

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

P	N	B		F	I	N	A	N	C	I	A	L		C	E	N	T	E	R	,									
P	R	E	S	I	D	E	N	T		D	I	O	S	D	A	D	O		M	A	C	A	P	A	G	A	L		

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

Atty. Sherleen Lourds R. Macatangay

Contact Person

8840-3783

Company Telephone

Number

1	2
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Month

Meeting

3	1
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Day

Fiscal Year

2020 Amended Definitive Information Statement

FORM TYPE

Last Tuesday of
April of each
year

Month/ Day of Annual

Secondary License Type, If Applicable

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Dept. Requiring this Doc.
Number/Section

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Amended Articles

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Total No. of Stockholders

Total amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

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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 : June 23, 2020
 Time of meeting : 8:00 a.m.
 Place of meeting : The 2020 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 : June 1, 2020
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 Stockholders of the Philippine National Bank (the "Bank") will be conducted through remote communication on June 23, 2020, 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 2019 Annual Stockholders' Meeting held on April 30, 2019
4. Report of the President on the Results of Operations for the Year 2019
5. Approval of the 2019 Annual Report
6. Approval of the Amendment of By-Laws, as follows:
 - a. Sections 4.6 and 4.7, Article IV, to allow the stockholders to vote through remote communication or in absentia, subject to such rules and regulations as may now or hereafter be imposed by law;
 - b. Section 5.9, Article V, to allow the Board of Directors to participate and vote at Board meetings through remote communication, such as videoconferencing, teleconferencing, or other alternative modes of communication.
7. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2019 Annual Stockholders' Meeting
8. Election of Directors
9. Appointment of External Auditor
10. Other Matters
11. Adjournment

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

Stockholders of record as of May 25, 2020 shall be entitled to attend, and to vote at, the meeting.

In light of the COVID-19 pandemic, and to protect the health and 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/asm2020 on or before June 16, 2020. The requirements and procedure for registration, participation and voting through remote communication are set out in the Definitive Information Statement and published in PNB's website at www.pnb.com.ph/asm2020. There will be an audio and visual recording of the meeting.

Stockholders who cannot 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 June 18, 2020. A sample proxy form may be downloaded at www.pnb.com.ph/asm2020. Validation of proxies will be on June 18, 2020 at 5:30 p.m.

Stockholders of record may send their queries and comments to pnb_asm@pnb.com.ph on or before June 21, 2020.

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/2020DIS>. 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.


MAILA KATRINA Y. ILARDE
Corporate Secretary



2020 ANNUAL STOCKHOLDERS' MEETING

REQUIREMENTS AND PROCEDURE FOR PARTICIPATION AND VOTING THROUGH REMOTE COMMUNICATION

A. Registration for the 2020 ASM and Voting through Remote Communication

1. Stockholders of record as of May 25, 2020, who wish to attend the meeting and vote in absentia should register through the PNB ASM Registration Portal at www.pnb.com.ph/asm2020 on or before June 16, 2020 ("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 on 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 attesting to 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, submit also 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 2020 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 2020 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 has a number of votes equal to the number of shares he/she owns, times the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his/her votes in favor of one (1) nominee, or (ii) distribute those votes among as many nominees as he/she may deem fit;
 - (c) Once the registered stockholder has completed voting, he/she can submit his/her votes by clicking the "Submit" button. Upon submission, the registered stockholder may no longer changes his/her 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 June 18, 2020.

B. Other Information Regarding the 2020 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 June 21, 2020. Queries sent but not addressed during the ASM due to time constraints shall be addressed separately and replied 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 protect the health and 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 June 23, 2020, 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 June 1, 2020.

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 2019, 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 May 15, 2020 is 1,525,764,850 with a par value of ₱40.00 per share. Total foreign equity ownership is 99,635,314 common shares or 6.53%.

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 May 25, 2020 (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, on May 22, 2020, approved the participation and voting at the 2020 Annual Stockholders' Meeting through remote communication. The requirements and procedure for registration, participation and voting through remote communication are stated in this Information Statement and published in PNB's website at www.pnb.com.ph/asm2020.

- (b) Stockholders of record 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 May 15, 2020*)

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 Corporation - 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 Corporation (X-496) - Pasig City - 15,140,723 shares Stockholder		Filipino		
Dynaworld Holdings, Incorporated - Pasig City - 11,387,569 shares Stockholder		Filipino		
Fast Return Enterprises, Limited - Makati City - 18,157,183 shares Stockholder		Filipino		
Fil-Care Holdings, Incorporated - Quezon City - 25,450,962 shares Stockholder		Filipino		
Fragile Touch Investment Limited - Makati City - 22,696,137 shares Stockholder		Filipino		
Ivory Holdings, Inc. - Makati City - 20,761,731 shares Stockholder		Filipino		
Kenrock Holdings Corporation - 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, Limited - British Virgin Islands - 133,277,924 shares Stockholder		Filipino		
La Vida Development Corporation - Quezon City - 19,607,334 shares Stockholder		Filipino		
Leadway Holdings, Incorporated - Quezon City - 65,310,444 shares Stockholder		Filipino		
Mavelstone International Limited - Makati City - 29,575,168 shares Stockholder		Filipino		
Merit Holdings and 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 Corporation - Quezon City - 17,298,825 shares Stockholder		Filipino		
Solar Holdings Corp. - Pasig City - 82,017,184 shares Stockholder		Filipino		
Total Holdings Corp. - 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 the proxy to vote the shares held by the foregoing stockholders on or before June 18, 2020.

(2) Security Ownership of Management (Individual Directors and Executive Officers as of May 15, 2020)

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

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
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	15,451,714 shares ₱618,068,560.00 (R)	-	1.0127192273

(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 in the fiscal year 2019.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

On April 30, 2019, the Bank reported to the Bangko Sentral ng Pilipinas (BSP) the election of fifteen (15) members of the Board of Directors at the 2019 Annual Stockholders' Meeting. Ms. Florencia G. Tarriela, Mr. Felix Enrico R. Alfiler, Mr. Edgar A. Cua, Mr. Federico C. Pascual and Mr. Cecilio K. Pedro 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 2019-2020 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

Cecilio K. Pedro
Lucio C. Tan
Carmen K. Tan
Lucio K. Tan, Jr.
Michael G. Tan
Vivienne K. Tan
Jose Arnulfo A. Veloso

Effective September 1, 2019, Mr. Domingo H. Yap was elected as an Independent Director of the Bank to replace Mr. Cecilio K. Pedro. The election of Mr. Yap was confirmed by the MB on November 28, 2019 under Resolution No. 1859.

On November 22, 2019, Ms. Sheila T. Pascual was elected as a Director of PNB, filling the vacancy left by Mr. Lucio K. Tan, Jr., who passed away on November 11, 2019. The election of Ms. Pascual was confirmed by the MB on April 7, 2020 under Resolution No. 506.

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 2020-2021 according to the prescribed qualifications and disqualifications. A total of fifteen (15) nominees were considered. On February 28, 2020, the Board of Directors confirmed the nomination of the following individuals for election to the Board of Directors for the year 2020–2021:

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. Christopher J. Nelson
8. Federico C. Pascual
9. Sheila T. Pascual
10. Carmen K. Tan
11. Lucio C. Tan
12. Michael G. Tan
13. Vivienne K. Tan
14. Jose Arnulfo A. Veloso
15. Domingo H. Yap

(Please refer to pages 13 to 27 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. Maila Katrina Y. Ilarde to comply with the requirements on independent directors. None of the nominees are related to Ms. Ilarde.

All nominations are compliant with SEC MC No. 4, Series of 2017 on the term limits of independent directors. 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 9, 2020.

Below are the profiles of the incumbent directors and officers of the Bank and the nominees for directorship as of May 15, 2020. 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	73
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 Bankers Association of the Philippines * Columnist for “Business Options” of the Manila Bulletin and “FINEX Folio” of Business World * Director/Vice President of Tarriela Management Company and Director/Vice President/Assistant Treasurer of Gozon Development Corporation * Life Sustaining Member of the Bankers Institute of the Philippines Trustee of Tulay sa Pag-unlad, Inc. (TSPI) Development Corporation, TSPI MBA, and Foundation for Filipino Entrepreneurship, Inc. * Trustee and Life Member of Financial Executive Institute of the Philippines (FINEX) Foundation
Other Previous Positions	<ul style="list-style-type: none"> * Independent Director of PNB Life Insurance, Inc. * Undersecretary of Finance * Alternate Monetary Board Member of the BSP, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation * Deputy Country Head, Managing Partner and first Filipina Vice President of Citibank N. A. * Country Financial Controller of Citibank NA 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	70
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. * Independent Director of PNB Savings Bank
Other Previous Positions	* Independent Director of PNB-IBJL Leasing and Finance Corporation * Senior Advisor to the World Bank Group Executive Board in Washington, D.C. * Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization * Director of the BSP * Assistant to the Governor of the Central Bank of the Philippines * Senior Advisor to the Executive Director at the International Monetary Fund * Associate Director at the Central Bank * Head of the Technical Group of the CB Open Market Committee * Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts * Advisor at Lazaro Bernardo Tiu and Associates, Inc. * President of Pilgrims (Asia Pacific) Advisors, Ltd. * President of the Cement Manufacturers Association of the Philippines (CeMAP) * Board Member of the Federation of Philippine Industries (FPI) * Vice President of the Philippine Product Safety and Quality Foundation, Inc. * Convenor for Fair Trade Alliance.

Name	FLORIDO P. CASUELA
Age	78
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. * Vice Chairman of PNB Savings Bank * Director of PNB International Investments Corporation, PNB RCI Holdings Co., Ltd., and Surigao Micro Credit Corporation * Senior Adviser of the Bank of Makati (a Savings Bank), Inc.
Other Previous Positions	<ul style="list-style-type: none"> * President of Land Bank of the Philippines, Maybank Philippines, Inc., and Surigao Micro Credit Corporation * Vice-Chairman of Land Bank of the Philippines and Maybank Philippines, Inc. * Director of PNB Life Insurance, Inc. * Director, 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	73
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	64
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"> * 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	90
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	61
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, the Federation of Philippine Industries, and Greenlands Community * Vice President/Member of the Board of Trustees of the American Chamber Foundation Philippines, Inc. * Executive Director of British Chamber of Commerce of the Philippines * 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	77
Nationality	Filipino
Education	<ul style="list-style-type: none"> * Bachelor of Arts, Ateneo de Manila University * Bachelor of Laws (Member, Law Honors Society), University of the Philippines * Master of Laws, Columbia University
Current Position in the Bank	* 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 International Investments Corporation and PNB Holdings Corporation * Chairman of Bataan Peninsula Educational Institution, Inc * President/Director of Tala Properties, Inc. and Woldingham Realty, Inc. * Director of Apo Reef World Resort and Sarco Land Resources Ventures Corporation * Proprietor of Green Grower Farm * Partner of the University of Nueva Caceres Bataan 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. * President and General Manager of Government Service Insurance System * President and CEO of Allied Banking Corporation and PNOC Alternative Fuels Corporation * Various positions with PNB for twenty (20) years in various positions, 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 * Chairman of Alabang Country Club * President of Alabang Country Club * 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, and Philippine National Oil Corporation

Name	SHEILA T. PASCUAL
Age	57
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 Positions	* Marketing and Development Officer of Allied Banking Corporation Hong Kong
Other Previous Positions	* 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	* Director of MacroAsia Corporation, LT Group, Inc., and PAL Holdings, Inc.
Other Current Positions	<ul style="list-style-type: none"> * Vice Chairman of Philippine Airlines, Inc. * Director: 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., Zuma Holdings and Management Corp., Grandspan Development Corp., Basic Holdings Corp., Saturn Holdings, Inc., Paramount Land Equities, Inc., Interbev Philippines, Inc., Waterich Resources Corp., and REM Development Corp.
Major Affiliations	<ul style="list-style-type: none"> * Director of Tan Yan Kee Foundation * Member of Tzu Chi Foundation

Name	LUCIO C. TAN
Age	85
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: LT Group, Inc., PAL Holdings, Inc., and MacroAsia Corporation
Other Current Positions	<ul style="list-style-type: none"> * Chairman and CEO of Philippine Airlines, Inc. and University of the East * Chairman and President: Buona Sorte Holdings, Inc., Lucky Travel Corporation, Tangent Holdings Corporation, Trustmark Holdings Corporation, and Zuma Holdings and Management Corporation * Chairman: Absolut Distillers, Inc., AlliedBankers Insurance Corporation, Allied Commercial Bank, Allied Banking Corporation (HK) Ltd., Allianz PNB Life Insurance, Air Philippines Corporation, Asian Alcohol Corporation, Belton Communities, Inc., Cosmic Holdings Corporation, Eton Properties Philippines, Inc., Eton City, Inc., Fortune Tobacco Corporation, PMFTC, Inc., PNB Holdings Corporation, PNB Savings Bank, Tanduay Distillers, Inc., Tanduay Brands International, Inc., The Charter House, Inc., Manufacturing Services & Trade Corp., Foremost Farms, Inc., Dominium Realty & Construction Corp., Shareholdings, Inc., REM Development Corporation, Sipalay Trading Corp., and Progressive Farms, Inc. * President: 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	* Chairman: Allied Banking Corporation and Allied Leasing and Finance Corporation
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 and President of LT Group, Inc. * Director of Victorias Milling Company, Inc.
Other Current Positions	* Director of PNB Management and Development Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd. and Allied Banking Corp. (Hong Kong) Limited * President and Chief Operating Officer of Asia Brewery, Inc. * Director of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., Absolut Distillers, Inc., Eton Properties Philippines, Inc., Grandway Konstruct, Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Alliedbankers Insurance Corporation
Other Previous Positions	* Chairman of PNB Holdings Corporation * Director of Bulawan Mining Corporation and PNB Forex, Inc. * Director of Allied Banking Corporation (ABC) from January 30, 2008 until the 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., PAL Holdings, and MacroAsia Corporation
Other Current Positions	<ul style="list-style-type: none"> * Director/Executive Vice President/Treasurer/Chief Administrative Officer of Philippine Airlines, Inc. * Director of MMC Management and Development Corp. (formerly PNB Management and Development Corporation) and Eton Properties Philippines, Inc. * Executive Director of Dynamic Holdings Limited * Member of the Board of Trustees of the University of the East and the University of the East Ramon Magsaysay Memorial Medical Center * Founding Chairperson of the Entrepreneurs School of Asia (ESA) * Founding Trustee of the Philippine Center for Entrepreneurship (Go Negosyo)
Other Previous Positions	<ul style="list-style-type: none"> * Board Advisor of LT Group, Inc. * Director of Bulawan Mining Corporation * Executive Vice President, Commercial Group and Manager, Corporate Development, of Philippine Airlines, Inc. * Founder and President of Thames International Business School * Owner of Vaju, Inc. (Los Angeles, U.S.A.) * Systems Analyst/Programmer of Fallon Bixby & Cheng Law Office (San Francisco, U.S.A.) * Member of the Board of Trustees of Bantay Bata (Children's Foundation) * Proponent/Partner of various NGO/social work projects like Gawad Kalinga's GK-Batya sa Bagong Simula, livelihood programs thru Teenpreneur Challenge spearheaded by ESA, Conserve and Protect Foundation's artificial reef project in Calatagan, Batangas, Quezon City, Sikap-Buhay Project's training and mentorship program for micro-entrepreneurs, and as Chairman of Ten Inspirational Entrepreneur Students Award
Awards/Citations	<ul style="list-style-type: none"> * Recipient of the Ten Outstanding Young Men (TOYM) Award for Business Education and Entrepreneurship (2006), UNESCO Excellence in Education and Social Entrepreneurship Award (2007), Leading Women of the World Award (2007), and "People of the Year", People Asia Award (2008)

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 the Asian Banker’s Association * Director of BancNet, Inc. * Director of European Chamber of Commerce of the Philippines * Director of Phil. Payments Management Inc. * Member of Management Association of the Philippines
Other Previous Positions	<ul style="list-style-type: none"> * Chairman and Director of HSBC Insurance Brokers (Philippines), Inc. and HSBC Savings Bank (Philippines), Inc. * Director of PNB Global Remittance & Financial Co. (HK) Ltd. * Director and Chairperson of the Open Market Committee of Banker’s Association of the Philippines * Director of the Philippine Dealing and Exchange Corporation * Director of the Philippine Securities Settlement Corporation * Director of the British Chamber of Commerce Philippines * President and Chief Executive Officer of HSBC Philippines * President of the Money Market Association of the Philippines * Managing Director, Treasurer and Head of Global Banking and Markets of HSBC Global Markets * Treasurer and Head of Global Markets of HSBC Treasury * Head of Domestic Treasury of PCI Bank/ PCI-Capital * Fixed Income Portfolio Head of Citibank * Fixed Income Trader of Asia Trust * Supervisor of Urban Bank * Chairman of the Council of Trustees of the British School Manila * Member of Assocacion Cambiste Internationale

Name	DOMINGO H. YAP
Age	86
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	MAILA KATRINA Y. ILARDE
Age	36
Nationality	Filipino
Education	* Bachelor of Science in Legal Management from the De La Salle University * Juris Doctor from the Ateneo de Manila University School of Law
Current Position in the Bank	* Corporate Secretary
Date of First Appointment	* June 29, 2015
Directorship in Other Listed Companies	* None
Other Current Positions	* Corporate Secretary of PNB Capital and Investment Corporation and PNB Securities, Inc.
Other Previous Positions	* Senior Associate, Roxas De Los Reyes Laurel Rosario & Gonzales Law Offices * Assistant Corporate Secretary, Ionics, Inc. * Assistant Corporate Secretary, Ionics EMS, Inc.

Name	RUTH PAMELA E. TANGHAL
Age	51
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	* Assistant Corporate Secretary
Date of First Appointment	* June 29, 2015
Directorship in Other Listed Companies	* None
Other Current Positions	<ul style="list-style-type: none"> * Corporate Secretary of PNB Management and Development Corporation (MADECOR), and PNB Holdings Corporation * 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"> * Corporate Secretary of Bulawan Mining Corporation * Documentation Lawyer, PNB Legal Group * Director/Corporate Secretary, Rural Bank of Cotabato, Inc. * Director, Rural Bankers Association of the Philippines, Inc.

Board of Advisors:

Name	MARK M. CHEN
Age	45
Nationality	American
Education	<ul style="list-style-type: none"> * Bachelor of Arts in Economics (with Honors), Harvard University – Dean’s List and 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	79
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. * Board Advisor of PNB Savings Bank * 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 * Director of Corporate Apparel, Inc. * Director of Concept Clothing * Director of Freeman Management and Development Corporation * Worked with Equitable Banking Corporation for 30 years, occupying various positions, including as VP & Head of the Foreign Department

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
Current Position in the Bank	* Board Advisor
Date of First Appointment	* May 11, 2020
Other Current Positions	* Director 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
Awards/Citations	<ul style="list-style-type: none"> * Top Senior Analyst by Institutional Investor Magazine * Most Outstanding Business Administration Student for the Class of 1990 of University of the Philippines

Name	HARRY C. TAN
Age	73
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 Management Development Corporation, and PNB Global Remittance and Financial Company (HK) Limited * Director of PNB Savings Bank * Chairman of the Tobacco Board of Fortune Tobacco Corporation * President of Landcom Realty Corporation and Century Park Hotel * Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Belton Communities, Inc., and Eton City, Inc. * Managing Director/Vice Chairman of The Charter House Inc. * Director of various private firms which include Asia Brewery, Inc., 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., and Allied Commercial Bank
Other Previous Positions	<ul style="list-style-type: none"> * Chairman of Bulawan Mining Corporation * Director of Philippine National Bank * Director of Allied Banking Corporation * Director of Philippine Airlines, Inc. * Director of MacroAsia Corporation

The following constitute the Bank's Corporate Governance and Sustainability Committee for the year 2019-2020:

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 2019-2020:

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 26 of this Information Statement)

CENON C. AUDENCIAL, JR., 61, 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, 56, 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, 52, 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. His group was responsible for corporate governance, data privacy and tax transparency. Prior to RCBC, he spent 14 years in Hongkong Shanghai Banking Corporation (HSBC) focusing on compliance. As SVP and Country Head of Financial Crime Compliance of HSBC, he was the subject matter expert and risk steward in financial crime risk. He also held Regulatory Compliance and Legal functions in HSBC. He also worked for East West Bank and ABN AMRO Philippines.

AIDA M. PADILLA, 71, Filipino, is the Executive Vice President and the Head of the Enterprise Services Sector. She is the chief strategist for problem 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, 59, 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.

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.

MANUEL C. BAHENA, JR., 58, 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.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc.

EMELINE C. CENTENO, 61, 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.

MARIE FE LIZA S. JAYME, 57, 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.

MA. ADELIA A. JASON, 66, Filipino, is Senior Vice President and Head of the Retail Banking Sector's (RBS) Sales and Support Group in concurrent capacity as Officer-in-Charge of the Retail Banking Sector. "Daday", as fondly called by her peers, is a seasoned banker for over 40 years. She started her stint as a research analyst in the Economic Research Department of Commercial Bank and Trust Company in 1974, joined the Officers Training Program in 1978, and was promoted to Branch Cashier of Comtrust, Taft Ave. Branch thereafter. She joined Allied Banking Corporation as Cashier of Roosevelt Branch in 1980. She has developed a high proficiency in all facets of branch banking. She has held various positions in PNB as Branch Head, Area Head, and Region Head before her biggest break: she was designated as the Head of Branch Banking Group in 2014. In 2017, she was assigned to head the Sector's Sales and Support Group. Daday obtained her degree in A.B. Economics at La Salle College.

MICHAEL M. MORALLOS, 51 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 26 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 28,000 Customer Accounts and 1,200 domestic branches.

ROLAND V. OSCURO, 56, 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 Manager 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.

JOY JASMIN R. SANTOS, 46, 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 in June 2010, she was the International Business Development Head for Asia of Globe Telecom. She was also Vice President for Retail Banking of Citibank Savings, Inc. from 2005 to 2009. She held managerial positions in Keppel Bank, American Express Bank, and Bank of the 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.

MARTIN G. TENGCO, JR., 54, Filipino, First Vice President, is the Chief Audit Executive (CAE) of the Bank. A Certified Public Accountant, he holds a Bachelor of Science in Business Administration degree, Major in Accounting, from the Philippine School of Business Administration. He obtained his Master in Business Administration degree at Ateneo de Manila University under the Ateneo-Regis University MBA program. He started his career as a working student in 1984 as an accountant in a construction company before joining Allied Banking Corporation on June 1, 1992 as a Junior Auditor. He rose from the ranks to become an officer in 1996, and in 2009, was designated as Deputy CAE and Information Systems Audit Division Head until his appointment as CAE of PNB on June 1, 2017. He also served as the Business Continuity Coordinator of Allied Banking Corporation from June 2007 to April 2008. He served as a member of the Audit Committee of Bancnet from 2009 to 2014. He is a member of the Philippine Institute of Certified Public

Accountants, Institute of Internal Auditors (IIA), ISACA and Association of Certified Fraud Examiners-Philippines.

SIMEON T. YAP, 58, 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.

SOCORRO D. CORPUS, 68, Filipino is the Officer in Charge of Human Resources Group of Philippine National Bank. "Cora" retired from the Bank three years ago as First Senior Vice President (FSVP) after serving the institution for 40 years. She is a graduate of Assumption College with Bachelor of Arts degree, Major in Psychology and an Associate in Commercial Science Degree. She started her career with China Banking Corporation in 1973 prior to joining the Allied Banking Corporation in 1977. Her professional affiliations include the following: Founding member and a Board Member of the Organization Development Professional Network, past President and member of the Bankers' Council for People Management, member of the Personnel Management Association of the Philippines and the regular Bank representative to the Banking Industry Tripartite Council.

(b) Identify Significant Employees

All employees of the Bank are valued 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. 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, 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 (hereinafter also referred to as the “Parent Company”) has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the 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 Parent Company’s DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company’s equity or 15% of the Parent Company’s total loan portfolio, whichever is lower. As of December 31, 2019 and 2018, the Parent Company 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 include three (3) independent directors and two (2) non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the committee is an independent director and appointed by the Board.

Information related to transactions with related parties and with certain Directors, Officers, Stockholders and Related Interests (DOSRI) is shown under Note 33 of the Audited Financial Statements of the Bank and Subsidiaries and Part II, Schedule B of the Supplementary Schedules Required by SRC Rule 68 Annex E.

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. Directors, on the other hand, are entitled to a reasonable per diem for each Board or Board committee meeting attended. The total per diem given to the Board of Directors of the Bank for the years 2018 and 2019 amounted to ₱42.960 million and ₱45.460 million, respectively.

Other than the abovestated, 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. Chester Y. Luy Executive Vice President					
3. Nelson C. Reyes Executive Vice President					
4. Bernardo H. Tocmo Executive Vice President					
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2018	73,547,609	24,911,289	-	98,458,898
	Actual 2019	79,069,694	25,160,854	-	104,230,548
	Projected 2020	86,186,000	27,425,000	-	113,611,000
Directors	Actual 2018	-	-	42,960,000	42,960,000
	Actual 2019	-	-	45,460,000	45,460,000
	Projected 2020	-	-	49,551,000	49,551,000
All other officers (unnamed)	Actual 2018	3,600,329,879	1,050,554,000	-	4,650,883,879
	Actual 2019	3,581,953,255	1,157,568,874	-	4,739,522,129
	Projected 2020	3,904,329,000	1,261,750,000	-	5,166,079,000

The information above addresses the requirements of Section 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 the external auditor of the Bank and its domestic subsidiaries for the calendar year 2019. 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. Janeth T. Nunez-Javier is the engagement partner of the Bank for the year 2019.

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 2020. 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 May 22, 2020 and is subject to the ratification of the stockholders.

For the years reported, there were no changes in and disagreements with the Bank's external auditors on accounting and financial disclosure.

OTHER MATTERS

Item 8. AMENDMENT OF THE AMENDED BY-LAWS

The amendment of the following sections of the By-Laws will be presented for approval of the stockholders during the Annual Stockholders' Meeting:

- a. Sections 4.6 and 4.7, Article IV, to allow the stockholders to vote through remote communication or in absentia, subject to such rules and regulations as may now or hereafter be imposed by law;
- b. Section 5.9, Article V, to allow the Board of Directors to participate and vote at Board meetings through remote communication, such as videoconferencing, teleconferencing, or other alternative modes of communication.

The proposed amendments are consistent with the Bank's thrust to be in the forefront of technology to better serve its clients, shareholders and stakeholders. As proposed, the Bank is given the option to utilize technology in the exercise of shareholder rights and in the conduct of meetings of the Board of Directors. The proposed amendments are likewise consistent with the provisions of the Revised Corporation Code of the Philippines and Memorandum Circular No. 6, Series of 2020 issued by the Securities and Exchange Commission.

Item 9. 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 2019 Annual Stockholders' Meeting held on April 30, 2019

Hereunder is a summary of the salient matters discussed at the Annual Stockholders' Meeting of the Bank in 2019:

- a. The Minutes of the 2018 Annual Stockholders' Meeting held on April 24, 2018 was approved;
- b. A Report of the President on the Results of Operations for the Year 2018 was presented;
- c. The 2018 Annual Report was approved;
- d. All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2018 Annual Stockholders' Meeting were confirmed and ratified;
- e. Fifteen (15) Directors were elected to serve for the term 2019-2020; and
- f. SGV was appointed as External Auditor of the Bank for 2019 - 2020.

A copy of the Minutes of the 2019 Annual Stockholders' Meeting was uploaded in the Bank's website on April 30, 2019. Said Minutes were prepared in accordance with the requirements of Section 49 of the Revised Corporation Code¹.

2. Approval of the 2019 Annual Report

The 2019 Annual Report of the Bank may be viewed and downloaded from the Bank's website at www.pnb.com.ph/asm2020. The President will likewise render his report on the Bank's performance for the year 2019 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 2019 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 10. OTHER ACTIONS

(a) Election of Directors

Fifteen (15) directors will be elected for the year 2020 – 2021.

(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 to the Board the reappointment of SGV as its external auditor for the year 2020. The reappointment of SGV as external auditor of the Bank was approved by the Board of Directors on May 22, 2020 and is subject to the ratification of the stockholders.

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 2019 and prior years.

Item 11. 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 Items 6 and 8 of the Agenda on the amendment of the Bank's Amended By-Laws and election of directors, respectively.

¹ The Minutes of the Annual Stockholders' Meeting held on April 30, 2019 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, officers and stockholders who attended the meeting.

For Item 6, on the amendment of the Bank's Amended By-Laws, the favorable vote of the stockholders representing at least a majority of the outstanding capital stock of the Bank is required.

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 May 25, 2020. Only duly signed proxies and electronic votes submitted on or before 5:00 p.m. on June 18, 2020 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 has a number of votes equal to the number of shares he owns, times 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 2020 ASM and Voting through Remote Communication

1. Stockholders of record as of May 25, 2020, who wish to attend the meeting and vote in absentia should register through the PNB ASM Registration Portal at www.pnb.com.ph/asm2020 on or before June 16, 2020 ("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 on 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 attesting to 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, submit also 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 2020 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 2020 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 has a number of votes equal to the number of shares he/she owns, times the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his/her votes in favor of one (1) nominee, or (ii) distribute those votes among as many nominees as he/she may deem fit;

- (c) Once the registered stockholder has completed voting, he/she can submit his/her votes by clicking the “Submit” button. Upon submission, the registered stockholder may no longer changes his/her 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 June 18, 2020.

B. Other Information Regarding the 2020 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 June 21, 2020. Queries sent but not addressed during the ASM due to time constraints shall be addressed separately and replied 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

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

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

What sets the Bank apart is that good governance is not just a commitment of a single unit but embraced by the entire organization. The pages ahead provide a narrative of the Bank’s corporate governance framework and its implementation. This report has been prepared in accordance with the MORB, the SEC Code of Corporate Governance, and the ASEAN Corporate Governance Scorecard (ACGS).

GOVERNANCE STRUCTURE

Board of Directors

The Board of Directors serves as the governing body elected by our 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 the Bank’s governance framework.

Board Committees

The Board of Directors has created eight (8) committees to increase its efficiency and allow deeper focus in specific areas of 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 Chairman, Vice Chairman, and President & CEO

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

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

The President & CEO is Wick A. Veloso. He assumed the position in 2018. As President & CEO, he is overall-in-charge of 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.

Board Advisors

As provided for under the Revised Corporate Governance Manual, the Bank may appoint Board Advisors with qualities that complement the existing competencies and skillsets of the Board which enables them to provide advisory support. As of May 15, 2020, PNB has four (4) Board Advisors: Mark M. Chen, Chester Y. Luy, William T. Lim, and Harry C. Tan.

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

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

Corporate Secretary

The Corporate Secretary assists the Board of Directors and the board committees in the conduct of their meetings. Functions include safekeeping of and the preservation of the integrity of the minutes of the meetings and ensuring that the Board members have accurate information that will enable them to form sound decisions on matters that require their approval.

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

The Corporate Secretary of the Bank is Atty. Maila Katrina Y. Ilarde, a Filipino and a resident of the Philippines. She assumed the position in 2015.

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 the Global Compliance Group and the designated Corporate Governance Executive, tasked to assist the Board of Directors in performing its corporate governance oversight functions.

Chief Risk Officer

The Chief Risk Officer (CRO) supervises the enterprise risk management (ERM) process and communicates the top risks and the status of implementation of risk management strategies and action plans to the Board. The Bank's 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 Bank's CAE and Head of the Internal Audit Group is Martin G. Tengco, Jr., who has held the position since 2017.

Management Committee

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

Legal Vehicles, Business and Support Groups

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

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

BOARD MATTERS**Board Composition**

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

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

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

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

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

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

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

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

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

Skills, Competency, and Diversity

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

The composition of the Bank'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.

The Bank 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, consumer goods, economics, general management expertise, legal expertise, manufacturing, real estate, and tobacco. Apart from Filipinos, PNB has one (1) director who is a British citizen.

In relation to age diversity, an optimal mix of young and well-seasoned Board members is in place. Twenty Seven percent (27%) of the Board is below 60 years old, who bring fresh ideas and perspectives into the table. Meanwhile, the age range of the remaining Board members is in a fairly productive and mature ages, with 40% and 20% of the Board belonging to the 70–79 and 80–89 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. The Board likewise assesses the adequacy, appropriateness, and effectiveness of the Board Diversity Policy as part of the annual self-assessment on the performance of individual directors, board committees, and the Board.

Nomination and Election of Directors

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

External sources were consulted in sourcing potential and qualified directors, including the Institute of Corporate Directors (ICD) and annual reports of other listed companies. As a matter of practice, all 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 Annual Stockholders' Meeting, the Committee pre-screens the qualifications of the nominees, conducts the nomination procedure, and prepares the final list of all candidates.

Meetings and Attendance

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

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

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

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

15 meetings held for the year ended December 31, 2019		
NAME OF DIRECTOR	NO. OF MEETINGS ATTENDED	% PRESENT
Florencia G. Tarriela	15	100.00
Felix Enrico R. Alfiler	15	100.00
Florido P. Casuela	15	100.00
Leonilo G. Coronel	15	100.00
Edgar A. Cua	15	100.00
Estelito P. Mendoza	10	66.67
Christopher J. Nelson	15	100.00
Federico C. Pascual	15	100.00
Cecilio K. Pedro ⁽¹⁾	11	100.00
Carmen K. Tan	14	93.33
Lucio C. Tan	15	100.00
Lucio K. Tan, Jr. ⁽²⁾	13	100.00
Michael G. Tan	15	100.00
Sheila T. Pascual ⁽³⁾	1	100.00
Vivienne K. Tan	14	93.33
Wick A. Veloso	15	100.00
Domingo H. Yap ⁽⁴⁾	3	75.00

⁽¹⁾ Cecilio K. Pedro stepped down from the Board effective September 1, 2019

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

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

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

Presentation of the above attendance report on board meetings and succeeding attendance reports of committee meetings is in compliance with Section 49 of the Revised Corporation Code.

Remuneration

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

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

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

The total per diem given to the Board, as well as the total compensation of the CEO and the four (4) most highly compensated executive officers, is disclosed in the Definitive Information Statement sent to all stockholders.

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

Board Performance and Evaluation

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

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

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

The Board performance evaluation is facilitated by the CCO. He consolidates and reviews the responses and presents the summary of results and significant findings to the Corporate Governance and Sustainability Committee. A summary of the appraisal and performance report and evaluation of the board's performance will be presented during the Annual Stockholders' Meeting in compliance with Section 49 of the Revised Corporation Code.

Orientation and Continuing Education

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

Upon appointment of a new director to the Board, the CCO, together with the Corporate Secretary, ensures proper onboarding and provides orientation on the Bank's business, Articles of Incorporation and By-Laws, among others.

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

Concurrent Directorships

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

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

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

BOARD COMMITTEES

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

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

Board Audit & Compliance Committee

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

Structure and Membership

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

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

Meetings and Attendance

In 2019, BACC held a total of eighteen (18) meetings. The Committee charter stipulates that meetings shall be held at least four (4) times a year. Special meetings may be convened, as necessary. Meetings can only be held if attended by majority of the members less one (1) member; but the vote of the majority of the quorum which in no case is less than two (2) members is required to approve any act in all the meetings of the Committee.

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

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

Board IT Governance

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

Structure and Membership

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

Meetings and Attendance

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

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

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

Board Oversight RPT Committee

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

Structure and Membership

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

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

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

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

Meetings and Attendance

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

13 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Domingo H. Yap ⁽¹⁾	Chairman	3	100.00
Edgar A. Cua	Member	13	100.00
Federico C. Pascual ⁽²⁾	Member	13	100.00
Isagani A. Cortes ⁽³⁾	Non-voting member	9	69.23
Martin G. Tengco, Jr.	Non-voting member	12	92.31

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

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

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

Board Strategy & Policy Committee

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

Structure and Membership

BSPC consists of 10 members: Felix Enrico R. Alfiler, chairman and independent director; Florido P. Casuela, member and nonexecutive director; Leonilo G. Coronel, member and nonexecutive director;

Edgar A. Cua, member and independent director; Christopher J. Nelson, member and nonexecutive director; Federico C. Pascual, member and independent director; Michael G. Tan, member and non-executive director; Vivienne K. Tan, member and non-executive director; Florencia G. Tarriela, member and independent director; and Wick A. Veloso, member and executive director.

Meetings and Attendance

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

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

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

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

Structure and Membership

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

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

Meetings and Attendance

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

15 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT

Florencia G. Tarriela	Chairman	15	100.00
Felix Enrico R. Alfiler	Member	15	100.00
Federico C. Pascual	Member	15	100.00
Domingo H. Yap ⁽¹⁾	Member	5	100.00

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

Executive Committee

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

Structure and Membership

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

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

Meetings and Attendance

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

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

Risk Oversight Committee

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

Structure and Membership

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

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

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

Meetings and Attendance

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

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

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

Trust Committee

The Trust Committee is primarily responsible for overseeing the fiduciary activities of the Bank. It ensures that these are conducted in accordance with applicable laws, rules and regulations, and prudent practices. The Committee is also responsible for the initial review of assets placed under the custody of the Trust Banking Group in its capacity as trustee or fiduciary; investment, re-investment and disposition of funds or property; and review and approval of transactions between trust and/or fiduciary accounts.

Structure and Membership

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

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

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

Meetings and Attendance

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

13 meetings held for the year ended December 31, 2019			
NAME OF DIRECTOR	ROLE	NO. OF MEETINGS ATTENDED	% PRESENT
Christopher J. Nelson	Chairman	13	100.00
Federico C. Pascual	Member	13	100.00
Vivienne K. Tan	Member	8	61.54

Wick A. Veloso	Ex-officio	11	84.62
Joy Jasmin R. Santos	Ex-officio	13	100.00

MANAGEMENT COMMITTEE

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

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

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

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

In addition, the 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 within acceptable levels.

COMPLIANCE

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

Financial Crime Risk

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

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

Regulatory Compliance Risk

The Regulatory Compliance Risk Division ensures adherence to banking laws, rules, regulations, and guidelines issued and mandated by the Bank's various regulators. The Division observes ongoing dissemination of regulatory issuances to various units through the appointed Compliance Officer Designates. Moreover, the

Division builds a constructive dialogue between the Global Compliance Group and the various offices to properly identify any compliance deficiencies and, subsequently, take corrective action in a timely and consistent manner.

Compliance Assurance

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

Compliance Operations

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

Compliance International

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

INTERNAL AND EXTERNAL AUDIT

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

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

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

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

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

RIGHTS OF STOCKHOLDERS

Stockholders' Rights, Authority, and Privileges

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, opportunity to place agenda items prior to and raise questions during the stockholders' meeting; and (d) right to vote on all matters that require their consent or approval.

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

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 was originally scheduled to 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. Due, however, to the health pandemic, the COVID-19, the imposition of an enhanced community quarantine in the National Capital Region, and to protect the health and safety of the Bank's stockholders, directors, officers, and stakeholders, the annual meeting of the stockholders was postponed to June 23, 2020 and will be held by way of remote communication, as allowed under the SEC Memorandum Circular No. 6, Series of 2020.

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

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

After the Annual Stockholders' Meeting

A copy of the minutes of the meeting was uploaded on the Bank's website on the same day. Said minutes were prepared in accordance with the requirements of Section 49 of the Revised Corporation Code.

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

GOVERNANCE POLICIES AND PRACTICES

Corporate Governance Manual

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

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

Corporate Governance Confirmation Statement

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

- (a) 30% public float requirement to increase liquidity in the market;
- (b) Secure electronic voting in absentia at the Annual Stockholders' Meeting; and

- (c) Disclosure of director remuneration and executive compensation on an individual basis.

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

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

Code of Ethics for Directors

The Code of Ethics for Directors serves as a guide of principles designed to enable the Board to exercise its powers, duties, and responsibilities in accordance with fit and proper standards. This establishes the minimum standards of conduct expected of all directors. As such, the Code shall be read in conjunction with the Bank's Corporate Governance Manual, articles of incorporation, by-laws, and internal policies and procedures.

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

Code of Conduct for Employees

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

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

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

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

Whistleblowing Mechanism

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

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

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

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

Anti-Bribery and Anti-Corruption

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

- (a) 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
- (b) 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 officer 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; 24 x 7 customer care hotlines; and electronic or digital channels. Each inquiry, request and/or complaint is acknowledged and processed within the standard turnaround time. Complaint management process is also available, a cross-functional activity involving multiple offices, which provide priority assistance in resolving customer concerns.

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

PNB aims to be the financial partner of consumers in their journey to financial health and wealth. The Bank is committed to equip consumers with the information and tools they need to make wise financial decisions towards achieving their goals.

Remuneration Policy

PNB aims to sustain a strong, performance-conducive environment that would attract, motivate, and retain the best talents. For this purpose, the Bank maintains a Remuneration Policy that commensurately compensates its directors and officers for high levels of performance. Such policy complements the Bank's efforts to hire and develop the best talents through its competitive recruitment program and continuing learning programs.

The PNB Remuneration Policy provides a sustainable compensation structure and fringe benefits program for directors and officers. The policy allows the Bank to be competitive with industry counterparts. It identifies basic compensation, incentives, recognition, and rewards for those who meet their performance targets and goals.

Officers' Compensation and Benefits

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

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

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 (3) modes of retirement:

- (a) Normal Retirement: an employee shall be compulsorily retired from service and shall be entitled to receive the benefits under the Plan upon reaching 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 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.

Succession Management

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

A Talent Board consisting of senior officers has been created to monitor and review the success and progress of the program. It renders decisions on nominations and acceptance of talents in the Talent Pool. The process involves the following steps:

- (a) Identification of Key Management positions.
- (b) Nomination of Candidates – the respective Sector or Group head nominates possible candidates based on results and past performance, competencies, and potential, subject to the initial evaluation of the Talent Board.
- (c) Conduct of Talent Audit – the process of evaluating and assessing the shortlisted nominees' competencies through online assessment, 360-degree feedback survey, and interviews with the members of the Talent Board, if necessary. Those who qualify based on the evaluation of the Talent Board shall be recommended for inclusion in the Talent Pool, subject to the approval of the President & CEO.
- (d) Learning and Development – to address the development needs of each talent, an Individual Development Plan (IDP) consisting of on-the-job training, interactional development programs, and classroom training shall be created by the Sector or Group head and/or designated mentor. For a more objective and in-depth assessment of the talent's competencies, he may be required to train in the Assessment and Development Center. The training result is made an integral part of the IDP.
- (e) Talent Review – the progress of the talent is monitored and evaluated.
- (f) Engagement – strategies are employed to sustain the desired level of performance as well as the employee's commitment to the program.
- (g) Placement – the review process and development interventions continue until the need or opportunity arises for the talent to assume the key position he trained for.

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 Makati City on May 27, 2020.

PHILIPPINE NATIONAL BANK

By:


MAILA KATRINA Y. ILARDE
Corporate Secretary



AGENDA

DETAILS AND RATIONALE

1. **Call to Order.** The Chairman, Ms. Florencia G. Tarriela, will formally open the 2020 Annual Stockholders' Meeting of the Philippine National Bank (“PNB”, the “Bank”).
2. **Secretary's Proof of Notice and Quorum.** The Corporate Secretary, Atty. Maila Katrina Y. Ilarde, will certify that the Notice has been duly published and made available to the stockholders of record as of May 25, 2020 pursuant to the existing regulations of the Securities and Exchange Commission. Thereafter, Atty. Ilarde will certify as to the existence of a quorum for a valid transaction of business at the Annual Stockholders' Meeting.
3. **Approval of the Minutes of the 2019 Annual Stockholders' Meeting held on April 30, 2019.** The Minutes of the 2019 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 April 30, 2019 and may be accessed at https://www.pnb.com.ph/wp-content/uploads/docs/2019_ASM_Minutes.pdf.
4. **Report of the President on the Results of Operations for the Year 2019.** The President, Mr. Jose Arnulfo A. Veloso, will present to the stockholders the highlights of the Bank's performance for the year 2019.
5. **Approval of the 2019 Annual Report.** The 2019 PNB Annual Report, as well as the Audited Financial Statements (AFS) as of December 31, 2019, will be presented to the stockholders for approval. A copy of the AFS is incorporated in the Definitive Information Statement.
6. **Amendment of the PNB Amended By-Laws.** The amendment of the following sections of the Amended By-Laws will be presented to the stockholders for approval:
 - a. Sections 4.6 and 4.7, Article IV, to allow the stockholders to vote through remote communication or in absentia, subject to such rules and regulations as may now or hereafter be imposed by law;
 - b. Section 5.9, Article V, to allow the Board of Directors to participate and vote at Board meetings through remote communication, such as videoconferencing, teleconferencing, or other alternative modes of communication.
7. **Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2019 Annual Stockholders' Meeting.** The acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2019 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.
8. **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 Definitive Information Statement.
9. **Appointment of External Auditor.** The appointment of SGV & Co. as the Bank's external auditor for the year 2020 will be presented to the stockholders for confirmation and ratification.

10. **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.
11. **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 proxy, to represent me/us and vote all shares registered in my/our name in the books of PNB at the Annual Stockholders' Meeting scheduled on June 23, 2020. I/we hereby confirm and ratify any and all acts lawfully done by my/our proxy pursuant hereto.

Any other proxy or proxies issued by me/us 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 2019 Annual Stockholders' Meeting held on April 30, 2019	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval of the 2019 Annual Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Amendment of Sections 4.6 and 4.7, Article IV and Section 5.9, Article V of the Bank's Amended By-Laws to allow the stockholders to vote at meetings through remote communication and the members of the Board of Directors to participate in Board meetings through remote communication	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratification of All Legal Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2019 Annual Stockholders' Meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Appointment of External Auditor (SGV & Co.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	VOTE FOR	NUMBER OF VOTES	
6. Election of Directors			
Florencia G. Tarriela (Independent)	<input type="checkbox"/>	_____	
Felix Enrico R. Alfiler (Independent)	<input type="checkbox"/>	_____	
Florido P. Casuela	<input type="checkbox"/>	_____	
Leonilo G. Coronel	<input type="checkbox"/>	_____	
Edgar A. Cua (Independent)	<input type="checkbox"/>	_____	
Estelito P. Mendoza	<input type="checkbox"/>	_____	
Christopher J. Nelson	<input type="checkbox"/>	_____	
Federico C. Pascual (Independent)	<input type="checkbox"/>	_____	
Sheila T. Pascual	<input type="checkbox"/>	_____	
Carmen K. Tan	<input type="checkbox"/>	_____	
Lucio C. Tan	<input type="checkbox"/>	_____	
Michael G. Tan	<input type="checkbox"/>	_____	
Vivienne K. Tan	<input type="checkbox"/>	_____	
Jose Arnulfo A. Veloso	<input type="checkbox"/>	_____	
Domingo H. Yap (Independent)	<input type="checkbox"/>	_____	

Name of Stockholder : _____

Email Address : _____

Signature : _____

Date : _____

Contact Number : _____



MANAGEMENT REPORT

Item 1. Business

A. Business Development

The Philippine National Bank (“PNB” or the “Bank” or the “Parent Bank”), the country’s first universal bank, is the fourth largest private local commercial bank in terms of assets. 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 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 planned merger with Allied Banking Corporation (ABC) as approved and confirmed by the Board of Directors of the Bank and of ABC on January 22 and January 23, 2013, respectively. The respective stockholders of the Bank and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on March 6, 2012. The original Plan of Merger was approved on June 24, 2008 by the affirmative vote of ABC and the Bank’s respective stockholders, representing at least two-thirds of the outstanding capital stock of both banks.

PNB offered the Long-Term Negotiable Certificates of Time Deposit (LTNCDs) to extend the maturity profile of its liabilities as part of overall liability management and to raise long-term funds for general corporate purposes. Likewise, the LTNCD issuances are intended to support the Bank’s efforts to diversify its funding sources to meet the financial needs of its clients. In October 2016, PNB received the approval from Bangko Sentral ng Pilipinas (BSP) to issue up to P20.0 billion worth of LTNCDs in tenors of 5.5 to 10 years in multiple tranches over a period of one year. Along this line, PNB launched the initial tranche on December 14, 2016 with an offering of P3.0 billion and this was oversubscribed at P5.38 billion. The said offer has a tenor of 5 years and 6 months and a coupon rate of 3.25%. In 2017, two LTNCD tranches were issued, viz: a) on April 27, 2017, P3.765 billion at 3.75% coupon rate; and b) on October 26, 2017, P6.35 billion at 3.875% coupon rate. The last tranche was oversubscribed at more than double the issue size of P3.0 billion. In October 2018, PNB once again received the approval from BSP to issue up to P20.0 billion worth of LTNCDs. In February 2019, PNB issued the first tranche of 5.5-year LTNCDs totaling P8.2 billion at 5.75% per annum. The original P3 billion offering was upsized to meet the 2.7x oversubscription owing to 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 tapped the capital markets. In April 2018, PNB successfully issued in Singapore and Hong Kong its 5-year Fixed Rate Senior Notes worth US\$300 million out of its US\$1 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 US\$1.2 billion at its peak, equivalent to four

times oversubscription. The high demand for the initial issue underscores the international investors' strong confidence in PNB. In May 2019, the PNB Board of Directors approved the increase in the amount of the Bank's MTN Program to US\$2 billion. The following month, PNB issued US\$750 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 US\$3.25 billion. The proceeds of the Notes will be used to support PNB's loan expansion as the Bank takes advantage of the country's sustained economic growth.

In April 2019, PNB, acting through its Tokyo branch, successfully closed and signed a US\$250 million 3-year syndicated term loan facility with a group of international and regional Japanese banks. The facility was launched originally at US\$200 million and attracted total commitments of US\$370 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 three times 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 are expected to enhance PNB's presence in emerging growth areas.

PNB has 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. The PNB Board of Directors (BOD) approved of the integration last September 28, 2018 while the PNB Savings Bank BOD approved the same last October 10, 2018. Upon integration, PNB will be able to deliver a more efficient banking experience and serve a wider customer base, while the customers of PNB Savings Bank will have access to PNB's diverse portfolio of financial solutions. The consumer lending business, currently operated through PNB Savings, will also benefit from PNB's ability to efficiently raise low cost of funds. PNB secured the Monetary Board approval last August 29, 2019 for the integration which was subsequently completed on March 1, 2020. In a letter to the BSP last March 5, 2020, PNBSB has surrendered its banking license to the BSP.

Recognizing the consistent improvement in PNB's credit profile, Moody's upgraded in November 2017 the Bank's foreign currency and local currency deposit ratings to Baa2/P-2 from Baa3/P-3, two notches above investment grade. The upgrade reflects the improvement in financial profile since PNB's merger with ABC. In December 2017, Fitch Ratings also revised upwards the support rating floor (SRF) of PNB to 'BB' from 'BB-', following the upgrade of the Philippines sovereign's rating to 'BBB' from 'BBB-'.

In affirmation of the Bank's well-managed operations, PNB received awards from the BSP and other international award-giving bodies. In the 2017 BSP Stakeholders' Ceremony, PNB was recognized as the Outstanding PhilPass REMIT Participant. PNB was also recognized on a ceremony held last July 31, 2018 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 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 Corporation (PNB Capital) as lender and lead arranger, respectively, for the Clark Global Corporation's US\$690 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.

In recognition of PNB's innovative products, PNB's Bank on Wheels was recognized by three (3) international award-giving bodies: a) the Most Innovative Banking Service - Philippines 2016 award from the Global Business Outlook Awards; b) the Most Innovative Bank, Philippines 2016 award from International Finance Magazine (IFM) Awards; and c) the Most Innovative Banking Product Philippines 2016 from the Global Banking and Finance Review Awards. PNB relaunched the Bank on Wheels in December 2015 to meet the evolving needs of its customers and provide them with banking services when and where they need it most.

Last July 20, 2016, PNB received the "New Consumer Lending Product of the Year Award" for its SSS Pension Loan Program in the Asian Banking and Finance Retail Banking Awards 2016, held in Singapore.

During the SSS Balikang Bayan Award Ceremonies last September 2, 2016, PNB was awarded as Best OFW Collecting Partner. At the same time, PNBSB was awarded as Best Collecting Partner in the thrift bank category. The Best Collection Partner distinction is awarded to financial institutions that are consistently among the top with the highest collections; have the biggest volume of transactions and widest coverage. In September 2019, the Social Security System (SSS) recognized the Bank once again as its "Best Paying Commercial Bank" partner.

In September 28, 2017, the PNB-PAL Mabuhay Mastercard won the "Best Co-Brand Program Award – Philippines" in the Mastercard Innovation Forum 2017 held at Singapore.

PNB received the "Best Brand Initiative award in Philippine Country Awards for 2017" at The Asian Banker's Future of Finance in Philippines Awards Program 2017 last October 6, 2017, due to the following initiatives: a) Launch of "You First" campaign to re-establish PNB in the market; b) A series of strategically-designed marketing campaigns; and c) Increase in the Bank's auto and home loans bookings for 2016 as a result of the "You First" campaign.

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 once again received two awards from the Asian Banking & Finance Retail Banking Awards 2017 - these are the "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.

B. Business Description

1. Product and Services

PNB, through its Head Office and 715 domestic branches/offices and 71 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.

Its banking activities are undertaken through the following groups within the Bank, namely:

Retail Banking Sector

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

Retail Lending Group

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

Institutional Banking Sector

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

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. Its functions also include providing treasury solutions to clients and an oversight on risk positions of the Bank's foreign branches and subsidiaries. GBMS is likewise responsible for the establishment and maintenance of correspondent banking relationship with foreign and local banks and non-bank financial institutions as well as the acquisition and management of banking relationship with multinational companies.

International Banking & Remittance Group

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

Wealth Management Group

The Wealth Management Group (WMG) is responsible for the development of new and non-traditional products for wealth management and strengthening of business relationship with Wealth Management clients. WMG's services include brokering of fixed income securities (e.g., Peso- and USD-denominated government and corporate securities), selling of pooled funds (Unit Investment Trust Funds), Variable Unit-Linked Funds, and other investment vehicles that potentially offer higher yields compared to traditional deposit products.

Trust Banking Group

PNB Trust Banking Group (TBG) provides a full range of Trust products and services designed to serve a broad spectrum of market segments. TBG's personal trust products and services include personal management trust, investment management, estate planning, guardianship, life insurance trust, and escrow. Corporate trust services and products include corporate trusteeship, securitization, portfolio management, administration of employee benefit plans, pension and retirement plans, and trust indenture services. Other fiduciary services include such roles as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank. TBG also manages thirteen Philippine Peso- and US dollar-denominated 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, 2019, the Bank has a distribution network of 715 branches and offices and 1,626 ATMs nationwide. The Bank is the fourth largest local private commercial bank in the Philippines in terms of local branches and the fourth largest in terms of consolidated total assets, net loans and receivables, capital and deposits. 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 Bank and its subsidiaries (the Group) offer a wide range of financial services in the Philippines. 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 2019, 2018, 2017 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Asia (excluding the Philippines)/ Middle East	4%	3%	3%
Canada and USA	2%	1%	2%
United Kingdom & Other European Union Countries	0.5%	0.3%	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 2019:

a. PNB, PPS-EPP, and GCash partnership

Through the PNB Connect initiative, a new business opportunity was created between Palawan Pawnshop-Palawan Express Pera Padala (PPS-PEPP) and GCash in March 2019. With the newly forged partnership, GCash transactions will be coursed through PPS-PEPP, while PNB will act as the settlement bank of the partnership's transactions. An estimate of over 15 million GCash users are expected to benefit from this collaboration.

b. ABIC All-in 888 Insurance

ABIC All-in 888 is a personal accident insurance for only P888 with a coverage of P100,000.00. The affordable insurance protection not only covers death, disability, and dismemberment but it also protects the client while travelling, including unforeseen contingencies such as cancellation/interruption and baggage delay.

c. Enhanced ATMSafe Features and Benefits

The ATMSafe is a non-life insurance product that replaces lost money withdrawn from the ATM due to theft. Effective August 1, 2019, the ATMSafe will also cover replacement of stolen cash from fraudulent transactions done through Over-the-Counter Withdrawal with passbook savings accounts and other fraudulent transactions such as ATM tampering, illegal POS transactions and unauthorized e-banking transactions.

d. PNB Prepaid Mastercard

The PNB Prepaid Mastercard which allows cardholders to conveniently load and perform online and point of sale transactions at any Mastercard merchants worldwide was launched in October 2019. The card can be availed instantly without the need to open a bank account.

e. PNB-PAL Mabuhay Miles Prepaid Mastercard

The new PNB-PAL Mabuhay Miles Prepaid Mastercard is a reloadable prepaid card that enables cardholders to do cashless payments. Launched in October 2019, this card is equipped with a multi-currency feature that provides hassle-free conversions between 10 currencies, good for travellers who prefer to spend on their travel destination's local currency. Cardholders are also entitled to earn points that can be converted to Mabuhay Miles when they use the card for dining, shopping and travel.

f. PNB Sea Games Prepaid Mastercard

As the official Bank partner of the 2019 Southeast Asian (SEA) games, PNB launched the 30th SEA Games Prepaid Card to commemorate the Philippines 4th time hosting the biennial event. The card sports an exclusive design specific to the 30th SEA games and carries the same features as the PNB-PAL Mabuhay Miles Prepaid Mastercard.

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 2019, 2018 and 2017 totaled P622.3 million, P582.2 million and P416.1million, respectively.

9. Number of Employees

The total employees of the Bank as of December 31, 2019 is 8,550, of which 4,318 are classified as Bank officers and 4,232 as rank and file employees, broken down as follows:

	Total
Officers:	
Vice President and up	149
Assistant Manager up to Senior Assistant Vice President	4,169
Rank and File	4,232
Total	8,550

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 Philnabank Employees Association (PEMA). The two unions under the merged bank namely: PNB Employees Union (PNBEU) and PEMA merged effective July 1, 2019 with PEMA as the surviving union. Existing CBAs are until June 30, 2020.

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 it 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 the PNB Group (PNB). 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, PNB manages enterprise wide risks, with the objective of maximizing risk-adjusted returns while remaining within its risk appetite. PNB's Board of Directors play a pivotal role and have the ultimate responsibility in bank governance through their focus on two (2) factors that will ultimately determine the success of the bank: responsibility for the Bank's strategic objectives and assurance that such will be executed by choice of talents.

Strong independent oversight has been established at all levels within the Group. The Bank's Board of Directors has delegated specific responsibilities to various board committees which are integral to PNB's risk governance framework and allow executive management, through management committees, to evaluate the risks inherent in the business and to manage them effectively.

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); and
8. Trust Committee.

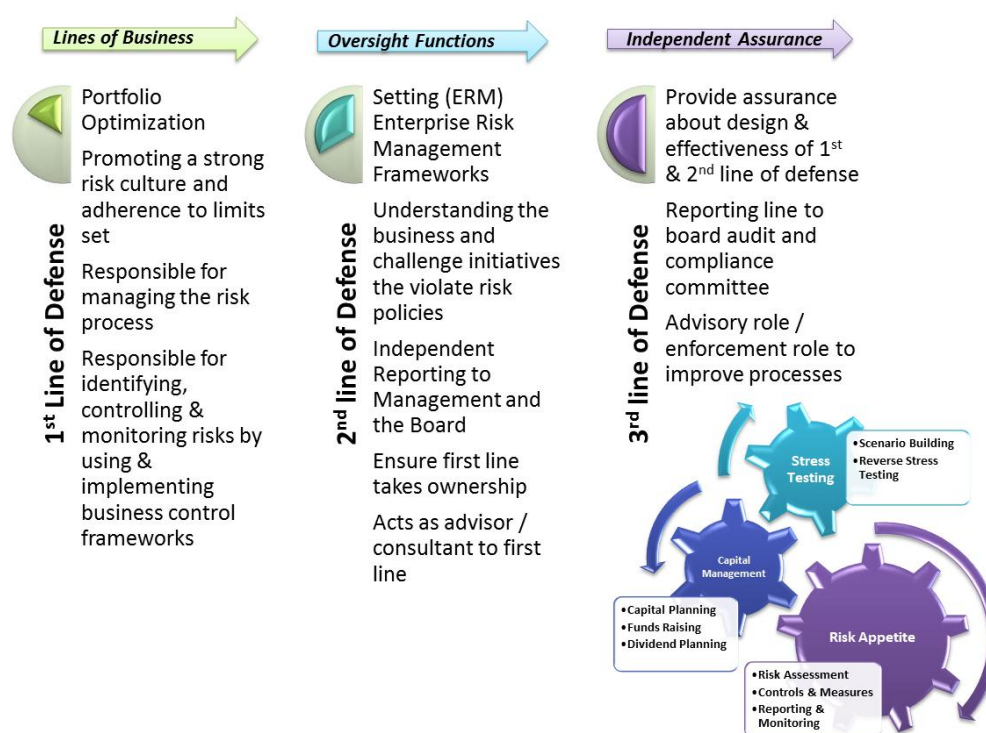
A sound, robust and effective enterprise risk management system coupled with global best practices were recognized as a necessity and are the prime responsibility of the Board and senior management. The approach to risk is founded on strong corporate governance practices that are intended to strengthen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

The approach to managing risk is outlined in the Bank's Enterprise Risk Management (ERM) Framework which creates the context for setting policies and standards, and establishing the right practices throughout the 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 ERM Framework, 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 and ICAAP Implementation Division, Market & ALM Division, Operational Risk Division, Information Security / Technology Risk Management Division, Data Privacy Program Division, Trust and Fiduciary Risk Division and Business Intelligence & Warehouse Division.



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 the ROC 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). 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 the ROC which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the bank in its ICAAP document.

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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 2016 program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	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. Credit Concentration Risk is part of	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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	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 (<i>BSP Circular 414, dated 13 January 2004</i>)		<ul style="list-style-type: none"> ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss 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 an FI's inability to meet its obligations when they come due.	<ul style="list-style-type: none"> ▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ 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 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</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
		Risk Measurement and Analysis – ICAAP Risk Assessment	
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 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, 		<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

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
	<p>phishing, malware, spoofing viruses, spoofing, etc.); and</p> <ul style="list-style-type: none"> Scams and Frauds (Social engineering, identify thefts, email scams, etc.). 		<ul style="list-style-type: none"> Scanning of outbound and inbound digital traffic
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 II – Pillar 1 Capital Adequacy Ratio (in millions of Pesos)

The Bank's Capital Adequacy Ratio as of end of December 2019 stands at 14.80% on a consolidated basis while the Bank's Risk Weighted Assets (RWA) as of end 2018 amounted to P883,055 million composed of P747,874 million (Credit Risk Weighted Assets-CRWA), P80,683 million (Market Risk Weighted Assets-MRWA) and, P54,498 million (Operational Risk Weighted Assets-ORWA).

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

Consolidated	Weighted Exposures (Quarters 2019)			
(Amounts in P million)	As of Dec 31	As of Sept 30	As of June 30	As of Mar 31
CRWA	747,874	735,604	690,032	672,696
MRWA	80,683	78,652	57,433	44,258
ORWA	54,498	54,498	54,498	63,581
Total Risk-Weighted Asset	883,055	868,754	801,963	780,535
Common Equity Tier 1 Ratio	14.10%	13.78%	13.23%	13.24%
Capital Conservation Buffer	8.10%	7.78%	7.23%	7.24%
Tier 1 Capital Ratio	14.10%	13.78%	13.23%	13.24%
Total Capital Adequacy Ratio	14.80%	14.58%	14.00%	13.99%

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, 2019 attributable to the Parent 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	642,018	–	642,018
Surplus	49,588,906	6,684,829	56,273,735
Net unrealized loss on Available-for-Sale investments	3,693,983	(443,332)	3,250,651
Remeasurement losses on retirement plan	(2,714,925)	485,705	(2,229,220)
Accumulated translation adjustment	306,640	640,922	947,562
Other equity reserves	433	35,033	35,466
Share in aggregate reserves on life insurance policies	–	12,280	12,280
Appraisal increment reserve	291,725	(291,725)	–
TOTAL	144,945,934	7,123,712	152,069,646

Credit Risk-Weighted Assets as of December 31, 2019

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	27,221	-	27,221	27,221	-	-	-	-	-
Due from BSP	107,653	-	107,653	107,653	-	-	-	-	-
Due from Other Banks	21,339	-	21,339	-	10,255	9,631	-	1,453	-
Financial Asset at FVPL	51	-	51	-	-	-	-	51	-
Available for Sale	4,377	-	4,377	135	2,846	26	-	1,370	-
Held to Maturity (HTM)	100,220	4,798	95,422	30,839	3,928	47,688	-	12,967	0
Unquoted Debt Securities	-	-	-	-	-	-	-	-	-
Loans & Receivables	666,254	13,553	652,700	1,469	44,543	16,292	17,186	561,730	11,481
Loans and Receivables Arising from Repurchase Agreements, Securities Lending and Borrowing Transactions	2,519	-	2,519	2,519	-	-	-	-	-
Sales Contracts Receivable	5,672	-	5,672	-	-	-	-	5,112	561
Real & Other Properties Acquired	8,858	-	8,858	-	-	-	-	-	8,858
Other Assets	37,229	-	37,229	-	-	-	-	37,229	-
Total On-Balance Sheet Asset	981,394	18,352	963,043	169,835	61,573	73,636	17,186	619,913	20,900
Total Risk Weighted Asset - On-Balance Sheet	-	-	-	-	12,315	36,818	12,889	619,913	31,350
Total Risk Weighted Asset - Off-Balance Sheet Asset						1	472	30,961	-
Counterparty Risk Weighted Asset in Banking Book						2,138			
Counterparty Risk Weighted Asset in Trading Book				-	15	783		218	-

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

Market Risk-Weighted Assets as of December 31, 2019

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 Standardized Approach

(Amounts in P Million)	Capital Charge (a)	Adjusted Capital Charge (b) $b = a * 125\% \frac{1}{2}$	Market Risk Weighted Exposures (c) $c = b * 10 \frac{2}{1}$
Interest Rate Exposures	5,282.780	6,603.474	66,034.745
<i>Specific Risk</i>	1,860.590	2,325.738	23,257.377
<i>General Market Risk</i>	3,422.189	4,277.737	42,777.368
Equity Exposures	226.709	283.387	2,833.866
Foreign Exchange Exposures	945.122	1,181.403	11,814.025
Total	6,454.611	8,068.264	80,682.636
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 Fair Value through Other Comprehensive Income (FVOCI) is P1,860.590 billion and is composed of securities with various tenors that are subjected to risk weight ranging from 0% to 8%. Sixty-five percent (65%) of these securities are issued by Republic of the Philippines (ROP) while 22% 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. Thirty-six percent (36%) 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 29% of the portfolio have zero risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in P million)							
	Positions	Risk Weight					
		0.00%	0.25%	1.00%	1.60%	8.00%	Total
P-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	76,026.650					
	Short	-					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		1.521	1,370.103	14,180.599		
	Short						
Debt securities/derivatives with credit rating BBB- and above issued by other sovereigns	Long		721.800	132.830	7,721.384		
	Short						
Debt securities/derivatives with credit rating of	Long		374.847	4,292.571	10,154.946		
	Short						

AAA to BBB-issued by other entities							
All other debt securities/derivatives that are below BBB- and unrated	Long					16,087.235	
	Short						
Subtotal	Long	76,026.650	1,098.168	5,795.504	32,056.929	16,087.235	-
	Short	-	-	-	-	-	-
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	2.745	57.955	512.911	1,286.979	1,860.590
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		-	2.745	57.955	512.911	1,286.979	1,860.590

General Market Risk – Peso

The Bank's total General Market Risk of its Peso debt securities and interest rate derivative exposure is P2,130.947 million. In terms of weighted positions, the greater portion (33%) of the Bank's capital charge comes from the Over 5 years to 7 years bucket at P697.147 million as well as Over 7 years to 10 years bucket (28%) at P586.190 million or a combined capital charge of P1,283.337 million. The remaining weighted positions (39%) 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			
1	1 month or less	1 month or less	18,928.385	21,870.803	0.00%	-	-
	Over 1M to 3M	Over 1M to 3M	15,081.009	13,227.605	0.20%	30.162	26.455
	Over 3M to 6M	Over 3M to 6M	5,756.828	2,294.975	0.40%	23.027	9.180
	Over 6M to 12M	Over 6M to 12M	6,717.612	1,022.600	0.70%	47.023	7.158
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	5,021.669	-	1.25%	62.771	-
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	11,445.567	-	1.75%	200.297	-
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	327.809	-	2.25%	7.376	-
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	17,874.113	-	2.75%	491.538	-
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	21,450.671	-	3.25%	697.147	-
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	15,631.727	-	3.75%	586.190	-
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	527.416	-	4.50%	23.734	-
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	3.730	-	5.25%	0.196	-
	Over 20Y	Over 10.6Y to 12Y	-	-	6.00%	-	-
		Over 12Y to 20Y	-	-	8.00%	-	-
		Over 20Y	-	-	12.50%	-	-
Total			118,766.536	38,415.983		2,169.461	42.793
Overall Net Open Position							2,126.668
Vertical Disallowance							4.279
Horizontal Disallowance							-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							2,130.947

General Market Risk – US Dollar

The capital charge on the Bank's General Market Risk from dollar-denominated exposures is P1,272.457 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 P381.080 million. The balance is distributed across other time buckets up to over 20 years with capital charge ranging from P3.225 million to P296.835 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	25,079.380	27,217.867	0.00%	-	-
	Over 1M to 3M	Over 1M to 3M	23,926.152	24,176.896	0.20%	47.852	48.354
	Over 3M to 6M	Over 3M to 6M	4,532.159	1,298.923	0.40%	18.129	5.196
	Over 6M to 12M	Over 6M to 12M	3,823.300	3,480.150	0.70%	26.763	24.361
2	Over 1Y to 2Y	Over 1.0Y to 1.9Y	5,301.101	-	1.25%	66.264	-
	Over 2Y to 3Y	Over 1.9Y to 2.8Y	5,432.992	-	1.75%	95.077	-
	Over 3Y to 4Y	Over 2.8Y to 3.6Y	10,384.266	-	2.25%	233.646	-
3	Over 4Y to 5Y	Over 3.6Y to 4.3Y	1,344.864	-	2.75%	36.984	-
	Over 5Y to 7Y	Over 4.3Y to 5.7Y	8,188.259	5,219.052	3.25%	266.118	169.619
	Over 7Y to 10Y	Over 5.7Y to 7.3Y	10,162.127	-	3.75%	381.080	-
	Over 10Y to 15Y	Over 7.3Y to 9.3Y	513.546	-	4.50%	23.110	-
	Over 15Y to 20Y	Over 9.3Y to 10.6Y	5,654.009	-	5.25%	296.835	-
	Over 20Y	Over 10.6Y to 12Y	53.756	-	6.00%	3.225	-
		Over 12Y to 20Y	-	-	8.00%	-	-
		Over 20Y	-	-	12.50%	-	-
Total			104,395.911	61,392.888		1,495.083	247.530
Overall Net Open Position							1,247.553
Vertical Disallowance							24.703
Horizontal Disallowance							0.201
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							1,272.457

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 Singapore Dollar (SGD), Hong Kong Dollar (HKD), and Euro (EUR) is P18.785 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	-	3.531	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	3,531		-	-	-	-	-	-
SGD	1 month or less	-	76.333	0.00%	-	-				
	Over 1M to 3M	-	254.142	0.20%	-	0.508				
TOTAL		-	330.475		-	0.508	0.508	-	-	0.508
JPY	1 month or less	1,266.354	1,803.385	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		1,266.354	1,803.385		-	-	-	-	-	-
HKD	1 month or less	25.559	483.920	0.00%	-	-				
	Over 1M to 3M	-	407.896	0.20%	-	0.816				
	Over 3M to 6M	-	1,884.498	0.40%	-	7,538				

TOTAL		25.559	2,776.314		-	8.354	8.354	-	-	8.354
EUR	1 month or less	6,867.357	60.293	0.00%	-	-				
	Over 1M to 3M	6,226.852	1,405.754	0.20%	12.454	2.812				
TOTAL		13,094.209	1,466.047		12.454	2.812	9.642	0.281	-	9.923
GBP	1 month or less	-	165.232	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	165.232		-	-	-	-	-	-
CAD	1 month or less	-	58.161	0.00%	-	-				
	Over 1M to 3M	-	-	0.20%	-	-				
TOTAL		-	58.161		-	-	-	-	-	-
TOTAL THIRD CURRENCIES										18.785

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 P88.516 million or total risk-weighted equity exposures of P1,106.456 million.

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	107.184
		Short	6.534
A.9	Others	Long	446.044
		Short	-
A.10	TOTAL	Long	553.228
		Short	6.534
B.	Gross (long plus short) positions (A.10)		559.762
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		44.781
E.	Net long or short positions		546.694
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		43.736
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		88.517
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		110.646
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		1,106.46

Foreign Exchange Exposures

The Bank's exposure to FX Risk carries a capital charge of P11,814.025 million. This includes P9,494.063 million arising from exposure in Non-Deliverable Forwards (NDFs) which carries a 4% risk weight while P2,319.963 million is from FX Exposures with 8% risk weight in FX assets and FX liabilities in USD, and third currencies not limited to JPY, CHF, GBP, EUR, CAD, AUD, SGD and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2019)						
		Closing Rate USD/P:				52.58
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	(46.082)	0.265		(45.817)	(2,319.963)
A.2 Japanese Yen	JPY	0.491	0.000		0.491	24.853
A.3 Swiss Franc	CHF	1.853	0.000		1.853	93.801
A.4 Pound Sterling	GBP	0.163	0.000		0.163	8.237

A.5 Euro	EUR	1.089	0.000		1.089	55.145
A.6 Canadian Dollar	CAD	0.301	0.000		0.301	15.236
A.7 Australian Dollar	AUD	0.571	0.000		0.571	28.911
A.8 Singapore Dollar	SGD	0.730	0.000		0.730	36.951
A.9 Foreign currencies not separately specified above		1.502			1.502	76.060
Arab Emirates Dirham	AED	0.008			0.008	
Bahrain Dinar	BHD	0.002			0.002	
Brunei Dollar	BND	0.004			0.004	
Yuan Renminbi	CNY	0.389			0.389	
Hongkong Dollar	HKD	0.414			0.414	
Korean Won	KRW	0.006			0.006	
Malaysian Ringgit	MYR	0.004			0.004	
Norwegian Krone	NOK	0.000			0.000	
New Zealand Dollar	NZD	0.119			0.119	
Saudi Riyal	SAR	0.543			0.543	
Thai Baht	THB	0.006			0.006	
Taiwan Dollar	TWD	0.009			0.009	
A. 10 Sum of net long positions						339.194
A.11 Sum of net short positions						(2,319.963)
B. Overall net open positions 1/						2,319.963
C. Risk Weight						8%
D. Total Capital Charge for Foreign Exchange Exposures (B. times C.)						185.597
E. Adjusted Capital Charge for Foreign Exchange Exposures (D. times 125%)						231.996
Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						2,319.96

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, 2019	Gross Income	Capital Requirement (15% x Gross Income)
2016 (Year 3)	25,096	3,764
2017 (Year 2)	28,699	4,305
2018 (Last Year)	33,403	5,010
Average for 3 Years		4,360
Adjusted Capital Charge	Average x 125%	5,450
Total Operational Risk Weighted Asset		54,498

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 Allied Banking Corporation (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 Securities and Exchange Commission (SEC) approved the change of name of Allied Savings Bank to PNB Savings Bank.

PNBSB closed the year 2019 with unaudited total resources of P59.9 billion. Total deposits closed the year with P46.3 billion, the bulk of which 81.9% were in high cost funds maintained in Power Saver, Regular Time Deposits and Power Earner 5+1, a special savings account and a short and long term deposits, respectively.

Unaudited total loan portfolio registered P50.3 billion by the end of 2019. Of the total loan portfolio, 84.1% comprised of consumer loans which is the thrust of the bank as the lending arms of PNB, the parent bank, for the consumer loans.

PNBSB posted unaudited net loss of P408.6 million in 2019. PNBSB ended the year with a network of 67 branches strategically located across Metro Manila, Southern & Northern Tagalog Regions, Bicol, Western Visayas and Northern Mindanao.

The BSP approved on September 3, 2019 the integration of PNBSB and PNB, wherein PNB purchased the assets and assumed the liabilities of PNBSB. The integration was completed on March 1, 2020. In a letter to the BSP last March 5, 2020, PNBSB has surrendered its banking license to the BSP.

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, 2019, PNBGen's paid-up capital was P912.6 million, one of the highest in the industry. Unaudited total assets reached P9.2 billion with a total net worth of P1.4 billion.

For the year ended December 31, 2019, the company recorded unaudited net income of P101.6 million from a net loss of P226.3 million in 2018.

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 January 20, 2020, PNB Capital had an authorized capital of P2.0 billion or 20,000,000 shares at P100.00 par value and paid-up capital of P1.5 billion or 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, SEC, Bureau of Internal Revenue (BIR), 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 securities 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 being held liable for any losses incurred 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; and
- all transactions are properly documented and approved by the Investment Committee and/or Board of Directors.

As of December 31, 2019, PNB Capital's unaudited total assets and total equity stood at P5.7 billion and P2.2 billion, respectively. Its unaudited net income for the year ended December 31, 2019 was P523.2 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%), IBJ 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-IBJL Leasing and Finance Corporation operates as a financing company under Republic Act No. 8556 (the amended Financing Company Act). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-IBJL 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 (US dollar and Japanese yen) 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 par value of P100 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 (1.5 million shares) to P1.0 billion (10.0 million shares). 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 Parent Bank's BOD approved 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 IBJL and as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019. The SEC approved the change in name of PNB-IBJL Leasing and Finance Corporation to PNB-Mizuho Leasing and Finance Corporation effective March 3, 2020.

As of December 31, 2019, PNB-Mizuho Leasing and Finance Corporation's consolidated unaudited total assets and total equity stood at P6.0 billion and P644.2 million, respectively. Its consolidated unaudited net loss for the year ended December 31, 2019 was P60.4 million.

PNB-Mizuho Equipment Rentals Corporation (formerly PNB-IBJL Equipment Rentals Corporation) is a wholly-owned subsidiary of PNB-IBJL 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 IBJL and as a result, IBJL changed its corporate name to Mizuho Leasing Company, Limited effective October 1, 2019. The SEC approved the change in name of PNB-IBJL Equipment Rentals Corporation to PNB-Mizuho Equipment Rentals Corporation on March 4, 2020.

As of December 31, 2019, it had a paid-up capital of P40.0 million and total capital of P80.5 million. Its unaudited total assets and net income for the year ended December 31, 2019 were P1.1 billion and P0.7 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.

As of December 31, 2019, PHC had an authorized capital of P500.0 million or 5,000,000 shares at P100 par value per share. As of December 31, 2019, total paid-up capital of PHC was P255.1 million while additional paid-in capital was P3.6 million, while total assets and total capital were P412.6 million and P412.3 million, respectively, and net loss was P2.1 million. PHC owns 34.25% of PNB General Insurer's Co. Inc.

PNB Securities, Inc. (PNBSec) was incorporated in January 18, 1991 and is a member of the Philippine Stock Exchange, Inc. As a securities dealer, it is engaged in the buying and selling of securities listed in the Philippine Stock Exchange, Inc. 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 26th among 129 active members in the Philippine Stock Exchange, Inc. (PSE) with 0.73% market share in terms of value turn-over as of December 31, 2019.

- a. As of December 31, 2019, it has a total paid-up capital of P100.0 million with unaudited total assets and total capital of P291.9 million and P165.8 million, respectively.
- b. The PNBSec has 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.

PNB Management and Development Corporation, a wholly-owned subsidiary of the Bank, was incorporated in the Philippines on February 6, 1989 primarily to own, acquire, hold, purchase, receive, sell, lease, exchange, mortgage, dispose of, manage, develop, improve, subdivide, or otherwise deal in real estate property, of any type and/or kind of an interest therein, as well as build, erect, construct, alter, maintain, or operate any subdivisions, buildings and/or improvements. It is also authorized to explore and develop land mining claims and to sell/dispose such mining claims.

On September 28, 2018, the PNB Board approved the sale of its 100% shareholdings in PNB MADECOR to MacroAsia Mining Corporation (MMC). The SEC approved on January 24, 2020 the amendments of the Articles of Incorporation and By-Laws of PNB Management and Development Corporation, now MMC Management and Development Corporation. The Deed of Absolute Sale was signed on March 2, 2020.

Foreign Subsidiaries:

Allied Commercial Bank (ACB), a 99.04% owned subsidiary of the PNB and formerly known as Xiamen Commercial Bank, was established in Xiamen in September 1993 as a foreign owned bank. It obtained its commercial banking license in July 1993 and opened for business in October 1993.

ACB maintains its head office in Xiamen, in Fujian Province, a southeastern commercial city of China. In 2003, ACB opened a branch in the southwestern city of Chongqing.

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 ABCHK.

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 and investment.

ABCHKL has one branch license and a wholly owned subsidiary. The subsidiary, ACR Nominees Limited, is a private limited company incorporated in Hong Kong which provides non-banking general services and general corporate services to its customers.

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. It is also authorized to provide cross-border services to 19 member states of European Economic Area (EEA). In 2007, PNB Europe opened its branch in Paris, France, where it is engaged in remittance services. Last August 31, 2017 at the close of business hours, the Paris branch ceased operations. PNB Europe is regulated by the Financial Conduct Authority and authorized and regulated by 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, 2019, it maintains seven (7) offices in Hong Kong. Its remittance business is regulated by the Customs and Excise Department of Hong Kong.

PNB International Investment Corporation (PNB IIC), formerly known as Century Holding Corporation, is a wholly-owned subsidiary of the Bank. It is a U.S. non-bank holding company incorporated in

California 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 on October 19, 1990. PNBRCI is a company engaged in the business of transmitting money to the Philippines. As of December 31, 2019, PNBRCI has 16 branches in 6 states. PNBRCI owns PNBRCI Holding Company, Ltd. which was incorporated in California 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 2019.

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 13 to 35 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, 2019 and 2018 and January 1, 2018, 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, 2019 and a Summary of Significant Accounting Policies and other explanatory information, Notes to Financial Statements, Independent Auditors' 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, 2019.

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/OPE and Value Added Tax):

2019

<u>Nature of service</u>	<u>Description</u>	<u>Professional fee (in P million)</u>
Audit	The Bank's Consolidated and Separate Financial Statements as of December 31, 2019	12.641
Review	Interim condensed Consolidated Statement of Financial Position of PNB and its Subsidiaries as of March 31, 2019	4.340
Review	Interim condensed Consolidated Statement of Financial Position of PNB and its Subsidiaries as of June 30, 2019	4.200
Due diligence	Issuance of Comfort Letter related to PNB Stock Right Offering	5.936
Due diligence	Issuance of Comfort Letters related to the issuance of Notes from the Medium Term Note Programme of the Bank.	2.912
Due diligence	Issuance of Comfort Letter related to the offering by PNB of Long-Term Negotiable Certificates of	3.080

	Deposit	
Accounting advisory	Audit Support for the Review of Expected Credit Loss (ECL) in accordance with PFRS 9	4.144
Accounting advisory	PNB-Savings Bank Integration	.400
TOTAL		37.653

2018

<u>Nature of service</u>	<u>Description</u>	<u>Professional fee (in P million)</u>
Audit	The Bank's Consolidated and Separate Financial Statements as of December 31, 2018	22.054
Review	Interim condensed Consolidated Statement of Financial Position of PNB and its Subsidiaries as of September 30, 2018	2.200
Due diligence	Issuance of Comfort Letter related to the proposed offering by PNB of Long-Term Negotiable Certificates of Deposit (1 st tranche for 2018-2019)	2.750
Due diligence	Issuance of Comfort Letters related to the issuance of Notes from the Medium Term Note Programme of the Bank.	5.390
Accounting advisory	Advisor for the preparation for the adoption of PFRS 9, 15 and 16	3.385
Taxation compliance	Tax compliance advisory	0.401
IT assurance	Vulnerability Assessment and Penetration Testing	0.246
TOTAL		36.426

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 audit engagement fees is based on the Bank's existing Manual of Signing Authority.

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.

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, 2019. 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.

In compliance with SRC Rule 68, as amended, and BSP Circular 660, Series of 2009, we reported no change to the appointed external auditor of the Bank for 2018, which was subject to BACC endorsement, BOD approval and stockholders' ratification. Ms. Janeth Nunez Javier, one of the more experienced audit partners in the banking industry, was the lead audit partner for the year 2019.

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

The financial statements have been prepared in accordance with PFRS.

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 (of 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 increases 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 the purchases and sale of various investment securities.
- 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.
- Financial Assets 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 P71.2 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 P1.5 billion and P1.6 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 P826.1 billion, P92.78 billion or 12.4% 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 Bank'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 P155.1 billion from P128.6 billion as of December 31, 2018, or an improvement of P26.5 billion attributed mainly to the following:

- Capital Stock and Additional Paid-In Capital increased by P11.8 billion from the net proceeds of the 2019 Stock Rights Offering.
- Current period's net income attributable to Equity Holders of the Parent Bank's of P9.8 billion.
- Decrease in Accumulated Translation Gain of P0.8 billion.
- Remeasurement loss of 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 P6.5 billion for the period.

2018 vs. 2017

The Group's consolidated total assets stood at P983.6 billion as of December 31, 2018, 17.6% or P147.4 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.

- Held to Maturity Investments was higher at P100.8 billion while Available for Sale Investments 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 P128.6 billion from P119.7 billion as of December 31, 2017, or an improvement of P8.9 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.

2017 vs. 2016

The Group's consolidated assets reached at P836.2 billion as of December 31, 2017, 10.9% or P82.2 billion higher compared to P754.0 billion reported as of December 31, 2016. Changes (of more than 5%) in assets were registered in the following accounts:

- Interbank Loans Receivable registered an increase as of December 31, 2017 by P5.0 billion from P7.8 billion, and a decrease in Due from Bangko Sentral ng Pilipinas and Due from Other Banks of P18.6 billion and P0.7 billion, respectively, from P127.3 billion and P22.7 billion, respectively, as of December 31, 2016. Cash and Other Cash Items increased by P1.4 billion from P11.0 as of

December 31, 2016.

- Loans and Receivables registered an increase at P502.1 billion or P73.9 billion higher than the P428.2 billion as of December 31, 2016 level mainly due to loan releases in the current year to various corporate borrowers.
- Financial Assets at Fair Value Through Profit or Loss at P2.9 billion as of December 31, 2017 was higher by 52.6% or P1.0 billion from P1.9 billion in 2016 attributed mainly due to the sale of various investment securities.
- Securities Held Under Agreements to Resell as of December 31, 2017 of P14.6 billion which represents lending transactions of the Bank with the BSP was higher by P12.6 billion compared to the P2.0 billion as of December 31, 2016.
- Investment Properties decreased by P0.7 billion from P16.3 billion as of December 31, 2016 to P15.6 billion as of December 31, 2017 due to the disposal of foreclosed properties.
- Property and Equipment increased by P0.6 billion from P18.1 billion as of December 31, 2016 to P18.7 billion as of December 31, 2017 mainly due to the additional acquisitions for the year.
- Intangible Assets, Deferred Tax Assets and Other Assets were higher by P0.7 billion, P0.2 billion and P1.8 billion from P2.6 billion to P3.3 billion, P1.5 billion to P1.7 billion and P7.1 billion to P8.9 billion, respectively.

Consolidated liabilities went up by 11.2% or P72.4 billion from P644.0 billion as of December 31, 2016 to P716.4 billion as of December 31, 2017. Major changes in liability accounts were as follows:

- Deposit liabilities totaled P637.9 billion, P67.4 billion higher compared to its year-end 2016 level of P570.5 billion. Increases were registered in Demand, Time and LTNCD by P8.2 billion, P69.6 billion and P7.0 billion, respectively, and an offset in Savings of P17.4 billion.
- Bills and Acceptances Payable increased by P8.0 billion, from P35.9 billion to P43.9 billion, mainly accounted for by various borrowings from other banks.

Results of Operations

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 P32.5 billion, higher by 19.9% 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 P14.5 billion, P9.6 billion, P0.3 billion and P4.2 billion increase in interest income, respectively, partly offset by the decrease of P0.1 billion in deposits with banks and others. Total interest income increased by 40.3% or P14.5 billion from P36.1 billion to P50.6 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, 19.6% 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 P28.9 billion for the year ended December 31, 2019, or 12.5% 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 17.1% higher than the P8.2 billion net income for the same period last year on account of substantial improvements in core income, primarily, net interest income and gains from the sale of foreclosed assets.
- Net interest income totaled P27.1 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 P0.4 billion decline in trading and investment securities gains and of P0.7 billion decrease in foreign exchange gain.
- Net service fees and commission income stood at P3.5 billion, 8.9% or P0.3 billion higher compared the same period last year. The minimal growth was attributed to lower levels of underwriting and investment banking fees.
- Administrative and other operating expenses amounted to P25.5 billion for the year ended December 31, 2018.
- On April 26, 2018, the BOD of PNB and its subsidiary, PHC, approved the exchange of all their holdings in PNB General Insurance (PNBGen), a subsidiary, for shares in Allied Bankers Insurance Corporation (ABIC), an affiliate. As a result, the Group reclassified all the assets and liabilities of PNBGen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position. With PNBGen being classified as a discontinued operation in 2018, the comparative consolidated statement of income and comprehensive income and cash flow in 2017 have been re-presented to show the discontinued operations separately from the continued operations.
- Total Comprehensive Income for the year ended December 31, 2018 amounted to P8.1 billion.

2017 vs 2016

- For the year ended December 31, 2017, the Bank registered a net income of P8.2 billion, P1.0 billion higher compared to the P7.2 billion net income for the same period last year.
- Net interest income totaled P22.1 billion, higher by 12.8% or P2.5 billion compared to the net interest income for the same period last year mainly due to expansion in the loan portfolio and income from deposits with banks which accounted for P3.0 billion and P0.7 billion increase in interest income, respectively, partly offset by the decline in interest on investment securities and

interbank loans receivable by P0.1 billion and P0.3 billion. Total interest income was up by P3.3 billion from P24.3 billion to P27.6 billion. Total interest expense however, was also higher at P5.5 billion or by P0.7 billion from P4.8 billion last year.

- Other income was higher by P0.1 billion at P7.1 billion compared to P7.0 billion for the same period last year.
- Net service fees and commission income was at P3.2 billion for the year ended December 31, 2017.
- Administrative and other operating expenses amounted to P22.1 billion for the year ended December 31, 2017, lower compared to the same period last year mainly due to decrease in provision for impairment, credit and other losses by P2.3 billion. This was partly offset by increases in Compensation and fringe benefits, Taxes and Licenses, Occupancy and equipment related costs, Depreciation and amortization and miscellaneous expenses by P0.6 billion, P0.3 billion, P0.1 billion, P0.2 billion and P0.2 billion, respectively.
- Reported income from discontinued operations in June 2016 pertained to the income from the 51% ownership interest in PNB Life due to classification as a discontinued operation.
- Total Comprehensive Income for the year ended December 31, 2017 amounted to P9.8 billion, P3.1 billion higher compared to the P6.7 billion for the same period last year mainly due to higher remeasurement gains on retirement plan and net income reported in the current year.

Key Performance Indicators

- Capital Adequacy/Capital Management

The Parent 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 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 a period of stress and activating the Bank's capital contingency plan, if needed;
 - The Sub-Committee will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan.
 - In case of capital sourcing, the Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising.
- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds;
 - The Sub-Committee shall determine the Bank's internal thresholds and shall endorse the same to the Board ICAAP Steering Committee / Board.

- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

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

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Bank's compliance with regulatory requirements and ratios is based on the amount of the Parent 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 capital adequacy ratios (CARs):

- CET 1 – must be at least 6.0% of risk weighted assets at all time;
- Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
- 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:

- CET 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 CET 1 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;
- 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.;
- Tier 2 capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) deposits for subscription of T2 capital, 3) appraisal increment reserves on Bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

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

The Group's consolidated CAR for combined credit, market and operational risks computed based on BSP Circular No. 781, Series of 2013 (for 2014) and BSP Circular No. 538, Series of 2006 (for 2013 and 2012) were 14.80%, 14.35%, and 15.35% as of December 31, 2019, 2018 and 2017, 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 Bank's non-performing loans (gross of allowance for impairment losses) increased to P12.0 billion as of December 31, 2019 compared to P9.4 billion as of December 31, 2018. NPL ratios of the Bank based on BSP guidelines, net of valuation reserves is better than industry average at 0.68% as at

December 31, 2019, compared to 0.34% at end of 2018. Gross NPL ratio is at 1.99% at end of 2019 and 1.76% at end of 2018.

- Profitability

	<u>Year Ended</u>	
	<u>12/31/19</u>	<u>12/31/18</u>
Return on equity (ROE) ^{1/}	6.8%	7.7%
Return on assets (ROA) ^{2/}	0.92 %	1.5%
Net interest margin (NIM) ^{3/}	3.3 %	3.2%

^{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, 2019 was 27.9% compared to 23.9% as of December 31, 2018. Ratio of current assets to current liabilities was at 55.6% as of December 31, 2019 compared to 53.6% as of December 31, 2018.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 63.4% for the year ended December 2019 compared to 61.4% for the same period 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 34 (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 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 a 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:

	2017		2018		2019		2020	
	High	Low	High	Low	High	Low	High	Low
Jan – Mar	61.00	53.00	59.15	53.80	60.42	40.98	36.70	18.50
Apr – Jun	71.00	54.90	56.00	47.95	58.82	47.54	-	-
Jul – Sep	68.40	59.15	49.90	43.00	57.35	43.60	-	-
Oct – Dec	60.20	55.05	44.60	38.95	45.90	34.00	-	-

The trading price of each PNB common share as of May 15, 2020 was ₱20.50.

2. Holders

There are 36,422 stockholders as of May 15, 2020. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

No.	Stockholders	Common Shares	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Filipino)	173,059,141	11.3424516891
2	Key Landmark Investments, Ltd.	133,277,924	8.7351549618
3	PCD Nominee Corporation (Non-Filipino)	99,467,623	6.5191974373
4	Caravan Holdings Corporation	82,017,184	5.3754799765
5	Solar Holdings Corporation	82,017,184	5.3754799765
6	True Success Profits Ltd.	82,017,184	5.3754799765
7	Prima Equities & Investments Corporation	71,765,036	4.7035449794
8	Leadway Holdings, Inc.	65,310,444	4.2805052168
9	Infinity Equities, Inc.	61,512,888	4.0316099824
10	Pioneer Holdings Equities, Inc.	34,254,212	2.2450518506
11	Pan Asia Securities Corporation	33,126,782	2.1711590747
12	Multiple Star Holdings Corporation	30,798,151	2.0185385055
13	Donfar Management Ltd.	30,747,898	2.0152448787
14	Uttermost Success, Ltd.	30,233,288	1.9815168766
15	Mavelstone Int'l Ltd.	29,575,168	1.9383831001
16	Kenrock Holdings Corporation	26,018,279	1.7052613973
17	Fil-Care Holdings, Inc.	25,450,962	1.6680789310
18	Fairlink Holdings Corporation	25,207,795	1.6521415472
19	Purple Crystal Holdings, Inc.	24,404,724	1.5995075519
20	Kentron Holdings & Equities Corporation	24,361,225	1.5966565883

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 2018 and 2019.

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 March 31, 2020, PNB's public ownership level is 21.38%, 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 May 15, 2020, 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 May 15, 2020 is 1,525,764,850. This includes the 423,962,500 common shares issued relative to the merger of PNB and ABC.
- As of May 15, 2020, a total of 1,426,129,536 common shares (or 93.47%) are held by Filipino-Private Stockholders while the remaining 99,635,314 common shares (or 6.53%) 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 42 to 59 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.