

- c. **Power Earner 5 plus 1 (PNB Savings Bank)**  
Power Earner 5 plus 1 is a 5-year and 1-day Time Deposit that offers a higher yielding rate, a fixed income through monthly credit of interest. The interest earned shall be withholding tax-free for individual depositors provided there is no pre-termination made. It was launched last February 2015.
- d. **PNB Unit Investment Trust Fund (UITF) ATM Investment Facility**  
The Bank further expanded the distribution channel of the PNB UITF through its ATM Investment Facility. Soft launch was done at the ATM of the Main Branch last May 2015.
- e. **Anti-Skimming Protection Solution (SPS)**  
All new ATM units acquired by the Bank and currently being installed have a real-time detection of the presence of a fraudulent device on the ATMs that can manage response to a potential skimming attack before it occurs.
- f. **Adoption of Triple Data Encryption Standard (3DES)**  
The Bank replaced all Single DES ATMs in March 2015 with 3DES, a more secure form of encryption and has the advantage of proven reliability against attacks. This is in line with BSP Circular No. 808 pertaining to the Guidelines on Information Technology Risk Management for all Banks and other BSP Supervised Institutions.
- g. **PNB Revolutionizes Bank on Wheels**  
True to its philosophy of prioritizing its customers, PNB created the Bank on Wheels project to provide Filipinos easy access to their banking needs anytime, anywhere. Now revolutionized to meet the evolving needs of the market, Bank on Wheels was re-launched last December 11, 2015 to provide cash services when clients need it most.

## **5. Related Party Transactions**

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank'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 Bank'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 Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15% of its total loan portfolio, whichever is lower. As of December 31, 2015 and 2014, the Bank and the Group were in compliance with such regulations.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which include three (3) independent directors and 2 non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the committee is an independent director and appointed by the Board.

## **6. Patents, Trademarks, Licenses, Franchises, Concessions and Royalty Agreements**

The Bank's operations are not dependent on any patents, trademarks, copyrights, franchises, concessions and royalty agreements.

## **7. Government Approval of Principal Products or Services**

Generally, e-banking products and services require BSP approval. New deposit products require notification to the BSP. The Bank has complied with the aforementioned BSP requirements.

Earnings per share attributable to equity holders of the Parent Company from continuing operations:

	2015	2014	2013
a) Net income attributable to equity holders of the Parent Company	<b>₱5,827,163</b>	₱5,147,341	₱4,988,971
b) Weighted average number of common shares for basic earnings per share (Note 25)	<b>1,249,020</b>	1,163,938	1,067,822
c) Basic/Diluted earnings per share (a/b)	<b>₱4.67</b>	₱4.42	₱4.67

As of December 31, 2015, 2014 and 2013, there are no potential common shares with dilutive effect on the basic earnings per share.

### 33. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱78.7 billion and ₱65.8 billion as of December 31, 2015 and 2014, respectively (Note 35). In connection with the trust functions of the Parent Company, government securities amounting to ₱747.8 million and ₱711.8 million (included under ‘AFS Investments’) as of December 31, 2015 and 2014, respectively, are deposited with the BSP in compliance with trust regulations.

Trust fee income in 2015, 2014 and 2013 amounting to ₱256.2 million, ₱230.1 million and ₱189.9 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 ₱16.6 million, ₱13.6 million and ₱9.5 million in 2015, 2014 and 2013, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital. In 2013, an additional ₱136.3 million was transferred by the Parent Company from surplus to surplus reserve which corresponds to reserves allotted to the trust business acquired from ABC.

### 34. Related Party Transactions

#### Regulatory Reporting

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company’s policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company’s DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company’s equity or 15% of the Parent Company’s total loan portfolio, whichever is lower.

