

COVER SHEET

A	S	O	9	6	-	0	0	5	5	5	5
---	---	---	---	---	---	---	---	---	---	---	---

S.E.C. Registration Number

P	H	I	L	I	P	P	I	N	E		N	A	T	I	O	N	A	L		B	A	N	K						
---	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	---	---	---	---	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Company's Full Name)

9	t	h		F	l	o	o	r		P	N	B		F	i	n	a	n	c	i	a	l		C	e	n	t	e	r
---	---	---	--	---	---	---	---	---	--	---	---	---	--	---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---

M	a	c	a	p	a	g	a	l		B	l	v	d	.	,		P	a	s	a	y		C	i	t	y			
---	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	--	---	---	---	---	---	--	---	---	---	---	--	--	--

M	e	t	r	o		M	a	n	i	l	a																	
---	---	---	---	---	--	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

(Business Address: No. Street City/Town/ Province)

RUTH PAMELA E. TANGHAL

Corporate Secretary

Contact Person

8834-0780

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

Fiscal Year

**AMENDED DEFINITIVE INFORMATION
STATEMENT**

FORM TYPE

June 23

Month Day
Annual Meeting

--

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this Doc.

--

Amended Articles Number/Section

--

Total No. of Stockholders

Total amount of Borrowings

--

Domestic

--

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--

File Number

LCU

--	--	--	--	--	--	--	--	--	--

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes



**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Amended Definitive Information Statement
2. Name of Registrant as specified in its charter : PHILIPPINE NATIONAL BANK
3. Province, country or other jurisdiction of incorporation or organization : Metro Manila, Philippines
4. SEC Identification Number : ASO96-005555
5. BIR Tax Identification Number : 000-188-209-000
6. Address of principal office : PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila, 1300
7. Registrant's telephone number, including area code : (632) 8834-0780
(Office of the Corporate Secretary)
8. Date of meeting : April 27, 2021
 Time of meeting : 8:00 a.m.
 Place of meeting : The 2021 PNB Stockholders' Meeting will be conducted through remote communication. The livestreaming link will be provided via email to registered Stockholders.
9. Approximate date on which the Information Statement is first to be sent or given to security holders : March 30, 2021
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrant):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON SHARES	1,525,764,850

11. Are any or all Registrant's securities listed in a Stock Exchange?

Yes ☒

No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein : **PHILIPPINE STOCK EXCHANGE/
COMMON STOCK**



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Meeting of the Stockholders of the Philippine National Bank (the "Bank") will be conducted through remote communication on April 27, 2021, Tuesday, at 8:00 a.m..

The Agenda for the Meeting is as follows:

1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2020 Annual Stockholders' Meeting held on June 23, 2020
4. Report of the President on the Results of Operations for the Year 2020
5. Approval of the 2020 Annual Report
6. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders' Meeting
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The details and rationale of each item of the Agenda is attached as Annex "A" of the Information Statement.

Stockholders of record as of March 29, 2021 shall be entitled to attend, and to vote at, the meeting.

In light of the COVID-19 pandemic, and to safeguard the health and ensure the safety of our stockholders and stakeholders, the Bank will conduct its Annual Stockholders' Meeting through remote communication. Stockholders who wish to attend the meeting or vote through remote communication should register using the PNB ASM Registration Portal provided at www.pnb.com.ph/asm2021 on or before April 20, 2021. The requirements and procedure for registration, participation and voting through remote communication are set out in the Information Statement and published in PNB's website at www.pnb.com.ph/asm2021. There will be an audio and visual recording of the meeting.

Stockholders who are unable to attend the meeting may designate their authorized representative by submitting a signed proxy form via email to pnb_asm@pnb.com.ph no later than 5:00 p.m. on April 22, 2021. A sample proxy form may be downloaded at www.pnb.com.ph/asm2021. Validation of proxies will be on April 22, 2021 at 5:30 p.m.

Stockholders of record may send their queries and comments to pnb_asm@pnb.com.ph on or before April 23, 2021.

Copies of the Notice of the Meeting, Definitive Information Statement, Management Report and Financial Statements ("Documents") may be viewed and downloaded from the Bank's website at <https://www.pnb.com.ph/2021DIS>. Alternatively, the Documents may also be viewed at, and downloaded from its PSE EDGE profile at https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=139.


RUTH PAMELA C. TANGHAL
Corporate Secretary



2021 ANNUAL STOCKHOLDERS' MEETING

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

A. Registration for the 2021 ASM and Voting through Remote Communication

1. Stockholders of record as of March 29, 2021, who wish to attend the Annual Stockholders' Meeting (the "ASM") and vote in absentia should register through the PNB ASM Registration Portal at www.pnb.com.ph/asm2021 on or before April 20, 2021 ("Registration Period").
2. Stockholders are required to provide the following for validation and verification:

a. For individual Stockholders

- Scanned copy of the front and back portions of the Stockholder's valid government-issued **photo ID**. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID;
- Valid and active e-mail address;
- Valid and active contact number (landline or mobile number).

b. For Stockholders with Joint accounts

In addition to the above requirements, a scanned copy of an authorization letter signed by all Stockholders jointly owning the shares designating who among them is authorized to cast the vote for the account. The authorization letter must also be in a digital, JPG format with a file size no larger than 2MB.

c. For Corporate Stockholders

- Scanned copy of a Secretary's Certificate or a board resolution under oath regarding the authority of the representative to attend the meeting and vote for and on behalf of the Corporation. This must be in a digital, JPG format with a file size no larger than 2MB;
- Scanned copy of the front and back portions of the valid government-issued **photo ID** of the Stockholder's representative. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID;
- Valid and active email address of the Stockholder's representative;
- Valid and active contact number of the Stockholder's representative (landline or mobile number).

d. For Stockholders represented by Proxy

- In addition to the above requirements for the Stockholder, the same requirements shall be submitted by the Proxy or authorized representative;
- Scanned copy of the Proxy Form or an authorization letter signed by the Stockholder, authorizing the Proxy to attend the meeting and cast the vote for the account. This must also be in a digital, JPG format with a file size no larger than 2MB.

e. For Stockholders under Broker accounts

- Scanned copy of the broker's certificate signed by the authorized signatory/ies on the Stockholder's number of shares. This must be in a digital, JPG format with a file size no larger than 2MB;
 - In case of a corporate stockholder, also submit a scanned copy of the certification signed by a duly authorized officer of such corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial stockholder. This must be in a digital, JPG format with a file size no larger than 2MB;
 - Scanned copy of the front and back portions of the Stockholder's valid government-issued **photo ID**. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID and Senior Citizen ID;
 - Valid and active email address;
 - Valid and active contact number (landline or mobile number).
3. Upon completion of the verification procedure, the Stockholder will receive an email confirmation which includes the link which the Stockholder may use to access the PNB 2021 ASM livestream. Stockholders who opted during the online registration to vote in absentia will likewise receive a link to PNB's secure online voting portal ("Voting Portal") with the Stockholder's default username and password.
 4. The validation and verification procedure may take up to three (3) days upon submission of the required documents. Stockholders are encouraged to register early within the Registration Period.
 5. The Voting Portal contains the agenda items reflected on the Notice of the 2021 PNB ASM. Registered Stockholders may vote as follows:
 - (a) For items other than the election of directors, registered Stockholders have the option to vote "For", "Against", or "Abstain";
 - (b) For election of Directors, the system of cumulative voting shall be followed. Each Stockholder is entitled to such number of votes equal to the number of shares he/she/it owns multiplied by the number of directors to be elected. Under this voting system, the Stockholder has the option to (i) cast all his/her/its votes in favor of one (1) nominee, or (ii) distribute his/her/its votes among as many nominees as he/she/it may deem fit;
 - (c) Once the registered Stockholder has completed voting, he/she/it can submit his/her/its votes by clicking the "Submit" button. Upon submission, the registered Stockholder may no longer change his/her/its votes.
 6. The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. An independent party will validate the voting results, which will be reported by the Corporate Secretary at the meeting. All votes should be submitted no later than 5:00 p.m. on April 22, 2021.

B. Other Information Regarding the 2021 PNB ASM

1. Only those Stockholders who have completed the registration and verification procedure within the Registration Period shall be considered in determining the existence of a quorum.
2. The conduct of the ASM will be streamed live. Votes and queries cannot be submitted through the livestreaming link. Registered Stockholders may send their queries or comments to pnb_asm@pnb.com.ph on or before April 23, 2021. Queries sent but not addressed during the ASM due to time constraints shall be addressed separately and responded to through email.
3. The proceedings will be recorded in video and audio format. The Minutes of the ASM will be uploaded to the PNB website within twenty-four (24) hours upon the adjournment of the ASM.



SEC FORM 20-IS

**AMENDED DEFINITIVE INFORMATION STATEMENT
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE**

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

- (a) In light of the COVID 19 pandemic, and to safeguard the health and ensure the safety of the stockholders and stakeholders, the Annual Stockholders' Meeting of the Philippine National Bank (hereafter "PNB" or the "Bank") will be conducted through remote communication on April 27, 2021, Tuesday, at 8:00 a.m.

The Bank's complete address is PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

- (b) The Notice of Meeting and the Definitive Information Statement may be accessed by qualified stockholders not later than March 30, 2021.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT BEING REQUESTED TO SEND US A PROXY AT THIS TIME.

Item 2. DISSENTER'S RIGHT OF APPRAISAL

- (a) Title X – Section 80 of the Revised Corporation Code of the Philippines allows a stockholder to exercise his right to dissent and demand payment of the fair value of his shares in certain instances, to wit: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such stockholder or class of shares, or authorize preferences in any respect superior to those of outstanding shares of any class or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the company's properties and assets; or (3) in cases of merger or consolidation; or (4) in case of investment of corporate funds for any purpose other than the primary purpose of the company.
- (b) None of the proposed corporate actions to be submitted to the stockholders for approval constitutes a ground for the exercise of the stockholder's appraisal right.

Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

- (a) No person who has been a director of the Bank from the beginning of fiscal year 2020, or any associate of the foregoing, has any interest in any matter to be acted upon in the meeting other than election to office.
- (b) The Bank has not received any information from a director that he/she intends to oppose any matter to be acted upon in the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) The total number of common shares outstanding as of February 28, 2021 is 1,525,764,850 with a par value of ₱40.00 per share. Total foreign equity ownership is 91,046,801 common shares or 5.97%.

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 as of March 29, 2021 (the "Record Date").

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit, provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

Pursuant to Sections 23 and 57 of the Revised Corporation Code, the PNB Board of Directors approved on February 26, 2021 the participation and voting at the 2021 Annual Stockholders' Meeting through remote communication. The requirements and procedure for registration, participation and voting through remote communication are provided in this Information Statement and published in PNB's website at www.pnb.com.ph/asm2021.

- (b) Stockholders of the Bank as of the Record Date shall be entitled to notice of, and to vote at, the Annual Stockholders' Meeting.
- (c) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (*more than 5% of any class of voting securities as of February 28, 2021*)

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
All Seasons Realty Corp. - Makati City - 10,005,866 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino	912,811,179	59.8264653298
Allmark Holdings Corp. - Quezon City – 20,724,567 shares Stockholder		Filipino		
Caravan Holdings Corporation - Marikina City - 82,017,184 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Donfar Management Limited - Makati City - 30,747,898 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Dunmore Development Corp. (X-496) - Pasig City - 15,140,723 shares Stockholder		Filipino		
Dynaworld Holdings, Inc. - Pasig City - 11,387,569 shares Stockholder		Filipino		
Fast Return Enterprises, Ltd. - Makati City - 18,157,183 shares Stockholder		Filipino		
Fil-Care Holdings, Inc. - Quezon City - 25,450,962 shares Stockholder		Filipino		
Fragile Touch Investment, Ltd. - Makati City - 22,696,137 shares Stockholder		Filipino		
Ivory Holdings, Inc. - Makati City - 20,761,731 shares Stockholder		Filipino		
Kenrock Holdings, Corp. - Quezon City - 26,018,279 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Kentwood Development Corp. - Quezon City - 17,237,017 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Key Landmark Investments Ltd. - British Virgin Islands - 133,277,924 shares Stockholder		Filipino		
La Vida Development Corp. - Quezon City - 19,607,334 shares Stockholder		Filipino		
Leadway Holdings, Inc. - Quezon City - 65,310,444 shares Stockholder		Filipino		
Mavelstone International Limited - Makati City - 29,575,168 shares Stockholder		Filipino		
Merit Holdings & Equities Corp. - Quezon City - 17,385,520 shares Stockholder		Filipino		
Multiple Star Holdings Corp. - Quezon City - 30,798,151 shares Stockholder		Filipino		
Pioneer Holdings Equities, Inc. - Pasig City - 34,254,212 shares Stockholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Profound Holdings, Inc. - Marikina City - 18,242,251 shares Stockholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Purple Crystal Holdings, Inc. - Manila City - 24,404,724 shares Stockholder		Filipino		
Safeway Holdings & Equities, Inc. - Quezon City - 12,048,843 shares Stockholder		Filipino		
Society Holdings Corp. - Quezon City - 17,298,825 shares Stockholder		Filipino		
Solar Holdings Corporation - Pasig City - 82,017,184 shares Stockholder		Filipino		
Total Holdings Corporation - Quezon City - 15,995,011 shares Stockholder		Filipino		
True Success Profits Limited - British Virgin Islands - 82,017,184 shares Stockholder		Filipino		
Uttermost Success Limited - Makati City – 30,233,288 shares Stockholder		Filipino		

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. The Bank expects to receive from the abovenamed companies

their proxy for the 2021 meeting no later than April 22, 2021, appointing any one (1) of Mr. Lucio C. Tan or Mr. Harry Tan or Ms. Juanita Tan Lee as the authorized proxies/attorneys-in-fact.

(2) Security Ownership of Management (Individual Directors and Executive Officers as of February 28, 2021)

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Florencia G. Tarriela Chairperson Independent Director	2 shares ₱80.00 (R)	Filipino	0.0000001311
Felix Enrico R. Alfiler Vice Chairman Independent Director	8,324 shares ₱332,960.00 (R)	Filipino	0.0005455624
Florido P. Casuela Director	162 shares ₱6,480.00 (R)	Filipino	0.0000106176
Leonilo G. Coronel Director	1 share ₱40.00 (R)	Filipino	0.0000000655
Edgar A. Cua Independent Director	100 shares ₱4,000.00 (R)	Filipino	0.0000065541
Estelito P. Mendoza Director	1,150 shares ₱46,000.00 (R)	Filipino	0.0000753720
Christopher J. Nelson Director	100 shares ₱4,000.00 (R)	Filipino	0.0000065541
Federico C. Pascual Independent Director	39 shares ₱1,560.00 (R)	Filipino	0.0000025561
Carmen K. Tan Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0003277045
Lucio C. Tan Director	14,843,119 shares ₱593,724,760.00 (R)	Filipino	0.9728313639
Michael G. Tan Director	62,250 shares ₱2,490,000.00 (R)	Filipino	0.0040799210
Sheila T. Pascual Director	110 shares ₱4,400.00 (R)	Filipino	0.0000072095

Vivienne K. Tan Director	10 shares ₱400.00 (R)	Filipino	0.0000006554
Jose Arnulfo A. Veloso Director/President	418,395 shares ₱16,735,800.00 (R)	Filipino	0.0274219845
Domingo H. Yap Independent Director	1 share ₱40.00 (R)	Filipino	0.0000000655
Subtotal	15,338,763 shares ₱613,550,520.00 (R)	-	1.0053163173
All Executive Officers & Directors as a Group	15,463,813 shares ₱618,552,520.00 (R)	-	1.0135122067

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more of the Bank's shares.

(4) Changes in Control

There has been no change in control of the Bank during the fiscal year 2020.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

On June 23, 2020, the Bank reported to the Bangko Sentral ng Pilipinas (BSP) the election of fifteen (15) members of the Board of Directors at the 2020 Annual Stockholders' Meeting. Ms. Florencia G. Tarriela, Mr. Felix Enrico R. Alfiler, Mr. Edgar A. Cua, Mr. Federico C. Pascual and Mr. Domingo H. Yap were re-elected as independent directors.

As defined in Section 38.2 of the 2015 Implementing Rules and Regulations of the Securities and Regulation Code (Republic Act No. 8799) (IRR of the SRC), an independent director refers to a person who, apart from his fees and shareholdings, is independent of Management and free from any business or other relationship which could or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.

The re-election of the following directors of PNB for the year 2020-2021 was exempted from confirmation by the Monetary Board (MB):

Florencia G. Tarriela
Felix Enrico R. Alfiler
Florido P. Casuela
Leonilo G. Coronel
Edgar A. Cua
Estelito P. Mendoza
Christopher J. Nelson
Federico C. Pascual

Sheila T. Pascual
Lucio C. Tan
Carmen K. Tan
Michael G. Tan
Vivienne K. Tan
Jose Arnulfo A. Veloso
Domingo H. Yap

The Bank's Corporate Governance and Sustainability Committee, acting as the Nomination and Remuneration Committee, considered the shortlist of candidates nominated to sit as members of the Board of Directors for 2021-2022 according to the prescribed qualifications and disqualifications. A total of fifteen (15) nominees were considered. On March 10, 2021, the Board of Directors confirmed the nomination of the following individuals for election to the Board of Directors for the year 2021–2022:

1. Florencia G. Tarriela
2. Felix Enrico R. Alfiler
3. Florido P. Casuela
4. Leonilo G. Coronel
5. Edgar A. Cua
6. Estelito P. Mendoza
7. Federico C. Pascual
8. Sheila T. Pascual
9. Carmen K. Tan
10. Lucio C. Tan
11. Lucio C. Tan III
12. Michael G. Tan
13. Vivienne K. Tan
14. Jose Arnulfo A. Veloso
15. Domingo H. Yap

(Please refer to pages 14 to 29 of this Information Statement for the profiles of the nominees and incumbent directors.)

The aforementioned nominees were approved and confirmed by the Corporate Governance and Sustainability Committee, in compliance with the Manual of Regulations for Banks (MORB) of the BSP on the qualifications of a director and in accordance with the procedure for the nomination and election of independent directors set forth in Rule 38 of the IRR of the SRC and Securities and Exchange Commission (SEC) Memorandum Circular (MC) No. 19, Series of 2016, Code of Corporate Governance for Publicly-Listed Companies ("SEC MC No. 19, Series of 2016").

Mr. Felix Enrico R. Alfiler, Mr. Edgar A. Cua, Mr. Federico C. Pascual, Ms. Florencia G. Tarriela, and Mr. Domingo H. Yap are nominated as independent directors. After due evaluation, the Corporate Governance and Sustainability Committee certified that said nominees are qualified in accordance with the MORB and Rule 38 of the IRR of the SRC. All of the nominees for independent director were nominated by Ms. Ruth Pamela E. Tanghal to comply with the requirements on independent directors. None of the nominees are related to Ms. Tanghal.

Except for the nominations of Mr. Alfiler and Ms. Tarriela, all nominations are compliant with SEC MC No. 4, Series of 2017 and Recommendation 5.3 of SEC MC No. 19, Series of 2016 on the term limits of independent directors. On February 17, 2021, the Bank sent a letter to the BSP requesting for the temporary exemption from the nine (9) year cumulative term limit rule for Mr. Alfiler and Ms. Tarriela whose terms have already lapsed based on Section 3 of BSP Circular 969, SEC MC No. 4, Series of 2017 and Recommendation 5.3 of SEC MC No. 19, Series of 2016, for an additional period of two (2) years.

In justifying the re-nomination of Ms. Tarriela and Mr. Alfiler as independent directors despite having served as independent directors for the maximum cumulative term of nine (9) years, the Corporate Governance and Sustainability Committee, acting as the Nomination and Remuneration Committee, and the members of the Board considered Ms. Tarriela's and Mr. Alfiler's in-depth knowledge of the Bank's business as well as that of the Bank's affiliates and subsidiaries due to their length of service as independent directors of the Bank. Furthermore, Ms. Tarriela's and Mr. Alfiler's accomplishments and expertise in the banking industry and their experience as past officers and directors of various institutions in the field of finance and banking have greatly contributed, and will continue to contribute, to the improvement and growth of the Bank's business and the Bank's continuous compliance with regulatory requirements. The Corporate Governance and Sustainability Committee and the members of the Board believe that it is in the best interest of the Bank to retain Ms. Tarriela and Mr. Alfiler as independent directors as they will help the Bank reach its goals in the

ensuing year and improve the Bank's over-all performance. Considering that Ms. Tarriela and Mr. Alfiler are well versed with the operations and requirements of the Bank, they are in a better position compared to new independent directors to help the Bank maneuver through the new normal of doing business under the pandemic scenario.

The Monetary Board, however, was unable to grant the Bank's request for extension of the term of Ms. Florencia G. Tarriela and Mr. Felix Enrico R. Alfiler as Independent Directors of the Bank due to the clear wording of the law. The response of the Monetary Board was contained in a letter dated April 6, 2021 which was received by the Bank on said date via e-release. With that, the Bank was constrained to amend its list of nominees for directorship for 2021-2022. With the endorsement of the Bank's Corporate Governance and Sustainability Committee and approval of the Board of Directors at its Special Board Meeting held on April 8, 2021, the following were nominated for the position of Independent Directors for the year 2021-2022, in lieu of Ms. Tarriela and Mr. Alfiler:

1. Mr. Wilfrido E. Sanchez; and
2. Mr. Angelito M. Villanueva.

In view of the foregoing, the following is the amended list of nominees for directorship for the year 2021 - 2022 to be submitted to the stockholders for election at the 2021 ASM:

1. Mr. Florido P. Casuela;
2. Mr. Leonilo G. Coronel;
3. Mr. Edgar A. Cua ;
4. Mr. Estelito P. Mendoza;
5. Mr. Federico C. Pascual;
6. Ms. Sheila T. Pascual;
7. Mr. Wilfrido E. Sanchez;
8. Ms. Carmen K. Tan;
9. Mr. Lucio C. Tan;
10. Mr. Lucio C. Tan III;
11. Mr. Michael G. Tan;
12. Ms. Vivienne K. Tan;
13. Mr. Jose Arnulfo A. Veloso;
14. Mr. Angelito M. Villanueva; and
15. Mr. Domingo H. Yap.

The Certificates of Qualification of the independent directors pursuant to SEC MC No. 5, Series of 2017 were submitted by the Bank to the SEC on March 23, 2021 and April 12, 2021.

Below are the profiles of the incumbent directors and officers of the Bank and the nominees for directorship as of April 8, 2021. The information below addresses the requirements of Section 49 of the Revised Corporation Code.

Profile of Directors and Executive Officers together with their Business Experience covering at least the Past Five (5) Years

Name	FLORENCIA G. TARRIELA
Age	74
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration degree, Major in Economics, University of the Philippines * Masters in Economics degree from the 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 (as Director) * May 24, 2005 (as Chairman of the Board) * May 30, 2006 (as Independent Director)
Directorship in Other Listed Companies	* Independent Director of LT Group, Inc.
Other Current Positions	<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 Eton Properties Philippines Inc. * 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. * Director 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. * Director of Bankers Association of the Philippines * 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

Name	FELIX ENRICO R. ALFILER
Age	71
Nationality	Filipino
Education	* Bachelor of Science and Masters in Statistics from the University of the Philippines
Current Position in the Bank	* Vice Chairman/Independent Director
Date of First Appointment	* January 1, 2012
Directorship in Other Listed Companies	* None
Other Current Positions	* Chairman/Independent Director of PNB General Insurers Co., Inc., PNB RCI Holdings Co., Ltd. and PNB International Investments Corp.
Other Previous Positions	<ul style="list-style-type: none"> * Independent Director of PNB-IBJL Leasing and Finance Corporation and PNB Savings Bank * 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.

Name	FLORIDO P. CASUELA
Age	79
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration, Major in Accounting from the University of the Philippines * Masters in Business Administration from the University of the Philippines * Advanced Management Program for Overseas Bankers from the Philadelphia National Bank in conjunction with Wharton School of the University of Pennsylvania * Study Tour (Micro Finance Program and Cooperatives), under the Auspices of the United States Agency for International Development
Government Civil Service Eligibilities	* Certified Public Accountant, Economist, Commercial Attaché
Current Position in the Bank	* Director
Date of First Appointment	* May 30, 2006
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Chairman of PNB Securities, Inc. * Chairman of Casuela Equity Ventures, Inc. * Director of PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation * Senior Consultant 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, Meralco * Trustee of Land Bank of the Philippines Countryside Development Foundation, Inc. * Director of Sagittarius Mines, Inc. * Senior Adviser in the Bangko Sentral ng Pilipinas * Senior Executive Vice President of United Overseas Bank (Westmont Bank) * Executive Vice President of PDCP (Producers Bank) * Senior Vice President of Philippine National Bank * Special Assistant to the Chairman of the National Power Corporation * First Vice President of Bank of Commerce * Vice President of Metropolitan Bank & Trust Co. * Staff Officer, BSP * Audit Staff of Joaquin Cunanan, CPAs (Isla Lipana & Co.)
Awards/Citations	<ul style="list-style-type: none"> * One of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration * Most Outstanding Surigaonon in the field of Banking and Finance, awarded by the Rotary Club – Surigao Chapter

Name	LEONILO G. CORONEL
Age	74
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University * Advance Management Program of the 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-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation * Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation * Director/Treasurer of Philippine Depository and Trust Corporation * Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council * Managing Director of BAP-Credit Bureau * President of Cebu Bankers Association * Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation * Worked with Citibank, Manila for twenty (20) years, occupying various positions
Awards/Citations	* Fellow of the Australian Institute of Company Directors in 2002

Name	EDGAR A. CUA
Age	65
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts in Economics degree (Honors Program) from the Ateneo de Manila University * Masters of Arts in Economics degree from the University of Southern California * Masters of Planning Urban and Regional Environment degree from the University of Southern California * Advanced Chinese from the 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"> * Chairman and Director of Allied Integrated Holdings Inc. (Formerly: PNB Savings Bank) * Independent Director of PNB Capital and Investment Corporation, Allied Commercial Bank, Xiamen, and PNB-Mizuho Leasing and Finance Corp. * 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 Asian Development Bank (ADB), based in ADB's Resident Mission in Beijing, People's Republic of China (PRC). Other managerial positions in ADB included Deputy Director General, East Asia Department, Country Director, ADB Resident Mission in Indonesia and Deputy Country Director, ADB Resident Mission in PRC. * Staff Consultant, SGV & Co.

Name	ESTELITO P. MENDOZA
Age	91
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Laws (cum laude) from the University of the Philippines * Master of Laws from Harvard University
Current Position in the Bank	* Director
Date of First Appointment	* January 1, 2009
Directorship in Other Listed Companies	* Director of San Miguel Corporation and Petron Corporation
Other Current Positions	<ul style="list-style-type: none"> * Chairman of Prestige Travel, Inc. * Practicing lawyer for more than sixty (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"

Name	CHRISTOPHER J. NELSON
Age	62
Nationality	British
Education	<ul style="list-style-type: none"> * Bachelor of Arts and Masters of Arts in History from Emmanuel College, Cambridge University, U.K. * Diploma in Marketing from the Institute of Marketing, Cranfield, U.K.
Current Position in the Bank	* 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	* None
Other Current Positions	<ul style="list-style-type: none"> * Director of the Philippine Band of Mercy and the Federation of Philippine Industries * Chairman/Trustee of the British Chamber of Commerce * Trustee of the American Chamber Foundation Philippines, Inc., and Dualtech Training Center * 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

Name	FEDERICO C. PASCUAL
Age	78
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	* Independent Director
Date of First Appointment	* May 27, 2014
Directorship in Other Listed Companies	* 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-Mizuho Equipment Rentals 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. * Chairman/Director of Apo Reef World Resort * Director of Sarco Land Resources Ventures Corporation, SCTEX Development and Franchisers Corporation, and Hermosa Golden Rainbow Corporation * Proprietor of Green Grower Farm * Partner of the University of Nueva Caceres Bataan Branch * Member, 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. * Independent Director of Allied Integrated Holdings, Inc. (formerly PNBSB) * President and General Manager of Government Service Insurance System * President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation * Director of Global Energy Growth System * Various positions with PNB for twenty (20) years, 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 * Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, Philippine National Oil Corporation, and PNB Savings Bank * Chairman and President of Alabang Country Club

Name	SHEILA T. PASCUAL
Age	58
Nationality	Filipino
Education	* Bachelor of Science in Business Management from the Ateneo de Manila University
Current Position in the Bank	* Director
Date of First Appointment	* November 22, 2019
Directorship in Other Listed Companies	* None
Other Current Position/s	* Business Development Manager of Allied Banking Corporation Hong Kong
Other Previous Position/s	* Marketing Development Officer of Asia Brewery Incorporated

Name	CARMEN K. TAN
Age	79
Nationality	Filipino
Current Position in the Bank	* Director
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Vice Chairman of LT Group, Inc. * Director of MacroAsia Corporation and PAL Holdings, Inc.
Other Current Positions	* Director: Philippine Airlines, Inc., 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., Tanduay Distillers, Inc., Tangent Holdings Corporation, Trustmark Holdings Corp., Alliedbankers Insurance Corporation, 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	* Director of Tan Yan Kee Foundation * Member of Tzu Chi Foundation

Name	LUCIO C. TAN
Age	86
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Chemical Engineering degree from Far Eastern University * Doctor of Philosophy, Major in Commerce, from University of Sto. Tomas
Current Position in the Bank	* Director
Date of First Appointment	* December 8, 1999
Directorship in Other Listed Companies	* Chairman and CEO of LT Group, Inc., PAL Holdings, Inc. and MacroAsia Corporation
Other Current Positions	<ul style="list-style-type: none"> * Chairman and CEO of Philippine Airlines, Inc. Lucky Travel Corporation, and Tangent Holdings Corporation * Chairman: Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Allianz PNB Life Insurance, Eton Properties Philippines, Inc., Fortune Tobacco Corporation, PNB Holdings Corporation, Asia Brewery, Inc., Tanduay Distillers, Inc., Alliedbankers Insurance Corporation, and PMFTC 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
Other Previous Positions	<ul style="list-style-type: none"> * Chairman of Allied Banking Corporation, PNB Life Insurance, Inc. and Allied Leasing and Finance Corporation * Chairman of Allied Integrated Holdings, Inc. (formerly PNBSB)
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

Name	MICHAEL G. TAN
Age	54
Nationality	Filipino
Education	* Bachelor of Applied Science in Civil Engineering, Major in Structural Engineering, from the University of British Columbia, Canada
Current Position in the Bank	* Director
Date of First Appointment	* February 9, 2013
Directorship in Other Listed Companies	* Director, President and Chief Operating Officer of LT Group, Inc. * Director of Victorias Milling Company, Inc. and MacroAsia Corporation
Other Current Positions	* Director of Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited * Director, President and Chief Operating Officer of Asia Brewery, Inc. * Director and Treasurer of Zuma Holdings and Management Corporation * Director of the following companies: Philippine Airlines Foundation, Air Philippines Corp., Absolut Distillers, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Eton Properties Philippines, Inc., Shareholdings, Inc., Lucky Travel Corporation, PMFTC, Inc., Maranaw Hotel (Century Park Hotel), Pan Asia Securities, Inc., ALI-Eton Development Corporation, Asia's Emerging Dragon Corporation, Paramount Land Equities, Inc., Sabre Travel Network (Philippines), Inc., Saturn Holdings, Inc., Tangent Holdings Corporation, MacroAsia Corp. and Trustmark Holdings Corporation
Other Previous Positions	* Chairman of PNB Holdings Corporation * Director of Philippine Airlines Inc., Bulawan Mining Corporation, PNB Management and Development Corporation, Alliedbankers Insurance Corporation, PNB Forex, Inc. and PNB Savings Bank * Director and Treasurer of PAL Holdings, Inc. * Director of Allied Banking Corporation (ABC) from January 30, 2008 until ABC's merger with PNB on February 9, 2013

Name	VIVIENNE K. TAN
Age	52
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science - Double Degree in Mathematics and Computer Science from the University of San Francisco, U.S.A * Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising, Los Angeles, U.S.A.
Current Position in the Bank	* Director
Date of First Appointment	* December 15, 2017
Directorship in Other Listed Companies	* Director of LT Group, Inc. and MacroAsia Corporation
Other Current Positions	<ul style="list-style-type: none"> * Director of Eton Properties Philippines, Inc., * Executive Director of Dynamic Holdings Limited * Trustee of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and College of Saint Benilde * 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 PAL Holdings, Inc. * Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc. * Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines, Inc. * Director of Bulawan Mining Corporation and PNB Management and Development Corporation * 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.) * 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)

Name	JOSE ARNULFO A. VELOSO
Age	54
Nationality	Filipino
Education	* Bachelor of Science in Commerce – Marketing Management from De La Salle University
Current Position in the Bank	* President and Chief Executive Officer
Date of First Appointment	* November 16, 2018
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Director of Allianz PNB Life Insurance, Inc. * Director of Bankers Association of the Philippines and Chairman of the BAP Capital Markets Development Committee * Director of European Chamber of Commerce of the Philippines * Director of Phil. Payments Management Inc. * Member of the Asian Banker’s Association * Member of the CIBI Foundation Inc.
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 Assocacion Cambiste Internationale

Name	DOMINGO H. YAP
Age	87
Nationality	Filipino
Education	* Bachelor of Science in Business Administration major in Business Management from San Sebastian College Recoletos
Current Position in the Bank	* Independent Director
Date of First Appointment	* August 23, 2019
Directorship in Other Listed Companies	* None
Other Current Positions	* 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	* 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

Name	LUCIO C. TAN III
Age	28
Nationality	Filipino
Education	* Bachelor of Science in Electrical Engineering, Stanford University * Master of Science, Major in Computer Science, Stanford University
Directorship in Other Listed Companies	* Director of LT Group, Inc. * Director of PAL Holdings, Inc. * Director of MacroAsia Corporation * Director of Victorias Milling Corporation
Other Current Positions	* Director of PNB Holdings Corporation * Director of Philippine Airlines, Inc. * Director of Luftansa Technik Philippines * Director of Air Philippines Corporation * Director/President and Chief Operating Officer of Tanduay Distillers, Inc. * Member of Stanford Tau Beta Phi Engineering Honor Society * Executive Board Member/Financial Officer for Stanford Asian Student Entrepreneur Society
Awards/Citations	* Stanford University Frederick E. Terman Award (2015), award given to engineering seniors who are at the top 5% of their class * Stanford University Tau Beta Pi Honors Society (2013), honor given to engineering juniors/seniors who are at the top 1/8 of their class * Stanford University President's Award for Academic Excellence Freshmen Year (2012), award given to freshmen who are at the top 3% of their class

<u>Name</u>	<u>WILFRIDO E. SANCHEZ</u>
<u>Age</u>	<u>82</u>
<u>Nationality</u>	<u>Filipino</u>
<u>Education</u>	<ul style="list-style-type: none"> * <u>Bachelor of Arts degree from the Ateneo de Manila University</u> * <u>Bachelor of Laws from the Ateneo De Manila University</u> * <u>Masters of Law from Yale Law School</u>
<u>Directorship in Other Listed Companies</u>	<ul style="list-style-type: none"> * <u>Independent Director of LT Group, Inc.</u> -
<u>Other Current Positions</u>	<ul style="list-style-type: none"> * <u>Tax Counsel of Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Offices</u> * <u>Vice Chairman of The Center for Leadership & Change, Inc.</u> * <u>Independent Director: Adventure International Tours, Inc., Amon Trading Corporation, EEI Corporation, Grepalife Asset Management Corporation, Grepalife Fixed Income Fund Corporation, House of Investments, Inc., JVR Foundation, Inc., Kawasaki Motor Corporation, Magellan Capital Holdings Corporation, Omico Corporation, PETNET, Inc., PETPLANS, Inc., Transnational Diversified Corporation, Transnational Diversified Group, Inc., Transnational Financial Services, Inc., Universal Robina Corporation, Eton Properties Philippines, Inc., Asia Brewery, Inc., and Tanduay Distillers, Inc.</u>

<u>Name</u>	<u>ANGELITO M. VILLANUEVA</u>
<u>Age</u>	<u>76</u>
<u>Nationality</u>	<u>Filipino</u>
<u>Education</u>	<ul style="list-style-type: none"> * <u>Bachelor of Science in Business Administration from Mapua Institute of Technology</u> * <u>Certified Public Accountant</u>
<u>Other Current Positions</u>	<u>None</u>
<u>Other Previous Positions</u>	<ul style="list-style-type: none"> * <u>Consultant of ECTK Integrated Security Group</u> * <u>Director: Metropolitan Bank & Trust Company, Toyota Motor Philippines Corporation, Toyota Motor (Phils.) Foundation, Metropolitan (Bahamas) Ltd., First Metro Travel, Inc., First Metro International Investments Co., Ltd., Asia Pacific Top Management, International Resources Corporation, Marco Polo Hotel, Cebu, MB Remittance Center, Ltd. – Hong Kong, Metro Remittance (Singapore) Pte., Ltd., Metro Remittance (U.K.) Ltd., Philippine Savings Bank (PSBank), SMBC-Metro Investment Corporation, Phil. Charter Insurance Co., Inc., Philippine Clearing House Corporation, BancNet, Inc.</u> * <u>Director/Trustee of Orix Metro Leasing & Finance Corporation</u> * <u>Senior Executive Vice President & Head of Operations Group of Metrobank</u> * <u>Faculty Member of Philippine Christian University and Lyceum of Aparri – Cagayan Province</u>
<u>Awards/Citations</u>	<ul style="list-style-type: none"> * <u>The Outstanding Alumnus Award in Banking and Finance – Golden Anniversary of the Del Pilar Academy 2000</u> * <u>The Outstanding Imuseño Award 1996</u> * <u>The Outstanding Mapuan (TOM) Award in Business Administration 1992</u> * <u>The Outstanding Alumnus Award in the field of International Banking Del Pilar Academy – 1989</u>

Name	RUTH PAMELA E. TANGHAL
Age	52
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Mathematics from the Notre Dame University, Cotabato City * Bachelor of Laws from the Notre Dame University, Cotabato City
Current Position in the Bank	* Corporate Secretary
Date of First Appointment	* September 25, 2020
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Corporate Secretary of Allied Integrated Holdings Inc. (Formerly: PNB Savings Bank) * Director of E.C. Tanghal & Co., Inc. and Palm Tree Bank, Inc. * Corporate Secretary of Genbancor Condominium Corporation
Other Previous Positions	<ul style="list-style-type: none"> * Assistant Corporate Secretary of PNB * Corporate Secretary of PNB Management and Development Corporation (MADECOR), Bulawan Mining Corporation and PNB Holdings Corporation * Documentation Lawyer, PNB Legal Group * Director/Corporate Secretary, Rural Bank of Cotabato, Inc. * Director, Rural Bankers Association of the Philippines, Inc.

Name	MICHELLE A. PAHATI-MANUEL
Age	48
Nationality	Filipino
Education	<ul style="list-style-type: none"> * AB Political Science, University of Sto. Tomas, graduated 1993 * Bachelor of Laws, Saint Louis University, graduated 1998
Current Position in the Bank	* Assistant Corporate Secretary
Date of First Appointment	* September 25, 2020
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Corporate Secretary, PNB Capital and Investments Corporation * Corporate Secretary, PNB Securities, Inc.
Other Previous Positions	<ul style="list-style-type: none"> * Department Head, PNB Legal Group * Corporate Secretary, Bulawan Mining Corporation and PNB Management and Development Corporation (MADECOR) * Court Attorney, Supreme Court * Court Attorney, Court of Appeals

Board of Advisors:

Name	MARK M. CHEN
Age	46
Nationality	American
Education	<ul style="list-style-type: none">* Bachelor of Arts in Economics (with Honors), Harvard University – Dean’s List and a Harvard College Scholar* Executive Masters in Business Administration from the Northwestern Kellogg – Hong Kong University of Science & Technology (HKUST), graduated top of the class
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 24, 2020
Other Current Positions	<ul style="list-style-type: none">* Director – 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, 2006 to 2015* Senior Vice President of General Electric (GE) Equity Asia Pacific, 2000 to 2005* Associate – Bankers Trust, 1996 to 1999
Awards/Citations	<ul style="list-style-type: none">* United States Presidential Scholar* United States Byrd Congressional Award

Name	WILLIAM T. LIM
Age	80
Nationality	Filipino
Education	* Bachelor of Science in Chemistry from Adamson University
Current Position in the Bank	* Board Advisor
Date of First Appointment	* January 25, 2013
Directorship in Other Listed Companies	* None
Other Current Positions	<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. * Advisor to the Chairman of the Board of Directors of Allianz PNB Life Insurance, Inc.
Other Previous Positions	<ul style="list-style-type: none"> * Director of PNB Life Insurance, Inc. * Consultant of Allied Banking Corporation * Board Advisor/Director of PNB Savings Bank * 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 VP & Head of the Foreign Department

Name	CHESTER Y. LUY
Age	51
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Science in Business Administration (Magna Cum Laude), University of the Philippines * Masters in Management degree from the J.L. Kellogg Graduate School of Management at Northwestern University * Chartered Financial Analyst (CFA)
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 11, 2020
Other Current Positions	* Board Advisor of PNB-Mizuho Leasing and Finance Corporation, PNB Europe and PNB Global Remittance and Financial Corporation (Hong Kong)
Other Previous Positions	<ul style="list-style-type: none"> * EVP and Head of Strategy Sector and Wealth Management Group * Senior Executive Vice President, Treasurer and Head for the Financial Advisory and Markets Group of Rizal Commercial Banking Corporation * 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. He worked with JPMorgan, Bank of America Merrill Lynch, Barclays Capital, HSBC, Julius Baer, Bank of Singapore and RCBC. * Member of the Singapore Institute of Directors * Served on the Board of a Singapore-based Real Estate and Hospitality Entity
Awards/Citations	<ul style="list-style-type: none"> * Men Who Matter Award (2017) by People Asia Magazine Survey * Top Senior Analyst in the U.S by Institutional Investor Magazine Polls for several years * Most Outstanding Business Administration Student for the Class of 1990 of University of the Philippines

Name	HARRY C. TAN
Age	74
Nationality	Filipino
Education	* Bachelor of Science in Chemical Engineering from the Mapua Institute of Technology
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 31, 2016
Directorship in Other Listed Companies	* Director of LT Group, Inc.
Other Current Positions	<ul style="list-style-type: none"> * Chairman of PNB Global Remittance and Financial Company (HK) Limited * Chairman of the Tobacco Board of Fortune Tobacco Corporation * President of Landcom Realty Corporation * Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc. * Managing Director/Vice Chairman of The Charter House Inc. * Director of various private firms which include Asia Brewery, Inc., Dominion Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Basic Holdings Corporation, Asian Alcohol Corporation, Pan Asia Securities Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Absolut Distillers, Inc., Tanduay Brands International Inc., Allied Bankers Insurance Corp., Allied Banking Corporation (Hong Kong) Limited, PMFTC, Inc., Allied Commercial Bank, and Fortune Landequities and Resources Inc.
Other Previous Positions	<ul style="list-style-type: none"> * Chairman of Bulawan Mining Corporation * Director of Allied Integrated Holdings, Inc. (formerly PNBSB) * Director of Philippine National Bank * Director of Allied Banking Corporation * Director of Philippine Airlines, Inc. * Director of MacroAsia Corporation * President of Century Park Hotel * Director of Eton Properties Philippines, Inc. * Director of PAL Holdings, Inc.

The following constitute the Bank's Corporate Governance and Sustainability Committee for the year 2020-2021:

Florencia G. Tarriela*	-	Chairman
Felix Enrico R. Alfiler*	-	Member
Federico C. Pascual*	-	Member
Domingo H. Yap*	-	Member

** Independent Director*

The following constitute the Bank's Board Audit and Compliance Committee (BACC) for the year 2020-2021:

Edgar A. Cua*	-	Chairman
Felix Enrico R. Alfiler*	-	Member
Florencia G. Tarriela*	-	Member

** Independent Director*

The following are the Executive Officers of the Bank:

JOSE ARNULFO A. VELOSO

(Please refer to page 27 of this Information Statement)

CENON C. AUDENCIAL, JR., 62, Filipino, Executive Vice President, is the Head of the Institutional Banking Sector. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group, and was a Relationship Manager in Citytrust Banking Corporation. Before his 25-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

ROBERTO D. BALTAZAR, 57, Filipino, Executive Vice President, Head of Global Banking and Markets Sector. Mr. Baltazar brings with him over 30 years of banking experience both in the Financial Markets and Corporate Banking Sector. He spent 4 years in Citibank as a foreign exchange trader then moved to HSBC in 1994 as head of FX Trading then eventually became Head of Global Markets, Debt Capital Markets and Securities Services in 2014. He sustained Debt Capital Markets and HSS position as the number one Debt Capital Markets and Global Custodianship Business during his tenure. During this time, HSBC was likewise one of the top FX and Bond Trading houses. He was ACI President in 2013. He was an active member of the BAP OMC, specifically in the FX subcommittee. He obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University and Masters in Business Administration Degree from the University of North Carolina at Chapel Hill, USA.

ISAGANI A. CORTES, 53, Filipino, Executive Vice President, was appointed the Chief Compliance Officer (CCO) of the Bank effective April 8, 2019. He 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 in Diliman. Prior to joining the Bank, Atty. Cortes was the Senior Vice President and Deputy Head of the Regulatory Affairs Group of RCBC. Prior to RCBC, he spent 14 years in The Hongkong Shanghai Banking Corporation (HSBC) handling legal and compliance. As SVP and Country Head of Financial Crime Compliance of HSBC from 2014 to 2019, he was the subject matter expert in and risk steward of financial crime risk. He also worked for East West Bank as its Chief Compliance Officer and ABN AMRO Philippines handling Legal, Remedial Management and Acquired Assets.

AIDA M. PADILLA, 71, Filipino, Executive Vice President and Head of the Enterprise Services Sector. She is the chief strategist for problematic and distressed accounts. As a seasoned professional, she rose from the branch banking ranks at the Philippine Banking Corporation to become Vice President for Marketing of its Corporate Banking Group. She obtained her Bachelor of Science degree in Commerce, Major in Accounting, from St. Theresa's College.

NELSON C. REYES, 56, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as the Chief Financial Officer. In 2018, he became a member of the Board of PNB (Europe) PLC and was appointed Chairman in 2019. Prior to joining the Bank, he was the Chief Financial Officer of the Hongkong and Shanghai Banking Corporation (HSBC), Ltd., Philippine Branch, a position he held for over ten (10) years. He was also a Director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned twenty eight (28) years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia, Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

MARIA PAZ D. LIM, 60, Filipino, First Senior Vice President, is the Corporate Treasurer. She is also concurrently the Treasurer of PNB Capital and Investment Corporation. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

MANUEL C. BAHENA, JR., 59, Filipino, Senior Vice President, is the Chief Legal Counsel of the Bank. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are the Corporate Partnership for Management in Business, Inc.; Oriox Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc.

EMELINE C. CENTENO, 62, Filipino, Senior Vice President, is the Head of the Corporate Planning and Analysis Division. She obtained her Bachelor of Science degree in Statistics (Dean's Lister) and completed her Masters of Arts in Economics degree (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division, and the Corporate Planning Division before assuming her present position as Head of the merged Corporate Planning and Analysis Division. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

MARIA ADELIA A. JOSON, 67, Filipino, Senior Vice President, is the Head of the Retail Banking Sector. Daday, as fondly called by her peers, has over 40 years of vast experience in the banking industry. She started her stint as a research analyst in Economic Research Department of Commercial Bank and Trust Company (Comtrust) in 1974. After 4 years, she took the exams and qualified for the Officers Training Program conducted in 1978 and was promoted to Branch Cashier of Comtrust- Taft Avenue Branch thereafter. In 1980, she joined Allied Banking Corporation (ABC) as Cashier of Roosevelt Branch. Throughout her stint at ABC, she has developed high proficiency in all facets of branch banking thru the various key positions she held in the bank as Branch Head, Area Head and Region Head prior to her designation as the Head of Branch Banking Group in 2014. In 2017, she was assigned to head a newly created group in the Retail Banking Sector Sales and Support Group. Because of consistent commendable performance, she merited promotions not only in positions but also in rank which is currently at SVP. Daday was designated as the Officer-in-Charge for Retail Banking Sector (RBS) in February 2020 before she was officially appointed as the Head of RBS in November 2020. She obtained her degree in A.B. Economics at La Salle College.

MARIE FE LIZA S. JAYME, 58, Filipino, Senior Vice President, is Head of the Operations Group. She graduated with a degree in Bachelor of Arts, Major in Communication Arts and Business Administration from the Assumption College and completed academic units in Master in Business Administration from the Ateneo de Manila University. She joined PNB in 2007 as Head of Cash Product Management Division to establish the bank's cash management services. Ms. Jayme began her career in banking in 1990 as an account officer with Land Bank of the Philippines. From then on, she assumed expanded and multiple roles and responsibilities in account management as Senior

Manager with United Coconut Planters Bank; risk management, cash and trades sales, cash products as Assistant Vice President in Citibank, N.A.'s Global Transaction Services/E-business; and marketing and product management as Vice President and Head of Marketing and Product Management Group of Export and Industry Bank. Prior to banking, Ms. Jayme held senior staff positions with the Office of the Secretary of Finance, Department of Trade and Industry and former Office of the Prime Minister.

MICHAEL MORALLOS, 52 years old, Filipino, Senior Vice President, is the Head of the Information Technology Group. He obtained his Bachelor of Arts degree major in Philosophy and Political Science from the University of the Philippines and completed advanced computer studies at the National Computer Institute of the Philippines. His company trainings include Wharton Senior Executive Program, IBM Project Management, Ateneo Banking Principles and extensive systems training at the FIS Training Center, LR, Arkansas. He brings with him over twenty-seven (27) years of work experience and was a Senior FIS Systematics Consultant. Prior to joining PNB, he was First Senior Vice President and Head of Technology Platform at the Siam Commercial Bank, the largest Thai bank with over 28 million Customer Accounts and 1,200 domestic branches. As Chief Technology Officer of PNB, Mr. Morallos introduced significant improvements in the IT service operations as well as innovative changes in the technology support structure to dynamically adapt to the bank's digital transformation roadmap. He leads the bank's technology strategy and supports the delivery of technology services and key strategic projects to both domestic and overseas branches.

ROLAND V. OSCURO, 57, Filipino, Senior Vice President, is the Chief Information Security Officer and, in concurrent capacity, the Chief Security Officer and Head of Enterprise Security Group. He obtained his Bachelor of Science in Electronics and Communications Engineering degree from Mapua Institute of Technology and took up units in Master in Business Administration for Middle Managers at the Ateneo de Manila Graduate School. He is an Electronic and Communications Engineering Board passer. He is also an Information Systems Audit and Control Association's (ISACA) Certified Information Security Manager (CISM). Prior to his present position, Mr. Oscuro was hired as IT Consultant of the Bank on November 2, 2003. In May 2004, he was appointed as the Head of Network Management Division of Information Technology Group with the rank of First Vice President. He was the Operational Support System Group Manager of Multi-Media Telephony, Inc. (Broadband Philippines) prior to joining PNB. He was also connected with various corporations such as Ediserve Corp. (Global Sources), Sterling Tobacco Corporation, Zero Datasoft (Al Bassam), Metal Industry Research and Development Center, and Pacific Office Machines, Inc.

NANETTE O. VERGARA, 60, Filipino, First Senior Vice President, is the Chief Credit Officer and Head of Credit Management Group. She obtained her degree in Bachelor of Science in Statistics (Cum Laude) in 1981 from the University of the Philippines in Diliman. She joined PNB in 2006 and was appointed as First Vice President & Head of Credit Management Division. She started her banking career with Bank of Commerce in 1981. She moved to the Credit Rating Services Department of the Credit Information Bureau in 1983 and went back to banking in 1992 when she joined the Union Bank of the Philippines. She later transferred to Solidbank Corporation in 1993 to head various credit-related units. Prior to joining PNB, she worked with United Overseas Bank from 2000-2006 as VP/Head of Credit Risk Management.

SOCORRO D. CORPUS, 69, Filipino, is the Officer in Charge of Human Resources Group of Philippine National Bank. "Cora" retired from the Bank in 2017 as First Senior Vice President and Head of the Human Resources Group. Thereafter, she joined Assessment Analytics Inc. (AAI), a company that provides assessment solutions and measurements of talent as a Consultant. She is a graduate of Assumption College with a Bachelor of Arts degree, Major in Psychology and an Associate in Commercial Science Degree. She has been an HR practitioner for more than 35 years. 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.

JOY JASMIN R. SANTOS, 47, Filipino, First Vice-President, is the Chief Trust Officer and Head of Trust Banking Group. She has served as Vice-President and Corporate Trust Division Head from 2013 to 2018 and Business Development Division Head of the Trust Banking Group from 2010 to

2012. Prior to joining PNB, she was the International Business Development Head for Asia of Globe Telecom. She was also the Vice-President for Retail Banking of Citibank Savings Inc. from 2005 to 2009. She held key managerial positions in Keppel Bank, American Express Bank and Bank of Philippine Islands. Ms. Santos graduated as Cum Laude in 1994 from the Ateneo de Manila University with a degree of Bachelor of Arts, Major in Management Economics and obtained her Masters in Business Administration from the Australian National University, Canberra, Australia in 2002. She has completed the One-Year Course on Trust Operations and Investment Management given by the Trust Institute Foundation of the Philippines in 2015 and graduated with Distinction.

SIMEON T. YAP, 59, Filipino, First Vice President, is the Bank's Chief Risk Officer and Head of the Risk Management Group. He is an economics graduate from the University of the Philippines' School of Economics. Prior to joining PNB, he was the Market Risk Officer of Security Bank from 2009 to 2018. He was also the Associate Director for Product Development of PDEX in 2008. He was also with Citibank where he was a trader, Money Market Head of Citibank Shanghai and Market Risk Officer.

SAMUEL G. LAZARO, 49, Filipino, Vice President, is the Deputy Chief Audit Executive and concurrently the Officer-in-Charge (OIC) of Internal Audit Group (IAG) of the Bank. A Certified Anti-Money Laundering Specialist (CAMS) and Certified Internal Control Auditor (CICA), he holds a Bachelor of Science in Business Administration degree Major in Accounting from the Philippine School of Business Administration. He started his career as a Junior Auditor when he joined Allied Banking Corporation in August 1993. He rose from the ranks to become an Audit Officer in 1998 and in August 2013, was designated Deputy Chief Audit Executive and concurrently Division Head of IAG-Head Office, Subsidiaries and Overseas Audit Division (HOSOAD). He was appointed as OIC of IAG in June 2020. He is an active member of Institute of Internal Auditors (IIA)- Philippines, Association of Certified Anti-Money Laundering Specialist (ACAMS) and Association of Certified Fraud Examiners (ACFE).

(b) Identify Significant Employees

The Bank values all its employees for their contribution to the business. No employee who is not an executive officer is expected to make any significant contribution to the business of the Bank.

(c) Family Relationships

Directors Lucio C. Tan and Carmen K. Tan are spouses. Directors Michael G. Tan, Sheila T. Pascual and Vivienne K. Tan are children of Director Lucio C. Tan, while Mr. Lucio C. Tan III is his grandson. Board Advisor Harry C. Tan is the brother of Director Lucio C. Tan.

(d) Involvement in Certain Legal Proceedings

None of the directors nor any of the executive officers have, for a period covering the past five (5) years up to the date of this Information Statements, reported:

- i. any petition for bankruptcy filed by or against a business with which they are related as a general partner or executive officer;
- ii. any criminal conviction by final judgment or being subject to a pending criminal proceeding, domestic or foreign, other than cases which arose out of the ordinary course of business in which they may have been impleaded in their official capacity;
- iii. being subject to any order, judgment, or decree of a competent court, domestic or foreign, permanently or temporarily enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities; or
- iv. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading

market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(e) Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bank's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2020 and 2019, the Bank and its subsidiaries (hereinafter collectively referred to as the "Group") were in compliance with such regulations.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- significant investors;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

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

Information related to transactions with related parties and with certain DOSRI is shown under Note 33 of the Audited Financial Statements of the Bank and Subsidiaries and Part II of the Supplementary Schedules Required by the Revised Securities Regulation Code Rule 68 Annex J.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to disclose the directors' self-dealings and related party transactions with the Bank.

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Executive Compensation

1) General

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Non-executive directors are entitled to a per diem for each Board or Board committee meeting attended as follows: ₱50,000.00 for each board meeting and ₱25,000.00 for each committee meeting, provided that in no case shall the total per diem exceed ₱250,000.00 per month for committee meetings. No other emoluments are granted to non-executive directors of the Bank except for the aforementioned per diem. The President and CEO, being the only executive director, is not entitled to any per diem as it is deemed incorporated in his compensation. The total per diem paid to the Board of Directors of the Bank for 2020 amounted to ₱53.025 million.

In view, however, of the competitiveness of the industry and high demand for senior executive officers and in order to maintain the Bank's attractiveness and advantage, the Bank is unable to disclose the exact amount of total compensation received by its President in 2020.

In compliance with Sections 29 and 49 of the Revised Corporation Code requiring corporations vested with public interest to submit to its stockholders and the Commission an annual report of the total compensation of each of their directors, a report on the total compensation of each director will be presented at the Annual Stockholders' Meeting of the Bank and a copy of said report will be submitted to the SEC, as may be required.

The above information addresses the requirements under Sections 29 and 49 of the Revised Corporation Code.

Other than as above-stated, there are no other arrangements concerning compensation for services rendered by directors or executive officers to the Group.

2) Summary Compensation Table

Below is a summary compensation table of the top 4 executive officers, directors and other officers of the Bank.

Annual Compensation (In Pesos)					
Name and Principal Position	Year	Salary	Bonus	Others (per diem)	Total
Mr. Jose Arnulfo A. Veloso President & CEO					
Four most highly compensated executive officers other than the CEO:					
1. Cenon C. Audencial, Jr. Executive Vice President					
2. Roberto D. Baltazar Executive Vice President					
3. Isagani A. Cortes Executive Vice President					
4. Nelson C. Reyes Executive Vice President					
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2019	79,069,694	25,160,854	-	104,230,548
	Actual 2020	76,538,169	25,512,723	-	102,050,892
	Projected 2021	83,427,000	27,809,000	-	111,236,000
Directors	Actual 2019	-	-	45,460,000	45,460,000
	Actual 2020	-	-	53,025,000	53,025,000
	Projected 2021	-	-	57,797,000	57,797,000
All other officers (unnamed)	Actual 2019	3,581,953,255	1,157,568,874	-	4,739,522,129
	Actual 2020	3,862,056,697	1,235,361,383	-	5,097,418,080
	Projected 2021	4,209,642,000	1,346,544,000	-	5,556,186,000

The information above addresses the requirements of Sections 29 and 49 of the Revised Corporation Code.

3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

All executive officers are covered by the Bank's standard employment contract which guarantees annual compensation on a 16-month schedule of payment. In accordance with Sec. 6.1, Article VI of the Bank's Amended By-Laws, all officers with the rank of Vice President and up hold office and serve at the pleasure of the Board of Directors.

4) Warrants and Options Outstanding

No warrants or options on the Bank's shares of stock have been issued or given to the directors or executive officers as a form of compensation for services rendered.

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

SyCip Gorres Velayo & Co., CPAs (SGV) is engaged as the external auditor of the Bank and its domestic subsidiaries for the calendar year 2020. Representatives of SGV will be present at the stockholders meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Vicky B. Lee-Salas is the engagement partner of the Bank for the year 2020.

The Board Audit and Compliance Committee (BACC) has primary authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the Board of Directors and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports.

After careful reevaluation, Management has decided to recommend SGV for reappointment as external auditor of the Bank and its domestic subsidiaries for the year 2021. The BACC has thereafter endorsed the reappointment of SGV to the Board of Directors. The reappointment of SGV as external auditor of the Bank was approved by the Board of Directors on March 10, 2021 and will be presented for ratification of the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 27, 2021.

For the years reported, there were no changes in, nor disagreements with, the Bank's external auditors on accounting and financial disclosures.

OTHER MATTERS

Item 8. ACTION WITH RESPECT TO REPORTS

The following matters will be submitted to a vote at the Annual Stockholders' Meeting:

1. Approval of the Minutes of the 2020 Annual Stockholders' Meeting held on June 23, 2020

Hereunder is a summary of the salient matters discussed at the Annual Stockholders' Meeting of the Bank in 2020:

- a. The Minutes of the 2019 Annual Stockholders' Meeting held on April 30, 2019 was approved;
- b. A Report of the President on the Results of Operations for the Year 2019 was presented;
- c. The 2019 Annual Report was approved;
- d. Amendment of Sections 4.6 and 4.7 of Article IV and Section 5.9 of Article V of the Bank's Amended By-Laws;
- e. All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2019 Annual Stockholders' Meeting were confirmed and ratified;
- f. Fifteen (15) Directors were elected to serve for the term 2020-2021; and
- g. SGV was appointed as External Auditor of the Bank for 2020 - 2021.

A copy of the Minutes of the 2020 Annual Stockholders' Meeting was uploaded in the Bank's website on June 23, 2020. The Minutes were prepared in accordance with the requirements of Section 49 of the Revised Corporation Code¹.

2. Approval of the 2020 Annual Report

The 2020 Annual Report of the Bank may be viewed and downloaded from the Bank's website at www.pnb.com.ph/asm2021. The President will likewise render his report on the Bank's performance for the year 2020 during the stockholders' meeting in compliance with Section 49 of the Revised Corporation Code which requires a presentation to the stockholders of a descriptive, balance and comprehensible assessment of the Bank's performance and a financial report for the preceding year.

3. Ratification of all legal acts and proceedings of the Board of Directors and corporate officers since the 2020 Annual Stockholders' Meeting

A list of all legal acts, resolutions and proceedings taken by the directors and corporate officers will be too voluminous to be included in this report. Most relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon. It includes, among others, approval of loans, investments, new products and services, amendment of bank policies and manuals, matters related to various bank-acquired assets and related party transactions. These actions are subjected to the annual review of the BSP and the Bank's external auditor.

Item 9. OTHER ACTIONS

(a) Election of Directors

Fifteen (15) directors will be elected for the year 2021 – 2022.

(b) Appointment of External Auditor

The BACC has sole authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the Board of Directors and ratification of the stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports. The BACC has endorsed the reappointment of SGV as its external auditor for the year 2021 to the Board of Directors. The reappointment of SGV as external auditor of the Bank was approved by the Board of Directors on March 10, 2021 and will be presented for ratification of the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 27, 2021.

SGV has the advantage of having historical knowledge of the business of the Bank and its subsidiaries and affiliates, having been the appointed external auditor of the Bank in 2020 and prior years.

Item 10. VOTING PROCEDURE

The affirmative vote of the stockholders present in person or by proxy representing at least a majority of the stockholders present at the meeting shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting, except for Item 7 of the Agenda on the election of directors.

¹ The Minutes of the Annual Stockholders' Meeting held on June 23, 2020 include, among others, the following:

- A description of the voting and vote tabulation procedures used in the previous meeting;
- A description of the opportunity given to stockholders to ask questions and a record of the questions asked;
- The matters discussed and resolutions reached;
- A record of the voting results for each agenda item; and
- A list of the directors and stockholders who attended the meeting.

For the election of directors, the fifteen (15) nominees garnering the highest number of votes from the stockholders present or represented by proxy shall be elected directors for the ensuing year.

The manner of voting and counting of votes will be as follows:

- a) Every stockholder entitled to vote shall have the right to vote the number of shares registered in his name on record as of the close of business hours on March 29, 2021. Only duly signed proxies and electronic votes submitted on or before 5:00 p.m. on April 22, 2021 shall be honored for purposes of voting.

The requirements and procedure for voting through remote communication are reflected below.

- b) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder is entitled to such number of votes equal to the number of shares he owns multiplied by the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute those votes under the same principle among as many nominees as he shall see fit. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.
- c) The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

The foregoing addresses the requirement of Section 49 of the Revised Corporation Code to disclose to the stockholders material information on the current stockholders and their voting rights.

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

A. Registration for the 2021 ASM and Voting through Remote Communication

1. Stockholders of record as of March 29, 2021, who wish to attend the Annual Stockholders' Meeting (the "ASM") and vote in absentia should register through the PNB ASM Registration Portal at www.pnb.com.ph/asm2021 on or before April 20, 2021 ("Registration Period").
2. Stockholders are required to provide the following for validation and verification:

a. For individual Stockholders

- Scanned copy of the front and back portions of the Stockholder's valid government-issued **photo ID**. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID;
- Valid and active e-mail address;
- Valid and active contact number (landline or mobile number).

b. For Stockholders with Joint accounts

In addition to the above requirements, a scanned copy of an authorization letter signed by all Stockholders jointly owning the shares designating who among them is authorized to cast the vote for the account. The authorization letter must also be in a digital, JPG format with a file size no larger than 2MB.

c. For Corporate Stockholders

- Scanned copy of a Secretary's Certificate or a board resolution under oath regarding the authority of the representative to attend the meeting and vote for and on behalf of the Corporation. This must be in a digital, JPG format with a file size no larger than 2MB;
- Scanned copy of the front and back portions of the valid government-issued **photo ID** of the Stockholder's representative. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID, and Senior Citizen ID;
- Valid and active email address of the Stockholder's representative;
- Valid and active contact number of the Stockholder's representative (landline or mobile number).

d. For Stockholders represented by Proxy

- In addition to the above requirements for the Stockholder, the same requirements shall be submitted by the Proxy or authorized representative;
- Scanned copy of the Proxy Form or an authorization letter signed by the Stockholder, authorizing the Proxy to attend the meeting and cast the vote for the account. This must also be in a digital, JPG format with a file size no larger than 2MB.

e. For Stockholders under Broker accounts

- Scanned copy of the broker's certificate signed by the authorized signatory/ies on the Stockholder's number of shares. This must be in a digital, JPG format with a file size no larger than 2MB;
 - In case of a corporate stockholder, also submit a scanned copy of the certification signed by a duly authorized officer of such corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial stockholder. This must be in a digital, JPG format with a file size no larger than 2MB;
 - Scanned copy of the front and back portions of the Stockholder's valid government-issued **photo ID**. This must be in a digital, JPG format with a file size no larger than 2MB. Valid government-issued photo IDs include the following: Driver's License, Passport, Unified Multi-Purpose ID, Professional Regulation Commission ID, SSS ID, Pag-Ibig ID and Senior Citizen ID;
 - Valid and active email address;
 - Valid and active contact number (landline or mobile number).
3. Upon completion of the verification procedure, the Stockholder will receive an email confirmation which includes the link which the Stockholder may use to access the PNB 2021 ASM livestream. Stockholders who opted during the online registration to vote in absentia will likewise receive a link to PNB's secure online voting portal ("Voting Portal") with the Stockholder's default username and password.
 4. The validation and verification procedure may take up to three (3) days upon submission of the required documents. Stockholders are encouraged to register early within the Registration Period.
 5. The Voting Portal contains the agenda items reflected on the Notice of the 2021 PNB ASM. Registered Stockholders may vote as follows:
 - (a) For items other than the election of directors, registered Stockholders have the option to vote "For", "Against", or "Abstain";
 - (b) For election of Directors, the system of cumulative voting shall be followed. Each Stockholder is entitled to such number of votes equal to the number of shares he/she/it owns multiplied by the number of directors to be elected. Under this voting system, the Stockholder has the option to (i) cast all his/her/its votes in favor of one (1) nominee, or (ii) distribute his/her/its votes among as many nominees as he/she/it may deem fit;

(c) Once the registered Stockholder has completed voting, he/she/it can submit his/her/its votes by clicking the “Submit” button. Upon submission, the registered Stockholder may no longer change his/her/its votes.

6. The Office of the Corporate Secretary shall tabulate all valid votes cast in absentia and votes cast through proxies. An independent party will validate the voting results, which will be reported by the Corporate Secretary at the meeting. All votes should be submitted no later than 5:00 p.m. on April 22, 2021.

B. Other Information Regarding the 2021 PNB ASM

1. Only those Stockholders who have completed the registration and verification procedure within the Registration Period shall be considered in determining the existence of a quorum.
2. The conduct of the ASM will be streamed live. Votes and queries cannot be submitted through the livestreaming link. Registered Stockholders may send their queries or comments to pnb_asm@pnb.com.ph on or before April 23, 2021. Queries sent but not addressed during the ASM due to time constraints shall be addressed separately and responded to through email.
3. The proceedings will be recorded in video and audio format. The Minutes of the ASM will be uploaded to the PNB website within twenty-four (24) hours upon the adjournment of the ASM.

Item 12. CORPORATE GOVERNANCE

PNB subscribes to the highest standards of corporate governance as the Bank believes that good governance supports long-term value creation for the Bank and all its stakeholders. The following pages provide a narrative of the Bank’s corporate governance framework and its implementation. This report has been prepared in accordance with the BSP Manual of Regulations for Banks (MORB), the SEC Code of Corporate Governance, and the ASEAN Corporate Governance Scorecard (ACGS).

Board of Directors

The Board of Directors serves as the governing body elected by the stockholders to exercise the corporate powers of the Bank and conduct all its business. The 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 committees to increase its efficiency and allow deeper focus in specific areas of the Bank’s 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 and CEO

The positions of Chairperson of the Board and President and 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.

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 of the Bank 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 and Chief Executive Officer (CEO) is Jose Arnulfo A. Veloso. He assumed the position in 2018. As President and 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 the Bank's vision, mission, values, and overall strategy.

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

Board Advisors

As provided for under the Corporate Governance Manual, the Bank may appoint Board Advisors with qualities that complement the existing competencies and skillsets of the Board which enable them to provide advisory support. PNB has four Board Advisors: Mark M. Chen, William T. Lim, Harry C. Tan, and Chester Y. Luy.

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 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. She plays a significant role in supporting the Board in discharging its responsibilities. 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. Ruth Pamela E. Tanghal, a Filipino and a resident of the Philippines. She assumed the position in 2020. 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. The Bank's CCO is Atty. Isagani A. Cortes who assumed the position in 2019. He is also the Head of 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. The Officer-in-Charge (OIC) of the Internal Audit Group is Samuel G. Lazaro, who has held the position since 2020.

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 and CEO, supported by the Chief of Staff.

Legal Vehicles, Business, and Support Groups

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

Within the Bank, there are different business and support groups that work in unison to achieve the Bank's 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 and CEO.

BOARD MATTERS

Board Composition

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

The President and 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: Florencia G. Tarriela, Felix Enrico R. Alfiler, Edgar A. Cua, Federico C. Pascual, 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.

Following the ASM held in 2020, the Board of Directors conducted an organizational meeting to review the membership of the Board committees. The review resulted to the following changes:

- Sheila T. Pascual was appointed as member of the Executive Committee, Trust Committee, and Board Strategy and Policy Committee.
- Florencia G. Tarriela and Felix Enrico R. Alfiler were appointed as non-voting members of the Executive 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 ASEAN Corporate Governance Scorecard (the "ACGS").

Skills, Competency, and Diversity

The composition of PNB's 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 the Bank's implementation of the ACGS, the Bank continuously strives to meet the following:

- 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) female director.

By December 31, 2020, the Bank met the above-mentioned diversity targets. PNB has 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, business acumen, consumer goods, economics, general management expertise, legal expertise, manufacturing, real estate, and tobacco. Apart from Filipinos, the Bank 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. Forty percent (40%) of the Board are below sixty (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 80–90 age range, respectively.

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.

Nomination and Election of Directors

The criteria for the nomination and election of Board members comprise of knowledge, skills, experience, and particularly in the case of NEDs, 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 stockholders, including minority stockholders, 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 ASM, the Corporate Governance and Sustainability 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 ensuing year.

The Corporate Secretary informs the Board members of the agenda of the Board 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 Board approval.

Two-thirds (2/3) of the directors shall be necessary at all meetings to constitute a quorum for the transaction of any business. In the absence of a quorum at any regular or special meeting, the Board shall adjourn to a later date and shall not transact any business until a quorum is secured.

In 2020, the Board held a total of twenty-one meetings: twelve regular meetings, eight special meetings, and one organizational meeting. Each Board member complied with the SEC's minimum attendance requirement of 50% and the ACGS' recommended attendance of 75%.

21 meetings held for the year ended December 31, 2020		
Name	No. of Meetings Attended	% Present
Florencia G. Tarriela	21	100.00
Felix Enrico R. Alfiler	21	100.00
Florido P. Casuela	21	100.00
Leonilo G. Coronel	21	100.00
Edgar A. Cua	21	100.00
Estelito P. Mendoza	18	85.71
Christopher J. Nelson	21	100.00
Federico C. Pascual	21	100.00
Carmen K. Tan	17	80.95
Lucio C. Tan	16	76.19
Michael G. Tan	21	100.00
Sheila T. Pascual	20	95.24
Vivienne K. Tan	21	100.00
Jose Arnulfo A. Veloso	21	100.00
Domingo H. Yap	21	100.00

On December 14, 2020, the independent directors met without the presence of any executives to discuss the performance of Management, emerging and top risks faced by the Bank, and corresponding strategies or action plans to effectively manage and mitigate those risks.

The NEDs are also required to meet separately at least once a year, without the presence of any executive or anyone from Management to ensure that they will be able to better evaluate the effectiveness of the internal controls and assess key issues and relevant matters at hand. The NED's meeting was held last December 21, 2020 to discuss the abovementioned items.

Remuneration

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

The total per diem given to the Board, as well as the total compensation of the President and CEO and the four (4) most highly compensated executive officers, is disclosed in pages 39 to 41 of this Information Statement.

There has been no proposal on remuneration for directors presented to the stockholders for approval in the 2020 ASM.

Board Performance Evaluation

Good corporate governance improves Board performance. 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 the results thereof.

The Board of Directors 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 Management to corporate governance practices.

The questionnaire covers comprehensive evaluation criteria focused on matters such as the 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.

In 2020, the Bank engaged the ICD to assess the structure, processes, dynamics, roles, and overall performance of the Board and further align our governance framework with best practices, in compliance with the SEC's Code of Corporate Governance for Publicly Listed Companies.

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, RPTs, and corporate governance are discussed during the annual training session.

As of December 31, 2020, all fifteen (15) directors and the Corporate Secretary of the Bank complied with the four (4)-hour annual continuing training requirement.

Name	Program	Date	Host / Training Institution
Florencia G. Tarriela	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Felix Enrico R. Alfiler	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Florido P. Casuela	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Leonilo G. Coronel	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Edgar A. Cua	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Estelito P. Mendoza	Corporate Governance Seminar	September 9, 2020	SGV & Co.
Christopher J. Nelson	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Federico C. Pascual	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Carmen K. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Lucio C. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Michael G. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Sheila T. Pascual	Corporate Governance Orientation Program	September 8 – 9, 2020	Institute of Corporate Directors
Vivienne K. Tan	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Jose Arnulfo A. Veloso	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Domingo H. Yap	Corporate Governance Seminar	October 20, 2020	SGV & Co.
Ruth Pamela E. Tanghal	Corporate Governance Seminar	October 20, 2020	SGV & Co.

Shareholdings

A director is required to advise the Corporate Secretary of his or her shareholdings in the Bank within three (3) business days after his or her appointment or any acquisition, disposal, or change in his or shareholdings. In this regard, all directors shall disclose and report to the Bank any dealings in the Bank's shares within three (3) business days of such dealings in order for the Bank to make the necessary disclosures with the Philippine Stock Exchange and the SEC by filing the requisite SEC Form 23-B.

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	Shareholdings as of January 1, 2020	% of Shares Held to Total Outstanding Shares of Bank	Shareholdings as of December 31, 2020	% of Shares Held to Total Outstanding Shares of Bank
Florencia G. Tarriela	2	0.0000001311	2	0.0000001311
Felix Enrico R. Alfiler	8,324	0.0005455624	8,324	0.0005455624
Florido P. Casuela	162	0.0000106176	162	0.0000106176
Leonilo G. Coronel	1	0.0000000655	1	0.0000000655
Edgar A. Cua	100	0.0000065541	100	0.0000065541
Estelito P. Mendoza	1,150	0.0000753720	1,150	0.0000753720
Christopher J. Nelson	100	0.0000065541	100	0.0000065541
Federico C. Pascual	39	0.0000025561	39	0.0000025561
Carmen K. Tan	5,000	0.0003277045	5,000	0.0003277045
Lucio C. Tan	14,843,119	0.9728313639	14,843,119	0.9728313639
Michael G. Tan	250	0.0000163852	62,250	0.0040799210
Sheila T. Pascual	110	0.0000072095	110	0.0000072095
Vivienne K. Tan	10	0.0000006554	10	0.0000006554
Jose Arnulfo A. Veloso	418,395	0.0274219845	418,395	0.0274219845
Domingo H. Yap	1	0.0000000655	1	0.0000000655

Concurrent Directorships

A NED 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 NED is concurrently serving as a director shall be separately considered in assessing compliance to this requirement. As of December 31, 2020, all fifteen (15) directors complied with the prescribed limit on concurrent directorships.

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

BOARD COMMITTEES

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

Name	Board Audit & Compliance	Board IT Governance	Board Oversight RPT	Board Strategy & Policy	Corporate Governance & Sustainability	Executive	Risk Oversight	Trust
Florencia G. Tarriela	M	M		M	C	M (Non-voting)		
Felix Enrico R. Alfiler	M			C	M	M (Non-voting)	M	
Florido P. Casuela		M		M		C	M	
Leonilo G. Coronel		M		M		M	M	
Edgar A. Cua	C		M	M			M	
Estelito P. Mendoza								
Christopher J. Nelson		M		M		M		C
Federico C. Pascual			M	M	M		C	M
Carmen K. Tan								
Lucio C. Tan								
Michael G. Tan				M		M		
Sheila T. Pascual				M		M		M
Vivienne K. Tan		C		M		M	M	M
Jose Arnulfo A. Veloso		M		M		M		M
Domingo H. Yap			C		M			

Legend: C is Chairperson. M is Member.

Board Audit and Compliance Committee (BACC)

Mandate:

- Assists 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.

Structure and membership:

- Chaired by an independent director.
- Composed entirely of independent directors.
- The members of the BACC possess relevant background, knowledge, skills, and experience in the areas of accounting, auditing, and finance. Edgar A. Cua has held other previous positions in international organizations and auditing firms. Florencia G. Tarriela has been a country financial controller of a multinational bank for ten (10) years. Felix Enrico R. Alfiler holds a broad range of expertise and related banking experience in various international organizations and regulatory bodies.
- The membership, composition, and independence of the BACC meets the requirements under existing laws, BSP and SEC regulations, and the ACGS.

Meetings and Attendance:

- In 2020, BACC held a total of fourteen meetings.

The committee charter stipulates that meetings shall be held at least four times a year. Special meetings may be convened, as necessary.

Fourteen meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Edgar A. Cua	Chairman, Independent Director	14	100.00
Florencia G. Tarriela	Member, Independent Director	14	100.00
Felix Enrico R. Alfiler	Member, Independent Director	14	100.00

Board IT Governance Committee (BITGC)

Mandate:

- Reviews and endorses for approval of the Board the enterprise IT strategic plans of PNB, its subsidiaries, and affiliates.
- 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 members: four (4) NEDs, one (1) independent director, and one (1) executive director.

Meetings and Attendance:

- In 2020, BITGC held a total of eleven (11) meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a 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.

Eleven meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Vivienne K. Tan	Chairman, NED	11	100.00
Florido P. Casuela	Member, NED	11	100.00
Leonilo G. Coronel	Member, NED	11	100.00
Christopher J. Nelson	Member, NED	11	100.00
Florencia G. Tarriela	Member, Independent Director	11	100.00
Jose Arnulfo A. Veloso	Member, Executive Director	11	100.00

Board Oversight RPT Committee (BORC)

Mandate:

- Oversees the evaluation of 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.

Structure and membership:

- Composed entirely of independent directors.
- Chaired by an independent director.
- Chairman of the BORC is not the Chairperson of the Board or of any other Board committee.
- The CCO and the CAE also sit as non-voting members of the committee.

Meetings and Attendance:

- In 2020, BORC held a total of seventeen (17) meetings.

The committee charter stipulates that BORC shall conduct monthly meetings or as necessary. Meetings can only be held if attended by a 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.

Seventeen meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Domingo H. Yap	Chairman, Independent Director	15	88.24
Edgar A. Cua	Member, Independent Director	17	100.00
Federico C. Pascual	Member, Independent Director	17	100.00
Isagani A. Cortes	Non-voting member	15	88.24
Martin G. Tengco ⁽¹⁾	Non-voting member	5	71.43
Samuel G. Lazaro ⁽²⁾	Non-voting member	9	90.00

⁽¹⁾ Martin G. Tengco stepped down as CAE effective May 31, 2020.

⁽²⁾ Samuel G. Lazaro was appointed as OIC of Internal Audit Group effective June 1, 2020.

Board Strategy and Policy Committee (BSPC)

Mandate:

- Serves as the governing Board committee in exercising authority and delegating to Management the implementation of the Board-approved strategic plans and policies.

Structure and membership:

- BSPC consists of eleven (11) members: four (4) independent directors, six (6) NEDs and one (1) executive director.

Meetings and Attendance:

- In 2020, BSPC held a total of thirty-nine (39) meetings.
- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a majority of the members.

Thirty-nine meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Felix Enrico R. Alfiler	Chairman, Independent Director	39	100.00
Florido P. Casuela	Member, NED	39	100.00
Leonilo G. Coronel	Member, NED	39	100.00
Edgar A. Cua	Member, Independent Director	39	100.00
Christopher J. Nelson	Member, NED	37	94.87
Federico C. Pascual	Member, Independent Director	39	100.00
Sheila T. Pascual ⁽¹⁾	Member, NED	25	100.00
Michael G. Tan	Member, NED	38	97.44
Vivienne K. Tan	Member, NED	38	97.44
Florencia G. Tarriela	Member, Independent Director	39	100.00
Jose Arnulfo A. Veloso	Member, Executive Director	39	100.00

⁽¹⁾ Sheila T. Pascual was elected as member of the BSPC effective June 23, 2020.

Corporate Governance and Sustainability Committee

Mandate:

- Assists the Board 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.
- Oversees the consistent implementation of the Bank's sustainability framework.

Structure and membership:

- Chaired by the Chairperson of the Board who is an independent director.
- Composed entirely of independent directors.

Meetings and Attendance:

- In 2020, the committee held a total of fourteen (14) meetings.
- The committee charter stipulates that meetings shall be held at least every month. Meetings can only be held if attended by a 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.

Fourteen meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Florencia G. Tarriela	Chairman, Independent Director	14	100.00
Felix Enrico R. Alfiler	Member, Independent Director	14	100.00
Federico C. Pascual	Member, Independent Director	14	100.00
Domingo H. Yap	Member, Independent Director	13	92.86

Executive Committee

Mandate:

- Assists the Board in the review of 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 committee complies with the requirements of the Revised Corporation Code and other applicable laws.
- The committee consists of nine (9) members: six (6) NEDs, two (2) independent directors, and one (1) executive director.
- Independent directors may be appointed as non-voting members and may assume an advisory capacity to the committee. Non-voting members shall not vote with respect to any determination and proposal requiring the approval or notation of the committee and shall not count towards a quorum at any meeting.

Meetings and Attendance:

- In 2020, the EXCOM held a total of fifty-one (51) meetings.
- The presence of a 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.

Fifty-one meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Florido P. Casuela	Chairman, Non-executive Director	51	100.00
Leonilo G. Coronel	Member, NED	51	100.00
Christopher J. Nelson	Member, NED	51	100.00
Sheila T. Pascual ⁽¹⁾	Member, NED	27	96.43
Felix Enrico R. Alfiler ⁽²⁾	Non-voting member, Independent Director	28	100.00
Michael G. Tan	Member, NED	46	90.20
Vivienne K. Tan	Member, NED	51	100.00
Florencia G. Tarriela ⁽²⁾	Non-voting member, Independent Director	28	100.00
Jose Arnulfo A. Veloso	Member, Executive Director	49	96.08

⁽¹⁾ Sheila T. Pascual was elected as member of the Executive Committee effective June 23, 2020.

⁽²⁾ Felix Enrico R. Alfiler and Florencia G. Tarriela were elected as non-voting members of the Executive Committee effective June 23, 2020.

Risk Oversight Committee (ROC)

Mandate:

- Assists the Board of Directors in overseeing the risk profile and approving the risk management framework of the Bank, its subsidiaries, and affiliates.

Structure and membership:

- Consists of six (6) members: three (3) independent and three (3) NEDs.
- Chaired by an independent director.
- Chairman of ROC is not the Chairperson of the Board or of any other Board committee.

Meetings and Attendance:

- In 2020, ROC held a total of thirty-one (31) meetings.

- The committee charter stipulates that regular meetings shall be held at least every month. Meetings can only be held if attended by a 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.

Thirty-one meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Federico C. Pascual	Chairman, Independent Director	31	100.00
Felix Enrico R. Alfiler	Member, Independent Director	31	100.00
Florido P. Casuela	Member, NED	31	100.00
Edgar A. Cua	Member, Independent Director	31	100.00
Leonilo G. Coronel	Member, NED	31	100.00
Vivienne K. Tan	Member, NED	31	100.00

Trust Committee

Mandate:

- Oversees the fiduciary activities of the Bank and ensures that these are conducted in accordance with applicable laws, rules and regulations, and prudent practices

Structure and membership:

- The committee consists of six (6) members: one (1) independent director, three (3) non-executive directors, one (1) executive director, and the Chief Trust Officer.
- No member of the BACC is concurrently designated as a member of the Trust Committee.

Meetings and Attendance:

- In 2020, the Trust Committee held a total of twelve (12) meetings.

As stipulated in its charter, the committee shall meet at least once every quarter. The presence of a majority of the members of the committee less one 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.

Twelve meetings held for the year ended December 31, 2020			
Name	Role	No. of meetings attended	% Present
Christopher J. Nelson	Chairman, NED	12	100.00
Federico C. Pascual	Member, Independent Director	12	100.00
Sheila T. Pascual ⁽¹⁾	Member, NED	5	83.33
Vivienne K. Tan	Member, NED	11	91.67
Jose Arnulfo A. Veloso	Ex-officio, Executive Director	12	100.00
Joy Jasmin R. Santos	Ex-officio, Chief Trust Officer	12	100.00

⁽¹⁾ Sheila T. Pascual was elected as member of the Trust Committee effective June 23, 2020.

MANAGEMENT COMMITTEE

As the highest-ranking officer in the organization, the President and 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 and 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.

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 Chief Compliance Officer (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 Chief Risk Officer (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 (DPO) 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.

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 members of the MANCOM can be found on the Profiles of the Management Committee.

COMPLIANCE

The Bank believes that a sound and effective compliance regime is the cornerstone of PNB's strength and market presence, backed by over a century of stability and excellence. PNB adheres to the values of integrity, ethics, and good governance in the conduct of our business and affairs, exercising prudence in arriving at decisions, and upholding transparency and accountability to our regulators.

The Global Compliance Group (GCG) is responsible for the timely identification and mitigation of risks that may erode the franchise value of PNB, such as risks of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to PNB's operations. Compliance risk management is an integral part of the Bank's culture and risk governance framework.

GCG is headed by the CCO, who functionally reports to the BACC and administratively, to the President and CEO. GCG is independent from the line of business and is composed of six (6) divisions: Financial Crime Risk, Regulatory Compliance Risk, Compliance International, Compliance Assurance, Compliance Operations, and Corporate Governance.

GCG, through the CCO, oversees the overall design and effective implementation of the Compliance Program, which serves as the authoritative codification of GCG's powers, mandate, authority, and formal status within the organization. The program likewise fosters adherence to banking laws, rules and regulations and is ultimately aimed to promote the safety and soundness of PNB's operations.

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 (5) key 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.

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.

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 Operations

The Compliance Operations Division is responsible for data governance to ensure the accuracy and authenticity of data handled by the GCG and its data analytics to develop compliance risk insights and intelligence on our clients and their transactions.

Compliance International

PNB boasts of having the most extensive international footprint among Philippine banks with seventy (70) overseas branches and offices across Asia, Europe, Middle East, and North America. The Compliance International Division performs oversight and management of overseas branches, offices, 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.

INTERNAL AND EXTERNAL AUDIT

The Internal Audit Group (IAG), headed by the CAE, performs the internal audit activities for the Bank which is strictly guided by its conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA). IAG provides independent, objective assurance and consulting services to evaluate and improve the effectiveness of risk management, control, and governance processes of the organization.

IAG reports directly to the BACC on a monthly basis. The BACC is responsible for the establishment of IAG and the appointment, re-appointment, and replacement of the CAE and the Deputy Chief Audit Executive (DCAE). The responsibility of the BACC shall include the annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process. It also reviews, evaluates and approves the Annual Audit Plan as well as the audit reports to the extent that the BACC Chairman may issue directives to the Senior Management to develop and implement necessary corrective actions in a timely manner.

Likewise, the BACC has the sole authority to select, evaluate, appoint, dismiss, and re-appoint the external auditor (subject to shareholder 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 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 shareholders. The external auditor also 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 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.

RIGHTS OF STOCKHOLDERS

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

All stockholders, including minority stockholders, 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 rights and responsibilities of stockholders are discussed in detail in the Corporate Governance Manual and by-laws, accessible through PNB's website.

Stockholders' Meeting

PNB's stockholders 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 stockholders 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 Chairperson of the Board, by the President and CEO, by majority of the Board, or on the demand, in writing, of the stockholders who own majority of the voting stock.

In view of the COVID-19 pandemic and the implementation of Enhanced Community Quarantine (ECQ), the Annual Stockholders' Meeting was held virtually on June 23, 2020.

Before the Annual Stockholders' Meeting

On January 24, 2020, the Board of Directors approved the holding of the Annual Stockholders' Meeting on April 28, 2020. The Notice of the Annual Stockholders' Meeting was disclosed to the PSE Edge on the same day. Due, however, to COVID-19 and the quarantine restrictions put in place by the Philippine government, on March 27, 2020, the Board of Directors approved the postponement of the Annual Stockholders' Meeting to June 23, 2020. The Notice of the postponed Annual Stockholders' Meeting was disclosed to the PSE Edge on March 27, 2020, approximately three (3) months prior to the date of the meeting. The Notice was also published, in print and online format, from June 1, 2020 to June 2, 2020 in The Philippine Star and in BusinessWorld, and from June 7, 2020 to June 13, 2020 in The Manila Bulletin, The Philippine Star, and BusinessWorld.

The Notice of the Annual Stockholders' Meeting and the Information Statement distributed to the Bank's stockholders 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 profiles of the directors seeking re-election, and the external auditor seeking reappointment. Proxy documents were made easily available on the written notice.

During the Annual Stockholders' Meeting

The Bank conducted its last Annual Stockholders' Meeting (ASM) via remote communication and implemented electronic voting in absentia to provide the Directors, Senior Management, stockholders, and other stakeholders a safer mode of attendance and participation in the ASM and to comply with the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6, Series of 2020.

All members of the Board, the Chairperson of the Board, the President and CEO, the Chairman of the BACC, the CCO, the Investor Relations Officer, representatives of the external auditors, and other key officers attended the virtual ASM.

The Chairperson of the Board formally opened the 2020 ASM. The Corporate Secretary certified the existence of a quorum for a valid transaction of business at the meeting.

Stockholders voting in absentia and through proxy voted on the following matters: (a) approval of the minutes of stockholders' meetings held in the previous year; (b) approval of the Annual Report and the Audited Financial Statements; (c) approval of the amended by-laws; (d) election of directors; and (e) appointment of the external auditor. All legal acts, resolutions and proceedings of the Board, including approvals on RPTs endorsed by the BORC, were also ratified by the stockholders at last year's ASM.

A number of questions of stockholders sent prior to the ASM were addressed and answered during last year's ASM. Questions that were sent prior to last year's ASM but were not addressed during the meeting were answered by way of electronic mail in reply to the asking stockholder.

The Bank has likewise engaged Roxas delos Reyes Laurel Rosario & Gonzales Law Offices, the Bank's external counsel, to assist in the validation of proxies and votes cast for the matters presented for approval of the stockholders at last year's ASM.

After the Annual Stockholders' Meeting

The minutes of last year's ASM was uploaded on the Bank's website on the same day as the ASM by the next calendar day. The minutes contain the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item, questions raised by shareholders, responses from the Board and officers, and attendance of the Board members and key officers.

DISCLOSURE AND TRANSPARENCY

PNB Website

The official website of PNB serves as an avenue to reach out to clients, investors, shareholders, and various stakeholder groups. As such, the Bank aspires to promote transparency 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 (i.e., investor presentation materials and briefing notes), downloadable Annual Report, Notice and Minutes of the ASM, and the company's constitution (Articles of Incorporation and By-laws).

Annual and Quarterly Reports

The Bank provides complete and accurate information on its operations and affairs regularly. 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. Management's statement of responsibility regarding the company's financial statements and the fair and truthful preparation thereof is included in the Bank's Annual Report.

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

Press Releases and Media Briefings

PNB embraces print, broadcast and online media as relevant communication channels due to its extensive reach and accessibility. The Management regularly engages with various journalists and media outlets to discuss the Bank's views, programs and efforts. Since the pandemic, the press engagements were done through teleconferences and online discussions. The conversation likewise focused on how COVID-19 is changing the business of banking and how bankers are preparing and pivoting towards new opportunities.

Investor Relations

Investor relations enables the Bank to maintain its 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 stockholders, 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 shareholders with correct and up-to-date information on developments in the Bank;
- *Transparency*: The Bank is committed to disclose relevant information to investors and stockholders in accordance with the prescribed standard of disclosure by regulatory agencies; and
- *Consistency and Impartiality*: The Bank is committed to prepare the same, unbiased information and to make said information accessible to all interested analysts, credit rating agencies, investors, and existing shareholders 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
November 13, 2020	Virtual Analysts' Briefing on the Companies' Nine-Month Financial Results

In 2020, PNB also actively participated in various virtual investor events and conferences sponsored by investment bank and financial services companies with discussions focused on banking amid COVID-19 pandemic, PNB's outlook on growth and asset quality, overall strategy amid the developing economic environment, PNB's first half 2020 operating results, second half 2020 outlook and strategy heading into 2021.

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. The 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, 2020, the Bank has substantially complied with the recommendations of the Code of Corporate Governance for Publicly Listed Companies, except for the following:

- 1) Thirty percent (30%) public float requirement to increase liquidity in the market; and
- 2) 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 abovementioned items can be found in its Integrated Annual Corporate Governance Report, published on the PNB website.

Moreover, the Bank has substantially complied with the provision 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.

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, bylaws, 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 and 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.

PNB encourages all Philnabankers to speak up. Under the new Whistleblower policy adopted in September 2020, 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/she can report any suspected or actual commission of theft, fraud, corruption, among others to any of the members of the Ethical Standards Committee (ESC), President and CEO, CCO, CAE or CLC; or via the dedicated whistleblower hotline and electronic mail which are managed by the ESC Secretariat.

Whistleblowers are protected from retaliation by ensuring that his or her identity is kept in strict confidence. Anyone who retaliates against the whistleblower is subject to disciplinary action, including the possibility of termination or dismissal from the Bank service.

The whistleblower may report verbally or in written form any act of harassment, bullying, or adverse personnel action experienced to any of the members of the ESC and the senior officers, as stated above.

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; and
- 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 the Bank's 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; 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 2020, the Bank strengthened the implementation of consumer protection policies with the revised Consumer Protection Policy and Implementing Guidelines and of the Enhanced Customer Relationship Management System (ECRM) (i.e., workflow manager and logging tool for customer concerns) with the revised Guidelines on the Recording, Monitoring, and Addressing Customer Concerns using the ECRM System and the submission of the BSP-Supervised Financial Institutions Consolidated Complaints Report (BCCR) to BSP.

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 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 ₱500,000 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 practice, 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 part of continuous improvement, the roles, responsibilities and output of dedicated vendor relationship managers (VRM) appointed in each business unit are monitored and assessed regularly. New VRMs were also appointed, trainings and walkthrough were also conducted for Bank-wide awareness when it comes to vendor and supplier selection and management.

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.

Selection Process for Senior Management

Employees are PNB's key asset and we are consistent in our efforts to ensure a steady pool of qualified and competent talents who will sustain our leadership in the industry. Our Management team is composed of top-tier professionals who are well-accomplished in their respective fields.

Before a senior officer (with rank of Vice President and up) is appointed, suitable candidates are identified from various sources. Interviews will then be conducted by the recommending Group/Sector Head, Human Resource Group Head, President and CEO, and a Director of the Bank to determine the overall qualification of the candidates based on the factors for selection presented.

Once a candidate is selected, the approval of the Board of Directors, as endorsed by the President and the Corporate Governance and Sustainability Committee will be sought.

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 – based on results and past performance, competencies, and potential, subject to the initial evaluation of the Talent Board. The respective Sector or Group Head nominates possible candidates who may be from within or outside of their respective Group/Sector subject to the acceptance of the concerned officer-candidate prior to processing;
- (c) Conduct of Talent Screening – 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 Executive Talent Pool, subject to the approval of the President and 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/she may be required to train in the Assessment and Development Center. The training result is made an integral part of the IDP.

- (e) Talent's Progress 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 talent review process and the learning and development programs continue until the need or opportunity arises for the talent to assume a key/critical position within the organization.

In-House and External Training Program for Senior Management

People development remains a priority of PNB. The Human Resource Group, through its Institute for Banking Excellence (IBE), sees to it that employees are upskilled to sustain the Bank's overall competitiveness in a rapidly changing financial environment. The past year may have posed a challenge to the learning and development of employees, with face-to-face and classroom sessions put to a halt. However, this did not deter IBE as it shifted its gears and went online in the conduct of its year-round training programs.

Much of what were introduced in 2020 were Virtual Instructor-Led Trainings (VILT), which focused on topics that will enable senior management to cope with and thrive in the daily business requirements amid the new normal.

A roster of internal training programs offered included mental health awareness and various topics intrinsic to adapting to the new normal such as telecommuting, managing virtual teams and meetings, digital selling and customer care. Training programs on information security, anti-money laundering and internal controls were also delivered.

External trainings covered remote audit, accounting considerations and financial crime compliance amid the pandemic, among others. Since the shift to digitization has been accelerated this year, courses that were related to information technology were also at the forefront, such as cloud security, information security, and several software solutions.

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 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 monthly basic salary, allowances for business-related expenses, official travel, annual clothing allowance, annual rice subsidy and other monetary allowances, and award upon reaching service milestones of at least ten (10) years and every five (5) years thereafter; and
- (b) Non-monetary benefits consist of healthcare plan for the officer and two of his or her 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. Senior executives and executive director 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 those 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

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 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 sixty (60) years of age or upon completing thirty five (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) fifty five (55) years of age and rendering at least ten (10) years of continuous service; or (ii) completing at least eleven (11) years of service; and
- (c) *Late Retirement:* Any employee may offer his or her service to the Bank beyond the normal retirement date, but not beyond sixty five (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.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The Registrant undertakes to provide without charge to each stockholder a copy of the Bank's Annual Report or SEC Form 17-A upon written request to the Bank addressed to:

**The Corporate Secretary
Philippine National Bank
9/F, PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila**

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasay City on April 15, 2021.

PHILIPPINE NATIONAL BANK

By:


RUTH PAMELA E. TANGHAL
Corporate Secretary



AGENDA

DETAILS AND RATIONALE

1. **Call to Order.** The Chairman, Ms. Florencia G. Tarriela, will formally open the 2021 Annual Stockholders’ Meeting of the Philippine National Bank (“PNB”, the “Bank”).
2. **Secretary’s Proof of Notice and Quorum.** The Corporate Secretary, Atty. Ruth Pamela E. Tanghal, will certify that the Notice has been duly published and made available to stockholders of record as of March 29, 2021 pursuant to the existing regulations of the Securities and Exchange Commission. Thereafter, Atty. Tanghal will certify as to the existence of a quorum for the valid transaction of business at the Annual Stockholders’ Meeting.
3. **Approval of the Minutes of the 2020 Annual Stockholders’ Meeting held on June 23, 2020.** The Minutes of the 2020 Annual Stockholders’ Meeting of the Bank will be presented to the stockholders for approval. Copies of the said Minutes was uploaded on the Bank’s website on June 23, 2020 and may be accessed at https://pnb-website.s3-ap-southeast-1.amazonaws.com/uploads/docs/2020_ASM_Minutes.pdf
4. **Report of the President on the Results of Operations for the Year 2020.** The President, Mr. Jose Arnulfo A. Veloso, will present to the stockholders the highlights of the Bank’s performance for the year 2020.
5. **Approval of the 2020 Annual Report.** The 2020 PNB Annual Report, as well as the Audited Financial Statements (AFS) as of December 31, 2020, will be presented to the stockholders for approval. A copy of the AFS is incorporated in the Definitive Information Statement.
6. **Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders’ Meeting.** The acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders’ Meeting, most of which relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon, will be presented to the stockholders for approval and ratification.
7. **Election of Directors.** The Corporate Secretary will present to the stockholders the nominees for election as members of the PNB Board of Directors. The profiles of the nominees are included in the Information Statement.
8. **Appointment of External Auditor.** The appointment of SGV & Co. as the Bank’s external auditor for the year 2021 will be presented to the stockholders for confirmation and ratification.
9. **Other Matters.** Other matters arising subsequent to the sending out of the Notice of the Meeting and the Agenda, and as may be relevant to the Annual Stockholders’ Meeting, may be presented to the stockholders for consideration.
10. **Adjournment.** Upon consideration of all matters included in the Agenda, the Chairman shall declare the meeting adjourned.

PHILIPPINE NATIONAL BANK is **not soliciting proxies** and a stockholder is **NOT** required to submit a proxy to PNB. This Proxy form is being provided only for the convenience, and upon request, of a stockholder.

P R O X Y

The undersigned stockholder of **PHILIPPINE NATIONAL BANK** ("PNB") does hereby nominate, constitute and appoint _____ with email address _____ as my/our/its proxy, to represent me/us/it and vote all shares registered in my/our/its name in the books of PNB at the Annual Stockholders' Meeting scheduled on April 27, 2021. I/we hereby confirm and ratify any and all acts lawfully done by my/our/its proxy pursuant hereto.

Any other proxy or proxies issued by me/us/it on or before this date is/are hereby considered revoked and declared null and void and will have no effect whatsoever.

	For	Against	Abstain
1. Approval of the Minutes of the 2020 Annual Stockholders' Meeting held on June 23, 2020	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval of the 2020 Annual Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2020 Annual Stockholders' Meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Appointment of External Auditor (SGV & Co.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VOTE FOR	NUMBER OF VOTES	
5. Election of Directors			
<u>Florido P. Casuela</u>	<input type="checkbox"/>		
<u>Leonilo G. Coronel</u>	<input type="checkbox"/>		
<u>Edgar A. Cua (Independent)</u>	<input type="checkbox"/>		
<u>Estelito P. Mendoza</u>	<input type="checkbox"/>		
<u>Federico C. Pascual (Independent)</u>	<input type="checkbox"/>		
<u>Sheila T. Pascual</u>	<input type="checkbox"/>		
<u>Wilfrido E. Sanchez (Independent)</u>	<input type="checkbox"/>		
<u>Carmen K. Tan</u>	<input type="checkbox"/>		
<u>Lucio C. Tan</u>	<input type="checkbox"/>		
<u>Lucio C. Tan III</u>	<input type="checkbox"/>		
<u>Michael G. Tan</u>	<input type="checkbox"/>		
<u>Vivienne K. Tan</u>	<input type="checkbox"/>		
<u>Jose Arnulfo A. Veloso</u>	<input type="checkbox"/>		
<u>Angelito M. Villanueva (Independent)</u>	<input type="checkbox"/>		
<u>Domingo H. Yap (Independent)</u>	<input type="checkbox"/>		

Name of Stockholder : _____
 Signature : _____
 Contact Number : _____

Email Address : _____
 Date : _____



MANAGEMENT REPORT

Item 1. Business

A. Business Development

The Philippine National Bank (“PNB” or the “Bank”), the country’s first universal bank, is one of the largest local private commercial banks in terms of assets, net loans and receivables, capital and deposits. As of December 31, 2020, the Bank has a distribution network of 716 domestic branches and offices and 1,710 automated teller machines (ATM) in the Philippines. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

In July 2016, PNB celebrated its Centennial Year with the theme, “A Century of Excellence”, signifying a meaningful milestone for an institution that has served generations of Filipinos here and abroad. For over 100 years, PNB stands proud as an institution of stability and security for many Filipinos. With its century of banking history and experience, PNB is poised to move forward to becoming a more dynamic, innovative and service-focused bank, providing service excellence to Filipinos all over the world.

The Bank was established as a government-owned banking institution on July 22, 1916. As an instrument of economic development, the Bank led the industry through the years with its agricultural modernization program and trade finance support for the country’s agricultural exports, pioneering efforts in the Overseas Filipino Workers’ (OFW) remittance business, as well as the introduction of many innovations such as “Bank-on-Wheels”, computerized banking, ATM banking, mobile money changing, domestic traveler’s checks, and electronic filing and payment system for large taxpayers. PNB has the widest overseas office network and one of the largest domestic branch networks among local banks.

On February 9, 2013, the Bank concluded its merger with Allied Banking Corporation (ABC) as approved and confirmed by the Board of Directors (BOD) of PNB and ABC on January 22 and January 23, 2013, respectively. The respective stockholders of PNB and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the terms of the Plan of Merger of the two banks on March 6, 2012.

To support the Bank’s efforts to diversify its funding sources to meet the financial needs of its clients, PNB offered Long-Term Negotiable Certificates of Time Deposit (LTNCDs), which extend the maturity profile of the Bank’s liabilities as part of overall liability management and to raise long-term funds for general corporate purposes. In October 2018, PNB received the approval from the Bangko Sentral ng Pilipinas (BSP) to issue up to P20.0 billion worth of LTNCDs. In this regard, PNB issued the first tranche of 5.5-year LTNCDs totaling P8.2 billion at 5.75% per annum in February 2019. The original P3.0 billion offering was upsized to meet the 2.7x oversubscription arising from the strong demand from both retail and institutional investors. On October 11, 2019, PNB listed the second tranche of LTNCDs totaling P4.6 billion which was double the announced issue size of P2.0 billion.

As part of the Bank’s efforts to diversify its funding sources and support its strategy on safe, aggressive growth, PNB also tapped the capital markets. In April 2018, PNB successfully issued in Singapore and Hong Kong its 5-year Fixed Rate Senior Notes worth United States Dollars (USD) 300 million out of its USD1 billion Medium Term Note (MTN) Program. This marked the first time that PNB tapped the international bond market for medium term dollar funding. Orders for the offering reached approximately USD1.2 billion at its peak, equivalent to 4x oversubscription. The high demand for the initial issue underscored the international investors’ strong confidence in PNB. In May 2019, the PNB BOD approved the increase in the amount of the Bank’s MTN Program to USD2 billion. The following month, PNB

issued USD750 million in 5.25-year Fixed Rate Senior Notes priced at 99.47% and carried a yield of 3.39% and a coupon of 3.28%. The transaction was oversubscribed with an orderbook of over USD3.25 billion. The proceeds of the Notes were used to support PNB's loan expansion as the Bank took advantage of the country's sustained economic growth.

In April 2019, PNB acting through its Tokyo branch successfully closed and signed a USD250 million 3-year syndicated term loan facility with a group of international and regional Japanese banks. The facility was launched originally at USD200 million and attracted total commitments of USD370 million at close of syndication, representing an oversubscription of about 2.7x with lending commitments received from 14 Japanese and international banks with operations in Japan. The last syndicated loan availed by PNB was in 2015. The diversity of the syndicate of lenders is an affirmation of the growing international market's appetite for assets from the Philippines. The success of the transaction is a strong acknowledgment of the capital market's confidence in the credit strength of the Bank.

In May 2019, PNB listed on the Philippine Dealing and Exchange Corp. its maiden offering for fixed rate Philippine Peso bonds, which reached P13.87 billion, equivalent to an oversubscription of almost 3x the announced issue size of P5 billion.

In July 2019, the Bank successfully issued and listed 276,625,172 common shares priced at P43.38 per share from its stock rights offering. The net proceeds from the offering amounted to P11.7 billion. Proceeds from the offering were expected to enhance PNB's presence in emerging growth areas.

PNB fully integrated its wholly-owned thrift bank subsidiary, PNB Savings Bank (PNBSB), into the Parent Bank through acquisition of its assets and assumption of its liabilities in exchange for cash on March 1, 2020. The BODs of PNB and PNBSB approved the integration on September 28 and October 10, 2018, respectively. PNB secured the Monetary Board approval for the integration last August 29, 2019. Consequently, the 68 PNBSB branches were converted into PNB branches while the systems integration was completed last June 7, 2020. With the integration, PNB would be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNBSB would have access to PNB's diverse portfolio of financial solutions. The consumer lending business, previously operated through PNBSB, would also benefit from PNB's ability to efficiently raise low cost of funds. In February 23, 2021, the Philippine Securities and Exchange Commission (SEC) approved, among others, the change in name of PNBSB to Allied Integrated Holdings Inc. and the change in PNBSB's purpose from banking to a holding company.

Amidst the challenging COVID-19 pandemic and varying degree of community lockdowns in 2020, the Bank set up a Command Center to oversee its operations and ensure that PNB continues to run business-as-usual providing uninterrupted financial services to its customers as it adjusted to the new business environment. The Bank had a dedicated skeletal workforce to make sure that critical support functions were not disrupted, and at the same time implemented a work-from-home arrangement for its employees with non-critical functions, supported by a robust digital infrastructure that allowed telecommuting.

To provide easy and convenient access to cash for its clients, PNB deployed its "Bank on Wheels" in Metro Manila and some provinces where travel was restricted. Bank on Wheels are mobile ATMs that allow customers to conveniently perform transactions such as cash withdrawal, cash deposit, bills payment, and fund transfer. Furthermore, the Bank provided its customers more options for cash withdrawal through its partnership with RD Pawnshop, one of the leading pawnshop chains in the country. PNB is the provider of the point of sale (POS) network that allows bank customers to conveniently withdraw cash from 100 select RD Pawnshop branches nationwide. In addition, the Bank partnered with Ninja Van Philippines to make it easier and safer for small and medium businesses across the country to receive payments and manage cash flow during COVID-19 and beyond.

Even with the pandemic, PNB was still able to introduce new products for its customers. In January 2020, PNB launched the Ze-Lo Mastercard that allows cardholders to enjoy the perks of a normal Mastercard credit card but with zero annual fees and low interest. Ze-Lo stands for "Zero Annual Fees and Low Interest" representing the two main features of the card. In April 2020, PNB branches started offering the new product of Allied Bankers Insurance Corp., Home Protect 2000, a home insurance that covers PNB depositors against loss of residence and contents due to fire, lightning, earthquake, smoke, explosion, vehicle impact, and falling aircraft for a premium of only P2,000 a year or P5.50 daily. The Bank also introduced an online remittance system, Xchanged USA for overseas Filipino workers.

PNB Capital and Investment Corp. was also active in capital market transactions despite the pandemic. The subsidiary was appointed as lead underwriter, issue manager, and bookrunner for the initial public offering of MerryMart Consumer Corp., a wholly-owned subsidiary of Injap Investments, Inc. It also acted as the joint lead underwriter for Ayala Land's AREIT Inc.'s initial public offering. Ayala Land's AREIT, Inc. is the first real estate investment trust in the Philippines.

In affirmation of the Bank's well-managed operations, PNB received awards from various organizations and other international award-giving bodies. On July 31, 2018, PNB was recognized by the Institute of Corporate Directors (ICD) as among the top performing publicly-listed companies that ranked high under the ASEAN Corporate Governance Scorecard (ACGS). Out of the 245 companies assessed, PNB is among the 21 publicly-listed companies that scored 90 points and above. PNB was also among the top 5 in the financial sector recognized for exemplary corporate governance practices. In June 2019, PNB was recognized for the second straight year by the ICD for being one of the awardees of its ACGS Arrow for 2018.

As a clear demonstration of the Bank's commitment in offering competitive financing structures to clients while contributing to economic development and nation building, PNB and its subsidiaries were recognized internationally in January 2019 by The Asset Triple A Country Awards 2018 with three distinctions, viz: a) Best Syndicated Loan awarded to PNB and PNBSB for the Bloomberry Resorts and Hotels' P73.5 billion syndicated term loan facility, b) Best Acquisition Financing awarded to PNB and PNB Capital and Investment Corp. (PNB Capital) as lender and lead arranger, respectively, for the Clark Global Corporation's USD690 million acquisition project, and c) Most Innovative Deal awarded to PNB Capital for being one of the lead underwriters and bookrunners for Ayala Land's P10.0 billion retail bonds.

PNB received two awards from the Asian Banking & Finance Retail Banking Awards 2017 i.e. "Digital Banking Initiative of the Year" for the PNB Mobile Banking App and "New Consumer Lending Product of the Year" for the PNBSB Smart Salary Loan Program. Last July 12, 2018 PNBSB received again two awards from the Asian Banking & Finance Retail Banking Awards, these are "Consumer Finance Product of the Year - Philippines" for its Smart Personal Loan with Double Coverage product and "Service Innovation of the Year - Philippines" for its Smart Auto Loan and Home Loan Plus (Value-added Services). Last October 5, 2018, PNBSB's Smart Personal Loan once again won the Consumer Finance Product of the Year, this time from the Asian Banker Philippine Country Awards 2018.

In December 2019, PNB was awarded by the Bureau of Local Government Finance of the Department of Finance for its timely and complete submission of the quarterly report on LGU indebtedness for the fiscal year 2018-2019. The Bank was cited for being a strong partner of the government in ensuring the efficient and responsible borrowing of local government units.

With its proactive response amidst the Covid-19 pandemic, The Asian Banker awarded PNB with Best Managed Bank and Best CEO during its annual Leadership Achievement Awards held last 15 October 2020. PNB was also named Best Bank for Corporate Social Responsibility (CSR) in Asiamoney Best Bank Award for 2020. The Bank bested other domestic and international banks in the CSR category for pioneering a number of initiatives focused on financial literacy, sustainable environment and employee engagement. In addition, PNB was recognized in Asiamoney's Leader for Women Survey 2020. Among 60 banks in Asia, PNB was one of the banks with the highest percentage of women in the overall workforce, reflecting the Bank's culture of providing equal access to career advancement regardless of gender. Likewise, PNB became the first universal bank in the Philippines to be certified as gender-equal after receiving its Economic Dividends for Gender Equality (EDGE) Certification from DOLE in June 2020.

B. Business Description

1. Product and Services

PNB, through its Head Office and 716 domestic branches/offices and 70 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to large corporate, middle-market, small and medium enterprises (SMEs) and retail customers, including OFWs, as well as to the Philippine National Government, national government agencies

(NGAs), local government units (LGUs) and Government Owned and Controlled Corporations (GOCCs) in the Philippines. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange dealings, bills discounting, fund transfers, remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services. The Bank and its subsidiaries (the "Group") offer a wide range of financial services predominantly in the Philippines.

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

Retail Banking Sector

The Retail Banking Sector (RBS) principally focuses on the Bank's deposit-taking activities by offering a wide array of deposit products such as peso accounts and its variants like current accounts, interest-bearing savings and time deposit accounts, and US dollar and other foreign currency accounts. The sector also provides its broad customer base with other retail products like credit cards, consumer loans, cash management solutions, remittance services, and other bank 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-driven organization.

Cards Banking Solutions Group

The Cards Banking Solutions Group (CBSG) under RBS provides convenient, safe, and secure cashless payment solutions in the form of credit, debit, and prepaid card products catering to the Bank's diverse retail and corporate/business clients with varying payment needs. CBSG is also responsible in establishing partnerships with merchants for in-store and online promotions as well as installment programs to ensure that the cardholders get the maximum benefits in using PNB cards.

Retail Lending Group

The Retail Lending Group (RLG) was created under RBS in mid-2019 to be the consumer lending arm of the Bank upon the full integration of its wholly-owned thrift bank subsidiary, PNBSB, into the Bank in March 2020. RLG is tasked to provide the Bank's retail clients with home mortgage loans and car financing through PNB's domestic branch network as well as wholesale channels covering accredited car dealers and real estate developers.

International Banking & Remittance Group

The International Banking & Remittance Group (IBRG) covers the Bank's overseas offices across Asia, Middle East, North America and Europe. As part of the RBS, the group is responsible in providing 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 in charge of 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.

Institutional Banking Sector

The Institutional Banking Sector (IBS) is responsible for the establishment, expansion and overall management of banking relationships with large corporate clients and government entities under its Corporate Banking Group (CBG) as well as middle market and SME customers through its Commercial Banking Group (COMBG). In 2020, the Bank's Ecosystem Division and the Cash Management Solutions Division were consolidated to form the Institutional Transaction Banking Group (ITBG) under IBS aimed at capturing the entire value chains of anchor clients by offering them a comprehensive network of tailor fit, end-to-end financial solutions. Through ITBG, clients are provided with cash management, innovative solutions, credit programs and trade products.

Global Banking and Markets Sector

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. Likewise, GBMS provides a wide range of banking products and services to corporates, governments, financial institutions and high net worth individuals. Its functions also include carrying forward the Bank's wealth management proposition, providing corporate and middle market clients with access to the financial

markets, and building partnerships with multinationals, financial institutions and non-bank financial institutions by offering them banking solutions to address their needs and help attain their objectives.

Trust Banking Group

The Trust Banking Group (TBG) provides a full range of trust, agency, and fiduciary products and services designed to serve a broad spectrum of market segments. Its personal trust products and services include personal management trust, investment management, estate planning, guardianship, 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. PNB TBG manages ten Philippine Peso- and US dollar-denominated Unit Investment Trust Funds (“UITFs”). These include money market funds, bond funds, balanced funds, and equity funds.

2. Competition

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine (private and government-owned) and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry with the entry of foreign banks under Republic Act (R.A.) 7721 in 1994 and R.A. 10641 in 2014, as well as, the recent mergers and consolidations in the banking industry. As of the latest available data from the BSP, there were 46 universal and commercial banks, of which 17 are private domestic banks, 3 are government banks and 26 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks also offer a wider range of commercial banking services and products; have larger lending limits; and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the Lucio Tan Group of Companies and with its government customers, as well as builds on relationships with the Bank’s other key customers. The Bank also faces competition in its operations overseas. In particular, the Bank’s stronghold in the remittance business in 17 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks. As of December 30, 2020, the Bank has a distribution network of 716 domestic branches and offices and 1,710 ATMs nationwide. The Bank is one of the largest local private commercial banks in the Philippines in terms of consolidated total assets, net loans and receivables, capital and deposits as well as with regard to branch network. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

The percentage contributions of the Group’s offices in Asia, Canada and USA, United Kingdom and Other European Union Countries to the Group’s revenue, for the years 2020, 2019, 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Asia (excluding the Philippines)/ Middle East	2%	3%	3%
Canada and USA	1%	1%	1%
United Kingdom & Other European Union Countries	0.4%	0.2%	0.3%

Please refer to Note 6 of the Audited Financial Statements.

4. New Products and Services

The Bank launched the following products and services in 2020:

a. Auto Loan Calculator

The Auto Loan Calculator is a powerful tool that gives the potential auto loan borrower the information needed to assess their financial capacity before applying for a loan and submitting the required documents. Accessible via the PNB website, it computes for the amount to borrow and the estimated monthly payments.

b. Appraisal Fee Payment via Mobile/Internet Banking

An online payment channel for potential PNB Home Loan borrowers registered in PNB Mobile Banking to pay the Home Loan Appraisal Fee online instead of personally visiting a PNB branch to make payments

c. PNBayani

PNBayani is a centralized platform where PNB provides solutions to our OFWs banking needs as well as their families and beneficiaries. A sub-section of the PNB website, it was redesigned with the customer experience in mind. Thus, this new Global Filipino hub comes with an intuitive user interface, seamless navigation and personalized content based on location. PNB goes beyond just showcasing its products and services as the hub aims to also promote financial literacy by providing helpful tips and other engaging content to its visitors.

d. PNB Ze-Lo Mastercard

The PNB Ze-Lo Mastercard, a credit card with zero annual fee, zero overlimit fee, and low finance charge, was launched last February 2020. This card aims to capture customers who want a basic credit card that offers flexibility for their daily finances.

e. Mastercard Airport Experiences

The Mastercard Airport Experiences (MCAE) program is a seamless, integrated solution that drives card usage and influence brand preference by connecting affluent customers to the largest network of airport lounges and collection of curated retail, dining, and spa offers. This program offers 1 free access to over 1,000 airport lounges per year to all principal PNB-PAL Mabuhay Miles World Mastercard cardholders.

f. PNB Cart Mastercard

The PNB Cart Mastercard was launched in January 2021. It is a virtual credit card which enables the cardholders to transact online immediately as their card details are sent securely via email.

5. Related Party Transactions

Please refer to Item 5(e) of the Information Statement.

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

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

7. Government Approval of Principal Products or Services

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

8. Estimate of Amount Spent for Research and Development Activities

The Bank provides adequate budget for the development of new products and services which includes hardware and system development, continuous education and market research. Estimated amount spent for 2020, 2019 and 2018 totaled P862.4 million, P622.3 million and P582.2 million, respectively.

9. Number of Employees

The total employees of the Bank as of December 31, 2020 is 9,071, of which 4,691 are classified as Bank officers and 4,380 as rank and file employees, broken down as follows:

	Total
Officers:	
Vice President and up	128
Assistant Manager up to Senior Assistant Vice President	4,563
Rank and File	4,380
Total	9,071

The Bank shall continue to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency.

With regard to the Collective Bargaining Agreement (CBA), the Bank's regular rank and file employees are represented by a Union. Total union membership is 3,463 out of 4,380 rank and file employees or approximately 79% of the total rank and file population. The CBA has been renewed for a two (2)- year period from July 1, 2020 to June 30, 2022.

The Bank has not suffered any strikes, and the Management of the Bank considers its relations with its employees and the Union as harmonious and mutually beneficial. Industrial Peace is continuously being enjoyed by both Management and Organized Union.

10. Risk Management

As a financial institution with various allied undertakings with an international footprint, PNB continues to comply with an evolving and regulatory and legislative framework in each of the jurisdictions in which the Bank operates. The nature and the impact of future changes in laws and regulations are not always predictable. These changes have implications on the way business is conducted and corresponding potential impact to capital and liquidity.

Effective risk management is essential to consistent and sustainable performance for all of the Bank's stakeholders and is therefore a central part of the financial and operational management of the PNB Group. PNB adds value to clients and therefore the communities in which it operates, generating returns for stockholders by taking and managing risk.

Through its Risk Management Framework, the Bank manages enterprise-wide risks, with the objective of maximizing risk-adjusted returns while remaining within its risk appetite. The BOD of the Bank plays a pivotal role and has the ultimate responsibility in bank governance through their focus on two factors that will ultimately determine the success of the Bank, viz: (1) responsibility for the Bank's strategic objectives; and (2) assurance that such will be executed by choice of talents.

Strong independent oversight has been established at all levels within the Bank. The Bank's BOD 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.

There are eight (8) Board Committees:

1. Board Audit & Compliance Committee (BACC)
2. Board Information Technology Governance Committee (BITGC)
3. Board Oversight Related Party Transaction Committee (BORC)
4. Board Strategy & Policy Committee (BSPC)
5. Corporate Governance and Sustainability Committee (CorGov)
6. Executive Committee (EXCOM)
7. Risk Oversight Committee (ROC)
8. Trust Committee (TrustCom)

A sound, robust and effective Enterprise Risk Management (ERM) coupled with global best practices were recognized as a necessity and are the prime responsibility of the BOD and senior management. The approach to risk is founded on strong corporate governance practices that are intended to strengthen the enterprise risk management of PNB, while positioning the Group to manage the changing regulatory environment in an effective and efficient manner.

Approved by the Board in 2020, the Management Risk Committee (MRC) was created as a forum ensuring that the Bank's Enterprise Risk Management Framework (ERMF) is operationalized and that Senior Management has an enterprise-level view of all material risks and that risk-mitigating actions properly determined and effectively executed.

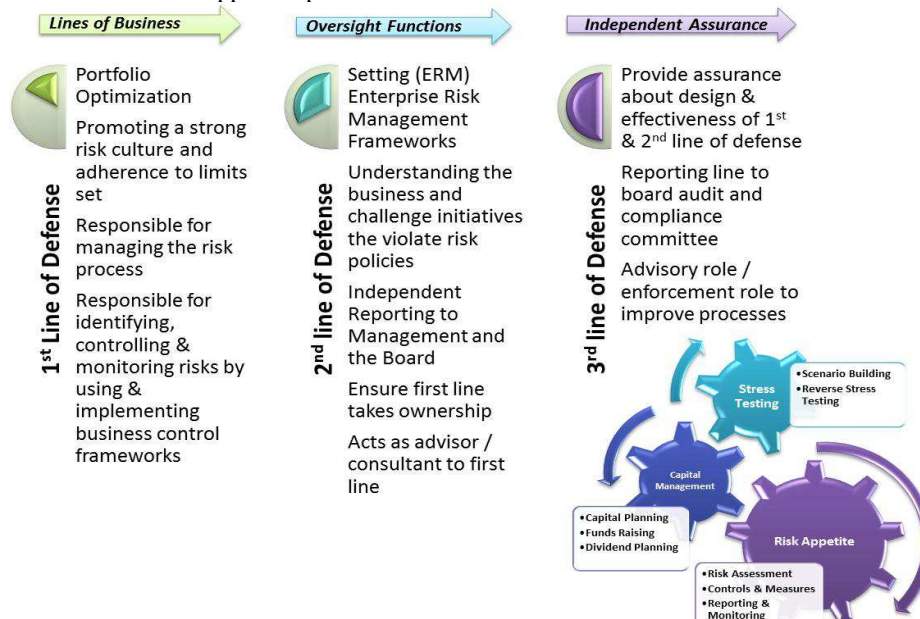
Mainly composed of the Bank's Sector and Group heads, the MRC will be responsible for reviewing and monitoring enterprise level risks and assessing risk responses proposed or taken by the relevant risk owner, and for providing inputs to the ERMF process. The committee shall periodically assess that the Bank's risk appetite statements are aligned with the business strategy and the overall objectives.

The approach to managing risk is outlined in the Bank's ERMF which creates the context for setting policies, standards, and establishing the right practices throughout the 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.

PNB's ERMF, with regular reviews and updates, has served the Bank well and has been resilient through economic cycles. The organization has placed a strong reliance on this risk governance framework and the three lines-of-defense model, which are fundamental to PNB's aspiration to be world-class at managing risk.

While the first line of defense in risk management lies primarily on the Bank's risk taking units as well as the Bank's support units, the Risk Management Group is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained.

The risk management framework of the Bank is under the direct oversight of the Chief Risk Officer (CRO) who reports directly to the ROC. The CRO is supported by Division Heads with specialized risk management functions to ensure that a robust organization is maintained. The Risk Management Group is independent from the business lines and organized into the following divisions: Credit Risk Division, BASEL/ICAAP/Operational Risk Management Division, Market & ALM Division, Business Continuity Management and Vendor Risk Monitoring Division, Data Privacy & Technology Risk Management Division, Trust Risk Division, Business Intelligence & Warehouse Division, Model Validation Division and Administrative & Support Department.



Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These board approved policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks.

The Bank's governance policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. The Risk Management Group also functions as the Secretariat to both the ROC and the MRC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the Bank in its internal capital adequacy assessment process (ICAAP) document.

Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at the moment of origination.

The risk management system and the directors' criteria for assessing its effectiveness are revisited on an annual basis and limit settings are discussed with the business units and presented to the ROC for endorsement for final BOD Approval.

In line with the integration of the BSP required ICAAP and risk management processes, PNB currently monitors 10 Material Risks (3 for Pillar 1 and 7 for Pillar 2). These material risks are as follows:

Pillar 1 Risks:

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

Pillar 2 Risks:

1. Credit Concentration Risk;
2. Interest Rate Risk in Banking Book (IRRBB);
3. Liquidity Risk;
4. Reputational / Customer Franchise Risk (including Social Media and AML Risks);
5. Strategic Business Risk;
6. Cyber Security / Information Security / Data Privacy Risk; and
7. Information Technology (including Core Banking Implementation).

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538, Series of 2006 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks with specific discussions relating to Pillar 2 risks mentioned above:

Risk Categories and Definitions

We broadly classify and define risks into the following categories and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP 2020 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	<p>Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract.</p> <p>Credit Concentration Risk is part of credit risk that measures the risk concentration to any single customer or group of closely-related customers with the potential threat of losses which are substantial enough to affect the financial soundness of a financial institution</p>	<ul style="list-style-type: none"> ▪ Loan Portfolio Analysis ▪ Credit Dashboards ▪ Credit Review ▪ Credit Model Validation 	<ul style="list-style-type: none"> ▪ Trend Analysis (Portfolio / Past Due and NPL Levels) ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<i>(BSP Circular 414, dated 13 January 2004)</i>		Reserves Review ▪ Specialized Credit Monitoring (Power, Real Estate)
Market Risk	Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on or off-balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market.	<ul style="list-style-type: none"> ▪ Value at Risk Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/ Duration Report ▪ Exposure to Derivative/ Structured Products 	<ul style="list-style-type: none"> ▪ VAR Limits ▪ Stop Loss Limits ▪ Management Triggers ▪ Duration Report ▪ ROP Exposure Limit ▪ Limit to Structured Products ▪ Exception Report on Traders' Limit ▪ Exception Report on Rate Tolerance ▪ Stress Testing ▪ BSP Uniform Stress Testing
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from a financial institution's inability to meet its obligations when they come due.	<ul style="list-style-type: none"> ▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ Maximum Cumulative Outflow (MCO) ▪ Liquid Gap Analysis 	<ul style="list-style-type: none"> ▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider Analysis ▪ Contingency Planning
Interest Rate Risk in the Banking Books (IRRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. <i>(BSP Circular 510, dated 03 February 2006)</i>	<ul style="list-style-type: none"> ▪ Interest Rate Gap Analysis ▪ Earnings at Risk (EaR) Measurement ▪ Duration based Economic Value of Equity 	<ul style="list-style-type: none"> ▪ EAR Limits ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis ▪ Duration based Economic Value of Equity ▪ Stress testing ▪ BSP Uniform Stress Testing
Operational Risk	Operational Risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk. Operational Risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the financial institution and across the different entities in a banking group or conglomerate where the financial institution belongs. <i>(BSP Circular 900, dated 18 January 2016)</i>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: Risk Identification – Risk Maps Risk Measurement and Analysis – ICAAP Risk Assessment</p>	<ul style="list-style-type: none"> ▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Included in the Operational Risks:			
Reputational Risk (Customer Franchise Risk) Including Social Media Risk and AML Risk	<p>Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion.</p> <p>Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services.</p> <p>Risks in social media include susceptibility to account takeover, malware distribution, brand bashing, inadvertent disclosure of sensitive information and privacy violation, among other possible threats</p> <p>Risks relating to Money Laundering refers to transfers or movement of funds that falls into the following (but not limited to) categories:</p> <ol style="list-style-type: none"> 1. Terrorist financing; 2. Unlawful purposes; and 3. Transactions over certain amounts as defined by AMLC – Ant-Money Laundering Council. 	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) <p>Monitoring of Pillar II Risks fall under the purview of Operational Risk Management:</p> <ul style="list-style-type: none"> ▪ Risk Identification – Risk Maps ▪ Risk Measurement and Analysis – ICAAP Risk Assessment <p>Major Factors considered:</p> <ul style="list-style-type: none"> ▪ Products ▪ Technology ▪ People ▪ Policies and Processes ▪ Stakeholders (including customer and regulators) 	<ul style="list-style-type: none"> ▪ Account Closures Report ▪ Service Desk Customer Issues Report/Customer Complaints Monitoring Report ▪ Mystery Caller/Shopper ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Public Relations Campaign ▪ Review of Stock Price performance ▪ Fraud Management Program ▪ Social Media Management Framework ▪ Social Media Risk Management ▪ AML Compliance Review / Monitoring ▪ Enhanced Due Diligence Program for Customers
Strategic Business Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.		<ul style="list-style-type: none"> ▪ Management Profitability Reports – Budgets vs Actuals ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting ▪ Annual Strategic Planning Exercise
Cyber Security Risk	<p>Cyber Security Risk is the current and prospective impact on earnings, reputation, customer franchise, and/or capital arising from information security threats of attack on the Bank's digital footprint through (not limited to) the following:</p> <ul style="list-style-type: none"> • Breaches in data security; • Sabotage on online (web-based) activities (Ransomware, DDOS, etc.); • Common threats (spam, phishing, malware, spoofing viruses, spoofing, etc.); and • Scams and Frauds (Social engineering, identify thefts, 		<ul style="list-style-type: none"> ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Risk Assessment ▪ Information Security Management System Implementation ▪ Continuous InfoSec / cyber risk awareness campaigns ▪ Network Security Protection ▪ Limits on Access Privileges ▪ Scanning of outbound and inbound digital traffic

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	email scams, etc.).		
Information Security / Data Privacy	<p>Information Security Risk is the risk to organizational operations due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA). Social Engineering can result in various key risk indicators – phishing, spamming, dumpster diving, direct approach, baiting, spying & eaves dropping, among others.</p> <p>Data Privacy Risk refers to the risk of misuse of personal data that could lead to individual harm which may take the form of loss of income, other financial loss, reputational damage, discrimination, and other harms.</p>		<ul style="list-style-type: none"> • Installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). • Enterprise-wide Implementation of the Information Security Management Systems • Education / InfoSec Awareness is also constantly conducted • Conduct of internal and 3rd party vulnerability assessments and penetration testing (to include social engineering tests) and follow through on remediation of threats and risks • Implementing the enterprise-wide data privacy risk management framework which complies with both domestic and global requirements • Institutionalization of data protection culture within the group through regular awareness programs
Information Technology (including Core Banking Implementation)	<p>Technology Risk results from human error, malicious intent, or even compliance regulations. It threatens assets and processes vital to the Bank's business and may prevent compliance with regulations, impact profitability, and damage the Bank's reputation in the marketplace.</p> <p>Risks in the smooth operation of the newly implemented core banking application may also threaten the delivery of service to clients and customer.</p>	<ul style="list-style-type: none"> ▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) 	<ul style="list-style-type: none"> ▪ Risk Asset Register ▪ Risk Awareness Campaigns ▪ IT Risk Assessments ▪ Formal Project Management Program adoption ▪ Vulnerability Assessment and Penetration Testing ▪ Maintenance and upgrades of disaster recovery sites ▪ Business Users / IT joint engagement for problem resolution ▪ Technology Operations Management Policies & Guidelines ▪ Vendor Management Process Monitoring

Regulatory Capital Requirements under BASEL III – PILLAR 1 Capital Adequacy Ratio

The Bank's Capital Adequacy Ratio as of December 31, 2020 stood at 15.14% on a consolidated basis while the Risk Weighted Assets (RWA) as of the end of 2020 amounted to 798.170 billion composed of P673.503

billion (Credit Risk Weighted Assets – CRWA), P60.468 billion (Market Risk Weighted Assets – MRWA) and P64.199 billion (Operations Risk Weighted Assets – ORWA).

The Bank's total regulatory requirements for the four (4) quarters for 2020 are as follows:

Consolidated (Amounts in P millions)	Weighted Exposures (as of End of Every Quarter of 2020)			
	Dec 31	Sept 30	June 30	Mar 31
CRWA	673,503	668,983	706,847	771,000
MRWA	60,468	57,566	44,038	36,572
ORWA	64,199	64,199	64,199	64,199
Total Risk-Weighted Asset	798,170	790,748	815,084	871,771
Common Equity Tier 1 Ratio	14.47%	15.67%	15.00%	13.81%
Capital Conservation Buffer	8.47%	9.67%	9.00%	7.81%
Total Capital Adequacy Ratio	15.14%	16.40%	15.87%	14.73%

Presented below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements as at December 31, 2020 attributable to the Bank (amounts in P thousands):

Accounts	Balance in FRP	Accounting differences and other adjustments	Balance in audited financial statements
Capital stock	61,030,594	–	61,030,594
Additional paid-in capital	32,106,560	–	32,106,560
Surplus reserves	5,032,515	(418)	5,032,097
Surplus	51,228,040	3,615,548	54,843,588
Net unrealized loss on Available-for-Sale investments	3,093,627	(39,224)	3,054,403
Remeasurement losses on retirement plan	(2,935,589)	(73,863)	(3,009,452)
Accumulated translation adjustment	867,846	(149,974)	717,872
Other equity reserves	–	419,542	419,542
Share in aggregate reserves on life insurance policies	–	(1,038,838)	(1,038,838)
Reserves of Disposal Group Classified as Held for Sale	–	88,616	88,616
Appraisal increment reserve	–	–	–
TOTAL	150,423,593	2,821,389	153,244,982

Credit Risk-Weighted Assets as of December 31, 2020

The Bank adopts the standardized approach in quantifying the risk-weighted assets. Credit risk exposures are risk weighted based on third party credit assessments of Fitch, Moody's, Standard & Poor's and PhilRatings agencies. The ratings of these agencies are mapped in accordance with the BSP's standards. The following are the consolidated credit exposures of the Bank and the corresponding risk weights:

In P Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	25,084	-	25,084	25,084	0.35	-	-	-	-
Due from BSP	202,162	-	202,162	202,162	-	-	-	-	-
Due from Other Banks	21,357	-	21,357	-	11,949	7,708	-	1,701	-

In P Millions	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Financial Asset at FVPL	-	-	-	-	-	-	-	-	-
Available for Sale	1,374	-	1,374	-	-	-	-	1,374	-
Held to Maturity (HTM)	96,338	4,427	91,911	29,045	5,824	42,592	-	14,450	-
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	633,142	13,147	619,995	1,121	67,031	57,994	-	476,017	17,832
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	15,822	-	15,822	15,822	-	-	-	-	-
Sales Contracts Receivable	5,007	-	5,007	-	-	-	-	4,510	496
Real & Other Properties Acquired	8,400	-	8,400	-	-	-	-	-	8,400
Other Assets	36,625	-	36,625	-	-	-	-	36,625	-
Total On-Balance Sheet Asset	1,045,311	17,573	1,027,738	273,234	84,804	108,295	-	534,677	26,728
Total Risk Weighted Asset - On-Balance Sheet	-	-	-	-	16,961	54,147	-	534,677	40,093
Total Risk Weighted Asset - Off-Balance Sheet Asset	-	-	-	-	-	783	-	27,826	-
Counterparty Risk Weighted Asset in Banking Book	-	-	-	-	-	1,697	-	-	-
Counterparty Risk Weighted Asset in Trading Book				-	1	901	-	236	-

* Credit Risk Mitigants used are cash, guarantees and warrants.

Market Risk-Weighted Assets as of December 31, 2020

The Bank's regulatory capital requirements for market risks of the trading portfolio are determined using the standardized approach ("TSA"). Under this approach, interest rate exposures are charged both for specific risks and general market risk. The general market risk charge for trading and Fair Value through Other Comprehensive Income (FVOCI) portfolio is calculated based on the instrument's coupon and remaining maturity with risk weights ranging from 0% for items with very low market risk (i.e., tenor of less than 30 days) to a high of 12.5% for high risk-items (i.e., tenor greater than 20 years) while capital requirements for specific risk are also calculated for exposures with risk weights ranging from 0% to 8% depending on the issuer's credit rating. On the other hand, equities portfolio is charged 8% for both specific and general market risk while foreign exchange (FX) exposures are charged 8% for general market risks only.

Capital Requirements by Market Risk Type under the Standardized Approach

(Amounts in P Million)	Capital Charge (a)	Adjusted Capital Charge (b) $b = a \times 125\%$ 1/	Market Risk Weighted Exposures (c) $c = b \times 10$ 2/
Interest Rate Exposures	4,152.32	5,190.40	51,903.97
Specific Risk	1,256.84	1,571.04	15,710.45
General Market Risk	2,895.48	3,619.35	36,193.52
Equity Exposures	163.61	204.51	2,045.13
Foreign Exchange Exposures	521.56	651.94	6,519.45
Total	4,837.48	6,046.85	60,468.55
Notes: 1/ Capital charge is multiplied by 125% to be consistent with BSP required minimum Capital Adequacy Ratio (CAR) of 10%, which is 25% higher than the Basel minimum of 8%. 2/ Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%)			

The following are the Bank's exposure with assigned market risk capital charge.

Interest Rate Exposures consist of specific risk and general market risk.

Specific Risk

Specific Risk which reflects the type of issuer of the combined portfolio of financial assets designated at Fair Value through Profit or Loss (FVTPL) and FVOCI is P1,256.836 billion and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. Sixty-nine percent (69%) of these securities are issued by Republic of the Philippines (ROP) while 10% is attributable to debt securities rated AAA to BBB- issued by other entities. The remaining portfolio consists of all other debt securities that are issued by other entities. Six percent (6%) of this combined portfolio is composed of USD-denominated debt securities issued by the Philippines with applicable risk weight of 0.25% to 1.6%. On the other hand, the Bank's holding in peso denominated securities which are estimated at sixty three percent (63%) of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in P million)							
	Positions	Risk Weight					Total
		0.00%	0.25%	1.00%	1.60%	8.00%	
P-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	97,810.214					
	Short	-					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		2,143.671	137.795	6,571.818		
	Short						
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long		18,149.121	3,410.099	692.099		
	Short						
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long		2,793.201	7,010.873	5,799.606		
	Short						
All other debt securities/derivatives that are below BBB- and unrated	Long					11,056.459	
	Short						

Subtotal	Long	97,810.214	23,085.993	10,558.767	13,063.523	11,056.459	-
	Short	-	-	-	-	-	-
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	57.715	105.588	209.016	884.517	1,256.836
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		-	57.715	105.588	209.016	884.517	1,256.836

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is P2,213.457 million. In terms of weighted positions, the greater portion (51%) of the Bank's capital charge comes from the Over 5 years to 7 years bucket at P1,138.538 million as well as Over 7 years to 10 years bucket (21%) at P477.729 million or a combined capital charge of P1,616.267 million. The remaining weighted positions (28%) are distributed over the remaining buckets.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in P million)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions				
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	52,503.177	20,956.379	0.00%	-	-
	Over 1M to 3M	Over 1M to 3M	10,255.307	11,605.242	0.20%	20.511	23.210
	Over 3M to 6M	Over 3M to 6M	331.406	11,376.879	0.40%	1.326	45.508
	Over 6M to 12M	Over 6M to 12M	3,311.708	1,490.300	0.70%	23.182	10.432
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	4,011.546	-	1.25%	50.144	-
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	10,196.941	-	1.75%	178.446	-
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	1,189.947	-	2.25%	26.774	-
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	10,568.202	-	2.75%	290.626	-
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	35,031.936	-	3.25%	1,138.538	-
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	12,739.427	-	3.75%	477.729	-
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	641.647	-	4.50%	28.874	-
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	6.602	-	5.25%	0.347	-
	Over 20Y	Over 10.6Y to 12Y	-	-	6.00%	-	-
		Over 12Y to 20Y	-	-	8.00%	-	-
		Over 20Y	-	-	12.50%	-	-
Total			140,787.844	45,428.800		2,236.495	79.150
Overall Net Open Position							2,157.345
Vertical Disallowance							3.227
Horizontal Disallowance							52.885
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							2,213.457

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is P673.313 million. The exposure is concentrated under the Over 7 years to 10 years' time bucket with risk weight of 3.75% resulting in a capital charge of P217.007 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from P0.244 million to P178.974 million.

Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)							
Zone	Time Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
			Total Individual Positions				
	Coupon 3% or more	Coupon less than 3%	Long	Short		Long	Short
1	1 month or less	1 month or less	41,116.741	24,739.789	0.00%	-	-
	Over 1M to 3M	Over 1M to 3M	19,856.302	13,073.622	0.20%	39.713	26.147
	Over 3M to 6M	Over 3M to 6M	13,951.533	240.115	0.40%	55.806	0.960
	Over 6M to 12M	Over 6M to 12M	6,906.295	-	0.70%	48.344	-
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	3,869.508	-	1.25%	48.369	-
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	4,949.274	-	1.75%	86.612	-
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	676.527	-	2.25%	15.222	-
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	6,508.156	4,114.560	2.75%	178.974	113.150
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	2,016.505	-	3.25%	65.536	-
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	5,786.854	-	3.75%	217.007	-
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	5.427	-	4.50%	0.244	-
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	795.091	-	5.25%	41.742	-
	Over 20Y	Over 10.6Y to 12Y	13.155	-	6.00%	0.789	-
		Over 12Y to 20Y	-	-	8.00%	-	-
		Over 20Y	9.491	-	12.50%	1.186	-
Total			106,460.859	42,168.086		799.546	140.258
Overall Net Open Position							659.288
Vertical Disallowance							14.026
Horizontal Disallowance							-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							673.313

General Market Risk – Third currencies

The Bank is likewise exposed to various third currencies contracts most of them are in less than 30 days thus carries a 0% risk weight. The combined general market risk charge for contracts in Australian Dollar (AUD), Hong Kong Dollar (HKD), Euro (EUR), and Canadian Dollar (CAD) is P8.712 million with risk weight ranging from 0.20% and 0.40%.

PART IV.1d GENERAL MARKET RISK (Amounts in P million)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions		Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market Risk Capital Charge
		Long	Short		Long	Short				
AUD	1 month or less	-	14.565	0.00%	-	-				
	Over 1M to 3M	68.029	-	0.20%	0.136	-				
TOTAL		68.029	14.565		0.136	-	0.136	-	-	0.136
SGD	1 month or less	-	434.364	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	434.364		-	-	-	-	-	-
JPY	1 month or less	-	509.364	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	509.364		-	-	-	-	-	-
HKD	1 month or less	-	424.660	0.00%	-	-				
	Over 1M to 3M	-	432.256	0.20%	-	0.865				
	Over 3M to 6M	-	1,488.564	0.40%	-	5.954				
TOTAL		-	2,345.480		-	6.819	6.819	-	-	6.819

EUR	1 month or less	7.963	133.941	0.00%	-	-				
	Over 1M to 3M	-	862.515	0.20%	-	1.725				
TOTAL		7.963	996.456		-	1.725	1.725	-	-	1.725
GBP	1 month or less	-	161.621	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	161.621		-	-	-	-	-	-
CAD	1 month or less	-	56.117	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
	Over 3M to 6M	-	7.963	0.40%	-	0.032				
TOTAL		-	64.080		-	0.032	0.032	-	-	0.032
NZD	1 month or less	-	11.938	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	11.938		-	-	-	-	-	-
TOTAL THIRD CURRENCIES										8.712

Equity Exposures

The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk. The Bank's capital charge for equity weighted positions is P163.610 million or total risk-weighted equity exposures of P2,045.128 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	0.630
		Short	-
A.9	Others	Long	1,021.935
		Short	-
A.10	TOTAL	Long	1,022.564
		Short	-
B.	Gross (long plus short) positions (A.10)		1,022.564
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		81.805
E.	Net long or short positions		1,022.564
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		81.805
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		163.610
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		204.513
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		2,045.128

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of P6,519.450 million. This includes P3,961.898 million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while P2,557.552 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to Japanese Yen (JPY), Swiss Franc (CHF), Pound Sterling (GBP), EUR, CAD, AUD, Singapore Dollar (SGD) and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of December 31, 2020)						
		Closing Rate USD/P:				48.023
Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
		Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
		Banks	Subsidiaries /Affiliates			
		1	2	3	4=1+2+3	5
Currency						
A.1 U.S. Dollar	USD	(54.998)	2.160		(52.839)	(2,537.469)
A.2 Japanese Yen	JPY	1.081	0.000		1.081	51.891
A.3 Swiss Franc	CHF	0.640	0.000		0.640	30.749
A.4 Pound Sterling	GBP	1.274	0.000		1.274	61.183
A.5 Euro	EUR	2.000	0.000		2.000	96.049
A.6 Canadian Dollar	CAD	0.262	0.000		0.262	12.589
A.7 Australian Dollar	AUD	0.052	0.000		0.052	2.478
A.8 Singapore Dollar	SGD	(0.052)	0.000		(0.052)	(2.508)
A.9 Foreign currencies not separately specified above		11.502			11.502	76.060
Arab Emirates Dirham	AED	0.015			0.015	0.731
Bahrain Dinar	BHD	0.002			0.002	0.080
Brunei Dollar	BND	0.001			0.001	0.026
Yuan Renminbi	CNY	(0.325)			(0.325)	(15.603)
Hongkong Dollar	HKD	(0.032)			(0.032)	(1.525)
Korean Won	KRW	0.019			0.019	0.918
Malaysian Ringgit	MYR	0.003			0.003	0.157
Norwegian Krone	NOK	0.000			0.000	0.000
New Zealand	NZD	(0.009)			(0.009)	(0.447)
Dollar						
Saudi Riyal	SAR	0.273			0.273	13.101
Thai Baht	THB	0.028			0.028	1.361
Taiwan Dollar	TWD	0.037			0.037	1.755
A.10 Sum of net long positions						273.068
A.11 Sum of net short positions						(2,557.552)
B. Overall net open positions 1/						2,557.552
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						204.604
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						255.755
F. Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						2,557.552
G. INCREMENTAL RISK-WEIGHTED FOREIGN EXCHANGE EXPOSURES ARISING FROM NDF TRANSACTIONS (Part IV.3A, Item F.)						3,961.898
H. TOTAL RISK WEIGHTED FOREIGN EXCHANGE EXPOSURES (Sum of F. and G.)						6,519.450

Operational Risk – Weighted Assets

The Bank uses the Basic Indicator Approach in quantifying the risk-weighted assets for Operational Risk. Under the Basic Indicator Approach, the Bank is required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (15% for this approach) of positive annual gross income (figures in respect of any year in which annual gross income was negative or zero are excluded).

(Amounts in P Million) Consolidated as of December 31, 2020	Gross Income	Capital Requirement (15% x Gross Income)
2017 (Year 3)	28,419	4,263
2018 (Year 2)	32,473	4,871
2019 (Last Year)	41,827	6,274
Average for 3 Years		5,136
Adjusted Capital Charge	Average x 125%	6,420
Total Operational Risk Weighted Asset		64,200

C. Subsidiaries

The following represent the Bank's significant subsidiaries:

Domestic Subsidiaries:

PNB Savings Bank (PNBSB) is a wholly-owned subsidiary of PNB as a result of the merger of PNB and ABC. PNBSB traces its roots from First Malayan Development Bank which ABC bought in 1986 to reinforce its presence in the countryside. In January 17, 1996, it was renamed First Allied Savings Bank following the grant of license to operate as a savings bank. It was in the same year that the Monetary Board of the BSP granted a foreign currency deposit license. In 1998, First Allied Savings Bank changed its name to Allied Savings Bank to further establish its association with the parent ABC. With the merger of PNB and ABC in 2013, Allied Savings Bank became a wholly owned subsidiary of PNB. In November 2014, the SEC approved the change of name of Allied Savings Bank to PNB Savings Bank.

On September 3, 2019 the integration of PNBSB and PNB was approved by the BSP. On February 29, 2020, PNB purchased substantially all of the assets and assumed all the liabilities of PNB Savings Bank. Effective March 1, 2020, all employees and branches of PNBSB were absorbed by PNB. On March 5, 2020, PNBSB surrendered its thrift bank license to the BSP. On October 28, 2020, the Stockholders and Board of Directors of PNBSB approved the end of the corporate life PNBSB on December 31, 2022 and its conversion into a holding company under the name Allied Integrated Holdings Inc. This conversion into a holding company was endorsed by the BSP last December 9, 2020. This, together with the other amendments to the Articles of Incorporation and By-Laws of PNBSB, was approved by the SEC last February 23, 2021.

Allied Integrated Holdings Inc. (Formerly: PNBSB) ended the year 2020 with total assets of P9.8 billion consisting of P9.3 billion in Cash, Real Estate ROPA of P263.0 million and Other Assets of P251.6 million. Unaudited balance sheet showed an Amount Payable to PNB under the Net Asset Integration Account of P686.0 million. Paid Capital Stock was P10.5 billion with a Negative Retained Earnings of P1.4 billion and a Net Loss of P14.0 million in 2020.

PNB General Insurers Co., Inc. (PNBGen) is a subsidiary of the Bank established in 1991. It is a non-life insurance company that offers coverage for Fire and Allied Perils, Marine, Motor Car, Aviation, Surety, Engineering, Accident Insurance and other specialized lines. PNBGen is a dynamic company providing and continuously developing a complete range of highly innovative products that will provide total protection to its customers at competitive terms. It started operations with an initial paid-up capital of P13 million. As of December 31, 2020, PNBGen's paid-up capital was P912.6 million, one of the highest in the industry. Unaudited total assets reached P7.7 billion with a total net worth of P1.5 billion.

For the year ended December 31, 2020, the company recorded unaudited net income of P83.9 million from a net income of P101.4 million in 2019.

PNB Capital and Investment Corporation (PNB Capital), a wholly-owned subsidiary of the Bank, is licensed by the SEC to operate as an investment house with a non-quasi-banking license. It was incorporated on July 30, 1997 and commenced operations on October 8, 1997.

As of December 31, 2020, PNB Capital had an authorized capital of P2.0 billion or 20,000,000 shares with a par value of P100.00 per share and a paid-up capital of P1.5 billion equivalent to 15,000,000 shares. Its principal business is to provide investment banking services which include debt and equity underwriting, private placement, loan arrangement, loan syndication, project financing and general financial advisory services, among others. The company is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. PNB Capital distributes its structured and packaged debt and equity securities by tapping banks, trust companies, insurance companies, retail investors, brokerage houses, funds and other entities that invest in such securities.

Investment banking is a highly regulated industry. Regulatory agencies overseeing PNB Capital include the BSP, the SEC, the Bureau of Internal Revenue, as well as several affiliates, support units and regulatory commissions of these entities.

The primary risks of the company include underwriting, reputational and liability risks. First, underwriting risk pertains to the risk of market's non-acceptance of securities being offered and underwritten by PNB Capital. In such scenario, the company would have to purchase the offered for its own account. Second, reputational risk arises from the possibility that the company may not be able to close mandated deals as committed. Third, liability risk refers to the risk from possible lawsuits filed by the client due to non-

performance of committed duties or gross negligence by the company. These primary risks are addressed by:

- ensuring that the staff is well-trained and capable, at the functional and technical level, to provide the services offered;
- understanding the clients' specific needs and goals;
- clarifying and documenting all goals, methodologies, deliverables, timetables and fees before commencing on a project or engagement and including several indemnity clauses to protect PNB Capital from being held liable for actions and situations beyond its control. These indemnity clauses are revised and improved upon after each engagement, as and when new protection clauses are identified;
- having clients fill-up client suitability forms for their investments in instruments underwritten/arranged by PNB Capital; and
- all transactions are properly documented and approved by the Investment Committee and/or Board of Directors.

As of December 31, 2020, PNB Capital's unaudited total assets and total equity stood at P2.4 billion and P2.2 billion, respectively. Its unaudited net income for the year ended December 31, 2020 was P34.0 million.

PNB-Mizuho Leasing and Finance Corporation (formerly PNB-IBJL Leasing and Finance Corporation), was incorporated on April 24, 1996 under the auspices of the Provident Fund of the Bank as PF Leasing and Finance Corporation. It was largely inactive until it was used as the vehicle for the joint venture between the Bank (60%), Mizuho Leasing Co Ltd., Tokyo (35%), and Industrial Bank of Japan, now called Mizuho Corporate Bank (5%). The corporate name was changed to Japan-PNB Leasing and Finance Corporation and the joint venture company commenced operations as such in February 1998.

On January 31, 2011, PNB increased its equity interest in JPNB Leasing from 60% to 90%. The Bank's additional holdings were acquired from minority partners, IBJ Leasing Co., Ltd. (IBJL) and Mizuho Corporate Bank, which divested their 25% and 5% equity interests, respectively. IBJL remains as an active joint venture partner with a 10% equity interest.

PNB-Mizuho Leasing and Finance Corporation operates as a financing company under Republic Act No. 8556 (the Financing Company Act of 1998, as amended). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-Mizuho Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and Floor Stock Financing (short-term loan against assignment of inventories, e.g., motor vehicles).

Majority of the principal products or services are in peso leases and loans. Foreign currency (USD and JPY) leases and loans are mostly funded by IBJL.

On April 3, 2014, the PNB-IBJL Leasing and Finance Corporation's Board and stockholders approved the increase of the company's authorized capital from P150 million to P1.0 billion, representing 10,000,000 shares with a par value of P100.00 per share, in preparation for the declaration of stock dividends. On June 27, 2014, PNB-IBJL Leasing and Finance Corporation's Board approved the declaration of 2 shares to 1 share stock dividends to stockholders of record as of June 30, 2014.

On November 28, 2014, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buy back by IBJL from PNB of 15% equity ownership in Japan-PNB Leasing with a closing date of January 30, 2015.

On January 13, 2015, the SEC approved the increase in its authorized capital stock from P150.0 million consisting of 1.5 million shares with a par value of P100.00 per share to P1.0 billion consisting of 10 million shares with a par value of P100.00 per share. Subsequently, the stock dividends declaration was implemented with the issuance of 300,000 new shares on January 23, 2015.

On January 30, 2015, the buyback of the 15% equity of Japan-PNB Leasing by IBJL from PNB was consummated, resulting to an equity ownership as follows: PNB - 75% and IBJL - 25%.

On March 27, 2015, the SEC approved the change of name of Japan-PNB Leasing and Finance Corporation to PNB-IBJL Leasing and Finance Corporation.

On December 15, 2017, the Bank's BOD approved an additional capital infusion of up to P400 million to PNB-IBJL Leasing and Finance Corporation. The BSP approved on February 26, 2018 the additional capital infusion of P400 million to PNB-IBJL Leasing and Finance Corporation. PNB paid the P400 million additional capital infusion on April 6, 2018.

On August 29, 2018, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buyback by IBJL from PNB of the 25% share or P100 million on the additional capital infusion of P400 million.

On March 2019, Mizuho Bank Ltd increased its shareholdings in IBJ Leasing Co., Ltd. And as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019.

On March 3, 2020, the Securities and Exchange Commission approved the change of name from PNB-IBJL Leasing and Finance Corporation to PNB-Mizuho Leasing and Finance Corporation.

As of December 31, 2020, PNB-Mizuho Leasing and Finance Corporation's consolidated unaudited total assets and total equity stood at P5.4 billion and P371.7 million, respectively. Its consolidated unaudited net loss for the year ended December 31, 2019 was P270.2 million.

PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation) is a wholly-owned subsidiary of PNB-Mizuho Leasing and Finance Corporation. It was incorporated in the Philippines on July 3, 2008 as a rental company and started commercial operations on the same date. It is engaged in the business of renting all kinds of real and personal properties.

On March 11, 2015, the SEC approved the change of name from Japan-PNB Equipment Rentals Corporation to PNB-IBJL Equipment Rentals Corporation.

On March 2019, Mizuho Bank Ltd increased its shareholdings in IBJ Leasing Co., Ltd. and as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019.

On March 4, 2020, the SEC approved the change of name from PNB-IBJL Equipment Rentals Corporation to PNB-Mizuho Equipment Rentals Corporation.

As of December 31, 2020, it had a paid-up capital of P40.0 million and a total capital of P20.6 million. Its unaudited total assets and net loss for the year ended December 31, 2020 were P1.1 billion and P61.1 million, respectively.

PNB Holdings Corporation (PHC), a wholly-owned subsidiary of the Bank, was established on May 20, 1920 as Philippine Exchange Co., Inc. The SEC approved the extension of the corporate life of PHC for another fifty (50) years effective May 20, 1970. In 1991, it was converted into a holding company and was used as a vehicle for the Bank to engage into the insurance business where it owns 34% of PNBGen. On December 29, 2020, PHC sold its shares in PNBGen to Alliedbankers Insurance Corp. (ABIC).

As of December 31, 2020, PHC had an authorized capital of P500.0 million consisting of 5,000,000 shares with a par value of P100 per share. PHC has a total paid-up capital of P255.1 million and additional paid-in capital of P3.6 million, while total assets and total capital were P750.5 million and P551.2 million, respectively. PHC realized a net income of P143.1 million in 2020.

The SEC approved on January 13, 2021 the increase in PHC's authorized capital stock by P50 billion. PHC acquired ownership over three (3) major properties of PNB which were transferred as capital contribution in exchange for PHC shares.

PNB Securities, Inc. (PNBSec) was incorporated in January 18, 1991 and is a member of the Philippine Stock Exchange, Inc. (PSE) As a securities dealer, it is engaged in the buying and selling of securities listed in the PSE either for its own account as Dealer or for account of its customers as Broker. It is a

wholly-owned subsidiary of PNB and ranked 32nd among 129 active members in the PSE with 0.48% market share in terms of value turn-over as of December 31, 2020.

- a. As of December 31, 2020, it has a total paid-up capital of P100.0 million with unaudited total assets and total capital of P346.0 million and P174.2 million, respectively.
- b. PNBSec had no bankruptcy, receivership, or similar proceedings in the past three (3) years.
- c. There are no material reclassification, merger, consolidation, or purchase/sale of a significant asset not in the ordinary course of business.

Relative to its competitors, the company's strength lies in the fact that it is backed up by PNB, a universal bank and considered one of the top commercial banks in the country today.

Inherent to all engaged in the stockbrokerage business, the company is exposed to risks like Operational Risk, Position Risk, Counterparty Risk and Large Exposure Risk. To address, identify, assess and manage the risks involved, the company submits semi-monthly to the SEC and the Capital Markets Integrity Corporation (CMIC) of the PSE the required Risk Based Capital Adequacy (RBCA) Report which essentially measures the broker's net liquid capital considering said risks. Further, PNB's Risk Management Group is overseeing/ monitoring the company's risk management / exposures.

Foreign Subsidiaries:

Allied Commercial Bank (ACB), a 99.04% owned subsidiary of the Bank and formerly known as Xiamen Commercial Bank, ACB was established in Xiamen, Fujian Province, China in September 1993 as a foreign-owned bank. It obtained its commercial banking license in July 1993 and opened for business in October 1993. In 2003, ACB opened a branch in the southwestern city of Chongqing.

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

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

On January 16, 2017, the Fujian Administration for Industry and Commerce (FAIC) issued a business license to ACB to engage in foreign currency-denominated business servicing all types of clients and in CNY-denominated business servicing all clients except Chinese resident citizens.

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

In May 2020, China's banking regulator, the China Banking and Insurance Regulatory Commission (CBIRC, formerly CBRC), Xiamen Office allowed ACB to conduct CNY-denominated business serving all clients including Chinese resident citizens.

On December 15, 2020, the Market and Quality Supervision Commission of Xiamen Municipality issued a business license to ACB to engage in foreign currency-denominated and CNY-denominated business servicing all types of clients.

The ACB formally launched CNY business servicing all types of clients on December 25, 2020.

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a private limited company incorporated in Hong Kong in 1978 and is licensed as a restricted license bank under the Hong Kong Banking Ordinance. By virtue of the merger between PNB and ABC in February 2013, PNB now owns 51% of ABCHKL.

It provides a full range of commercial banking services predominantly in Hong Kong, which include lending and trade financing, documentary credits, participation in loans syndications and other risks, deposit-taking, money market and foreign exchange operations, money exchange, investment and general corporate services.

ABCHKL has one branch license and a wholly owned subsidiary incorporated also in Hong Kong, ACR Nominees Limited, which provides non-banking general services to its customers. It is a Trust or Company Service Provider (“TCSP”) licensee in Hong Kong.

Philippine National Bank (Europe) Plc (PNB Europe) was originally set up as a PNB London Branch in 1976. In 1997, it was converted as a wholly owned subsidiary bank of PNB, incorporated in the United Kingdom with a full banking license. In 2007, PNB Europe opened its branch in Paris, France, where it engaged in remittance services and ceased its operations after August 31, 2017. PNB Europe is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In April 2014, Allied Bank Phils (UK) was merged with PNB Europe Plc.

PNB Global Remittance & Financial Company (HK) Limited (PNB Global) is a wholly-owned subsidiary of the Bank and is registered with the Registrar of Companies in Hong Kong.

On July 1, 2010, PNB Global assumed the remittance business of PNB Remittance Center, Ltd. with the former as the surviving entity. It now operates as a lending and remittance company. As of December 31, 2020, it maintains 7 offices in Hong Kong. Its remittance business is regulated by the Customs and Excise Department of Hong Kong.

PNB International Investment Corporation (PNBIIC), formerly known as Century Holding Corporation, PNBIIC is a wholly-owned subsidiary of the Bank. It is a non-bank holding company incorporated in California, USA on December 21, 1979. It changed its name to PNB International Investments Corporation on November 16, 1999. Being only a holding company, PNBIIC does not conduct business operations.

PNBIIC owns PNB Remittance Centers, Inc. (PNBRCI) which was incorporated in California, USA on October 19, 1990. PNBRCI is a company engaged in the business of transmitting money to the Philippines. As of December 31, 2020, PNBRCI has 16 branches in six states in the USA. PNBRCI owns PNBRCI Holding Company, Ltd. which was also incorporated in California, USA on August 18, 1999. PNBRCI Holding Company, Ltd. is the holding company of PNB Remittance Company Canada (PNBRCC). PNBRCC is also a money transfer company incorporated in Canada on April 26, 2000. PNBRCC has 6 branches and 1 sub-branch as of year-end 2020.

PNBRCI is regulated by the U.S. Internal Revenue Service and the Department of Business Oversight of the State of California and other state regulators of licensed money transmitters. PNBRCC is regulated by the Office of the Superintendent of Financial Institutions of Canada and Financial Transactions and Reports Analysis Centre of Canada.

Item 2. Directors and Executive Officers

Please refer to pages 14 to 38 of the Information Statement.

Item 3. Audited Consolidated Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries, which comprise the Statements of Financial Position as of December 31, 2020 and 2019, and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for each of the three (3) years in the period ended December 31, 2020, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies and other explanatory information, Independent Auditor’s Report and the Statement of Management’s Responsibility are filed as part of the Bank’s SEC 17-A report for the year ended December 31, 2020.

Item 4. Information on Independent Accountant, Changes in Accounting Principles and Other Related Matters

A. Audit and Other Related Fees

The following are the engagement fees billed and paid for each of the last two fiscal years for the professional services rendered by the Bank's external auditor, SyCip Gorres Velayo and Co. (inclusive of out-of-pocket expenses and value-added tax):

Nature of Service	Description	Professional fees (in P millions)	
		2020	2019
Audit and Audit-Related Services	Audit of the consolidated and separate financial statements of the Bank; audit of the combined financial statements of the trust and managed funds of the Trust Banking Group; limited reviews of interim condensed consolidated financial statements; agreed-upon procedures on issuance of comfort letters relative to issuances of debt and capital securities	25.459	33.109
Tax-Related Services	Business tax advisory services	0.280	-
All Other Services	Accounting advisory, consultancy on sustainable finance framework, training and other services	2.202	4.544
TOTAL		27.941	37.653

There are no fees billed and paid for the last three (3) years for tax accounting performed by the Bank's external auditor.

The approval of the above audit engagement fees is based on the Bank's existing Manual of Signing Authority. All engagements of the external auditor and the corresponding engagement fees are subject to the approval of the BOD as endorsed by the BACC.

The BACC has primary authority to select, evaluate, appoint, dismiss, replace and reappoint the Bank's external auditors, subject to the approval of the BOD and ratification of stockholders, based on fair and transparent criteria such as (i) core values, culture and high regard for excellence in audit quality; (ii) technical competence and expertise of auditing staff; (iii) independence; (iv) effectiveness of the audit process; and (v) reliability and relevance of the external auditor's reports.

B. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the amendments and improvements to Philippine Financial Reporting Standards (PFRS) which are effective beginning on or after January 1, 2020. The changes in the accounting policies that have or did not have any significant impact on the financial position or performance of the Group are discussed under Note 2 (Summary of Significant Accounting Principles) of the audited financial statements of the Group.

C. Disagreements with Accountants

The Bank and its subsidiaries had no disagreement with its auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope procedure.

After careful reevaluation, Management has decided to recommend SGV & Co. for reappointment as external auditor of the Bank and its domestic subsidiaries for the year 2021. The BACC has thereafter endorsed the reappointment of SGV & Co. to the Board of Directors. The reappointment of SGV & Co. as external auditor of the Bank was approved by the Board of Directors on March 10, 2021 and will be presented for ratification of the stockholders at the Bank's Annual Stockholders' Meeting to be held on April 27, 2021. Ms. Vicky B. Lee-Salas, one of the more experienced audit partners in the banking industry in the Philippines, was the lead audit partner for the year 2020.

Item 5. Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial statements have been prepared in accordance with PFRS.

2020 vs 2019

The Group's consolidated total assets stood at P1,231.1 billion as of December 31, 2020, 7.8% or P88.8 billion higher compared to P1,142.3 billion reported as of December 31, 2019. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items as of December 31, 2020 decreased by P5.4 billion from P30.5 billion as of December 31, 2019. Due from Bangko Sentral ng Pilipinas, Due from Other Banks, Interbank Loans Receivables and Securities Held Under Agreements to Resell as of December 31, 2020 at P202.1 billion, P19.7 billion, P39.7 billion and P15.8 billion, respectively, increased by P96.1 billion, P2.0 billion, P14.9 billion and P13.3 billion compared to P106.0 billion, P17.8 billion, P24.8 billion and P2.5 billion, respectively, as of December 31, 2019.

Please refer to the interim consolidated statements of cash flows of the Audited Financial Statements of the Bank for more information relating to cash and cash equivalents.

- Trading and investment securities which consist of Financial Assets at Fair Value Through Profit or Loss (FVTPL), Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) and Investment Securities at Amortized Cost, representing 20.5% and 20.8% of the Group's total assets as of December 31, 2020 and 2019, respectively, increased by P15.7 billion or 6.6%, mainly due to purchases of various investment securities, net of maturities and disposals.
- Loans and Receivables represent 48.7% and 57.6% of the Group's total assets as of December 31, 2020 and 2019, respectively. Loans and Receivables decreased by P57.9 billion or 8.8%, at P600.0 billion as of December 31, 2020 from P657.9 billion as of December 31, 2019, mainly due to P41.0 billion net paydowns of loans and receivables and additional provision for impairment, credit and other losses of P16.9 billion.
- Investment in an Associate decreased by P0.3 billion or 11.3%, at P2.3 billion as of December 31, 2020 from P2.6 billion as of December 31, 2019, mainly due to additional share in net comprehensive losses of the associate.
- Deferred Tax Assets increased by P6.5 billion or 250.2%, at P9.0 billion as of December 31, 2020 from P2.6 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for expected credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.
- Intangible Assets decreased by P0.3 billion or 11.6%, at P2.5 billion as of December 31, 2020 from P2.8 billion as of December 31, 2019 due to amortization.
- On December 11 and October 9, 2020, the Group approved the sale of all its shareholdings in PNB General Insurers Co., Inc. (PNB Gen) to Alliedbankers Insurance Corporation, an affiliate. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position.
- Other Assets amounted to P6.3 billion as of December 31, 2020 or a decrease of P1.7 billion or 21.6% from P8.1 billion as of December 31, 2019.

The Group's consolidated total liabilities stood at P1,075.2 billion as of December 31, 2020 which increased by 8.9% or P87.8 billion from P987.3 billion as of December 31, 2019. Major changes in liabilities were registered in the following accounts:

- Deposit Liabilities totaling P890.3 billion and P826.0 billion which represent 82.8% and 83.7% of the Group's total liabilities as of December 31, 2020 and 2019, respectively, increased by P64.2 billion or 7.8%. Demand, Savings and Time Deposits went up by P27.5 billion or 16.0%, P33.8 billion or 8.6%, P9.8 billion or 4.3%, respectively. The increase in total deposits was partially offset by the decline in Long-Term Negotiable Certificates of Deposits (LTNCD) by P6.9 billion or 19.7% mainly due to maturities in June 2020.
- Financial Liabilities at FVTPL increased by P455.6 million or 185.5% from 2019 year-end balance of P245.6 million mainly from the increase in the volume of transactions for the period.
- Lease Liabilities decreased by P0.4 million or 24.4% at P1.4 billion as of December 31, 2020 mainly due to lease payments.
- Accrued Taxes, Interest and Other Expenses decreased by P0.5 billion, from P6.9 billion as of December 31, 2019 to P6.4 billion as of December 31, 2020, mainly due to lower accrual of expenses.
- Bills and Acceptances Payable increased by P31.2 billion or 55.7% from P56.0 billion to P87.2 billion as of December 31, 2019 and 2020, respectively, brought by the increase in the level of interbank borrowing and repurchase agreements.
- Income Tax Payable increased by P326.9 million from P576.2 million as of December 31, 2019 to P903.0 million as of December 31, 2020.
- Other Liabilities amounted to P17.9 billion as of December 31, 2020 or a decrease of P11.2 billion or 38.6% from P29.1 billion as of December 31, 2019, mainly from the decrease in reclassification of insurance contract liabilities to 'Liabilities of disposal group classified as held for sale' as discussed above.

The Group's consolidated total equity stood at P156.0 billion as of December 31, 2020 from P155.0 billion as of December 31, 2019, or an increase of P1.0 billion attributed mainly to the consolidated net income for the year ended December 31, 2020 amounting to P2.6 billion and P0.2 increase in Other Equity Reserves, offset by the following:

- decline in Net Unrealized Gains on Financial Assets at FVOCI from P3.3 billion as of December 31, 2019 to P3.1 billion as of December 31, 2020;
- decrease in share in Aggregate Reserves on Life Insurance Policies of P1.1 billion;
- decreases in Remeasurement Losses on Retirement Plan and Accumulated Translation Adjustment of P0.8 billion and P0.2 billion, respectively.

Further, transfer to surplus reserves in 2020 includes the appropriation of surplus amounting to P4.4 billion for the excess of 1% general loan loss provision over the computed expected credit losses for Stage 1 accounts in accordance with BSP Circular 1011.

2019 vs 2018

The Group's consolidated total assets stood at P1.1 trillion as of December 31, 2019, 16.1% or P158.6 billion higher compared to P983.6 billion reported as of December 31, 2018. Changes (more than 5%) in assets were registered in the following accounts:

- Cash and Other Cash Items, Due from Bangko Sentral ng Pilipinas (BSP) and Interbank Loans Receivable registered increased by P13.7 billion, P3.3 billion and by P13.6 billion, respectively from P16.8 billion, P102.7 billion and P11.2 billion, respectively as of December 31, 2018.
- Due from Other Banks and Securities Held Under Agreements to Resell as of December 31, 2019 at P17.8 billion and P2.5 billion, respectively, decreased by P3.2 billion and P18.2 billion compared to P21.0 billion and P20.7 billion, respectively, as of December 31, 2018.

Please refer to the statements of cash flow for more information relating to cash and cash equivalents.

- Financial Assets at Fair Value Through Profit or Loss (FVTPL) at P13.5 billion was higher by 34.7% or P3.5 billion from P10.0 billion as of December 31, 2018 attributed mainly to higher purchases over securities sold.
- Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) was higher at P123.1 billion as of December 31, 2019, an increase of P71.0 billion or by 136.2% from the P52.1 billion level as of December 31, 2018 due to acquisitions of various investment securities net of securities sold.
- Investment Securities at Amortized Cost amounted to P100.5 billion as of December 31, 2019, a decline of P0.3 billion from the P100.8 billion level as of December 31, 2018 due to sale and maturities of investment securities.
- Loans and Receivables is at P657.9 billion or P71.3 billion higher than the P586.7 billion as of December 31, 2018 level due mainly from increase in corporate loans.
- Property and Equipment went up by P1.5 billion from P19.7 billion as of December 31, 2018 to P21.2 billion as of December 31, 2019, mainly due to the P1.5 billion recognition of the right to use asset (ROU) as a result of the adoption of Philippine Financial Reporting Standard (PFRS) 16 – Leases. The transition adjustment at January 1, 2019 resulted in the recognition of ROU and lease liability amounting to P1.8 billion and P1.9 billion, respectively.
- Investment Properties increased by P1.6 billion from P13.5 billion as of December 31, 2018 to P15.1 billion as of December 31, 2019 due mainly to foreclosures during the year.
- Intangible Assets decreased by P0.2 billion from P3.0 billion as of December 31, 2018 mainly due to the amortization of core banking integration costs and other IT assets and Software.
- Deferred Tax Assets was higher by P0.4 billion from P2.1 billion to P2.5 billion as of December 31, 2019 mainly due to the recognition of additional deferred tax assets on allowance for credit losses, which the Group has the benefit of tax deductions against future taxable income only upon actual write-offs.
- Other Assets amounted to P8.1 billion as of December 31, 2019 or an increase of P0.7 billion from P7.4 billion as of December 31, 2018.

Consolidated liabilities increased by 15.5% or P132.2 billion from P855.1 billion as of December 31, 2018 to P987.3 billion as of December 31, 2019. Major changes in liability accounts were as follows:

- Deposit Liabilities totaled P826.0 billion, P92.74 billion or 12.6% higher compared to its year-end 2018 level of P733.3 billion. Demand deposits, Time deposits and Long-Term Negotiable Certificate of Deposits (LTNCD) went up by P19.2 billion or 12.5%, P79.7 billion or 54.1% and P3.7 billion or 11.9%, respectively, partially offset by the decrease in Savings deposits by P9.9 billion or 2.5%.
- Financial liabilities at FVTPL decreased by P0.2 billion from 2018 year-end balance of P0.5 billion mainly from the decrease in negative fair value balance of interest rate swaps and forwards.
- Bonds Payable increased by P51.0 billion, from P15.6 billion as of December 31, 2018 to P66.6 billion as of December 31, 2019, mainly accounted for by the Parent Company's issuance of P13.7 billion fixed-rate bonds on May 8, 2019 due 2021 and additional issuance of US\$750 million fixed-rate senior notes from its Euro Medium Term Note (EMTN) Program on June 27, 2019 maturing on September 27, 2024.
- Bills and Acceptances Payable decreased by P14.1 billion or 20.1% from P70.1 billion to P56.0 billion as of December 31, 2018 and December 31, 2019, respectively, due to settlement of interbank loans from the BSP and local banks.
- Lease liability of P1.8 billion pertains to the lease liability of the Group as a result of the adoption of PFRS 16 – Leases. Refer to the Property and Equipment discussion above.

- Accrued Taxes, Interest and Other Expenses was higher by P0.5 billion, from P6.4 billion as of December 31, 2018 to P6.9 billion as of December 31, 2019, mainly due to the increase in accrued interest from deposits and bonds.
- Income Tax Payable decreased by P0.3 billion from P0.9 billion to P0.6 billion as of December 31, 2018 and December 31, 2019, respectively.

Total equity accounts stood at P155.0 billion from P128.6 billion as of December 31, 2018, or an improvement of P26.4 billion attributed mainly to the following:

- Capital Stock and Additional Paid-In Capital increased by P11.8 billion from the net proceeds from the 2019 Stock Rights Offering.
- current period's net income attributable to Equity Holders of the Parent Company of P9.7 billion.
- decrease in Accumulated Translation Gain of P0.8 billion.
- Remeasurement loss P0.7 billion
- improvement in Net unrealized gains/(losses) on Financial Assets at FVOCI from a P3.2 billion loss as of December 31, 2018 to a gain amounting to P3.2 billion as of December 31, 2019, resulting in an unrealized gain of P6.4 billion for the period.

2018 vs. 2017

The Group's consolidated total assets stood at P983.7 billion as of December 31, 2018, 17.6% or P147.5 billion higher compared to P836.2 billion reported as of December 31, 2017. Changes (more than 5%) in assets were registered in the following accounts:

- Securities Held Under Agreements to Resell as of December 31, 2018 at P20.7 billion, which represents lending transactions of the Bank with the BSP, was higher by P6.1 billion compared to P14.6 billion as of December 31, 2017.
- Financial Assets at Fair Value Through Profit or Loss at P10.0 billion went up by 246.9% or P7.1 billion from P2.9 billion attributed mainly to the purchases of various investment securities, net of sold and matured securities.
- Investment Securities at Amortized Cost was higher at P100.8 billion while Financial Assets at Fair Value Through Other Comprehensive Income was lower at P52.1 billion as of December 31, 2018, an increase of P74.0 billion or by 276.1% and a decline of P17.7 billion or by 25.4% from the P26.8 billion and P69.8 billion level, respectively, as of December 31, 2017 due to purchases of various investment securities, net of disposals and maturities.
- Loans and Receivables registered an increase at P586.7 billion or P84.6 billion higher than the P502.1 billion as of December 31, 2017 level mainly due to loan releases, net of pay downs, mainly to various corporate and retail borrowers.
- Investment Properties decreased by P2.1 billion from P15.6 billion as of December 31, 2017 to P13.5 billion as of December 31, 2018, mainly due to disposal of foreclosed properties.
- Intangible Assets decreased by P0.3 billion from P3.3 billion in December 31, 2017 mainly due to the decline in capitalization of core banking integration costs and other software acquisitions.
- Deferred Tax Assets were higher by P0.4 billion from P1.7 billion to P2.1 billion and a decrease in Other Assets of P1.5 billion from P8.9 billion to P7.4 billion. Decline in Other Assets was due to decreases in creditable withholding taxes, deferred charges and outstanding clearing items received as of year-end.

Consolidated liabilities went up by 19.4% or P138.7 billion from P716.4 billion as of December 31, 2017 to P855.1 billion as of December 31, 2018. Major changes in liability accounts were as follows:

- Deposit liabilities totaled P733.3 billion, P95.4 billion higher compared to its year-end 2017 level of

P637.9 billion due to increases in Demand deposits by P27.5 billion, Savings deposits by P50.2 billion, Time deposits by P17.6 and LTNCD by P0.1 billion.

- Bills and Acceptances Payable increased by P26.2 billion, from P43.9 billion to P70.1 billion, mainly accounted for by borrowings from other banks.
- Accrued Expenses increased by P1.1 billion from P5.3 billion as of December 31, 2017 to P6.4 billion as of December 31, 2018.
- Financial liabilities at Fair value through profit or loss was higher by P0.1 billion from 2017 year-end balance of P0.4 billion.
- Income Tax Payable decreased by P0.1 billion from P1.0 billion to P0.9 billion, due to the decline in the income tax provisions for the year.
- Other Liabilities increased by P0.4 billion, from P27.9 billion in December 31, 2017 to P28.3 billion as of December 31, 2018.

Total equity accounts stood at P128.5 billion from P119.7 billion as of December 31, 2017, or an improvement of P8.8 billion attributed to current period's net income of P8.2 billion, improvement/increase in Net Unrealized Loss on Available-for-Sale Investments, Accumulated Translation Adjustments and Remeasurement Losses on Retirement Plan.

Results of Operations

2020 vs 2019

- For the year ended December 31, 2020, the Group recorded net income of P2.6 billion, P7.1 billion or 73.1% lower than the P9.8 billion net income last year. The Group recognized significant provisions for impairment, credit and other losses of P16.9 billion which resulted in lower net income compared to last year. However, the Group's core income comprising primarily of net interest income recorded substantial improvements in the current period. The results for the current period also included significant increase in net gains from trading and investment securities.
- Net interest income amounted to P35.8 billion, higher by 10.7% or P3.5 billion compared to the same period last year, mainly driven by lower funding costs due to the reduction in levels of high-cost deposits during the year. Total gross interest income decreased by 7.1% or P3.6 billion to P47.0 billion from P50.5 billion last year due to aggregate decreases in interest income from loans and receivables, trading and investment securities, and interbank receivables of P4.2 billion, offset by increase in interest income from deposits with banks of P0.7 billion. Total gross interest expense decreased to P11.1 billion or by P7.0 billion from P18.2 billion last year primarily due to decline in interest expense from deposit liabilities, bills payable and other borrowings, partially offset by increase in interest expense from bonds payable of 49.3% or P1.0 billion from P1.9 billion last year to P2.9 billion. Net interest margin remained at 3.31% in both periods.
- Net service fees and commission income decreased by P0.5 billion or 11.5% at P3.7 billion for the year ended December 31, 2020 from P4.2 billion last year due to lower transactional volumes and waivers of fees on interbank transfers and overseas remittances.
- Other income increased to P6.0 billion compared to P4.2 billion last year mainly due to improvement in net gains on trading and investment securities by P2.3 billion.
- Administrative and other operating expenses amounted to P44.8 billion for the year ended December 31, 2020, P16.1 billion or 56.3% higher compared to the same period last year, mainly due to additional provisions for impairment, credit and other losses amounting to P16.9 billion in anticipation of the impact of the COVID-19 pandemic to the Group's loan portfolio.
- Provision for (benefit from) income tax for the year ended December 31, 2020 amounted to (P1.8) billion

compared to P2.5 billion for the same period last year mainly due to the tax benefit from the recognition of additional deferred tax assets on allowance for expected credit losses.

- Total comprehensive income for the year ended December 31, 2020 amounted to P0.4 billion.

2019 vs 2018

- For the year ended December 31, 2019, the Group registered a net income of P9.8 billion, P0.2 billion or 2.1% higher than the P9.6 billion net income for the same period last year. The Group's core income comprising primarily of net interest income and net service fees and commissions recorded substantial improvements in the current period. Net income for the current period also included increase in net gains from trading and investment securities.
- Net interest income totaled P32.4 billion, higher by 19.8% or P5.4 billion compared to the same period last year mainly due to the expansion in loan, interbank loans, and trading and investment securities portfolios which accounted for the P9.7 billion, P0.3 billion, P0.5 billion and P4.2 billion increase in interest income, respectively, partly offset by the increase of P9.1 billion in deposits with banks and others. Total interest income increased by 40.3% or P14.5 billion from P36.0 billion to P50.5 billion. Total interest expense also increased to P18.1 billion or by P9.1 billion from P9.0 billion for the same period last year primarily due to growth in deposit liabilities and other borrowings.
- Other income decreased to P4.2 billion compared to P8.4 billion for the same period last year mainly due to decline in net gains on sale or exchange of assets of P5.1 billion, partly offset by higher net gains in trading and investment securities by P0.9 billion.
- Net service fees and commission income stood at P4.2 billion, 20.2% or P0.7 billion higher compared the same period last year driven by growth in deposit and credit card related fees.
- Administrative and other operating expenses amounted to P28.7 billion for the year ended December 31, 2019, or 12.6% higher compared to the same period last year as strong revenue growth, particularly in interest income and trading gains, translated to higher business-related taxes.
- Total Comprehensive Income for the year ended December 31, 2019 amounted to P14.6 billion which is P6.5 billion higher than the same period last year due mainly to increase in net unrealized gains on financial assets at FVOCI.

2018 vs 2017

- For the year ended December 31, 2018, the Bank registered a net income of P9.6 billion, P1.4 billion or 17.2% higher than the P8.2 billion net income for the same period last year on account of substantial improvements in core income primarily net interest income and gains from the sale of foreclosed assets.
- Net interest income totaled P27.1 billion, higher by 22.6% or P5.0 billion compared to the same period last year mainly due to the expansion in the loan and investment securities portfolio which accounted for the P7.5 billion and P1.5 billion increase in interest income, respectively. This was partly offset by the decrease in interest income of deposits with banks and others by P0.6 billion. Total interest income increased by 30.6% or P8.5 billion from P27.6 billion to P36.1 billion. Total interest expense however, was also higher at P9.0 billion or by 62.6% or by P3.5 billion from P5.5 billion last year.
- Other income increased significantly to P8.4 billion compared to P7.1 billion for the same period last year mainly due to higher net gain on sale or exchange of assets by P1.9 billion and improvement in miscellaneous income by P0.5 billion partly offset by P0.7 billion decrease in foreign exchange gain and P0.4 billion decline in trading and investment securities gains.
- Net service fees and commission income stood at P3.5 billion, 12.7% or P0.4 billion higher compared the same period last year. The minimal growth was attributed to lower levels of underwriting and investment banking fees.

- Administrative and other operating expenses amounted to P25.7 billion for the year ended December 31, 2018.
- Total Comprehensive Income for the year ended December 31, 2018 amounted to P8.1 billion.

Key Performance Indicators

- **Capital Adequacy/Capital Management**

The Bank's Capital Management (Sub-Committee of the Asset/Liability Committee) has been created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The Sub-Committee shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business;
- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the Bank;
- Report to the Asset/Liability Committee (ALCO) the Bank's capital ratio and position based on the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis;
- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed;
 - The Sub-Committee will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan;
 - In case of capital sourcing, the Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising;
- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds;
 - The Sub-Committee shall determine the Bank's internal thresholds and shall endorse the same to the Board ICAAP Steering Committee / Board;
- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others;

The Bank and its individual regulatory operations have complied with all externally imposed capital requirements throughout the period.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

As required under BSP Circular 781, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Other minimum ratios include Common Equity Tier (CET) 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A conservation buffer of 2.5%, comprised of CET 1 capital, is likewise imposed.

Banks and their subsidiaries are subject to the following risk-based CARs:

- a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all times;
- b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
- c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

- a. Common equity Tier 1 capital consists of 1) paid up common stock that meet the eligibility criteria, 2) common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, 3) deposits for common stock subscription, 4) retained earnings, 5) undivided profits, 6) other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation) and minority interest on subsidiary banks which are less than wholly-owned;
- b. Additional Tier 1 capital consists of instruments issued by the Bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines;
- c. Tier 2 capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet the criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) deposits for subscription of T2 capital, 3) appraisal increment reserves on Bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

A capital conservation buffer of 2.5% of risk weighted assets, comprised of CET 1 capital, shall be required. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down to absorb losses during period of financial and economic stress.

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 15.14%, 14.80%, and 14.35% as of December 31, 2020, 2019 and 2018, respectively, above the minimum 10% required by BSP. For the detailed calculation and discussion kindly refer to Item 1, no. 10 – Risk Management.

• Asset Quality

The Parent Company's non-performing loans (gross of unearned and other deferred income and allowance for credit losses) increased to P66.0 billion as of December 31, 2020 compared to P12.0 billion as of December 31, 2019. NPL ratios of the Parent Company based on BSP guidelines, net of valuation reserves is at 6.93% as at December 31, 2020, compared to 0.68% at end of 2019. Gross NPL ratio is at 10.09% at end of 2020 and 1.99% at end of 2019.

• Profitability

	<u>Years Ended</u>	
	<u>12/31/20</u>	<u>12/31/19</u>
Return on equity (ROE) ^{1/}	1.69%	6.89%
Return on assets (ROA) ^{2/}	0.22%	0.92%
Net interest margin (NIM) ^{3/}	3.31%	3.30%

^{1/}Net income divided by average total equity for the period indicated

^{2/}Net income divided by average total assets for the period indicated

^{3/}Net interest income divided by average interest-earning assets

• Liquidity

The ratio of liquid assets to total assets as of December 31, 2020 was 37.37% compared to 27.86% as of December 31, 2019. Ratio of current assets to current liabilities was at 68.35% as of December 31, 2020 compared to 59.04% as of December 31, 2019.

- **Cost Efficiency**

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 61.27% for the year ended December 2020 compared to 63.16% last year.

Known trends, demands, commitments, events, and uncertainties

The Bank presently has more than adequate liquid assets to meet known funding requirements and there are no known trends, demands, commitments, events, or uncertainties that will have a material impact on the Bank's liquidity.

Events that will trigger direct or contingent financial obligation

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements, including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such disclosures would prejudice the Group's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Group and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Material off-balance sheet transactions, arrangement or obligation

The summary of material off-balance sheet transactions, arrangement or obligations (including contingent obligations) is discussed in Note 35 (Provisions, Contingent Liabilities and Other Commitments) of the accompanying audited financial statements of the Group as attached under Exhibit III.

Capital Expenditures

In line with the Bank's digital transformation initiatives and enhancing customer banking experience strategy, technology upgrades and branch physical infrastructure will account for the bulk of the Bank's capital expenditures for 2019. Capital expenditures will be funded from the proceeds of the sale of acquired assets and funds generated from the Bank's operations.

Significant Elements of Income or Loss

Significant elements of the Bank's revenues consist mainly of net interest margin, service fees, net trading gains and gains from disposal of reacquired properties while the Bank's expenses consist mainly of staff cost, depreciation and amortization of assets and provisions for probable losses. Please refer to the discussions on the results of operations for further details.

Seasonal Aspects

There was no seasonal aspect that had material effect on the Bank's financial condition or results of operations.

Item 6. Market Price, Holders and Dividends

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders

1. Market Price

PNB's common shares are listed and traded at the PSE. The high and low sales prices of PNB shares for each quarter for the last three fiscal years are as follows:

	<u>2018</u>		<u>2019</u>		<u>2020</u>	
	High	Low	High	Low	High	Low
Jan – Mar	59.15	53.80	60.42	40.98	36.70	18.50
Apr – Jun	56.00	47.95	58.82	47.54	25.60	18.80

Jul – Sep	49.90	43.00	57.35	43.60	25.20	19.52
Oct – Dec	44.60	38.95	45.90	34.00	32.50	23.10

The trading price of each PNB common share as of February 28, 2021 was P24.95.

2. Holders

There are 36,374 stockholders as of February 28, 2021, all of whom have the same voting rights. As there are 36,374 stockholders, it will be too voluminous to reflect the nationality, number of shares and percentage to total outstanding capital stock of each stockholder. For the guidance of any stockholder, hereunder are the top twenty (20) holders of common shares, the number of shares held by the same, the percentage to total shares outstanding which constitutes approximately 76.33% of the total outstanding capital stock, and the voting right held by each stockholder:

No.	Stockholders	Nationality	Common Shares	Percentage To Total Outstanding Capital Stock	Voting Status
1	PCD Nominee Corporation (Filipino)	Filipino	181,573,926	11.9005183531	*
2	Key Landmark Investments, Ltd.	Filipino	133,277,924	8.7351549618	*
3	PCD Nominee Corporation (Non-Filipino)	Non-Filipino	90,879,110	5.9562985738	*
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	*
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 BSP as provided under the Manual of Regulations for Banks (MORB) and subject to compliance with such financial regulatory requirements as may be applicable to the Bank at the time of such declaration.

PNB has adopted the following general policy on the declaration of dividends:

"Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas"

(BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank.”

The Bank did not declare cash dividends on its common shares for the fiscal years 2019 and 2020.

The Bank recognizes its shareholders’ interests and concerns and have been working very hard to sustain the growth in its profitability which will eventually allow a declaration of cash dividends on a regular and sustainable basis without compromising the Bank’s growth trajectory. The Bank did not declare dividends during the previous year as the Bank needed to comply with the BSP’s regulations on capital adequacy to absorb potential losses, especially during the prolonged pandemic, and build up the capital requirements for its business growth for the interest of its stockholders.

The foregoing information addresses the requirement of Section 49 of the Revised Corporation Code to present to the stockholders the dividend policy of the Bank.

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

On August 4, 2015, the SEC issued the Certificate of Permit to Offer Securities for Sale authorizing the sale of 423,962,500 common shares of the Bank with a par value of P40.00 per share. The Certificate covers the shares to be issued to the stockholders of ABC pursuant to the merger of the Bank and ABC which was approved by the SEC on January 17, 2013. The shares were listed with the PSE on July 22, 2019.

5. Computation of Public Ownership

As of February 28, 2021, PNB’s public ownership level is 21.22%, which more than complies with the minimum percentage of 10% for listed companies, in compliance with the public ownership requirement of the PSE.

B. Description of PNB’s Securities

- As of February 28, 2021, PNB’s authorized capital stock amounted to P70,000,000,040.00 divided into 1,750,000,001 common shares having a par value of P40.00 per share.
- The total number of common shares outstanding as of February 28, 2021 is 1,525,764,850. This includes the 423,962,500 common shares issued relative to the merger of PNB and ABC.
- As of February 28, 2021, a total of 1,434,718,049 common shares (or 94.03%) are held by Filipino-Private Stockholders while the remaining 91,046,801 common shares (or 5.97%) are held by Foreign-Private Stockholders. PNB has an outstanding capital of P61,030,594,000.00.
- The Bank’s stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bank’s unissued capital stock or in support of an increase in capital (*Article Seven of PNB’s Amended Articles of Incorporation*).
- At each meeting of the stockholders, every stockholder entitled to vote shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors (*Section 4.9 of PNB’s Amended By-Laws*).
- Section 23 of the Revised Corporation Code of the Philippines provides that “ *x x x stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or distribute them on the same principle among as many candidates as may be seen fit x x x*”

Item 7. Discussion on Compliance with Leading Practices on Corporate Governance

Please refer to pages 45 to 66 of the Information Statement.

Item 8. Undertaking

The Bank shall, on written request and without charge, provide stockholders a copy of the Annual Report on SEC Form 17-A. Such requests should be directed to the Office of the Corporate Secretary, Philippine National Bank, 9/F PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.