



Partner Ng Bayan

2019 Annual Report





About the Cover

As a true *Partner Ng Bayan*,
Philippine National Bank aims
to foster partnerships that are
solid, inclusive, genuine, and
timeless.

Annual Report 2019

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Bong Tan was a pillar of the Philippine business world, a Renaissance Man who served in top leadership positions at the Lucio Tan Group of Companies. More than a businessman, he was a beloved father, husband, friend, and colleague.

As a member of the PNB Board of Directors, Bong proved to be a wise and an inspirational leader. We liked working with him as he motivated us to become the best versions of ourselves. While his stature precedes him, Bong was truly a down to earth person who has consistently shown his commitment to excellence and unwavering compassion for the welfare of employees.

Throughout his professional life, Bong was a reliable *Partner*. He has been a contributor to various important causes. He participated in numerous, diverse socio-civic, cultural, educational, medical, and charitable endeavors of his family's Tan Yan Kee Foundation. As an athlete who loved and passionately supported basketball and as a generous patron of sports and youth development, he contributed positively to our nation's progress.

Bong was a living proof of how kind and gracious a person can be. He was a leader, a team player, a family man, and a spiritual human being. His legacy will stay with us forever.



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Financial Summary/ Financial Highlights

In Thousands except Selected Ratios, Per Common Share Data, and Head Count

MINIMUM REQUIRED DATA	CONSOLIDATED		PARENT ENTITY	
	2019	2018 (As Restated)	2019	2018
Profitability				
Total Net Interest Income	32,443,573	27,064,550	29,446,638	23,461,884
Total Non-Interest Income	8,667,961	11,857,283	6,073,275	11,117,810
Total Non-Interest Expenses	28,440,470	27,612,951	24,245,218	23,713,091
Pre-Provision Profit	12,671,064	11,308,882	11,274,695	10,866,603
Provision For Credit And Impairment Losses	2,909,858	1,752,812	1,593,219	1,401,528
Net Income	9,761,206	9,556,070	9,681,476	9,465,075
Selected Balance Sheet Data				
Liquid Assets	318,200,276	234,630,930	297,298,085	218,059,477
Gross Loans	651,470,434	574,483,591	584,084,209	503,049,694
Total Assets	1,142,290,611	983,648,186	1,069,205,222	911,800,586
Deposits	826,045,480	733,301,478	775,841,999	683,397,406
Total Equity	154,975,400	128,559,012	152,069,646	125,650,447
Selected Ratios				
Return on Equity	6.89%	7.70%	6.97%	7.80%
Return on Assets	0.92%	1.05%	0.98%	1.12%
CET 1 Capital Ratio	14.10%	13.55%	12.13%	10.85%
Tier 1 Capital Ratio	14.10%	13.55%	12.13%	10.85%
Capital Adequacy Ratio	14.80%	14.35%	12.83%	11.63%
Per Common Share Data:				
Net Income per Share:				
Basic	7.05	7.58		
Diluted	7.05	7.58		
Book Value per Share	99.68	100.60		
Others				
Cash Dividends Declared			—	—
Headcount				
Officers			4,318	4,011
Staff			4,232	4,255

Corporate Objective

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

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
 - o Customer perception
 - o The preferred financial services provider
- **The customer-centered organization** with a passion for service excellence
- **Social responsibility** – the employer of choice, a good corporate citizen and partner in nation-building
- **Long-term vision** – developing competitive advantage on a sustained basis by anticipating changes in customer's preferences and in the manner of doing business

MISSION

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.

ABOUT THE PNB BRAND

For more than a hundred years, Philippine National Bank has established itself as a “**Bangko ng Bayan**”, a stable, reliable, and service-oriented financial institution serving generations of Filipinos anywhere in the world. We believe in the right to prosperity for all in support of our customers, employees, shareholders, and communities on the road to success and wealth creation.

Our way of service is **malalapitan**. We are a customer-centered organization with a passion for financial growth, innovation, and service excellence. We are committed to the highest standard of professionalism and integrity. Our strength lies in our ability to work as an integrated, cohesive entity. We strive to become an employer of choice and a true partner in nation-building.

We live by the tagline, “**You First**”.

You First exudes a personal touch encouraging customers to experience a brand of service that is uniquely Filipino and distinctly Philippine National Bank. *You First* is an articulation for the new generation to experience the same service excellence and stability that our current customer base has grown to love. This speaks of our commitment to put the customer at the heart of the financial solutions we offer and embodies our core values such as service orientation (**Mapaglingkod**), trustworthiness (**Mapagkakatiwalaan**), and commitment (**Mapagmalasakit**).

More than being a tagline, *You First* is the behavioral pillar that binds us as one nation as we begin the next chapter of our Safe, Aggressive, Profitable Growth story.

PNB VALUES

GRI 102-16

Our shared values bind us together and enable us to achieve our vision and mission.

MAPAGLINGKOD (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 (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 (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 (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 (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 (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.



Business Model & Scope of Business

GRI 102-2, 102-6

Philippine National Bank (PNB), the country's first universal bank, is the fourth largest privately-owned Philippine commercial bank. PNB was established by the Government of the Philippines in 1916 and became fully privatized in 2007. 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 Overseas Filipino Worker (OFW) remittance business and introduced many innovations such as *Bank on Wheels*, computerized banking, Automated Teller Machine (ATM) banking, mobile money changing, domestic traveler's checks, electronic filing and payment system for large taxpayers, and Unit Investment Trust Fund (UITF) ATMs. PNB has the largest number of overseas offices and one of the largest domestic branch networks among local banks.

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 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, 715 domestic branches/offices and 71 overseas branches, representative offices, remittance centers and subsidiaries in 17 locations in the United States, Canada, Europe, the Middle East, and Asia.

The Bank's customers include corporations, small and medium markets, retail customers, the National Government (NG), local government units (LGUs), government-owned and controlled corporations (GOCCs) and various government agencies.

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

The **Retail Banking Sector (RBS)** principally focuses on retail deposit products (i.e., current accounts, savings accounts, and high cost accounts), cards products, consumer loan products, cash management solutions, and other services. While the main purpose is the generation of lower cost funding for the Bank's operations, RBS also concentrates on the cross-selling of trust, fixed income, and bancassurance products to existing customers, and referrals of customers by transforming its domestic and overseas branch distribution channels into a sales-focused organization.

The **Retail Lending Group (RLG)** will be the consumer lending arm of the Bank upon the full integration of its wholly-owned thrift bank subsidiary, PNB Savings Bank, into the parent bank. RLG is tasked to provide the Bank's retail clients with home mortgage loans and car financing.

The **International Banking & Remittance Group (IBRG)** covers the Bank's overseas offices across Asia, Middle East, North America, and Europe. It provides convenient and safe remittance services to OFWs as well as full banking services in selected jurisdictions, including overseas bills payment, deposit account opening, corporate, credit and trade facilities. Through IBRG, the Bank offers Own a Philippine Home Loan (OPHL), a financing facility for overseas Filipinos and non-Filipinos for their real estate investments in the Philippines. IBRG is also responsible in forging and

maintaining partnerships with remittance agents to further extend the Bank's scope and reach to the OFW market beyond its brick and mortar overseas offices.

The **Institutional Banking Sector (IBS)** is responsible for the establishment, expansion and overall management of banking relationships with large corporates, middle market and SME customers as well as with government entities.

The **Global Banking and Markets Sector (GBMS)** oversees the management of the Bank's liquidity and regulatory reserves as well as the risk positions on interest rates and foreign exchange arising from the daily inherent operations in deposit-taking and lending, and from proprietary trading. Its functions also include providing treasury solutions to clients and an oversight on risk positions of the Bank's foreign branches and subsidiaries. GBMS is likewise responsible for the establishment and maintenance of correspondent banking relationship with foreign and local banks and non-bank financial institutions as well as the acquisition and management of banking relationship with multinational companies.

The **Wealth Management Group (WMG)** helps clients plan for their financial future via investment products that aid in wealth accumulation. WMG offers investment products to clients taking into consideration their risk profiles. WMG's services include brokering of fixed income securities (e.g., Peso- and USD-denominated government and corporate securities), selling of pooled funds (UITFs), Variable Unit-Linked Funds, and other investment vehicles that offer higher yields compared to traditional deposit products.

Trust Banking Group (TBG) provides a full range of trust products and services designed to serve a broad spectrum of market segments. TBG's personal trust products and services include personal management trust, investment management, estate planning, guardianship, life insurance trust, and escrow. Corporate trust services and products include corporate trusteeship, securitization, portfolio management, administration of employee benefit plans, pension and retirement plans, and trust indenture services. Other fiduciary services include such roles as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank. TBG also manages thirteen Philippine Peso- and US dollar-denominated UITFs. These include money market funds, bond funds, balanced funds, and equity funds.



Chairperson's Message to Shareholders

GRI 102-14



The Philippine banking industry remained strong and stable as it continued to support financial stability and promote greater economic activity.



ECONOMIC OVERVIEW

In 2019, the Philippines remained as one of the fastest growing economies in Asia having sustained its growth momentum with real Gross Domestic Product (GDP) increasing by 5.9%. The economic expansion was driven by healthy household consumption and accelerated government expenditures in the latter half of the year as the government ramped-up infrastructure spending after the budget impasse in the first half.

On the production side, growth was buoyed by the resilient services sector, propelled by finance, public administration, and trade. The industry sector led by construction and utilities also supported the economic expansion. Meanwhile, the agricultural sector posted minimal growth as adverse weather conditions weighed down the sector's production.

Inflation was on a downtrend for most part of the year, boosting purchasing power and improving consumer sentiment. The average 2019 inflation narrowed to 2.5% from 5.2% a year-ago with the easing of food prices. This provided monetary space for the Bangko Sentral ng Pilipinas (BSP) to cut its policy rate by a total of 75 bps, bringing BSP's overnight reverse repurchase facility to 4.0% with the overnight lending and deposit facilities settling at 4.5% and 3.5%, respectively. This was complemented by a cumulative 400 bps cut in the banks' reserve requirement ratio (RRR) implemented in stages beginning in April. The RRR cut released at least Php400 billion into the banking system that mitigated the threat of a liquidity crunch and boosted bank lending that rallied growth despite the

fiscal handicap. As inflation wound down and monetary accommodation strengthened, the local yield curve compressed with a 10-year yield rallying to 4.5% from 7.8% in the fourth quarter of 2018 when inflation peaked.

Domestic spending, notably business capital spending, slowed down on the first half of 2019. Public construction eased as well with implementation caught up in delayed budget approvals coupled with a ban on public works and new project spending due to the mid-term elections. Against this backdrop, imports of raw materials and capital goods eased that resulted in the narrowing of the country's trade gap. With sustained remittance flows from Overseas Filipino Workers (OFWs), revenues from Business Process Outsourcing (BPO) firms, and other service receipts largely unaffected by the U.S.-China trade conflict, the current account shifted to a near balanced position and supported an improving international reserve position. Amidst improving external trade imbalance, the Philippine Peso (Php) appreciated by 1.7% to an average of Php51.80/USD from Php52.66/USD in 2018.

The Philippine banking industry remained strong and stable as it continued to support financial stability and promote greater economic activity. Total resources increased steadily by 8.4% to reach Php18.3 trillion as of end December 2019 while deposits rose by 7.1% to Php13.7 trillion. Asset quality of Philippine banks continued to be healthy with the banking system's gross non performing loan (GNPL) ratio steady at 2.0% even as bank lending accelerated by 8.8% in 2019. The loan exposures of banks were adequately covered as reflected in the banking system's NPL coverage ratio at 92.3%. The banking industry continued to be well-

capitalized as the capital adequacy ratio remained way above the 10% regulatory threshold of the BSP and the 8% minimum requirement by international standards.

STRATEGIC INITIATIVES

Time and again, we have proven our commitment to nation-building by engaging in projects that help strengthen the Philippine economy, empower the Filipino people, and enrich the lives of our customers.

In 2019, we funded several projects in the power, water supply, and infrastructure industries thereby giving underserved areas access to facilities and/ or improving agricultural activity from the rural areas to the metropolis. On the other hand, our overseas branches specifically those located in Hong Kong, Japan, and Singapore actively conducted financial wellness programs to educate our fellow countrymen on the importance of savings and investment. This initiative, coupled with financial literacy programs for students in the greater Metro Manila area, was a fertile ground for the acquisition of new customers.

We recognize the significance of digital transformation in creating a safe, secure, and seamless banking experience for our customers. To support the Philippine government's National Retail Payment System (NPRS), we enhanced our mobile banking services with PESONet and InstaPay. Using the PNB Mobile App, our customers can perform real-time electronic fund transfers to any participating banks in the Philippines. For the millions of Filipinos overseas, we have embarked on a digital strategy of launching a mobile remittance application. Finally, our Trust Banking Group implemented the country's first end-to-end fully automated UITF online facility where customers can enroll, invest, and redeem funds through the internet or with the convenience of their mobile phones.

STRONG CORPORATE GOVERNANCE

Our Bank is defined by the health of our business, the well-being of our employees, customers, and stakeholders, and the good future of generations to come. We aim to contribute positively to the economy, the society, and the environment by focusing on endeavors promoting ethical business practices, strong corporate governance, and sound risk management.

We continue to be recognized by the Institute of Corporate Directors (ICD). In 2019, Philippine National Bank has been bestowed an award during the ASEAN Corporate Governance Scorecard (ACGS) Recognition Night. The ACGS is a set of questions developed in accordance with the corporate governance principles of the Organization for Economic Co-operation and Development (OECD) as well as best corporate governance practices of major publicly listed companies in the ASEAN.

We are committed to embodying the values of diversity and inclusion as part of our professional culture. In August 2019, we became the first local bank to join the Philippine Business Coalition for Women Empowerment (PCBWE), an organization comprised of large, influential companies that promote gender equality in the workplace. We aim to undergo the Economic Dividends for Equality (EDGE) Certification, a leading global assessment methodology and business standard for gender equality that evaluates the workplace's performance of an organization against global and industry benchmarks.

We proactively engage our employees in living out the Bank's sustainability mission. In July, we have launched *Project P.L.A.N.E.T.* which stands for *Protect, Love, and Nurture the Environment Together*. This campaign is our journey towards making the Bank a planet-friendly workplace. In November, we held our first Sustainable Lifestyle Fair featuring a bazaar showcasing eco-friendly, sustainably sourced products, and organic food items. During the three-day fair, resource persons were invited for brown bag sessions covering a range of topics such as climate change and zero-waste living. Finally, throughout the year, we have partnered with Tan Yan Kee Foundation, the corporate social responsibility arm of the Lucio Tan Group of Companies, for various projects: (a) relief operations for the earthquake-affected communities in Davao del Sur and North Cotabato; (b) financial literacy seminar for the Barangay Association of Treasurers of the Municipality of Aritao, Nueva Vizcaya; and (c) promoting to our employees the organic fresh produce harvested by the Nueva Vizcaya farmers supported by the foundation.

NEW BEGINNINGS

On November 11, 2019, we mourned the passing of Lucio "Bong" K. Tan, Jr. He is a great loss to the Bank and the country's business community. We honor his steadfast generosity and passion for service. His legacy will live on.

We are delighted to welcome Domingo H. Yap and Sheila T. Pascual as members of the Board of Directors. Their backgrounds on banking, manufacturing, and real estate sustain the diversity of the Board and allow them to perform their duties capably. Our sincerest gratitude to Cecilio K. Pedro, who retired from the Board in August 2019. His wisdom, leadership, and contributions have been invaluable.

In closing, we express appreciation to the Board of Directors for the guidance and motivation; to our Management Team and employees for their work ethic and dedication; and to our customers and shareholders for your trust and confidence in our institution.

(Original Signed)

FLORENCIA G. TARRIELA

Chairperson of the Board of Directors

President and CEO's Message to Shareholders

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Philippine National Bank sustained healthy financial results in 2019 and scored milestones in various areas in the business.



FINANCIAL PERFORMANCE

Philippine National Bank sustained healthy financial results in 2019 and scored milestones in various areas in the business. PNB registered a net income of Php9.8 billion, slightly higher than the earnings of Php9.6 billion in 2018. The growth in net profit resulted from sustained efforts in strengthening the Bank's core business. Excluding the impact of non-recurring gains from the sale of foreclosed assets, the Bank's core net income grew by 57% year-on-year.

Net interest income reached Php32.4 billion, 20% higher compared to the previous year, driven by improved earnings from loans to corporate, commercial and small and medium enterprises, and other interest-earning assets. Loan receivables registered double digit growth to Php657.9 billion, higher by 12% from 2018. On the other hand, deposit liabilities reached Php826.0 billion, up by 13% versus 2018 year-end level.

Net service fees and commission income grew by 20%, propelled by enhanced cross selling efforts resulting in improvements in underwriting fees from capital market transactions as well as loan, deposit and credit card-

related fees. Net trading and foreign exchange gains expanded by 97%, resulting mainly from favorable opportunities in the market.

Meanwhile, net gains from sale of acquired assets declined to Php690.6 million compared to last year's Php5.9 billion. Despite the reduction, total operating income registered a 6% improvement on account of solid growth in core revenues. Excluding net gains from sales of foreclosed assets, total operating income increased by 22% year-on-year.

PNB's total consolidated resources stood at Php1.1 trillion, up Php158.6 billion or 16% from year-ago level. The year's financial results reflect the strength of PNB's franchise in its wholesale and retail businesses.

The Bank's asset quality remained strong with non-performing loan (NPL) ratios of 0.68% net of valuation reserves and 1.99% at gross. NPL coverage on the other hand stood at 118.92%. PNB's consolidated risk-based capital adequacy ratio (CAR) stood at 14.80%, exceeding the minimum regulatory requirement of 10% and Common Equity Tier (CET) 1 ratio at 14.10% by end-2019.

PARTNER NG BAYAN

In 2019, we celebrated our 103rd Anniversary of being a *Partner Ng Bayan* or the partner of every Filipino in their financial journey. It has been a very good year for PNB as we ended the year on a high note.

Apart from growing our core business, PNB revitalized its role in helping build the country's economy by creating opportunities for our clients to grow their business. In 2019, we funded several projects in the power, water supply, and infrastructure industries thereby giving underserved areas access to facilities and/ or improving agricultural activity from the rural areas to the metropolis.

PNB continues to be very active in offering investment opportunities to customers. During the year, we issued Php8.22 billion Long-Term Negotiable Certificates of Time Deposit (LTNCDs), at a coupon rate of 5.750% per annum with a tenor of five years and six months. This is the largest LTNCD issuance of the Bank to date and was 2.7 times oversubscribed. PNB likewise listed its maiden offering for fixed rate Philippine Peso bonds, which reached Php13.9 billion, equivalent to an oversubscription of almost three times the announced issue size of Php5 billion.

Moreover, we issued USD750 million worth of Senior Notes, which is the largest in the Philippine banking history. At orderbook value of over USD3.25 billion, this is likewise the biggest in terms of demand size in Philippine banking history. To commemorate our 103rd Anniversary, we launched a Php12 billion Stock Rights Offering, earning a positive feedback from investors. With the additional capital, we foresee a solid support for our growth strategy in the medium term.

At the overseas front, we explored ways to build our business corridors in the United States, specifically in Los Angeles and New York where our presence is known. We met with U.S. regulators and introduced PNB to several companies to let them know that we are open for business. We also had the opportunity to become part of the Philippine Delegation in President Duterte's visit to Russia. We were able to network with both Filipino and Russian businessmen with the objective of building business corridors between the Philippines and Russia.

Last year, we hosted the 36th Asian Bankers Association Conference and General Meeting. With the theme, *Reshaping the Asian Financial Landscape*, the gathering is the largest conference of its kind in Asia, bringing together more than 150 different decision-makers of peer banks across Asia. We likewise became the official partner of the 30th South East Asian Games held in the country. This momentous event granted us significant exposure, not only with Filipinos, but also the international community. Our Prepaid Card product was issued to 9,000 volunteers where their allowances were credited.

LOOKING FORWARD

For over a century, we have proudly worked with our countrymen through thick and thin, through every financial challenge. Like the Filipino, PNB has overcome many storms with our resilience and passionate spirit.

As a new decade unfolds, 2020 ushers in a landscape filled with potentials for growth. Moving forward, we will continue to strengthen our core business and digital capabilities to make end-to-end banking seamless for customers. We want you to know that PNB is part of your community. We are your *Partners*, your neighbors that will help you with your financial needs. No matter who you are or where you came from, PNB will gladly open its doors as it is the bank that you can always lean on.

On behalf of the top management and all Philnabankers, we thank our customers and business partners for your continued trust and support to PNB.

Maraming Salamat!

(Original Signed)

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

Operational Highlights

RETAIL BANKING

Branch Banking

Branch Banking Group (BBG) ended 2019 with 715 Branches, 507 or 78% of which were renovated to fit the savvy PNB brand. The Bank's Automated Teller Machine (ATM) network in the Philippines rose by 158 or 10%, including Cash Accept Machines (CAMs), producing a total of 1,553 terminals by year-end. In support of the Bangko Sentral Ng Pilipinas' (BSP's) objective of financial inclusion, three (3) branch-lite units were opened to bring banking facilities to far-flung areas or unbanked communities. With the upcoming integration of PNB Savings Bank and PNB, BBG's network is expected to grow by 68 branches and 73 ATMs in 2020.

Anchored on its commitment as a *Partner for New Beginnings*, the Group sustained its *Get-Keep-Grow* mechanism to fuel its sales and marketing efforts with the objective of increasing the Bank's client base, raising its deposit levels, and cross-selling products.

Get schemes include (a) intensified sales programs which ramped up leads generation through expanded mapping activities; (b) awareness campaigns on the Bank's financial products and digital applications; and (c) monthly marketing activities. BBG intensified its cross-selling efforts by strategically tapping potential customers from the Bank's current pool of corporate clients. One of the Bank's product push in 2019, which supports the financial inclusiveness agenda of the BSP, is the *MyFirst* Savings Account. Through the Bank's client-schools, the Group offered *MyFirst* to students teaching them the value of saving.

Moreover, through the *Keep* and *Grow* mechanisms, various system improvements were rolled out in 2019.

Chief of this was the migration of passbook accounts to the Bank's digital platforms, allowing clients to easily avail of investment products, loans, e-banking, cash management solutions, and bancassurance products.

715
Branches

3
Branch-Lites

1,553
ATMs & CAMs

Cards Banking Solutions

2019 is another profitable year for the Cards Banking Solutions Group (CBSG) and its credit card business.

Throughout the year, CBSG has been consistent in releasing new product offerings.

In March, the Business Credit Card, a Mastercard-branded payment tool, was launched. The first of its kind in the market, this product provides business owners and/ or entrepreneurs opportunities to pay suppliers online or via Point-of-Sale (POS) terminals. The Business Credit Card also allows its cardholders to avail of cash under flexible installment terms and competitive rates. This cash may be used as capital for expanding their business.



In September, the Personal Installment Card was introduced to the market. Targeting individuals who need cash for immediate spending, this product offers flexible installment terms up to 60 months and competitive rates.

In October, the PNB-PAL Mabuhay Miles Prepaid Mastercard was launched at a prestigious, interactive event graced by the members of the press and social media influencers. The travel destinations which can be visited were showcased during the launch. The Prepaid Card is multi-currency where cardholders can enjoy loading money in up to ten (10) major currencies.

In support of the Bank's digital strategy, CBSG implemented a facility for online credit card application via PNB's internet banking. This allows individuals to apply for a credit card, submit the corresponding requirements, and know the status of their application instantly.

To boost the Bank's reputation as a *Partner for New Beginnings*, a thematic campaign featuring all card products (i.e., Credit, Debit, and Prepaid) was advertised on mainstream television, cable channels, radio

stations, cinemas, print ads, and strategic out-of-home sites. With a tagline "*More Ways to Experience More Firsts with PNB Cards*", the campaign demonstrates financial inclusion: that there is a PNB Card for everyone, whoever they are and wherever they may be in the course of their lives. Moreover, in November 30 to December 11, 2019, PNB became the official bank partner of the 30th Southeast Asian (SEA) Games where 9,000 Prepaid Cards were issued to volunteers for crediting of their allowances. Activation and Fan Zone booths were deployed in various locations in the Philippines thereby increasing the public's awareness on the PNB brand.

International Banking & Remittance

International Banking & Remittance Group (IBRG) has a solid network composed of PNB's 71 overseas offices and 123 agents and partners in Asia, Europe, Middle East, and North America. In addition to offering a convenient and safe remittance service, the overseas offices deliver full banking facilities (in selected jurisdictions), overseas bills payment, deposit account opening, corporate credit and trade, and consumer financing facility via the Own a Philippine Home Loan (OPHL), to millions of Filipinos worldwide.

Operational Highlights

71 Overseas Offices

123 Agents & Partners in Asia, Europe, Middle East & North America

Moreover, the overseas branches specifically those located in Hong Kong, Japan, and Singapore, actively conduct financial wellness programs with the objective of educating fellow Filipinos on the importance of savings and investment. This initiative, together with the Pre-Orientation Seminars (PDOS) for OFWs and financial literacy programs for students in the greater Metro Manila area, became a fertile ground for the acquisition of new customers.

Meanwhile, IBRG participated in various local and international events throughout the year to further strengthen the Bank's presence. These included the Seafarer's Convention, the OFW and Family Summit, the Philippine Independence Day Celebration in New York, the Federation of Philippine American Chamber of Commerce International Conference in Chicago, and the Philippine Christmas Festival in Tokyo, among others. The Bank was likewise a key sponsor to a concert of a top-rated Philippine musical variety show in California, attended by thousands of Filipinos from the Bay Area. PNB was also featured in a program shown in The Filipino Channel.

To reinforce PNB's reputation as a *Partner for Noble Breadwinners*, i.e. to the millions of Filipinos overseas, the Group is committed to the Bank's digital strategy through the launch of a mobile remittance application.



Additionally, enhancements to various products and systems managed by IBRG, as well as new partnerships and joint marketing campaigns in the pipeline, are expected to boost the Bank's profitability and growth in the coming years.

Retail Lending

In mid-2019, the Retail Lending Group (RLG) was established as an offshoot of the integration of PNB Savings Bank and PNB with the objective of boosting the consumer loan business through PNB's extensive branch network and wholesale distribution channels.

Housing loan's success throughout the year was driven by the volume of referrals borne by RLG's Broker's Incentive Program. In addition, RLG also launched the Party On-Us Promo, a highly anticipated three-month program ran in September to November, with the objective of generating referrals from real estate developers. On the other hand, several programs were also implemented for the auto loan business to ensure competitiveness in the market.

Believing that people are the most important resources of the Bank, the Group executed a capability program designed to equip colleagues on core credit and consumer lending. A total of 728 participants completed this program by year-end.



The unified efforts of integrating PNB Savings Bank into PNB entails fortification of RLG's sales and support structure and distribution network. Moreover, as a true *Partner for New Beginnings*, the Group continues to fine-tune its backroom operations through various systems, processes, and customer service improvements.

Cash Management Solutions Division

Cash Management Solutions Division (CMSD) delivers end-to-end financial solutions for the Bank's customers. Its main thrust is to drive incremental growth in the Bank's deposits using cash management products as tools.

CMSD implemented a series of improvements in 2019, specifically, for the Bank's payroll product. A bulk account opening facility called the Corporate Account Portal System (CAPS) was launched with the objective of ensuring that the customers' account opening process is simple, seamless, and secure. By automating the account opening process for hundreds to thousands of payroll accounts, customers no longer need to visit the PNB Branches to open their accounts. On July 22, 2019, a Service Excellence Award was earned for the implementation of CAPS and its contribution to process improvement, customer service, and revenue generation.

In addition to CAPS, CMSD introduced an improvement for the collection of cash from the Bank's customers through the launch of Corporate Cash Accept Machine (CCAM). CCAM is an innovative variant of PNB's deposit pick-up product (i.e., Cash Mover).

Products and services managed by CMSD proves its commitment to becoming a true *Partner that Nurtures Businesses* by (a) fostering strategic relationships with customers; (b) positioning the Bank as a financial intermediary for the management and flow of funds for customers; and (c) promoting operational efficiency by launching innovative products and introducing process improvements.

INSTITUTIONAL BANKING

Institutional Banking Sector's (IBS's) consistent and solid performance over the years is backed by the Sector's commitment to being a *Partner for Nation-Building*. IBS continues to be at the helm of deals that strengthen the nation's economy as PNB funded several projects most notably in the power, water supply, and infrastructure industries. In 2019, PNB partially funded the construction and development of a cement-finishing mill in western Mindanao in order to

Operational Highlights



service cement requirements in the underserved areas of the Zamboanga Peninsula. Said mill will substantially reduce logistics cost for both contractors and end users alike. The Bank also solely funded the construction of a hydroelectric plant in Central Visayas that fortifies steady power supply to neighboring areas. Additionally, PNB funded the construction of several highways and thoroughfares converging into Metro Manila to further improve agricultural activity from rural regions to the metropolis.

IBS also continues to show strong support towards local government progress as seen through the funding of water supply and distribution systems across several municipalities in Luzon. Such systems will improve water quality and stabilize distribution to underserved areas with limited or intermittent water connections. Projects will also increase growth in pipeline connections thus improving services, facilities, and efficiencies particularly on improving non-revenue water reduction. PNB also financed several infrastructure and development projects that include the construction of multi-purpose courts,

public markets, convention centers, and streetlamps in different local government units across the country.

GLOBAL BANKING & MARKETS

Global Markets

Global Markets Group (GMG) is composed of three (3) divisions, namely: Global Markets Sales, Trading, and Asset Liability Management. This dynamic group aims to cater to client needs, manage risks and provide returns, supported by a robust internal control structure.

Global Markets Sales Division developed its core franchise business by amplifying regional customer engagement with emphasis on the middle market segment. In collaboration with other Bank units, the Division established mechanisms by which to better understand customer needs in order to provide an array of tailor-fit banking solutions. These mechanisms resulted in increased client conversion, transaction volume, and recognition. Global Markets Sales Division



was awarded as the Top Securities Broker by the Philippine Dealing System (PDS).

The Trading Division provided suitable pricing to clients, executed by traders with an in-depth understanding of the market. With this, PNB gained ground on its competitors, specifically, on the Fixed Income and Foreign Exchange markets. Both desks were among the top dealers in the industry. In November, the Bank was awarded by the Bureau of Treasury (BTr) as a Government Securities Eligible Dealer (GSED) – Market Maker for 2020. The Trading Division was also recognized by PDS as one of the Top 5 Fixed Income Cash Settlement Banks.

Throughout the year, the Asset Liability Management Division actively managed the seasonal and medium-term liquidity and funding gaps ensuring that resources are available for loans and surplus deposits are effectively deployed. PNB raised Php26.7 billion through bonds and LTNCD issuances; and USD1.0 billion for both the parent bank and Tokyo Branch. Proceeds were utilized to support asset growth initiatives, while ensuring compliance with regulatory ratios. The Asset

Liability Management Division's efforts did not go unnoticed. In 2019, PNB received an accolade from The Asset Triple A Country Awards in Hong Kong as the Best FIG Bond in the Philippines for its USD750 million bond issuance.

As a formidable *Partner that Nurtures Businesses*, the Group aims to sustain its growth targets by: (a) driving its franchise business; (b) maintaining strong internal controls; and (c) delivering efficient liquidity and funding support.

Financial Institutions

Amid very competitive market conditions in 2019, the Sector's Financial Institutions Division (FID) sustained the growth momentum by building and deepening relationships with its corporate clients, local banks, and foreign banks. Aiding in sourcing alternative funding for PNB, FID also tapped the credit facilities provided by foreign banks, on top of the local banks on-lending programs. FID continued to be a net fund provider for the Bank.

Through FID initiatives, PNB fulfills its role as a reliable financial partner of government agencies. For tax payments to the Bureau of Internal Revenue (BIR), the Bank accredited 208 PNB Branches as collecting agents, for a total of 522 branches. Likewise, the full automation of BIR payment acceptance has led to zero delays in the transmission of reports and eliminated penalty charges for the customer.

Meanwhile, PNB's unwavering support to serve Filipino pensioners was recognized by the Social Security System (SSS) in 2019 when the agency awarded the Bank as "Best Paying Bank" in its "Kabalikat ng Bayan" awards program.

FID will march forward in 2020 as a dependable *Partner that Nurtures Businesses*, providing banking solutions for various bank and non-bank financial

Operational Highlights

institutions while helping the Philippine government deliver financial services to Filipinos.

Multinationals

On the fourth quarter of 2019, the Global Banking & Markets Sector established the Multinationals Division to serve the financial requirements of the continuously growing market segment comprised of multinational companies (MNCs), primarily, business process offshoring (BPO) firms and companies in the special economic zones.

The Multinationals Division focused its efforts on identifying potential clients and collaborating with the Bank's business and support units to develop tailor-fit corporate financial solutions such as cash management, foreign exchange, term deposits, and supplier/receivables financing.

As global companies begin to experience the PNB brand through the Multinationals Division, the Global Banking & Markets Sector is on its way to fulfilling its purpose of being a *Partner that Nurtures Businesses*.

TRUST BANKING

PNB's Trust Banking Group (TBG) offers a full range of products and services designed for a broad spectrum of market segments. Its personal trust products and services comprise of escrow, estate planning, guardianship, investment management, life insurance trust, and personal management trust.

Corporate trust products and services, on the other hand, include administration of employee benefit plans, corporate trusteeship, pension and retirement plans, portfolio management, securitization, and trust indenture. Other fiduciary services are composed of roles such as bond registrar, collecting and paying agent, escrow agent, loan facility agent, share transfer agent, and receiving bank.

To address the investment requirements of clients, specifically retail investors, TBG offers a wide array of Unit Investment Trust Funds (UITFs). For conservative investors, PNB offers the PNB Prime Peso and Dollar money market funds which are purely invested in



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To support PNB's innovation strategy, TBG launched the Philippines' first end-to-end, fully automated UITF Online Facility.

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deposit instruments and provides better returns than time deposits.

For moderately aggressive investors, it has the PNB Balanced Fund, suitable for investors who want the best of both worlds: the high growth potential of the equities market and the stability and income-generating capability of fixed income instruments.

For more aggressive investors who want to invest in the local stock market, the bank offers the PNB High Dividend Fund (HDF). Its portfolio is invested in listed companies belonging to the Philippine Stock Exchange (PSE) that have an established history of paying dividends and have high dividend yields.

Lastly, PNB TBG also offers the PNB Phil-Index Tracker Fund, which aims to invest in all of the securities that make up the Philippine Stock Exchange Index (PSEi), using the index weighting in order to track/mimic its performance.

These funds are managed by a team of professional fund managers who have a wealth of training and experience under their belts.

To support PNB's innovation strategy, TBG launched the Philippines' first end-to-end, fully automated

UITF Online Facility. This system allows clients to enroll, invest, and redeem funds through the internet or mobile phones, eliminating the need to visit a PNB Branch. With this facility in place, clients conveniently open an Auto Invest Plan (AIP) with PNB where a portion of their savings can be allocated to their PNB UITF product of choice.

Moreover, in line with the Bank's thrust on financial inclusion and financial literacy, various investor forums in key provincial cities such as Bacolod, Baguio, Cagayan de Oro, Iloilo, and Legazpi were rolled out by the Group throughout the year. Financial literacy seminars were also conducted for the Overseas Filipino Workers (OFWs) in Hong Kong, Japan, and Singapore as campaign to encourage OFWs in developing a habit of investing their hard-earned money. These activities are a testament to TBG's commitment as a bona fide *Partner for New Beginnings*.

TBG has, time and again, positioned itself as a major player in the trust banking industry through its personalized service, superior products, and a highly skilled workforce capable of meeting the needs of the country's dynamic market.

WEALTH MANAGEMENT

The Wealth Management Group is the investment distribution group of the bank that caters to individuals (High Net Worth and Retail) who want to make the most out of their wealth. The Group helps clients plan for their financial future by working closely with them in developing a diversified investment portfolio based on clients' financial condition, risk tolerance, sophistication and knowledge of financial markets and products. It offers various investment products including fixed income securities (government and corporate securities), mutual funds, UITF, single pay

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insurance and other investment vehicles. By leveraging on the Research Group of the Bank, the Group will continue to offer the best investment ideas to clients.

True to its commitment of being a *Partner for Noble Breadwinners*, the Group also began to offer products and services to the Bank's overseas clients specifically those of PNB Singapore and PNB New York, encouraging them to place their hard-earned money in suitable investments.

PNB SAVINGS BANK

In 2019, PNB Savings Bank (PNBSB), the consumer lending arm of PNB, undertook activities in preparation for its integration into its parent bank. The integration is a major step PNB has taken to deliver a more efficient banking experience to customers of both banks. PNBSB will benefit from the parent bank's ability to efficiently raise low-cost funds, while PNB will be able to drive profitability better through the consumer loan portfolio of PNBSB.

Key deliverables for the integration were completed to ensure a seamless transition for PNBSB's customers and employees. These activities included, among others, the harmonization of operational processes and credit policies; finalization of tables of organization and alignment of products and services; data migration and updating of customer information; and communication to internal and external stakeholders.

Meanwhile, PNBSB's consistent efforts to provide customers with innovative products and services were recognized once again by the Asian Banking and Finance in the 2019 Retail Banking Awards in Singapore. The savings bank received the Service Innovation of the Year award for its SME Power Pack product - an integrated business solutions package that includes a comprehensive payroll program, accounting system, and check-writing facility.

PNBSB is expected to be fully integrated into PNB within the first half 2020.



Awards and Recognitions



The Asset Triple A Country Awards

PNB received an award for “Best FIG Bond-Philippines”, recognizing our USD750 million fixed rate notes issued in June 27, 2019. The deal marked the Bank’s successful return to the offshore bond market with the largest offering size from the Philippine banking sector. The proceeds of the Notes are being used to support our loan growth, as we focus on opportunities brought by the positive momentum of the Republic of the Philippines’ economic growth.



SSS Balikat ng Bayan Awards

Social Security System (SSS) recognized PNB as its “Best Paying Commercial Bank” partner during the 2019 Balikat ng Bayan Awards. We have been consistently a reliable partner in providing diverse banking services to SSS and its members.



Asian Banking and Finance Retail Banking Awards

PNB scored two awards from the Asian Banking & Finance’s Retail Banking Awards. The Bank’s subsidiary, PNB Capital and Investment Corporation, won the “Best Debt Deal of the Year – Philippines” for its key role in the issuance and listing of Phoenix Petroleum Philippines Inc.’s Php7 Billion Commercial Papers on the Philippine Dealing and Exchange Corp. (PDEX). Meanwhile, PNB Savings Bank was cited as the “Service Innovation of the Year” for its SME Power Pack product.

Awards and Recognitions



ASEAN Corporate Governance Scorecard (ACGS) Arrow

PNB was recognized for the second straight year by the Institute of Corporate Directors (ICD) for being one of the awardees of its ASEAN Corporate Governance Scorecard (ACGS) Arrow for 2018.



Anvil Awards

The Public Relations Society of the Philippines (PRSP) recognized PNB with three Silver Anvils during the 54th Anvil Awards' Gabi ng Parangal. The Bank won for our Customer Appreciation Events 2018 under the PR Tools category for Exhibit and Special Event. Meanwhile, PNB's affiliate, Allianz PNB Life, won two Silver Anvils: for its Annual Report under the PR Tools category for Publications and for its 'Dare to be Fit' program under the category for Programs Directed at Specific Stakeholders.



Philippine Quill Awards

PNB and its life insurance affiliate, Allianz PNB Life, was honored by the International Association of Business Communicators (IABC) with four awards during the 17th Philippine Quill Awards. PNB was cited for its internal electronic newsletter, PNBlog, which won an Award of Merit in the Publication category. On the other hand, Allianz PNB Life won two Awards of Merit for its "Day of Courage" event (Special and Experiential Events category) and its "Dare 2B Fit" campaign (Employee Engagement category). Its "Project Sanlahi" received an Award of Excellence (Corporate Social Responsibility category).

Plans for 2020



PNB will continue its overall Safe, Aggressive, Profitable Growth strategy in 2020. Its brand promise, “*You First,*” will be the anchor in all customer-centric endeavors. In the crafting of the strategies for its specific business segments, PNB will be mindful of its corporate goal of being an active partner of the government in nation-building. Having a strong presence in the provinces, PNB is well positioned to help bring about financial inclusion that will improve the lives of the Filipinos in the countryside. In this regard, the Bank plans to establish additional branch-lite units in the provincial areas.

PNB will sustain the growth of its corporate book as well as its commercial banking business where the Bank is already strong. Alongside, the Bank will build its consumer finance business within the next few years by accelerating the growth of this segment together with small- and medium-sized enterprises (SME) lending in all branches around the archipelago. By folding in its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB) to the Parent Bank, PNB will be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB will have access to the Bank’s wide array of financial solutions.

PNB will also leverage on the capabilities of its international network by booking more consumer finance products such as “Own a Philippine Home Loan”, a unique product that PNB can offer overseas.

To address the customer’s evolving needs, the Bank will further enhance its products and services across multiple channels by strengthening its digital technology capability to make end-to-end banking seamless for the customers.

While pursuing initiatives that will drive business and profitability, PNB will ensure that a strong corporate governance and risk management framework are in place to support sustainability goals.

Message from the Board Audit and Compliance Committee Chairman



EDGAR A. CUA
DIRECTOR

The Board Audit and Compliance Committee of the Philippine National Bank is a standing Committee of the Board of Directors. The Committee has prepared this Annual Report with the purpose of evaluating its operations and organization in 2019.

For the year 2019, the Committee was composed of three (3) members, who are all Independent Directors and are highly qualified business professionals with excellent educational credentials and hold a broad range of expertise in the areas of accounting, auditing, financial management, and related banking practices that provide value to the strengthening and upholding of good governance practices in the Bank.

During the year, the Committee held 18 meetings – 12 regular meetings and 6 special meetings wherein the Committee ensured the fulfillment of its duties and responsibilities to:

- Oversee the financial reporting framework to ensure generation and preparation of accurate and comprehensive information and reports;
- 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;

- 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;
- Oversee the compliance, internal, and external audit functions;
- Oversee the implementation of corrective actions in a timely manner to address issues identified by auditors and other control functions;
- Investigate significant issues or concerns raised;
- Establish and maintain whistleblowing mechanism to ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

The Committee also had a separate meeting with external auditors, without anyone from Management present, as mandated by BSP Memorandum 2014-11 and BSP Circular 969.

The Chief Audit Executive provided an independent, objective assurance, and consulting activities to the Committee, the Board of Directors, and the Senior Management that, based on the overall evaluation by the Internal Audit Group, the Bank's risk management, internal control, and governance processes is Satisfactory as Bank's units' rating profile remained concentrated at Low Risk. Furthermore, the Bank's compliance framework is effective and dynamic as there is no significant regulatory deviations noted by the Chief Compliance Officer based on the compliance assessment, review, testing, and monitoring on the implementation of policies, laws, and regulations.

With the robust governance of the Board of Directors and Senior Management in promoting high ethical and integrity standards; establishing appropriate culture that emphasizes, demonstrates, and promotes the importance of internal control; and designing and implementing processes for the prevention and detection of fraud, the Committee is highly confident that the internal control environment of the Philippine National Bank remains effective and dynamic in responding to risks within the organization's risk management, governance, operations, information and compliance systems that provide reasonable assurance on the attainment of its business objectives.

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EDGAR A. CUA
Board Audit and Compliance Committee Chairman

★ ★ ★ Message from the Board IT Governance Committee Chairperson



VIVIENNE K. TAN
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 PNB.

In May 2019, the Bangko Sentral ng Pilipinas (BSP) acknowledged that one of the strong areas and recognizable improvement of 2019 were in the areas of IT governance and operations.

The BITGC remains committed in sustaining the 2019 milestones by continuing to enforce and monitor IT performance metrics to ensure a stable and robust IT governance and risk management.

The Bank's Information Technology Group (ITG), with the guidance of the BITGC, commits to continually align and improve its services to meet the business' service expectations.

Major Technology Initiatives for 2019

Organizational Transformation. ITG is now on its second year of transformation program for the continuous improvement of its processes and service delivery. Part of the program includes identifying experienced and knowledgeable business relationship managers with sound project management skills that supported various projects in 2019.

People Training. Significant progress was made in ensuring skills of the ITG employees, its most critical resource, are appropriately addressed to keep abreast with the changing technology landscapes and to support the ongoing process improvement initiatives. In 2019, the Bank has invested in training programs focusing on system & database administration, application & system engineering, service quality management, and cybersecurity programs, affirming PNB's strong commitment and support in transforming ITG into a service-oriented, technology capable, and goal-driven organization.

Process Improvements. The main objective of the process transformation program is to transition the ITG organization to a level of maturity that is anchored on industry standards and best practices while supporting the business strategic goals. In 2019, enhanced guidelines and processes were delivered covering strategic planning, project management, service availability and capacity, IT risk management, and outsourcing.

System Stability. As a key enabler for business, it is the responsibility of ITG to provide and sustain adequate resources that will enable the Bank to support its growing business. In 2019, ITG was able to maintain resource capacity for all computing platforms within industry-accepted thresholds. Close monitoring of this key performance indicator is being performed and reported to the Technology Management Committee regularly.

Operational Level Commitment. Significant improvements were noted in the service operations area in terms of meeting service level deliveries. Clear, simple, and standard service levels were identified, defined and agreed with the business units to facilitate measurement of key performance metrics and areas for improvement. To manage and minimize business disruptions, ITG continued to implement the approved “green zones” where changes to production systems are authorized to be implemented. Change management process also sustained collaborative review checkpoints and impact analysis to mitigate or address potential implementation risks.

Digital Innovation. PNB continued to pursue digital transformation, focusing on innovation and simplicity, business process re-engineering, and customer experience.

System Enhancements. ITG remains committed to support the enhancements of the Bank’s systems development ensuring timely delivery to fulfill the changing business requirements and manage customers & users’ expectations.

New Systems. Several system development and acquisition projects under the 2019-2020 Strategic Plan are in the pipeline including Cash Management System (CMS), Treasury Management System, Asset & Liability Management (ALM), and Integrated Management Information System (IMIS). These are expected to be delivered within the first half of 2020.

Infrastructure & Cybersecurity Investments. PNB continues to pour in major investments on its network communications, server-storage infrastructure, and cybersecurity systems in line with its annual technology refresh to support, sustain, and strengthen the Bank’s operational efficiencies and user experience. PNB also upgraded its IBM mainframe from Model Z13 to Model Z14 with dual processors, which hosts its core banking system, enabling faster encryption & additional workload capacity requirements. In addition, ITG invested in open systems capacity-on-demand storage provisioning subscription services to reduce IT capital expenditures. Phase 2 of the enterprise endpoint & server security protection were implemented to fully support the encryption, management control, security and patching requirement for the entire organization.

Productivity and Operational Efficiency. In September 2019, ITG completed the rollout of Office 365 suite as the standard productivity, email & collaboration tools to all users in both domestic and overseas offices, replacing Open Office and Lotus Notes.

Business Continuity. ITG continued to support the requirements for business continuity by investing in virtual tape & solid-state storage backup systems, dark fiber links, dual links for branches, and conducting various tests for both domestic and overseas branches, ensuring that their Business Continuity Planning (BCP) objectives are met in terms of data recovery, business restoration, and availability of critical system.

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VIVIENNE K. TAN

Board IT Governance Committee Chairperson

Message from the Board Oversight RPT Committee Chairman

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DOMINGO H. YAP
DIRECTOR

As part of a large, diversified conglomerate with a strong presence and a dominant position in key Philippine industries, we recognize that conflicts of interest may arise due to dealings and transactions with related parties. We remain steadfast and committed to conducting PNB's affairs with objectivity, fairness, and integrity. As a matter of policy, Related Party Transactions (RPTs) must always be conducted on an arm's length basis to prevent risks of potential abuse.

Although the Organization for Economic Co-operation and Development (OECD) claims that there is no strong definition of 'related parties', the Bangko Sentral Ng Pilipinas (BSP), for purposes of monitoring such transactions has defined related parties as encompassing the following: (a) 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; (b) the bank's directors, officers, stockholders, and related interests; (c) and their close family members, as well as corresponding persons in affiliated companies. This shall include such other person or juridical entity whose interest may pose potential conflict with the interest of the financial institution and, hence, is identified as a related party.

In accordance with PNB's policy, RPT dealings must be treated in the normal course of business, on an arm's length basis. This means that RPTs are undertaken in the same manner as similar transactions with non-related parties. No corporate or business resource of the Bank is to be misappropriated or misapplied and sound judgment must always be exercised for the Bank's best interests. Material RPTs are reviewed and endorsed by the Board Oversight RPT Committee (BORC) to the Board of Directors for notation and approval.

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 the Internal Audit Group and Global Compliance Group; and covered by disclosures and reportorial requirements.

Board members are required to disclose to the Board of Directors if they directly, indirectly, or on behalf of third parties, have financial interest in any transaction or matters affecting the Bank. Directors and officers involved in possible 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 PNB. The BORC may inform the Corporate Governance and Sustainability Committee of the directors' or officers' actual potential conflicts of interest with the Bank, as necessary.

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

Accomplishments in 2019

Established in 2019, the BORC continues to assist the Board of Directors in performing its oversight functions on monitoring and managing potential conflicts of interests, ensuring 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.

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. Our RPT Policy Framework has five (5) key elements designed to promote good governance: (a) well-defined Board and Senior Management oversight; (b) updated and Board-approved policies and procedures; (c) enterprise-wide RPT training program; (d) robust management information system (MIS) reporting; and (e) effective assessment and monitoring system.

The Committee is composed of five (5) regular members, including three (3) independent directors, and two (2) non-voting members, the Chief Audit Executive and the Chief Compliance Officer. The Global Compliance Group acts as the secretariat to handle the administrative requirements of the Committee.

In 2019, BORC held a total of thirteen (13) meetings. The Committee's charter stipulates that monthly meetings shall be conducted or as necessary to properly perform its duties and responsibilities. Meetings can only be held if attended by majority of the members less one member; but the vote of majority of the quorum which, in no case is less than two members, is required to approve any act in all Committee meetings.

Meanwhile, the Securities and Exchange Commission (SEC) has issued Memorandum Circular No. 10, Series of 2019, promulgating the Rules on Material Related Party Transactions for Publicly Listed Companies (the "Rules") which took effect on April 2019. According to the Circular, a material RPT refers to transfer of resources, services, or obligations between a publicly-listed company and a related party, either individually or over in an aggregate 12-month period with the same related party, amounting to at least 10% of the listed company's total assets based on its latest audited financial statement and regardless of whether a price was actually charged. It includes not only transactions that are entered into with related parties, but also outstanding transactions that are entered into with an unrelated party that subsequently becomes a related party.

Subsequently, the Committee has reviewed our RPT Policy Manual (the "Manual") to align with the pertinent provisions of the newly issued SEC regulation. The Manual contains new provisions on the following, among others: (a) identification of related parties; (b) coverage of material RPT Policy; (c) adjusted thresholds; (d) identification and prevention or management of potential or actual conflicts of interest which may arise out of or in connection with material RPTs; and (e) guidelines in ensuring arm's length terms.

In 2020, the Bank shall continue to fulfill its commitment to be a responsible financial institution, bound by principles of equality, fairness, and impartiality.

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DOMINGO H. YAP

Board Oversight RPT Committee Chairman

★ ★ ★ Message from the Board Strategy & Policy Committee Chairman



FELIX ENRICO R. ALFILER
VICE-CHAIRMAN/DIRECTOR

Cognizant that the strategic planning is critical to the Bank's long-term success, the Board Strategy and Policy Committee (BSPC) was formed to assist the Bank's Board of Directors in performing its oversight duties with respect to the development and implementation of the Bank's strategic business plan and the risks associated with such plan. The Committee is tasked to foster an interactive strategic planning process between the Board and Management to ensure that the execution of approved strategies is consistent with the Bank's overall objectives and resources are adequate to pursue the Bank's initiatives. Likewise, the BSPC makes certain that the Bank's operations, procedures, policies, risk appetite, capital program, and investments in human resources and technology are all consistent and focused in achieving the Bank's strategic objectives.

In carrying out its oversight responsibilities in strategic planning, the BSPC reviews and discusses with Management the Bank's strategic direction as well as the key issues and external developments impacting the Bank's strategies. The BSPC meets with Management on a regular basis to monitor the Bank's progress with respect to implementation of any approved strategy and regularly apprises the Board on this.

As part of its oversight on the adoption and implementation of the Bank's Board-approved Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Plan, the BSPC reviews, evaluates, approves, and endorses for Board approval the policies and procedures pertaining to the capital planning and risk assessment, stress testing framework, options to improve the Bank's capital adequacy, and possible equity investment or divestment of the Bank.

In 2019, the BSPC included in its sessions economic updates that may impact the Bank's operations and strategies. Topics such as the Rice Tarrification Law, TRABAHO Bill, China-US trade wars were discussed. Likewise, the BSPC discussed trends and innovations in the banking industry including developments that could disrupt traditional banking services. Topics on digital trends were tackled in line with the Bank's digitization strategy. Advancing the technological capabilities of the Bank that would support the goal of growing the business across multiple channels continued to be a primary initiative undertaken during the year.

To ensure that the implementation of strategies is on track, the BSPC conducted progress reviews with the Bank's business and support groups and its subsidiaries in 2019. Taking these steps had provided the BSPC the capability of seeing specific and measurable improvement in multiple areas that enabled the Committee to sustain the Bank in its safe and aggressive growth path. Decisions to continue or change certain strategies as well as implement new projects and programs were done in a timely and effective way. Alongside, manuals were consistently reviewed and revised in order to ensure the efficiency of the Bank's processes and flexibility to the changes in the regulatory environment.

More importantly, the BSPC discussed the plans for the 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. Along this line, the Bank successfully issued and listed 276,625,172 common shares priced at Php43.38 per share from its stock rights offering in July 2019. Proceeds from the offering strengthened the Bank's CET1 capital, thus further solidifying its capital adequacy and financial strength. The strong capital positioned the Bank to support its critical strategic growth initiatives including expanding its balance sheet to meet increased demand from the growing Philippine economy across the Bank's target markets.

The BSPC also provided oversight on the Bank's domestic and foreign subsidiaries, specifically on the integration of its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB) to the Parent Bank effective March 1, 2020. The integration will result in capital optimization as the excess capital in the savings bank can be utilized by PNB to accelerate its asset growth while continuing the strategy of growing consumer lending. The consumer lending business will likewise benefit from PNB's ability to raise low cost funding due to a much bigger retail customer base.

As the changing financial landscape brings forth new business opportunities for the Bank and at the same time gives rise to regulatory, legal, security and reputational challenges and risks, the BSPC will remain steadfast in fulfilling its role as the overseer of PNB's strategies and policies. The Committee will relentlessly be on the look-out for disruptive financial technologies to incorporate in the Bank's strategic plans, ensuring that the Bank remains in its growth trajectory.

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FELIX ENRICO R. ALFILER

Board Strategy and Policy Committee Chairman

Capital Structure and Adequacy

The Group's consolidated capital adequacy ratio were 14.80%, 14.35% and 15.35% as of December 31, 2019, 2018, and 2017 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, 2019, 2018, and 2017 (amounts in millions):

	Consolidated			Solo		
	2019	2018	2017	2019	2018	2017
Common Equity Tier 1 (CET1) Capital	146,808	121,744	112,345	144,654	117,541	108,606
Common stock	61,031	49,966	49,966	61,031	49,966	49,966
Additional Paid In Capital	32,107	31,331	31,331	32,107	31,331	31,331
Retained Earnings	48,835	40,887	32,797	50,231	40,372	32,336
Other comprehensive income	1,971	(3,335)	(4,358)	1,286	(4,128)	(5,027)
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,864	2,895	2,609	-	-	-
Regulatory Adjustments to CET1 Capital	22,303	22,110	23,401	47,960	46,665	47,409
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	2	1	2	2	1	2
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	937	782	2,264	937	782	2,264
Deferred tax assets	1,581	1,503	1,501	976	974	974
Goodwill	13,516	13,516	13,516	13,516	13,516	13,516
Other intangible assets	2,794	2,979	2,740	2,718	2,893	2,652
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)	-	-	-	26,170	25,014	24,457
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)	673	434	527	840	590	692
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)	2,798	2,893	2,849	2,799	2,893	2,850
Other equity investments in non-financial allied undertakings and non-allied undertakings	2	2	2	2	2	2
TOTAL COMMON EQUITY TIER 1 CAPITAL	124,505	99,634	88,943	96,694	70,876	61,196

Capital Structure and Adequacy

	Consolidated			Solo		
	2019	2018	2017	2019	2018	2017
Additional Tier 1 Capital (AT1)	-	-	-	-	-	-
	Consolidated			Solo		
	2019	2018	2017	2019	2018	2017
TOTAL TIER 1 CAPITAL	124,505	99,634	88,943	96,694	70,876	61,196
Tier 2 (T2) Capital	6,183	5,882	4,697	5,564	5,079	4,229
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	5,891	5,590	4,405	5,272	4,787	3,937
Regulatory Adjustments to Tier 2 capital	-	-	-	-	-	-
Total Tier 2 Capital	6,183	5,882	4,697	5,564	5,079	4,229
TOTAL QUALIFYING CAPITAL	130,688	105,516	93,640	102,258	75,955	65,425

Risk Weighted Assets

The risk-weighted assets of the Group and Parent as of December 31, 2019, 2018 and 2017 are as follows:

	Consolidated			Solo		
	2019	2018	2017	2019	2018	2017
Total Risk Weighted On-Balance Sheet Assets	713,284	614,662	527,832	637,724	539,922	467,534
Total Risk-Weighted Off-Balance Sheet Assets	31,435	34,166	23,936	30,838	34,022	23,881
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	2,139	3,376	3,256	2,139	3,376	3,256
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	1,016	870	801	993	840	763
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	747,874	653,074	555,825	671,694	578,160	495,434
Market Risk Weighted Assets	80,683	33,709	9,980	79,128	33,563	9,910
Operational Risk-Weighted Assets	54,498	48,549	44,401	46,127	41,365	38,428
Total Risk Weighted Assets	883,055	735,332	610,106	796,949	653,088	543,772

Capital Adequacy Ratios

Capital Ratios	Consolidated			Solo		
	2019	2018	2017	2019	2018	2017
CET1 Capital (BASEL III)	14.10%	13.55%	14.58%	12.13%	10.85%	11.25%
Capital Conservation Buffer	8.10%	7.55%	8.58%	6.13%	4.85%	5.25%
Tier 1 capital ratio	14.10%	13.55%	14.58%	12.13%	10.85%	11.25%
Capital Adequacy Ratio	14.80%	14.35%	15.35%	12.83%	11.63%	12.03%

ICAAP & Capital Adequacy Ratio Report

The Bank's consolidated Qualifying Capital (QC) as of December 31, 2019 stands at P130,688 million with a corresponding Capital Adequacy Ratio (CAR) of 14.80%. The current consolidated QC still provides a good and sufficient margin above the minimum regulatory capital requirement of P88,306 million, 10% of the bank's P883,055 million Risk Weighted Assets (RWA).

Figure 1: PNB Consolidated CAR 2019

PNB - Consolidated (in P Million)	As of date indicated			
	Mar-19	Jun-19	Sep-19	Dec-19
Total Qualifying Capital	109,187	112,275	126,687	130,688
CAR	13.98%	14.00%	14.58%	14.80%
CET 1/Tier 1 Ratio	13.23%	13.23%	13.78%	14.10%
Total RWA - Pillar 1	781,097	801,963	868,755	883,055

Under SOLO basis, current QC of Php102,258M and CAR of 12.83% still has 283bps leeway above the regulatory of Php79,695M to cover the PHP796,949M Risk Weighted Assets (RWA) as of December 31, 2019.

Figure 2: PNB Solo CAR 2019

PNB - Solo (in P Million)	As of date indicated			
	Mar-19	Jun-19	Sep-19	Dec-19
Total Qualifying Capital	79,444	83,469	98,326	102,258
CAR	11.51%	11.72%	12.55%	12.83%
CET 1/Tier 1 Ratio	10.77%	10.97%	11.72%	12.13%
Total RWA - Pillar 1	690,221	712,393	783,233	796,949

Message from the Risk Oversight Committee Chairman



FEDERICO C. PASCUAL
DIRECTOR

Philippine National Bank (PNB) is accountable to all its stakeholders – regulators, shareholders, employees, and customers – to whom the Bank maintains its goals of profitability, sustainable development, and social responsibilities.

The Bank operates in a highly regulated business environment, where changing conditions and uncertainties also create opportunities for the entire organization. As the global markets remain volatile, the emphasis on the oversight of key risks is of utmost importance. The Board closely 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 continually evaluated against business objectives while keeping within an effective risk control environment.

PNB follows a strong Enterprise Risk Management Framework (ERM) and consistently maintains high standards of internal controls and risk management processes against the Bank's risk appetite. The same framework is used to ensure the optimizing of the risk / return ratio through the monitoring processes against limits and thresholds. Risk awareness is present at all levels of the Bank and is embedded in our core values. The concept of the 3 lines of defense (3LoD) for good risk management has been deeply ingrained in the PNB culture.

In 2019, the Risk Oversight Committee (comprised of 6 Directors and 3 Independent Directors) met 15 times to discuss the Bank's risk exposures from the identified material risks against the Bank's Strategy.

2019 was characterized by significant milestones: (1) Creation of the Independent Model Validation Team within the Risk Management Group. This strengthens oversight on the growing use of mathematical models within the Bank; (2) Initiation of a Governance, Risk, and Compliance (GRC) System to replace the Bank's Treasury System, and purchase of an Asset/Liability Management (ALM) System, which will allow further oversight into the Bank's Operations; and (3) Strengthening of the technology service delivery and the Business Continuity Plan (BCP) process to ensure continued service to clients and stakeholders.

The Committee continues to keep a tight rein on the increasing risks under the context of new product and service 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 the emergence of cyber security as a priority focus of awareness and risk mitigation. Moving forward into 2020, the Committee will continue to emphasize that *Risk is everyone's businesses*.

(Original Signed)

FEDERICO C. PASCUAL
Risk Oversight Committee Chairman



Risk Management Disclosure

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

INTRODUCTION

A clear understanding of risks surrounding the business activities is crucial for any organization to create sustainable stakeholder value in executing its strategies. Therefore, it is essential to reinforce the overall strategy of an organization with a prudent risk management framework so that the opportunities are 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, we remain 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 our business is conducted and with 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. Our Board of Directors, through the Risk Oversight Committee (ROC), exercises oversight and provides guidance to our experienced Senior Management Team who works closely with their respective units 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 Board of Directors has delegated specific responsibilities to various Board Committees, which are integral to 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 Bank. Figure 1 below provides a list of the Board Committees and Management Committees. Their corresponding functions, roles and responsibilities are highlighted in the Corporate Governance portion of 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 Board of Directors. Business strategies are driven, for the most part, by the day-to-day directions decided by the Management Committees with approvals and notation by the various Board Committees.

Risk Management Disclosure

Figure 1: Board & Management Committees

BOARD OF DIRECTORS	PRESIDENT & CEO
<ul style="list-style-type: none"> Board Audit and Compliance Committee (BACC) Board Information Technology Governance Committee (BITGC) Board Oversight Related Party Transaction Committee (BORPTC) Board Strategy & Policy Committee (BSPC) Corporate Governance Committee (CorGov) Executive Committee (EXCOM) Risk Oversight Committee (ROC) Trust Committee 	<ul style="list-style-type: none"> Acquired Asset Disposal Committee (AADC) Accreditation of Overseas Remittance Agent - Selection of Expatriate Personnel and Branch Site (Overseas Offices) Anti-Money Laundering Review Committee Asset and Liability Committee (ALCO) Asset Disposal Committee (Head Office) Asset Liability Committee / Capital Management Sub-Committee of ALCO Branch Site Selection Committee (Domestic Branches) Capital Management Sub-Committee of ALCO Committee on Decorum and Investigation Ethical Standards Committee (ESC) IT Evaluation Committee (ITEC) Management Committee (MANCOM) Occupational Safety, Health and Family Welfare Committee (OSH-FW) Operations Committee (OPCOM) Procurement Committee Product Committee Promotion Committee(s) Sectoral / Regional Credit Committee(s) Senior Management Credit Committee (SMCC) Technology Committee (TechCom)

Risk Oversight Committee (ROC)

PNB's 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 and risk-reporting process.

As of December 31, 2019, ROC membership is composed of at least six (6) members of the Board of Directors, majority of whom are Independent Directors including the Chairperson. The Chairperson shall not be the Chairperson of the Board of Directors, or any other Board Committee.

The members shall possess a range of expertise as well as adequate knowledge of the Bank's risk exposures. They must also meet the requirements of the Securities and Exchange Commission (SEC), the *Bangko Sentral ng Pilipinas* (BSP), and other applicable laws, rules, and regulations.

Risk Oversight Committee Charter

The ROC has the following mandated functions (*BSP Cir. 969 - Enhanced Corporate Governance Guidelines*):

1. Oversee the risk management framework;
2. Oversee adherence to risk appetite; and
3. Oversee the risk management function;

ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERM)

The approach to managing risk is outlined on 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.

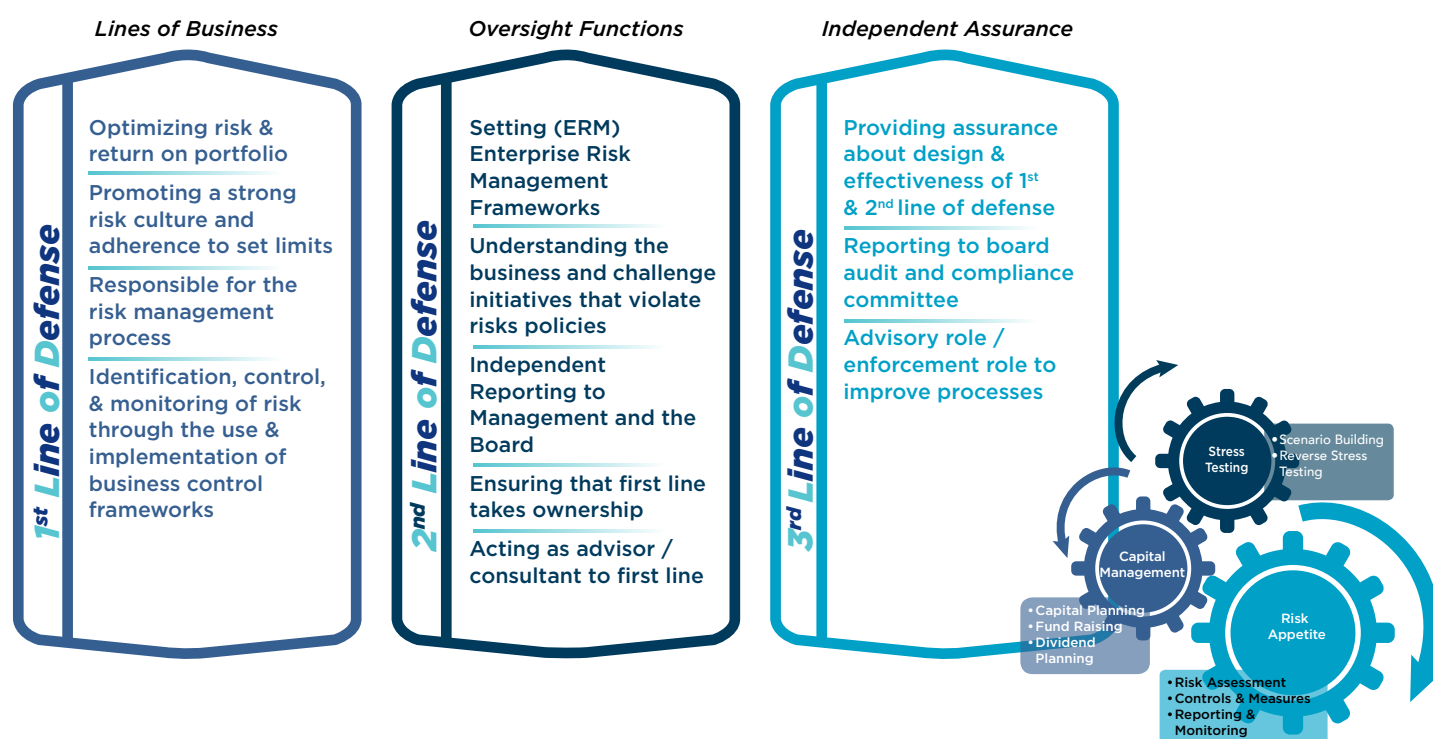
Our risk management framework banks on a dynamic process that supports the development and implementation of overall Bank strategy. The process revolves around methodically addressing risks associated with the business lines of PNB. The ERM framework, with regular reviews and updates, has served us well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

This model provides an effective method for organizations to enhance communication regarding risk and control by clarifying 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:
 - 1.1. the proactive self-identification / assessment of issues and risks, including emerging risks;
 - 1.2. the design, implementation, and ownership of appropriate controls;
 - 1.3. the associated operational control remediation; and
 - 1.4. 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. Our risk management unit implements the risk management framework, helps risk owners in reporting adequate risk-related information up and down the Bank, provides independent oversight over specific Board directives and conducts regular reporting to the ROC. Our compliance unit ensures that strong security policies are in place and effectively monitored and aligned with the risks of the Bank's individual business processes. Compliance testing function reports directly to the Board Audit & Compliance Committee (BACC). The second line of defense may also recommend implementation of action plans, corrective actions or service recovery in managing the risk impact and prevent recurrence.
3. The *third line of defense* is the internal audit function which provides independent assessment 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 BACC.

Figure 2: Three lines-of-defense Model



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Risk Management Disclosure

Risk Management Group

Risk Management Group (RMG) is independent from the business lines and is organized into eight (8) 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
- Business Intelligence & Data Warehouse Division; and
- the recent addition of the Model Validation Division.

Each Division is tasked to monitor the implementation of the processes and procedures that support the policies for risk management applicable to PNB. These policies clearly establish 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 and compliance testing to measure the effectiveness and suitability of the risk management structure. In addition, the ERM recognizes model validation as integral component of model governance which ensures that risks

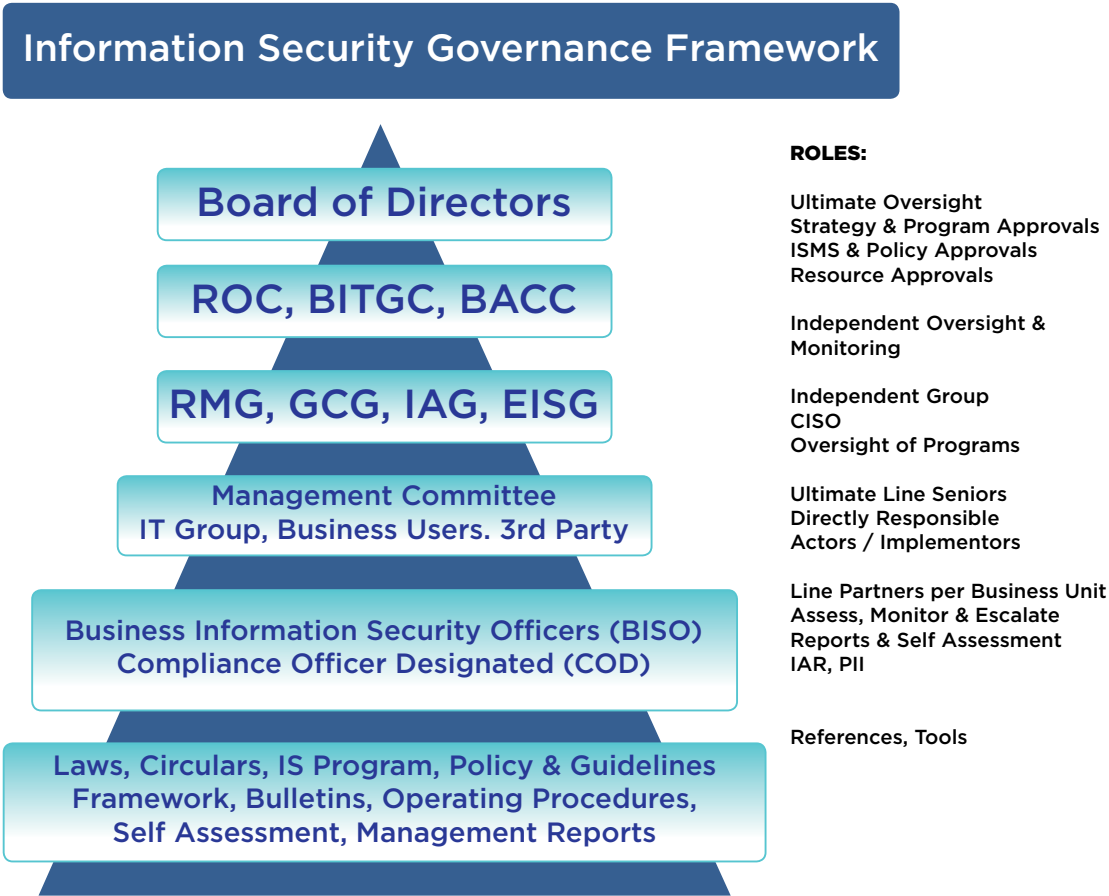
relative to use of models are identified, cascaded to concerned parties, escalated to oversight committees and deliberated for appropriate management actions. The model validation is the Management’s resource to better understand the models, its purpose and limitations and ultimately manage expectations, actions and decisions made based on the output of the model.

RMG performs as the Secretariat of the ROC 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 Division of RMG engages with all levels of the the Bank’s business and support groups, including domestic and overseas branches and offices and domestic and 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 aids 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. Enterprise Information Security Group (EISG), headed by the Bank's appointed Chief Information Security Officer (CISO) reports to the ROC 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 (ISIRP).

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 two (2) divisions: Information Security Governance and Program Management and Cyber Security Operations Center. With risk management activities closely linked with Information Technology Group's (ITG) 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, IS Management System (ISMS) and Manual of IS 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;
- Ensures compliance and security controls with the IS/CSP and the corresponding policies, standards, procedures across the Bank and conducts security awareness and training programs catered to different set of stakeholders;
- Responsible for the implementation of Information Security Risk Management (ISRM) system;
- Performs governance and management functions on the PNB Group domestic and overseas branches, offices, 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 and collaboration with the technology and business users on IS / IT security policy and guidelines;
- Periodically reviews, assesses, and updates, as often as necessary, the policies, procedures, guidelines, and standards of the IS/CSP; and
- Monitors and reports IS Maturity Level Performance and Key Risk Indicators (KRI).

REGULATORY ISSUANCES FOR 2019

- BSP Circular 1034 Amendments to the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (March 2019);
- BSP Circular 1035 Amendments to the Basel III Liquidity Coverage Ratio Framework and Minimum Liquidity Ratio Framework (March 2019);
- BSP Cir 1042 Guidelines on Investment Activities of BSP-Supervised Financial Institutions (BSFIs) (July 2019);
- BSP Cir 1044 Guidelines on the Management of Interest Rate Risk in the Banking Book and amendment of the Guidelines on Market Risk Management (August 2019);
- BSP Cir 1048 BSP Regulations on Financial Consumer Protection; Guidelines and Procedures Governing the Consumer Assistance and Management System of BSP-Supervised Financial Institutions; and Amendments to the Manual of Regulations for Banks and Non-Bank Financial Institution (September 2019); and
- BSP Cir 1051 Amendments to the Framework for Dealing with Domestic Systemically Important Banks (D-SIBs), (September 2019).

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. Our principle on risk appetite is expressed as Risk Tolerance and is embedded on 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

We pursue our business objectives by accepting risks up to the level where it remains aligned with the following High-Level Risk Appetite Statements:

On Strategic / Business Risks:

- We will avoid situations and actions that will result in negative impact on our reputation and if, and when an unfavorable situation arises, address these proactively to preserve our reputation and brand image.
- We aim for stability of earnings and maximize shareholder's value to ensure the PNB's continued growth trajectory in the long-term.

On Operational/Technology/Cyber Security Risks:

- We maintain LOW appetite for operational risk issues. We 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 ensure continuity of business processes, managing proper vendor oversight, and employing appropriate governance processes in implementation of innovative and creative solutions.

Risk Management Disclosure

- We have ZERO tolerance for damage to Bank assets borne by threats arising from malicious attacks. To address this risk, the we aim for strong internal processes and the development and continuous improvement of robust technology controls.
- We have a LOW appetite for risks to the availability of systems which support critical business functions, including those which relate to core banking operations and financial markets operations. Service availability requirements have been identified and agreed upon with each business area.
- We have a LOW appetite for IT system-related incidents which are generated by poor project implementation or poor change management practices.

On Personnel / Clientele Behavior:

- We do not tolerate any dishonest or fraudulent behavior and we are committed to deterring and preventing any incidence. We take serious approach to cases or suspected cases of fraud or corruption perpetrated by our personnel. We respond fully and fairly in accordance with provisions of the Bank's Code of Conduct.

On Regulatory / Statutory Compliance:

- We aim to remain compliant with Philippine laws and regulatory bodies and its public mandate.
- We aim to remain compliant with the laws, regulations, and guidelines as prescribed by the host countries where we are present.
- We aim to remain in compliance with generally accepted accounting principles and standards.

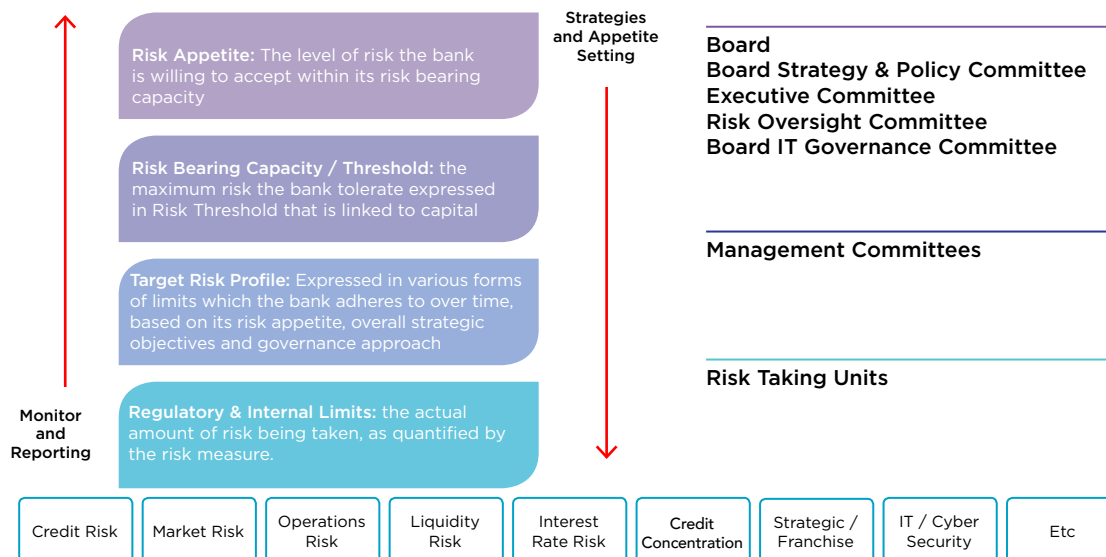
The High- Level Risk Appetite Statements are translated into measurable metrics and set limits that cover all relevant risk categories arising from the Bank's business objectives which aims at keeping the overall risk profile within acceptable risk thresholds.

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 of Directors.

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 for 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



ROC, as delegated by the Board of Directors and 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 the various policies, manuals of products, and services offered to clients, both domestic and overseas. Together with the ROC, BSPC also reviews, evaluates, and approves/endorse 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 and Analysis Division (CorPlan) and RMG monitor this jointly.

RISK CATEGORIES AND DEFINITIONS

Under our ERM framework, all risk-taking business units, including domestic and foreign 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; and
- Consolidation of risk assessment results and potential losses for capital computation.

The identification of risks revolves around the monitoring of 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. This exercise allows each risk-taking unit and support unit, to consider the extent to which potential events have an impact on the achievement of the unit's and ultimately, the Bank's objectives.

The 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

Material risks (at Group level) are defined as those risks from any business activity large enough to threaten the Bank's capital position to drop below its desired level thereby 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 these 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 of Directors and Senior Management-are included in the list being monitored. Most recent additions are Cyber Security and Data Privacy Risk

Risk Management Disclosure

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 three (3) lines of defense. For the assessment period from 2019 to year 2021, 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:

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

2019 Risk Management Highlights

Market & Liquidity Management

The Market and ALM Division of (RMG) supports the Asset and Liability Committee (ALCO) and the 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 of the risk management activities for 2019 under Market & ALM Division are as follows:

Trading Market Risk/Price Risk

- Active involvement in the Treasury Management System Project (from drafting the business requirements document to proof of concept to user acceptance testing);

- Daily preparation of the Value at Risk Report (VAR) and Monitoring of Stop Loss Report of different instruments for distribution to Global Markets Group (GMG), overseas branches and subsidiaries and monitoring of compliance to respective VAR limit and Stop Loss limit;
- Preparation of the monthly market risk dashboards for reporting to the ALCO and ROC;
- Preparation and performance of the quarterly stress testing of the trading portfolio for reporting to the ALCO and ROC;
- Revision and updating of the Board-approved Market Risk Management Manual to incorporate new policies, new procedures, and updated limits;
- Monthly validation of the Market Risk Weighted Exposures of the Capital Adequacy Report which is an input to the Capital Adequacy Ratio (CAR) report;
- Implementation of the annual limits setting and performed assessment of the reasonability and relevance of trading risk limits;
- Ensured the implementation of the enhanced back testing framework for all trading instruments;
- Reviewed and performed risk analysis of new and existing treasury investments on its impact to CAR;
- Provided guidance and consult to GMG, overseas branches, and subsidiaries in the review of their policy and/or procedures manuals; and
- 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 user acceptance testing sessions for these reports.

Structural Market Risk – Interest Rate Risk in the Banking Books

- Preparation of the monthly Interest Rate Risk in Banking Book Dashboard for reporting to the ALCO and ROC;
- Preparation and performance of quarterly stress testing of the banking book portfolio for reporting to the ALCO and ROC;
- Revision and updating of the Board-approved Interest Rate Risk in the Banking Book Manual to incorporate new policies, new procedures, and updated limits and model assumptions;
- Submission of 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; and

- Conducted 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

- Active involvement on the Asset Liability Management system project (from drafting the business requirements document to proof of concept to data mapping);
- Preparation of the monthly liquidity risk dashboard for reporting to the ALCO and ROC;
- Preparation of the weekly liquidity gap reports for presentation to the ALCO;
- Preparation and performance of the quarterly stress testing for liquidity for reporting to the ALCO and ROC;
- Revision and updating 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; and
- Review and performance of risk analysis of new and existing treasury investments on its impact to the Bank's liquidity.

Other risk areas assigned to the Division

- Presentation of the risk dashboard to various Board meetings of domestic subsidiaries on a regular basis;
- Provided guidance to domestic subsidiaries in formulating/review of their risk management framework (set up of limits and processes as well as review of risk manuals);
- Involvement on the annual review of the Bank's ICAAP document and Recovery Plan;
- Monitoring of the compliance of the FVOCI portfolio with the approved Cumulative Loss Limits and Management Action Triggers (MATs);
- Spearheaded the implementation of SEC Memorandum Circular 6 (Guidelines on the submission of the Annual Report on Segregation of Functions {Chinese Wall});

- Submission of the monthly SEC report on complaints (per SEC Memorandum Circular 9);
- Submission of the monthly sworn certification on compliance of trades to fulfill the requirement of PDEX, a Self-Regulatory Organization for Fixed Income Trading from the Bank's Associated Person; and
- Preparation of the Transfer Pool Rate (TPR) twice a month for reporting to ALCO.

Credit Risk Management

The Bank is exposed to credit risk arising from the probability that the counterparties might default on their contractual obligations under loans and advances when due. Credit Risk Weighted Assets (CRWA) accounts for 85% (as of December 31, 2019) of the Group's consolidated RWA of Php883 billion. We manage concentration risks by defining credit policy and institutionalizing limits per industry as a percentage of qualifying capital.

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 RMG supports the implementation of the risk management framework for Asset Quality Exposures. Our 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 (3) levels, namely:

1. Strategic Level, where the Board of Directors sets the annual revenue goals, target market, risk acceptance criteria; and 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 (e.g., RMG, Internal Audit Group, and Global Compliance Group). The credit risk management of the entire loan portfolio is under the direct oversight of the ROC.

Risk Management Disclosure

Highlights of the risk management activities for 2019 under Credit Risk are as follows:

1. 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;
2. Oversight of the credit initiation and approval of selected accounts through pre-approval review. The Chief Risk Officer and the Head of Credit Risk sit as resource persons in the Senior Management and Institutional Banking Credit Committees, respectively. Post-approval credit reviews to ensure compliance with the policies and procedures were also conducted; and
3. Performed scenario analysis and stress testing through Rapid Loan Portfolio Review of the possible impact of current market risk disruptions, i.e. calamities, new government regulations, new economic conditions.

Operational Risk Management

Operational risk management (ORM) is at the core of our 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 our strategy by measuring and mitigating risk exposure and contributing to optimal return for stakeholders.

Highlights of the risk management activities for 2019 under ORM are as follows:

1. Selection and approval of the Governance, Risk and Compliance (GRC) Solution which aims to automate and enhance the Operational Risk Tools such as Risk & Control Self-Assessment (RCSA), Loss Event Report (LER) and, Metrics Monitoring (KRI). This will also serve as an integrated platform to provide a holistic view of the Bank's risk profile with interrelated inputs from risk management, compliance, audit, as well as information security;
2. Initiated the business process mapping for the Bank's critical processes in preparation for the process-based approach on risk assessment;
3. Provided consultations to and review of new product proposals, as well as process and procedures manual review of the Bank's processes, including subsidiaries;
4. Improved the risk analytics and models that are associated with the risks and defined the data requirements to improve the capabilities of the risk assessments;
5. Continuous build-up of risk taxonomy to include BSP and internal audit recommendations and new guidelines from the regulatory agencies;

6. Identification of High-Risk Areas for efficient monitoring of critical risks across the organization;
7. Completed the Risk Education and Awareness Program (REAP) Roadshow to all domestic branches, regional centers, and subsidiaries;
8. Continuous enhancements in the ORM Manual and Operations Risk Tools; and
9. 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 allow 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 these risks have also evolved to include not only the technology components but also indicated the need for analytics and response / recovery measure in case breaches and threats turn into realities.

1. **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.
2. **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.

3. **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.
4. **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 2019:

- Completion of Business Continuity Awareness Training for Head Office, domestic, and overseas Branches;
- Adoption of ISO 22301 Framework for Business Continuity Framework;
- Completion of Bankwide Business Impact Analysis using the new methodology;
- Completion of BCP Simulation Drills and Exercises;
- Project Risk Monitoring - Completion of Project Assessment and Health Checks for major technology projects;

- Outsourcing and Vendor Risk Management Monitoring;
- Establishment of IT Key Risk Indicators; and
- GRC System Project Kick-Off.

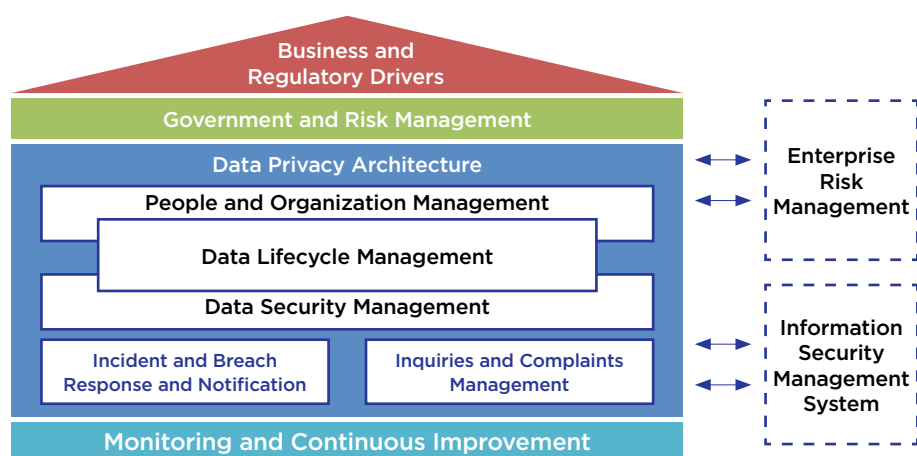
Data Privacy

We respect and value data privacy rights and we ensure that all personal data collected from 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, our 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 becomes 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 (see Figure 5) has been developed and put in place. The system includes security policies, organizational structures, and processes including technical, physical and environmental components among others.

Figure 5: PNB Data Privacy Management System



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

Risk Management Disclosure

Consumer protection is also thoroughly embedded within our data privacy management. We recognize and respect the consumer's right to safeguard their financial transactions with the Bank and be heard through appropriate channels concerning their feedback, inquiries, and/or complaints.

Highlights of the risk management activities for 2019 under the Data Privacy are as follows:

- Implementation of PNB's Data Privacy Management System that includes implementation of the Enterprise Data Privacy Policy and Sub-Policies;
- Privacy Impact Assessment process implementation;
- Data Sharing Agreement and Data Protection Agreement implementation;
- Data Access Request process implementation;
- Monitoring and tracking of compliance and implementation activities under the National Privacy Commission (NPC) issued 32-point Checklist;
- Provided continuous Data Privacy Awareness and Education 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;
- Revision of forms and contracts to incorporate Data Privacy requirements;
- Tracking and monitoring of the submissions for consent; and
- Provided counsel to business units including branches, offices, and subsidiaries both local and overseas regarding Data Privacy concerns.

Information Security / Cyber Security Risk

Cyber-threat defense involves the entire organization from top to bottom and governance plays a critical role. Our Information Security / Cyber Security 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 our **Enterprise Information Security Group**) for 2019:

1. **Security & Safety by Design:** Our 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. We embark on a multi-year program with the following program objectives –

Towards achievement of acceptable level of security and protection:

- release of information security guidelines on Secured Configuration;
- minimum security baseline & standards issuances; and
- promoting continuous collaboration between business units and IT Group where security policies are concerned.

Initial preparedness for ISO27001 Certification:

- engagement with 3rd party subject matter experts for initial business requirements and gap analysis; and
- 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. We implement these via the following tools:

- 24/7 Security Operations Center (SOC) - engaged 3rd Party experts to implement a viable SOC solutions including creation of the Bank's SOC Framework;
- implementing anti-DDOS, dark trace, digital forensic management, cyber response playbooks;
- creation of the Security InciWd Dashboards Regular Reporting to the ROC 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 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 eight (8) years now, continuous enhancements are being done to provide more relevant reports and analytics to the various business units. To date, there are over 1,500 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), BSP Circular 855 Guidelines on Sound Credit Risk Management Practices, BSP Circular 941 Regulations on Past Due and Non-Performing Loans, and the PFRS9 compliance project.

- Actionable Items Reports: The EDW System automatically generates on a daily or 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.

We have embarked on implementing the following Decision Support Systems (DSS):

- Asset and Liability Management System
- Expected Credit Loss (ECL) Calculator for the Philippine Financial Reporting Standard 9 (PFRS9)
- Governance, Risk and Compliance System

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 covers all business and support units, as well as the subsidiaries. The ICAAP RCSA was cascaded down to the individual branch level and regional centers, with each unit being represented to carry out required ICAAP activities. Moreover, to appreciate the ICAAP at the grassroots level. Related activities moved into high gear leading into the completion of the 2020 ICAAP Document.

As we continuously seek improvement in its process, hawse have embarked on a new system – the Governance, Risk and Compliance (GRC) Solution which aims to integrate risk, audit and compliance management and monitoring, including information security and data privacy. In terms of risk management, there will be changes in the RCSA process to attain a more focused identification and quantification of risks. Further, the system will be able to store all relevant data and information which can be used prospectively for internal modelling necessary for capital computations.

Risk Management Disclosure

Figure 4: ICAAP 2019-2020 Milestones and List of Activities

KEY DATES	MILESTONES & ACTIVITIES
January – June 2019	<ul style="list-style-type: none"> • Completion and BSP submission of the 2019 ICAAP Document and Recovery Plan • Conduct of ICAAP awareness via REAP (Risk Education and Awareness Program) which covered all HO units, domestic and overseas branches, including subsidiaries and via HR Training Programs (MTP, BOTP and JEDI) • Presentation and monitoring of capital (Capital Adequacy Ratio and Leverage Ratio) and liquidity ratios (Liquidity Coverage Ratio and Net Stable Funding Ratio), providing alerts and escalation to respective management and Board committees • Assist the Domestic Subsidiaries by preparing the 2019-2021 ICAAP Quantification and Stress Testing dashboard for respective Board notation/presentation • Kick-off Meeting with the ICAAP Working Team relative to the ICAAP RCSA enhancements and requirements and roll-out of Part 1 ICAAP RCSA to the following: <ul style="list-style-type: none"> ✓ Parent Bank including regional centers and units; ✓ Domestic and Overseas Branches and Offices ✓ Domestic and Foreign Subsidiaries • Assist PNB IBJL in the preparation of their annual Risk Management Plan
July - December 2019	<ul style="list-style-type: none"> • BSP on-site examination of the 2019 ICAAP Document and Recovery Plan • Internal Audit Group's review and validation of the 2019 ICAAP Document and Recovery Plan • On-going review of the submitted ICAAP RCSAs and KRIs from all the business and support units of the Parent Bank (Head Office Units, Domestic Branches and Overseas Branches), Domestic and Foreign Subsidiaries • Selection and approval of the GRC Solution • Business Planning Session of the individual groups • Discussion of BSP recommendations/observations to be incorporated in the 2020 ICAAP Document and Recovery Plan
January - March 2020	<ul style="list-style-type: none"> • Review and approval of the Bank's Material Risks • Review and approval of ICAAP Stress Scenarios and Assumptions • Review and approval of the ICAAP Policy, including the revised ICAAP RCSA Procedures Manual to align with the new approach • Presentation of the ICAAP Document and Recovery Plan to ManCom, ROC (for the material risks), BSPC, and Board for approval • ICAAP Document and Recovery Plan ready for BSP submission

REGULAR CAPITAL REQUIREMENTS UNDER BASEL III – PILLAR 1 CAPITAL ADEQUACY RATIO

Our Capital Adequacy Ratio as of December 31, 2019 stood at **14.80%** on a consolidated basis while our Risk Weighted Assets (RWA) as of end 2019 amounted to **P883,055** million composed of P747,874 million (Credit Risk Weighted Assets-CRWA), P80,683 million (Market Risk Weighted Assets-MRWA) and, P54,498 million (Operational Risk Weighted Assets-ORWA).

Capital Adequacy Ratio

The Bank's total regulatory requirements for the four (4) quarters for 2019 are as follows:

Consolidated	Weighted Exposures (Quarters 2019)			
(Amounts in P0.000 million)	As of Dec 31	As of Sept 30	As of June 30	As of Mar 31
CRWA	747,874	735,604	690,032	673,258
MRWA	80,683	78,652	57,433	44,258
ORWA	54,498	54,498	54,498	63,581
Total Risk-Weighted Asset	883,055	868,755	801,963	781,097
Common Equity Tier 1 Ratio	14.10%	13.78%	13.23%	13.23%
Capital Conservation Buffer	8.10%	7.78%	7.23%	7.23%
Ratio	14.80%	14.58%	14.00%	13.98%

★ Message from the Corporate Governance and Sustainability Committee Chairperson



FLORENCIA G. TARRIELA
CHAIRPERSON OF THE BOARD OF DIRECTORS

Throughout the year, PNB scored significant milestones in various areas of its business, continued to make solid progress on its sustainability agenda, and remained committed in deepening the core competencies of its employees and building a more competent, well-prepared workforce. Across these accomplishments, the Bank is devoted to the highest principles of good corporate governance. This governance framework is anchored on accountability, prudence, and responsible business practices cutting across all levels of the organization.

The mission of our corporate governance framework is twofold: first, to define the powers, duties, and responsibilities of the Board of Directors, Senior Management, and employees in upholding the Bank's culture and values; and second, to raise corporate governance to a level at par with global standards which ultimately advances the long-term interests of our stakeholders.

The Corporate Governance Manual (the "Manual") serves as the highest policy of PNB. To manifest our commitment in aligning internal policies with the ever-changing regulatory framework and responding to international best practices, the Corporate Governance Division regularly conducts review and evaluation of the Manual. In 2019, the Manual was revised to expand the diversity requirement in the composition of the Board of Directors. Moreover, the responsibility of the Board in overseeing and ensuring the disclosure of the Bank's non-financial information pertaining to economic, environmental, social, and governance (EESG) issues has also been specified.

Our efforts on this front have not gone unnoticed as we continue to be recognized by regulators, external organizations and the public. The Institute of Corporate Directors (ICD) conferred one-arrow recognition to PNB at The ASEAN Corporate Governance Scorecard (ACGS) 2019 Recognition Night. The ACGS is a set of questions developed in accordance with corporate governance principles of the Organization for Economic Co-operation and Development (OECD) as well as best corporate governance practices of major publicly listed companies in the ASEAN. Jointly developed by the Asian Development Bank (ADB) and the ASEAN Capital Markets Forum, the program aims to enhance the image of publicly listed ASEAN companies and their ability to attract investments as well as improve the image of capital markets towards integration into the ASEAN.

As the sustainability conversation continues to evolve and improve, we are carefully moving the needle towards a more inclusive, sustainable future. In July 2019, the Corporate Sustainability Unit of Public Affairs Group launched its flagship project dubbed as "PROJECT PLANET", which stands for Protect, Love, and Nurture the Environment Together. This project is a six-month campaign on our journey in making PNB a planet-friendly workplace.

On a final note, we are delighted to welcome Domingo H. Yap and Sheila T. Pascual as members of the Board. Their respective backgrounds in manufacturing, real estate, and banking is a welcome addition to the diversity of the Board and allow them to capably perform their duties. My sincerest gratitude and appreciation also go to Cecilio K. Pedro, who retired from the Board in August 2019. His wisdom, leadership, and contributions have been invaluable.

Accomplishments in 2019

A. The ASEAN Corporate Governance Scorecard (ACGS)

In June 2019, the Institute of Corporate Directors (ICD) presented its report on the performance of PNB in the 2018 run of the scorecard for publicly listed Philippine companies. Subsequently, the Corporate Governance Division issued the Bank's first ACGS Report where all necessary information pertaining to PNB's compliance on the standards of the scorecard were supplied. With the Board of Directors and the Management Committee voicing strong support and interest to aim for a higher score, the ACGS results have inspired employees to raise the Bank's governance norms and practices.

B. Code of Ethics for Directors

As a reliable and responsible financial institution, PNB is steadfast and dedicated to upholding and promoting accountability, ethics, and integrity in the conduct of its business. We have adopted the Code of Ethics for Directors, which enables the Board to exercise its powers, duties and responsibilities in accordance with fit and proper standards. The provisions of the Code apply to all members of the Board, whether executive, non-executive or independent of PNB Group.

C. Directors' Competency Development and Training

All members of the Board of Directors are committed to improve and hone their existing competencies and skillsets by undertaking continuous training and education on relevant developments in the business and regulatory environments, including emerging risks relevant to the Bank. The groupwide Corporate Governance Seminar was held in July 2019 where the following key discussion points were taken up: overview of corporate governance, highlights of Revised Corporation Code, linkage between code of corporate governance and sustainability reporting, and roadmap to non-financial reporting.

D. Gender Equality in the Workplace

PNB became the first domestic bank to join the Philippine Business Coalition for Women Empowerment (PBCWE), an organization comprised of large and influential companies committed to promote gender equality in the workplace. The Bank will undergo the Economic Dividends for Gender Equality (EDGE) Certification, a leading global assessment methodology and business standard for gender equality, that evaluates the workplace gender equality performance of an organization against global and industry benchmarks.

E. Integrated Annual Corporate Governance Report (I-ACGR)

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

I would like to extend my gratitude to the Management Committee and our employees whose sustained passion and commitment enabled PNB to achieve greater levels of growth, to the Board members for their guidance, and to our shareholders for their confidence. We look forward to the new decade with enthusiasm and readiness.

(Original Signed)

FLORENCIA G. TARRIELA

Corporate Governance and Sustainability Committee
Chairperson



Corporate Governance

Belonging to a heavily regulated industry, financial institutions are always called upon not just to solidify its economic performance and register strong financial returns, but also to make sound business decisions and create a lasting positive impact on stakeholders. As such, PNB places a special premium on corporate governance as a relevant area of focus in the Bank's operations.

What sets us apart is that good governance is not just a commitment of a single unit but embraced by the entire organization. The pages ahead provide a narrative of our corporate governance framework and its implementation. This report has been prepared in accordance with the Bangko Sentral Ng Pilipinas (BSP) Manual of Regulations for Banks (MORB), the Securities and Exchange Commission (SEC) Code of Corporate Governance, and the ASEAN Corporate Governance Scorecard (ACGS).

Board of Directors

GRI 102-26

The Board of Directors serves as the governing body elected by our shareholders to exercise the corporate powers of the Bank and conduct all its business. Our Board is vested with the focal responsibility of promoting a culture of strong governance in the organization, through adopted policies and displayed practices. It approves and oversees the implementation of our governance framework.

Board Committees

The Board of Directors has created eight (8) committees to increase its efficiency and allow deeper focus in specific areas of our operations. The scope of authority, duties, and responsibilities of each board committee are adequately defined, documented, and clearly communicated in their respective charters. The extent to which authorities are delegated and the corresponding accountabilities are regularly reviewed and approved by the Board.

The Chairperson, Vice Chairman, and President & CEO

GRI 102-23

The positions of Chairperson of the Board and President & Chief Executive Officer are held by separate individuals to achieve an appropriate balance of power, increase accountability and improve the capacity of the Board for decision-making independent of management. The separation of the roles ensures the fair division of powers, increased accountability, and enhanced governance.

Corporate Governance

Our Governance Structure

CHAIRPERSON

FLORENCIA G. TARRIELA

Key Role

Responsible for providing leadership in the Board of Directors and ensuring effective functioning of the Board, its committees, and individual directors

BOARD OF DIRECTORS

15 Directors

9 non-executive

5 independent

1 executive

Key Role

Responsible for approving objectives and strategies of the Bank, overseeing management's implementation thereof, and maximizing the Bank's long-term success and creating sustainable value for its stakeholders

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

Chairperson	Members
Florencia G. Tarriela	Felix Enrico R. Alfiler Federico C. Pascual Domingo H. Yap

BOARD AUDIT AND COMPLIANCE COMMITTEE

Chairperson	Members
Edgar A. Cua	Felix Enrico R. Alfiler Florencia G. Tarriela

RISK OVERSIGHT COMMITTEE

Chairperson	Members
Federico C. Pascual	Felix Enrico R. Alfiler Florido P. Casuela Leonilo G. Coronel Edgar A. Cua Vivienne K. Tan

BOARD OVERSIGHT RPT COMMITTEE

Chairperson	Members
Domingo H. Yap	Edgar A. Cua Federico C. Pascual

EXECUTIVE COMMITTEE

Chairperson	Members
Florido P. Casuela	Leonilo G. Coronel Christopher J. Nelson Lucio K. Tan, Jr. [†] Michael G. Tan Vivienne K. Tan Wick A. Veloso

TRUST COMMITTEE

Chairperson	Members
Christopher J. Nelson	Federico C. Pascual Vivienne K. Tan Joy Jasmin R. Santos - Ex-Officio Wick A. Veloso - Ex-Officio

BOARD IT GOVERNANCE COMMITTEE

Chairperson	Members
Vivienne K. Tan	Florido P. Casuela Leonilo G. Coronel Christopher J. Nelson Lucio K. Tan, Jr. [†] Florencia G. Tarriela Wick A. Veloso

BOARD STRATEGY AND POLICY COMMITTEE

Chairperson	Members
Felix Enrico R. Alfiler	Florido P. Casuela Leonilo G. Coronel Edgar A. Cua Christopher J. Nelson Federico C. Pascual Michael G. Tan Vivienne K. Tan Florencia G. Tarriela Wick A. Veloso

MANAGEMENT COMMITTEE

Chairperson	Members
Wick A. Veloso	Cenon C. Audencial, Jr. Manuel C. Bahena, Jr. Roberto D. Baltazar Christine Grace A. Bandol Socorro D. Corpuz (OIC) Isagani A. Cortes Perfecto A. Domingo Claro P. Fernandez Alexander Grenz Marie Fe Liza S. Jayme Ma. Adelia A. Joson (OIC) Jose German M. Licup Maria Paz D. Lim Manuel Antonio G. Lisbona Chester Y. Luy Noel C. Malabag Michael M. Morillos Rommell B. Narvaez Roland V. Oscuro Aida M. Padilla Nelson C. Reyes Norman Martin C. Reyes Joy Jasmin R. Santos Mary Ann A. Santos (OIC) Martin G. Tengco, Jr. Gerry B. Valenciano Nanette O. Vergara Simeon T. Yap

The Chairperson of the Board is Florencia G. Tarriela, who has held the position since 2005. She ensures the effective functioning of the Board, including maintaining a relationship of trust with individual directors. She makes certain that the meeting agenda focuses on strategic matters, including discussions on risk appetite and key governance concerns.

The Vice Chairman is Felix Enrico R. Alfiler. He has served as a director since 2012. He acts as the Chairman of the Board, either in the absence of the Chairperson or as required by the Chairperson and carries out additional leadership duties.

The President & CEO is Wick A. Veloso. He assumed the position in 2018. As President & CEO, he is the overall-in-charge for the management of the business and affairs of the Bank as governed by the strategic direction and risk appetite approved by the Board. He communicates and implements our vision, mission, values, and overall strategy.

The complete background and qualifications of the Chairperson, Vice Chairman, and President & CEO can be found on the Profiles of the Board of Directors.

Board Advisors

As provided for under the Revised Corporate Governance Manual, the Bank may appoint Board Advisors with qualities that complement the existing competencies and skillsets of the Board which enables them to provide advisory support. PNB has four (4) Board Advisors: Mark M. Chen, Manuel T. Gonzales, William T. Lim, and Harry C. Tan.

Board Advisors are expected to provide advice on strategic direction, governance matters, risk management, and other relevant issues that the Board is confronted with. As such, they may attend meetings of the Board and the eight (8) board committees.

Unlike the Board members, Board Advisors do not have the authority to vote on corporate matters.

Corporate Secretary

The Corporate Secretary assists the Board of Directors and the board committees in the conduct of their meetings. Functions include safekeeping of and the preservation of the integrity

of the minutes of the meetings and ensuring that the Board members have accurate information that will enable them to form sound decisions on matters that require their approval.

Board members are given separate and independent access to the Corporate Secretary at all times.

The Corporate Secretary of the Bank is Atty. Maila Katrina Y. Ilarde, a Filipino and a resident of the Philippines. She assumed the position in 2015. She is legally trained, with experience in legal matters and company secretarial practices.

Chief Compliance Officer

The Chief Compliance Officer (CCO) implements and manages the enterprise-wide compliance program covering domestic and foreign branches, offices, subsidiaries, and affiliates. Our CCO is Atty. Isagani A. Cortes who assumed the position in 2019. He is also the Head of the Global Compliance Group and the designated Corporate Governance Executive, tasked to assist the Board of Directors in performing its corporate governance oversight functions.

Chief Risk Officer

The Chief Risk Officer (CRO) supervises the enterprise risk management (ERM) process and communicates the top risks and the status of implementation of risk management strategies and action plans to the Board. The CRO is Simeon T. Yap who assumed the position in 2019. He is concurrently the Bank's Data Protection Officer (DPO) and Head of Risk Management Group.

Chief Audit Executive

The Chief Audit Executive (CAE) is responsible for developing and managing a broad, comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses to provide the Board with independent assessment that key organizational and procedural controls and risk management systems are adequate, effective, and complied with. Our CAE and Head of the Internal Audit Group is Martin G. Tengco, Jr. who has held the position since 2017.

The complete background and qualifications of the CCO, CRO, and CAE can be found on the Profiles of the Management Committee.

Corporate Governance

Management Committee

PNB's Management Committee is composed of top-tier professionals who are well-accomplished in their respective fields. The Management Committee executes the Bank's strategy and drives business performance. It is headed by the President & CEO, supported by the Chief of Staff.

Legal Vehicles, Business and Support Groups

As a large, diversified banking group, PNB has two (2) classifications of business vehicles: domestic subsidiaries, and foreign branches, subsidiaries, & offices.

Within the parent bank, PNB has different business and support groups that work in unison to achieve the shared mission of becoming a leading provider of financial solutions. Each of the major groups is led by a sector or group head who reports directly to the President & CEO.

BOARD MATTERS

Board Composition

GRI 102-10, 102-22, 102-27

The Bank has 15 Board members with a broad range of experience and deep industry expertise. They are elected by the shareholders during the Annual Stockholders' Meeting (ASM) and hold office for the ensuing year until their successors are elected and qualified. Our directors possess all the qualifications and none of the disqualifications under existing laws and BSP regulations.

The President & CEO, who has executive responsibility of day-to-day operations, is elected as the sole executive director while the other members are non-executive directors (NEDs) who do not perform any work related to the operations of the Bank.

Among the Board members are five (5) independent directors: Felix Enrico R. Alfiler, Edgar A. Cua, Federico C. Pascual, Florencia G. Tarriela, and Domingo H. Yap. They are independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment in fulfilling their responsibilities as directors.

The Corporate Governance and Sustainability Committee reviewed the composition and membership of the Board and board committees and identified the quality, existing competencies, and skillsets of directors aligned with the Bank's strategic direction.

During the year, Cecilio K. Pedro stepped down after having served on the Board for over five (5) years. He is the former Chairman of the Risk Oversight Committee and a member of the Corporate Governance and Sustainability Committee and Board Oversight RPT Committee.

Subsequently, Domingo H. Yap joined the Board as his replacement. He has over 56 years of experience in leading companies engaged in manufacturing and real estate, among others, and has been an active member of various socio-economic organizations.

Following the appointment of Domingo H. Yap, the Corporate Governance and Sustainability Committee conducted a board committee membership review. The review resulted to the following changes in the chairmanship and membership of selected board committees:

- Federico C. Pascual stepped down as the Chairman of the Board Oversight RPT Committee but remained as member of the said committee.
- Domingo H. Yap joined the Board Oversight RPT Committee as Chairman. He also became a member of the Corporate Governance and Sustainability Committee.
- Federico C. Pascual became the Chairman of the Risk Oversight Committee.

The composition of the eight (8) board committees remained compliant with the applicable BSP and SEC regulations, as well as the standards of the ACGS.

With deep sadness, we mourned the passing of one (1) of our directors, Lucio "Bong" K. Tan, Jr., on November 11, 2019. His passing is a great loss to the Bank and the country's business community albeit his legacy continues to live on. He will always be remembered for his unfaltering generosity, competent leadership, and his passion for sports.

Meanwhile, the Board confirmed the election of Sheila T. Pascual as a Director of the Bank effective November 22, 2019. She has been with Allied Banking Corporation (HK) Ltd. since April 1996 under its Marketing and Business Development Department and has assisted the Bank in growing the business.

Skills, Competency, and Diversity

Board diversity is not an end of itself. Instead, it is a means to develop an enabling environment which allows the Bank to leverage on the diverse background and expertise of its individual directors, foster innovation, and achieve a balanced approach in making sound and objective decisions.

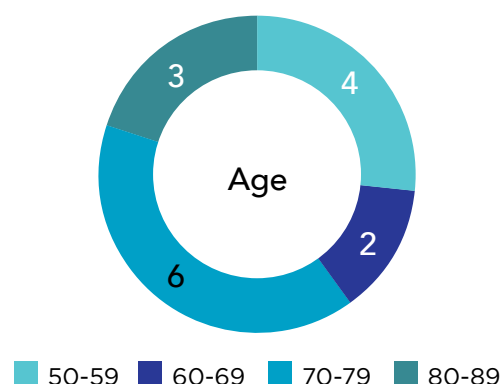
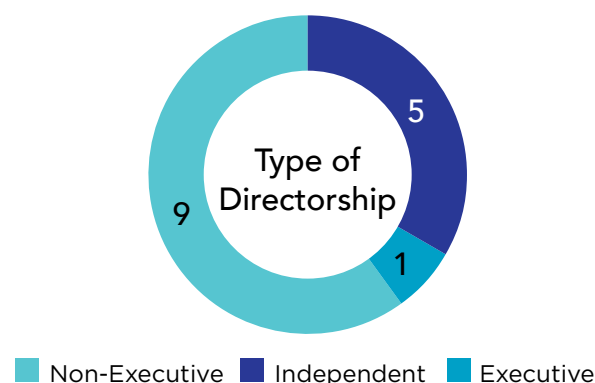
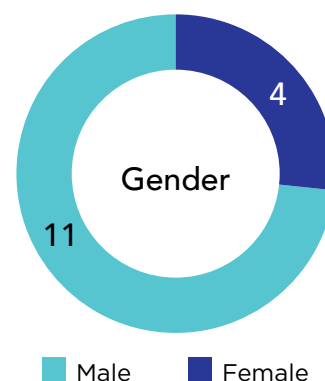
The composition of our Board reflects diversity in gender, nationality, age, knowledge, and skills. Both social (e.g., gender, race/ethnicity, and age diversity) and professional diversity are considered in identifying, assessing, and selecting the members of the Board and their appointment in various board committees.

Consistent with our implementation of the ACGS, the Bank continuously strives to meet the following diversity targets:

- At least one (1) female independent director;
- At least 50% of the members of the Board have educational background in banking and finance, accounting, economics, or law;
- At least 50% of the members of the Board have relevant skills and experience in the areas of banking and finance, accounting, economics, or law; and
- At least one (1) member of the Board is a foreign citizen.

By December 31, 2019, the Bank met the above-mentioned diversity targets. We have four (4) female directors in the Board, one of whom is independent. The Board members also have diverse educational background, expertise, corporate qualifications, and professional experience including accounting, auditing, aviation and travel, banking and finance, consumer goods, economics, general management expertise, legal expertise, manufacturing, real estate, and tobacco. Apart from Filipinos, PNB has one (1) director who is a British citizen.

In relation to age diversity, an optimal mix of young and well-seasoned Board members is in place. 40% of the Board are below 60 years old, who bring fresh ideas and perspectives into the table. Meanwhile, the age range of the remaining Board members is in a fairly productive and mature ages, with 20% and 13% of the Board belonging to the 70-79 and 80-89 age range, respectively.



Corporate Governance

Lastly, periodic review of the composition, representation, and diversity in the Board and board committees is being performed with the goal of having a balanced and diversified membership. The Board likewise assesses the adequacy, appropriateness, and effectiveness of the Board Diversity Policy as part of the annual self-assessment on the performance of individual directors, board committees, and the Board.

Nomination and Election of Directors

GRI 102-24

The criteria for the nomination and election of Board members comprise of knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the Bank's business and risk profile; a record of integrity and good reputation; and the ability to promote smooth interaction between Board members.

External sources were consulted in sourcing potential and qualified directors, including the Institute of Corporate Directors (ICD) and annual reports of other listed companies. As a matter of practice, all shareholders, including minority shareholders, are also invited to recommend nominees for election as a director of the Bank.

The Corporate Secretary presents all nominations to the Corporate Governance and Sustainability Committee together with profiles of each nominee that include, among others, their qualifications and experiences, academic and professional backgrounds, and expertise relevant and beneficial to the business of the Bank.

Prior to the Annual Stockholders' Meeting, the Committee pre-screens the qualifications of the nominees, conducts the nomination procedure, and prepares the final list of all candidates.

Meetings and Attendance

Board meetings are held monthly and the schedule is set before the start of the financial year. The Corporate Secretary issues the annual Board calendar every December for the forthcoming year.

The Corporate Secretary informs the Board members of the agenda of their meetings and distributes materials at least five (5) business days prior to the scheduled meeting. She likewise ensures that the members possess accurate information that enables them to make sound decisions on matters that require their approval.

A majority of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business, and the affirmative vote of two-thirds (2/3) of the directors in attendance shall be required for any Board decision, unless otherwise provided by law. A minority of the Board in attendance at any regular or special meeting shall, in the absence of a quorum, adjourn at a later date, and shall not transact any business until a quorum is secured.

In 2019, the Board held a total of 15 meetings: 12 regular meetings, 2 special meetings, and 1 organizational meeting. Each Board member complied with the SEC's minimum attendance requirement of 50%.

15 meetings held for the year ended December 31, 2019		
Name of Director	No. of Meetings Attended	% Present
Florencia G. Tarriela	15	100.00
Felix Enrico R. Alfiler	15	100.00
Florido P. Casuela	15	100.00
Leonilo G. Coronel	15	100.00
Edgar A. Cua	15	100.00
Estelito P. Mendoza	10	66.67
Christopher J. Nelson	15	100.00
Federico C. Pascual	15	100.00
Cecilo K. Pedro ⁽¹⁾	11	100.00
Carmen K. Tan	14	93.33
Lucio C. Tan	15	100.00
Lucio K. Tan, Jr. [†] ⁽²⁾	13	100.00
Michael G. Tan	15	100.00
Sheila T. Pascual ⁽³⁾	1	100.00
Vivienne K. Tan	14	93.33
Wick A. Veloso	15	100.00
Domingo H. Yap ⁽⁴⁾	3	75.00

⁽¹⁾ Cecilo K. Pedro stepped down from the Board effective August 31, 2019

⁽²⁾ Lucio K. Tan, Jr. passed away on November 11, 2019

⁽³⁾ Sheila T. Pascual was elected as member of the Board effective November 22, 2019

⁽⁴⁾ Domingo H. Yap was elected as member of the Board effective September 1, 2019

Remuneration

The Corporate Governance and Sustainability Committee, acting as the Remuneration Committee, oversees the design and implementation of the remuneration and other incentives policy of the directors and officers. It designates the amount of remuneration and fringe benefits, which shall be sufficient to attract and retain directors and officers who are needed to run the Bank successfully.

The remuneration and fringe benefits of Board members consist of per diem for every Board and board committee meeting and noncash benefits like healthcare plan, group life insurance, and group accident insurance.

In accordance with the Revised Corporation Code, directors are not allowed to participate in the determination of their own per diems or compensation. The Committee ensures that no director shall participate in discussions or deliberations involving his own remuneration.

The total per diem given to the Board, as well as the total compensation of the President & CEO and the four (4) most highly compensated executive officers, is disclosed in the definitive information statement sent to all shareholders.

There has been no proposal on remuneration for directors presented to the shareholders for approval in the 2019 Annual Stockholders' Meeting.

Board Performance and Evaluation

GRI 102-28

Improved Board performance translates into better corporate governance. As such, the Board continuously seeks ways to assess its performance as individual directors and as a collegial body, identifying strengths and areas for improvement, and establishing mechanisms for addressing these.

The Board participates in an annual self-assessment exercise to assess their individual and collective performance. This exercise is also designed to determine and measure the adherence of the Bank's management to corporate governance practices.

The questionnaire covers comprehensive evaluation criteria focused on matters such as director's time commitment and independence, governance landscape, ethical culture in the organization, risk governance, fitness and propriety of Board and management, and internal controls.

The Board performance evaluation is facilitated by the CCO. He consolidates and reviews the responses and presents the summary of results and significant findings to the Corporate Governance and Sustainability Committee.

Orientation and Continuing Education

The Board of Directors values ongoing professional development and actively participates in training programs annually to keep abreast of key issues and developments in the industry. Corporate governance best practices, changes in the regulatory and business environment, and the duties and responsibilities of the Board and board committees—including risk oversight, audit, related party transaction (RPT) and corporate governance—are discussed during the annual training session.

Upon appointment of a new director to the Board, the CCO, together with the Corporate Secretary, ensures proper onboarding and provides orientation on the Bank's business, charter, articles of incorporation and by-laws, among others.



Corporate Governance

NAME OF DIRECTOR	PROGRAM	DATE OF TRAINING	HOST
Florencia G. Tarriela	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Felix Enrico R. Alfiler	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Florido P. Casuela	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Leonilo G. Coronel	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Edgar A. Cua	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Estelito P. Mendoza	Seminar on Corporate Governance	November 6, 2019	SGV & Co.
Christopher J. Nelson	Corporate Governance Orientation Program	November 19, 2019	Institute of Corporate Directors
Federico C. Pascual	Corporate Governance Orientation Program	November 19, 2019	Institute of Corporate Directors
Cecilo K. Pedro	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Carmen K. Tan	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Lucio C. Tan	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Lucio K. Tan, Jr. [†]	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Michael G. Tan	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Vivienne K. Tan	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Wick A. Veloso	Corporate Governance Seminar	July 29, 2019	SGV & Co.
Domingo H. Yap	Basics of Corporate Governance	October 11, 2019	Ateneo Graduate School of Business Center for Continuing Education

Shareholdings

A director is required to advise the Corporate Secretary of his shareholdings in the Bank within three (3) business days after his appointment and any subsequent acquisition, disposal, or change in shareholdings during his term.

Directors, management, and employees considered as “insiders” are prohibited from selling or buying a security of PNB or another company while in possession of material information with respect to the issuer or the security that is not generally available to the public.

Name of Director	Shareholdings as of January 1, 2019	% of Shares Held to Total Outstanding Shares of Bank	Shareholdings as of December 31, 2019	% of Shares Held to Total Outstanding Shares of Bank
Florencia G. Tarriela	2	0.0000001601	2	0.0000001311
Felix Enrico R. Alfiler	10,215	0.0008177628	8,324	0.0005455624
Florido P. Casuela	133	0.0000106473	162	0.0000106176
Leonilo G. Coronel	1	0.0000000801	1	0.0000000655
Edgar A. Cua	100	0.0000080055	100	0.0000065541
Estelito P. Mendoza	1,150	0.0000920634	1,150	0.0000753720
Christopher J. Nelson	100	0.0000080055	100	0.0000065541
Federico C. Pascual	39	0.0000031221	39	0.0000025561
Carmen K. Tan	5,000	0.0004002755	5,000	0.0003277045
Lucio C. Tan	14,843,119	1.1882673540	14,843,119	0.9728313639
Michael G. Tan	250	0.0000200138	250	0.0000163852
Sheila T. Pascual	0	0	110	0.0000072095
Vivienne K. Tan	10	0.0000008006	10	0.0000006554
Wick A. Veloso	131,001	0.0104872980	418,395	0.0274219845
Domingo H. Yap	0	0	1	0.0000000655

Concurrent Directorships

In order to safeguard against the excessive concentration of economic power, unfair competitive advantage, or conflict of interest to the detriment of others through the exercise by the same person or group of persons of undue influence over the policymaking and/or management functions of similar financial institutions while, at the same time, allowing to benefit from organizational synergy or economies of scale and effective sharing of managerial and technical expertise, the Corporate Governance Manual provides a policy on concurrent and interlocking directorships.

A non-executive director may concurrently serve as director of a maximum of five (5) publicly listed companies. In applying this provision to concurrent directorship in entities within the conglomerate, each entity where the non-executive director is concurrently serving as a director shall be separately considered in assessing compliance to this requirement.

A director of the Bank must notify the Board of Directors before accepting a directorship in another company.

Corporate Governance

BOARD COMMITTEES

The Board of Directors has delegated certain functions to eight (8) committees to enable more focused and specialized attention on specific areas. These are the Board Audit and Compliance Committee, Board IT Governance Committee, Board Oversight RPT Committee, Board Strategy and Policy Committee Corporate Governance and Sustainability Committee, Executive Committee, Risk Oversight Committee, and Trust Committee.

Name of Director	Board Audit & Compliance	Corporate Governance	Risk Oversight	Board Oversight RPT	Board IT Governance	Board Strategy & Policy	Trust	Executive
Florencia G. Tarriela	M	C			M	M		
Felix Enrico R. Alfiler	M	M	M			C		
Florido P. Casuela			M		M	M		C
Leonilo G. Coronel			M		M	M		M
Edgar A. Cua	C		M	M		M		
Estelito P. Mendoza								
Christopher J. Nelson					M	M	C	M
Federico C. Pascual		M	C	M		M	M	
Carmen K. Tan								
Lucio C. Tan								
Michael G. Tan						M		M
Vivienne K. Tan			M		C	M	M	M
Wick A. Veloso					M	M	M	M
Domingo H. Yap		M		C				

Legend: C is Chairperson. M is Member.

Board Audit & Compliance Committee

The Board Audit and Compliance Committee (BACC) is formed to assist the Board in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations. It provides oversight over the internal audit and compliance functions and oversees the implementation of the audit and compliance program.

Structure and Membership

The membership, composition, and independence of the BACC meets the requirements under existing laws, BSP and SEC regulations, and the ACGS.

BACC consists of three (3) members: Edgar A. Cua, chairman and independent director; Florencia G. Tarriela, member and independent director; and Felix Enrico R. Alfiler, member and independent director.

Both the chairman and the two members possess relevant background, knowledge, skills, and experience in the areas of accounting, auditing and finance. Edgar A. Cua has held other previous positions in multinational banks and an auditing firm. Florencia G. Tarriela has been a country financial controller of a multinational bank for ten years. Felix Enrico R. Alfiler holds a broad range of expertise and related banking experience, having been affiliated with regulatory bodies and international organizations throughout his entire career.

Meetings and Attendance

In 2019, BACC held a total of 18 meetings. The Committee charter stipulates that meetings shall be held at least four times a year. Special meetings may be convened, as necessary. Meetings can only be held if attended by majority of the members less one (1) member; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the Committee.

18 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Edgar A. Cua	Chairman	18	100.00
Florencia G. Tarriela	Member	17	94.44
Felix Enrico R. Alfiler	Member	17	94.44

A separate meeting was also held by the Committee with the external auditors, without anyone from the Management present, as mandated by applicable BSP regulations.

Board IT Governance Committee

The Board IT Governance Committee (BITGC) assists the Board in reviewing, approving, and monitoring the IT risk management framework and IT strategic plan of the Bank. BITGC reviews and endorses for approval of the Board the enterprise IT strategic plans of the parent bank, its subsidiaries, and affiliates. The Committee also reviews and monitors significant IT concerns including disruption, cyber security, and disaster recovery to ensure that all key risks are identified, managed and reported to the Board.

Structure and Membership

BITGC consists of six (6) members: Vivienne K. Tan, chairman and non-executive director; Florido P. Casuela, member and non-executive director; Leonilo G. Coronel, member and non-executive director; Christopher J. Nelson, member and non-executive director; Florencia G. Tarriela, member and independent director; and Wick A. Veloso, member and executive director.

Meetings and Attendance

In 2019, BITGC held a total of 11 meetings. The Committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by majority of the members less one (1) member; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the Committee.

11 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Vivienne K. Tan	Chairman	11	100.00
Florido P. Casuela	Member	11	100.00
Leonilo G. Coronel	Member	11	100.00
Christopher J. Nelson	Member	11	100.00
Florencia G. Tarriela	Member	11	100.00
Wick A. Veloso ⁽¹⁾	Member	5	71.43

⁽¹⁾ Wick A. Veloso was elected as member of the Committee effective April 30, 2019

Corporate Governance

Board Oversight RPT Committee

The Board Oversight RPT Committee (BORC) is created to assist the Board of Directors in performing its oversight functions with respect to monitoring and managing potential conflicts of interest of shareholders, Board members, Management, and other stakeholders. BORC oversees the evaluation of related party transactions (RPTs) that present the risk of potential abuse and evaluates all material RPTs to ensure that these are conducted in the normal course of business; not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances, and that no corporate or business resources of the Bank are misappropriated or misapplied.

Structure and Membership

The membership and composition of the BORC fulfills the requirements under existing laws, BSP and SEC regulations, and the ACGS.

BORC consists of three (3) members: Domingo H. Yap, chairman and independent director; Edgar A. Cua, member and independent director; and Federico C. Pascual, member and independent director.

Atty. Isagani A. Cortes and Martin G. Tengco, Jr. also sit as non-voting members of the Committee. Further, the Global Compliance Group acts as the secretariat to handle the administrative requirements of the Committee.

Domingo H. Yap is not the chairman of the Board or of any other board committee. Members of the BORC have a sound understanding of the Bank's business and operations, which allows them to fulfil their responsibilities as stipulated on the Committee charter.

Meetings and Attendance

In 2019, BORC held a total of 13 meetings. The Committee charter stipulates that BORC shall conduct monthly meeting or as necessary. Meetings can only be held if attended by majority of the members less one (1) member; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the Committee.

13 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Domingo H. Yap ⁽¹⁾	Chairman	3	100.00
Edgar A. Cua	Member	13	100.00
Federico C. Pascual ⁽²⁾	Member	13	100.00
Isagani A. Cortes ⁽³⁾	Nonvoting member	9	81.81
Martin G. Tengco, Jr.	Nonvoting member	12	92.31

⁽¹⁾ Domingo H. Yap was elected as chairman of the Committee effective September 27, 2019

⁽²⁾ Federico C. Pascual stepped down as chairman but remained as member of the Committee effective September 27, 2019

⁽³⁾ Isagani A. Cortes became a non-voting member of the Committee effective April 8, 2019

Board Strategy & Policy Committee

The Board Strategy and Policy Committee (BSPC) serves as the governing board committee in exercising authority and delegating to Management the implementation of the Board-approved strategic plans and policies. BSPC reviews, evaluates, approves and/or endorses for Board approval the following: new products, amendments to product, marketing programs and policies, and procedures and manuals. The Committee also performs oversight function on business plans and initiatives.

Structure and Membership

BSPC consists of 10 members: Felix Enrico R. Alfiler, chairman and independent director; Florido P. Casuela, member and nonexecutive director; Leonilo G. Coronel, member and nonexecutive director; Edgar A. Cua, member and independent director; Christopher J. Nelson, member and nonexecutive director; Federico C. Pascual, member and independent director; Michael G. Tan, member and non-executive director; Vivienne K. Tan, member and non-executive director; Florencia G. Tarriela, member and independent director; and Wick A. Veloso, member and executive director.

Meetings and Attendance

In 2019, BSPC held a total of 41 meetings. The Committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by majority of the members.

41 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Felix Enrico R. Alfiler	Chairman	40	97.56
Florido P. Casuela	Member	41	100.00
Leonilo G. Coronel	Member	41	100.00
Edgar A. Cua	Member	41	100.00
Christopher J. Nelson	Member	41	100.00
Federico C. Pascual	Member	41	100.00
Michael G. Tan	Member	37	90.24
Vivienne K. Tan	Member	32	78.05
Florencia G. Tarriela	Member	41	100.00
Wick A. Veloso ⁽¹⁾	Member	20	100.00

⁽¹⁾ Wick A. Veloso was elected as member of the Committee effective April 30, 2019

Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee is tasked to assist the Board of Directors in the performance of its governance responsibilities, including the functions of the Nomination and Remuneration Committee, ensuring compliance with and proper observance of good corporate governance. It also oversees the consistent implementation of the Bank's corporate social responsibility and sustainability framework, with the following strategic thrusts: financial literacy and education, environmental protection, and philanthropic initiatives.

Corporate Governance

Structure and Membership

The membership and composition of the Committee complies with the requirements under existing laws, BSP and SEC regulations, and the ACGS.

The Committee consists of four (4) members: Florencia G. Tarriela, chairman and independent director; Felix Enrico R. Alfiler, member and independent director; Federico C. Pascual, member and independent director; and Domingo H. Yap, member and independent director.

Meetings and Attendance

In 2019, the Committee held a total of 15 meetings. The Committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by majority of the members; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the Committee.

15 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Florencia G. Tarriela	Chairman	15	100.00
Felix Enrico R. Alfiler	Member	15	100.00
Federico C. Pascual	Member	15	100.00
Domingo H. Yap ⁽¹⁾	Member	5	100.00

⁽¹⁾ Domingo H. Yap was elected as member of the Committee effective September 27, 2019

Executive Committee

The Executive Committee (EXCOM) is formed to review, discuss, note, approve and/or endorse to the Board of Directors for approval the proposals regarding credit facilities, investments in financial assets, borrowings, and other credit or transactional matters in line with the Bank's strategic goals.

Structure and Membership

The membership and composition of the EXCOM complies with the requirements of the Revised Corporation Code and other applicable laws.

EXCOM consists of six (6) members: Florido P. Casuela, chairman and nonexecutive director; Leonilo G. Coronel, member and nonexecutive director; Christopher J. Nelson, member and nonexecutive director; Michael G. Tan, member and nonexecutive director; Vivienne K. Tan, member and nonexecutive director; and Wick A. Veloso, member and executive director.

Meetings and Attendance

In 2019, EXCOM held a total of 44 meetings. As stipulated in its charter, the Committee may regularly meet every week. The presence of majority of the members of the Committee shall constitute a quorum. The unanimous vote of all the members present at the meeting shall be required to approve any act in all the meetings of the Committee, otherwise the proposal under consideration shall be elevated to the Board for approval.

44 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Florido P. Casuela	Chairman	44	100.00
Leonilo G. Coronel	Member	44	100.00
Christopher J. Nelson	Member	44	100.00
Michael G. Tan	Member	41	93.18
Vivienne K. Tan	Member	29	65.91
Wick A. Veloso	Member	35	79.55

Risk Oversight Committee

The Risk Oversight Committee (ROC) is established to assist the Board of Directors in overseeing the risk profile and approving the risk management framework of the Bank, its subsidiaries, and affiliates. ROC is mandated to set the risk appetite, approve frameworks, policies, plans, programs, and processes for managing risk, and accept risks beyond the approval discretion provided to the Management.

Structure and Membership

The membership and composition of the ROC remains compliant with the requirements under existing laws, BSP and SEC regulations, and the ACGS.

ROC consists of six (6) members: Federico C. Pascual, chairman and independent director; Felix Enrico R. Alfiler, member and independent director; Florido P. Casuela, member and non-executive director; Edgar A. Cua, member and independent director; Leonilo G. Coronel, member and non-executive director; and Vivienne K. Tan, member and non-executive director.

Federico C. Pascual is not the chairman of the Board or of any other board committee.

Meetings and Attendance

In 2019, ROC held a total of 18 meetings. The Committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by majority of the members; but the vote of the majority of the quorum is required to approve any act in all the meetings of the Committee.

18 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Federico C. Pascual ⁽¹⁾	Chairman	5	100.00
Felix Enrico R. Alfiler	Member	18	100.00
Florido P. Casuela	Member	18	100.00
Edgar A. Cua	Member	18	100.00
Leonilo G. Coronel	Member	18	100.00
Vivienne K. Tan	Member	15	83.33

⁽¹⁾ Federico C. Pascual was elected as chairman of the Committee effective September 27, 2019



Corporate Governance

Trust Committee

The Trust Committee is primarily responsible for overseeing the fiduciary activities of the Bank. It ensures that these 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.

Structure and Membership

The membership and composition of the Committee meets the requirements under existing laws, BSP, and other regulations.

The Committee consists of five (5) members: Christopher J. Nelson, chairman and nonexecutive director; Federico C. Pascual, member and independent director; Vivienne K. Tan, member and nonexecutive director; Wick A. Veloso, ex-officio; and Joy Jasmin R. Santos, ex-officio.

The President and the Chief Trust Officer are members of the Committee. No member of the BACC is concurrently designated as member of the Trust Committee.

Meetings and Attendance

In 2019, the Committee held a total of 13 meetings. As stipulated in its charter, the Committee shall meet at least once every quarter. The presence of the majority of the members of the Committee less one (1) member shall constitute a quorum; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the Committee.

13 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Christopher J. Nelson	Chairman	13	100.00
Federico C. Pascual	Member	13	100.00
Vivienne K. Tan	Member	8	61.54
Wick A. Veloso	Ex-officio	11	84.62
Joy Jasmin R. Santos	Ex-officio	13	100.00

MANAGEMENT COMMITTEE

As the highest ranking officer in the organization, the President & CEO is primarily accountable to the Board of Directors in championing the desired conduct and behavior and promoting the long-term interests of the Bank. He is supported by the Chief of Staff.

The Management Committee (MANCOM) assists the President & CEO in the implementation of the overall strategy and oversees the management and affairs of the Bank. MANCOM ensures that the activities and operations are consistent with the defined strategic objectives, risk strategy, and policies as approved by the Board. Finally, the Committee sets the tone of good governance in the organization.

The Chief Legal Counsel handles all legal matters and cases filed for or against the Bank and renders opinions and advice on questions of law. He plays a significant and indispensable role in the management of legal risk. The CCO, on the other hand, oversees the design of an appropriate compliance system, promotes its effective implementation, and addresses breaches that may arise. He liaises with government regulatory bodies regarding relevant compliance matters.

Meanwhile, the CRO oversees the risk management function and proposes enhancements to internal processes to ensure that the Bank's infrastructure, systems, and processes are robust and effective to fully support strategic objectives and risk-taking activities. He is also the Bank's Data Protection Officer tasked to monitor compliance with the Data Privacy Act or Republic Act No. 10173, its implementing rules and regulations, issuances by the National Privacy Commission, and other applicable laws and policies.

In addition, the Chief Audit Executive (CAE) develops and manages a broad and comprehensive program of internal auditing covering the Bank, its subsidiaries, and overseas businesses to provide the Board with independent assessment on key organizational and procedural controls. The CAE also ensures that risk management systems are adequate, effective, and complied with.

The Chief Information Security Officer (CISO), who reports directly to the ROC, plays a key role in providing leadership and support for information security as well as balancing business and security requirements. The CISO is also responsible for ensuring that information security risks are within acceptable levels.

The complete background and qualifications of the MANCOM can be found on the Profiles of the Management Committee.

COMPLIANCE

In recent years, the Philippine banking ecosystem has received greater regulatory scrutiny as a result of detected weaknesses in the banking system and the prudential framework, vulnerabilities to fraud and financial crime, and a whole gamut of industry-wide issues that hound the entire sector. In response to the evolving regulatory and reporting landscape, the Bank has invested in building a competent and well-quipped workforce. The Global Compliance Group had its reorganization in 2019, which reflects our commitment in conducting our business and affairs within the boundaries of laws, rules, and regulations.

Financial Crime Risk

In an age when money laundering, bribery, and corruption have become rampant, mitigation of financial crime risks is crucial in preserving the integrity of the financial system.

The Financial Crime Risk Division encompasses five key (5) areas: anti-money laundering, counter terrorist financing, sanctions, anti-bribery and corruption, and tax transparency. Previously named "Global AML Compliance", the Division's mandate was expanded to cover not only money laundering, but also other forms of financial crime. The Division ensures that all operating units of the Bank comply with the requirements and obligations set out in legislation, rules, regulations, banking guidance, global best practices; and that adequate systems and controls are in place to mitigate the risk of the Bank being used as a conduit to facilitate financial crime.

In addition, PNB pioneers as the first bank in the Philippines to sign the Information Sharing Protocol (ISP) with the Anti-Money Laundering Council (AMLC). The ISP is a financial intelligence framework designed to enable communication and cooperation between the AMLC and various covered persons, to mitigate and control money laundering, financing of terrorism, and its related unlawful activities in the country. PNB is committed to implement measures to support the Philippine government in managing and preventing financial crime. A signing ceremony was held on August 9, 2019 at the BSP complex attended by PNB representatives, Executive Vice President & Institutional Banking Sector Head, Cenon C. Audencial, Jr. and Executive Vice President & Chief Compliance Officer, Atty. Isagani A. Cortes.

Corporate Governance

Regulatory Compliance Risk

The Regulatory Compliance Risk 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. Moreover, the Division 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.

Compliance Assurance

The Compliance Assurance Division reviews and assesses the level of compliance on applicable rules and regulations of the business and examines the appropriateness and reliability of existing processes and adequacy of controls to mitigate risks that may erode the franchise value of PNB. Compliance assurance is necessary to validate that key assumptions, data sources, and procedures utilized in measuring and monitoring compliance issues are consistently reliable. In 2019, the Division has conducted proactive thematic reviews of major high-risk units and operational processes of the Bank.

Compliance Operations

The Compliance Operations Division is responsible for data governance to ensure accuracy and authenticity of data handled by the Global Compliance Group and data analytics to develop compliance risk insights and intelligence on our customers and their transactions. Furthermore, the Division handles compliance risk management, compliance systems, and covered transactions reporting.

Compliance International

PNB boasts of having the most extensive international footprint among Philippine banks with 71 overseas branches and offices across Asia, Europe, Middle East, and North America. The Compliance International Division performs oversight and management of overseas branches and subsidiaries to ensure consistent compliance to local and host country relevant laws, rules, and regulations and alignment with the corporate standards established by the Bank. The Division, in providing advisory and support to overseas branches, subsidiaries and offices, reviews their respective compliance policies and procedures and monitors ongoing audits and examinations to ensure timely submission of audit requirements and escalation of critical and significant issues to Management for appropriate action.

INTERNAL AND EXTERNAL AUDIT

The Internal Audit Group (IAG), headed by the CAE, performs the internal audit activity for the Bank. IAG's functions include assessment of internal controls and the recommendations to implement measures to ensure adequate control. In addition, the Group is expected to assist in the Bank's risk management activities and corporate governance initiatives.

The BACC is responsible for the appointment, reappointment, and replacement of the CAE and Deputy CAE. The responsibility of BACC includes the annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process.

The External Auditor, on the other hand, ensures the establishment and maintenance of an environment of good corporate governance as reflected in the financial records and reports of the Bank. The External Auditor undertakes an independent audit of the Bank and provides an objective assurance regarding the manner under which the financial statements are prepared and presented to the stockholders.

Likewise, the BACC has the sole authority to select, evaluate, appoint, and replace the External Auditor (subject to stockholder ratification) and shall approve in advance all audit engagement fees and terms and all audit-related, and tax compliance engagements with the External Auditor.

The External Auditor is expected to charge only reasonable audit fees. In determining reasonable fees, the following factors may be considered: (a) expected hours needed to complete the scope of work envisioned in the audit plan; (b) complexity of the activities and structure of the Bank; (c) level of internal audit assistance; (d) level of fees being charged by other audit firms; and (e) quality of audit services.

The table below shows the breakdown of audit and non-audit fees paid in 2019.

Fees	2019	%
Audit	33.109	87.93
Non-audit	4.544	12.07
Total	37.653	100

RIGHTS OF SHAREHOLDERS

Shareholders' Rights, Authority, and Privileges

PNB's shareholders have the following rights and privileges: (a) right to inspect corporate books and records; (b) right to information; (c) right to dividends, opportunity to place agenda items prior to and raise questions during the stockholders' meeting; and (d) right to vote on all matters that require their consent or approval.

All shareholders, including minority shareholders, have the right to nominate and elect candidates for the Board of Directors. They also have the right to remove and replace directors and vote on certain corporate acts in accordance with the Revised Corporation Code, including, but not limited to: amendment in the Bank's articles of incorporation and by-laws, authorization of additional shares, and transfer of all or substantially all assets.

The Board is a staunch advocate of shareholders' rights. They are instrumental in removing excessive costs and other administrative or practical impediments to the Bank's shareholders.

The rights and responsibilities of shareholders are discussed in detail in the Corporate Governance Manual and by-laws, accessible through PNB's website.

Stockholders' Meeting

PNB's shareholders are the highest authority in the Bank's governance structure. The stockholders' meeting serves as an avenue to make decisions based on the interests of the Bank in a fair and transparent manner.

The stockholders' meeting consists of the annual stockholders' meeting held once a year and special meetings may be held as needed.

Pursuant to the Bank's by-laws, the annual meeting of the shareholders shall be held at the principal office of the Bank or any other place within Metro Manila as may be determined by the majority of the Board, on the last Tuesday of April of each year unless such day is a legal holiday, in which case, the meeting shall be held on the following business day.

Special meetings may be called by the Chairman of the Board, by the President & CEO, by the majority of the Board, or on the demand in writing of the shareholders who own a majority of the voting stock.

In 2019, the Annual Stockholders' Meeting was held in April 30, at the Century Park Hotel, Malate, City of Manila.

Before the Annual Stockholders' Meeting

In accordance with the requirements of the Securities Regulation Code, the New Disclosure Rules of the SEC, and SEC Memorandum Circular No. 19, series of 2016, written notice of the meeting was sent to all shareholders as of record date, on April 2, 2019, at least 28 days prior to the date of the meeting.

The notice states the date, time, and place of meeting, the rationale and explanation for each item on the agenda that requires shareholders' approval, voting procedures, the profile of the directors seeking election, and the external auditor seeking reappointment. Proxy documents were made easily available on the written notice.

During the Annual Stockholders' Meeting

The Chairman of the Board formally opened the 2019 Annual Stockholders' Meeting. The Corporate Secretary certified the existence of a quorum for a valid transaction of business at the meeting. Every shareholder entitled to vote shall be entitled to one (1) vote for each share of stock standing in his name on the books of the Bank.

Shareholders voted on the following agenda: (a) approval of the minutes of shareholders' meetings held in the previous year; (b) approval of the annual report and the audited financial statements; (c) election of directors; and (d) appointment of the external auditor. All legal acts, resolutions and proceedings of the Board, including approvals on related party transactions endorsed by the BORC, are also included on the agenda of the Annual Stockholders' Meeting for ratification of disinterested shareholders.

Corporate Governance

Shareholders are allowed to elect directors individually. Each resolution deals with only one (1) item; there is no bundling of several items into the same resolution.

At the meeting, shareholders are encouraged to express their opinions and raise any questions, either on the agenda or any other questions related to the business and operations of the Bank. All questions have been answered by the Board and the Bank's corporate officers and are recorded in the minutes of meeting.

The Bank has likewise engaged Roxas delos Reyes Laurel Rosario & Leagogo Law Offices, our external counsel, for the validation of proxies and votes cast during the meeting.

After the Annual Stockholders' Meeting

The minutes of the meeting was disclosed on the Bank's website by the next calendar day. The minutes contain the voting results for all resolutions and agenda items, questions raised by shareholders, responses from the Board and officers, and attendance of the Board members and key officers.

As a matter of practice, the members of the Board, the Chairman, the President & CEO, the Chairman of the BACC, the CCO, the Investor Relations Officer, representatives of the external auditors, and other key officers are present during the Annual Stockholders' Meeting.

Electronic Voting in Absentia

To protect shareholders' right to vote and preserve the integrity of the voting procedure, the Bank ensures that all security measures and verification procedures are in place prior to the implementation of electronic voting in absentia during the stockholders' meeting. Moreover, PNB is awaiting the issuance by the SEC of the Implementing Rules and Regulations governing stockholder participation/voting in absentia, as mandated under the Revised Corporation Code, to ensure that Bank procedures are aligned with the provisions of pertinent rules and regulations.

Voting at the stockholders' meetings may be done by ballot or show of hands. Stockholders may also vote either in person or by proxy.

DISCLOSURE AND TRANSPARENCY

PNB Website

The official website of PNB serves as an avenue to reach out to customers, investors, shareholders, and various stakeholder groups. As such, the Bank aspires to promote transparent and open communication to the public by ensuring timely and accurate disclosure of relevant and material information including financial statements and reports, materials provided in briefings to analysts and media (e.g., investor presentation materials and briefing notes), downloadable annual report, notice and minutes of the Annual Stockholders' Meeting, articles of incorporation, and by-laws.

Annual and Quarterly Reports

The annual and quarterly reports are the primary disclosure mechanisms used by the Bank to convey its financial performance in a comprehensive, accurate, reliable, and timely manner. The reports provide a fair and complete picture of PNB's financial condition and results of business operations.

The reports are also being disclosed in accordance with the reportorial requirements of the SEC and PSE.

Press Releases

PNB embraces media briefings and press conferences as a relevant communication channel due to its extensive reach and accessibility. The Bank has engaged the media to cover significant events such as the Annual Stockholders' Meeting.

Date	Press Release
June 21, 2019	PNB to issue USD750 million Notes
August 9, 2019	PNB core income up 45% for the first half of 2019, Assets grow by 24% to 1.09 trillion pesos
September 27, 2019	PNB to offer Php2.0 Billion LTNCDs
October 11, 2019	PNB lists Php4.6 billion LTNCDs
November 12, 2019	PNB net profit hikes 17% for the 3rd quarter of 2019

Investor Relations

Investor relations enables us to maintain our foothold in the financial market, while we stand to obtain capital for the effective conduct of our business. The Bank has made a conscious effort in deepening its engagement with shareholders, investors, analysts, and the media.

PNB has implemented its Investor Relations Program with the objective of promoting investors' and stockholders' awareness and name recognition through participation in domestic and international conferences sponsored by fund managers. This program is also designed to effectively address concerns/issues of stockholders and investors that could materially affect the Bank's reputation, operations, and viability.

The Investor Relations Program is anchored on three (3) main principles:

- *Accuracy and Timeliness* – The Bank is committed to provide analysts, credit rating agencies, investors, and stockholders with correct and up-to-date information on developments in the Bank;
- *Transparency* – Relevant information is being disclosed to investors and stockholders in accordance with the prescribed standard of disclosure by regulatory agencies; and
- *Consistency and Impartiality* – The same, unbiased information is prepared and made accessible to all interested analysts, credit rating agencies, investors, and existing stockholders through various modes of communication.

The contact information of the Investor Relations Officer is available at the PNB website.

Date of Analysts' and Investors' Briefing	Key Discussion Points / Subject
May 10, 2019	Financial Results for the First Quarter of 2019
June 13, 2019	Presentation to Investors and Trading Participants - Philippine National Bank Stock Rights Offering
August 13, 2019	Financial Results for the First Half of 2019
November 13, 2019	Financial Results for the First Nine Months of 2019

GOVERNANCE POLICIES AND PRACTICES

Corporate Governance Manual

The Corporate Governance Manual institutionalizes the principles of good corporate governance in PNB. The Corporate Governance Division regularly conducts review and evaluation of the Manual to ensure its continuing suitability, adequacy, and effectiveness.

The Manual clearly defines the roles, responsibilities, and accountabilities of the Board of Directors, together with the types of decisions requiring its approval. This Manual is publicly disclosed and accessible through the Bank's website.

Corporate Governance Confirmation Statement

The Bank adopts a policy of full compliance with the Code of Corporate Governance. As of December 31, 2019, the Bank has substantially complied with the recommendations of the Code of Corporate Governance for Publicly-listed Companies, except for the following:

- 1) 30% public float requirement to increase liquidity in the market;
- 2) Secure electronic voting in absentia at the Annual Stockholders' Meeting; and
- 3) Disclosure of director remuneration and executive compensation on an individual basis.

The details of the Bank's compliance with the Code of Corporate Governance and the explanation for the above-mentioned items can be found in its Integrated Annual Corporate Governance Report, published on the PNB website.

Moreover, the Bank has substantially complied with the provisions and requirements set forth in the Corporate Governance Manual and there were no reported significant deviations from what is expected from its Directors, Board Advisors, officers, and employees.

Corporate Objective

PNB's rich history is a celebration of an important milestone for a financial institution that started out as an agricultural bank that became the country's de facto central bank and later on a national bank. Despite its privatization-or perhaps because of it-PNB invariably goes back to its roots in supporting efforts in nation building with its thrust to provide necessary funds for energy, infrastructure development, and tourism.

Corporate Governance

Through sound governance, organizational effectiveness, and responsible corporate citizenship, the Bank continues to act in pursuit of its mission, vision, and corporate objectives. The Board is vested with the responsibility for defining the Bank's vision and mission. Annually, the Board also plays a pivotal role in the review, monitoring, and overseeing the implementation of corporate objectives and strategy.

Once integration of PNB and PNB Savings Bank (PNBSB) is completed, PNB will be able to deliver a more efficient banking experience and will be able to serve a wider customer base while the customers of PNBSB will have access to PNB's diverse portfolio of financial solutions. The Bank is confident that this strategic move puts PNB in a better position to compete in the consumer and the small and medium enterprise (SME) business segments.

As the Bank continues to raise its governance practices and initiatives towards regional and international space, PNB puts its best foot forward. By 2021, the Bank foresees to receive regional recognition on the realm of corporate governance by leveraging the parameters defined by the ACGS as a yardstick.

As a purpose-driven bank, there is much emphasis on social responsibility and good citizenship in the conduct of our operations. PNB has ramped up its efforts on creating long-term value for stakeholders. The Bank's employees are key contributors to the attainment of such goals. Thus, PNB goes through great lengths to provide employees with working conditions that promote safety, teamwork, productivity, and work-life fit. In the same vein, we set our sights on a recognition for being an employer of choice, affirming our commitment to the continued development and success of our people.



Code of Ethics for Directors

The Code of Ethics for Directors serves as a guide of principles designed to enable the Board in exercising its powers, duties, and responsibilities in accordance with fit and proper standards. This establishes the

minimum standards of conduct expected of all directors. As such, the Code shall be read in conjunction with the Bank's Corporate Governance Manual, articles of incorporation, by-laws, and internal policies and procedures.

The provisions of the Code shall apply to all members of the Board, whether executive, non-executive or independent, of PNB. All members of the Board are expected to observe and uphold the principles set out in the Code.

Code of Conduct for Employees

The Code of Conduct for Employees is designed to prescribe a moral code for employees which would not only instill discipline but also yield higher productivity at the workplace and enhance and safeguard the corporate image of the Bank. The provisions of the Code apply to all employees including its overseas branches/offices and PNB's domestic and foreign subsidiaries.

Each employee, senior officer, or director is furnished with a copy of the Bank's Code of Conduct and/or Code of Ethics. Moreover, they can access the Code through the Bank's intranet.

Each individual accomplishes an Acknowledgement Receipt certifying therein that he has been furnished with a copy of the Code; that he has fully read and understood the provisions embodied in the Code; and that he promises to abide with the rules and regulations of the Code.

Any failure to abide with the provisions of the Code is reported by the immediate supervisor and/or Head of Office concerned to the Human Resource Group and/or Corporate Governance and Sustainability Committee. A designated committee may subsequently evaluate the report to determine if any sanction or disciplinary action should be taken against the erring employee or director.



Whistleblowing Mechanism

It is the responsibility of all directors, senior officers, and employees to report suspected or actual occurrence of fraud and/or violation of any law, rule, policy, and misconduct, in accordance with the Bank's

Whistleblower Policy.

Under the policy, a whistleblower may be an employee of the Bank or a third party who discloses, in good faith, any illegal, unethical, or improper behaviors or practices, and misconduct in the Bank. He can report any suspected or actual commission of theft, fraud, corruption, among others.

Whistleblowers are protected from retaliation by ensuring that his identity is kept in strict confidence. The whistleblower may report to the Head of Security Group or any of the designated Sector or Group Heads any retaliation or adverse personnel action taken against him by any individual or office in the Bank.

Hence, anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination or dismissal from the Bank service.



Anti-Bribery and Anti-Corruption

In line with the Bank's commitment to ensure that business dealings are conducted with the highest level of integrity and professionalism, employees are prohibited from engaging in any form

of bribery such as the following:

- Giving/offering pecuniary benefits to external parties with the intention to influence the other party to commit a violation for personal and/or business advantage.
- Acceptance/receiving of pecuniary benefits from clients, suppliers, service providers in order to facilitate the processing or approval of transactions or service agreements with the Bank despite deficiency and/or non-compliance with the standard requirements and procedures.

Employees who have knowledge of any form of irregular transactions or corrupt practices being entered into by an office or an employee under the name of the Bank must report the same through the offices identified in our Whistleblower Policy.



Consumer Welfare

Embedding consumer protection practices across the organization is at the forefront of the Bank's corporate responsibility—from the Board of Directors who approves the policies and conducts oversight in the implementation

of Bank's Consumer Protection Risk Management System (CPRMS) to the Management Committee who ensures that all consumer protection practices are aligned with the approved policies and risk management system and is consistently adhered to by relevant units.

Consumers have the right to be informed of the benefits as well as the risks involved regarding the products and services they availed from the Bank. Throughout the banking relationship, the following standards of conduct are observed: (a) disclosure and transparency, (b) protection of client information, (c) fair treatment, (d) effective recourse, and (e) financial awareness and education.

Consumer assistance mechanisms are made available in various forms: face-to-face support from PNB Branch personnel; account officers and relationship managers; 24 x 7 customer care hotlines; and electronic or digital channels. Each inquiry, request and/or complaint is acknowledged and processed within the standard turnaround time. Complaint management process is also available, a cross-functional activity involving multiple offices, which provide priority assistance in resolving customer concerns.

In 2019, the Bank strengthened the implementation of consumer protection policies and Enhanced Customer Relationship Management System (ECRM) (i.e., workflow manager and logging tool for customer concerns).

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 wise financial decisions towards achieving their goals.

Creditors' Rights

PNB takes pride in taking an active role in safeguarding the rights of its creditors. The Bank is committed to honoring its contractual financial obligations as evidenced by good credit standing. Since deposit-taking is one of the Bank's principal banking activities, special premium is placed on the protection of depositors who serve as our main creditors. The Bank recognizes that creditors have the right to safeguard their transactions with the Bank and be heard through appropriate channels when they escalate feedback and concerns.

The Bank provides its depositors 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. Moreover, PNB is one with the Philippine Deposit Insurance Corporation (PDIC) in promoting

Corporate Governance

public confidence and stability in the economy. As such, the Bank advertises PDIC's deposit insurance protection in appropriate and accurate manner by including the official PDIC Insurance Statement (Deposits are insured by PDIC up to Php500,000 per depositor) in general advertisements of the Bank and advertisements relating to deposit products and services appearing in print ads, TV, official website, and other forms of marketing communications.

As a matter of policy, PNB respects and upholds the rights of its creditors by observing fair and truthful disclosure of financial and operating results which enable them to evaluate and assess the Bank's performance and credit standing. The annual and quarterly reports are the primary disclosure mechanisms used by the Bank to convey its financial performance in a comprehensive, accurate, reliable, and timely manner. The reports provide a fair and complete picture of the Bank's financial condition and results of business operations.



Vendor and Supplier Selection

PNB works for the steadfast development and enrichment of its partnership with a broad spectrum of stakeholders. The Bank's reputation as a leading financial institution cannot be sustained without

the unwavering support of its partners: suppliers, vendors, and third-party service providers.

The Bank has developed its Outsourcing and Vendor Management Policy consistent with existing statutory, regulatory, and supervisory requirements. This policy sets out the framework for engaging with suppliers, along with the responsibilities of the Board of Directors and Management Committee in the review and evaluation of all new and existing outsourcing arrangement and vendor relationships.

A dedicated vendor relationship manager, who actively builds and maintains commercial relationship with vendors and service providers, has been appointed in each business unit. PNB employs a comprehensive onboarding process which encompasses risk assessment, elaborate due diligence procedures, contract structuring and review, and continuous monitoring and oversight. Moreover, appropriate committees have been organized for the effective management of relationships with third parties.

As with any aspect of the Bank's business, PNB believes that continuous monitoring and appraisal of performance is of paramount importance to evaluate the overall effectiveness of the vendor relationship and the consistency of the relationship with the Bank's strategic goals. Mechanisms are in place for the development of relevant performance metrics, vendor performance management, and competency evaluation.



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.

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.

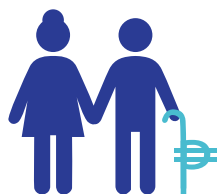
Officers' Compensation and Benefits

The compensation package for officers consists of monetary and non-monetary benefits, fringe benefits, and long-term schemes such as the following:

- (a) Monetary emoluments consist of monthly compensation, guaranteed bonuses equivalent to four (4) monthly basic salary, allowances for business-related expenses, official travel, other monetary allowances, and cash award upon reaching service milestones of at least 10 years and every five (5) years thereafter; and
- (b) Non-monetary benefits consist of healthcare plan for the officer and two (2) of his qualified primary dependents, group life insurance, group accident insurance, leave privileges, car plan, and loan facilities such as general purpose loan, motor vehicle loan, and housing loan.

Performance-based Remuneration

PNB designed its compensation and benefits package as a competitive tool to attract and retain highly qualified individuals who will support the Bank's implementation of its business directions and to achieve business goals. Hence, provisions of the compensation and benefits policies show the clear linkage with employee contributions which are measured through a balanced scorecard approach in its performance management system. Officers who are unable to meet their targets become ineligible to certain benefits and/or incentive programs such as the Car Plan benefit, Employee Loans, and performance bonus to name a few. The same is true for employees who get involved in administrative cases where certain benefits are temporarily withheld in case an administrative sanction is imposed. In case of dismissal, benefits are forfeited and taken back including but not limited to the Car Plan benefit, the guaranteed bonuses equivalent to a three-month salary and the Centennial PNB shares for the remaining years.



Retirement GRI 201-3

PNB has a Retirement Plan for its employees that provides funds for the payment of separation benefits to employees who are eligible under the

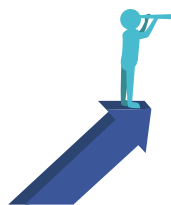
Bank's Retirement Plan, including cases of disability or death while on service.

There are three (3) modes of retirement:

(a) 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;

(b) 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 (i) 55 years of age and rendering at least 10 years of continuous service; or (ii) completing at least eleven 11 years of service; and

(c) 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

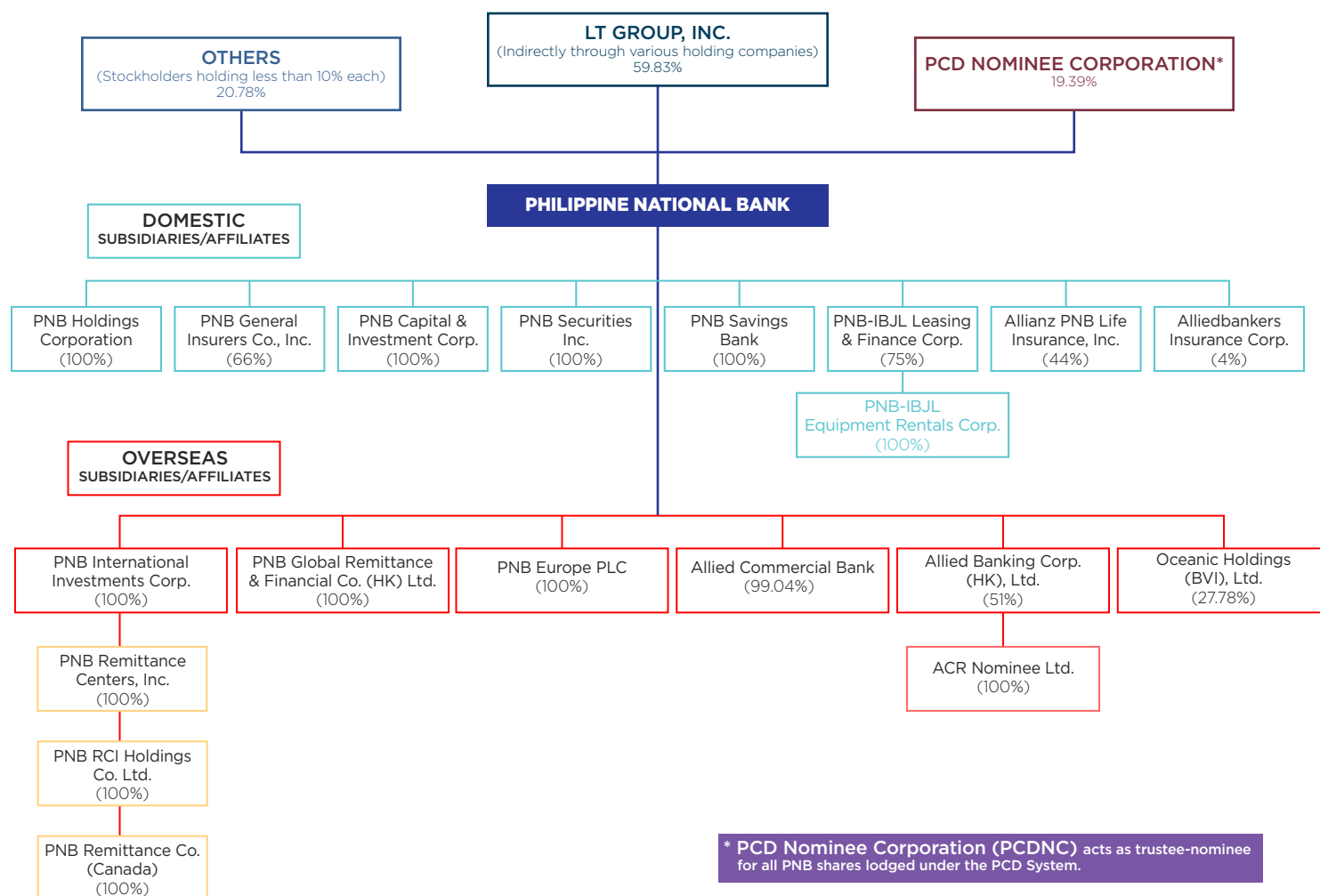
The Succession Management Program is an evolving process of strategically and systematically identifying, assessing, and developing talents for future critical roles to ensure consistent and effective organizational performance. This program ensures the availability of talents who have the potential and required competencies and are ready to assume vacant positions as the need arises, due to organizational exigencies, particularly for key management 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 Management positions.
- (b) Nomination of Candidates – the respective Sector or Group head nominates possible candidates based on results and past performance, competencies, and potential, subject to the initial evaluation of the Talent Board.
- (c) Conduct of Talent Audit – the process of evaluating and 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 & CEO.
- (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 Sector or 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.
- (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 position he trained for.

Conglomerate Map

As of December 31, 2019
GRI 102-5



Note:

Non-Operating Domestic Subsidiaries

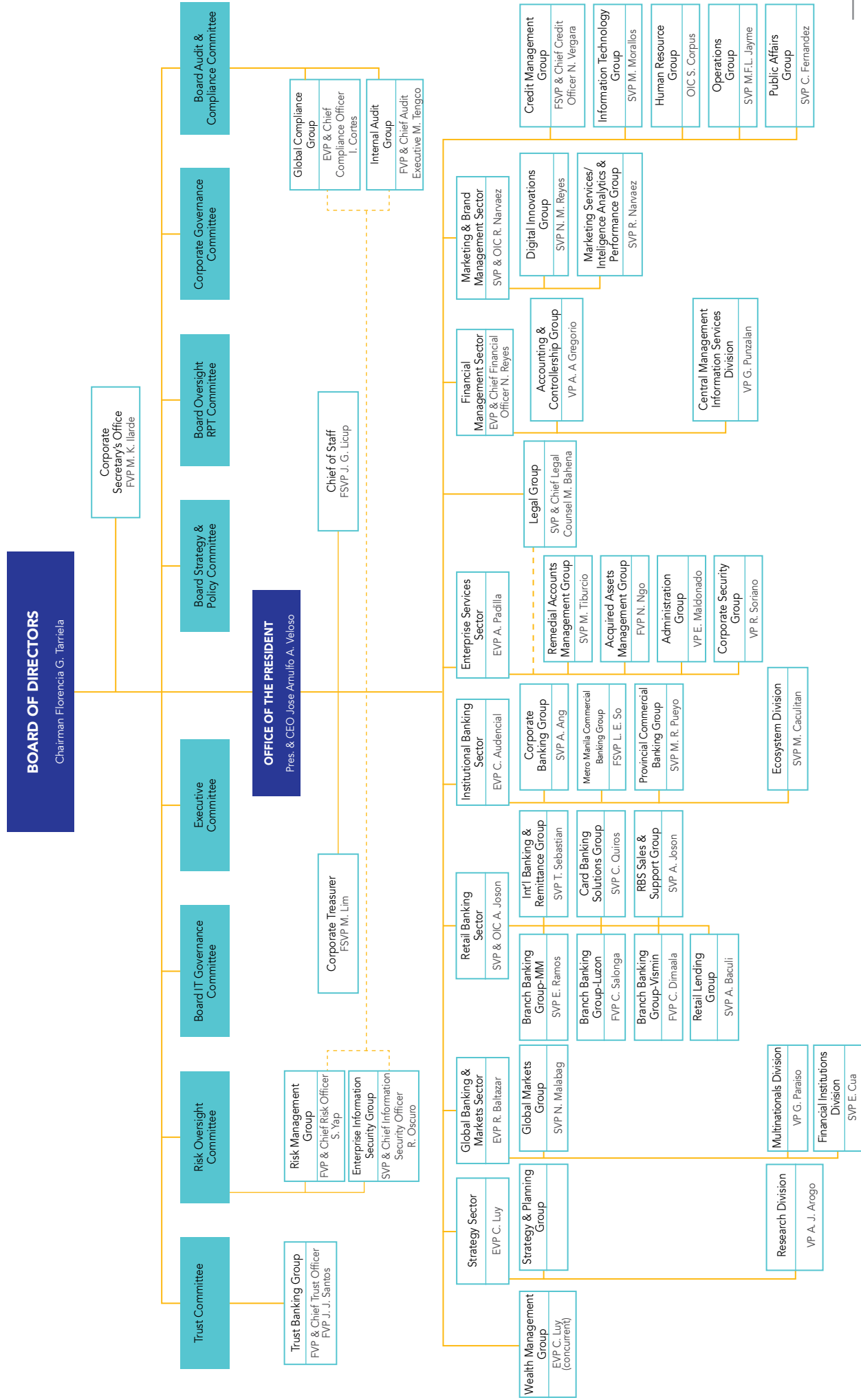
1. PNB Management and Development Corporation

Dormant Overseas Subsidiaries

1. PNB Corp. Guam
2. PNB Investment Ltd.

Table of Organization

As of March 17, 2020
GRI 102-5



Sustainability Report

Introduction

We strongly believe that the success of our Bank is defined by the health of its business, the well-being of its employees, customers, and stakeholders, and the good future of generations to come. It is our aim to contribute positively to the country's economy, our society, and the environment by focusing on initiatives which promote ethical business practices, strong corporate governance, and sound risk management.

PNB's Sustainability Policy, illustrating our mission, was developed to guide us in conducting our business responsibly. This Policy is aligned with the United Nations' Sustainable Development Goals (SDGs). The Corporate Sustainability Unit of Public Affairs Group, formally established in August 2019, proactively engages employees in living out this mission.

Moreover, we are committed to embodying the values of diversity and inclusion as part of our culture. In August 2019, we joined the Philippine Business Coalition for Women Empowerment (PBCWE) which makes us the first local universal bank to undergo the Economic Dividends for Gender Equality (EDGE) assessment in preparation for our EDGE Certification.

Our Sustainability Policy

PNB is a Filipino, private, universal bank with a global presence committed to provide relevant financial solutions to customers anywhere in the world. We generate value through our strategy focused on Safe, Aggressive, and Profitable Growth.

Our capacity to grow and sustain our business are contingent on the quality of our human capital, the condition of our physical resources, the viability of our initiatives, and our relationship with customers, employees, and stakeholders.

We believe that Sustainability starts from within, that is, by cultivating an inclusive and collaborative work culture, helping all employees, regardless of gender and background, have equal access to relevant training and opportunities to develop skills and capabilities needed to succeed and improve their well-being. Through this policy, the Bank commits to educate and engage its employees, leading them to align with PNB's thrust on sustainability.

Hence, for PNB, Sustainability means:

- Ensuring the longevity of our business by maintaining profitability, attracting and retaining the right talents, providing relevant financial solutions, caring for our tangible and intangible resources, and upholding a culture of continuous improvement;
- Providing our employees with the right competencies and learning opportunities as well as equal access to programs that can enhance productivity leading to self-sufficiency and a better quality of life; and
- Promoting the well-being of our stakeholders by keeping a healthy ecosystem of customers and partners.

Our Sustainability Pillars

Our economic, social, and environmental responsibility includes complying with the relevant laws, rules, and regulations. Hence, our focus on the following Pillars:

1. Economic

- Revenue growth, profitability, and business continuity.
- Financial wellness and long-term value for customers, employees, and stakeholders.
- Financial inclusion through available products and services.

2. Social

- Succession planning through capability building, leadership development, and strategic talent acquisition.
- Improvement in our employees' quality of life.
- An empowering and non-discriminatory culture where our employees, customers, and stakeholders are treated fairly and given equal opportunities.
- Positive contributions to communities through employee volunteerism and other initiatives imbuing responsible corporate citizenship.

3. Environmental

- Efficient use of natural and man-made resources.
- Reduced environmental footprint of the Bank and our employees.

4. Governance

- Compliance with all applicable laws, rules, and regulations that govern our business.
- Transparency and accountability in all areas of our operations.

Our Commitment

1. For our people, we will:

- Provide a safe, respectful, and collaborative work environment that cultivates personal and professional growth.
- Educate, encourage, and inspire employees in contributing positively to their respective communities.
- Provide access to various skills development and learning programs relevant to our employees' existing functions and target roles.
- Provide equal opportunities for candidates to be hired without biases on their skills and competencies.
- Provide equal opportunities for employees to be promoted based on performance, potentials, and aspirations, regardless of gender and background.
- Eliminate biases, whether conscious or unconscious, towards certain groups or individuals and ensure that decisions are rendered objectively and fairly.
- Promote gender equality in employment and in the workplace.

2. For our customers and stakeholders, we will:

- Ensure the continuity of our business through strategic succession planning.
- Support businesses and projects that foster economic and inclusive growth, social development, environmental protection, and nation-building.
- Promote financial wellness and create value through tailor-fit products and services.

3. For our shareholders and regulators, we will:

- Adhere to all applicable laws, rules, and regulations governing our scope of business and areas of operations.
- Report the progress and milestones of our Sustainability Programs to the Board of Directors at least semi-annually.
- Review and update our Sustainability Policy at least annually.

4. For our environment, we will:

- Reduce the environmental impact of our operations through the efficient use of natural or man-made resources.
- Adapt eco-friendly technologies.

Our Contribution to the United Nations' Sustainable Development Goals (SDGs)

Realizing our capacity for contributing to sustainable development, we will align our initiatives with the United Nations' SDGs to ensure the success of our business, the well-being of our employees, customers, and stakeholders, and the good future of generations to come.



Setting the Tone from the Top

GRI 102-29, 102-32

Driving our Sustainability thrusts are the Chairperson of the Board of Directors and the President & CEO. As our Sustainability Champions, both play vital roles by influencing the Bank's Management Team on integrating aspects of Sustainability in our scope of business and areas of operations.

To centralize all our efforts, the Corporate Sustainability Unit was established in August 2019. Reporting under the Public Affairs Group, the unit is tasked to develop and implement the Bank's Sustainability initiatives with guidance from the Office of the President and the Corporate Governance & Sustainability Committee, a Board-level committee tasked to promote environmental, social, and governance advocacies and exercise corporate governance oversight functions.

Report Coverage and Parameters

GRI 102-50, 102-54

This report is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option, reflecting our Bank's significant financial, social, and environmental contributions from January 1 to December 31, 2019.

Sustainability Report

Stakeholder Engagement

GRI 102-40, 102-42, 102-43, 102-44

At PNB, we do not only aim to meet the fast-paced and ever-changing needs of the market but we also endeavor for our company to grow and stay relevant in the banking industry while contributing positively to the country's economy, our society, and the environment.

We recognize that the health of our business and the Sustainability of our company are connected with the long-term interests of our stakeholders; hence, we are cognizant of their concerns and expectations which influence our strategy, business operations, and work culture.

OUR STAKEHOLDERS	MODE OF ENGAGEMENT	KEY CONCERNS AND EXPECTATIONS	OUR RESPONSE
Employees	<ul style="list-style-type: none"> Regular meetings Letters / correspondences Emails Townhall meetings / events Surveys 	<ul style="list-style-type: none"> Work-life balance Competitive compensation and benefits Training and development Career progression Improvement of infrastructure and facilities Opportunities for volunteerism and community engagement 	<ul style="list-style-type: none"> Year-round initiatives and programs to promote employee well-being: training and development, employee welfare and wellness, employee recognition, and enhanced performance appraisal by our Human Resource Group Volunteerism or community outreach opportunities for our employees in partnership with Corporate Sustainability Unit, Human Resource Group, and other units of the Bank
Customers	<ul style="list-style-type: none"> Face-to-face contact with Relationship Managers and Branch personnel Telephone calls Letters/correspondences Website Emails Social Media Special events 	<ul style="list-style-type: none"> Products and services that are responsive to their needs Efficient customer service Protection of client information Accessibility and convenience of customer touchpoints Competence of Bank personnel to answer inquiries, complaints, and concerns 	<ul style="list-style-type: none"> Branch presence across the globe, offering relevant financial solutions A reliable 24/7 customer service hotline Enhanced strategic recruitment efforts to attract a highly professionalized, competent workforce
Investors / Shareholders	<ul style="list-style-type: none"> Letters/correspondences Emails Special events Annual Stockholders' Meeting Investor Briefings Investor Relations Program 	<ul style="list-style-type: none"> Strong financial performance Shareholder returns Corporate governance Transparency and disclosure Continued business growth Compliance with globally accepted financial reporting standards 	<ul style="list-style-type: none"> Established a corporate governance framework in accordance with global standards and best practices Strong Board and Management oversight Transparency and accountability
Regulators	<ul style="list-style-type: none"> Periodic examinations Letters /correspondences Meetings 	<ul style="list-style-type: none"> Conduct of sound business practices Compliance to laws, rules, and regulations Transparency and accountability Liquidity and capital adequacy to operate as a universal / commercial bank Timely and accurate submission of financial and regulatory reports 	<ul style="list-style-type: none"> Timely and accurate regulatory reports Transparency and accountability Proactive dialogue Full compliance / adherence to banking laws, rules and regulations in the country and overseas
Communities	<ul style="list-style-type: none"> Financial Literacy / Financial Wellness Seminars or Caravans Charitable / Philanthropic Contributions Environmental and sustainability projects or initiatives Partnerships with credible NGOs, Foundations, LGUs, or Civil Society Organizations 	<ul style="list-style-type: none"> Knowledge of basic money management Projects that support economic, social, and environmental landscape of the community Support / assistance during times of man-made or natural disasters 	<ul style="list-style-type: none"> Financial inclusion through financial literacy programs Partnerships with credible social development organizations, LGUs, academic institutions, and civil society organizations within the CSR and sustainability focus of the Bank Support of charitable and philanthropic causes on education, environment, and social welfare development Support of affected communities where the Bank has presence during times of natural and man-made calamities (i.e., relief operations) with assistance from our employees, our subsidiaries, and affiliates

Reporting Process

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

Our Sustainability Report was prepared in coordination with the Lucio Tan Group of Companies (LTG) and SGV & Co.

In mid-2019, LTG and its subsidiaries, including PNB, enlisted the services of SGV & Co. to assist in the prioritization of each member company's material sustainability issues to drive the framework and content of their respective reports.

In preparation for our Sustainability Report, the Corporate Sustainability Unit worked closely with LTG and SGV & Co., from the task of engaging our internal stakeholders, identifying and prioritizing issues that are important to the Bank and our stakeholders to gathering relevant data and information from our concerned units.

By going through our preparations, we developed an appreciation for our existing best practices as well as an understanding of the gaps and challenges that we are facing. Our company's and stakeholders' focus and interests change overtime. In order to stay relevant in the banking industry, we recognize our capacity to improve on how we do our business and how we operate. Likewise, we recognize the importance of addressing the needs of our stakeholders, caring for our environment, and contributing significantly to social welfare development and nation-building.

Below is the process our Bank went through in preparing this Sustainability Report:

ENGAGING THE STAKEHOLDERS	ASSESSMENT AND VALIDATION OF MATERIAL TOPICS	DATA GATHERING AND REPORT WRITING	MANAGEMENT REVIEW
<ul style="list-style-type: none"> Conducted the sustainability report kick-off meeting among concerned business units of the Bank to orient them on the relevance of the Sustainability Report to the Bank and its business, and to discuss the GRI report template 	<ul style="list-style-type: none"> Conducted a desktop assessment of internal documents and external sources to understand the relative importance of the preliminary material issues Developed a preliminary materiality matrix from the review of internal and external documents of the Bank Conducted a materiality assessment workshop with key internal stakeholders in which attendees voted on the importance of the preliminary listing of material issues Developed the final matrix of material topics from the desktop assessment and workshop conducted Conducted a meeting with the management to validate the top material sustainability issues of the Bank 	<ul style="list-style-type: none"> SGV & Co developed and provided a report template for PNB and other LTG member companies to use in gathering data Using the GRI reporting standards, relevant data and information pertaining to the Bank's existing and future economic, environmental and social initiatives were collected and collated 	<ul style="list-style-type: none"> Upon completion, the report went through a three (3)-level review and affirmation of disclosures: <ul style="list-style-type: none"> (1) concerned participating business units; (2) Global Compliance Group; and (3) Corporate Governance / Nomination / Remuneration and Sustainability Committee.

Sustainability Report

Our final materiality assessment matrix outlines all topics crucial to our company and our stakeholders. Based on the results, a total of 37 issues were originally identified covering economic, social, environmental, and governance categories. The table adjacent to the matrix lists down the top 10 key material issues for prioritization. Economic performance, employment, and risk management are considered as the highest-ranking issues of the Bank.



Rank	Key Material Issues
1	Economic Performance
2	Employment
3	Risk Management
4	Socio-economic Compliance
5	Customer Data Privacy and Security

Rank	Key Material Issues
6	Anti-Corruption
7	Digital Transformation and Innovation
8	Customer Engagement and Satisfaction
9	Learning and Development
10	Indirect Economic Impact

It is important to note that the list of topics most relevant to our stakeholders this year is the same with the previous year's, except for the inclusion of topics such as Digital Transformation and Innovation and Customer Engagement and Satisfaction. This is consistent with the Bank's vision to use digital platforms to connect and help support the economy, keeping in mind our customers and their needs in this fast-paced and ever-changing times.

Topics related to environment such as energy efficiency, water and waste management, greenhouse gas emissions and climate change, on the other hand, were also considered important this year but ranked lower compared to other topics that concern the business, our customers, our employees, and society in general.

Our final materiality assessment this year reflects the Bank's focus on improving our business performance while working on equipping our employees with the necessary skills and tools useful for contributing to the growth and longevity of our business and operations.

Contact Information

GRI 102-53

We value your feedback. For any inquiries or comments, you may contact us through the following:

PNB Office of the Corporate Secretary

9/F PNB Financial Center,
Pres. Diosdado Macapagal Boulevard, Pasay City
Tel. No.: (+632) 8 526-3131 local 4106
Stockholder Relations Officer: Atty. Maila Katrina Y. Ilarde
Email: ilardemky@pnb.com.ph

PNB Investor Relations Unit

9/F PNB Financial Centre, Pres. Diosdado Macapagal
Boulevard, Pasay City
Tel. No.: (+632) 8 526-3131 local 2120
Investor Relations Officer: Ms. Emeline C. Centeno
Email: centenoec@pnb.com.ph

PNB Customer Hotline:

(+632) 8 573-8888
Email: customercare@pnb.com.ph

ECONOMIC PERFORMANCE

GRI 103-1, 103-2, 103-3, 201-1
UN SDG 1, 8, 10

Economic Performance ranked as the top material issue for the Bank and our stakeholders since 2017, when we first began our Sustainability reporting.

As a financial institution, the Bank generates and distributes economic values to various stakeholders, namely: salaries and benefits of employees, taxes paid to the government, payments to suppliers and service providers for products and services rendered, dividends for shareholders, and donations or charitable contributions for disadvantaged and marginalized sectors in the society.

The table below shows that the Bank's economic value for the society significantly increased in 2019 from 2018 as we became more active in our Sustainability efforts and as we began to position ourselves as a Partner of the government in social welfare development and nation-building.

Economic Value Distribution Table

Economic Impact (In Philippine Peso)	2018 In Millions	% of Total	2019 In Millions	% of Total
Amount paid to suppliers / vendors	3,753	22.21%	4,358	23.20%
Consolidated membership fees and dues	17	0.10%	18	0.10%
Consolidated charitable contributions and sustainability-related activities and initiatives	15	0.09%	46	0.24%
Wages and benefits paid to employees	9,380	55.52%	9,547	50.82%
Dividends paid to stockholders	0	0.00%	0	0.00%
Taxes paid to government	3,729	22.07%	4,818	25.64%
TOTAL	16,894	100.00%	18,787	100.00%

Sustainability Report

Dividend Policy

We adopt a dividend policy where “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”.

Supply Chain Management

GRI 102-9
UN SDG 10, 12

We adhere to the Vendor Management Policy which requires business owners to periodically evaluate the capacity and technical capability of their external vendors and suppliers. The Bank’s Procurement Committee, which is composed of senior management officers from different sectors, convene regularly to review and deliberate on each submitted bids of accredited suppliers and vendors.

The Bank, through Corporate Services Division, follows a simple procurement process of (1) sourcing from accredited suppliers and vendors, (2) canvassing and bidding, (3) review / assessment of bids, (4) and awarding of contracts. However, there are cases that non-accredited suppliers and vendors are engaged by the Corporate Services Division and this is only allowed if the purchase / sourcing is seasonal / occasional, one-time, or considered an emergency.

To ensure consistency of standard and specification of all our offices and branches, the Bank sources its purchases and services from Metro Manila-based suppliers and vendors. Some purchases and services, however, are sourced from local suppliers and vendors (province-based) to minimize the logistical costs.

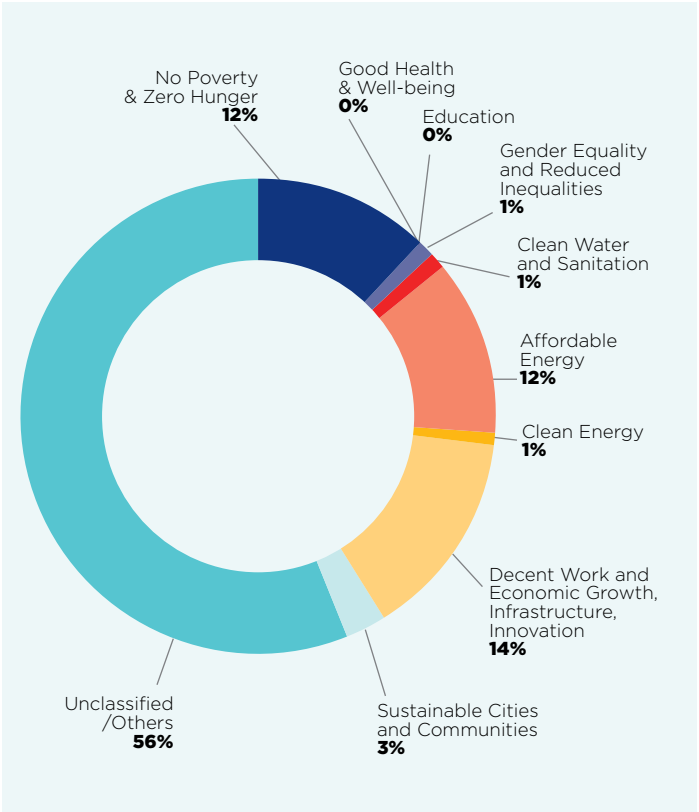
Supporting Businesses Contributing to Sustainable Development & Nation-Building

GRI 103-1, 103-2, 103-3, 203-1, 203-2
UN SDG 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 17

The Bank’s Institutional Banking Sector (IBS) adheres to the principle of Cognizant ESG Lending supporting businesses and industries that promote and contribute to countryside development and nation-building, environmental protection and conservation, and sustainable development. As with the other loan accounts, these type of businesses and projects for the Bank’s financing are evaluated in compliance with regulatory and internal requirements and requires the necessary committee approvals.

The chart below shows the Bank’s portfolio geared to support the achievement of the United Nations’ SDGs. Over 40% of the total loans of the Bank in 2019 was used to finance business and projects that support and contribute to sustainable development.

Identified UN SDG to Total Bank Portfolio



The Bank has supported more business and industries that are into (1) food manufacturing and production; (2) energy transmission, generation, distribution; and (3) infrastructure development.

In compliance with the BSP’s 2019 Circular requiring all banks to integrate environmental, social, and governance financing guidelines in their business operations, we drafted our own Sustainable Financing Policy and Framework for lending and investing. Once approved, the said policy and framework will allow the Bank to effectively assess and manage our environmental and social risks and impacts associated with supporting particular businesses, projects, and industry sectors.

ENVIRONMENTAL IMPACT

Although environmental concerns ranked lower in the Bank's materiality assessment, we consider these as an integral part of our business and operations. To show our commitment to mitigating climate change, we began to take concrete actions by raising environmental awareness among our employees through campaigns and initiatives for reducing the Bank's environmental footprint such as improving energy and water consumption, implementing proper waste management, and ensuring that the businesses, projects, and industries we support are also environmentally compliant.

The report below covers the environmental footprint of the Bank's headquarters in Metro Manila, namely, the PNB Financial Center in Pasay City and PNB Makati Center in Makati City. The Bank aims to report on its countrywide environmental footprint in 2021, covering our branches and offices all over the Philippines.

Assessing the Environmental Impact of Our Supported Businesses

GRI 103-1, 103-2, 103-3, 308-1
UN SDG 9,11



The Bank ensures that the businesses and industries we support are compliant with environmental regulations and laws through covenants provided for in financial agreements or contracts and submission of permits such as Environmental Compliance Certificates (ECC) issued by the Department of Environment and Natural Resources (DENR) and other pertinent government agencies.

Businesses such as power, water, infrastructure, industrial, and mining projects situated in environmentally critical areas such as national parks, sanctuaries, and potential tourist spots are considered Environmentally Critical Projects (ECPs). Thus, these ECPs are required to submit Environmental Assessment Reports as part of their loan requirements, and their business proposals are reviewed and carefully deliberated on by relevant Bank committees. Upon granting approval on the loan, the

Bank continuously monitors the environmental compliance, including the climate change related risks and impacts of these ECPs to the overall business during the period of engagement and partnership.

For 2019, the Bank provided financing for environmentally compliant ECPs as follows:

- Operation of Toll Roads and Bridges;
- Generation and Distribution of Power and Water;
- Construction of Green or LEED buildings and infrastructure; and
- Real Estate Development.

Participating on the Earth Hour and World Water Day

UN SDG 6, 7, 13



During the water and power crisis on the first and second quarters of 2019, the Bank encouraged all employees to contribute in reducing the use of electricity and conserving water at work and in their own homes by actively participating in the World Water Day last March 22, 2019 and the Earth Hour last March 30, 2019.

The World Water Day is a yearly international day of observance declared by the United Nations to help spread awareness on the importance of water conservation and inspire people to take steps in making safe water available for everyone.

The Earth Hour, on the other hand, is the annual 60-minute "lights-off" global movement led by the World Wildlife Fund for Nature (WWF) that aims to empower individuals, organizations, and governments to take tangible actions to help protect the planet. In solidarity with the rest of the country and the world, the Bank turned off all non-essential lights in its branches and offices from 8:30PM to 9:30PM, including the lights on all its billboards nationwide. The Bank also initiated a call tree advisory among its employees on March 29, 2019 and March 30, 2019 encouraging them to join the 60-minute symbolic switch off of non-essential lights and appliances in their own homes.



Sustainability Report

Project P.L.A.N.E.T. and the Campaign to Reduce Single-Use Plastics at Work

UN SDG 12, 13



In July 2019, we launched Project P.L.A.N.E.T. (Protect, Love, And Nurture the Environment Together), an internal campaign which aims to raise environmental and sustainability awareness among employees and inspire them to reduce their environmental footprint at work and in their own homes.

A component of Project P.L.A.N.E.T. is a 6-month long campaign piloted at the PNB Financial Center and PNB Makati Center that aims to reduce the Bank's consumption of single-use plastics as our commitment to mitigate the effects of climate change, protect the seas and oceans, and preserve underwater wildlife.

The Bank's Corporate Sustainability Unit, together with the Human Resource Group and the Food Committee, oriented the food concessionaires on the campaign. They were also consulted and requested to provide alternatives to single-use plastic packaging and utensils such as food-grade containers and paper boxes, paper cups, and bamboo-made or starch-made eating utensils. In addition, the employees were also encouraged to reduce their usage of single-use plastics by discontinuing the use of plastic straws and using their own food containers when buying meals or snacks from canteen concessionaires. Since the start of the campaign in July 2019, the Bank was successful in reducing the monthly consumption of the following single-use plastics:

Type of Single-Use Plastics	Monthly Inventory before the Campaign	Average Monthly Inventory by End of 2019
Sando Bags	26,100 pcs	0
Plastic Bags for Viands	42,760 pcs	220 pcs
Plastic Straws	8,800 pcs	0
Plastic Stirrers	10,200 pcs	0
Plastic Spoons, Forks	21,225 pcs spoons 21,959 pcs forks	50 pcs spoons 50 pcs forks
Plastic Lids (on coffee / drinks)	4,678 pcs	1,300 pcs
Plastic Cups	5,274 pcs	25 pcs
Styrofoam / polystyrene containers	0	0

Power and Fuel Consumption

GRI 103-1, 103-2, 103-3, 302-1, 302-4
UN SDG 7, 8, 12, 13

The Bank's Administration Group monitors our overall power and fuel consumption, and comes up with initiatives to help reduce our greenhouse gas emissions.

The tables below illustrate the energy and fuel consumption which are the main greenhouse emissions at our headquarters in Metro Manila for 2019. The Bank's Pollution Control Officers monitor our emissions and ensure effective compliance.

Energy Consumption Table

2018		
HEADQUARTERS	POWER CONSUMPTION (in KWh)	COST (in millions)
PNB Financial Center (Pasay)	10,362,210.55	74,236,524.32
PNB Makati Center (Ayala Avenue)	8,241,400.55	62,300,000
2019		
HEADQUARTERS	POWER CONSUMPTION (in KWh)	COST (in millions)
PNB Financial Center (Pasay)	8,917,026.39	62,482,268.25
PNB Makati Center (Ayala Avenue)	9,224,938	66,400,000

The decrease in the energy consumption of PNB Financial Center was due to the continuous use of LED lighting fixtures, conversion of remaining conventional bulb and fluorescent lighting fixtures into LED, and proper scheduling of chiller operation.

PNB Makati Center, on the other hand, increased its power consumption in 2019 despite converting conventional bulb and fluorescent lighting fixtures to LED. The increase in energy consumption is mainly due to the series of construction work in different operating floors of the said building. The Administration Group plans to reduce the energy consumption of PNB Makati Center beginning next year by employing energy saving measures such as replacement of conventional air conditioning units with energy efficient or inverter-type air conditioning units, replacement of all electronic ballast fluorescent light to LED tube lights, and retrofiting of energy efficient elevators among others.

Fuel Consumption Table

2019		
HEADQUARTERS	FUEL CONSUMPTION (in liters)	COST (in millions)
PNB Financial Center (Pasay)	55,718.95	2,764,426.07
PNB Makati Center (Ayala Avenue)	2,897	115,880.00

The fuel consumption table above includes fuel consumed by the Bank's motor pool and the generator sets of our headquarters in Metro Manila. Regular maintenance of the generator sets and Bank vehicles are conducted for fuel efficiency and for reduction of carbon emissions.

Our Water Consumption

GRI 103-1, 103-2, 103-3, 303-1, 303-2, 303-4, 303-5
UN SDG 3, 6, 12

The water supply of our headquarters is sourced from third party service providers. Water supply for PNB Makati Center is sourced from Manila Water, while PNB Financial Center's water source is Maynilad. Water supplied by Manila Water and Maynilad are stored in cistern tanks located at the basement of PNB Makati Center and the ground level parking area of PNB Financial Center, respectively, and are then pumped and distributed to different water lines for use in toilets, urinals, water closets and washbasins.

The table below illustrates the water consumption of the Bank, reflecting a significant increase in the consumption at PNB Makati Center due to the increase in the water rate during the year, as well as the construction work in said building.

Water Consumption Table

2018		
HEADQUARTERS	WATER CONSUMPTION (in megaliters)	COST (in millions)
PNB Financial Center (Pasay)	147.277	15,005,203.89
PNB Makati Center (Ayala Avenue)	58.36	4,900,000

2019		
HEADQUARTERS	WATER CONSUMPTION (in megaliters)	COST (in millions)
PNB Financial Center (Pasay)	148.436	16,519,148.95
PNB Makati Center (Ayala Avenue)	64.17	5,900,000

Water is one of the main resources that the Bank uses for operating its business. As a natural resource that is easily depleted, we take concrete steps for conserving water in all our branches and offices. Among the measures taken by the Bank for reducing consumption and conserving water is decreasing the water volume required to flush urinals and toilet bowls and replacing defective faucets, pipes, flushometers, urinals and water closet fittings, and submersible transfer pumps among others.

Resource and Waste Management

GRI 103-1, 103-2, 103-3, 306-2
UN SDG 3, 6, 12

The Bank, through our Administration Group, observes proper waste disposal for reducing our environmental footprint by engaging the services of environmentally compliant and DENR-accredited service providers.

Effluent water or wastewater discharged by our headquarters are mainly from toilets and cafeterias. For PNB Makati Center, wastewater is directly discharged to the sewer line of Manila Water which then goes to the Manila Water's centralized treatment plants also located in Makati. Wastewater from PNB Financial Center, on the other hand, is treated in its own Sewage Treatment Plant located inside the complex and is then released to Manila Bay after the treatment.

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Manila Water, Maynilad, and DENR's Laguna Lake Development Authority regularly tests the wastewater of the Bank's headquarters to see if this is still within the acceptable parameters or range of effluent water characteristics for conventional pollutants.

Domestic and hazardous waste from the PNB Makati Center are collected by the Makati Commercial Estate Association, Inc. (MACEA) while an outsourced service provider accredited by DENR collects the domestic and hazardous wastes from PNB Financial Center and are disposed in DENR-accredited landfills. The table below illustrates the list of common wastes from the Bank's headquarters.

QUANTITY / VOLUME COLLECTED IN		
WASTE CATEGORY	2018 (metric tons)	2019 (metric tons)
NON-HAZARDOUS		
• Solid Waste	20.8	144
HAZARDOUS		
• Used Oil	0.6	1.3
• Lead Acid Batteries	0.12*	0.24
• Busted Fluorescent /LED Lights	0.064*	0.86
• Contaminated Rugs	0.02	0.024
• Expired Paints	0.0189	0.0235
• Ozone depleting substances	0.1	0.1
• Electronic Wastes	0.1	0.08

*Weight in metric ton based on estimates only.

Paper wastes, on the other hand, are sold to recycling centers for a fee. Proceeds from the sale of paper wastes are then used by the Administration Group to support or fund the waste management activities of the Bank. To help reduce copy paper wastage, the Bank encourages employees to use the blank side of copy papers for draft documents instead of using fresh, clean ones.

The Cards Banking Solutions Group has also shifted to issuance of electronic statement of accounts (e-SOA) to its card clients which helps reduce the Bank's paper consumption and environmental footprint. The table below illustrates a significant decrease in the consumption of copy paper and Bank forms in 2019.

Paper Consumption Table

2018		
Description	Qty.	Total Amount (PhP)
Copy Paper Short	51,977 reams	6,632,784.97
Copy Paper Long	22,619 reams	3,432,433.25
Deposit Slip	486,700 pads	13,140,900.00
Withdrawal Slip	116,600 pads	2,477,750.00
Signature Card	1,090,800 pcs	370,872.00
Customer Information Form - Individual	754,900 pcs	513,332.00
Customer Information Form - Business	45,300 pcs	45,300.00
Cash Transfer Slip	63,200 pads	638,320.00
TOTAL:		27,251,692.20
2019		
Description	Qty.	Total Amount (PhP)
Copy Paper Short	43,879 reams	5,599,399.19
Copy Paper Long	19,317 reams	2,465,042.37
Deposit Slip	381,428 pads	10,298,556.00
Withdrawal Slip	41,800 pads	888,250.00
Signature Card	1,521,800 pcs	517,412.00
Customer Information Form - Individual	464,970 pcs	316,179.60
Customer Information Form - Business	60,000 pcs	60,000.00
Cash Transfer Slip	45,100 pads	455,510.00
TOTAL:		20,600,349.20

SOCIAL PERFORMANCE

Caring for Our People

Our people are our valued resource. It is to our people that we owe our success in the banking industry for over a century. Hence, the Bank continues its efforts to ensure that it has a steady pool of qualified and competent talents, and commits to their overall improvement and well-being by adhering to strict labor laws and regulations, implementing fair employment practices, promoting work-life balance, and cultivating a culture of community engagement, gender equality, and diversity and inclusion in employment and in the workplace.

The Philnabankers at a Glance

GRI 102-7, 102-8, 102-41, 103-1, 103-2, 103-3, 401-1, 405-1
UN SDG 5, 8

The Human Resource Group has the role and is responsible for recruiting, developing, and maintaining the pool of talents for the Bank's overseas and domestic operations. Hiring of new employees, particularly for officers, go through a strict review process and are subject to committee and Board approvals.

As of December 31, 2019, the Bank has a total of 8,550 full-time and permanent employees. The female population in 2019 took up 66.16% (5,657) of the total employee population, with the number of female employees slightly higher in 2019 than in 2018. The Bank continues to maintain a gender disparity of 2:1 ratio as the male population is only 33.84% of the total workforce compared to the female population of 66.16% of the total workforce. 49% or 4,232 of the total manpower complement of the Bank is covered by the Collective Bargaining Agreement (CBA).

GENDER	NO. OF EMPLOYEES	
	2018	2019
Female	5,512	5,657
Male	2,754	2,893
Total	8,266	8,550

RANK	NO. OF EMPLOYEES	
	2018	2019
Officers	4,011	4,318
Rank and File	4,255	4,232
Total	8,266	8,550

Employee Breakdown Per Gender, Age, Rank, Business Group

Gender & Age	2018	2019
Male		
Under 30	876	855
31 to 50	1,482	1,529
51 and over	396	509
Female		
Under 30	1,937	1,809
31 to 50	2,712	2,736
51 and over	863	1,112
Total	8,266	8,550

Sustainability Report

RANK	2018			2019		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
President & CEO	0	1	1	0	1	1
Executive Vice President	0	3	3	1	6	7
First Senior Vice President	3	1	4	3	2	5
Senior Vice President	18	12	30	15	14	29
First Vice President	21	18	39	26	21	47
Vice President	32	21	53	32	28	60
Senior Assistant Vice President	54	44	98	75	50	125
Assistant Vice President	116	74	190	122	72	194
Senior Manager	161	102	263	179	114	293
Manager 2	215	129	344	238	145	383
Manager 1	423	205	628	502	248	750
Assistant Manager 2	814	343	1,157	854	326	1,180
Assistant Manager 1	849	352	1,201	849	395	1,244
Senior Specialist	224	139	363	207	154	361
Specialist	247	144	391	216	140	356
Senior Assistant	376	205	581	395	213	608
Assistant	856	429	1,285	839	403	1,242
Senior Clerk	1,103	530	1,633	1,104	559	1,663
Junior Clerk	0	2	2	0	2	2
TOTAL	5,512	2,754	8,266	5,657	2,893	8,550

BUSINESS GROUP / UNIT	Permanent Employees		
	Male	Female	Total
CORPORATE SECRETARY'S OFFICE	4	13	17
CREDIT MANAGEMENT GROUP	153	113	266
ENTERPRISE INFORMATION SECURITY GROUP	12	7	19
ENTERPRISE SERVICES SECTOR	157	163	320
FINANCIAL MANAGEMENT SECTOR	53	109	162
GLOBAL BANKING AND MARKETS SECTOR	23	36	59
GLOBAL COMPLIANCE GROUP	24	30	54
HUMAN RESOURCE GROUP	126	239	365
INFORMATION TECHNOLOGY GROUP	228	142	370
INSTITUTIONAL BANKING SECTOR	105	239	344
INTERNAL AUDIT GROUP	54	91	145
MARKETING AND BRAND MANAGEMENT SECTOR	17	25	42
OFFICE OF THE CORPORATE TREASURER	3	18	21
OFFICE OF THE PRESIDENT	4	2	6
OPERATIONS GROUP	292	496	788
PUBLIC AFFAIRS GROUP	2	6	8
RETAIL BANKING SECTOR	1,580	3,798	5,378
RISK MANAGEMENT GROUP	16	32	48
STRATEGY SECTOR	6	16	22
TRUST BANKING GROUP	24	60	84
WEALTH MANAGEMENT GROUP	10	22	32
Total	2,893	5,657	8,550

Majority of employees of the Bank are still within the 31-50 years age range, comprising 49.88% or 4,265 of the total employee population in 2019. The number of employees with officer level ranking is slightly higher in 2019, with 33.89% or 2,892 of the key management positions from Assistant Manager 1 (AM1) to Executive Vice President (EVP) rank held by the women.

Among the different business groups and units of the Bank, the Retail Banking Sector, where the Branch Banking Group belongs, continues to have the most number of employees (5,378) followed by the Operations Group (788) and Information Technology Group (370).

Breakdown of New Hires per Age, Gender and Rank

AGE RANGE OF NEW HIRES	2018			2019		
	FEMALE	MALE	TOTAL	FEMALE	MALE	TOTAL
Under 30	338	188	526	369	246	615
31 to 50	57	44	101	66	75	141
51 and over	4	5	9	9	11	20
Total	399	237	636	444	332	776

For 2019, the Human Resource Group recruited 776 new hires, comprising 9.08% of the total employee population and increasing the hiring rate of the Bank by 22% from 636 in 2018 to 776 in 2019. There were more women new hires in 2019 at 57.2% or 444 compared to male new hires at 42.8% or 332 of the total new hires. Moreover, majority of the new hires (79.25%) belong to the below 30 age bracket or the so-called millennials, with most of them within the rank and file category.

The Bank's turnover rate also significantly improved from 7.81% in 2018 to 5.98% in 2019, with the women (61.64%) and employees below 30 years of age (37.57%) leaving the Bank more than the men and those beyond 30 years of age.

As part of its strategic recruitment efforts, the Bank joins job fairs of credible and reputable partner universities and colleges, as well as made use of referrals from the employees and social media channels such as LinkedIn and JobStreet in reaching out to fresh graduates and new talents to meet the diverse manpower complement requirement of the Bank.

Remuneration and Benefits Package

GRI 103-1, 103-2, 103-3, 401-2, 401-3
UN SDG 8

PNB considers its employees not only as its most valued resource but also as significant partners in its success and journey towards sustainability. As a way of taking good care of our people, the Bank commits to providing its employees with a more competitive and holistic benefits and rewards program through the Human Resource Group's "COMPLETE", which stands for Compensation and Benefits, Monetary Allowance, Perks and Privileges, Life-Work Effectiveness, Employee Rewards and Recognition, Training and Development, and Engagement.

The Bank's benefits and rewards package continues to be the most competitive in the industry. Our full-time employees are entitled to and provided all government-mandated benefits. In addition to a competitive salary and law-mandated benefits, our employees are also provided a comprehensive health care plan, group life insurance coverage, retirement plan, guaranteed bonuses, free uniforms or uniform allowance, holiday pay, monthly rice subsidy, and loyalty awards. Eligible employees can also avail of car plans, housing loans, and even personal loans. They can also extend their health care plan to their dependents and even apply for scholarship for their children dependents through Tan Yan Kee Foundation, the corporate social responsibility arm of the Lucio Tan Group of Companies.

The Bank provides more than what the law requires in terms of leaves in order to promote work-life balance among our employees. We encourage our employees to avail their sick, vacation, and mandatory leaves to help them recover, re-energize, and spend quality time with their families. Other leaves available for eligible employees include birthday leave, emergency leave, solo parent leave, paternity and maternity leaves, bereavement leave, special leave for female employees, and special leave for victims under the Anti-Violence Against Women and Children Act of 2004.

The Bank is also supportive of its employees who have become new parents and encourages them to avail of their parental leaves to help them recover physically and adjust to their new role as parents. For 2019, there were a total of 164 employees who took parental leaves, 95.12% of which are female. Out of this number, only 160 or 97.56% of the employees returned to work after their parental leave during the reporting period.

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2018			
	FEMALE	MALE	TOTAL
No. of qualified employees who took parental leave	150	7	157
No. of qualified employees who took parental leave and returned after the leave expired	150	7	157
No. of qualified employees who took parental leave and returned and were still employed as of March 2020	142	5	147
2019			
	FEMALE	MALE	TOTAL
No. of qualified employees who took parental leave	156	8	164
No. of qualified employees who took parental leave and returned after the leave expired	152	8	160
No. of qualified employees who took parental leave and returned and were still employed as of March 2020	152	8	160

In line with the Bank's commitment to gender equality, diversity and inclusion, the Bank ensures that it exercises fairness and non-discrimination in designing its remuneration and rewards package by using the following criteria such as the employees' role in the organization, competency level, work performance, previous work experience, certifications, and employment tenure among others. Our employees' gender orientation and background are not factors to their salary and benefits package.

In order to stay competitive and relevant in the banking industry, the Bank regularly reviews and improves its remuneration and benefits package for employees by aligning it with the existing labor laws, current banking industry practices, and with the ongoing CBA. Any changes or improvements in the remuneration and rewards package of the employees are presented to and discussed with the Corporate Governance/Nomination/Remuneration and Sustainability Committee of the Bank and then endorsed for approval to the Board of Directors.

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 employee's progress against the performance targets that have been agreed upon at the beginning of the year. This enables the employee to understand performance expectations and enhance his or her 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 or reference for the annual evaluation of the employee's performance.

Employee Learning and Development

GRI 103-1, 103-2, 103-3, 404-1, 404-2
UN SDG 4, 5, 8, 10

As a valuable resource and significant partner to our growth, success, and sustainability, we are committed to equip our employees with the necessary knowledge, skills, and tools for them to effectively perform their roles and functions and, at the same time, to fulfill their professional and personal growth.

The Bank's Human Resource Group, through its Institute for Banking Excellence (IBE), has developed different capacity building programs for employees based on their learning and development needs to help them perform their roles effectively. Among the in-house training programs provided by IBE for the employees include the 3-day New Employees Orientation; leadership management and supervisory skills development for those who are positioned to become officers; functional and soft skills trainings; job-specific and technical trainings; mentoring, and career development. External specialized trainings are also offered.

In addition, the Bank's Retail Banking Sector provides trainings for its own employees such as Anti-Money Laundering, Sales Training, Capacity Enhancement Program, Internal Control Consciousness, and Infotech Awareness. In compliance with the requirements of regulatory agencies such as the BSP, the Bank also conducts instructor-led trainings and provides e-learning platforms to update employees on existing and new banking-related laws and regulations.

The Bank also runs three (3) leadership and career development programs: The Junior Executive Development Institute (JEDI) for new hires who graduated with honors; the Management Training Program (MTP) for homegrown talents in the head office and business units; and the Branch Operations Training Program (BOTP) for branch-assigned employees. These programs aim to develop high-potential rank-and-file employees to be highly competent officers of the Bank.

Moreover, the Human Resource Group runs a Mentoring Café twice to thrice a year. This is a project under the PNB Mentoring Program aimed at providing an appropriate venue for high potential employees to gain insights and learn from their mentors. This is to prepare them for the possibility of assuming key / critical roles in the organization. As of reporting period, the Bank has a total of 157 mentors and 157 mentees.

A total of 8,136 or 95% of the total employee population underwent 593,821 training hours, averaging 69.45 training hours per employee for 2019. Out of the total trained employees, 66.99% are female while 33.01% are male. Employees in rank and file numbered the most training hours.

GENDER			
	FEMALE	MALE	TOTAL
No. of employees	5,657	2,893	8,550
No. of total training hours	384,740	209,081	593,821
Average training hours	68.01	72.27	69.45

RANK			
	OFFICERS	RANK AND FILE	TOTAL
No. of employees	4,318	4,232	8,550
No. of total training hours	243,977	349,844	593,821
Average training hours	56.50	82.67	69.45

Recognizing Excellence in our Employees



PNB recognizes remarkable and exemplary performance of its employees. The Bank, through the Human Resource Group, holds a nationwide Service Excellence Award ceremony every quarter to recognize employees individually or in teams who delivered exceptional results while helping the business and upholding the core values of the Bank. In addition to this, the Bank's Retail Banking Sector also has an annual recognition night called "Gabi Ng Parangal" to award employees with remarkable performance in growing the business, as well as to encourage high-level performance.

The Human Resource Group continues to implement its internal values campaign for employees called "L.O.V.E. (Living Our Values Everyday) @ PNB" which features inspiring stories via email blasts of employees who demonstrate and live the core values of the Bank. The campaign also aims to inspire others to practice PNB's values in their day to day experiences to achieve personal success and the Bank's business goals.

In the third Quarter of 2019, the Human Resource Group launched its new recognition program called "What Outstanding Work! (W.O.W!)" which aims to inspire employees through a timely recognition for values-centered and business-driven behaviors. Employees recognized on the spot are also given tokens of appreciation that they can keep as mementos. These employees and their inspiring stories are also featured in the L.O.V.E. @ PNB campaign internal email blast.

Sustainability Report

The Human Resource Group celebrated, for the second year, its "Celebrate Love at Work" in February 2019. This is an engagement project during Valentine's week where all employees are encouraged to express their appreciation to PNB, their fellow employees, and our clients through simple acts such as writing appreciation notes and offering tokens and gifts.

Prioritizing Employee Safety and Security

GRI 103-1, 103-2, 103-3, 403-1, 403-2, 403-4, 403-5, 403-6
UN SDG 3, 8,

PNB is taking all the necessary measures to provide a safe and secure work environment for all its employees. Employment practices and workplace safety and security is part of the Bank's Risk Management framework.

The Bank's Occupational Safety, Health and Family Welfare (OSHF) Committee, composed of representatives from both the management and employees, with the latter represented by labor union employees, meet regularly to discuss and manage reported work-related hazards, and monitor and evaluate the committee's existing programs by ensuring that they are aligned with the current general labor requirement. Among the efforts of the committee on ensuring the safety and security of the employees include the conduct of OSH / safety awareness program, dissemination of safety advisories through different channels, disaster / emergency response training for all floor marshals-assigned employees, first aid training, deployment of emergency responders, and safety inspections / analysis of branches among others.

Employees appointed by the Bank as Safety Officers are also regularly updated on their training such as Basic Occupational Safety and Health Program, Safety Program Audit, and Loss Control Management. The Bank also has existing guidelines for notification and keeping of records of accidents or illnesses in the workplace. Any work-related incidents are reported to the OSHF Committee.



Emergency, fire, and earthquake drills at our headquarters in PNB Financial Center and PNB Makati Center are also conducted annually by the Bank's Corporate Security Group with the Makati and Pasay Fire Departments to prepare the employees during man-made and natural calamities.

Employees, particularly those assigned in the branches are also provided trainings on Standard First Aid and Basic Life Support, and Disaster Preparedness. For 2019, there are 458 employees trained on Standard First Aid and Basic Life Support, and 50 employees trained on Disaster Preparedness. The Bank plans to increase the number of employees trained on these topics in partnership with Philippine Red Cross in 2020.

With the ongoing renovations at the PNB Financial Center and PNB Makati Center, the Bank also takes extra precautionary measures to ensure the safety and security of the employees by cordoning off the construction areas, posting safety reminders for employees, and assigning emergency medical response team members and security guards to include inspections or visits of these areas.

All employees are covered by the Bank's occupational health and safety management system. There were no reported incidents of work-related injuries in 2019.

Promoting Work-Life Balance Among Employees

UN SDG 2, 3, 8, 12

At PNB, we commit and endeavor to promote the holistic growth and development of our employees. We do not only encourage our employees to take their leaves to relax and spend more quality time with their families, but we also conduct activities where our employees can show and share their talents, hobbies, and time with their colleagues and even with our communities. In doing so, we do not only help improve the health of our employees, but we also promote camaraderie among employees, strengthen organization commitment, and boost work-life balance.





• Health and Wellness

The health of our employees is important to us. We encourage and help our employees live a healthy lifestyle to improve their health condition and overall well-being. We do this by encouraging our employees to use the three (3) well-equipped gyms at our Pasay and Makati headquarters. We also partner with a fitness gym provider for discounted rates so our employees can access fitness centers outside of Pasay and Makati areas. We also encourage our employees to join sports activities organized by different employee groups or associations such as basketball, badminton, and running. The Bank also organized fun runs and power classes such as Zumba, Yoga, Dance, Pilates, and Mixed Martial Arts.

The Human Resource Group, in partnership with the Bank's health care provider, ValuCare, continues to conduct health and wellness lectures. Wellness bulletins are released to increase health awareness and by sharing practical tips among all employees. Lastly, all employees are required to undergo the annual physical examination every year as part of the Bank's health care program.



On October 23, 2019, the Human Resource Group partnered with Philippine Airlines to organize and conduct a Wellness Day. Dubbed "Well @Work", the said activity was designed to celebrate workplace wellness, connect employees to the different wellness partners, and provide tips on how to live a healthier lifestyle. Wellness advocates were invited to share their expertise through talks and demonstrations on topics ranging from chair yoga, preparing healthy eats at work, ergonomics in the workplace, and relieving stress through hypnotherapy. Wellness merchant partners were also invited to provide free services to our employees such as massage, haircut, and scalp analysis, as well as showcase their products from food, sportswear, gym membership, dental care, insurance, and motivational and self-help books.



Sustainability Report



• Sustainable Lifestyle Fair

In November, our Corporate Sustainability Unit under the Public Affairs Group piloted a three-day Sustainable Lifestyle Fair for our employees assigned at the PNB Financial Center in Pasay City. The fair was organized to help raise climate change and environmental awareness among our employees, and encourage them to do their part in helping the planet by reducing their carbon footprint. The event featured an eco-bazaar where invited merchants showcased eco-friendly and sustainably-sourced products, and organic food items as alternative products or food items for our employees. Resource persons for the brown bag learning sessions during lunch breaks for the fair were also invited to give talks on climate change awareness and environmental sustainability, sustainability and resilient communities, and Zero Waste 101 and environment-conscious living.

In partnership with Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies, the Bank also helps the employees access affordable but premium quality organic fresh produce for their own personal consumption. Straight from the farm of Tan Yan Kee Foundation in Nueva Vizcaya, the harvested organic produce reaches our employees at least twice a month. By inviting Tan Yan Kee Foundation to sell their organic produce at PNB Financial and Makati Centers, we are helping our employees eat healthy and, at the same time, support the Foundation and its farmers.

• Nurturing the Spirituality of Our Employees

We acknowledge the importance and role of spirituality in the lives of our employees. In support of this, we hold daily worship services during lunch break at our in-house chapel at the PNB Financial Center. Our own choir group from among our talented employees sing during the daily mass and we invite renowned priests to officiate during special mass for healing and other important events. Moreover, we continue to do the three o'clock prayer habit at our PNB Financial Center which encourages our employees to pause for a few minutes to pray and reflect, and to take a short breather from their work or meeting.

We also continue to host the annual Fiesta del Sto. Niño celebration at our PNB Financial Centre in Pasay City every January, where the different images of the Sto. Niño are shown to the public.

• Employee Sale Events

We continue to make shopping convenient for our employees by holding seasonal employee sale events or bazaars, especially during the Bank's anniversary and Christmas season, through our Cards Banking Solutions Group. Concessionaires and entrepreneurs are invited to put up booths and sell their products and services ranging from food, bags, clothes, shoes, and accessories. Merchants selling appliances and digital items like cameras, mobile phones, laptops, and printers are also invited during special employee sale events or bazaars. By doing this, we also promote our cards products among our employees while generating sales for the merchants and concessionaires.

• Townhall Meetings, Bank-Wide Events, and Work Chats

We continue to provide avenues and opportunities that promote camaraderie and help develop a sense of belongingness and being one with other employees and the organization such as the Bank anniversary, Chinese New Year celebration, Christmas parties and the like.

The Bank's quarterly Pulong Ng Bayan townhall meetings and regular townhall gatherings of the various business units, on the other hand, do not only allow the employees to get together with their colleagues but also provide opportunity for them to hear updates on the Bank's business and operations straight from the top management.

Our Senior Management Team meetings, which gathers the heads of all business groups and their one-down, are conducted on a weekly basis to keep Bank officers with key functions updated on our business and operations. The Office of the President's roadshows locally and abroad, on the other hand, provide opportunities for the employees to share their experiences, express their opinions, and make suggestions on how to improve the Bank's business and operations to the President and CEO in person.

In 2019, the Bank implemented the use of Workplace by Facebook as a tool for ease of communication and collaboration among the members of the senior management team and the regional and area heads of the Branch Banking Group. To date, the Bank's Workplace Chat group has 260 employee members and users.

Labor Relations and Human Rights in the Workplace

GRI 103-1, 103-2, 103-3, 102-41, 407-1
UN SDG 8, 16

Industrial peace continues to be of paramount importance to us, allowing us to operate our business smoothly together with our employees. We are able to maintain this industrial peace in our workplace by respecting and supporting the right of our employees to form a labor union to uphold and safeguard their own rights as workers and as humans.

We listen to our employees' voices through the representatives of the employees' union who are regularly invited to Labor Management Council Meetings by the Bank's labor relations unit. These meetings become venues for both the employee union and the Bank to discuss employee concerns, clarify revisions in HR policies, and collaborate on initiatives. The Bank also has a Grievance Machinery to address or resolve misunderstanding, dispute, or controversy arising from the interpretation, and meaning application and implementation of any provision of the Collective Bargaining Agreement between the employee union and the Bank; and / or between the Bank and any covered employee.

For 2019, there were no reported labor and human rights violations among employees.

Lawful and Ethical Behavior

GRI 103-1, 103-2, 103-3, 102-17, 205-2, 205-3
UN SDG 16

As a financial institution, we are committed to uphold the public's trust. We do this by ensuring that our employees, top management, and directors conduct themselves in a lawful and ethical manner. The Bank's Human Resource Group has developed and established the following policies and guidelines to ensure that all employees conduct themselves ethically: 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 which includes the Anti-Bribery and Anti-Corruption provisions. These policies and guidelines are regularly reviewed and revised as necessary with the approval of the Board of Directors to ensure its applicability to current work situations.

The Bank's Code of Conduct, Office Decorum, Whistleblowing Policy and Anti-Bribery / Anti-Corruption Policy are part of the onboarding process for new hires. New employees are made to read and understand the said policies and guidelines during their onboarding. They are also oriented on these policies during the New Hires Orientation. All employees can easily access these policies and guidelines through the Bank's intranet facility. In addition, the Bank's Performance Appraisal and Development Report (PADR) for employees cover employee behavior such as promoting work ethics and culture of integrity. Supervising officers are expected to ensure that their subordinates comply with the Bank's rules and policies.

To date, there were no reported incidents of bribery and corruption among employees or with the Bank's suppliers / vendors during the covered report period.

Continuous education of Bank personnel is an important element in the compliance function to maintain a sound compliance program. Trainings are provided to make all personnel aware of the existing banking laws, regulations, policies and procedures relevant to their areas of responsibilities.

Global Compliance Group, in coordination with the Human Resource Group, conducts basic compliance awareness training for all existing employees and new hires. All new hires must undergo compliance and Anti-Money Laundering (AML) awareness training prior to assumption of duties while existing employees are required to participate in refresher courses within a period of 18 to 24 months.

Training Module	Attendees	No. of Sessions	Total no. of Hours
Compliance Partnership and Continuing AML Education - MTP	110	3	24
Compliance Partnership and AML Education - BOTP	224	6	48
Compliance Partnership and AML Education - JEDI	67	2	16
AML Continuing Education Workshop plus Digitization and RCL processes/ requirements	100	2	16
AML Compliance Training on Customer Acceptance and Digitization of Customer Records	538	5	40
AML Continuing Education Seminar/Workshop	234	4	32
Continuing Education on AML Compliance Under Home Study Program	2,148	---	---
TOTAL	3,421	22	176

Sustainability Report

Promoting Diversity and Inclusion, and Gender Equality in the Workplace

GRI 103-1, 103-2, 103-3, 406-1
UN SDG 5, 8, 10, 16, 17

In support of the commitment to uphold and instill a culture of fairness and non-discrimination among employees, the Bank approved and implemented the Policy on Diversity and Inclusion in November 2018. The Bank believes that a diverse and inclusive workforce fosters innovation, increases its market share, and improves employee acquisition and retention.

Specifically, on gender equality, PNB has manifested its commitment by becoming the first domestic universal bank to join the Philippine Business Coalition for Women Empowerment (PBCWE) in May 2019. PBCWE is a coalition composed of influential business employers who endeavor to take appropriate steps to improve gender equality in their workplaces and business operations. It was launched in 2017 through a partnership between the Philippine Women's Economic Network, Inc. (PhilWEN) and Investing in Women (IW), an initiative of the Australian Government aimed at women's economic empowerment in select Southeast Asian countries. In the Philippines, there are only nine (9) members of the coalition: Accenture, Ayala Land, Concentrix, Insular Life, Magsaysay Company, Natasha, SGV, SSI Group, Inc. and PNB.

Members of the coalition undergo the Economic Dividends for Gender Equality (EDGE) Certification Assessment which has which has three (3) levels: (1) EDGE Assess - recognizing the commitment; (2) EDGE Move - showcasing progress in meeting the commitment or targets; and (3) EDGE Lead - celebrating success for meeting the commitment or targets. The tiered certification provides the opportunity for the organizations in different stages of their journey towards gender-equal workplace to obtain recognition for their efforts.

As part of the membership, the Bank underwent the EDGE Assessment in the third quarter of 2019. The assessment will help the Bank understand, identify, and develop solutions to address gaps and challenges on gender equality in its employment practices and in the workplace.

Sources of information such as employee experience through conduct of employee survey, demographics / statistics within the reference period from July 1, 2018 to June 30, 2019, and existing Bank policies and procedures were used by EDGE Certified Foundation during the Bank's assessment. For the survey conducted by the Bank's Human Resource Group in August 2019, 42% of the total population participated as survey respondents. Out of the female population, 43% participated while 38% participated among male employees.

Below is the summary of findings from the Bank's EDGE Assessment that the Bank underwent:

- PNB's career transition chart illustrates that women are overrepresented at the following levels (i) rank-and-file (66% women-34% men), (ii) officers below department head level (68% women - 32% men), (iii) department / branch head level (66% women -34% men), and (iv) division head level (59% women - 41% men); while there is an over representation of men at the sector/group head level (39% women - 61% men).

While generally overrepresented by women, career transitions (i.e. recruitment, functional promotion, and separation) of men were more dynamic than the women's.

- When it comes to the effectiveness of policies and practices, the analysis suggests important improvement opportunities for the Bank such as gender diverse candidate pools, gender composition at the management level, gender composition at any management level, gender dimension in its succession planning, flexible working options for its employees, and allocation of resources for gender equality initiatives.

Overall, the inclusive culture based on the employee perception is above the EDGE standard of 50%. Ninety-six percent (96%) of female and male respondents believe that men and women are given equal opportunities to be hired. Seventy-four percent (74%) of female and male respondents believe that they are given fair opportunities to be promoted. Sixty-two percent (62%) of female respondents and sixty-eight (68%) of male respondents consider themselves to be paid fairly for the work that they do. It is also generally perceived by both men and women that the Bank gives equal access to career-critical assignments.

The Bank intends to revisit a number of its policies and continuously study the possibility of including specific provisions on gender such as gender mix of top talents, promotion rates of mentees classified according to gender, gender mix of identified successors, employment interviews to be conducted by male and female interviewers, gender diverse candidate pool, and the like. The Bank shall also explore possible alternative work arrangements for employees.



The results of the EDGE Certification Assessment shall be subject to audit to be conducted by a third-party auditor which is scheduled in February 2020. The result of the audit will determine the possible certification level that will be awarded to PNB which will be valid for two (2) years.

Moreover, in order to provide a safe work place for all our employees, the Bank adopted a policy on Anti-Sexual Harassment pursuant to Republic Act (R.A.) No. 7877, otherwise known as the Anti-Sexual Harassment Act of 1995, and Republic Act No. 11313, otherwise known as the “Safe Spaces Act” of 2019. Approved in October 2019, the Bank’s Anti-Sexual Harassment Policy covers all employees with permanent or probationary employment status and provides the definition of gender-based harassment at the workplace, list of all forms of sexual harassment at work, duties and responsibilities of the employees and the employer, and the role of the Committee on Conduct and Investigation that leads the investigation of reported cases.

Responsible Corporate Citizenship and Caring for Our Communities

GRI 103-1, 103-2, 103-3, 203-2, 413-1
UN SDG 1, 3, 4, 8, 10, 12, 17

Our commitment to incorporate and implement corporate social responsibility (CSR) and sustainability-related initiatives and activities in our operations is primarily driven by our aspirations to make a positive contribution to the society as a partner in social development and nation-building.



With the creation of our Corporate Sustainability Unit, we are currently developing our sustainability policy, framework, and roadmap. This unit is also responsible for developing and implementing our CSR programs and activities, as well as leading employee volunteerism or community engagement for the Bank.



Financial Literacy and Financial Wellness Seminars

Financial Literacy Seminars were conducted among students, teachers, parents, and OFWs by the International Banking and Remittance Group (IBRG) in partnership with other business units such as the Corporate Sustainability Unit and the Bank’s branches such as Marikina-Shoedrive, España and Morayta, Cebu-Banilad-Maria Luisa Park, Cebu-Banawa, Q.C.-Cubao Main, Q.C.-Project 3-Aurora Blvd, Q.C.-New Manila, Manila-Tondo-Juan Luna, Manila-Jose Abad Santos, Cainta-Ortigas Ave. Ext, and Las Pinas City Hall. The target participants were taught the basics of money management: identifying needs and wants, budgeting, spending, and saving. Applicable PNB products and services were also presented to the seminar participants by the partner branches.



Sustainability Report



In partnership with Tan Yan Kee Foundation, the Bank's Corporate Sustainability Unit and IBRG also organized a financial literacy seminar among the members of the Barangay Association of Treasurers of the Municipality of Aritao in Nueva Vizcaya last October 24, 2019. The LGU of Aritao, Nueva Vizcaya is a partner of Tan Yan Kee Foundation.

The Bank's Trust Banking Group also organized financial wellness talks among corporate clients of the Bank and OFWs in Iloilo, Japan, and Singapore on investing and different investment products of the Bank such as UITFs.

• Supporting Communities and Small Entrepreneurs

A total of 113 decommissioned desktop computers from ITG were turned over to ACTION, Inc. in Olongapo City in April 2019 to benefit a total of 19 NGOs, 1 LGU, 4 public high schools, 2 public elementary schools, 3 barangay councils, and 1 DSWD facility. In December 2019, PNB also turned over 55 decommissioned desktop computers to the H.O.U.S.E. Foundation, and another 2 decommissioned units were turned over to Pentecostal Missionary Church of Christ in Cainta, Rizal. Through donation of these computers, PNB is able to help social development organizations do their work effectively.



In addition, the Bank continues its partnership with Caritas Manila by donating its old billboard and activity tarpaulins that can be recycled into functional items such as bags and wallets by the women of Caritas Manila's partner communities. In 2019, a total of 365 kilos of old billboard and activity tarpaulins were donated. Proceeds from the sale of these bags were used to support the Caritas Manila's programs and services for the urban poor. The partnership enables the Bank to improve its waste management while helping communities become self-sustaining through livelihood opportunities.

In support of the Bank's commitment to help small businesses, the Corporate Sustainability Unit invited small and medium-sized social entrepreneurs to join the three-day Sustainable Lifestyle Fair at PNB Financial Center in Pasay City last November 25-27, 2019. Twenty (20) invited social entrepreneurs showcased and sold organic and sustainably-sourced products during the eco-bazaar to help provide eco-friendly and healthy alternatives for the Bank employees. Among the products sold during the fair were eco-friendly shampoo and conditioner bars, reusable straws and eating utensils, women's accessories such as earrings made of recyclable materials, bags made of old interior tires and foils packs, organic vegetables, and healthy vegan snacks and condiments. With the success of the activity, the Bank plans to organize another Sustainable Lifestyle Fair next year where more women entrepreneurs will be invited.

• Relief Operations for Disaster-Affected Communities

A Boxful of LOVE is a donation and fund-raising campaign of the Bank's Human Resource Group for the marginalized and Mindanao earthquake victims. The campaign calls for in-kind donations among Bank employees via e-mail blast. Employee donors drop their donations in boxes located at the 2/F ATM Lobby of the PNB Financial Center. Donations received by the Human Resource Group were turned over to Caritas Manila.

In cooperation with Tan Yan Kee Foundation, the Bank's Corporate Sustainability Unit together with the Mindanao Regional Office, Area Offices, and Branches conducted a simultaneous relief operation for the earthquake-affected communities in Digos City, Davao del Sur and Kidapawan, North Cotabato last December 21. A total of 1,000 identified beneficiary families received relief packs containing non-food essentials such as toiletries, oral hygiene kits, and sleeping materials that were personally distributed by the employee volunteers.



• Volunteerism at Heart

A total of 630 PNB employees from different areas and branches nationwide conducted employee volunteerism activities in 41 cities and municipalities out of the 48 areas where the Bank has business presence.

These employee volunteers pooled their resources and rendered a total of 2,520 manhours of community volunteer service such as conducting relief operations for disaster-affected areas, giving gifts and distributing school supplies to students, participating in Department of Education's Brigada Eskwela campaigns, performing cleanup drives, running art and crafts classes, and conducting story-telling activities for children. The employees also spent time with the parents of the children they interact with to know more about the situation of families in the communities. Among the groups and communities they visited and interacted with are the Aetas in Zambales, poor families in urban areas, and families in a remote fishing island in Iloilo to name a few.

The "Pagtutulungan Ng Bayan" is a continuous employee-giving program organized and sustained by employees for fellow employees in need. The said employee-giving program aims to provide financial assistance to employees who are victims of natural calamities and alleviate medical expenses of employees and their immediate relatives.

• Partnerships for A Cause

The Bank partnered with Ateneo Scholarship Foundation, Inc. to aid the education of in-need but promising college students of Ateneo de Manila University through a Php5.0 million donation to support the Gov. Amando M. Tetangco, Jr. Scholarship Fund. The entire PNB community hopes that this donation is able to assist Ateneo de Manila University in molding the next generation of Filipino bankers who will change the landscape of banking and finance in the country.

Moreover, the Bank also signed two partnership agreements with the Philippine Red Cross for the conduct of Standard First Aid & Basic Life Support training for PNB employees and the donation of two ambulance units worth Php5.0 million for Visayas and Mindanao. The partnership with the Philippine Red Cross is in line with the Bank's Corporate Sustainability goals which is to equip all PNB employees with the necessary skills to provide emergency response and enable the Bank to help other people in emergency situations and times of natural or man-made calamities.



SOCIO-ECONOMIC AND ENVIRONMENTAL COMPLIANCE

GRI 103-1, 103-2, 103-3, 307-1, 419-1
UN SDG 16

Beyond regulatory compliance, our Bank upholds social and economic areas of its business as part of its continuing journey towards sustainability. We are committed in preserving the social and economic areas of our business, examples of which include the following:

- The Bank's declaration of dividends is subject to compliance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), and other financial regulatory requirements as may be applicable to the Bank.
- PNB complies with established consumer protection practices in order to safeguard their transactions with the Bank and be heard through appropriate channels when they escalate feedback and concerns.
- PNB has fulfilled the requirements on general labor and occupational safety and health standards, as required by the Department of Labor and Employment (DOLE).

Sustainability Report

Our Bank has existing mechanisms in place to monitor its compliance with laws and regulations in the social and economic areas. The Corporate Governance and Sustainability Committee, as stipulated in its amended charter, is responsible for assessing the Bank's sustainability performance across various benchmarks, including economic, social and environmental performance indicators. At the management level, the Corporate Sustainability Unit (CSU) of the Public Affairs Group has spearheaded various advocacies to support social, environmental, and economic initiatives. In terms of coordinating relationships, CSU liaises and establishes a constructive working relationship with the Marketing and Brand Management Sector, Human Resource Group, Administration Group, and other relevant parties possessing important roles in the effective implementation of the unit's mandate.

We also adhere to the laws and policies, particularly on environmental regulations, of the locality where we have business operations by ensuring that all our offices and branches have the necessary business and environmental permits and approvals.

In 2019, there were five (5) reported incidents of minor breaches of environmental laws and regulations resulting in the imposition of nominal monetary fines concerning air pollution and hazardous waste management measures, such as failure to replace environmental law officers at branches and failure to secure additional permits for electrical generators, which were required by subsequent legislation and regulations. Out of these five (5) reported incidents, two (2) were already resolved and closed, while the remaining three (3) cases are still awaiting action or resolution from the DENR.

CUSTOMER EXPERIENCE

GRI 103-1, 103-2, 103-3, 102-43, 102-44

We aim to provide the best customer service experience to our clients. We provide them various channels for their inquiries, requests and complaints on how they can connect with the Bank: 24x7 Customer Service Hotline, Email, Facetime / Skype and Private Messaging.

Our Consumer Protection Policy ensures that any reported complaints are recorded, monitored and addressed in a timely manner. In accordance with the BSP requirement in reporting complaints, a consolidated complaints report is submitted monthly to the Management and Risk Oversight Committee and quarterly to the BSP.

As part of ensuring the quality of service provided to the client, Customer Experience Division (CED) developed a project called "After Call Survey for 8573-8888" that aims to secure a qualitative feedback from customers at point of call.

MARKETING AND LABELING

GRI 103-1, 103-2, 103-3, 417-1, 417-2, 417-3
UN SDG 12

We continue to look for better ways to improve and provide the best financial solutions for our customers anywhere in the world.

Our new Marketing and Brand Management Sector studied our customers' experience in order for our Bank to develop new products and services or improve on our existing products and services to help address their financial needs. This exercise was supplemented by the 2-day PNB Sprint 2019: Mindful Customer Transformation Seminar organized by the Human Resource Group's Institute of Banking Excellence in late 2019, where select employees from different business groups were taught how to design and develop bank products and services for identified customers by studying and understanding their experience and needs. As a result, the Marketing and Brand Management Sector was able to map out and identify the Bank's target markets, identify gaps and challenges in the Bank's products and services, and develop a marketing and product development plan for the Bank.

In addition, the Marketing and Brand Management Sector ensures that all advertising and promotional collaterals of the different business units strictly adhere to the Bank's branding guidelines and are compliant with all regulatory requirements, such as those required by the BSP, SEC, PDIC, BancNet, Department of Trade and Industry, ASC, and Insurance Commission among others. The Bank's Social Media Framework is also in place to help us manage our reputational risk across our social media platforms.

For 2019, there were no reported incidents of non-compliance in marketing and labeling efforts of the Bank.

DIGITAL TRANSFORMATION AND INNOVATION

UN SDG 9

We recognize the importance of digital transformation and innovation in creating a convenient banking experience for our customers.

Currently, the Bank has 1,553 automatic teller machines (ATMs), and 81 cash accept machines (CAM) for the 24-hour banking convenience of our customers.

In addition, the Bank's mobile banking application allows our customers to do inter-bank fund transfers, online bank payments, and viewing of transaction history. Customers can also use our mobile banking application to keep track of their credit card transactions.

The Bank 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 and InstaPay. Customers can do electronic fund transfers through PESONet and InstaPay by logging on to their PNB Mobile App. Customers can do real-time electronic fund transfers of up to Php100,000 to any participating banks within the Philippines for PESONet and up to Php50,000 per transaction for InstaPay.

Moreover, our Bank continues to look for better ways to improve our website and other information channels for ease-of-access to our clients.

CUSTOMER DATA PRIVACY AND SECURITY

GRI 103-1, 103-2, 103-3, 418-1
UN SDG 16

At PNB, we respect and value the right to data privacy and protection of our data subjects (e.g., customer, employee). We take all necessary actions to safeguard our data subjects' information, making sure that personal data collected from them are processed in adherence to the general principles of transparency, legitimate purpose, and proportionality.

Our Enterprise Data Privacy Policy reinforces our commitment to data privacy and security by implementing appropriate organizational, physical, and technical security measures in relation to the processing of personal data. We ensure strict compliance with both local and international laws and regulations as well as international standards, including the compliance checklist of the National Privacy Commission (NPC) among others.

Our Data Protection Officer (DPO), with the assistance of Data Privacy Management Division (DPMD), works with our Customer Experience Division (CED) for a quick and easy way to resolve any data privacy-related concerns directly coming from our data subjects. The said DPMD is consistently coordinating with the Enterprise Information Security Group (EISG) to ensure that Bank's information security is maintained.

Our Bank employees are also bound by a confidentiality agreement. DPMD regularly sends out data privacy advisories and conduct data privacy awareness training to all employees, including third party service providers, to ensure that all personnel who process personal data understand their responsibilities in the proper handling and protection of personal data. Our DPO and DPMD continuously monitor updates and trends on data privacy and security through NPC issuances and participation to various seminars and conferences conducted by professional associations such as Bankers Association of the Philippines to ensure the continuing suitability, adequacy, and effectiveness of the Bank's data privacy practices.

For 2019, the Bank's existing process handled and ensured that all concerns regarding the processing of client personal data were addressed and resolved immediately.

Our Bank's mobile and online banking facilities have security features that protect personal data and other information such as use of log in credentials, One-Time-Pin (OTP), Touch ID, SMS and email alerts, among others. In addition, the Bank's Cards Banking and Solutions Group also sends out SMS and email alerts to our customers whenever significant amounts are used on their credit cards or debit cards.

As part of the Bank's efforts in maintaining transparent processing of personal data, the Bank ensures that all data subjects are informed about how PNB processes and protects personal data. Hence, PNB Data Privacy Statement is accessible to the public through the PNB website.

MEMBERSHIPS AND ASSOCIATIONS

GRI 102-13

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

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FOR "IN ACCORDANCE"

-Core Option
GRI 102-55

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BOARD OF DIRECTORS

Board of Directors

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Corporate Secretary

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MARK M. CHEN
Board Advisor

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Board Advisor

WILLIAM T. LIM
Board Advisor



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Director

LUCIO K. TAN, JR. +
Director

VIVIENNE K. TAN
Director

FELIX ENRICO R. ALFILER
Vice Chairman

CARMEN K. TAN
Director

SHEILA T. PASCUAL
Director



JOSE ARNULFO A. VELOSO
President and
Chief Executive Officer

LUCIO C. TAN
Director

FLORENCIA G. TARRIELA
Chairperson of the Board

MICHAEL G. TAN
Director

DOMINGO H. YAP
Director

FEDERICO C. PASCUAL
Director

CHRISTOPHER J. NELSON
Director



LEONILO G. CORONEL
Director

FLORIDO P. CASUELA
Director

EDGAR A. CUA
Director

Board of Directors



FLORENCIA G. TARRIELA

AGE	• 72
NATIONALITY	• Filipino
EDUCATION	<ul style="list-style-type: none"> • Bachelor of Science in Business Administration, Major in Economics, University of the Philippines • Masters in Economics, 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	<ul style="list-style-type: none"> • May 29, 2001 (Director) • May 24, 2005 (Chairman of the Board) • May 30, 2006 (Independent Director)
DIRECTORSHIP IN OTHER LISTED COMPANIES	• Independent Director of LT Group, Inc.
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> • Chairman/Independent Director of PNB Capital and Investment Corporation, PNB-Mizuho Leasing and Finance Corporation, and PNB-Mizuho 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 • Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc. • Trustee and Life Member of Financial Executive Institute of the Philippines (FINEX) Foundation
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> • Independent Director of PNB Life Insurance, Inc. • Undersecretary of Finance • Alternate Monetary Board Member of the BSP, Land Bank of the Philippines, and the Philippine Deposit Insurance Corporation • Deputy Country Head, Managing Partner, and first Filipina Vice President of Citibank N. A. • Country Financial Controller of Citibank N.A. Philippines for 10 years • President, Bank Administration Institute of the Philippines
AWARDS/CITATIONS	<ul style="list-style-type: none"> • 2014 Most Outstanding Citibank Philippines Alumni awardee for community involvement • 2018 Go Negosyo Woman Intrapreneur Awardee



FELIX ENRICO R. ALFILER

AGE	70
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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Independent Director of PNB-Mizuho 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	54
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> Bachelor of Science in Commerce – Marketing Management, De La Salle University
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> President and Chief Executive Officer
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> November 16, 2018
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> None
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> Director of Allianz PNB Life Insurance, Inc. Director of the Asian Banker's Association Director of BancNet, Inc. Director of European Chamber of Commerce of the Philippines Director of Phil. Payments Management, Inc. Member of the Management Association of the Philippines
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> Chairman and Director of HSBC Insurance Brokers (Philippines), Inc. and HSBC Savings Bank (Philippines), Inc. Director of PNB Global Remittance & Financial Co. (HK) Ltd. Director and Chairperson of the Open Market Committee of Banker's Association of the Philippines Director of the Philippine Dealing and Exchange Corporation Director of the Philippine Securities Settlement Corporation Director of the British Chamber of Commerce Philippines President and Chief Executive Officer of HSBC Philippines President of the Money Market Association of the Philippines 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 Domestic Treasury of PCI Bank/ PCI-Capital Fixed Income Portfolio Head of Citibank Fixed Income Trader of Asia Trust Supervisor of Urban Bank Chairman of the Council of Trustees of the British School Manila Member of Association Cambiste Internationale



FLORIDO P. CASUELA

AGE	78
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Certified Public Accountant, Economist, Commercial Attaché
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> May 30, 2006
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> None
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 of 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 of BSP Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)
AWARDS/CITATIONS	<ul style="list-style-type: none"> One of the 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



LEONILLO G. CORONEL

AGE	• 73
NATIONALITY	• Filipino
EDUCATION	<ul style="list-style-type: none"> • Bachelor of Arts, 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	<ul style="list-style-type: none"> • Independent Director of DBP-Daiwa Capital Markets Phil. • Director of Software Ventures International
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> • Chairman of PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho 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	<ul style="list-style-type: none"> • Fellow of the Australian Institute of Company Directors in 2002 • Fellow of the Institute of Corporate Directors



EDGAR A. CUA

AGE	• 64
NATIONALITY	• Filipino
EDUCATION	<ul style="list-style-type: none"> • Bachelor of Arts in Economics (Honors Program), Ateneo de Manila University • Masters of Arts in Economics, University of Southern California • Masters of Planning Urban and Regional Environment, 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	<ul style="list-style-type: none"> • Independent Director of PNB Capital and Investment Corporation and Allied Commercial Bank, Xiamen • Director of Davao Unicar Corporation
PREVIOUS POSITIONS	<ul style="list-style-type: none"> • 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 of SGV & Co.



ESTELITO P. MENDOZA

AGE	89
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> Bachelor of Laws (cum laude), University of the Philippines Master of Laws, Harvard University
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> January 1, 2009
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> Director of San Miguel Corporation and Petron Corporation
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> Chairman of Prestige Travel, Inc. Practicing lawyer for more than 60 years
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	60
NATIONALITY	British
EDUCATION	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> March 21, 2013 (Director) May 27, 2014 (Board Advisor) May 26, 2015 (Director)
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> None
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> 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 Director 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	<ul style="list-style-type: none"> 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	77
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Independent Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> • May 27, 2014
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> • None
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> • Independent Director of Allianz PNB Life Insurance, Inc.; PNB-Mizuho 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 • Member of Multi Sectoral Governing Council of Bureau of Customs
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> • 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, PDCC Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, and Philippine National Oil Corporation



SHEILA T. PASCUAL

AGE	57
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> • Bachelor of Science in Business Management, Ateneo de Manila University
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> • Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> • November 22, 2019
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> • None
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> • Marketing and Development Officer of Allied Banking Corporation, Hong Kong
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> • Marketing Development Officer of Asia Brewery Incorporated



CARMEN K. TAN

AGE	78
NATIONALITY	Filipino
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> • Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> • May 31, 2016
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> • Director of MacroAsia Corporation, LT Group, Inc., and PAL Holdings, Inc.
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> • Vice Chairman of Philippine Airlines, Inc. • Director of Air Philippines Corporation; Asia Brewery, Inc.; Buona Sorte Holdings, Inc.; Cosmic Holdings Corporation; The Charter House, Inc.; Dominion Realty and Construction Corporation; Eton City, Inc.; Foremost Farms, Inc.; Fortune Tobacco Corporation; Himmel Industries, Inc.; Lucky Travel Corporation; Manufacturing Services & Trade Corp.; Progressive Farms, Inc.; PMFTC, Inc.; Shareholdings Inc.; Sipalay Trading Corp.; Tanduy Distillers, Inc.; Tangent Holdings Corporation; Trustmark Holdings Corp.; Zuma Holdings and Management Corp.; Grandspan Development Corp.; Basic Holdings Corp.; Saturn Holdings, Inc.; Paramount Land Equities, Inc.; Interbev Philippines, Inc.; Waterich Resources Corp.; and REM Development Corp.
MAJOR AFFILIATIONS	<ul style="list-style-type: none"> • Director of Tan Yan Kee Foundation • Member of Tzu Chi Foundation



LUCIO C. TAN

AGE	85
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> • Bachelor of Science in Chemical Engineering, Far Eastern University • Doctor of Philosophy, Major in Commerce, University of Sto. Tomas
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> • Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> • December 8, 1999
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> • Chairman and CEO of LT Group, Inc.; PAL Holdings, Inc.; and MacroAsia Corporation
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> • Chairman and CEO of Philippine Airlines, Inc. and University of the East • Chairman and President of Buona Sorte Holdings, Inc.; Lucky Travel Corporation; Tangent Holdings Corporation; Trustmark Holdings Corporation; and Zuma Holdings and Management Corporation • Chairman of Absolut Distillers, Inc.; AlliedBankers Insurance Corporation; Allied Commercial Bank; Allied Banking Corporation (HK) Ltd.; Allianz PNB Life Insurance, Inc.; Air Philippines Corporation; Asian Alcohol Corporation; Belton Communities, Inc.; Cosmic Holdings Corporation; Eton Properties Philippines, Inc.; Eton City, Inc.; Fortune Tobacco Corporation; PMFTC, Inc.; PNB Holdings Corporation; PNB Savings Bank; Tanduy Distillers, Inc.; Tanduy Brands International, Inc.; The Charter House, Inc.; Manufacturing Services & Trade Corp.; Foremost Farms, Inc.; Dominion 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. • Founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President • Chairman of Allied Banking Corporation and Allied Leasing and Finance Corporation
OTHER PREVIOUS POSITIONS	
AWARDS/CITATIONS	<ul style="list-style-type: none"> • 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	53
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> September 28, 2007
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> Director of MacroAsia Corporation; LT Group, Inc.; PAL Holdings, Inc.; and Victorias Milling Company, Inc.
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> 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.; and Himmel Industries, Inc. Executive Vice President and Director of Fortune Tobacco Corporation
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> 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	53
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, University of British Columbia, Canada
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> February 9, 2013
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> Director and President of LT Group, Inc. Director of Victorias Milling Company, Inc.
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> Director of PNB Savings Bank; PNB Management and Development Corporation; Allied Commercial Bank - Xiamen; PNB Global Remittance and Financial Company (HK) Ltd.; and Allied Banking Corp. (Hong Kong) Limited President and Chief Operating Officer of Asia Brewery, Inc. Director of Philippine Airlines Foundation, Inc.; Air Philippines Corp.; Philippine Airlines, Inc.; Absolut Distillers, Inc.; Eton Properties Phils. Inc.; Grandway Construct, Inc.; Shareholdings, Inc.; Lucky Travel Corporation; Eton City, Inc.; Abacus Distribution Systems Philippines, Inc.; PMFTC, Inc.; Tangent Holdings Corporation; and Alliedbankers Insurance Corporation
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> 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	51
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> December 15, 2017
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> Director of LT Group, Inc.; PAL Holdings, Inc.; and MacroAsia Corporation
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines Director of MMC Management and Development Corp. (formerly PNB Management and Development Corporation) and Eton Properties Philippines, Inc. Executive Director of Dynamic Holdings Limited 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	<ul style="list-style-type: none"> Board Advisor of LT Group, Inc. Director of Bulawan Mining Corporation 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	<ul style="list-style-type: none"> 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)



DOMINGO H. YAP

AGE	86
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> Bachelor of Science in Business Administration Major in Business Management, San Sebastian College Recoletos
CURRENT POSITION IN THE B BANK	<ul style="list-style-type: none"> Independent Director
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> August 23, 2019
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> None
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> President of H-Chem Industries, Inc.; DHY Realty and Development Inc.; Colorado Chemical Sales Corporation; Universal Paint & Coating Philippines, Inc.; and AllianceLand Development Corporation
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> President of the Federation of Filipino-Chinese Chamber of Commerce and Industries, Inc. Governor of Y's Men Club Philippines President of Y's Men Club Downtown of Manila President of Rotary Club of Pasay City

CORPORATE SECRETARY



MAILA KATRINA Y. ILARDE

AGE	36
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none">• Bachelor of Science in Legal Management, De La Salle University• Juris Doctor, Ateneo de Manila University School of Law
CURRENT POSITION IN THE B BANK	<ul style="list-style-type: none">• Corporate Secretary
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none">• June 29, 2015
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none">• None
OTHER CURRENT POSITIONS	<ul style="list-style-type: none">• Corporate Secretary of PNB Capital and Investment Corporation and PNB Securities, Inc.
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none">• Senior Associate of Roxas De Los Reyes Laurel Rosario & Leagogo• Assistant Corporate Secretary of Ionics, Inc.• Assistant Corporate Secretary of Ionics EMS, Inc.

Board Advisors



MARK M. CHEN

AGE	45
NATIONALITY	American
EDUCATION	<ul style="list-style-type: none"> Bachelor of Arts in Economics (with Honors), Harvard University – Dean's List and Harvard College Scholar Executive Masters in Business Administration, Northwestern Kellogg – Hong Kong University of Science & Technology (HKUST) – Graduated top of the class
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> Board Advisor
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> January 24, 2020
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> Director of Philippine Airlines, Inc. Chief Executive Officer of Cobalt Equity Partners Adjunct Professor of finance/investment at Kellogg Hong Kong University of Science & Technology (HKUST) Business School
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> Chief Executive Officer of General Electric (GE) Equity Asia Pacific from 2006 to 2015 Senior Vice President of General Electric (GE) Equity Asia Pacific from 2000 to 2005 Associate of Bankers Trust from 1996 to 1999
AWARDS/CITATIONS	<ul style="list-style-type: none"> United States Presidential Scholar United States Byrd Congressional Award



MANUEL T. GONZALES +

AGE	82
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> Bachelor of Science in Commerce, De La Salle University Masters of Arts in Economics, Ateneo De Manila University
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> Board Advisor
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> October 1, 2013
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> None
CURRENT POSITIONS	<ul style="list-style-type: none"> Director of PNB Securities, Inc. and Allied Bankers Insurance Corporation Board Advisor of PNB-Mizuho Leasing and Finance Corporation and PNB-Mizuho Equipment Rentals Corporation
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> Director of Allied Banking Corporation and Allied Leasing and Finance Corporation Member of the Management Association of the Philippines (MAP) Member of the Financial Executives of the Philippines (FINEX) Member of the European Chamber of Commerce of the Philippines (ECCP) Member of the Bankers Institute of the Philippines



WILLIAM T. LIM

AGE	79
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> Bachelor of Science in Chemistry, Adamson University
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> Board Advisor
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> January 25, 2013
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> None
CURRENT POSITIONS	<ul style="list-style-type: none"> President of Jas Lordan, Inc. Director of PNB Holdings Corporation; Allied Commercial Bank – Xiamen; General BH Fashion Retailers, Inc.; and Concept Clothing, Co., Inc. Board Advisor of PNB Savings Bank Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, Inc.
PREVIOUS POSITIONS	<ul style="list-style-type: none"> 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	73
NATIONALITY	Filipino
EDUCATION	<ul style="list-style-type: none"> Bachelor of Science in Chemical Engineering, Mapua Institute of Technology
CURRENT POSITION IN THE BANK	<ul style="list-style-type: none"> Board Advisor
DATE OF FIRST APPOINTMENT	<ul style="list-style-type: none"> May 31, 2016
DIRECTORSHIP IN OTHER LISTED COMPANIES	<ul style="list-style-type: none"> Director of LT Group, Inc.
OTHER CURRENT POSITIONS	<ul style="list-style-type: none"> 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 Asia Brewery, Inc.; Dominion Realty and Construction Corporation; Progressive Farms, Inc.; Shareholdings Inc.; Himmel Industries, Inc.; Basic Holdings Corporation; Asian Alcohol Corporation; Pan Asia Securities Inc.; Tanduy Distillers, Inc.; Manufacturing Services and Trade Corporation; Foremost Farms, Inc.; Grandspan Development Corporation; Absolut Distillers, Inc.; Tanduy Brands International Inc.; Allied Bankers Insurance Corp.; Allied Banking Corporation (Hong Kong) Limited; PMFTC, Inc.; and Allied Commercial Bank
OTHER PREVIOUS POSITIONS	<ul style="list-style-type: none"> Chairman of Bulawan Mining Corporation Director of Philippine National Bank Director of Allied Banking Corporation Director of Philippine Airlines Director of MacroAsia Corporation



MANAGEMENT COMMITTEE

Management Committee

**FSVP JOSE GERMAN
M. LICUP**

**SVP MANUEL
C. BAHENA, JR**

**SVP NOEL
C. MALABAG**

**SVP CLARO
P. FERNANDEZ**



**FSVP NANETTE
O. VERGARA**

**SOCORRO
D. CORPUS**

**SVP MARIE FE LIZA
S. JAYME**

**FSVP MARIA PAZ
D. LIM**

**EVP ROBERTO
D. BALTAZAR**

**EVP CHESTER
Y. LUY**

**EVP ISAGANI
A. CORTES**

**EVP CENON
C. AUDENCIAL, JR.**



**EVP NELSON
C. REYES**

**PRESIDENT & CEO
JOSE ARNULFO A. VELOSO**

**EVP AIDA
M. PADILLA**

**FVP SIMEON
T. YAP**

**SVP NORMAN MARTIN
C. REYES**

**SVP MICHAEL
M. MORALLOS**

**FVP MARTIN
G. TENGCO, JR.**



**SVP ROMMELL
B. NARVAEZ**

**FVP JOY JASMIN
R. SANTOS**

**SVP MARIA ADELIA
A. JOSON**

**SVP ROLAND
V. OSCURO**

Management Committee



JOSE ARNULFO A. VELOSO, 54, Filipino. “Wick” is the President & CEO and Director of Philippine National Bank. He is also a Director of Allianz PNB Life Insurance, Inc., Asian Bankers Association, Bancnet, Inc. (Treasurer), European Chamber of Commerce of the Philippines, and the Philippine Payments and Management, Inc. Wick has 33 years of banking and capital markets experience, garnering various

industry recognitions throughout his career. Prior to his employment in PNB, he was President & CEO of HSBC Philippines, the first Filipino CEO in its 144 years of operations in the country. Wick obtained his Bachelor of Science degree in Commerce, Major in Marketing Management from the De La Salle University.



CENON C. AUDENCIAL, JR., 61, Filipino. “Jun” is Executive Vice President and Head of 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 25-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Jun obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.



ROBERTO D. BALTAZAR, 56, Filipino. “Dondi” is Executive Vice President and Head of Global Banking and Markets Sector. He has over 30 years of banking experience in the financial markets and corporate banking sector and previously headed the Global Markets, Debt Capital Markets, and Securities Services of HSBC Philippines where the said bank was recognized consistently as one of the Top Debt Capital Market houses, Securities Services Operations and leading Foreign Exchange and Bond Trading houses

during his tenure. He was also the President of the ACI The Financial Markets Association in 2013. He was an active member of the Bankers Association of the Philippines’ Open Market Committee, specifically the foreign exchange sub-committee. Dondi obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University. He holds a Master’s degree in Business Administration from the University of North Carolina at Chapel Hill, USA.



ISAGANI A. CORTES, 52, Filipino. “Gani” is Executive Vice President and Chief Compliance Officer of PNB effective April 8, 2019. Before joining the Bank, he was the Senior Vice President and Deputy Head of the Regulatory Affairs Group of RCBC, responsible for Compliance, AML, Corporate Governance, Data Privacy, and Tax Transparency. Prior to RCBC, he spent a total of 14 years in HSBC Philippines

where his last position was as Senior Vice President and Country Head of Financial Crime Compliance. He was also the Chief Compliance Officer of EastWest Bank from 2012 to 2014. Gani obtained his Bachelor of Arts degree in English from the University of the East and his Bachelor of Laws degree from the University of the Philippines.



CHESTER Y. LUY, 51, Filipino, Executive Vice President, is the Head of the Strategy Sector and concurrently serves as the Head of the Wealth Management Group. The Strategy Group is responsible for crafting the bank's overall business strategy as well as its competitive positioning within the industry. It is comprised of the Corporate Planning and Analysis Division, the Strategic Initiatives Unit and the Research Division (Macroeconomic, Equity and Fixed Income Research). Mr. Luy serves as a member of the Board of Directors of PNB-Mizuho Leasing Corporation, PNB Europe and PNB Global Remittance and Financial Corporation (Hong Kong). Mr. Luy has 27 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, Investment Management,

Research, Corporate Finance and Investment Banking and Credit Risk Analysis. Mr. Luy has worked with a number of banks including JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC. 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). During his stint with various global banks in the U.S., for several years, he was consistently awarded as Top Senior Analyst in his field by Institutional Investor Magazine. 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.

Management Committee



AIDA M. PADILLA, 70, Filipino. "Aida" is Executive Vice President and Head of the Enterprise Services Sector. She is the chief strategist for modification of distressed and problem loans, administrator of all Bank-owned real estate properties and building facilities, and Head of the Security Services of PNB. A seasoned professional, she honed her branch banking experience at the

Philippine Banking Corporation to become Vice President of Marketing for its Corporate Banking Group. Aida obtained her Bachelor of Science degree in Commerce, Major in Accounting from St. Theresa's College.



NELSON C. REYES, 56, Filipino. "Sonny" joined PNB as Executive Vice President and Chief Financial Officer on January 1, 2015. Prior to his employment in the Bank, he was the Chief Financial Officer of HSBC Philippines for over 10 years. He also served as Director for HSBC Savings Bank Philippines and HSBC Insurance Brokers Philippines. His banking career covers the areas of corporate banking, credit operations,

finance, and treasury operations. In 2018, he became a member of the Board of PNB (Europe) PLC and was appointed Chairman in 2019. Sonny graduated from the De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting. He is a Certified Public Accountant.



JOSE GERMAN M. LICUP, 54, Filipino. "Gerry" is First Senior Vice President and Chief of Staff to the President & CEO. He has been in the banking industry for more than 25 years. Prior to joining PNB, he was the Country General Counsel of HSBC Philippines. He is currently an Advisor to the Board of the Association of Bank Compliance Officers (ABCOMP). Gerry obtained his Bachelor of Arts and Bachelor of Laws degrees from the University of the Philippines.



MARIA PAZ D. LIM, 58, Filipino. “Girlie” is First Senior Vice President and Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She joined the Bank on June 23, 1981, rose from the ranks occupying various positions covering areas such as Branch Banking, Economics and Research, Budget, and Corporate Disbursing. Girlie

obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing from the University of the Philippines. She holds a Master’s degree in Business Administration from the Ateneo de Manila University.



NANETTE O. VERGARA, 59, Filipino. “Nanette” is First Senior Vice President and Chief Credit Officer. Prior to joining PNB, she was Vice President and Head of Credit Risk Management at United Overseas Bank Philippines. She also held various credit-related positions in Solidbank Corporation, Union Bank of the Philippines, Bank of Commerce, and at the Credit Information

Bureau, Inc. Nanette graduated cum laude with a Bachelor of Science degree in Statistics from the University of the Philippines.



MANUEL C. BAHENA, JR., 58, Filipino. “Manny” is Senior Vice President and Chief Legal Counsel. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of Legal Group in 2009. Prior to his employment in the Bank, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He has also served as corporate secretary and

legal counsel to various corporations such as Corporate Partnership for Management in Business, Inc., Orioxy Investment Corporation, Philippine Islands Corporation for Tourism and Development, Cencorp, Inc., and Central Bancorporation Merchants, Inc. Manny obtained his Bachelor of Science degree in Business Administration from the Lyceum of the Philippines and his Bachelor of Laws degree from Arellano University.

Management Committee



CLARO P. FERNANDEZ, 57, Filipino. “Claro” is Senior Vice President and Head of Public Affairs Group. He is a communications professional with over 30 years of experience in media, banking, and the government sectors. He was previously connected with PNB from 1997 to 2001 as Vice President of the Corporate Affairs Office and then, Information Technology Group where he was part of the Bank’s integrated banking solutions project and the Y2K. In government,

he was Press Undersecretary and Deputy Communications Director for the Office of the President from 2002 to 2005; and Executive Director of the Investor Relations Office at the Bangko Sentral Ng Pilipinas from 2009 to 2013. Prior to returning to PNB in 2019, he was Head of Communications in HSBC Philippines. Claro holds a Bachelor of Arts degree in Mass Communications, Major in Journalism from the University of the Philippines.



MARIE FE LIZA S. JAYME, 57, Filipino. “Mafe” is Senior Vice President and Head of Operations Group. She joined PNB in 2007 as Head of Cash Product Management Division, establishing the Bank’s cash management services. She began her career in banking in 1990 occupying various responsibilities in key areas such as account management, cash and trade sales, marketing and product management, and transaction banking. Prior

to banking, she held senior staff positions at the Office of the Secretary of Finance, the Department of Trade and Industry, and the former Office of the Prime Minister. Mafe graduated with a Bachelor of Arts degree, Major in Communication Arts and Business Administration from the Assumption College. She completed academic units for the Master’s degree in Business Administration from the Ateneo de Manila University.



MARIA ADELIA A. JOSON, 66, Filipino, is Senior Vice President and Head of the Retail Banking Sector’s (RBS) Sales and Support Group in concurrent capacity as Officer-in-Charge of the Retail Banking Sector. “Daday”, as fondly called by her peers, is a seasoned banker for over 40 years. She started her stint as a research analyst in the Economic Research Department of Commercial Bank and Trust Company in 1974, joined the Officers Training Program in 1978, and was promoted to Branch Cashier of Comtrust,

Taft Ave. Branch thereafter. She joined Allied Banking Corporation as Cashier of Roosevelt Branch in 1980. She has developed a high proficiency in all facets of branch banking. She has held various positions in PNB as Branch Head, Area Head, and Region Head before her biggest break: she was designated as the Head of Branch Banking Group in 2014. In 2017, she was assigned to head the Sector’s Sales and Support Group. Daday obtained her degree in A.B. Economics at La Salle College.



NOEL C. MALABAG, 48, Filipino. “Noel” is Senior Vice President and Head of Global Markets Group. Before joining the Bank, he was the Treasurer of Philippine Veterans Bank, responsible for spearheading innovations not only in trading and balance sheet management, but also in and across risk management, compliance, controls, and governance. He likewise spent 19 years in HSBC Philippines, where he honed his expertise on interest rates, foreign exchange, derivatives, and liquidity

management. As a respected member of the banking industry with over 25 years of experience, he has been a key resource for reforms and policy-making in the country’s financial markets through various industry associations such as Bankers Association of the Philippines’ Open Market Committee, Money Market Association of the Philippines, and ACI Philippines. Noel obtained his Bachelor of Science degree, Major in Marketing Management from the De La Salle University.



MICHAEL M. MORILLOS, 51, Filipino. “Mike” is Senior Vice President and Head of Information Technology Group. Prior to his employment with PNB, he was First Senior Vice President and Head of Technology Platform at the Siam Commercial Bank, the largest bank in Thailand. Mike obtained his Bachelor of Arts degree, Major in Philosophy and Political Science from the University of the Philippines. He completed

the Senior Executive Program with Wharton, advanced computer studies at the National Computer Institute of the Philippines, Fidelity Information Services and IBM.



ROMMELL B. NARVAEZ, 45, Filipino. “Rommell” is Senior Vice President and Officer-in-Charge of the Bank’s Marketing & Brand Management Sector. He also serves as the concurrent Head of Marketing Services and Intelligence and Analytics Performance Group. He brings with him more than 20 years of combined commercial and marketing experience in consumer, medical device, and banking industries. Rommell obtained his Bachelor of Science degree in Commerce, Major in Marketing Management from the De La Salle University.

Management Committee



ROLAND V. OSCURO, 56, Filipino. “Roland” is Senior Vice President and Chief Information Security Officer. He is the Head of the Enterprise Information Security Group. Before joining PNB, he held positions in various corporations such as Multi Media Telephony, Inc., Ediserve Corporation, Sterling Tobacco Corporation, Zero Datasoft, Metal Industry Research and Development Center, and Pacific Office Machines, Inc.

Roland obtained his Bachelor of Science degree in Electronics and Communications Engineering (ECE) from the Mapua Institute of Technology. He is an ECE Board passer and an ISACA Certified Information Security Manager (CISM).



NORMAN MARTIN C. REYES, 54, Filipino. “Martin” is Senior Vice President and Head of Digital Innovations Group. He started his banking career in 1993 holding various positions in Citibank, Union Bank of the Philippines, and the Royal Bank of Scotland. Prior to his employment in PNB, he was Senior Vice President in UCPB. He has over 20 years of experience in key areas such as product development, sales, marketing,

and process management for an extensive list of corporate and consumer services. Martin obtained his Bachelor of Arts degree, Major in Economics from the University of the Philippines. He holds a Master’s degree in Business Management from the Asian Institute of Management.



JOY JASMIN R. SANTOS, 46, Filipino. “Jiah” is First Vice President and Chief Trust Officer. She was previously Division Head of Corporate Trust from 2013 to 2018 and Division Head of Business Development in Trust Banking Group from 2010 to 2012. Before joining PNB, she was the International Business Development Head for Asia in Globe Telecom. She also held various positions in Citibank Savings, Inc., Keppel Bank, American Express Bank, and BPI. Jiah graduated cum

laude with a Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University. She earned her Master’s degree in Business Administration from the Australian National University in Canberra, Australia. In 2015, she completed, with distinction, a one-year course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines.



MARTIN G. TENGCO, JR., 54, Filipino. “Martin” is First Vice President and Chief Audit Executive (CAE). He joined Allied Banking Corporation on June 1, 1992 as Junior Auditor. He became an officer in 1996 and in 2009, was designated as the Deputy CAE prior to his appointment as CAE of PNB in 2017. He served as a member of BancNet’s Audit Committee from 2009 to 2014. He is currently a member of the Philippine Institute

of Certified Public Accountants, Institute of Internal Auditors, and the Association of Certified Fraud Examiners-Philippines. Martin obtained his Bachelor of Science degree in Business Administration from the Philippine School of Business Administration. He holds a Master’s degree in Business Administration from the Ateneo de Manila University. He is a Certified Public Accountant.



SIMEON T. YAP, 58, Filipino. “Sim” is First Vice President, Chief Risk Officer, and Data Protection Officer. Prior to his employment in PNB, he was the Market Risk Officer of Security Bank from 2009 to 2018. He was also connected with Citibank where he held various positions such as Trader, Market Risk Officer, and Money Market Head (Citibank Shanghai). He was the Associate Director for

Product Development of Philippine Dealing and Exchange (PDEx) in 2008. Sim earned his degree in Economics from the University of the Philippines’ School of Economics.



SOCORRO D. CORPUS, 68, Filipino, is the Officer in Charge of Human Resources Group of Philippine National Bank. “Cora” retired from the Bank three years ago as First Senior Vice President (FSVP) after serving the institution for 40 years. She is a graduate of Assumption College with Bachelor of Arts degree, Major in Psychology and an Associate in Commercial Science Degree. She started her career with China Banking Corporation in 1973 prior to joining

the Allied Banking Corporation in 1977. Her professional affiliations include the following: Founding member and a Board Member of the Organization Development Professional Network, past President and member of the Bankers’ Council for People Management, member of the Personnel Management Association of the Philippines and the regular Bank representative to the Banking Industry Tripartite Council.

The Bank's Subsidiaries and Affiliate

ALLIANZ PNB LIFE INSURANCE, INC.

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

A worldwide financial services provider predominant in the insurance and asset management business, the Allianz Group ranked first as insurance which began its operations in 2001, is considered one of the major life insurers in the Philippines. It is the leading provider of Variable Life products, complemented by a full line of Life protection offerings for individuals and institutions.

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

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). A private limited company incorporated in Hong Kong in 1978, ABCHKL is a restricted-licensed bank under the Hong Kong Banking Ordinance providing a full range of commercial banking services such as deposit-taking, lending and trade financing, documentary credits, participation in loan syndications and other risks, and money market and foreign exchange operations. ABCHKL has a wholly owned subsidiary, ACR Nominees Limited, a private limited company incorporated in Hong Kong that provides non-banking general services to its customers.

ALLIED COMMERCIAL BANK

Formerly known as Xiamen Commercial Bank, Allied Commercial Bank (ACB) is a majority-owned (99.04%) subsidiary of PNB. 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. A branch in Chongqing was established in 2003.

In December 2015, the China Banking Regulatory Commission (CBRC) Xiamen Office, China's banking regulator, approved ACB's application to engage in CNY-denominated business for all clients except for citizens within the territory of China. In April 2016, ACB completed the preparatory work for its CNY business and the CBRC Xiamen Office issued opinions on passing the inspection of ACB's application for such business.

In January 2017, the Fujian Administration for Industry and Commerce (FAIC) issued a business license to ACB for engaging in (a) foreign currency-denominated business servicing all types of clients and; (b) in CNY-denominated business servicing all clients except Chinese resident citizens. In April 2017, ACB's CNY business was formally launched.

PNB CAPITAL AND INVESTMENT CORPORATION

PNB Capital and Investment Corporation (PNB Capital) is a wholly owned subsidiary of PNB with a non-quasi banking license. A leading player in the country, PNB Capital 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.

PNB Capital has arranged some of the largest loan syndications in the Philippines. It is active in the local capital markets, having raised large amounts of capital from retail bonds and public offering of shares for its clients.

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 while 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 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 consumer loans not only to Overseas Filipino Workers (OFWs) and professionals in Hong Kong but also to foreigners who are interested in purchasing properties in the Philippines. Its main office is located at the Wan Chai District while six of its branches are situated in Shatin, Yuen Long, Tsuen Wan, North Point and two at the Worldwide House in Central Island.

PNB HOLDINGS CORPORATION

Established on May 20, 1920, PNB Holdings Corporation is a wholly owned holding subsidiary of PNB.

PNB-MIZUHO LEASING AND FINANCE CORPORATION

PNB-Mizuho Leasing and Finance Corporation (PNB-Mizuho) is a joint venture between PNB and Mizuho Leasing Co., Ltd., one of the leading leasing companies in Japan. It operates as a financing company under Republic Act No. 8556 (The Finance Company Act, As Amended) with commercial operations starting in February 1998.

PNB-Mizuho provides the following services: (a) financial lease; (b) operating lease; (c) term loans; (d) receivable discounting; and (e) floor stock financing.

PNB-Mizuho Equipment Rentals Corporation is a wholly owned subsidiary of PNB-Mizuho Leasing and Finance Corporation, incorporated as a rental company and started commercial operations in July 2008. It was established to cater to the equipment acquisition requirements of clients who wish to enjoy added advantages of an operating lease.



From left to right: Gerry B. Valenciano, PNB Capital and Investment Corporation; Mary Ann A. Santos, PNB Savings Bank; Perfecto M. Domingo, PNB General Insurers Co., Inc.; Christine Grace A. Bandol, PNB-Mizuho Leasing and Finance Corporation; Manuel Antonio G. Lisbona, PNB Securities, Inc.; Alexander Grenz, Allianz PNB Life Insurance, Inc.

PNB INTERNATIONAL INVESTMENTS CORPORATION

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

PNB RCI owns PNB RCI Holding Company, Ltd., the holding company for PNB Remittance Company Canada (PNB RCC). PNB RCC has six branches and one sub-branch servicing the remittance requirements of Filipinos in Canada.

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 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, demand deposits, short/long-term time deposits, and basic cash management products such as bills payment, payroll, and safety deposit box. Likewise, PNB Savings Bank offers consumer loan products consisting of housing loans, motor vehicle loans, multi-purpose loans such as salary loans and personal loans, and small- and medium- enterprise loans.

On August 29, 2019, PNB has secured the Monetary Board approval for the full integration of its wholly owned thrift bank subsidiary, PNB Savings Bank, into the parent bank through acquisition of its assets and assumption of its liabilities in exchange for cash. Once the integration is rolled out, PNB will be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNB Savings Bank will have access to PNB's diverse portfolio of financial solutions. The consumer lending business, currently operated through PNB Savings, will also benefit from PNB's ability to efficiently raise low cost of funds.

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 on the Philippine Stock Exchange (PSE). PNB Securities, Inc. also offers various stock market research products to inform and assist clients in making decisions for 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:

	2017		2018		2019	
	High	Low	High	Low	High	Low
Jan – Mar	61.00	53.00	59.15	53.80	60.42	40.98
Apr – Jun	71.00	54.90	56.00	47.95	58.82	47.54
Jul – Sep	68.40	59.15	49.90	43.00	57.35	43.60
Oct – Dec	60.20	55.05	44.60	38.95	45.90	34.00

2. Holders

There are 36,471 shareholders as of December 31, 2019. 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	NO. OF SHARES	PERCENTAGE OF OWNERSHIP	VOTING STATUS
1.	PCD Nominee Corporation (Filipino)	Filipino	162,534,694	10.6526699707	*
2.	Key Landmark Investments, Ltd.	Filipino	133,277,924	8.7351549618	*
3.	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	109,993,293	7.2090593121	*
4.	Caravan Holdings Corporation	Filipino	82,017,184	5.3754799765	*
5.	Solar Holdings Corporation	Filipino	82,017,184	5.3754799765	*
6.	True Success Profits Ltd.	Filipino	82,017,184	5.3754799765	*
7.	Prima Equities & Investments Corporation	Filipino	71,765,036	4.7035449794	*
8.	Leadway Holdings, Inc.	Filipino	65,310,444	4.2805052168	*
9.	Infinity Equities, Inc.	Filipino	61,512,888	4.0316099824	*
10.	Pioneer Holdings Equities, Inc.	Filipino	34,254,212	2.2450518506	*

NAME OF STOCKHOLDER	NATIONALITY	NO. OF SHARES	PERCENTAGE OF OWNERSHIP	VOTING STATUS
11. Pan Asia Securities Corporation	Filipino	33,126,782	2.1711590747	*
12. Multiple Star Holdings Corporation	Filipino	30,798,151	2.0185385055	*
13. Donfar Management Ltd.	Filipino	30,747,898	2.0152448787	*
14. Uttermost Success, Ltd.	Filipino	30,233,288	1.9815168766	*
15. Mavelstone Int'l Ltd.	Filipino	29,575,168	1.9383831001	*
16. Kenrock Holdings Corporation	Filipino	26,018,279	1.7052613973	*
17. Fil-Care Holdings, Inc.	Filipino	25,450,962	1.6680789310	*
18. Fairlink Holdings Corporation	Filipino	25,207,795	1.6521415472	*
19. Purple Crystal Holdings, Inc.	Filipino	24,404,724	1.5995075519	*
20. Kentron Holdings & Equities Corporation	Filipino	24,361,225	1.5966565883	*

* Pursuant to Article IV, Section 4.9 of the Bank's By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank. The right to vote or direct the voting of the Bank's shares held by the foregoing stockholders is lodged in their respective Boards of Directors.

3. Dividends

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



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The Notes to Financial Statements and Management's Discussion and Analysis are presented on a separate booklet and can be downloaded on our official website www.pnb.com.ph.

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 2019, 2018 and 2017 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

MAR 02 2020

SUBSCRIBED AND SWORN to before me this ____ day of February 2020 affiants exhibiting to me their Passport Identification No.

Doc. No. **325**
 Page No. **66**
 Book No. **X**
 Series of 2020


ATTY. SHERRYL B. ANQUICO-SANTIAGO, CPA
 Notary Public for Pasay City
 Commission No. **20-02** until December 31, 2021
 9F PNB Financial Center
 Pres. D.P. Macapagal Blvd., Pasay City
 Roll No. 55787 / IBP Lifetime Member No. 07522
 PTR No. 7036075 / 01-07-2020 / Pasay City
 MCLE Compliance No. VI-0019678 / 03-01-19



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, 2019 and 2018 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, 2019, 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, 2019 and 2018, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2019 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 16, Leases

Effective January 1, 2019, the Group and the Parent Company adopted PFRS 16, Leases, under the modified retrospective approach which resulted in significant changes in the Group's and the Parent Company's accounting policy for leases. The Group's and the Parent Company's adoption of PFRS 16 is significant to our audit because the Group and the Parent Company have high volume of lease agreements; the recorded amounts are material to the consolidated and parent company financial statements; and adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Group and the Parent Company are reasonably certain to exercise options to extend or terminate the lease, and in determining the incremental borrowing rate. This resulted in the recognition of right-of-use assets amounting to ₱1.8 billion and ₱1.6 billion for the Group and the Parent Company, respectively, and lease liability amounting to ₱1.9 billion and ₱1.6 billion for the Group and the Parent Company, respectively, as of January 1, 2019, recognition of depreciation expense of ₱568.1 million and ₱488.2 million for the Group and the Parent Company, respectively, and interest expense of ₱131.7 million and ₱118.4 million for the Group and Parent Company, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Notes 2, 11 and 29 to the financial statements.

Audit response

We obtained an understanding of the Group's and the Parent Company's process in implementing the new standard, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term lease and low value assets exemptions, the selection of the transition approach and any election of available practical expedients. We tested the completeness of the population of lease agreements by comparing the number of leases per operational report against the lease contract database. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements) from the contract database, identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of the financial impact of PFRS 16, including the transition adjustments.

Independent Auditor's Report

For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the Group and the Parent Company will exercise the option to renew or not exercise the option to terminate. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Recognition of Allowance for Credit Losses on Loans and Receivables

The Group's and the Parent Company's application of the expected credit losses (ECL) model in determining the allowance for credit losses on loans and receivables 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 in calculating ECL.

The allowance for credit losses as of December 31, 2019 amounted to ₱18.4 billion and ₱14.3 billion for the Group and the Parent Company, respectively. Provision for credit losses in 2019 amounted to ₱2.5 billion and ₱1.6 billion for the Group and the Parent Company, respectively.

Refer to Note 16 of the financial statements for the disclosure on the details of the allowance for credit losses using the ECL model.

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 the 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 through 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, 2019, the deferred tax assets of the Group and the Parent Company amounted to ₱2.6 billion and ₱2.0 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 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, 2019, the Group and the Parent Company has goodwill amounting to ₱13.4 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 global banking and market. 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.



Independent Auditor's Report

Audit Response

We involved our internal specialist in evaluating the methodology and assumptions 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.

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, 2019, 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, 2019 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.

Independent Auditor's Report

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 and Bangko Sentral ng Pilipinas Circular No. 1074

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 and the Bangko Sentral ng Pilipinas Circular No. 1074 in Note 40 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and Bangko Sentral ng Pilipinas, respectively, 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-2 (Group A),

July 9, 2019, valid until July 8, 2022

Tax Identification No. 900-322-673

BIR Accreditation No. 08-001998-69-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125274, January 7, 2020, Makati City

February 28, 2020

★ Philippine National Bank and Subsidiaries

★ Statements of Financial Position

★ (In Thousands)

	Consolidated		Parent Company	
	December 31		December 31	
	2018		2018	
	(As restated – Note 36)			
	2019	2018	2019	2018
ASSETS				
Cash and Other Cash Items	₱30,500,927	₱16,825,487	₱29,642,159	₱15,904,663
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	105,981,801	102,723,312	101,801,597	98,665,375
Due from Other Banks (Note 33)	17,758,143	21,003,079	10,835,106	10,459,496
Interbank Loans Receivable (Notes 8 and 33)	24,831,816	11,248,455	23,803,019	11,689,414
Securities Held Under Agreements to Resell (Notes 8 and 35)	2,517,764	20,700,000	1,149,984	20,700,000
Financial Assets at Fair Value Through Profit or Loss (FVTPL) (Note 9)	13,468,985	10,000,776	11,169,656	9,983,636
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 9)	123,140,840	52,129,821	118,896,564	50,656,893
Investment Securities at Amortized Cost (Note 9)	100,464,757	100,805,861	99,203,909	99,586,329
Loans and Receivables (Notes 10 and 33)	657,923,757	586,666,475	587,245,896	510,999,274
Property and Equipment (Note 11)	21,168,794	19,724,639	18,797,308	17,606,143
Investments in Subsidiaries and an Associate (Note 12)	2,605,473	2,418,842	28,430,358	28,645,807
Investment Properties (Note 13)	15,043,826	13,488,866	14,676,387	13,149,358
Deferred Tax Assets (Note 30)	2,580,809	2,112,689	1,985,597	1,452,153
Intangible Assets (Note 14)	2,841,989	3,033,363	2,699,154	2,879,853
Goodwill (Note 14)	13,375,407	13,375,407	13,515,765	13,515,765
Other Assets (Note 15)	8,085,523	7,391,114	5,352,763	5,906,427
TOTAL ASSETS	₱1,142,290,611	₱983,648,186	₱1,069,205,222	₱911,800,586
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 33)				
Demand	₱172,228,956	₱153,065,163	₱168,628,123	₱149,539,540
Savings	391,769,777	401,622,361	384,773,630	394,004,547
Time	226,894,643	147,210,729	187,288,142	108,450,094
Long Term Negotiable Certificates	35,152,104	31,403,225	35,152,104	31,403,225
	826,045,480	733,301,478	775,841,999	683,397,406
Financial Liabilities at FVTPL (Notes 18, 23 and 35)	245,619	470,648	231,992	468,279
Bills and Acceptances Payable (Notes 19, 33 and 35)	55,963,290	70,082,835	48,424,017	62,706,795
Lease Liabilities (Notes 2 and 29)	1,806,409	–	1,633,083	–
Accrued Taxes, Interest and Other Expenses (Note 20)	6,939,726	6,397,124	6,058,094	5,559,960
Bonds Payable (Note 21)	66,615,078	15,661,372	66,615,078	15,661,372
Income Tax Payable	576,156	900,693	472,378	823,739
Other Liabilities (Note 22)	29,123,453	28,275,024	17,858,935	17,532,588
	987,315,211	855,089,174	917,135,576	786,150,139
EQUITY ATTRIBUTABLE TO EQUITY				
HOLDERS OF THE PARENT COMPANY				
Capital Stock (Note 25)	61,030,594	49,965,587	61,030,594	49,965,587
Capital Paid in Excess of Par Value (Note 25)	32,116,560	31,331,251	32,106,560	31,331,251
Surplus Reserves (Notes 25 and 32)	642,018	620,573	642,018	620,573
Surplus (Note 25)	56,273,492	46,613,457	56,273,735	46,613,704
Net Unrealized Gain (Loss) on Financial Assets at FVOCI (Note 9)	3,250,651	(3,196,936)	3,250,651	(3,196,936)
Remeasurement Losses on Retirement Plan (Note 28)	(2,229,220)	(1,526,830)	(2,229,220)	(1,526,830)
Accumulated Translation Adjustment (Note 25)	947,562	1,776,923	947,562	1,776,923
Other Equity Reserves (Note 25)	35,466	53,895	35,466	53,895
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	–	–
	152,093,362	125,664,159	152,069,646	125,650,447
NON-CONTROLLING INTERESTS (Note 12)	2,882,038	2,894,853	–	–
	154,975,400	128,559,012	152,069,646	125,650,447
TOTAL LIABILITIES AND EQUITY	₱1,142,290,611	₱983,648,186	₱1,069,205,222	₱911,800,586

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

★ Philippine National Bank and Subsidiaries
Statements of Income
 ★ (In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018 (As Restated – Note 36)	2017 (As Restated – Note 36)	2019	2018	2017
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 33)	₱39,853,001	₱30,202,835	₱22,669,476	₱35,164,556	₱25,504,159	₱19,245,810
Investment securities at amortized cost and FVOCI, available-for-sale (AFS) and held-to-maturity (HTM) investments (Note 9)	8,805,285	4,594,775	3,099,911	8,549,063	4,502,331	3,033,843
Deposits with banks and others (Notes 7 and 33)	652,539	777,813	1,330,144	432,874	524,723	1,053,354
Interbank loans receivable and securities held under agreements to resell (Note 8)	668,211	379,378	480,021	568,061	350,808	446,134
Financial assets at FVTPL (Note 9)	619,979	120,667	38,808	619,979	120,667	38,809
	50,599,015	36,075,468	27,618,360	45,334,533	31,002,688	23,817,950
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 33)	14,024,899	7,871,173	4,794,227	12,201,776	6,591,288	4,104,798
Bonds payable (Note 21)	1,945,497	477,405	–	1,945,497	477,405	–
Bills payable and other borrowings (Notes 19, 29 and 33)	2,185,046	662,340	747,481	1,740,622	472,111	650,724
	18,155,442	9,010,918	5,541,708	15,887,895	7,540,804	4,755,522
NET INTEREST INCOME	32,443,573	27,064,550	22,076,652	29,446,638	23,461,884	19,062,428
Service fees and commission income (Notes 26 and 33)	5,176,500	4,259,284	4,180,861	3,677,689	3,524,263	3,130,783
Service fees and commission expense (Note 33)	988,164	773,082	1,087,498	800,376	616,207	592,427
NET SERVICE FEES AND COMMISSION INCOME	4,188,336	3,486,202	3,093,363	2,877,313	2,908,056	2,538,356
Net insurance premium (Note 26)	1,151,705	1,228,794	656,329	–	–	–
Net insurance benefits and claims (Note 26)	909,975	1,292,949	322,244	–	–	–
NET INSURANCE PREMIUM (BENEFITS AND CLAIMS) (Note 26)	241,730	(64,155)	334,085	–	–	–
OTHER INCOME						
Foreign exchange gains - net (Note 23)	1,105,918	954,064	1,674,370	861,143	578,180	1,675,985
Trading and investment securities gains - net (Notes 9 and 33)	1,074,478	150,743	559,758	1,017,155	157,678	556,429
Net gains on sale or exchange of assets (Note 26)	690,625	5,861,143	3,921,136	686,441	5,841,136	3,862,341
Equity in net earnings/(losses) of subsidiaries and an associate (Note 12)	(97,608)	43,847	59,215	(345,599)	530,885	498,254
Miscellaneous (Note 27)	1,464,482	1,425,439	893,517	976,822	1,101,875	592,041
TOTAL OPERATING INCOME	41,111,534	38,921,833	32,612,096	35,519,913	34,579,694	28,785,834
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 25, 28 and 33)	9,575,917	9,510,440	9,108,837	8,024,694	7,943,135	7,754,566
Taxes and licenses (Note 30)	4,817,674	3,729,947	2,492,392	4,217,996	3,343,899	2,222,755
Provision for impairment, credit and other losses (Note 16)	2,909,858	1,752,812	884,133	1,593,219	1,401,528	161,877
Depreciation and amortization (Note 11)	2,804,123	1,950,977	1,684,391	2,207,071	1,542,712	1,385,357
Occupancy and equipment-related costs (Note 29)	1,039,241	1,735,010	1,596,066	854,334	1,453,341	1,343,021
Miscellaneous (Note 27)	7,732,529	6,999,472	6,367,519	6,854,659	6,125,334	5,634,019
TOTAL OPERATING EXPENSES	28,879,342	25,678,658	22,133,338	23,751,973	21,809,949	18,501,595
INCOME BEFORE INCOME TAX	12,232,192	13,243,175	10,478,758	11,767,940	12,769,745	10,284,239
PROVISION FOR INCOME TAX (Note 30)	2,470,986	3,687,105	2,322,213	2,086,464	3,304,670	2,123,676
NET INCOME	₱9,761,206	₱9,556,070	₱8,156,545	₱9,681,476	₱9,465,075	₱8,160,563
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 31)	₱9,681,480	₱9,465,022	₱8,160,570			
Non-controlling Interests	79,726	91,048	(4,025)			
	₱9,761,206	₱9,556,070	₱8,156,545			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)						
	₱7.05	₱7.58	₱6.53			

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

★ Philippine National Bank and Subsidiaries

★ Statements of Comprehensive Income

★ (In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	2019	2018	2017
NET INCOME	₱9,761,206	₱9,556,070	₱8,156,545	₱9,681,476	₱9,465,075	₱8,160,563
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on debt securities at FVOCI, net of tax (Note 9)	5,417,132	(2,226,145)	–	5,507,470	(2,317,417)	–
Net change in unrealized gain on AFS investments, net of tax	–	–	454,188	–	–	468,861
Share in changes in net unrealized gains (losses) on financial assets at FVOCI of subsidiaries and an associate (Note 9)	447,169	(375,389)	–	590,236	(284,117)	–
Share in changes in net unrealized gains (losses) on AFS investments of subsidiaries and an associate	–	–	(24,756)	–	–	(39,429)
	5,864,301	(2,601,534)	429,432	6,097,706	(2,601,534)	429,432
Accumulated translation adjustment	(924,441)	484,289	504,736	(264,289)	154,076	(5,932)
Share in changes in accumulated translation adjustment of subsidiaries and an associate (Note 12)	–	–	–	(565,072)	204,963	508,594
	4,939,860	(2,117,245)	934,168	5,268,345	(2,242,495)	932,094
Items that do not recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on equity securities at FVOCI (Note 9)	583,286	93,112	–	349,881	93,112	–
Remeasurement gains (losses) on retirement plan (Note 28)	(466,926)	192,965	952,697	(596,589)	109,596	973,728
Share in changes in remeasurement gains (losses) of subsidiaries and an associate (Note 12)	(234,815)	386,628	(236,632)	(105,801)	470,160	(258,461)
Share in aggregate reserves on life insurance policies	–	–	9,193	–	–	9,193
	(118,455)	672,705	725,258	(352,509)	672,868	724,460
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	4,821,405	(1,444,540)	1,659,426	4,915,836	(1,569,627)	1,656,554
TOTAL COMPREHENSIVE INCOME	₱14,582,611	₱8,111,530	₱9,815,971	₱14,597,312	₱7,895,448	₱9,817,117
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	₱14,597,316	₱7,895,395	₱9,817,124			
Non-controlling interests	(14,705)	216,135	(1,153)			
	₱14,582,611	₱8,111,530	₱9,815,971			

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

★ **Statements of Changes in Equity**

★ (In Thousands)

	Consolidated											
	Equity Attributable to Equity Holders of the 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)	Loss on AFS Investments (Note 9)	Remeasurement Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Note 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Non- controlling Interests (Note 12)	Total Equity
	₱49,965,587	₱31,331,251	₱620,573	₱46,613,457	(₱3,196,936)	—	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱2,894,853	₱128,559,012
Balance at January 1, 2019	—	—	—	9,681,480	6,447,587	—	(702,390)	(829,361)	—	—	—	14,597,316
Total comprehensive income (loss) for the year	—	785,309	—	—	—	—	—	—	—	—	—	11,850,316
Issuance of stock (Note 25)	—	—	—	—	—	—	—	—	—	—	—	—
Other equity reserve (Note 32)	—	—	—	—	—	—	—	—	(18,429)	—	—	(18,429)
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—
Transfer to surplus reserves (Note 32)	—	—	—	—	—	—	—	—	—	—	—	—
	21,445	—	—	(21,445)	—	—	—	—	—	—	(3,372)	—
Balance at December 31, 2019	₱61,030,594	₱32,116,560	₱642,018	₱56,273,492	₱3,250,651	—	(₱2,229,220)	₱947,562	₱35,466	₱12,280	₱2,882,038	₱154,975,400
Balance at December 31, 2017	₱49,965,587	₱31,331,251	₱597,605	₱38,831,522	—	(₱3,040,507)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱2,644,739	₱119,737,949
Effect of adoption of Philippine Financial Reporting Standard (PFRS) 9, <i>Financial Instruments</i>	—	—	—	(1,660,119)	(688,514)	3,040,507	—	—	—	—	—	691,874
Balance at January 1, 2018	49,965,587	31,331,251	597,605	37,171,403	(688,514)	—	(2,106,586)	1,417,884	70,215	12,280	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	8,111,530
Sale of investment in a subsidiary (Note 12)	—	—	—	—	—	—	—	—	—	—	216,135	100,000
Dissolution of a subsidiary	—	—	—	—	—	—	—	—	—	—	(62,655)	(62,655)
Other equity reserve (Note 32)	—	—	—	—	—	—	—	—	(16,320)	—	—	(16,320)
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(3,366)	(3,366)
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	(₱3,196,936)	—	(₱1,526,830)	₱1,776,923	₱53,895	₱12,280	₱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	₱3,087	₱2,649,162	₱109,960,703
Total comprehensive income (loss) for the year	—	—	—	8,160,570	—	429,432	715,267	502,662	—	9,193	(1,153)	9,815,971
Declaration of dividends by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	(3,270)
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	₱38,831,522	—	(₱3,040,507)	(₱2,106,586)	₱1,417,884	₱70,215	₱12,280	₱2,644,739	₱119,737,949

Philippine National Bank and Subsidiaries

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 25)	Net Unrealized Loss on Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 28)	Accumulated Translation Adjustment (Note 25)	Other Equity Reserves (Note 25)	Share in Aggregate Reserves on Life Insurance Policies (Note 12)	Total Equity
Balance at January 1, 2019	P49,965,587	P31,331,251	P620,573	P46,613,704	(P3,196,936)	P-	(P1,526,830)	P1,776,923	P53,895	P12,280	P125,650,447
Total comprehensive income (loss) for the year	-	-	-	9,681,476	6,447,587	-	(702,390)	(829,361)	-	-	14,597,312
Issuance of stock (Note 25)	11,065,007	775,309	-	-	-	-	-	-	-	-	11,840,316
Transfer to surplus reserves (Note 32)	-	-	21,445	(21,445)	-	-	-	-	-	-	-
Other equity reserves (Note 25)	-	-	-	-	-	-	-	-	(18,429)	-	-
Balance at December 31, 2019	P61,030,594	P32,106,560	P642,018	P56,273,735	P3,250,651	P-	(P2,229,220)	P947,562	P35,466	P12,280	P152,069,646
Balance at December 31, 2017	P49,965,587	P31,331,251	P597,605	P38,831,716	P-	(P3,040,507)	(P2,106,586)	P1,417,884	P70,215	P12,280	P117,079,445
Effect of adoption of PFRS 9	-	-	-	(1,660,119)	(688,514)	3,040,507	-	-	-	-	691,874
Balance at January 1, 2018	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)
Balance at December 31, 2018	P49,965,587	P31,331,251	P620,573	P46,613,704	(P3,196,936)	P-	(P1,526,830)	P1,776,923	P53,895	P12,280	P125,650,447
Balance at January 1, 2017	P49,965,587	P31,331,251	P573,658	P30,695,100	P-	(P3,469,939)	(P2,821,853)	P915,222	P105,670	P3,087	P107,297,783
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	P49,965,587	P31,331,251	P597,605	P38,831,716	P-	(P3,040,507)	(P2,106,586)	P1,417,884	P70,215	P12,280	P117,079,445

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Philippine National Bank and Subsidiaries

Statements of Cash Flows

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018 (As restated – Note 36)	2017 (As restated – Note 36)	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱12,232,192	₱13,243,175	₱10,478,758	₱11,767,940	₱12,769,745	₱10,284,239
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	2,909,858	1,752,812	884,133	1,593,219	1,401,528	161,877
Depreciation and amortization (Note 11)	2,804,123	1,950,977	1,684,391	2,207,071	1,542,712	1,385,357
Unrealized foreign exchange loss (gain) on bills and acceptances payable	(2,771,182)	1,298,559	–	(2,771,182)	1,292,591	–
Losses (gains) on financial assets at FVTPL (Note 9)	(1,355,606)	21,548	(61,485)	(1,334,550)	10,386	58,156
Unrealized foreign exchange gain on bonds payable	(1,029,880)	–	–	(1,029,880)	–	–
Net gain on sale or exchange of assets (Note 13)	(690,625)	(5,861,143)	(3,921,136)	(686,441)	(5,841,136)	(3,862,341)
Realized trading gain on financial assets at FVOCI (Note 9)	(317,609)	(167,902)	–	(317,609)	(160,403)	
Amortization of transaction costs on borrowings (Notes 17 and 21)	125,596	51,502	60,239	125,596	51,502	60,239
Equity in net (earnings)loss of subsidiaries and an associate (Note 12)	97,608	(43,847)	(59,215)	345,600	(530,885)	(498,254)
Amortization of premium on investment securities	95,849	789,981	1,383,338	78,880	1,034,142	1,375,100
Loss (gain) on mark-to-market of derivatives (Note 23)	(44,060)	899,614	(128,417)	(44,060)	899,614	(124,679)
Realized trading gain on AFS investments (Note 9)	–	–	(506,238)	–	–	(506,238)
Amortization of fair value loss of HTM investments reclassified to AFS investments (Note 9)	–	–	141,802	–	4,945	141,802
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	(1,220,264)	678,014	(798,815)	(421,675)	274,268	(828,073)
Financial assets at FVTPL	(2,068,543)	(8,039,543)	(778,629)	192,590	(8,063,759)	(808,168)
Loans and receivables	(75,034,482)	(88,550,600)	(75,945,020)	(78,630,395)	(73,115,194)	(63,393,954)
Other assets	(1,679,271)	2,269,350	(777,538)	300,790	2,071,977	(2,103,444)
Increase (decrease) in amounts of:						
Financial liabilities at FVTPL	(225,029)	127,126	–	(236,287)	124,863	–
Deposit liabilities	92,702,273	95,341,952	67,387,302	92,402,864	86,953,099	54,189,539
Accrued taxes, interest and other expenses	561,268	1,073,637	379,861	516,800	886,415	441,930
Other liabilities	356,335	548,819	(187,798)	(301,401)	804,897	(1,129,101)
Net cash generated from (used in) operations	25,448,551	17,384,031	(764,467)	23,757,870	22,411,307	(5,156,013)
Income taxes paid	(3,369,421)	(3,779,657)	(1,524,208)	(3,043,713)	(3,314,639)	(1,350,866)
Net cash provided by (used in) operating activities	22,079,130	13,604,374	(2,288,675)	20,714,157	19,096,668	(6,506,879)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from:						
Disposal/maturities of investment securities at amortized cost (Note 9)	81,709,960	19,356,795	–	81,530,081	37,694,571	–
Disposal/maturities of financial assets at FVOCI/AFS investments	36,239,398	41,459,104	199,856,642	34,213,584	41,652,990	199,690,619
Disposal of property and equipment (Note 11)	162,143	123,767	29,719	3,531	583,701	172,226
Disposal of investment properties	712,650	8,456,263	5,570,269	717,677	8,493,918	5,119,922
Share in dividends from subsidiaries (Note 12)	–	–	–	–	–	1,333,350
Acquisitions of:						
Financial assets at FVOCI/AFS investments	(100,926,015)	(23,729,263)	(202,587,314)	(96,281,851)	(25,122,624)	(201,794,860)
Investment securities at amortized cost	(81,365,299)	(93,782,890)	–	(81,150,541)	(111,057,852)	–
Property and equipment (Note 11)	(2,299,285)	(3,026,508)	(1,964,768)	(1,634,668)	(2,263,064)	(1,658,985)
Software cost (Note 14)	(334,548)	(169,231)	(1,162,121)	(331,543)	(160,857)	(1,045,743)
HTM investments	–	–	(2,801,983)	–	–	(2,726,786)
Additional investments in subsidiaries (Note 12)	–	–	–	(180,000)	(266,000)	(700,000)
Closure of subsidiaries (Note 12)	–	–	–	–	–	50,000
Net cash used in investing activities	(66,100,996)	(51,311,963)	(3,059,556)	(63,113,730)	(50,445,217)	(1,560,257)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018 (As restated – Note 36)	2017 (As restated – Note 36)		2018	2017	
	2019		2019			
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of bills and acceptances payable	₱1,465,130,227	₱187,599,609	₱164,866,720	₱1,445,941,174	₱178,534,210	₱159,025,830
Proceeds from issuance of bonds payable (Note 21)	51,899,720	15,398,696	–	51,899,720	15,398,696	–
Settlements of:						
Bills and acceptances payable	(1,476,478,591)	(162,732,019)	(157,020,131)	(1,457,452,771)	(158,520,810)	(151,794,765)
Subordinated debt	–	–	(3,500,000)	–	–	(3,500,000)
Proceeds from issuance of stocks (Note 25)	11,850,316	–	–	11,840,316	–	–
Payment of principal portion of lease liabilities (Note 29)	(509,952)	–	–	(436,331)	–	–
Dividends paid to non-controlling interest	–	–	(3,270)	–	–	–
Net cash provided by financing activities	51,891,720	40,266,286	4,343,319	51,792,108	35,412,096	3,731,065
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	7,869,854	2,558,697	(1,004,912)	9,392,535	4,063,547	(4,336,071)
CASH AND CASH EQUIVALENTS AT BEGINNING 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	21,003,079	22,025,322	22,709,805	10,459,496	10,755,260	12,831,514
Interbank loans receivable	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
	171,832,310	169,273,613	170,278,525	156,310,617	152,247,070	156,583,141
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	30,500,927	16,825,487	12,391,139	29,642,159	15,904,663	11,671,952
Due from Bangko Sentral ng Pilipinas	105,981,801	102,723,312	108,743,985	101,801,597	98,665,375	105,497,459
Due from other banks	17,758,143	21,003,079	22,025,322	10,835,106	10,459,496	10,755,260
Interbank loans receivable (Note 8)	22,943,529	10,580,432	11,491,684	22,274,306	10,581,083	9,700,916
Securities held under agreements to resell	2,517,764	20,700,000	14,621,483	1,149,984	20,700,000	14,621,483
	₱179,702,164	₱171,832,310	₱169,273,613	₱165,703,152	₱156,310,617	₱152,247,070
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	₱17,522,121	₱8,151,979	₱5,317,161	₱15,188,304	₱6,768,648	₱4,617,444
Interest received	49,063,648	32,969,308	28,559,267	43,948,726	28,399,766	25,320,173
Dividends received	–	3,366	3,270	–	3,366	32,417

Please refer to Notes to Financial Statements presented in a separate document and can be downloaded on our official website www.pnb.com.ph.

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.

Peso Accounts

1. Non-interest- and interest-bearing Current Accounts
2. Interest-bearing Savings Accounts
3. Time Deposit Accounts
4. Debit Cards
5. Prepaid Cards

US Dollar Accounts

1. Non-interest-bearing Current Accounts
2. Interest-bearing Savings Accounts
3. Time Deposit Accounts

Other Foreign Currency Accounts (Savings and Time)

1. Chinese Yuan (Renminbi)
2. Euro Savings Account
3. Japanese Yen Savings Account
4. Canadian Dollar Savings Account
5. Singaporean Dollar Savings Account
6. Hong Kong Dollar Savings Account
7. Great Britain Pound Savings Account
8. Swiss Franc Savings Account
9. Australian Dollar Savings Account

Cash Management Solutions

PNB offers powerful and efficient cash management solutions that maximize control over business finances. These solutions are supported by an access to the PNB C@shNet facility, a web-based account and liquidity management platform that provides corporate clients with real time access to their PNB accounts anytime, anywhere.

Electronic Banking Services

These are digital banking channels offered to customers that allow them to access their accounts and perform banking transactions anytime and anywhere. 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, Automated Teller Machines (ATMs), and Cash Accept Machines (CAMs).

Safety Deposit Boxes

Valued 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 the Bank's premises.

B. BANCASSURANCE

PNB Bancassurance provides solid financial services to help ensure and protect the future of clients.

Non-Life Insurance

Products being offered through PNB General Insurers Co., Inc. include Property and Natural Perils Insurance, Motor Car Insurance, Personal Accident Insurance, Engineering Insurance, Marine Insurance, among others.

Life Insurance

There is a wide range of life insurance products offered by Allianz PNB Life that cater to specific needs such as Savings and Investments, Protection, Health, Education, Retirement, and Estate Planning.

C. REMITTANCE PRODUCTS AND SERVICES

The Bank has various products and services which Overseas Filipino Workers (OFWs) and their beneficiaries can rely on for sending and receiving remittances, and other services such as Overseas Bills Payment and Own a Philippine Home Loan (OPHL).

D. FUND TRANSFER AND RELATED SERVICES

The Bank provides services that allow international foreign currency funds transfers via its overseas branches and Society for Worldwide Interbank Financial Telecommunication (SWIFT), and domestic interbank funds transfers via the Philippine Domestic Dollar Transfer System (PDDTS), Instapay, PesoNet, among others. The Bank also offers Demand Drafts/Cashier's/Manager's Checks, travel funds in the form of Travellers' checks and/or foreign currency notes, as well as facilities for clearing checks drawn in the Philippines or abroad.

E. TREASURY PRODUCTS AND SERVICES

The Bank offers expertise in Fixed Income Securities and Money Market Instruments, Spots, Forwards, Swaps, and Foreign Exchange.

F. TRADE FINANCE SERVICES

The Bank offers various modes/arrangements of settling international trade transactions to make it easier for importers and exporters to transact business. Services such as Letters of Credit, Standby Letters of Credit, Bills Purchase and Trust Receipt Facility are available.

G. LENDING SERVICES

The Bank offers a wide array of attractive and easy loan options consisting of Credit Lines, Bills Purchased Lines, Term Loans, Time Loans, among others, for large corporates, small and medium enterprises (SMEs), and government clients. The Bank also extends consumer loans such as Housing, Auto and Personal loans. Credit Cards are also available for everyday payment convenience in dining, travelling, and shopping.

H. TRUST PRODUCTS AND SERVICES

The Bank provides a full range of Trust products and services designed to meet the needs of a broad spectrum of market segments.

Unit Investment Trust Funds (UITF)

UITFs are open-ended trust funds denominated in Philippine 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.

Personal Trust Products

These are trust funds for a client's beneficiary that can be availed through fund management services such as Personal Management Trust, Investment Management Account (IMA), Estate Planning, and Testamentary Trust.

Corporate Trust Products

PNB offers Corporate Fund Management, Employee Benefit Trust/Retirement Fund (PNB EES), and Pre-Need Account for companies.

Other Fiduciary Trust Products and Services

These include roles as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank.

For a complete description of the Bank's Products and Services, please visit our website at www.pnb.com.ph.



Management Directory

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President

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Jose German Licup
Zacarias Gallardo, Jr.

First Vice President

Constantino Yap

Assistant Vice President

Gemma Lim
Lita Victoria Fernandez

CORPORATE SECRETARY’S OFFICE

First Vice President

Maila Katrina Ilarde

Senior Assistant Vice President

Ma. Cristina Advincula

CREDIT MANAGEMENT GROUP

First Senior Vice President

Nanette Vergara

Senior Vice President

Ana Rose Kwan

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Mario Luis Cruel
Roberto Medalla

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Lorna Gamboa
Joy Lalicon
Erwin Rommel Pobeda
Carmencita Karla Sucaldito

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Arles Benson Gonzales
Shaun Mar Limcumpao
Alberto Oliveros
Christina Osias
Alexander Sevilla
Ma. Gemma Subiate
Jan John Dennis Villacorte
Charlotte Yu
Dyan Ann Yuson

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Ma. Soledad Cosuco
Ricardo Ledesma
Cedric Lu
Rafael Montejo
Michael Taasan

ENTERPRISE INFORMATION SECURITY GROUP

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Vice President

Ma. Cecilia Regalario

Assistant Vice President

Pat Pio Fondevilla

ENTERPRISE SERVICES SECTOR

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Acquired Assets Management Group

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Nixon Ngo

Vice President

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Cesar Sotoza

Administration Group

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Art Chuaunsu

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Roberto Bartolome

Assistant Vice President

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Erwin Go

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Stephanie Canedo
Jocelyn Sarte

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Rowena Magpayo

Assistant Vice President

Mario Alejandro Afurong
Selena Magdalena Madarang
Ma. Leticia Tayag

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Vice President

Roderick Soriano

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Accounting and Controllership Group

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Araceli Franco
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Generoso Frias
Christine Marzan

Assistant Vice President

Rusela Maranan

Central Management Information Services Division

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Seconded to PNB Savings Bank

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First Vice President

Jeslyn Bonifacio

Vice President

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Rhodora Del Mundo
Arlene Gueverra

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Melvar Benedicto
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Gilbert Guevara

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Global Markets Group**Senior Vice President**

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Noel Malabag

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Mark Angelo Espiritu
John Christopher Lu
Robina Sy
Mary Lourdes Teng

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Ernee Regala
Inulli Ty

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Eric Jayson Castro
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Jose Benjamin Nunez III

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Cezar Bayonito

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Julie Anne Dimayuga

Multinational Division**Vice President**

Godfrey Paraiso

GLOBAL COMPLIANCE GROUP**Executive Vice President**

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Vice President

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Socorro D. Corpus

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Liberty Matias
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Eduardo Martinez
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Lorisyl Cabitac
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Angeline Dee
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Christian Jerome Dobles

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Carmen Jazmin Lao

Senior Assistant Vice President

Sheila Marie Fiel

Assistant Vice President

Luzviminda Magsino
Rainier Raymond Rejano
Ria Rivera



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Aaron Astor

Linda Lao

Vice President

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Roberto Noceda

Irene Tan

Sharon Marie Ventura

Senior Assistant Vice President

Pamela Benito

Josephine Caluag

Clifford Ilagan

Ma. Eloisa Opena

Ramon Siyluy, Jr.

Assistant Vice President

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Ivo Te

Janette Ardinez

Jayson Siocson

Joselito Napili

Leny Sy

Marjorie Ballesteros

Mildred Alcantara

Patricia Santos

Rhizzy Ann Roque

Sidney Gerard Zosa

Sotero Paner, Jr.

Susan Principe

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Allan Ang

Maria Lourdes Donata Gonzales

Humildad Santelices

First Vice President

Jean Marie Baruelo

Vice President

Kurt Ellyson Fang

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Ma. Kathelyn Jenica Dela Cruz

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Meylord Capanzana

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Donnabel Leal

Elizabeth Sanchez

Analisa San Pedro

MARKETING AND BRAND MANAGEMENT SECTOR

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Norman Martin Reyes

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Assistant Vice President

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Gerald Michael Calaguian

John Robert Gamit

Conrad Paul Pascual, Jr.

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First Vice President

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Assistant Vice President

Marrissa Lorenzo

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Ma. Agnes Almosara

David Stephen Cu

Reynaldo Intal

Ma. Cirila Panganiban

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Cynthia Molina

Lorna Santos

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Malou Francisco

Carlos Alberto Ortiz

Marilou Ramos

Mary Rose Rodillas

Maria Fe Tolentino

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Assistant Vice President

Perlita Calangi

Udy Co

Emjay Socorro De Chavez

Noel Go

Maria Mercedes Malaluan

Mimosa Nicdao

Evangeline Roxas

Elizabeth Salas

Flordeliza Santillan

Salvy Samuel

Rosalinda Sumaya

PUBLIC AFFAIRS GROUP**Senior Vice President**

Claro Fernandez

Senior Assistant Vice President

Leia Michelle Regala-Teodoro

RETAIL BANKING SECTOR**Senior Vice President and OIC**

Maria Adelia Joson

Branch Banking Group**Senior Vice President**

Edilberto Ramos

First Vice President

Carlo Dimaala

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Carina Salonga

Vice president

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Maria Therese Montecer

Jay Pesigan

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Ma. Lelis Singson

Lourdes Valencia

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Aron Bugalon

Ruth Carrasco

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Blaine Kow

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Walter Lasaca

Irma Madonna Leonardo

Sharon Marie Magpayo

Editha Manago

Arturo Martinez

Merly Mercado

Carolina Conrada Palaroan

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Jerry Rosete

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Loreta Trasadas

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Delia Villanueva

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Anastasia Angeles

Roberto Arellano, Jr.

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Irenio Cain, Jr.

Rosemarie Carmona

Arlene Castro

Felicitas Castillo

Meriam Claridad

George Clemena

Ma. Irene Corrales

Alan John Ching

Manuelito Chua

Mari Joy Chua

Catherine De Ocampo

Alain Dimaunahan

Bonnie Duran

Virle Mae Encisa

Amor Enriquez

Enrique Eugenio

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Elaine Janiola

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Lilibeth Landicho

Brigida Lee

Dennis Libor

Carolyn Lim

Edson Lim

Conrad Limbaga

Albert Lopez

Elinor Macrohon

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Melissa Anne Ng

Janeth Nuque

Khristine Patena

Arlene Perez

Dolly Pineda

Alvin Pornasodoro

Rommel Remotigue

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Gregorio Santiago, Jr.

Jovilhyn Singcuenco

Cristina So

Rosario Tan

Maricel Tobias

Olga Tongco

Julie Sy

Ernest Uy

Hyna Uy

Maria Uy

Jose Villamar

Ma. Rolina Villanueva

Rosita Yap

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Christian Eugene Quiros

Senior Assistant Vice President

Minna Ambas

Sheila Caeg-Bilog

Jayson Evangelista

Johann Gan

Lennie Hong

Jocelyn Opaco

Jocelyn Rosal

Joel Escolastico Tirona

Assistant Vice President

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Ivy Aquino

Charles Santiago

International Banking and Remittance Group**Senior Vice President**

Teresita Sebastian

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Cristy Vicentina

Ernesto Villacorta

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Senior Assistant Vice President

Arnel Mariano

Elise Rue Ramos

Angelito Maria Rivera

Assistant Vice President

Maria Corazon Yay Jeremillo

Maricel Prudente

Elmer Querol

Raquel Rabang

Joel Eric Talosig



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Jennifer Ng

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Maria Karen Meñez-Rodil
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Senior Assistant Vice President

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Ma. Luisa Cruz
Cesar Engcoy, Jr.
Reyel Lacson
Ma. Luisa Tapang

Assistant Vice President

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Winifred Bernardo
Margarette Grace Garces
Reylyn Im
Anne Kristine Ingente
Melanie Mancenido
Analyn Pecate
Melissa Ponce
Rey Posecion
Ma. Ursula Sobreviñas

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Senior Vice President

Antonio Baculi

First Vice President

Modette Ines Cariño
Mary Rose Mendez

Senior Assistant Vice President

Dennis Arias
Jaybert Jose Ong

RISK MANAGEMENT GROUP

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Vice President

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Coleen Mejia
Fryda Porciuncula

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Cecilia Magbanua
Jo Aaron Reyes
Pamela Torres

STRATEGY SECTOR

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Chester Luy

Pinnacle Priority Banking

Senior Assistant Vice President

Maria Carmina Poblete

Assistant Vice President

Jennilyn Ann Tio

Strategy and Planning Group

Senior Vice President

Emeline Centeno

Vice President

Alvin Joseph Arogo
Jonathan Uy

Assistant Vice President

Janet Antonio
Marcena Puno

TRUST BANKING GROUP

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Joy Jasmin Santos
Dennis Anthony Elayda
Josephine Jolejole

Vice President

Anna Liza Calayan
Immaculada Villanos
Ma. Teresa Tolentino

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Jaycee Rivera
Katherine Pagal
Rodney Reyes
Roy Sapanghila

Assistant Vice President

Johanna Michelle Go
Maria Victoria Mendoza
Ma. Socorro Unas
Pierangelo Vengco
Joanna Florencia Villar

WEALTH MANAGEMENT GROUP

Senior Vice President

Maria Teresa Velasco

First Vice President

Candice Lim
Don Tamayo

Vice President

Maria Elizabeth Dela Paz

Senior Assistant Vice President

John Marvin Blanco
Ma. Sheryll Castro
Kristine Jan Donayre
Ma. Nelsa Trajano

Assistant Vice President

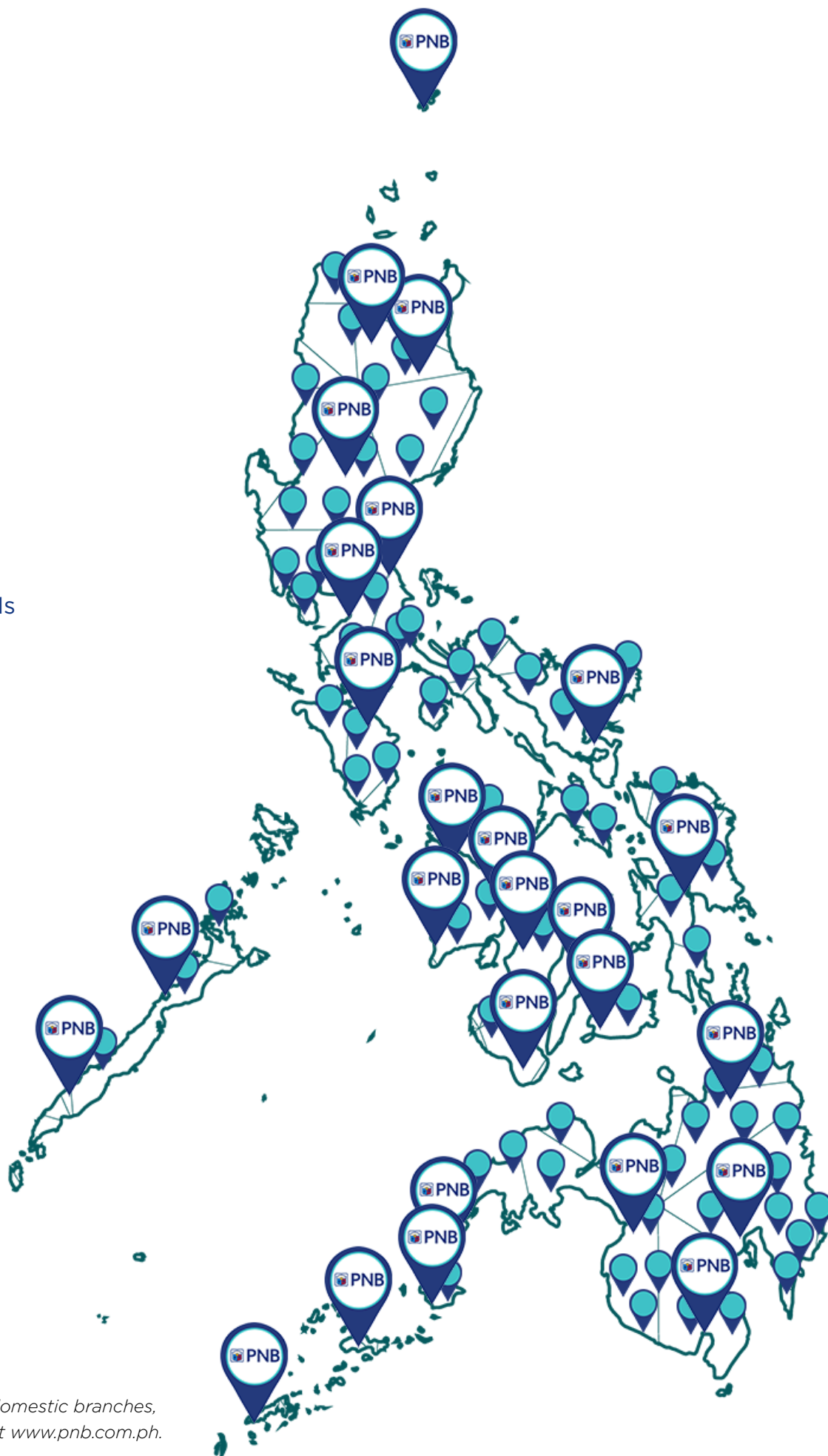
Vanessa Frias
Criselda Camille Pescante
Maxine Anne Villanueva

715

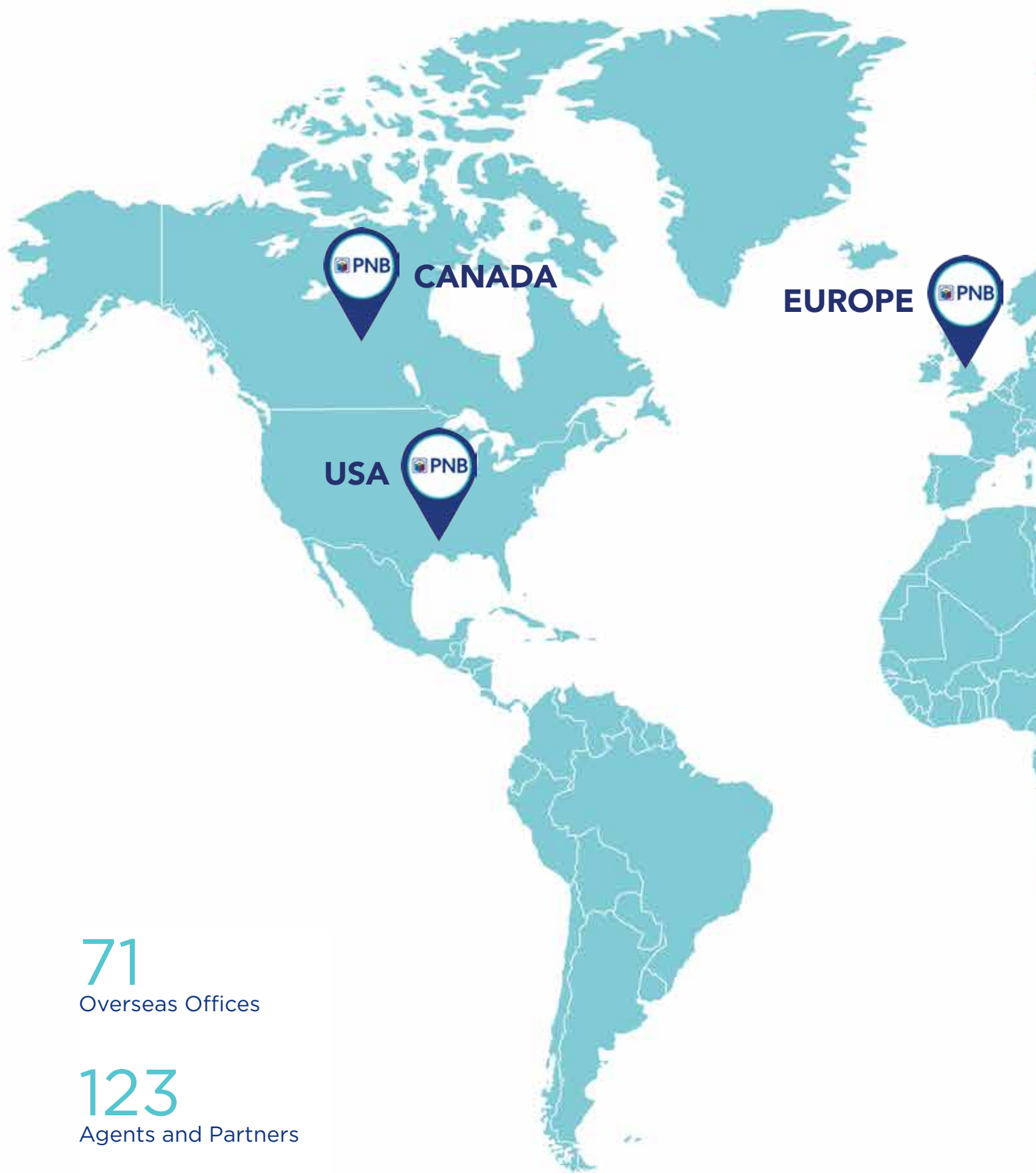
Total Branches

1,553

ATMs and CAMs



*For the complete list of domestic branches,
please visit our website at www.pnb.com.ph.*



71

Overseas Offices

123

Agents and Partners

*For the complete list of overseas branches,
please visit our website at www.pnb.com.ph.*



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Branch Head

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Carlito J. Gaspar

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President & CEO

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