equity securities traded through PNB Securities with fair value of ₱199.7 million and ₱210.5 million, respectively. The Parent Company recognized trading gains amounting to ₱7.2 million in 2015, ₱19.5 million in 2014 and ₱35.1 million in 2013 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.

VMC Convertible Notes and Common Shares

As of December 31, 2013, the Parent Company holds convertible notes with face amount of ₱353.4 million, recorded under 'Unquoted debt securities' and 161,978,996 common shares, recorded under 'AFS investments', issued by VMC, an affiliate of the Group. Each of the investment has a carrying value of ₱1.0 (one peso). In March 2014, VMC redeemed a portion of the convertible notes for a total price of ₱330.3 million, the same amount of gain was recorded under 'Interest income' in the statement of income of the Parent Company. In April 2014, the Parent Company sold the remaining convertible notes to LTG at ₱3.5 for every ₱1.0 convertible note. The Parent Company recognized a gain on sale of convertible notes amounting to ₱608.4 million, booked under 'Miscellaneous income' in the statement of income of the Parent Company (Note 28). Also in April 2014, the Parent Company sold its investment in common shares of VMC to LTG, at current market price of ₱4.5 per share resulting in a gain of ₱735.4 million recorded under 'Trading and investment securities gains - net' in the statement of income. The sale of VMC shares to LTG was facilitated by PNB Securities.

**Compensation of Key Management Personnel**

**The compensation of the key management personnel follows:**

	Consolidated			Parent Company		
	2015	2014	2013	2015	2014	2013
Short-term employee benefits (Note 20)	<b>₱665,812</b>	₱524,193	₱366,873	<b>₱589,199</b>	₱459,759	₱316,922
Post-employment benefits	<b>53,167</b>	47,844	47,381	<b>51,365</b>	47,844	47,381
	<b>₱718,979</b>	₱572,037	₱414,254	<b>₱640,564</b>	₱507,603	₱364,303

