

**PBCOM**

PHILIPPINE BANK OF COMMUNICATIONS

菲律賓交通銀行

# THE BLUEPRINT FOR GROWTH

ANNUAL REPORT 2016





# PBCOM

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菲律賓交通銀行

ABOUT THE COVER



Our bank, PBCOM, has a very rich history, marked by legacy of strong relationships nurtured through trust and service, and our thrust to focus on you, our stakeholders, is always the center of everything we do.

In 2016, we continue our journey towards an improved banking experience. After building a solid foundation, we have now started to erect our pillars for growth. The cover features a photo of five rolls of engineering plans. These symbolize the five pillars with which PBCOM has banked on to ensure we deliver what our clients and partners need, while also delivering optimum results to our Shareholders: People, Products, Processes, Places and Partnerships.

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PBCOM is established as one of the Philippines' first non-American foreign banks



1939

The bank goes under full Filipino ownership with Mr. Ralph Nubla and company



1974

PBCOM shares are listed in the Makati and Manila Stock Exchanges.



1988

To expand its network, PBCOM acquires consumer Savings Bank, a 19-branch thrift bank.



2000

Mr. Lucio Co enters as the bank's strategic investor & subscribed to new shares payable in 4 annual installments  
PBCOM Acquires RBNI & BDI



2014

Received 3<sup>rd</sup> installment of P1.39B from PG Holdings  
Celebrates the bank's 77<sup>th</sup> Anniversary



2016

1947



PBCOM opens its Cebu branch – its first outside Manila

1981



PBCOM is accredited as a government securities dealer by the Central Bank of the Philippines

1995



PBCOM and Fillinvest Asia Corporation sign an agreement to develop the PBCOM Tower along Ayala Ave.

2011



The ISM Group becomes a strategic third party investor in PBCOM

2015



Received 2<sup>nd</sup> installment of P1.39B from PG Holdings

## OUR MISSION

At PBCOM, we believe banking is about caring for people.

Our Mission is to serve our clients, our shareholders, our employees, and our fellowmen in ways that build individual worth and promote mutual growth.

In so doing, we shall become a leading financial institution renowned for sustained growth and profitability, continued stability and service excellence.

We shall dedicate our efforts to provide services of distinct value to our clients.

We shall strive to enhance our shareholders' value through a fair return on their investments.

We shall nurture the capabilities and well-being of our most important asset, our people, by providing opportunities for personal and professional growth, rewards for performance, and a work environment that fosters teamwork, open communication, and mutual respect.

We shall fulfill our social responsibility as a corporate citizen by developing the communities that we serve.

## OUR VISION

We are the bank-of-choice in every market we serve and most admired for customer care. We are meaningful and relevant to our communities and are the employer of choice. We consistently deliver profitable and sustainable growth.

## OUR CORE VALUES

INTEGRITY  
EXCELLENCE  
PROFESSIONALISM  
LOYALTY  
TRUST





## Chairman's Message

### To my fellow Shareholders,

Allow me to begin by reporting a bit of good news. In 2016, your bank reported Net Income of P400.1 Million which is almost double our income of the year before. This is no small feat considering the increasingly competitive market we all face in the banking industry. Our income, which is noteworthy because of the increasing contribution of our core lending activities, is a reflection of the efforts we have been exerting the past few years to focus on the most important aspect of our activities - to serve our customers as best as we can.

This road that we have taken to become more attuned to the needs of our clients has been challenging especially since our peers, to their credit (pun intended!), have been very aggressive in engaging the borrowing public in order to increase their market share. Your bank, I am proud to say, has been able to balance the necessary risks associated with slightly more aggressive lending activities with better interest income, from the customers who we have decided to invest in for the longer term. To this end, we have been fortunate to have the ability to access the extensive network that the Puregold Group offers, which we intend to develop as best as we can.

We have also made very good progress on our capability to offer the latest technological solutions to our clients' banking needs. This year, we are finally rolling out with our internet banking services which many of you have been clamouring for. I am very excited with this development since I know that our customers will benefit greatly with having instant access to their accounts which will then allow them to manage their financial affairs with greater ease. Believe me when I say that I have been one of the most eager customers of the bank to finally have internet banking!

I hope it is becoming clear that our efforts to transform your bank to become a leader in its class, revolves around the focus we have deliberately made on our customers. We continue to believe that there remains a huge market for the unbanked savers and borrowers, which we intend to attract to our bank not through the extension of easy credit or high deposit rates, but instead through an emphasis on better service and put more simply, caring for our customers.

Customer care is the key to our success, and I believe our team here in PBCOM has started to imbibe this philosophy with enthusiasm. I would like to challenge our team to live up to this direction and I would also request you our shareholders and clients to please reach out to me and any of our senior management team if there are instances where we do not live up to this credo. This is not an empty offer - our contact details are available on our website.

In closing, I would like to thank you our shareholders and customers, for the continuing support you have given us. We are all expecting our financial performance to improve through the years. But of equal importance to us is that our bank remains in solid footing from a risk standpoint which we assure you will never take a back seat in exchange for the desire to generate more profits. 2016 was a good year for PBCOM, and I am confident that we will continue to grow through the diligent efforts and support of our shareholders, customers, and team members.

**ERIC O. RECTO**  
Chairman



## Greetings to all Stakeholders!

We are pleased to advise that the rebuilding process which we began in 2015 remains on track. We had said that we would need a solid foundation to support the height and breadth at which the Bank wants to grow.

This building of a solid foundation was what we achieved in 2015, and soon after in 2016, we began to look at the five pillars that would bring PBCOM to new heights and coverage. Our five pillars are People, Processes, Products, Places and Partnerships. Five critical elements that would encompass everything that we do in the Bank and will deliver the results for 2016 and the coming years.

On People, we cover our employees, our customers, our partners, and our community. Our people are the very key in our growth as they are the face of PBCOM. They carry out our products and services, and it is through them that we build our reputation. We continue to strengthen our bench through succession planning, training and career development. Our customers and partners keep us on our toes. With their ever growing needs, we have to be abreast with what is happening to continue to provide the services we want to be known for. We strengthened our CSR program, and as a start, reached out to the communities to share our blessings.

With the help of our valuable partners, we have come up with Products that respond directly to the needs of certain targeted customers, like the Bicycle Loan product developed in partnership with Epic Cycles. We have also developed campaigns and promotions to further enhance the way we deliver our core banking products like deposits, thru the Save & Sail campaign, and Consumer Loans thru our "Abot Kamay" Loan deals.

On Processes, we continued to work on the stabilization and optimization of our core banking system and other systems we have recently invested in. Process improvement initiatives that began in 2015 continued to see streamlined efficiencies in 2016. We strengthened the areas of policies, risk management, audit, and corporate governance to support business growth.

Our pillar on Places focused on managing the effectiveness of the channels and network where we operate and communicate with our customers. We have rationalized our reach by being in the right places to better service the needs of customers and partners.

We focused on the unique synergy that the Bank can have with the ecosystem of its shareholders under our Partnerships pillar. Primarily, the Bank has developed synergy with the Lucio Co Group of Companies. In particular, our Transaction Banking and Consumer Finance Groups worked closely with S&R, the leading retail chain on wholesale format, to bring the Bank's products and services to S&R's suppliers and customers. We see the Partnerships pillar to be one of the most unique pillars the Bank can rely on to differentiate us from the rest and bring us to our growth strategy.

As our transformation continues, we are putting all the building blocks in place. Albeit moving at a steady and sure pace to ensure that we do things in an organized and well-studied manner, we are very happy at the progress. PBCOM's Board of Directors and Senior Management Team are clear on the directions that they want the Bank to take, and the financial results for 2016 is a solid manifestation of such.

*Patricia May T. Siy*

**Patricia May T. Siy**  
President & CEO



## Financial Highlights

	Consolidated		Parent Bank (Solo)	
	Y2016	Y2015	Y2016	Y2015
<b>Profitability (in PHP thousands)</b>				
Total Net interest income	2,595,954	2,325,968	2,295,836	2,084,248
Total Non-interest income	1,455,817	1,908,897	1,421,323	1,853,868
Total Non-interest expense	2,939,102	3,101,045	2,714,658	2,887,161
Pre-provision profit	1,112,669	1,133,820	1,002,501	1,050,955
Allowance for credit losses	477,968	443,802	396,223	391,493
Net Income	399,880	203,682	400,052	203,301
<b>Selected Balance Sheet Data (in PHP thousands)</b>				
Liquid Assets	31,193,794	30,399,017	30,718,284	30,075,049
Gross Loans	43,926,844	33,122,662	42,139,659	31,261,916
Total Assets	86,498,733	76,076,316	84,382,034	73,964,053
Deposits	63,145,981	58,302,353	61,199,101	56,555,513
Total Equity	10,781,736	8,924,023	10,790,015	8,931,211
<b>Selected Ratios</b>				
Return on Equity	4.06	2.52	4.06	2.52
Return on Assets	0.49	0.28	0.51	0.28
CET 1 capital ratio	11.61	11.54	11.51	11.49
Tier 1 capital ratio	11.61	11.54	11.51	11.49
Capital Adequacy Ratio	14.67	14.97	14.64	15.01
<b>Per common share data</b>				
Net Income per share				
Basic/Diluted	1.33	0.68	1.34	0.68
Book value	25.33	24.37	25.35	24.38
<b>Others</b>				
Cash dividends declared			none	none
Headcount				
Officers			756	830
Staff			376	413



Philippine Bank of Communications (PBCOM) registered Net Income of P400.1 Million, almost double its 2015 Net Income of P203.3 Million based on equity method for parent and subsidiaries. Parent Bank showed a very strong growth in Net Income from P132.1 Million to P350.1 Million, cushioning the decline in Net Income of its subsidiaries.

PBCOM Management set to accomplish and achieved increased profitability through combined topline growth in revenues, driven by improvements in its core business and prudent cost management.

One of the main drivers for the solid growth is increase in PBCOM's Loans and Receivables which expanded 28.0% from P34.6 Billion to P44.3 Billion, with focus on secured consumer loans and bankable large and middle market corporates. This contributed to the increase in Interest Income from Loans and Receivables by P240.2 Million to P2.5 Billion. Interest and Finance charges were also under control, with Interest charges on Deposit liabilities going down to P799.7 Million from P825.4 Million despite the growth in Deposit Liabilities from P56.6 Billion to P61.2 Billion, with focus on low cost funding source. PBCOM achieved a low cost ratio of 36.0% over total Deposit Liabilities.

Non-Interest Income was likewise strong, and netting out Fair Market Value gains, this grew by 31.0% on the back of improved Securities and Trading gains.

Total Operating expenses declined to P3.1 Billion from P3.3 Billion because of efficiencies derived in areas of manpower, communications, and fees and services.

PBCOM's expansion in Total Assets from P74.0 Billion to P84.4 Billion was supported by the infusion of the third tranche of capital from PG Holdings, Inc. in the amount of P1.4 Billion which came in on June 30, 2016, ahead of its original schedule of September 30, 2016. PG Holdings, Inc. is majority owned by Mr. Lucio Co of Cosco Capital, Inc., the holding firm of top retailers Puregold and S&R.

In 2016, PBCOM strengthened its growth pillars in the areas of People, Products, Processes, Place and Partnerships, following a move in 2015 to lay the foundation for sustained growth. As President & CEO Patricia May T. Siy puts it, "The rebuilding continues, paving the way for the Bank to deliver optimum return to its shareholders." Backed by very stable and supportive Shareholders, able and cohesive management team, investments in infrastructure, PBCOM is working its way to become a significant player in the Philippine banking industry.



“The rebuilding continues, paving the way for the Bank to deliver optimum return to its shareholders”

Ms. Patricia May T. Siy  
PBCOM President and CEO



The Pillars of Growth

# PEOPLE

**People**



Products



Processes



Places



Partnerships







**ERIC O. RECTO**  
Chairman of the Board and Director

Mr. Recto, Filipino, 53 years old, was elected Director and Vice Chairman of the Board on July 26, 2011, appointed Co-Chairman of the Board on January 18, 2012 and Chairman of the Board on May 23, 2012. He is the Chairman and CEO of ISM Communications Corporation, Chairman and President of Bedfordbury Development Corporation; Vice Chairman and President of Atok-Big Wedge Co., Inc., and President and Director of Q-Tech Alliance Holdings, Inc.; a Director of Petron Corporation and a member of the Board of Supervisors of Acentic GmbH. Prior to joining the Bank, Mr. Recto served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005, in charge of handling both International Finance Group and the Privatization Office. Before his stint with the government, he was Chief Finance Officer of Alaska Milk Corporation and Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University, USA.

Member: Executive Committee, Trust Committee and Governance Committee\*



**LEONARDO B. DAYAO**  
Vice Chairman and Director

Mr. Dayao, Filipino, 73 years old, was elected Director on September 29, 2014 and Co-Vice Chairman on October 24, 2014. He is the President of Cosco Capital, Inc., a publicly-listed company. He is the Chairman of PSMT Philippines, Inc., Catuiran Hydropower Corporation, Fertuna Holdings Corporation and Vice Chairman of Union Energy Corporation. Mr. Dayao is also the President of Alcorn Petroleum and Minerals Corporation, Puregold Finance, Inc., Puregold Duty Free (Subic), Inc., San Jose I Power Corporation and NE Pacific Shopping Centers Corporation. Mr. Dayao is a Director of Puregold Price Club, Inc., Entenso Equities, Inc., Puregold Realty Leasing and Management, Inc., Fontana Development Corporation, Fontana Resort and Country Club, Liquigaz Philippines Corporation, Puregold Finance, Inc., Puregold Duty Free (Subic), Inc., Bellagio Holdings, Inc. and VFC Land Resources, Inc. Mr. Dayao was previously connected with Ayala Investment and Development Company as Vice President from 1980 to 1984 and Bank of the Philippine Islands as Vice President from 1984 to 1994. Mr. Dayao received a Bachelor of Science degree in Commerce from the Far Eastern University. He is a Certified Public Accountant. He has completed Basic Management Program at Asian Institute of Management and earned units in MBA from the University of the Philippines-Cebu.

Member: Executive Committee and Governance Committee



**LUCIO L. CO**  
Executive Committee Chairman and Director

Mr. Co, Filipino, 62 years old was elected Director on September 29, 2014. He is the Chairman of the Board of Puregold Price Club, Inc., Cosco Capital, Inc. and Da Vinci Capital Holdings Inc., all publicly-listed companies. Mr. Co has been an entrepreneur for the past 40 years.

Member: Executive Committee

\*as of Feb 2017





**PATRICIA MAY T. SIY**  
President and Chief Executive Officer and Director

Ms. Siy, Filipino, 57 years old, was elected Director, President and Chief Executive Officer on June 1, 2015. Immediately before joining PBCOM, she served as the Chief Corporate Planning Officer of Travellers International Hotel from 2012 and as Chief Finance Officer of Rustan's Supercenter Inc. from 2011 to 2012. Before these, her banking experience spanned 27 years. She was with Security Bank Corporation where she held various positions from 2000 to 2011 in Middle Market Lending and Corporate Lending leading to the Executive Vice President post for the Commercial and Retail Banking Segment. She had stint with Standard Chartered Bank from 1994 to 2000 in the fields of Regional and Philippine Consumer Credit, Group Special Asset Management, and Corporate Banking in Cebu and Head Office. Her first bank was Private Development Corporation of the Philippines where she stayed from 1983 to 1994 as Project Analyst, Cebu Lending Head, Visayas Lending Head, and then Branch Lending Head. Ms. Siy graduated from De La Salle University with a Bachelor of Science degree in Industrial Management Engineering minor in Chemical Engineering.

Member: Executive Committee, Trust Committee and Risk Oversight Committee



**CARMEN G. HUANG**  
Executive Director

Ms. Huang, Filipino, 66 years old, was elected Executive Director on April 29, 2015. She obtained both her Bachelor of Arts in Mathematics and Bachelor of Science in Accountancy at St. Scholastica's College Manila, and completed the academic requirements for Master in Business Administration at the Ateneo Professional School. In the past, she held various critical management positions in both government and private financial institutions. Ms. Huang is a Certified Public Accountant.

Member: Executive Committee



**BUNSIT CARLOS G. CHUNG**  
Director

Mr. Chung, Filipino, 67 years old, was elected Director on June 17, 1997. He is President of Supima Holdings, Inc., and Director of La Suerte Cigar & Cigarette Factory, Century Container Corporation, Bicutan Container Corporation, Tosen Foods Corporation, PBCom Finance Corporation, State Land, Inc., State Investment, Inc. and State Properties, Inc. He is an Advisory member of the Board of Trustees of Xavier School Inc., and a member of the Board of Trustees of Immaculate Conception Academy (Greenhills) Scholarship Foundation, Tiong Se Academy, Mother Ignacia National Social Apostolate Center, Seng Guan Temple and Kim Siu Ching Family Association. Mr. Chung has a degree in AB (Economics) & Business Administration from De La Salle University as well as an MBA from the University of Southern California.

Member: Executive Committee, Audit Committee, Risk Oversight Committee and Related Party Transactions Committee\*\*

\*\*up to Dec 2016





**SUSAN P. CO**  
Director

Mrs. Co, Filipino, 59 years old was elected Director on September 29, 2014. She is currently Director and Treasurer of Puregold Price Club, Inc. and Cosco Capital, Inc., both publicly-listed companies. She is the Chairman of Cosco Price, Inc. and Star Alliance, Inc., Treasurer of Luis Co Chi Kiat Foundation, Alcorn Petroleum & Minerals Corporation, Union Energy Corporation, Union Equities, Inc., and Bellagio Holdings, Inc. She is also a Director of Kareila Management Corporation, 118 Holdings, Inc., CHMI Hotels and Residences, PPCI-Subic, Inc., Ellimac Prime Holdings, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Illido Management Corporation, PG Holdings, Inc., San Jose City I Power Corp., League One, Inc., Patagonia Holdings Corp., Premier Wine and Spirits, Inc., Pure Petroleum Corp., Forbes Company, KMC Realty Company, Puregold Duty Free, Inc., Puregold Duty Free (Subic), Inc., NE Pacific Shopping Centers Corporation, Puregold Realty Leasing and Management Inc., and Puregold Properties, Inc. Mrs. Co received a Bachelor of Science in Commerce degree from the University of Santo Tomas.



**LEVI B. LABRA**  
Director

Mr. Labra, Filipino, 59 years old, was elected Director on October 24, 2014. He is also a Director of Cosco Capital, Inc., a publicly listed company. Mr. Labra obtained his Bachelor of Science degree in Business Administration (Cum Laude) at the University of San Carlos, Cebu City.

Member: Audit Committee, Risk Oversight Committee\* and Related Party Transactions Committee\*



**RALPH C. NUBLA, JR.**  
Director

Mr. Nubla, Filipino, 66 years old was elected Director on March 24, 1982. He is a Director of PBCom Finance Corporation, Director and President of R. Nubla Securities, Echague Realty Corporation and RN Realty Corporation. He was an Executive Director of the Bank in 2004, Senior Vice President in 1982, Vice Chairman in 2000 and Chairman of the Board in 2010. He has more than 30 years of experience in banking. He was also President of CNC Investment Inc. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Commerce.

Member: Executive Committee

\*as of Feb 2017





**GREGORIO T. YU**  
Director

Mr. Yu, Filipino, 58 years old, was elected Director on July 26, 2011. At present, he is Chairman of the Board of Auto Nation Group Inc., CATS Automobile Corporation and American Motorcycles, Inc. and Vice Chairman of the Board and Chairman of the Executive Committee of Sterling Bank of Asia. He is also a Director of Philippine Airlines, CATS Asian Cars, Inc., PhilEquity Management Inc., Vantage Equities Inc., Iremit Inc., Unistar Credit and Finance Corporation, Prople BPO Inc., Glyph Studios, Inc., WSI Corporation, Nexus Technologies and Jupiter Systems Corporation. Mr. Yu is a member of the Board of Trustees of Xavier School Inc., and Chairman, Ways and Means of Xavier School Educational and Trust Fund, a Board Member of Ballet Philippines and The Manila Symphony Orchestra. In the past, he was President & CEO of Belle Corporation, Vice Chairman of APC Group and Philippine Global Communication. He was formerly a director of CATS Motors Inc., International Exchange Bank, PhilEquity Fund Inc., Philippine National Reinsurance Corporation, Filcredit Finance, Yehey Corporation, iRipple, RS Lim & Co., and a Director and Vice President at Chase Manhattan Asia Limited. Mr. Yu was formerly a member of the Board of Trustees of the Government Service Insurance System. He graduated summa cum laude with a degree of Bachelor of Arts in Economics from De La Salle University and holds a Master of Business Administration degree from the Wharton School of the University of Pennsylvania.



**DAVID L. BALANGUE**  
Independent Director

Mr. Balangue, Filipino, 65 years old, was elected Independent Director on April 7, 2014. He is presently Director of The Manufacturers Life Insurance Company (Philippines), Inc., Manulife Financial Plans, Inc., Manulife China Bank Life Assurance Corp., Phinma Energy Corporation, Trans-Asia Power Generation Corporation, Subic One Power Generation Corp., Roxas Holdings, Inc., Holcim Philippines, Inc. Maybank ATR Kim Eng Capital Partners, Inc., ATR Asset Management, Inc., ATRAM Trust Corporation, Unistar Credit & Finance Corporation, and Omnipay, Inc. He is also Chairman of Philippine Financial Reporting Standards Council, Coalition Against Corruption and National Citizens' Movement for Free Elections (NAMFREL), Chairman and President of Makati Commercial Estate Association, Makati Parking Authority, Inc. and Philippine Center for Population and Development, Inc. In the past, he served as Chairman and Managing Partner of Sycip Gorres Velayo & Co. He obtained his Bachelor of Science in Commerce Major in Accounting (Magna Cum Laude) at the Manuel L. Quezon University and his Master in Management (With Distinction) at the Kellogg School of Management, Northwestern University in Evanston, Illinois, USA. Mr. Balangue is a Certified Public Accountant, having placed 2nd in the 1972 CPA Board Examination.

Member: Risk Oversight Committee, Related Party Transactions Committee and Governance Committee



**JESUS S. JALANDONI, JR.**  
Independent Director

Mr. Jalandoni, Filipino, 59 years old, was elected Independent Director on January 28, 2013. He is currently the Director of Liberty Flour Mills, Personal Computer Specialists, Inc., as well as Chairman and President of Alegria Development Corporation. He is also the Executive Vice President and Treasurer of Nissan Car Lease Phils. Inc., President of Enterprise Leasing Corporation, LFM Properties Corporation, Valueline Realty & Development Corporation, Buendia Offices Condominium Corporation and Second Midland Corporation and now as the new Treasurer of JM & Co. Inc. He is the Vice President of Kanlaon Development Corporation, Jay Jay Realty Corporation and Kanlaon Farms, Inc.. Mr. Jalandoni holds a Bachelor of Science degree in Business Management Major in Economics at Simon Fraser University, Burnaby, British Columbia.

Member: Trust Committee, Risk Oversight Committee and Related Party Transactions Committee





**ROBERTO Z. LORAYES**  
Independent Director

Mr. Lorayes, Filipino, 74 years old, was elected Independent Director on October 24, 2014. He is currently Chairman of the Board of PhilEquity Management, Inc., Director of I-Vantage, Inc., E-biz Corporation, Strategic Equities Corporation and House with No Steps Foundation. Mr. Lorayes obtained his Bachelor of Science degree in both Commerce and Liberal Arts at De La Salle University and Masters in Business Management at the Ateneo De Manila University.

Member: Trust Committee and Governance Committee



**EMMANUEL Y. MENDOZA**  
Independent Director

Mr. Mendoza, Filipino, 52 years old, was elected Independent Director on December 19, 2014. He is currently the Managing Partner of Mendoza Querido & Co., (a member firm of Moore Stephens International Limited), President of MQ Agri Unlimited Inc., Treasurer of Two Delta Holdings, Inc. and Pacific Harbour Investment Holding. He is Director of Crossgate Holdings, Pinoyfoods and Beverages Corporation, Leyte Export and Trading Corporation, F. Mendoza Realty Development Corporation. He obtained his Bachelor in Business Administration in Accountancy at the University of the Philippines and a Master in Management at the Asian Institute of Management. Mr. Mendoza is a Certified Public Accountant.

Member: Audit Committee



**GILDA E. PICO**  
Independent Director

Ms. Pico, Filipino, 70 years old, was elected Independent Director on February 22, 2017. She was previously connected with Land Bank of the Philippines as President & CEO from November 16, 2006 to July 15, 2016 and Acting President from July 15, 2005 to November 14, 2006. She also served as Director/Chairman in various government and private institutions engaged in leasing, realty, insurance, guarantees, microfinancing, rural and development banking from 1985 to 2016 and Trustee of Landbank Countryside Development Fund from 2005 to 2015. Ms. Pico is presently connected with Mariner Development Corporation as Director/Treasurer, Gilart Holdings Corporation as President and Director/Consultant of Producers Savings Bank. She obtained her Bachelor of Science degree in Commerce in 1966 from College of the Holy Spirit where she graduated Magna Cum Laude and earned units in Masters in Business Administration from the University of the East. Ms. Pico is a Certified Public Accountant.

Member: Audit Committee\*, Related Party Transactions Committee\* and Governance Committee\*

\*as of Feb 2017



## Our Board of Directors



**HENRY Y. UY**  
Board Adviser

Mr. Uy, Filipino, 69 years old, was appointed Board Adviser on June 1, 2015. He is also Chairman of the Board of Banco Dipolog, Inc. and PBCom Finance Corporation. Mr. Uy also held various positions with the Bank as President & CEO from October 2010 to July 2012, Executive Director from August 2004 to November 2005 and Vice Chairman of the Board from August 2012 to May 2015. He was a Director of the Bank from July 1986 to May 2015. He is also the Vice President of Echague Realty Corporation since 1992. Mr. Uy holds a Bachelor of Science degree Major in Business Administration from De La Salle University in 1970 where he graduated Magna Cum Laude. He obtained his Masters in Business Administration from De La Salle University in 1975.



**ANGELO PATRICK F. ADVINCULA**  
Corporate Secretary

Mr. Advincula, Filipino, 46 years old, was elected Corporate Secretary on October 24, 2014. He is currently a Partner of Zambrano Gruba Caganda and Advincula Law Offices, Director of Da Vinci Capital Holdings, Inc., and ZG Global Advisors Corporation. Mr. Advincula holds a Bachelor of Arts degree in Philosophy and a Bachelor of Laws both from the University of the Philippines. He is a Member of the Philippine Bar.



**MICHAEL STEPHEN H. LAO**  
Asst. Corporate Secretary & Corporate Information Officer

Mr. Lao, Filipino, 33 years old, was elected Assistant Corporate Secretary and Corporate Information Officer on November 30, 2014. He is currently an Associate of Zambrano Gruba Caganda and Advincula Law Offices. Mr. Lao holds a Juris Doctor degree from the Ateneo de Manila – Law School and a Bachelor of Science in Business Administration from the College of St. Benilde. He is a Member of the Philippine Bar.





**JAIME VALENTIN "JIMI" L. ARANETA**  
Retail Banking Head, EVP

Jimi joined PBCOM in December 2016 as Retail Banking Head. He has an extensive experience in Branch Operations, Loan Operations, Treasury Operations, Central Clearing and ATM Operations, Business Process and Methods, Compliance and Risk Management, Branch Banking and Sales, and Auto and Personal Loans. He was EVP & COO of China Banking Savings prior to joining the Bank. He graduated from the Ateneo de Manila University with the degree of AB Philosophy and units in MBA and Law.



**ERIBERTO LUIS "LOUIE" S. ELIZAGA**  
Corporate & Commercial Banking Head, EVP

Louie assumed the Corporate and Commercial Banking Head of the Bank in September 2015. He is a member of the Bank's Assets and Liabilities and Information and Technology Steering Committees. He has 30 solid years of credit experience. Prior to joining the Bank, he was a former senior officer, with the last rank as Senior Vice President, in the Corporate Banking Group of Security Bank Corporation (March 2000 to August 2015). He has likewise handled Corporate, Commercial and Consumer lending from various financial institutions such as the former PCI Bank (1986 – 1993), Union Bank of the Philippines (1993 -1996) and Standard Chartered Bank (1996 – 2000). He graduated from the Ateneo de Manila University with the degree in AB Economics and has completed the academic requirements at the Ateneo Graduate School of Business.



**MANUEL ANDRES "MANU" D. GOSECO**  
Treasury Head, EVP

Manu joined PBCOM in January 2016 as the Bank's Treasurer. He brings to the Bank over 20 years of experience in financial institutions specializing in treasury and investments. He oversees the Trading, Asset and Liability Management and Treasury Sales of the Bank ensuring that all regulatory and administrative aspects are addressed. Manu graduated with an AB Economics from the Ateneo de Manila University and MA Economics from Fordham University where he studied as a Presidential Scholar of the University. He also earned the Chartered Financial Analyst designation.



## Senior Management Team



from Left to Right:

**Eriberto Luis "Louie" S. Elizaga, EVP**  
Corporate & Commercial Banking

**Manuel Andres "Manu" D. Goseco, EVP**  
Treasury

**Patricia May T. Siy**  
President & CEO

**Jaime Valentin "Jimi" L. Araneta, EVP**  
Retail Banking

from Left to Right:

**Arlene M. Datu, SVP**  
Finance

**Daniel M. Yu, SVP**  
Global Operations

**Jennie F. Lansang, SVP**  
Information Technology







from Left to Right:

**Expedito G. Garcia, Jr., SVP**  
Transaction Banking & Customer Contact Center

**Irwin Joseph T. Tychuaco, AVP**  
Trust & Wealth Management (OIC)

**Raymond T. Co, SVP**  
Commercial Banking 2

**Alan E. Atienza, SVP**  
Treasury

from Left to Right:

**Jeruel "Jek" N. Lobien, FVP**  
Internal Audit

**Evelyn D. Vinluan, FVP**  
Enterprise Risk Management / ICAAP

**Angelita "Angie" U. Egalin, AVP**  
Compliance (OIC)



## Senior Management Team



## Senior Management Team



from Left to Right:

**Mina F. Martinez, FVP**  
Human Resources

**Atty. Jorge Alfonso "Coby" C. Melo, SVP**  
Legal Services

**Atty. Jane L. Laragan, SVP**  
General Services

from Left to Right:

**Marichelle B. Poyaoan, AVP**  
Customer Protection & Experience Management

**Belle Rosamond D. Justiniani, AVP**  
Marketing

**Joan Iris T. Leon, VP**  
Performance & Project Management







## PBCOM SUBSIDIARIES

### BANCO DIPOLOG, INC.

With over 58 years in business, Banco Dipolog Inc., formerly Rural Bank of Dipolog Inc., is Zamboanga Del Norte's first bank that currently operates with 12 branches, 7 micro-banking offices and 1 extension office located in the Visayas and Mindanao regions to offer loans and deposit products and services. In 2004, Banco Dipolog entered into a Memorandum of Agreement (MOA) with the Philippine Bank of Communications (PBCOM) to acquire at least 90% of the outstanding ordinary shares of the Bank. The acquisition allowed PBCOM to hold 99.80% equity interest in the Bank.

#### BOARD OF DIRECTORS

1. Henry Y. Uy – Chairman/Director
2. Milcah A. Capundag – President/Director
3. Arlene M. Datu – Treasurer/Director
4. Jane L. Laragan – Director
5. Jude Martin Raymund B. Saguin – Director
6. Enrique L. Navarro – Director
7. Manuel Andres G. Boniao – Director

### RURAL BANK OF NAGCARLAN, INC.

Founded in 1962, the Rural Bank of Nagcarlan Inc. currently operates as a subsidiary of the Philippine Bank of Communications that engages in rural banking business providing commercial and personal banking services through 6 branches located in Nagcarlan (Head Office), Calamba, San Pablo, Los Baños, Cabuyao, and Biñan in Laguna. The Bank's products and services are traditional deposits such as savings deposits, time deposits, special savings deposits and demand deposit, as well as various types of loans such as commercial & agricultural loans, and Salary or Teacher's loans.

#### BOARD OF DIRECTORS

1. Ramon L. Lim – Chairman/Director
2. Rose Marie T. Reyes – President/Director
3. Evelyn D. Vinluan – Treasurer/Director
4. Jane L. Laragan – Director
5. Enrique L. Navarro – Director
6. Rogel L. Zenarosa – Independent Director

### PBCOM INSURANCE SERVICES AGENCY, INC.

PBCOM Insurance Services Agency Inc. (PISAI), established in 2014, is a wholly owned subsidiary of Philippine Bank of Communications that engages in the business of soliciting and promoting insurance products in partnership with British life insurer, Pru Life UK to offer a comprehensive array of life, health and protection products to PBCOM's network of customers in the Philippines.

#### BOARD OF DIRECTORS

1. Patricia May T. Siy – Chairman
2. James Y. Go – Director / President
3. Arlene M. Datu – Treasurer
4. Roberto Z. Lorayes – Independent Director
5. Jesus S. Jalandoni, Jr. – Independent Director

### PBCOM FINANCE CORPORATION

PBCOM Finance Corporation, owned by the Philippine Bank of Communications and various individual shareholders was incorporated and registered with the Securities and Exchange Commission in 1980 primarily to provide, grant and extend credit facilities to any person or business enterprise, judicial or otherwise.

#### BOARD OF DIRECTORS

1. Henry Y. Uy – Chairman
2. Bunsit Carlos G. Chung – Vice Chairman
3. James Y. Go – Member
4. Ralph C. Nubla – Member
5. Patricia May T. Siy – Member
6. Evangeline Y. Qua – Member
7. Ching Liong Yap – Member
8. George P. Lim – Member



## PBCOM Empowers Employees thru Various Training Programs

PBCOM lives up to its mission to nurture and develop empowered, inspired, and equally committed employees, under a learning and mentoring organization as we launched several training initiatives for the employees. Our objective is to ensure that everyone is equipped as they take on new roles and challenges towards the progress of their careers.

We welcome new hires with the PBCOM On-Boarding for New Employees (P-ONE) to ensure that our new employees are ready to be the new faces of PBCOM. For our colleagues who have shown exemplary performance, and possess qualities as an emerging leader, we have conducted the SDP (Staff Development Program). In light of continuous improvement, our colleagues from the Branch Banking Group went through technical and personality development program called the Branch Laboratory. Further, our sales and head office support units under the Consumer Finance and Corporate & Commercial Banking Groups underwent a Product Refresher's Course, Process Efficiency Training, Credit Training and Relationship Manager Workshop.

Other courses offered were T24 Training, Advance Property Appraisal Training, Accounting for Non-Accountants, Millennial Leadership Development Program, Business Communication Seminar, Effective Business Writing, Effective Presentation Skills Seminar, Check Image and Clearing System Implementation, Corporate Governance Seminar, Signature Verification and Counterfeit Detection (SVCD) Seminar, Customer Value Matrix (CVM) Training, PhilPost Presentation (Know Your Customer), FMS Training, HRG Strategic Planning Session and Workshop, HRIS Workshop, and T24 Training.

All these were implemented to ensure that our employees have what it takes to work with PRIDE in PBCOM.



from L to R: Ms. Anjela Pablo (Training Officer), Mr. Jay Varona (Training Division Head) and Ms. Mina Martinez (Human Resources Group Head)





## OUR PEOPLE, OUR GEMs: The Best of PBCOM Shines in 2016



PBCOM is a people-centric organization that intends to recognize its top performers and most loyal employees through an event of radiance and superb magnificence, the GEM Awards.

GEM stands for "Going the Extra Mile" to show how the awardees stand out from the rest. On

the other hand, GEM itself is a word to describe a precious and valuable stone that has been cut and polished for ornament. The precious stones represent how the awardees are admired and prized for their excellence.

President May Siy and Director Carlos Chung Awards Dagupan Branch as Branch of the Year during the 2016 GEM Awards held on February 12, 2016



### The GEMs

Our award categories have been named after a number of famous gems. They have been chosen for the qualities and characteristic that they represent. The GEM Awards are, primarily, a recognition of how our Sales and Operations Teams excel in serving our clients' needs.

The Branch Banking Group is awarded the Ruby Awards since this gem has the color of intensity and passion that the group exudes in their day-to-day operations. Amber Awards is an award given to the Consumer Finance Group. The orange hue is associated with strength, tenacity, dedication and resilience—qualities that represent the group. The Corporate and Commercial Banking Group, with their qualities of revitalization, loyalty, patience and wisdom, share their quality with the hue of green, hence, they are awarded the Emerald Awards. Peace and serenity is symbolized by blue, the color of sapphire. Treasury and Trust and Wealth Management Group are awarded the Sapphire Awards for this reason; and since it also reflects the color of heaven, and of abundance and blessings.

### Service Award

Aside from recognizing the excellence of the sales and operations teams, we also recognize the longevity and loyalty of the employees with the Service Award. Employees who have been with the bank for 10, 15, 20, 25, 30 and 35 years have all been awarded. They are living testaments to the career and secured future that one can make out of being a PBCOM employee.



Rechie Fredeluces receives the President's Award, A first in PBCOM History during the 2016 GEM Awards

### President's Award

For the first time in PBCOM history, we have awarded an employee who has been loyal to the company and excelled in his/her field of work. This award, dubbed as "The President's Award" recognizes an employee who has stayed with the company for more than 25 years, and has advanced his/her career to a minimum of a managerial position.

Rizalina "Rechie" Fredeluces, from our Finance Group, has been awarded this high distinction for her 30 years of service and her exemplary performance meriting a series of promotions elevating her to a rank of Assistant Vice President. During her acceptance speech, she proudly shared her and her family's story, mentioning that it was her dad, who also worked for PBCOM for 30 years, who taught her that "every assignment is an important lesson that should be etched in one's mind and heart".

We are thankful for the awardees' significant contribution in delivering profitable and sustainable growth to the bank. PBCOM builds a legacy through dedication and hard work, and together, we grow and Go the Extra Mile.



# PBCOM celebrates LUCKY 77

PBCOM clients in Metro Manila, Metro Cebu, and Davao City joined the Bank's 77th anniversary celebration in a series of Chinese-themed events last September.

Dubbed as "Lucky 77", the anniversary event coincided with the celebration of the Chinese Mid-Autumn Festival. Everyone went home with lots of amazing prizes from S&R as they played the Dice Game.

Our clients and partners are looking forward to more years of growth for PBCOM as the Bank continues to pursue success in the coming years.







# Donating *Toy* and making a difference

## PBCOM Partners with Children's Joy Foundation

*"It's not how much we give,  
but how much love we put into giving."*

This famous line by Mother Teresa has once again been felt through the laughter, smiles and heartfelt gratitude extended to us by the Children's Joy Foundation Inc. (CJFI).

Started in 2015, we have partnered with Children's Joy in helping the less privileged children of our country. Our President and CEO, Ms. Patricia May Siy, together with the Marketing Group, visited the shelter of CJFI in Project 8 Quezon City. The turn-over of the check donation worth P107,640.00 was met with much joy as the children serenaded and performed dance numbers.

This amount has been gathered through the generosity of our PBCOM family. Employees participated in the fund raising program entitled "Donate Joy and Make a Difference", where everyone was encouraged to purchase santa hats with joy pins. Employees, not just in Metro Manila and Luzon, but as far as Visayas and Mindanao, all did their small part to share their gifts to the less fortunate.

We are thankful to the employees and external partners who continue to support our project with the foundation. This is just the beginning of a fruitful and meaningful partnership. We intend to make it a yearly tradition to share our joy and make a difference in this world.





The Pillars of Growth

# PRODUCTS

People



**Products**



Processes



Places



Partnerships





Corporate and Commercial Banking Group serves large institutional clients, small and medium-sized enterprises offering products and services that meet the needs of the Bank's target market. The group provides clients corporate lending facilities, cash management solutions, foreign exchange and investment products.



## CORPORATE & COMMERCIAL BANKING

### CREDIT & TRADE FACILITIES

- Domestic Bills Purchase
- Export Bills Purchase
- Export Packing Credit
- Foreign and Domestic Standby Letter of Credit
- Foreign Currency Loan
- Import and Domestic Letters of Credit
- Project Finance Loan
- Real Estate Development Loan
- Short Term Working Capital Loan
- Term Loan
- Trade Check Discounting
- Trade Finance Receivable
- Trust Receipt

## Our Business Segments and Products & Services

Treasury Group manages the asset and liability position of the Bank ensuring adequate liquidity and funding to the Bank's Retail, Corporate and Consumer Banking Segments. It also exercises prudent and strategic management in the deployment of funds used for proprietary trading operations and investment activities. Treasury also provides the Bank's qualified clients access to financial products for investments and/or hedging foreign exchange or interest rate risks.

Trust & Wealth Management Group acts as agent or trustee in behalf of individual and institutional clients for the purpose of prudent administration, management and the eventual transfer of assets to a beneficiary of the assets brought into trust. The Trust & Wealth Management Group's range of products & services include Investment Management, Escrow Accounts, Provident and Retirement Funds, Personal Living Trust and Unit Investment Trust Fund (UITF) products.



## TREASURY & TRUST

### TREASURY

- Deposit Substitutes
  - Promissory Notes
  - Repurchase Agreements
- Fixed Income
  - Commercial Papers
  - Corporate Bonds
  - Fixed Rate Treasury Notes
  - International Governments
  - Republic of the Philippines International Bonds
  - Retail Treasury Bonds
  - Treasury Bills
  - US Treasuries
- Foreign Exchange
  - FX Forward Contracts
  - FX Spot
  - FX Swap Contracts

### TRUST

- Investment Management Accounts
- Escrow Accounts
- Provident and Retirement Fund
- Personal Living Trusts
- Unit Investment Trust Funds (UITFs)
  - Best Balanced Fund
  - Signature Trust Fund
  - Value Equity Fund

# PRODUCTS



## Our Business Segments and Products & Services

Transaction Banking is responsible for managing the Bank's client-facing digital infrastructure and developing a roadmap for technology-driven products and services that supports the business needs and growth of the Bank. The segment serves both retail and institutional clients; offering cash management solutions and other products and services that extend the clients' capability to perform banking transactions across alternative channels.



### TRANSACTION BANKING

#### CASH MANAGEMENT SERVICES

- Corporate Check Printing
- Deposit Pick-up and Cash Delivery Service
- Facilities via BancNet for Business Accounts
  - BIR eFPS
  - POS Solution
  - POS Cash Back Solution
  - SSS via eGov Facility
  - Bills Payment Services
  - e-Merchant Services
- Manager's Check Printing
- Payroll Services
  - Payroll Cards Issuance:
    - ATM Cards
    - Cash Cards
  - Payroll Disbursements
- Payroll Software Solution
- Post Dated Check Warehousing Solution

The Retail Banking Group is composed of 2 major business groups: the Branch Banking and Consumer Finance groups.

The Branch Banking Group consists of branch sales handled by Business Managers and their Area Heads across the country; and branch service, consisting of Service or Cash Officers and their Service Associates. They are backed up by MIS, process and systems support, people development and product marketing and development. The group is focused on funds generation, consumer, SME and commercial loans, cash management solutions, and overall growth and development of the branch footprint nationwide.

The Consumer Finance Group provides loan solutions for individual clients' financial needs through personalized service and processing assistance with an emphasis on excellent client service. Consumer Finance also extends loans to branch banking and corporate clients.



### RETAIL BANKING

#### DEPOSITS

- Dollar Savings Account
- Dollar Time Deposit
- Euro Savings Account
- Euro Time Deposit
- IntegrALL Account
- Passbook Time Deposit
- Quick Cash Account
- Regular Checking Account
- Regular Savings Account
- Regular Time Deposit
- Value Check Account

#### ANCILLARY SERVICES

- Acceptance of BIR, SSS and Bureau of Customs payments
- Demand Draft
- Gift Checks
- Manager's Checks
- Purchase and Sale of Foreign Currency
- Safe Deposit Boxes

#### CONSUMER LOANS

- Auto Loan
- Home Loan
- Personal Loan
- Salary Loan



## Your DREAM BIKE is just a loan away with PBCOM's Bicycle Loan

Recent years have seen a steady increase in enthusiasts of concept and lifestyle bicycles. Some use bikes as an alternative mode of transportation, some enter into cycling tournaments, and some collect them just for the art and beauty of it.

With a goal of making it easier and more convenient for our customers to own their dream bike, PBCOM has entered into a partnership with EPIC Cycles to offer a first in the banking industry – the Bicycle Loan.

Epic Cycles, since their opening in January 2014, has committed to its vision to be the best cycling shop especially in the southern part of Metro Manila. Today, they live up to their vision as they carry the best brands available in the market. They also make sure that they offer competitive equipment available for purchase, aside from having well-trained mechanics to handle the best after-sales and maintenance services. They are an accredited service provider to all the internationally renowned Iron Man events, proving the quality of their services and products.

With our Bicycle Loan, customers can avail of different kinds of bikes, including triathlon, road bikes, mountain bikes, and even lifestyle bicycles. The prices of bicycles can go as low as Php 20,000 or as high as Php 880,000, plus warranty.

PBCOM and Epic Cycles are equally committed to ensure that our customers are delighted. With this Bicycle Loan, Clients are assured of a great deal that comes with great service and quality as well.



standing from L to R: Mr. Ricky Mendoza (PBCOM Consumer Finance Sales Head), Mr. Boy Simjuangco (EPIC Cycles owner), and Mr. Jimi Araneta (PBCOM Retail Banking Head); seated: Ms. Myles Paris (PBCOM Consumer Finance Product Marketing Head)



## CAMPAIGNS, PROGRAMS & PRODUCT INITIATIVES

### SAVE & SAIL



#### SAVE & SAIL - OUR BIGGEST DEPOSIT CAMPAIGN TO DATE

2016 saw the biggest client promo of PBCOM to date: the Save & Sail Promo. Open to new and existing deposit clients, we have raffled off four (4) exciting travel related prizes: 5-star hotel staycation (Q1), Coron, Palawan Getaway (Q2), Asian cruise (Q3) and Mediterranean cruise (Q4).

### Abot Kamay



#### ABOT KAMAY - EXCLUSIVE LOAN DEALS

PBCOM offered Abot Kamay Loans with special low interest rates exclusive to new and existing S&R members as well as Resorts World Manila employees.

This offer was further strengthened by the boothing activities executed on-site on partners' premises. Seven (7) S&R sites as well as the employee lounge of Resorts World were visited by select PBCOM Consumer Finance Sales teams to encourage sign-ups.



#### PBCOM JOINS THE 2016 ALING PURING CONVENTION (TNAP) OFFERING OPLAN ASENSO LOANS

PBCOM joins the most celebrated annual event for Puregold's Tindahan ni Aling Puring (TNAP) members, the 13th Aling Puring Sari-sari Store Convention, held at the World Trade Center, Pasay City.

We offered "Oplan Asenso Loans" to help Aling Puring members with their financing needs: Oplan Puhunan (Negosyo Cash Loans), Oplan Sasakyan (Negosyo Auto Loan) & Oplan Tahanan (Negosyo Renovation Loan)

#### PBCOM PAYING IT FORWARD THROUGH PARTNERSHIP AND PARTICIPATION

PBCOM participated in the BSP's annual nationwide financial literacy campaign held at the Seda Hotel in Davao City. The conference series, entitled "Gearing up for External Competitiveness," aims to promote market awareness of the benefits of hedging through the prudent use of various financial derivative products as well as present other factors which contribute to a company's external competitiveness (i.e. product quality, technology and market size) in preparation for the country's participation in the ASEAN Economic Community (AEC). The BSP invited PBCOM's Head of Asset & Liability Management, Mr. Rovic De Guzman, as one of the keynote speakers for the event. His topic covered basic hedging products which exporters and importers could use to eliminate and manage foreign exchange (FX) risks. Our participation in this conference shows our commitment to educating and developing the market by helping clients better understand derivatives and how to effectively use these products to eliminate FX risk to improve their competitiveness.



#### CERTIFIED SUKI CARD FOR SAN ROQUE SUPERMARKET CUSTOMERS

PBCOM in partnership with San Roque Supermarket (SRS) have developed the Certified Suki Card, where points earned in the grocery store will be loaded as cash to the members' cash cards.

Hundreds of people swarmed our booth during the SRS Barangay Caravan at Tala Glorietta Park in Caloocan to sign up for a Certified Suki Card powered by PBCOM.



The Pillars of Growth

# PROCESSES

People



Products



**Processes**



Places



Partnerships





## Corporate Governance is everyone's responsibility



PBCOM Board of Directors and Management, employees and shareholders, believe that Corporate Governance is a necessary component of what constitutes sound strategic business management. Thus, the Bank has undertaken every effort necessary to create awareness for this within its organization. All Directors and personnel are required to attend its annual continuing education program on Corporate Governance and Risk Awareness. The Board, Senior Management and all employees conduct themselves with utmost honesty and integrity in the discharge of their duties, functions and responsibilities, thus nurturing the continuing success of the Bank and securing its competitiveness in the best interest of the Bank, its shareholders and other stakeholders. Bank Officers promote the good governance practices within the Bank by ensuring that policies on governance are consistently adopted across the organization, with measurable standards, initiatives and specific responsibilities and accountabilities for each personnel.

Consistent with global best practices of good Corporate Governance, the Bank's overriding commitment to a culture of good governance is seen through the following underlying principles:

1. It is the Bank's objective to enhance shareholders' value by making the most efficient use of resources. Its human capital strategy is one of its vital focus areas, as it is a principal indicator for the company's success.
2. The Bank's Governance Committee, through its Nominations Sub-Committee, ensures the quality of its leadership, consistent with its "fit and proper" rule when selecting its Directors and Senior Management Team.
3. Its Board Committees, namely Governance, Audit and Risk Management Committees are all chaired by Independent Directors and with at least one other Independent Director as member; all of whom have a good understanding of the business.
4. Transparency in its Annual Reports is ensured and reflects true and fair accounting information prepared in accordance with applicable standards; disclose and discuss all material risks; and disclose and explain the rationale for all material estimates. Disclosures are all completed in a timely manner.
5. To ensure that all act in the best interest of the Bank, full disclosure by its Directors, Officers and Employees on any actual or expected conflict of interest is required.
6. The Bank's Code of Ethics and Code of Conduct clearly states Management's philosophy and compliance standards.

### BOARD COMMITTEES

#### EXECUTIVE COMMITTEE

The Executive Committee is composed of seven (7) members chosen from among the members of the Board of Directors. The Board may also appoint such number of alternate members (from among the remaining members of the Board) as it may desire. The Committee has the power to exercise functions and prerogatives of the Board of Directors during intervals between Board meetings except for matters the Board has specifically reserved for itself by law or under the By - Laws. A quorum at any meeting of the Executive Committee consists of a majority of all members thereof. A majority of members constituting a quorum can decide any question that may come before the meeting.

#### TRUST COMMITTEE

The Trust Committee is composed of five (5) members: three members of the Board of Directors, two of whom are Independent Directors; the President and CEO; and the Trust Officer. The Trust Committee acts within the authorities and powers delegated by the Board of Directors, and in compliance with the requirements under the BSP Manual of Regulations for Banks for the practices on Investment Management Activities, Trust and other Fiduciary Business. The Trust Committee shall be responsible for the oversight of all Trust activities. Further, the Committee also ensures that Trust policies and procedures remain relevant to ensure that proper risk management and internal controls are enforceable for the prudent administration and management of Trust activities.

#### AUDIT COMMITTEE

The Audit Committee is composed of three (3) members of the Board of Directors, two of whom are Independent Directors. The Audit Committee has a written charter, which includes its purpose, objectives, duties and responsibilities, duly approved by the Board. The Committee assists the Board of Directors in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, including financial reporting practices, information technology security, accounting policies, and auditing.

#### RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee is composed of four (4) members of the Board of Directors who possess adequate knowledge of the Bank's risk exposures. The Chairman of the Committee is an Independent Director, while the Secretary of the Committee is the Chief Risk Officer. It assists the Board of Directors in the execution of its function in overseeing the risk management program of



the Bank. An effective risk management program is a critical component of financially sound Bank operations. It is a key element in achieving PBCOM's goal and objectives, optimizing growth and capital while minimizing losses to the Bank.

#### RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions is composed of at least three (3) members of the Board of Directors, two of whom shall be independent directors and non-executive directors, with independent directors comprising majority of the members. The Compliance Officer is the committee secretariat, while the Internal Auditor may sit as a resource person.

The committee has the overall responsibility of ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, in compliance with applicable laws and regulations, conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged to protect the interest of depositors, creditors, fiduciary clients and other Stakeholders. They evaluate all material Related Party Transactions (RPT) and oversee the implementation of the RPT system. They ensure that transactions with related parties are subject to periodic independent review or audit, and report to the Board of Directors on a regular basis the status and aggregate exposures to each related party, as well as the total amount of exposure to all related parties.

#### GOVERNANCE COMMITTEE

The Governance Committee is composed of four (4) members of the Board of Directors, two of whom are Independent Directors, and under the chairmanship of an Independent Director. The Committee acts as the primary arm of the Board of Directors in determining the structure, charter, policies and practices of the Board and its Committees. Its mandate covers the organization of the Board of Directors, screening of new members, assessing the propriety of business strategies and determining how the corporation operates, makes decisions and builds its relationships with shareholders and the public at large.

The Corporate Governance function ensures that accountability is enforced at all levels and that the Bank always acts in the best interest of the company, its shareholders and stakeholders. The Committee ensures that such purposes are met by creating a climate of transparency in the Bank where shareholders are fully informed of business decisions and long-term business plans.

One of the primary responsibilities of the Committee is to evaluate and recommend amendments to the Articles of Incorporation and By - Laws, as well as to set up Corporate Governance guidelines including, but not limited to:

- Size (number of members) of the Board
- Criteria for membership (e.g. Qualifications, Stock Ownership, Diversity)
- Mix of management and Independent Directors
- Prevention of conflicts of interest
- Compensation and benefits program of managing and non-managing members of the Board and Senior Management
- Structure and Charter of Board Committees
- Rotation of Committee members and chairs
- Performance evaluation of CEO and members of the Board
- Succession Planning and Development Program for Senior Management and Directors

The Governance Committee oversees the programs of the following sub-committees:

#### Nomination Sub-Committee

The Nomination Sub-Committee identifies, evaluates and recommends individuals qualified to become Directors of the Bank based on factors such as probity of character, extent of business experience and expertise and maturity or judgment. The Sub-Committee also exercises oversight functions in the selection, nomination and appointment of members of Senior Management.

#### Compensation and Remuneration Sub-Committee

This Committee oversees the implementation of the compensation and benefits program for Directors and Senior Management to attract and retain the best talents by benchmarking against other leading financial institutions.

#### Performance Evaluation Sub-Committee

The Sub-Committee oversees the implementation of performance management program for Senior Management and the members of the Board.

#### REMUNERATION POLICY

The Bank provides a commensurate and rational salary structure depending on the scope of responsibilities/functions of each employee which is reviewed periodically to align with the current regulatory provisions and industry trends. It complies with the wage orders or government mandated pay adjustments issued by the Department of Labor and Employment and the Tripartite Wage Boards if applicable. Periodic merit increases are given based on annual performance appraisal reviews for officers while regular rank & file employees receive fixed salary adjustments based on the applicable provisions of the existing Collective Bargaining Agreement.

Members of the Board are entitled to a reasonable per diem for all board and board level committee meetings.

### Committee Membership & Meeting Attendance

BOARD COMMITTEE	ATTENDANCE
Eric O. Recto, Chairman	09/12
Leonardo B. Dayao, Vice chairman	11/12
Lucio L. Co, Director & Executive Committee Chairman	12/12
Patricia May T. Siy, President & CEO	12/12
Carmen G. Huang, Executive Director	12/12
Bunsit Carlos G. Chung, Director	11/12
Susan P. Co, Director	11/12
Ralph C. Nubla, Jr., Director	12/12
Gregorio T. Yu, Director	10/12
David L. Balangue, Independent Director	10/12
Jesus S. Jalandoni, Jr., Independent Director	09/12
Levi B. Labra, Independent Director	10/12
Roberto Z. Lorayes, Independent Director	12/12
Emmanuel Y. Mendoza, Independent Director	10/12
Ridha Wirakusumah, Director <sup>1</sup>	02/03

<sup>1</sup> Up to March 2016 only



## Committee Membership & Meeting Attendance

EXECUTIVE COMMITTEE	ATTENDANCE
Lucio L. Co, Chairman	41/49
Eric O. Recto, Vice Chairman	38/49
Leonardo B. Dayao, Vice Chairman	41/49
Patricia May T. Siy	49/49
Carmen G. Huang	47/49
Bunsit Carlos G. Chung	44/49
Ralph C. Nubla Jr.	44/49
TRUST COMMITTEE	ATTENDANCE
Eric O. Recto, Chairman	2/2
Patricia May T. Siy	2/2
Roberto Z. Lorayes	2/2
Jesus S. Jalandoni	0/2
Irwin Joseph T. Tychuaco	2/2
AUDIT COMMITTEE	ATTENDANCE
Emmanuel Y. Mendoza, Chairman	13/13
Levi B. Labra	12/13
Bunsit Carlos G. Chung	7/13
RISK OVERSIGHT COMMITTEE	ATTENDANCE
David L. Balangue, Chairman	12/13
Jesus S. Jalandoni Jr.	09/13
Bunsit Carlos G. Chung	09/13
Patricia May T. Siy	13/13
RELATED PARTY TRANSACTIONS COMMITTEE	ATTENDANCE
David L. Balangue, Chairman	4/4
Jesus S. Jalandoni Jr.	1/4
Bunsit Carlos G. Chung	4/4
GOVERNANCE COMMITTEE	ATTENDANCE
Roberto Z. Lorayes, Chairman	11/12
Eric O. Recto	11/12
David L. Balangue	11/12
Leonardo B. Dayao	12/12



Corporate  
Governance  
is everyone's  
responsibility





# RISK AND CAPITAL MANAGEMENT

## RISK MANAGEMENT FRAMEWORK

### OVERALL RISK MANAGEMENT CULTURE & PHILOSOPHY

Enterprise Risk Management (ERM) is the framework of policies, processes and systems, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

PBCOM applies risk management across the entire organization — from the Board of Directors, Senior Management, Business Segments and Groups, Business Centers, support units, and to individual employees; as well as in specific functions, programs, projects and activities. Implementation of the Framework contributes to strengthening management practices, decision making and resource allocation, and increasing shareholder value; while protecting the interest of its clients, maintaining trust and confidence, and ensuring compliance with regulations.

### ERM Vision, Mission, Philosophy, and Objectives

**Vision:** To protect and optimize PBCOM's enterprise value through effective risk management.

**Mission:** To develop risk awareness and a risk/return consciousness in the Bank in order to protect deposits, preserve capital and ensure adequate return on capital.

**Philosophy:** PBCOM recognizes that enterprise risk management is fundamental for its safe and sound operation and sustainable growth. It ensures business success through balanced risk and reward, operational excellence and conformance to the highest ethical standards and regulatory requirements. Enterprise Risk Management in PBCOM is aligned to its business objectives and strategies. It operates at all levels and in all units of PBCOM that continually manage risk in an environment fostered by an appropriate governance structure, a strong "control culture" and a proactive process of identification, understanding, assessment and mitigation of all its material risks.

**Objectives:** (i) Identify, measure, manage and control risks inherent in PBCOM's activities or embedded in its portfolio (ii) Define and disseminate risk management philosophy and policies. (iii) Assist risk-taking business and operating units in understanding and measuring risk/return profiles (iv) Develop a risk management infrastructure that includes policies and procedures, organization, limits and approval authorities, MIS and reporting, systems and risk models (v) Promote a risk awareness and strong "control culture" in PBCOM

### Risk Policies and Frameworks

PBCOM Risk and Capital Management is to actively manage its capital base to cover risks inherent in the business and being guided by the: (i) Enterprise Risk Management Framework (ii) Market Risk and Capital Oversight Manual (iii) Credit Policy Manual (iv) Operational Risk Management Framework (v) Fraud Risk Management Framework (vi) Crisis Management Framework (vii) IT Risk Management Framework (viii) Business Continuity Management Framework (ix) Information Security Risk Management Framework (x) Trust Risk Management Framework (xi) Consumer Protection Risk Management System (CPRMS)

## RISK APPETITE STATEMENT and ARTICULATION FRAMEWORK

PBCOM recognizes that having an appropriate level and quality of capital is necessary for it to achieve its business objectives. The Bank regards capital as its primary defense against any potential losses that may arise from risks taken in the course of its operations over its strategy for profitability and balance sheet growth. Hence, it is the Bank's view that it should hold capital not merely to meet minimum regulatory requirements, but should maintain capital adequate to cover other material risks that the Bank is exposed to, and for it to meet its business objectives. Anchored on the Bank's Vision, Mission, and Strategic Theme statements, the Board of Directors in its meeting in March 2017 reviewed and approved the Bank's risk appetite statement to be as follows:

*"PBCOM regards capital as its primary defense against any potential losses that may arise from risks taken in the course of its operations. Hence, the Bank should:*

*Maintain at all times an adequate level of capital and capital buffer to cover the risk-taking activities of the Bank as it executes its strategies; and to sustain a prudent level of profitability over the Bank's resources and expenses.*

*Through this, the Bank will achieve growth stability, capital viability, competitiveness, and maintain confidence of investors, shareholders, employees, financial market, clients, and regulators."*

The Board of Directors in its meeting in December 2016 reviewed and approved the 2017 risk appetite as endorsed by the ICAAP Steering Committee and Risk Oversight Committee:

**To have a 12% minimum RBCAR to ensure sufficient capital buffer to cover Pillar 2 Risks**

The 12% Board risk appetite for minimum RBCAR is articulated under the following considerations:

(i) Qualifying Capital should be based on the Basel III Capital Standard guidelines as described under BSP Circular 781. (ii) Resulting RBCAR and Pillar 2 RBCAR Buffer based on the Board approved strategies and financial targets. (iii) Possible deviations of RBCAR from targets under simulated capital depletion and increases in the Risk Weighted Assets. (iv) Industry and historical RBCAR and Return-on-Equity (ROE) comparative assessment. (v) Break-even point evaluation of RBCAR levels to be below the 12% Board appetite and 10% BSP minimum requirements.

The Holistic Risk Appetite level serves as the macro level that defines the minimum trigger level of capital coverage over the risks assumed, the maximum utilization of capital, the minimum return on assets, and the maximum cost to income ratio. The Holistic Risk Appetite level is further supported by the eight (8) components which serve as micro levels that look into the details that drive the holistic level by setting tolerances to the risk categories under the ICAAP framework, and ceilings on the amount of capital allocated to the business segments.

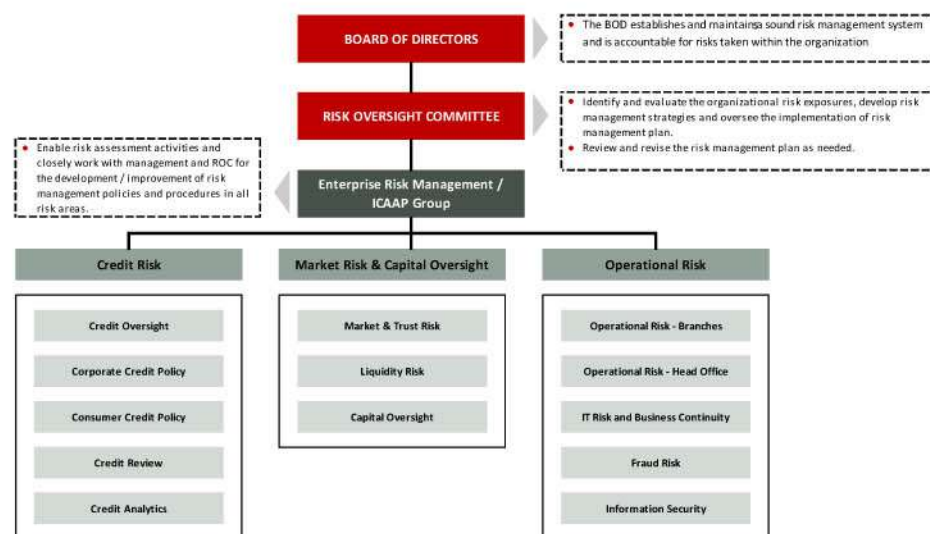




Upon the articulation of the Components of the Holistic Risk Appetite, both the Business Line & Enterprise Risk Management/ICAAP Group will in turn set/renew risk limits particular to each segment (e.g. VAR and Trader's Position Limits for Treasury) that are anchored to the approved Risk Appetite and Business Plan to be endorsed and approved by the ROC and the BOD.

## RISK GOVERNANCE STRUCTURE and RISK MANAGEMENT PROCESS

The Risk Oversight Committee (ROC) assists the Board of Directors in the effective discharge of its function in overseeing the enterprise risk management program of the Bank. The ERM/ICAAP Group is the ROC's implementing arm in carrying out its functions.



## HIERARCHY OF RISK ACCOUNTABILITY

FIRST LINE: LINE MANAGEMENT	Self-Assessment & Control - All personnel: <ul style="list-style-type: none"> <li>Identify, mitigate and manage risks;</li> <li>Comply with Policies, Standards and Regulations</li> <li>Ensure day-to-day control procedures are in place</li> <li>Undertake tests to ensure controls are followed</li> </ul>
SECOND LINE: ENTERPRISE RISK MANAGEMENT   ICAAP GROUP / COMPLIANCE GROUP	Sets and Monitors Standards: <ul style="list-style-type: none"> <li>Establish risk management framework, standards and policies</li> <li>Validate risk ratings</li> <li>Challenge control levels and action plans</li> </ul>
THIRD LINE: INTERNAL AUDIT GROUP	Independent Assurance Review - Internal Auditors <ul style="list-style-type: none"> <li>Independent assurance review</li> <li>Audit the adequacy of risk assessment and the risk management process</li> </ul>

## Enterprise Risk Management Process

The enterprise risk management process refers to the systematic application of management policies, procedures and practices to the activities of identifying, measuring, controlling, monitoring and reporting risks and controls. To properly identify risks, PBCOM recognizes and understands existing or potential risks that may arise from new business initiatives, including risks that originate in subsidiaries and affiliates. Risk identification being employed by the Bank is a continuing process, and occurs at both the transaction and portfolio level.

## ANTI-MONEY LAUNDERING (AML) GOVERNANCE and CULTURE

In consonance to the policy of the State "to protect the integrity and confidentiality of bank accounts and to ensure that the Philippines shall not be used as a money-laundering site for the proceeds of any unlawful activity; consistent with its foreign policy, the Philippines shall extend cooperation in transnational investigations and prosecutions of persons involved in money laundering activities wherever committed (Sec. 2 RA 9194; Rule 2 IRR)", the Bank has adopted the following principles to combat money laundering:

- PBCOM shall ensure that business is conducted in conformity with high ethical standard in order to protect the safety and soundness as well as the integrity of the national and financial system.
- To ensure that PBCOM's reputation is not compromised, it is the Bank's guiding principle that our employees will not aid or abet money-laundering activities and will protect the integrity and confidentiality of bank accounts.
- PBCOM shall extend full cooperation with the Anti-Money Laundering Council (AMLC) Secretariat, the Philippine Financial Intelligence Unit.
- PBCOM shall not allow itself to be used as an intermediary for the deposit, investment or transfer of money derived from unlawful activities.

Also, the Bank has developed sound risk management policies and practices to ensure risks associated with money-laundering such as counterparty, reputational, and compliance risks are identified, assessed and monitored, mitigated and controlled, as well as to ensure effective implementation of these regulations, to the end that PBCOM shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism.





## CAPITAL MANAGEMENT

The Bank adheres to banking laws and regulations issued under the Basel Accords and adopted by the BSP that aim to ensure capital adequacy to support all business risks and apply appropriate risk management techniques in managing and monitoring risks. The Bank, through Enterprise Risk Management / ICAAP Group (ERMG), interrelates the capital assessment of each of the categories of risk as described in the succeeding section and ensures inclusion of the following principles as basis in designing the Bank's framework for capital oversight:

- (i) A process for assessing the overall capital adequacy in relation to the risk profile;
- (ii) A strategy for maintaining, at least, the minimum level of regulatory capital;
- (iii) A process for reviewing and evaluating internal capital adequacy assessments and strategies;
- (iv) A means of ensuring compliance to regulatory capital ratios.

The Bank's Board of Directors is ultimately responsible for ensuring that the Bank maintains an appropriate level and quality of capital commensurate not just with the risks covered by BSP's Risk-Based Capital Adequacy Framework, but also with all other material risks to which it is exposed to. Hence, the bank has in place an Internal Capital Adequacy Assessment Process (ICAAP) that takes into account all of these risks. For this purpose, the bank constituted an ICAAP Steering Committee (ISC), a management level committee, to assist the Board of Directors in accomplishing this objective. Furthermore, the capital management processes contain the following features:

- (i) Board and Senior Management Oversight
- (ii) Sound capital assessment
- (iii) Risk assessment
- (iv) Monitoring and reporting
- (v) Internal control

## CAPITAL STRUCTURE and ADEQUACY REPORTING

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Group's "qualifying capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies which may differ from PFRS in some respect (e.g., measurement of investment properties).

Note 24 of the attached 2016 Audited Financial Statement contains in greater detail the quality of comprehensive explanations of how ratios involving components of regulatory capital are calculated.

The Group's and the Bank's RBCAR as reported to BSP as of December 31, 2016 and 2015 are shown in the table (amounts in millions)

CAPITAL RESOURCES	Consolidated		Parent	
	2016	2015	2016	2015
<b>CORE EQUITY - TIER ONE</b>	<b>7,578</b>	<b>6,353</b>	<b>7,220</b>	<b>6,062</b>
Paid-in Common Shares	12,884	11,490	12,884	11,490
Retained Surplus (Deficit)	(4,133)	(4,218)	(4,088)	(4,173)
Accumulated Other Comprehensive Income	(138)	47	(137)	47
Minority interest	(10)	(8)	-	-
Less: Regulatory Adjustments to CET-1				
Unsecured loans, other credit accommodations granted to subsidiaries and affiliates	(1)	-	(2)	(7)
Investments in Subsidiaries	(15)	(15)	(949)	(874)
Investments in Affiliate	(12)	(12)	(12)	(12)
Intangible Assets	(741)	(676)	(374)	(307)
Goodwill	(256)	(255)	(102)	(102)
<b>ALTERNATIVE TIER ONE CAPITAL</b>				
<b>TIER TWO CAPITAL</b>	<b>1,999</b>	<b>1,890</b>	<b>1,969</b>	<b>1,859</b>
Valuation Increment Reserves on PBCOM Tower	1,596	1,580	1,582	1,568
General Loan Loss Provision	403	310	387	291
<b>QUALIFIED CAPITAL</b>	<b>9,577</b>	<b>8,243</b>	<b>9,189</b>	<b>7,921</b>
<b>Tier One</b>	<b>7,578</b>	<b>6,353</b>	<b>7,220</b>	<b>6,062</b>
Core Equity	7,578	6,353	7,220	6,062
Alternative Tier One	-	-	-	-
<b>Tier Two</b>	<b>1,999</b>	<b>1,890</b>	<b>1,969</b>	<b>1,859</b>
<b>Risk Weighted Assets</b>	<b>65,288</b>	<b>55,066</b>	<b>62,755</b>	<b>52,761</b>
Credit Risk-Weighted Assets	59,199	49,731	56,895	47,465
Market Risk-Weighted Assets	545	615	545	615
Operational Risk-Weighted Assets	5,544	4,720	5,315	4,681
<b>Core-Equity, Tier One Ratio (Adjusted CET-1 Capital/Total Risk Weighted Assets)</b>	<b>11.61%</b>	<b>11.54%</b>	<b>11.51%</b>	<b>11.49%</b>
<b>Tier One Ratio (Adjusted Tier One Capital/Total Risk Weighted Assets)</b>	<b>11.61%</b>	<b>11.54%</b>	<b>11.51%</b>	<b>11.49%</b>
<b>Capital Adequacy Ratio (Total Capital/Total Risk Weighted Assets)</b>	<b>14.67%</b>	<b>14.97%</b>	<b>14.64%</b>	<b>15.01%</b>
<b>Capital Conservation Buffer (Excess Adjusted CET-1/Total Risk Weighted Assets)</b>	<b>5.61%</b>	<b>4.04%</b>	<b>5.51%</b>	<b>3.99%</b>



The table below shows reconciliation between Philippine Financial Reporting Standards (PFRS) capital, capital under Philippine Regulatory Accounting Principles and Qualifying Capital under Basel III.

RECONCILIATION OF REPORTED CAPITAL RESOURCES	Consolidated		Parent	
	2016	2015	2016	2015
<b>PFRS Capital</b>	<b>10,782</b>	<b>8,924</b>	<b>10,790</b>	<b>8,858</b>
Differences in Accounting Principles Recycled to P&L & Retained as Earnings	(1,894)	(1,579)	(1,856)	(1,454)
Differences in Comprehensive Income (Loss) on Equity Securities	(8)	(1)	(8)	(1)
Differences in Appraisal Increment Reserves	1,316	1,300	1,302	1,288
Differences in Cumulative Translation Adjustment	80	75	88	70
Actuarial loss on Post-Retirement Benefits (PAS 19R)	(76)	173	(75)	171
Differences in Minority interest	(2)	(1)	-	-
<b>RAP Capital</b>	<b>10,198</b>	<b>8,891</b>	<b>10,241</b>	<b>8,932</b>
Unsecured loans and other accommodations granted to subsidiaries and affiliate	-	-	(2)	(7)
General Loan Loss Provision	403	310	387	291
Investment in Subsidiaries and Affiliate	(27)	(27)	(961)	(886)
Intangible Assets and Goodwill	(997)	(931)	(476)	(409)
<b>Qualified Capital for Minimum Adequacy Compliance under Basel III</b>	<b>9,577</b>	<b>8,243</b>	<b>9,189</b>	<b>7,921</b>

## CAPITAL REQUIREMENTS BY QUALITY AND BY CLASS OF RISK

Minimum capital requirements of Philippine Banking Regulations for each level of capital are: (i) Core Equity Tier One – Six percent (ii) Tier One Capital – Seven and a half percent (iii) Total Capital – Ten percent

Minimum capital requirements apply to these three classes of risks that regulators determine as the major components of a bank's risk profile: Credit Risk; Market Risk; Operational Risk. The table below shows the details of risk-weighted assets and capital requirements for the three classes of risk.

December 31, 2016	Credit Risk		Market Risk		Operational Risk	
	Group	Parent	Group	Parent	Group	Parent
On-Balance Sheet	56,057	53,753				
Off-Balance Sheet Commitments to Lend	2,550	2,550				
Counterparty Risk-Weighted assets in the banking book	592	592				
Counterparty Risk-Weighted assets in the Trading book	-	-				
Interest Rate Risk on the Trading Books			248	248		
Foreign Exchange Risk			297	297		
Basic Indicator Approach					5,544	5,315
<b>Total</b>	<b>59,199</b>	<b>56,895</b>	<b>545</b>	<b>545</b>	<b>5,544</b>	<b>5,315</b>
<b>Capital Requirements</b>	<b>5,920</b>	<b>5,689</b>	<b>55</b>	<b>55</b>	<b>554</b>	<b>531</b>

December 31, 2015	Credit Risk		Market Risk		Operational Risk	
	Group	Parent	Group	Parent	Group	Parent
On-Balance Sheet	47,769	45,503				
Off-Balance Sheet Commitments to Lend	1,952	1,952				
Counterparty Risk-Weighted assets in the Banking book	10	10				
Counterparty Risk-Weighted assets in the Trading book	-	-				
Interest Rate Risk on the Trading Books			581	581		
Foreign Exchange Risk			34	34		
Basic Indicator Approach					4,720	4,681
<b>Total</b>	<b>49,731</b>	<b>47,465</b>	<b>615</b>	<b>615</b>	<b>4,720</b>	<b>4,681</b>
<b>Capital Requirements</b>	<b>4,973</b>	<b>4,747</b>	<b>62</b>	<b>62</b>	<b>472</b>	<b>468</b>

## CAPITAL CONSERVATION BUFFER

Banking regulations recommend that banks accumulate and hold capital resources in addition to minimum requirements. The recommendation places constraints on the ability of a bank to transfer or return capital and encourages banks to accumulate and retain earnings during normal market conditions. This added buffer helps conserve a bank's capital and extends compliance with minimum capital requirements during periods of market-wide shock.

Philippine regulations recommend that banks retain earnings to sustain a buffer that is equivalent to two and a half percent of its risk weighted assets. This buffer must be in the form of Core-Equity Tier One Capital.

PBCOM, its subsidiaries and affiliates collectively carry sufficient capital resources to cover the required buffer at the consolidated level. PBCOM also carries sufficient capital resources on a solo basis to cover the required buffer as a single entity. Therefore, the Bank enjoys unrestricted transfer of capital while remaining above compliance.

## RISK EXPOSURES and ASSESSMENTS

### CREDIT RISK

Note 5 "Financial Risk Management Objectives and Policies" of the attached 2016 Audited Financial Statement contains in greater detail the quality of comprehensive explanations of how ratios involving components of regulatory capital are calculated.

### Credit Risk Management Process

Credit risk is the primary financial risk in the banking system and exists in all revenue generating activities. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk arises any time a Bank's funds are extended, committed, invested or exposed through actual or implied contractual agreements resulting from its lending operations, trading of securities, and foreign exchange activities. Capital depletion through loan losses has been the ultimate cause of most institutions' failures.

The Credit Risk Management Unit (CRMU) under Enterprise Risk Management Group (ERMG) is responsible for overseeing the Bank's credit risk, achieved through various functions embedded within the Group. The Bank, in recognition of the importance of identifying and rating credit risk as the initial step towards its effective management, has put in place a comprehensive set of policies and established underwriting processes, as approved by the Board of Directors. Regular analysis of the ability of potential and existing borrowers to meet interest and capital repayment obligations is made, including amendment of lending limits when appropriate. The Bank is thus able to continually manage credit-related risks in its risk asset portfolio through objective assessment /



evaluations of credit proposals prior to presentation to the appropriate approval authorities, ensuring the highest standards of credit due diligence and independence. The Bank's approval matrix begins at carefully reviewed and selected individual limit delegations, working its way up to the Executive Committee (EXCOM) and the Board of Directors as appropriate.

### Collateral and Other Credit Enhancements

Exposure to credit risk is also managed in part by obtaining collateral and suretyship/guarantees. The amount and type of security required depends on the assessment of the credit risk of the counterparty. In order to minimize credit loss, additional security shall be sought from the borrower when impairment indicators are observed. The Bank implements guidelines on the acceptability and valuation parameters of specific classes of collateral for credit risk mitigation. The main types of collateral obtained are as follows: (i) for securities lending and reverse repurchase transactions: cash or securities; (ii) for commercial lending: mortgages over real estate properties, machineries, inventory and trade receivables; and (iii) for retail lending: mortgages over residential properties and vehicles. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank also measures credit risk exposure in terms of regulatory capital requirement using a standardized approach. Under this method, credit exposures are risk-weighted to reflect third-party credit assessment of the individual exposure from acceptable external credit rating agencies and allow the use of eligible collaterals to mitigate credit risk. All documentation used in the collateralized transactions and for guarantees are binding on all parties and legally enforceable in the relevant jurisdiction.

The credit risk management function also involves the identification of inherent risks related to transactions or processes executed with respect to all lending-related activities. In line with this function, the Risk Control Self-Assessment (RCSA) and Key Risk Indicators Report (KRIR) serve as tools in monitoring the risk profile of the Bank's business units (e.g. lending and support groups) and establishing internal loss and key risk indicator databases.

### Internal Credit Risk Rating System (ICRRS)

Banking regulations mandate the implementation of an internal credit risk rating system that is consistent with global ratings standards, compliant with Basel II requirements and appropriate to a bank's nature, complexity and scale of activities. For purposes of measuring credit risk for every exposure in a consistent and accurate manner for purposes of business and financial decision making, the Bank acquired several solutions systems in 2013. In May 2013, the Bank replaced the in-house-developed risk rating system with Moody's Analytics Risk Origins, a robust, enterprise-wide browser-based credit risk management system that collects, analyzes and stores financial and non-financial information, providing a comprehensive solution for managing and analyzing corporate loan accounts. For consumer loan accounts, the Bank acquired in April 2013, the INDUS Loans Originations System, a loan applications processing solution covering the entire process from submission of applications to disbursements. Also, the Bank acquired in December 2013, FICO's Expert Origination Model for decision-making purposes. The foregoing risk rating systems shall be monitored for their predictive capability and model performance.

### Minimum Capital Requirements to Cover Credit Risk Exposures

BCOM computes for capital requirements to cover credit risk exposures using the standardized approach. The Bank applies risk weights to credit exposures based on ratings made available by External Credit Rating Institutions (ECAIs). ECAIs whose ratings have received accreditation for use in establishing requirements for capital coverage include: Standard & Poor's Financial Services, LLC; Moody's Investor Services; and Fitch Ratings, Inc.

The national government of the Philippines and the Bangko Sentral ng Pilipinas receive a credit risk weight equivalent to that of an AAA borrower in exposures denominated in Philippine Pesos. Credit risk exposures on balance sheet requiring capital coverage are the product of the carrying value appearing on the balance sheet and the risk weight applicable to the exposure.

December 31, 2016	Consolidated							Parent						
	Risk weight							Risk weight						
	0%	20%	50%	75%	100%	150%	Total	0%	20%	50%	75%	100%	150%	Total
<b>On-Balance Sheet</b>														
Cash and Other Clearing Items	1,094	8					1,041	1,010						1,010
Due from Bangko Sentral ng Pilipinas	13,356						13,356	13,277						13,277
Due from Banks		716	1,874		652		3,243		716	1,874		287		2,877
Securities Portfolio (Excluding Trading Books Positions)	10,338		1,681		1,691		13,710	10,338		1,681		1,691		13,710
Loan Portfolio (net of Specific Provisions for Loss)	860	50	2,077	65	42,245	369	45,665	821	50	2,077		40,564	342	43,854
Sales Contracts Receivable					150	26	176					144	21	165
Real & Other Properties Acquired						560	560						496	496
Other Assets					6,866		6,866					6,809		6,809
<b>Off-Balance Sheet Commitments to Lend</b>	7,245	1,637			2,223		11,105	7,245	1,637			2,223		11,105
Counterparty Risk-Weighted assets in the Banking book					592		592					592		592
Counterparty Risk-Weighted assets in the Trading book														
<b>Total Credit exposure</b>	<b>32,833</b>	<b>2,411</b>	<b>5,632</b>	<b>65</b>	<b>54,419</b>	<b>955</b>	<b>96,315</b>	<b>32,692</b>	<b>2,404</b>	<b>5,632</b>	<b>-</b>	<b>52,309</b>	<b>859</b>	<b>93,896</b>
<b>Total Risk-Weighted On-Balance Sheet assets</b>	-	155	2,816	48	51,604	1,433	56,057	-	153	2,816	-	49,494	1,289	53,753
<b>Total Risk-Weighted Off-Balance Sheet assets</b>	-	327	-	-	2,223	-	2,550	-	327	-	-	2,223	-	2,550
<b>Total Counterparty Risk-Weighted assets in the Banking book</b>	-	-	-	-	592	-	592	-	-	-	-	592	-	592
<b>Total Counterparty Risk-Weighted assets in the Trading book</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Credit Risk-Weighted Assets</b>	<b>-</b>	<b>482</b>	<b>2,816</b>	<b>48</b>	<b>54,419</b>	<b>1,433</b>	<b>59,199</b>	<b>-</b>	<b>481</b>	<b>2,816</b>	<b>-</b>	<b>52,309</b>	<b>1,289</b>	<b>56,895</b>

December 31, 2015	Consolidated							Parent						
	Risk weight							Risk weight						
	0%	20%	50%	75%	100%	150%	Total	0%	20%	50%	75%	100%	150%	Total
<b>On-Balance Sheet</b>														
Cash and Other Clearing Items	1,299.29	3.88					1,303.17	1,271.44						1,271.44
Due from Bangko Sentral ng Pilipinas	12,414.82						12,414.82	12,344.50						12,344.50
Due from Banks		251.21	1,408.87		496.61		2,156.69		251.21	1,408.87		268.43		1,928.51
Securities Portfolio (Excluding Trading Books Positions)	10,894.49		2,164.32		2,015.26		15,074.07	10,894.49		2,164.32		2,015.26		15,074.07
Loan Portfolio (net of Specific Provisions for Loss)	688.92		1,662.01	74.07	33,009.28	445.66	35,879.94	623.90		1,662.01		31,309.63	421.39	34,016.93
Sales Contracts Receivable					151.05	31.06	182.12					145.12	25.61	170.73
Real & Other Properties Acquired						533.70	533.70						465.85	465.85
Other Assets					7,857.14		7,857.14					7,727.61		7,727.61
<b>Off-Balance Sheet Commitments to Lend</b>	6,482.66	964.20			1,759.66		9,206.52	6,482.66	964.20			1,759.66		9,206.52
Counterparty Risk-Weighted assets in the Banking book				19.34	0.05		19.39					0.05		19.39
Counterparty Risk-Weighted assets in the Trading book														
<b>Total Credit exposure</b>	<b>31,780</b>	<b>1,219</b>	<b>5,255</b>	<b>74</b>	<b>45,289</b>	<b>1,010</b>	<b>84,628</b>	<b>31,617</b>	<b>1,215</b>	<b>5,255</b>	<b>-</b>	<b>43,226</b>	<b>913</b>	<b>82,226</b>
<b>Total Risk-Weighted On-Balance Sheet assets</b>	-	51	2,618	56	43,529	1,516	47,769	-	50	2,618	-	41,466	1,369	45,503
<b>Total Risk-Weighted Off-Balance Sheet assets</b>	-	193	-	-	1,760	-	1,952	-	193	-	-	1,760	-	1,952
<b>Total Counterparty Risk-Weighted assets in the Banking book</b>	-	-	10	-	0	-	10	-	-	10	-	0	-	10
<b>Total Counterparty Risk-Weighted assets in the Trading book</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Credit Risk-Weighted Assets</b>	<b>-</b>	<b>244</b>	<b>2,627</b>	<b>56</b>	<b>45,289</b>	<b>1,516</b>	<b>49,731</b>	<b>-</b>	<b>243</b>	<b>2,627</b>	<b>-</b>	<b>43,226</b>	<b>1,369</b>	<b>47,465</b>

The capital requirement under the RBCAR framework from the 10% of the amount of Credit Risk Weighted Assets as of December 2016 is more than sufficient to cover the amount of internal capital requirement as assessed by the Parent Bank to cover credit risk.



## MARKET RISK

Market risk is the risk of loss with respect to future earnings, fair value, or future cash flows which may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market conditions. Describing in this section the Bank's market risk management system as an addition to the information contained in Note 5 "Financial Risk Management Objectives and Policies" of the attached 2016 Audited Financial Statement that describes in greater detail the qualitative and quantitative information on market risk.

### Managing Market Risk in the Trading Book

The trading business of the Bank centers on exposures to interest rates from the portfolio of debt securities and from the currency mismatches on and off the balance sheet. Market risk in the trading book proceeds from the potential impact of adverse movements in market conditions either eroding asset values or increasing liabilities resulting in financial losses. These principally include:

(i) Changes in prevailing interest rates eroding the values of securities and foreign exchange contracts and; (ii) Changes in prices affecting the values of positions in foreign currency.

Management of market risk in the trading book begins at the level of the portfolio managers in Treasury that execute trading strategies. The portfolio managers are responsible for the results of their execution, including financial performance, adherence to limits, and compliance with regulation. The Treasurer discusses the condition and performance of trading books exposures at the meetings of the Bank's Asset and Liability Committee (ALCO).

Risk control functions ensure that the exposures taken on the trading books remain consistent with those approved by and acceptable to the Board of Directors.

(i) The market risk management function sets the risk framework and conducts an independent revaluation of all risk exposures to ensure adherence to the limits approved by the Board. They report their findings in each of the monthly meetings of the Board's Risk Oversight Committee. (ii) Financial control and operations ensure that all exposures are recognized, reported and re-measured according to proper financial reporting standards. The Chief Executive Officer reports the financial condition and performance to Senior Management and the Board of Directors. (iii) Compliance ensures that both risk-taking and risk management actions remain consistent with the requirements of regulations. They report any issues to the Board's Corporate Governance Committee.

The internal audit (IA) function conducts reviews of the effectiveness of the governance and risk infrastructure supporting the trading business and recommends solutions to further strengthen the ability of the whole business to properly achieve its objectives. Independent reviews of the market risk measurement system also cover assessments of the assumptions, parameters, and methodologies used. IA reports their findings to the Board's Audit Committee.

### Market Risk Measurement and Reporting

The following are the market risk measurement tools and reports that are regularly provided by ERMG to ALCO and to the Risk Oversight Committee:

(i) Value-at-Risk of Unencumbered Debt Securities being managed at fair market value (or simply FVPL Bonds) and the Bank's Foreign Currency (FX) Net Open Position (ii) Price sensitivity testing of FVPL Bonds and FX Net Open Position (iii) Market Stress Testing for the Trading Books and FX Net Open Position (iv) Market Risk Assessment Report that summarizes the over-all market risk assessment using a five-point rating scale ("1" being the High Risk and "5" being Low Risk) based on the individual risk assessment in each of the market risk factors / areas and its corresponding weightings.

## Minimum Capital Requirements to Cover Market Risk

PBCOM computes for capital requirements to cover market risk exposures using standardized approach for each market risk exposure. The table below shows the different market risk-weighted assets using the standardized approach in accordance with BSP Circular No. 538:

Type of Market Risk Exposure	Consolidated		Parent Company	
	2016	2015	2016	2015
Interest rate exposures	248	581	248	581
Foreign exchange exposures	297	34	297	34
	<b>545</b>	<b>615</b>	<b>545</b>	<b>615</b>

The Parent Bank assessed that the market risk capital requirement under the Standardized Method is more than sufficient as compared against the capital requirement using Internal Models Approach as of December 31, 2015.

## INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Describing in this section the Bank's risk management system for IRRBB as an addition to the information contained in Note 5 "Financial Risk Management Objectives and Policies" of the attached 2016 Audited Financial Statement that describes in greater detail the qualitative and quantitative information on IRRBB.

### Managing IRRBB

The banking business of the Bank centers on its core business to source funding and extend credit. Exposures in the banking book arise from mismatches in the structure of its transactions that result in assets and liabilities re-pricing at differing times.

The risks on the banking book originate from the structure of both the balance sheet and other obligations to pay and are affected by changes in market conditions. Risks from exposures may include:

(i) Spread compression risk when assets and liabilities re-price at different times leading either to the yield of assets dropping or the cost of liabilities rising resulting in compression of interest rate spreads; (ii) Yield-curve risks where sudden changes in the relative spreads between short-term and long-term interest rates may erode the profitability of the funding strategies of the Bank; (iii) Basis risks where the re-pricing characteristics of assets and liabilities do not perfectly correlate resulting in adverse changes to interest spreads; (iv) Foreign exchange risk that occurs when adverse changes in exchange rates erode the Philippine Peso value of interest income in foreign currency generated by the Bank and; (v) Price risk when adverse changes in interest rates erode the values of marketable securities resulting in the total return on the investment (interest plus fair value gain) falling below the cost of the funds dedicated.

PBCOM structures its balance sheet and prices its funds to maximize the interest rate spreads between assets and liabilities. The structure of the balance sheet and the pricing of funds form part of the regular discussions at the meetings of the Bank's Asset and Liability Committee. Risk control functions ensure that the exposures taken on the banking books remain consistent with those approved by and acceptable to the Board of Directors.



(i) The market risk management function sets the risk framework and conducts an independent measurement of all risk exposures to ensure adherence to the limits approved by the Board. (ii) Financial control and operations ensure that all exposures are recognized, reported and re-measured according to proper financial reporting standards. (iii) Compliance ensures that both risk-taking and risk management remains consistent with the requirements of regulation.

The internal audit function conducts reviews of the effectiveness of the governance and risk infrastructure supporting the business and recommends solutions to further strengthen the ability of the whole business to properly achieve its objectives.

#### IRRBB Measurement Framework

The Bank's management of IRRBB centers on interest rate re-pricing gap reports. The market risk management function prepare these reports, one per currency, reflecting the interest rate sensitive assets and liabilities of the bank in each of a series of time bands that begin at one week and stretch out to non-rate sensitive. The assumptions used to position the assets and liabilities in the time band are:

(i) Actual or contractual maturity when there is a definite schedule in payment of interest and principal where the stipulated interest will not change through maturity (ii) Re-pricing date when there is a definite schedule in payment of interest and principal where the stipulated interest is subject to periodic re-price or change (iii) Behavioral when there is no specified timing of payment. Designation of time bands depends on the earliest time the interest could possibly change

The Bank measures risk exposure to IRRBB using the following models:

(i) Earnings at Risk (EaR) that is a statistical measure of the probable loss in net interest income under prevailing market conditions should the spread between yield on assets and cost of liabilities compress. The resulting measure reflects a level of loss in net interest income for the year that has a one percent chance of being exceeded under prevailing market conditions.

(ii) Economic Value of Equity (EVE) that is a financial measure of the value of the bank's equity reflected as the difference between the present value of all of the bank's assets and the present value of the Bank's liabilities. The resulting measure reflects how changes in interest rates will affect the value of the Bank's equity.

The Bank determined its exposures to be as follows:

#### REPRICING GAP REPORT

amounts in millions PHP

	1-30 Days	31-60 Days	61-90 Days	91 Days - 1 Year	>1 Year - 2 Years	Over 2 Years	Non-Rate Sensitive	Total
<b>December 31, 2016</b>								
Total Assets	8,883	5,090	4,316	8,395	1,880	32,186	13,277	74,026
Total Liabilities	34,794	7,701	2,322	1,328	1,757	1,650	21,987	71,538
Asset-liability Gap	(25,911)	(2,611)	1,994	7,067	123	30,536	(8,710)	2,488
<b>December 31, 2015</b>								
Total Assets	7,349	3,527	3,538	6,302	2,062	27,634	12,345	62,756
Total Liabilities	25,625	9,892	3,264	3,297	130	3,986	17,114	63,309
Asset-liability Gap	(18,276)	(6,364)	273	3,005	1,931	23,647	(4,769)	(553)

#### EARNINGS-AT-RISK and ECONOMIC VALUE OF EQUITY

Amounts in millions and in PHP for RBU and in US\$ for FCDU	2016		2015		CHANGES ('16-'15)	
	RBU	FCDU	RBU	FCDU	RBU	FCDU
<b>Earnings-at-Risk</b>						
at +25bps	(50.09)	(0.14)	(43.19)	(0.22)	(6.91)	0.08
at +50bps	(100.19)	(0.29)	(86.37)	(0.45)	(13.81)	0.16
at +100bps	(200.38)	(0.57)	(172.75)	(0.90)	(27.63)	0.32
at +300bps	(601.13)	(1.72)	(518.24)	(2.69)	(82.89)	0.97
at +400bps	(801.50)	(2.29)	(690.98)	(3.59)	(110.52)	1.30
at +500bps	(1,001.88)	(2.87)	(863.73)	(4.49)	(138.15)	1.62
<b>EVE sensitivity</b>						
at +25bps	(10.40)	(0.04)	(2.67)	(0.04)	(7.73)	0.00
at +100bps	(41.59)	(0.15)	(10.69)	(0.16)	(30.91)	0.01
at +300bps	(124.78)	(0.45)	(32.06)	(0.49)	(92.72)	0.03
at +500bps	(207.96)	(0.76)	(53.43)	(0.81)	(154.53)	0.06
<b>Duration Adjusted Gap</b>						
	0.4272	0.5143	0.3568	0.6617	0.07	(0.15)

The Bank also employs stress testing particular to market risk on the banking books and relates the result to the capital and to current and target net interest income to assess the impact of changes in net interest income on the ability of the Bank to sustain both profitability and adequate capital cover.

#### LIQUIDITY RISK

Describing in this section the Bank's risk management system for Liquidity Risk as an addition to the information contained in Note 5 "Financial Risk Management Objectives and Policies" of the attached 2016 Audited Financial Statement that describes in greater detail the qualitative and quantitative information on Liquidity Risk.

#### Managing Liquidity Risk

Liquidity Risk and Funding Management Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis.

This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. In addition, the Bank makes use of a monthly system generated Liquidity Gap Report in analyzing its liquidity position where the difference between the Bank's maturing assets and liabilities is captured. A Maximum Cumulative Outflow limit is likewise established to control the liquidity gap for each currency. The ALCO meets twice every month to discuss among others the liquidity state of the Bank.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows. The Bank also has committed lines of credit



that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the BSP equal to 20.00% of customer deposits. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

In managing intraday liquidity, the Bank has an internal buffer fund called "Secondary Reserve" for Deposit Liabilities, Deposit Substitutes, and Repurchase Agreements. The buffer fund serves to manage potential substantial liability outflows and the demand and supply of funds for new loans. This will allow the Bank to readily support its new business strategies and direction and management of liquidity risk. The daily movement of Secondary Reserve serves as a primary indicator of liquidity condition of the Bank. In addition, the Bank monitors the liquidity characteristics of its portfolio of assets that will provide necessary liquidity support during periods of liquidity stress as required by BSP Circular No. 905.

### Liquidity Risk Measurement and Reporting

The Bank employs liquidity ratios, liquidity stress testing, liquidity gapping report, liquidity funding concentration, and Maximum Cumulative Outflow (MCO) limit to manage liquidity risk. Market stress testing results are also applied to the Liquidity Gap report to measure impact on future cashflows. The Bank also uses Liquidity Risk Assessment Matrix to assess the overall liquidity risk profile of the Bank. In managing intraday liquidity, the Bank has an internal buffer fund called "Secondary Reserve" for Deposit Liabilities, Deposit Substitutes, and Repurchase Agreements. The buffer fund serves to manage demand and supply of funds for new loans and funding of potential amount of liability outflows. This will allow the Bank to readily support its new business strategies and direction and management of liquidity risk.

## OPERATIONAL RISK

### Managing Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems; or from external events. It includes legal risk, but excludes strategic and reputational risk. The primary tool in controlling operational risk is an effective system of internal controls effected by the Board and participated by each and every employee of the Bank.

The Bank has implemented a robust operational risk management system in each operating unit of the Bank. The Bank's operational risk management tools include the risk control self-assessment (RCSA), operational losses and key risk indicators report (OLKRIR), incident reports, and the internal operational loss database. Moreover, a system for reporting of operational crimes and losses, and policies on whistle-blowing and handling of administrative cases are in place.

To instill risk awareness and operational risk control environment, the Bank's Enterprise Risk Management Group (ERMG) and Compliance Group (CG) conduct regular in-house seminars and trainings, like the orientation for newly-hired employees with presentations focusing on risk management and regulatory compliance. Both groups continuously develop and implement risk management and compliance policies, while holding interactive meetings with operating units to address risk issues and implement process enhancements. In the last quarter of 2015, both ERMG and CG led in the initial implementation of the Bank's Computer-Based Training project which is aimed at enabling training content more readily available and accessible; providing training and tests statistics and analytics, and a database for employees' educational achievements.

### Minimum Capital Requirements to Cover Operational Risk Exposures

PBCOM computes for capital requirements to cover operational risk exposures using the basic indicator approach. Under this approach to operational risk, banks must maintain fifteen percent of average positive gross income over the previous three years as capital buffer for losses due to

operations. Philippine Banking Regulations apply a capital coverage requirement that is 1.25 times higher than other regulators resulting in Philippine banks having to carry 18.75 percent of previous three years as capital buffer for losses due to operations.

The equivalent risk weighted asset is ten times the capital charge. The Group uses the Basic Indicator Approach in computing Operational Risk in accordance with BSP Circular No. 538 (amounts in millions):

	Consolidated		Parent Company	
	2016	2015	2016	2015
Average Gross Income (Previous 3 years)	<b>₱ 2,597</b>	P 2,518	<b>₱ 2,835</b>	P 2,496
Capital Charge (Average Gross Income times 18.75% <sup>(a)</sup> )	<b>554</b>	472	<b>532</b>	468
Risk Weighted Asset (Capital Charge times 10)	<b>₱ 5,544</b>	P 4,720	<b>₱ 5,315</b>	P 4,681

(a) Equivalent to adjusted capital charge of 15% of 125% to be consistent with required minimum Capital Adequacy Ratio of 10%.

Capital requirement under the RBCAR framework as of December 2016 is more than sufficient to cover the amount of internal capital requirement by the Parent Bank to cover operational risk.

## LEGAL RISK

Legal Risk is the risk of financial loss due to non-existent, incomplete, incorrect and unenforceable documentation used by the Bank to protect and enforce its rights under contracts and obligations. It includes the kind of conduct that can lead to unspecified erosion in the value of the Bank as an institution. Closely related to Legal Risk are Fiduciary and Reputational Risk.

Legal risk management is the process of establishing and maintaining procedures for identifying and avoiding the consequences of legal risks. The Bank believes that failure to manage legal risks effectively can result in litigation and/or civil and/or criminal sanctions that impacts on the Bank's reputation. To ensure consistent management of legal risk, the Bank's Legal Services Group (LSG) maintains and regularly updates the Bank's Legal Risk Management Manual which is applicable to all employees, and all branches and units of the Bank. LSG also covers regular review of the status of cases, an assessment of potential outcome, and reports the same to the Risk Oversight Committee on a periodic basis.

## REPUTATIONAL RISK

Reputational Risk is the risk from current and prospective impact on earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services or continue servicing existing relationships.

Reputational Risk in relation to the Bank's Risk Assessment & Prioritization Guidelines is broken-down to Two (2) risk names:

- Risk Related to Customer Complaint. It is based on documented reports from clients about problems with a product or service that may lead to varying degrees of negative public opinion against the organization.
- Risk Related to Negative Public Opinion & Credibility. It refers to incidents of negative public opinion or issues on credibility adversely affecting the ability to establish new relationships or services or continue servicing existing relationships.



### Internal Capital Risk Assessment

The Reputation Risk capital charge is qualitatively determined in light of evaluations performed from tools or conclusions derived from reports that are available to the Bank. In assessing Reputational Risk to capital, the Bank uses the results of and conclusions arrived from the following risk tools and assessment reports:

(i) Bankwide Profile of Complaints (ii) Analysis of Bankwide Risk Aggregation and Prioritization related to Reputational Risks (iii) Effect of unfavorable media content

### STRATEGIC RISK

Strategic Risk is the risk from current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This risk is a function of the compatibility of the Bank's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation.

Strategic Risk in relation to the Bank's Risk Assessment & Prioritization Guidelines is broken-down to three (3) risk names:

(i) Risk Related to Competition is the failure of the Bank to cope with competitors' strategies & products resulting to decline in market share and possible losses. (ii) Risk Related to Strategy Implementation is the failure to develop, utilize and integrate organizational structure, control systems and culture to follow & monitor strategies that lead to competitive advantage and better performance. (iii) Risk Related to Earnings Performance is the deficiency in earnings as noted between actual and target figures.

### Internal Capital Risk Assessment

Internal capital requirement for strategic risk is equivalent to the present value of the amount of the expected growth in capital that does not materialize due to the inability of executing the Board-approved business plan discounted at the prevailing Weighted Average Cost of Capital (WACC) of the Bank. In assessing Strategic Risk to capital the Bank also uses the results of and conclusions arrived from the following risk tools and assessment reports:

(i) Actual Financial Performance & Business Plan Review (ii) Analysis of Bankwide Risk Aggregation and Prioritization related to Strategic Risks.

### INFORMATION SECURITY

The Information Security Framework is supported by relevant documentations of the Bank, namely: Operating Principles, Enterprise IS Policy and Programs, which are periodically reviewed and updated to conform to the minimum provisions prescribed by the regulatory authorities, statutes and generally accepted security standards. With the advent of more sophisticated cybersecurity incidents in the country, there is a compelling need to continuously enhance the safeguarding of the Bank's information assets. Information Security play a key role in ensuring protection of information and IT systems, hence, preserving its confidentiality, integrity and availability, particularly during system migration, launching of new products and services, and other initiatives involving third-party services.

The enhanced Information Security Awareness Program sustains employee security awareness and level of maturity by way of regular dissemination of critical information to all employees of the Bank done through PBCOM On-Boarding for New Employees (P-ONE), the Continuing Education Program via Computer-Based Training (CBT) and e-mail publications called InFoSec Bytes and IS Alerts. These channels provide timely transmission of information security related issues needing urgent attention

of all employees such as but not limited to, distribution of information security documentation updates, cybersecurity incidents, ATM attacks like card skimming, jackpotting and deep insert, social engineering attacks perpetrated through phishing, vishing or smishing, and other security related fraudulent activities.

The Bank's Chief Information Security Officer (CISO) spearheads adherence to regulatory requirements and ensures early resolution of noted security issues cited by both internal and external reviewers.

### BUSINESS CONTINUITY

The Bank has in place a Business Continuity Management Framework that provides guidance for continuous operations in the event of any disruptions, and proactive mechanisms designed to prevent interruptions to critical business functions and improved Bank's resiliency. It follows a robust business continuity planning process that involves the conduct of a business impact analysis/risk assessment, periodic review and updating of business continuity plans and conduct of BCP tests and tests evaluation. A Crisis Management and Emergency Preparedness Plan and Pandemic Plan have been established as well. These documents detail the step by step procedures to be taken to respond to the threat or impact of a crisis, and how the Bank will respond to emergencies to protect life, property and environment, addressed in timely manner.



## Towards Efficiency & Effectiveness

### PBCOM Collection and Retail Credit Initiatives



from L to R: Ms. Cherry Lu (Cards & Loans Operations Head), Ms. Arlene Viernes (Retail Credit Head), and Ms. Iona Mayo (Consumer Finance Collections Head)

In 2016, PBCOM intended to improve collection productivity and efficiencies in response to the ever-changing needs of our customers. In pursuit of exploring innovation of our services, Our Collections and Retail Credit Divisions have launched programs to make systems and processes efficient for both the employees and clients.

Since October 2016, the Indus Collections system has been fully operational. The system is a feature-rich multi-user software product that emphasizes on speed and flexibility, and in tracking and recovering of over dues. It is a completely parameterizable solution, and it provides for multi-branch, multi-portfolio and multi-organizational deployment capability. It also helps payments recovery and facilitates automated queuing of past due accounts by product, due date and balance, which drives increased collector productivity.

The Auto Loan Group established an in-house repossession strategy. The Auto Loan in-house repossession was tasked to skip trace, collect and recover units at the front-end stages of delinquency to minimize flows to higher buckets, and consequently save on agency repossession cost. In 2017, additional repossessioners will be hired to maximize benefits of this strategy.

A pre-due collection strategy was put in place. Reminders are now being performed on identified accounts to fund their auto-debit arrangement/post-dated checks on or before their due dates.

To further minimize loss rates, the team accredited additional collection agencies to handle extrajudicial and judicial collection efforts for Personal Loan and Auto Loan.

In support of our mission to nurture and develop empowered employees, the team conducted collection refresher trainings which tackled enhancement of collection negotiation, timely and effective execution of collection strategies, fraud detection and handling, etc.

PBCOM continues to transform as it adapts to new technologies and shifting banking landscape. While it launches new initiatives for better collection, it will never stop looking at how it can make its services customer, people and result-centric.

## Updates on PBCOM's New Core Banking System: T24

Continuing our initiatives to invest in technology to improve the customer banking experience in PBCOM, we have migrated to T24, a new core banking system. In 2016, further enhancements were put in place to tighten the gaps brought about by the change.

We have created a T24 Realignment Task Force. Composed of Group Heads as Domain Leads, their main task is to review and ensure that the different modules and functionalities of T24 are working, generate accurate data, support regulatory requirements, familiarize users with the system, and streamline processes affecting the system and branches.

Our T24 partner performed a functional and technical realignment of the Banking System. There was a comprehensive assessment of the existing architecture and infrastructure to improve system availability and performance, and strengthen security. Changes in the T24 database, application and web applications were also implemented.

The Branch Lab was revived catering to newly hired branch personnel. It is an orientation and training module regarding the features of the said system.

A PBCOM T24 workshop has also been conducted to enable the bank to leverage on the existing product capabilities and new features in T24, and how to go about a digital transformation.

Finally, a T24 consultant onsite has been engaged to quickly address issues with the deployment of account correction procedures.





## *A Good Day with PBCOM*

### Consumer Protection and Customer Experience

It has always been our thrust to put customers right at the heart of everything we do. This mantra has been solidified with the formation of the Customer Protection and Experience Management Division (CPED) in 2016. The main and only objective is to ensure our customers are having a "Good Day" with PBCOM.

#### Customer Experience

We involve everyone to achieve our goal in delivering an unforgettable customer experience. It is a shared responsibility bank-wide to be able to service both our internal and external customers with a heart.

Customer experience is very important because it is the key in customer retention, referrals and recommendations, and drives brand advocacy. In summary it drives the future of our business.

CPED started by being active in conducting customer satisfaction and problem resolution surveys, hence, we are able to listen to the voice of our customers. These will be utilized in all channels and will be shared to the PBCOM Senior Management Team to drive the improvement in service delivery, processes and systems, and promote customer-centricity. We monitor all customer channels to gather feedback, comments and suggestions to serve as our data for service improvement and to ensure consistency in service delivery for all touchpoints.

CPED also initiated "Customer Service 101" workshop which focuses on service delivery the PBCOM way. Here, we demonstrate how to treat all customers as VIPs, and each employee to work with P.R.I.D.E. and with care for the Bank, in short, May Malasakit.

In addition to spearheading the Customer Experience training for all bank units, CPED also deployed "Customer Service Standards" (i.e. grooming standards, inner spaces standards & telephone standards), new SLA for account openings, process improvement on complaint and feedback handling, and service delivery alignment with third-party providers.



#### Consumer Protection

We provide "an enabling environment that protects the interest of financial consumers and institutionalizes the responsibilities of all stakeholders." The majority of the provisions in the BSP Circular 857 on Consumer Protection have already been complied with.

CPED is continuously working on reviewing and improving our programs for financial education, fair treatment to all stakeholders, customer handling and risk management. We ensure that there are control systems to have secure and consistent banking transactions, whether through the branches or digital channels. We enhanced the verification process across varied channels to protect our clients from theft of personal information.

With the continuous innovation of our products and services, we also make them accessible, understandable, clear and accurate by ensuring that all necessary and relevant information are available to our customers.

Moving forward, CPED will take the lead in designing, developing and implementing programs and strategies to specifically meet the requirements of the Bank to achieve a branded customer experience and fortified consumer protection. We will be investing our time and effort in gathering and protecting the voice of our customers for the succeeding years as this will greatly help us identify what our Customer WANTS and HOW can we provide it securely.

Our goal is to have our customers feel and experience that it is always a **GOOD DAY** with **PBCOM**.



The Pillars of Growth

# PLACES

People



Products



Processes



**Places**



Partnerships







## METRO MANILA REGION

### ANNAPOLIS

Unit 101 Victoria Plaza Condominium  
41 Annapolis St., Greenhills, San Juan  
(02) 723-4856, (02) 662-8461  
(02) 830-7000 loc. 2290, 2291, 8461

### AYALA - ALABANG

Unit 101 ALPAP II Bldg. Trade cor.  
Investment Drive, Madrigal Business Park  
Alabang, Muntinlupa City  
(02) 809-4538, (02) 662-8502  
(02) 830-7000 loc. 2380, 2381, 8502

### BMA

64 Web-Jet Bldg. Quezon Ave. BMA St.  
Brgy. Tatalon, Quezon City  
(02) 712-8414, (02) 662-8453  
(02) 830-7000 loc. 2250, 2251, 8453

### BINONDO BANKING CENTER

214-216 Juan Luna St., Binondo, Manila  
(02) 242-1851, (02) 242-8711  
(02) 662-8486, (02) 830-7221  
(02) 830-7000 loc. 7811, 7812, 7982,  
8486, 7221, 7980, 7078

### CAINTA

LGF 04 & 05, CK Square Bldg.  
Ortigas Ave. Extn. cor. Sunset Drive, Cainta, Rizal  
(02) 470-4985, (02) 662-8508  
(02) 830-7000 loc. 2440, 2441, 8508

### CALOOCAN

298 Rizal Ave. Extn. bet. 5th and 6th Ave.  
Grace Park, Caloocan City  
(02) 361-3653  
(02) 830-7000 loc. 2130, 2131, 8495

### CONGRESSIONAL

8 Congressional Ave.  
Barangay Bahay Toro, Quezon City  
(02) 925-9850, (02) 662-8452  
(02) 830-7000 loc. 2510, 2511, 8452

### CORINTHIAN GARDENS

Sanso St., Corinthian Gardens, Quezon City  
(02) 687-7087  
(02) 830-7000 loc. 2420, 2421, 8468

### CUBAO

2F The Spark Place, P.Tuazon cor.  
10th Ave., Cubao, Quezon City  
(02) 913-4912, (02) 662-8512  
(02) 830-7000 loc. 2191, 2192, 8512

### ECHAGUE

88-90 Carlos Palanca cor.  
Isla de Romero St., Quiapo, Manila  
(02) 736-0124, (02) 662-8414  
(02) 830-7000 loc. 2330, 2331, 8414

### ELCANO

SHC Tower, 613 Elcano St.  
San Nicolas, Manila  
(02) 242-3591, (02) 662-8429  
(02) 830-7000 loc. 2162, 2160, 8429

### F1 BONIFACIO GLOBAL CITY

G/F F1 Hotel Building Lane A cor. Lane Q  
Bonifacio Global City, Taguig  
(02) 519-8401, (02) 662-8525, (02) 662-9100,  
(02) 662-8558 (02) 830-7000 loc. 8558, 9100, 8525

### GREENHILLS

Quadrast Bldg., Ortigas Ave., Greenhills  
San Juan, Metro Manila  
(02) 722-7060, (02) 662-8463  
(02) 830-7000 loc. 2150, 2151, 8463

### J.P. RIZAL

G/F Santini Corporation Bldg.  
No. 519 J.P. Rizal Ave.  
Brgy. Olympia, Makati City  
(02) 831-1092, (02) 662-8583  
(02) 830-7000 loc. 2490, 2491, 8583

### LEGASPI VILLAGE

G/F Veranda 1 Condominium, 120 Amoroso St.  
Legaspi Village, Makati City  
(02) 813-2506, (02) 662-8515  
(02) 830-7000 loc. 2322, 2321, 8515

### MAKATI BANKING CENTER

PBCOM Tower, 6795 Ayala Ave. cor.  
V.A. Rufino St., 1226 Makati City  
(02) 662-8520, (02) 830-7210  
(02) 830-7000 loc. 8520, 7131, 7210, 7130

### MAKATI PLACE

GF Unit C-15, Alphaland, Makati Place  
Ayala Ave. cor. Malugay St., Makati City  
(02) 525-2440, (02) 662-8539, (02) 662-9103,  
(02) 662-9104 (02) 830-7000 loc. 9103,  
9104, 8539

### MALABON

Unit Nos. 1 & 2 G/F Robinsons Town Mall  
#5 Governor Pascual Ave. cor.  
Crispin St., Tinajeros, Malabon City  
(02) 288-6599, (02) 662-8489  
(02) 830-7000 loc. 2411, 2413, 8489

### MARIKINA

36 J.P. Rizal St., Calumpang, Marikina City  
(02) 645-2637, (02) 662-8507  
(02) 830-7000 loc. 2270, 2271, 8507

### MASANGKAY

1004-1006 G. Masangkay St., Binondo, Manila  
(02) 244-8751, (02) 662-8415  
(02) 830-7000 loc. 2172, 2170, 8415

### MERALCO AVENUE

C-1 Horizon Condominium  
Meralco Avenue, Ortigas Center, Pasig City  
(02) 637-2858, (02) 662-8471  
(02) 830-7000 loc. 2280, 2281, 8471

### M. DE SANTOS - DIVISORIA

G/F LCKK Bldg., M. De Santos St., cor.  
Tabora St., Divisoria, Manila  
(02) 3101287 (Fax), (02) 6628538,  
(02) 662-8474, (02) 662-8475, (02) 662-8473  
(02) 830-7000 loc. 8538, 8473, 8474, 8475

### ONGPIN

796 Ongpin St. cor. S. Padilla St.  
Sta. Cruz, Manila  
(02) 733-1165, (02) 662-8413  
(02) 830-7000 loc. 2183, 2180, 8413

### PADRE RADA

G/F 951 Juan Luna St., Tondo, Manila  
(02) 245-2354, (02) 662-8448  
(02) 830-7000 loc. 2210, 2211, 8448

### PARANAQUE

Stall Nos. 3 & 4 Kingsland Bldg.  
Dr. A. Santos Ave., Sucat, Paranaque City  
(02) 829-2424, (02) 662-8503  
(02) 830-7000 loc. 2310, 2311, 8503

### PASAY

2492 Taft Ave. Ext., Pasay City  
(02) 831-0878, (02) 662-8497  
(02) 830-7000 loc. 2140, 2144, 8497

### PIONEER

G/F RFM Corp. Center, Pioneer cor.  
Sheridan St., Mandaluyong City  
(02) 637-8927, (02) 662-8481  
(02) 830-7000 loc. 2500, 2501, 8481

### QUEZON AVENUE

APC Bldg., 1186 Quezon Ave., Quezon City  
(02) 371-2941, (02) 662-8460  
(02) 830-7000 loc. 2350, 2351, 8460, 2357

### SALCEDO VILLAGE

G/F Unit Nos. 7 & 8, V Corporate Centre  
L.P. Leviste St., Salcedo Village, Makati City  
(02) 869-2154, (02) 662-8517  
(02) 830-7000 loc. 2990, 2991

### SAN MIGUEL AVENUE

G/F 101 One Magnificent Mile (OMM)  
Citra Condominium, San Miguel Ave.,  
Pasig City  
(02) 637-1719, (02) 662-8478  
(02) 830-7000 loc. 2340, 2341, 8478

### SEN. GIL PUYAT AVENUE

G/F Oppen Bldg., 349 Sen. Gil Puyat Ave.  
Makati City  
(02) 843-9287, (02) 662-8523  
(02) 830-7000 loc. 2110, 2111, 8523

### SHAW BLVD.

146 Shaw Blvd. cor. San Roque St., Pasig City  
(02) 634-1433, (02) 662-8479  
(02) 830-7000 loc. 2300, 2301, 8479

## Our Branch Network







#### SOLER

G/F R and S Tower, 943 Soler St.  
Binondo, Manila  
(02) 244-9326, (02) 662-8573,  
(02) 662-8443, (02) 830-7000  
loc. 8573, 2220, 8443

#### SOUTHGATE MALL

3/F Alphaland Southgate Mall 2258  
China Rocas St., cor. EDSA, Makati City  
(02) 822-7573, (02) 662-8541  
(02) 830-7000 loc. 2430, 2431, 8541

#### STA. MESA

440-A G. Araneta Ave. cor. Bayani St.  
Sta. Mesa, Quezon City  
(02) 781-4948, (02) 662-8406  
(02) 830-7000 loc. 2267, 2261, 8406

#### STO. CRISTO

565-567 Sto. Cristo St., Binondo, Manila  
(02) 245-6570, (02) 662-8438  
(02) 830-7000 loc. 2120, 2121, 8438

#### T. ALONZO

G/F Tan Kiang Bldg. 665 T. Alonzo St.  
Sta. Cruz, Manila  
(02) 733-1520, (02) 662-8419  
(02) 830-7000 loc. 2363, 2360, 8419

#### TIMOG

G/F Gil-Preciosa Building 2  
75 Timog Ave., Quezon City  
(02) 351-2441, (02) 662-8402  
(02) 830-7000 loc. 2530, 2531, 8402

#### TOMAS MORATO

Unit 2 #12-B, G/F Atherton Place  
Tomas Morato Ave. cor. Don A. Rocas Ave.  
Quezon City  
(02) 351-8701, (02) 662-8403  
(02) 830-7000 loc. 2540, 2542, 8403

#### TUTUBAN

Unit No. PL-S07 & PL-S08, Tutuban Center  
Prime Block, C. M. Recto Ave., Tondo, Manila  
(02) 252-4997, (02) 662-8499  
(02) 830-7000 loc. 2373, 2371, 8499

#### U.N. AVENUE

G/F Unit 101 & 102, Don Alfonso Sycip  
Condominium, 1108 M.H. Del Pilar St.  
cor. U.N. Ave. & Guerrero St., Ermita, Manila  
(02) 523-0568, (02) 662-8496  
(02) 830-7000 loc. 2200, 2201, 2203, 8496

#### VALENZUELA

246 McArthur Highway  
Karuhatan, Valenzuela City  
(02) 291-5253, (02) 662-8488  
(02) 830-7000 loc. 2230, 2231, 2232, 8488

#### ANGELES

MLT Centre Bldg., Lot 28 Block 2  
McArthur Highway Brgy. Ninoy Aquino  
Angeles City  
(045) 625-8712, (045) 888-9650  
(02) 830-7000 loc. 2702, 2703, 2704, 2705

#### BAGUIO

G/F Unit 105, 106 & 106-B Baguio Holiday Villas  
10 Legarda Road, Baguio City  
(074) 637-5993, (074) 637-5979  
(02) 830-7000 loc. 2603, 2606, 2607, 2604

#### BATANGAS

Diego Silang St., Batangas City, Batangas  
(043) 723-7801, (043) 723-4208  
(02) 830-7000 loc. 2753, 2754, 2755, 2752

#### CABANATUAN

G/F SAM Building, Along Maharlika Highway  
Cabanatuan City  
(044) 464-7674, (044) 464-7368  
(02) 830-7000 loc. 2630, 2631, 2632

#### CALAMBA

G/F Walter Mart, National Highway  
Brgy. Real, Calamba, Laguna  
(049) 530-3430, (049) 530-3393  
(02) 830-7000 loc. 2645, 2646, 2643

#### CAUAYAN

Mateo-Patricia Bldg. along Rizal Ave. Ext.  
Cauayan, Isabela  
(078) 652-0557, (078) 652-0553  
(02) 830-7000 loc. 2621, 2622, 2623

#### DAGUPAN

Balingit Bldg., M.H. Del Pilar St., Dagupan City  
(075) 523-6862, (075) 523-6954  
(02) 830-7000 loc. 2824, 2822, 2823, 2826

#### DASMARINAS

EVV Bldg., Molino-Paliparan Road Salawag  
Dasmariñas, Cavite  
(046) 481-7250, (046) 481-5268  
(02) 830-7000 loc. 2782, 2783, 2784

#### IMUS

P. Nueño St., cor. Gaetan St., Imus, Cavite  
(046) 471-3368, (046) 471-4349  
(02) 830-7000 loc. 2392, 2393, 2395

#### LA UNION

G/F CJ Arch Bldg., Quezon Ave.  
San Fernando City, La Union  
(072) 888-2044, (072) 888-2740  
(02) 830-7000 loc. 2613, 2614, 2615

#### LEGAZPI - ALBAY

G/F Delos Santos Commercial Building  
Lando Business Park, Legazpi City  
(052) 480-4329, (052) 481-3645  
(02) 830-7000 loc. 2416, 2417, 2418

#### LIPA

G/F ATDRMAM Laguna Corp. Bldg.  
Ayala Highway, Mataas na Lupa  
Lipa City, Batangas  
(043) 757-3258, (043) 757-3261  
(02) 830-7000 loc. 2792, 2793, 2795

#### LUCENA

G/F VCII Bldg., Merchan St. Lucena City  
Quezon Province  
(042) 373-6465, (042) 373-6464  
(02) 830-7000 loc. 2744, 2743, 2742, 2745

#### MALLOS

Malolos Shopping Arcade, Paseo Del  
Congreso, Brgy. San Agustin, Malolos, Bulacan  
(044) 790-6536  
(02) 830-7000 loc. 2722, 2723, 2724

#### MEYCAUAYAN

Mancon Bldg., McArthur Highway  
Barrio Calvario, Meycauayan, Bulacan  
(044) 815-2501, (044) 815-2502  
(02) 830-7000 loc. 2462, 2463, 2464

#### NAGA

G/F Rodriguez Bldg., 956 Panganiban St. cor.  
Balintawak St., Naga City  
(054) 881-1126, (054) 881-2427  
(02) 830-7000 loc. 2650, 2651, 2652, 2653

#### OLONGAPO

GF YBC Centre Mall  
Rizal Ave. Ext., Olongapo City  
(047) 222-3480, (047) 222-3479  
(02) 830-7000 loc. 2560, 2561, 2562

#### SAN FERNANDO - PAMPANGA

McArthur Highway, Dolores  
City of San Fernando, Pampanga  
(045) 963-6784, (045) 963-6785  
(02) 830-7000 loc. 2710, 2713, 2717

#### SAN PABLO

65 Rizal Ave., Poblacion, San Pablo, Laguna  
(049) 561-1187, (049) 561-1188  
(02) 830-7000 loc. 2683, 2682, 2684

#### SAN PEDRO (formerly Pacila Complex)

Puregold San Pedro, Old National Highway  
cor. Magsaysay St. San Pedro, Laguna  
(02) 808-6082  
(02) 830-7000 loc. 2690, 2691, 8522

#### STA. ROSA

Unit No. 2, Paseo 5, Phase 2  
Paseo de Sta. Rosa, Greenfield City  
Sta. Rosa, Laguna  
(049) 502-6693, (049) 508-0266  
(02) 830-7000 loc. 2673, 2676, 2678  
2677, 2674





**VISAYAS REGION**

**MINDANAO REGION**

**BACOLOD**

Units A-E, G, Piazza Sorrento Bldg.,  
13th and Lacson Sts., Bacolod City  
(034) 433-0404, (034) 435-0690,  
(034) 433-0402 (02) 830-7000  
loc. 2963, 2964, 2965

**CEBU BUSINESS PARK**

Unit 1, G/F Mercedes Benz Tower,  
Mindanao Avenue, Cebu Business Park  
Cebu City  
(032) 260-8913, (032) 266-0924  
(02) 830-7000 loc. 2862, 2866

**CEBU - MAGALLANES**

Magallanes near cor. Manalili Street  
Cebu City  
(032) 253-2761, (032) 253-2740  
(02) 830-7000 loc. 2904, 2906, 2908

**CEBU - MANDAUE**

National Highway, Mandaue, Cebu City  
(032) 346-5110, (032) 344-1078  
(02) 830-7000 loc. 2942, 2943

**CEBU - MANGO**

General Maxilim Mango Ave., Cebu City  
(032) 253-1419, (032) 253-2326  
(02) 830-7000 loc. 2953, 2952

**DUMAGUETE**

Unit No. 6, Yala Bldg.  
Colindagan, Dumaguete City  
(035) 522-0401, (035) 522-0650  
830-7000 loc. 2591, 2593, 2594

**ILOILO**

Ledesma cor. Valeria St., Iloilo City  
(033) 337-3668, (033) 336-8989  
(033) 508-0420 (02) 830-7000  
loc. 2936, 2935, 2937

**LAPU-LAPU (formerly Mandaue-Sasak Branch)**

G/F Unit 11 Alpha Arcade Bldg.  
M.L. Quezon Ave. National Highway  
Lapu-Lapu City  
(032) 346-2709 (02) 830-7000  
loc. 2803, 2802

**TAGBILARAN**

G/F LTS Building, No. 20 Carlos P. Garcia Ave.  
Tagbilaran City, Bohol  
(038) 411-1097, (038) 411-1176  
(02) 830-7000 loc. 2580, 2581

**CAGAYAN DE ORO**

Tiano Bros. cor. Hayes St., Cagayan De Oro City  
(088) 857-1558, (088) 857-1559  
(02) 830-7000 loc. 2922, 2926, 2925

**DAVAO - MONTEVERDE**

41 T. Monteverde Ave., Davao City  
(082) 221-2140, (082) 221-2141  
(02) 830-7000 loc. 2917, 2918, 2914

**DAVAO - BAJADA**

G/F RAQ Building, J.P. Laurel Ave.  
Bajada, Davao City  
(082) 222-0060, (082) 222-0061  
(02) 830-7000 loc. 2812, 2813

**DAVAO - QUIRINO**

111 E. Quirino Ave., Davao City, Davao Del Sur  
(082) 222-4161, (082) 222-4160  
(02) 830-7000 loc. 2886, 2887

**GENERAL SANTOS**

Santiago Blvd., General Santos City  
(083) 552-8167, (083) 301-8445

**ILIGAN**

M.H. Del Pilar cor. M. Badelles St.  
J. Luna St., Iligan City  
(063) 223-2702, (063) 223-2703  
(02) 830-7000 loc. 2842, 2843

**KORONADAL**

General Santos Drive  
Koronadal South, Cotabato  
(083) 228-3917, (083) 228-3919  
(02) 830-7000 loc. 2892, 2893

**TAGUM**

Pioneer, Tagum, Davao Del Norte  
(084) 655-7185, (084) 655-9550  
(02) 830-7000 loc. 2972, 2973

**ZAMBOANGA - VALDEROSA**

G/F Interco Bldg., N. S. Valderosa St.  
Zamboanga City  
(062) 992-6437, (062) 992-6435

**ZAMBOANGA - VETERANS**

BSC Tower (formerly Zamsulu Bldg.)  
GF Door 5-7, Veterans Ave.  
Zamboanga City  
(062) 991-1865, (062) 991-6162, 991-6194  
(02) 830-7000 loc. 2872, 2873, 2874  
2875, 2876





## Our ATM Network

### METRO MANILA REGION

**ALABANG - ASIAN HOSPITAL**  
2205 Civic Drive, Filinvest Corporate City  
Alabang, Muntinlupa City

**ALABANG - S&R**  
West Gate Development, Filinvest Corporate City  
Alabang Zapote Rd., Alabang, Muntinlupa City

**ANNAPOLIS - PBCOM**  
Unit 101 Victoria Plaza Condominium  
41 Annapolis St., Greenhills, San Juan City

**AYALA - ALABANG - PBCOM**  
Unit 101 ALPAP II Bldg. Trade cor.  
Investment Drive, Madrigal Business Park  
Alabang, Muntinlupa City

**BACLARAN - PUREGOLD**  
Quirino Ave. and Evangelista St.  
Baclaran, Parañaque City

**BMA - PBCOM**  
64 Web-Jet Bldg. Quezon Ave. BMA St.  
Brgy. Tatalon, Quezon City

**BINONDO - 999 MALL**  
Recto - Soler St., Binondo, Manila

**BINONDO BANKING CENTER - PBCOM**  
214-216 Juan Luna St., Binondo, Manila

**CAINTA - PBCOM**  
LG/F 04 & 05, CK Square Bldg., Ortigas Avenue  
Ext. cor. Sunset Drive, Cainta, Rizal

**CAINTA - ROBINSONS**  
Ortigas Ave. Extension, Brgy. Sto. Domingo  
Cainta, Rizal

**CALOOCAN - PBCOM**  
298 Rizal Ave. Ext., bet. 5th and 6th Ave.  
Grace Park, Caloocan City

**CALOOCAN - ZABARTE MALL**  
Basement Level, Zabarte Town Center  
Zabarte, Camarin, Caloocan City

**COMEMBO COMMERCIAL COMPLEX**  
J.P. Rizal cor. Sampaguita St.  
Comembo, Makati City

**COMMONWEALTH - SHOPWISE**  
54 Along Commonwealth Ave.  
Diliman, Quezon City

**CONGRESSIONAL - PBCOM**  
8 Congressional Avenue,  
Barangay Bahay Toro, Quezon City

**CONGRESSIONAL - S&R**  
30 Congressional Ave., Ramon Magsaysay  
Bago Bantay, Quezon City

**CONNECTICUT - PETRON**  
EDSA cor. Connecticut Ave., San Juan City

**CORINTHIAN GARDENS - PBCOM**  
Santo St., Corinthian Gardens, Quezon City

**CUBAO - LAWSON ANONAS**  
628 Aurora Blvd., Cubao, Quezon City

**CUBAO - PBCOM**  
2F The Spark Place, P.Tuazon cor.  
10th Ave., Cubao, Quezon City

**DELOS SANTOS MEDICAL CENTER**  
201 E. Rodriguez Sr. Blvd., Quezon City

**DIVISORIA MALL**  
Stall No. 3M-16, ATM No.1 Divisoria Mall  
Tabora St. cor. M. De Santos St.  
San Nicholas, Manila

**ECHAGUE - PBCOM**  
88-90 Carlos Palanca cor.  
Isla de Romero St., Quiapo, Manila

**ELCANO - PBCOM**  
SHC Tower, 613 Elcano St.  
San Nicolas, Manila

**EMILIO AGUIBALDO COLLEGE**  
Emilio Aguinaldo College - Dentistry  
Gen. Luna near cor. Taft Avenue, Manila

**F1 BONIFACIO GLOBAL CITY - PBCOM**  
G/F F1 Hotel Building Lane A cor. Lane G  
Bonifacio Global City, Taguig

**GREENHILLS - PBCOM**  
Quadstar Bldg., Ortigas Ave., Greenhills  
San Juan City, Metro Manila

**J.P. RIZAL - PBCOM**  
G/F Santini Corporation Bldg.  
No. 519 J.P. Rizal Ave.  
Brgy. Olympia, Makati City

**LEGASPI VILLAGE - PBCOM**  
G/F Vernida 1 Condominium, 120 Amorsolo St.  
Legaspi Village, Makati City

**MAKATI BANKING CENTER - PBCOM**  
PBCOM Tower, 6795 Ayala Ave. cor.  
V.A. Rufino St., 1226 Makati City

**MAKATI PLACE - PBCOM**  
G/F Unit C-15, Alphaland, Makati Place  
Ayala Ave. cor. Malugay St., Makati City

**MAKATI - PUREGOLD**  
35 J.P. Rizal St. cor. Del Pan St.  
Brgy. Singkamas, Makati City

**MALABON - PBCOM**  
Unit Nos. 1 & 2 G/F Robinsons Town Mall  
#5 Governor Pascual Ave. cor. Crispin St.  
Tinjeras, Malabon City

**MALABON - WONDERWAY MART**  
35 Naval St., Brgy. Flores, Malabon City

**MALATE - LAWSON PEDRO GIL**  
Unit C, G/F University Tower 3, Pedro Gil  
cor. Dr. Vasquez St., Malate, Manila

**MANILA NORTH PORT HARBOR**  
Pier 6 Road 10, Tondo, Manila

**MARIKINA - PBCOM**  
36 J.P. Rizal St., Calumpang, Marikina City

**MASANGKAY - PBCOM**  
1004-1006 G. Masangkay St.,  
Binondo, Manila

**MERALCO AVENUE - PBCOM**  
C-1 Horizon Condominium, Meralco Ave.  
Ortigas Center, Pasig City

**M. DE SANTOS - DIVISORIA - PBCOM**  
G/F LCCCK Bldg., M. De Santos St., cor.  
Tabora St., Divisoria, Manila

**NOVALICHES - SHOP & RIDE**  
248 Gen. Luis St., Novaliches Proper  
Novaliches, Quezon City

**ONGPIN - PBCOM**  
796 Ongpin St. cor. S. Padilla St.  
Sta. Cruz, Manila

**PACO - LAWSON SAN MARCELINO**  
Lot 4 Block 14 San Marcelino St.  
Brgy. 661 Zone 071, Paco, Manila

**PACO - PUREGOLD HEAD OFFICE**  
Bldg. II, Tabacalera Compound  
900 Romualdez St., Paco, Manila

**PARAÑAQUE - PBCOM**  
Stall Nos. 3 & 4 Kingsland Bldg.  
Dr. A. Santos Ave., Sucat, Parañaque City

**PARAÑAQUE - S&R ASEANA**  
Birdco Ave., Aseana Business Park  
Blvd. 2000, Bacalaran, Parañaque City

**PASAY - PBCOM**  
2492 Taft Ave. Extn., Pasay City

**PIONEER - PBCOM**  
G/F RFM Corp. Center, Pioneer cor.  
Sheridan St., Mandaluyong City

**QUEZON AVENUE - PBCOM**  
APC Bldg., 1186 Quezon Ave., Quezon City

**SALCEDO VILLAGE - PBCOM**  
G/F Unit Nos. 7 & 8, V. Corporate Centre  
L.P. Leviste St., Salcedo Village, Makati City

**SAN MIGUEL AVENUE - PBCOM**  
G/F 101 One Magnificent Mile (OMM)  
Citra Condominium, San Miguel Ave.  
Pasig City

**SEN. GIL PUYAT AVENUE - PBCOM**  
G/F Oppen Bldg., 349 Sen. Gil Puyat Ave.  
Makati City

**SHAW - PBCOM**  
146 Shaw Blvd. cor. San Roque St., Pasig City

**SHAW - S&R**  
514 Shaw Boulevard, Mandaluyong City

**SOUTHGATE MALL - PBCOM**  
3/F Alphaland Southgate Mall 2258  
Chino Roces St., cor. EDSA, Makati City

**STA. ANA - LAWSON**  
G/F 1908 A, Francisco St.  
Sta. Ana, Manila

**STA. MESA - PBCOM**  
440-A G. Araneta Ave. cor. Bayani St.  
Sta. Mesa, Quezon City

**SUCAT - SHOPWISE**  
Sucat Road cor. Sorena Ave.,  
Parañaque City

**T. ALONZO - PBCOM**  
G/F Tan Kiang Bldg., 665 T. Alonzo St.  
Sta. Cruz, Manila

**TIMOG - PBCOM**  
G/F Gil-Preciosa Building 2  
75 Timog Ave., Quezon City

**TOMAS MORATO - PBCOM**  
Unit 2 #12-B, G/F Alherton Place  
Tomas Morato Ave. cor. Don A. Rocas Ave.  
Quezon City

**TUTUBAN - PBCOM**  
Unit No. PL-LS07 & PL-LS08, Tutuban Center  
Prime Block, C. M. Recto Ave., Tondo, Manila

**U.N. AVENUE - PBCOM**  
G/F Unit 101 & 102, Don Alfonso Sycip  
Condominium, 1108 M.H. Del Pilar St.  
cor. U.N. Ave. & Guerrero St., Ermita, Manila



**VALENZUELA - PBCOM**

246 McArthur Highway, Karuhatan  
Valenzuela City

**VALENZUELA - PUREGOLD PASO DE BLAS**

LG/F Tiangge Unit N5, Paso De Blas  
cor. Gen. Luis St. NLEX, Valenzuela City

**LUZON REGION****ANGELES - PBCOM**

G/F MLT Centre Bldg., Lot 28 Block 2  
McArthur Highway, Brgy. Ninoy Aquino  
Angeles City

**BACOR - PUREGOLD**

Brgy. Panapaan 1, Aguinaldo Highway  
Bacoor, Cavite City

**BAGUIO - PBCOM**

G/F Unit 105, 106 & 106-B Baguio Holiday Villas  
10 Legarda Road, Baguio City

**BALESIN ISLAND**

Balesin Island Resort, Quezon Province

**BATANGAS - PBCOM**

Diego Silang St., Batangas City, Batangas

**BATANGAS - JESUS NAZARETH**

Jesus of Nazareth Multi-Purpose Coop. Hospital  
Gulod Itaas, Batangas City

**CABANATUAN - PBCOM**

G/F SAM Building, Along Maharlika Highway  
Cabanatuan City

**CALAMBA - PBCOM**

G/F Walter Mart, National Highway Brgy. Real  
Calamba, Laguna

**CAUAYAN - PBCOM**

Mateo-Patricia Bldg. along Rizal Ave. Ext.  
Cauayan, Isabela

**DAGUPAN - PBCOM**

Balingit Bldg., M.H. Del Pilar St., Dagupan City

**DAGUPAN - MAGIC CENTERPOINT MALL**

G/F Magic Mall Centerpoint Zamora Street  
Dagupan City

**DAGUPAN - MAGIC WAREHOUSE**

Magic Group of Companies (MGC) Central Offices  
and Warehouse, 218 Malued District, Dagupan City

**DASMARIÑAS - PBCOM**

EVY Bldg., Molino-Paliparan Road Salawag  
Dasmariñas, Cavite

**GMA - PUREGOLD**

San Gabriel, Governor's Drive, GMA

**IMUS - PBCOM**

P. Nueño St. cor. Gaerlan St., Imus, Cavite City

**IMUS - PUREGOLD ANABU**

Emilio Aguinaldo Highway, Anabu II-C  
Imus, Cavite City

**IMUS - S&R**

Brgy. Anabu 1-D, Emilio Aguinaldo Highway  
Imus City, Cavite

**LA UNION - PBCOM**

G/F CJ Arch Bldg., Quezon Ave.  
San Fernando City, La Union

**LEGAZIPI - PBCOM**

G/F Delos Santos Commercial Building  
Landco Business Park, Legazpi City

**LIPA - PBCOM**

G/F ATDRMAM Laguna Corp. Bldg.  
Ayala Highway, Mataas na Lupa  
Lipa City, Batangas

**LIPA - MARY MEDIATRIX MEDICAL CENTER**

Ayala Highway, Mataas na Lupa  
Lipa City, Batangas

**LOS BANOS - PUREGOLD**

National Highway, Brgy. Batong Malaki  
Los Banos, Laguna

**LUCENA - PBCOM**

G/F VCL Bldg., Merchants St., Lucena City  
Quezon Province

**MALOLOS - PBCOM**

Malolos Shopping Arcade  
Paseo Del Congreso Brgy. San Agustin  
Malolos, Bulacan

**MEYCAUAYAN - PBCOM**

Mancan Bldg., McArthur Highway  
Barrio Calvario, Meycauyan, Bulacan

**MOLINO - PUREGOLD**

Molino Road, Molino 2, City of Bacoor, Cavite

**MONTALBAN - PUREGOLD**

E. Rodriguez Hi-way, Brgy. Rosario  
Montalban (Rodriguez), Rizal

**NAGA - PBCOM**

G/F Rodriguez Bldg., 956 Panganiban St.  
cor. Balintawak St., Naga City

**NAGCARLAN - RBNI**

Rural Bank of Nagcarlan  
692 Jose Coronado St., Nagcarlan, Laguna

**OLONGAPO - PBCOM**

G/F YBC Centre Mall Rizal Ave. Ext.  
Olongapo City

**PACITA COMPLEX - PUREGOLD**

San Pedro, Laguna

**RIZAL - PUREGOLD AMPID SAN MATEO**

Km21 Gen. Luna St., Brgy. Banaba  
San Mateo, Rizal

**RIZAL - PUREGOLD TAYTAY**

346 Rizal Ave., Brgy. San Juan, Taytay, Rizal

**SAN FERNANDO - PBCOM**

McArthur Highway, Dolores  
City of San Fernando, Pampanga

**SAN FERNANDO - S&R**

Jose Abad Santos Ave.  
City of San Fernando, Pampanga

**SAN PABLO - PBCOM**

65 Rizal Ave., Poblacion, San Pablo, Laguna

**SAN PABLO - PUREGOLD**

Cosico St. Brgy. San Roque, San Pablo City

**SAN PABLO - RURAL BANK OF SEVEN LAKES**

0102 M. Paulino St., Brgy. I-E, San Pablo City

**SAN PEDRO - PBCOM**

(formerly Pacita Complex)  
Puregold San Pedro, Old National Highway  
cor. Magsaysay St., San Pedro, Laguna

**STA. ROSA - PBCOM**

Unit No. 2, Paseo 5, Phase 2 Paseo de Sta. Rosa  
Greenfield City, Sta. Rosa, Laguna

**STA. ROSA - PUREGOLD TAGAPO**

Rizal Blvd., Tagapo St., Sta. Rosa, Laguna

**STA. ROSA - S&R NUVALI**

Lot 1 Bldg. 13 Solenad 3 Nuvali, Brgy. Sta. Domingo  
Sta. Rosa-Tagaytay Road, Sta. Rosa, Laguna

**TANZA - PUREGOLD**

A. Soriano Highway, Brgy. Daang Amaya III  
Tanza, Cavite

**VISAYAS REGION****BACOLOD**

Units A-E, G/F Piazza Sorrento Bldg.  
13th and Lacson Sts., Bacolod City

**CEBU BUSINESS PARK**

Unit 1, G/F Mercedes Benz Tower, Mindanao Ave.  
Cebu Business Park, Cebu City

**CEBU - FOODA SAVERSMAST**

No. 280-A General Maxilom Avenue  
(formerly Mango Ave.), Cebu City

**CEBU - MAGALLANES**

Magallanes near cor. Manalili St., Cebu City

**CEBU - MANDAUE**

National Highway, Mandaue, Cebu City

**CEBU - MANGO**

General Maxilom, Mango Ave., Cebu City

**CEBU - MONTEBELLO HOTEL**

Montebello Villa Hotel Lobby  
Banilad, Cebu City

**CEBU - PBCOM LAPU-LAPU**

(formerly Mandaue-Basak Branch)  
G/F Unit 11 Alpha Arcade Bldg., M.L. Quezon Ave.  
National Highway, Lapu-Lapu City

**CEBU - S&R**

Ouano Ave. cor. E.O. Perez St. Subangku,  
Mandaue City, Cebu

**DUMAGUETE - PBCOM**

Unit No. 6, Yala Bldg. Calindagan,  
Dumaguete City

**ILOILO - PBCOM**

Ledesma cor. Valeria St., Iloilo City

**ILOILO - S&R**

Don Donato Pison Ave. Brgy. San Rafael  
Mandurriao, Iloilo City

**TAGBILARAN - PBCOM**

G/F LTS Building, No. 20 Carlos P. Garcia Ave.  
Tagbilaran City, Bohol

**MINDANAO REGION****CAGAYAN DE ORO - PBCOM**

Tiano Bros. cor. Hayes St., Cagayan De Oro City

**CAGAYAN DE ORO - S&R**

Zone 5, Barangay Kauswagan  
Butuan-CDO-Iligan Road, Cagayan De Oro City  
Misamis Oriental

**DAVAO - PBCOM MONTEVERDE**

41 T. Monteverde Ave., Davao City

**DAVAO - PBCOM BAJADA**

G/F RAQ Building, J.P. Laurel Ave.  
Bajada, Davao City

**DAVAO - PBCOM QUIRINO**

111 E. Quirino Ave., Davao City, Davao Del Sur

**DAVAO - S&R**

McArthur Hiway cor. J. Rodriguez St., Talomo Ave.  
Brgy. Ma-a, Davao City

**GENERAL SANTOS - PBCOM**

Santiago Blvd., General Santos City

**ILIGAN - PBCOM**

M.H. Del Pilar cor. M. Badelles St.  
J. Luna St., Iligan City

**KORONADAL - PBCOM**

General Santos Drive, Koronadal South, Cotabato

**KORONADAL - DAPPMC**

Dr. Arturo P. Pingay Medical Center  
G/F Main Entrance, General Santos Drive  
Brgy. Zone IV, Koronadal City, South Cotabato

**TAGUM - PBCOM**

Pioneer, Tagum, Davao Del Norte

**ZAMBOANGA - PBCOM VALDEROSA**

G/F Interco Bldg., N. S. Valderosa St.  
Zamboanga City

**ZAMBOANGA - PBCOM VETERANS**

BSC Tower (formerly Zamsulu Bldg.)  
G/F Door 5-7, Veterans Ave.  
Zamboanga City

**ZAMBOANGA - YUBENCO**

G/F Megalang Corp. Don Alfaro St.  
Brgy. Telfan, Zamboanga City

**ZAMBOANGA - YUBENCO MALL**

MCLL Highway, Putik, Zamboanga City

**ZAMBOANGA - YUBENCO SUPERMARKET**

G/F San Jose Gusu cor. San Roque St.  
Zamboanga City



The Pillars of Growth

# PARTNERSHIPS

People



Products



Processes



Places



**Partnerships**





## PBCOM and S&R: Stronger Together



from L to R: Mr. Expedito Garcia (PBCOM Transaction Banking Head), Ms. Gisela Altura (S&R Finance Director) & Mr. Ricky Mendoza (PBCOM Consumer Finance Sales Head)

S&R is a membership-shopping club modeled after the warehouse membership shopping chains introduced in the United States. They offer high quality products on local and international brand names that guarantee satisfaction, unmatched savings, and value for membership - delivered always.

The core concept is effectively and efficiently anchored on aggressive buying, low-cost distribution and streamlined operations. S&R provides an expansive selection of imported and local items in value-packed sizes to cater to their clients' personal and business needs.

### PBCOM-S&R SYNERGY

The synergy initiatives between the two Lucio Co - owned companies brought about a

better experience to S&R suppliers and customers. PBCOM now handles disbursement solutions for their suppliers through a check-writing facility, further PBCOM ATMs are available in almost all of its sites. PBCOM has also started the Abot Kamay Loans Caravan in 7 S&R sites.

### Disbursement Solutions

As of November 2015, We handle the check preparation as well as the release of checks to S&R's trade suppliers with the Check Data Entry Program (CDEP). This stand-alone program is installed at the S&R office to facilitate payment processing remotely thru selected PBCOM branches. With this system installed, S&R is able to provide more payment facilities, where local vendors can receive payments for a faster and more convenient releasing process.

Tedious manual tasks are eliminated with an automated end-to-end disbursement solution. The process is now more efficient, due to reduction of errors and rework. There is better control, with an automated system of monitoring, reconciliation and reporting.

### Automated Teller Machines

On the other hand, clients of PBCOM and those from the other banks now have ease of accessing cash with the PBCOM ATMs present in 11 of the S&R sites. These machines provide better access to funds where clients can withdraw cash, pay bills or transfer funds to another account.

### Abot Kamay Loans Caravan in S&R

Further, 2016 has seen the birth of the Abot Kamay Loans Caravan where special rates for Personal, Auto & Home Loans are offered exclusively to S&R members. The Caravan has covered 7 S&R sites namely, Congressional, Nuvali, Shaw Boulevard, San Fernando Pampanga, Alabang, Aseana-Macapagal, and BGC.

The partnership between PBCOM and S&R proves to be beneficial to both companies. With the Lucio Co brand at their core, the two companies are set for many years of growth and prosperity as it caters to the everyday needs of the Filipinos.



PBCOM Senior Officers, led by our President, Ms. Patricia May Siy, support the various initiatives of our sister company, S&R



## PBCOM Raises the Bar for SteelAsia

PBCOM ups the ante for SteelAsia with its partnership of more than four years.

SteelAsia is the Philippines' largest producer of concrete re-enforcing steel bars (rebar). With six plants across the country, SteelAsia has a major share of the rebar market, with a capacity of 2.3 million metric tons. A preferred partner & supplier of many property developers, the strategic locations of its steel mills translate to logistics savings for their clients since their rebar requirements are supplied by a SteelAsia mill nearest to the jobsites.

PBCOM, a bank of almost 80 years, possesses a deep understanding of all sectors of business, including the rebar industry. Thus, the bank's officers clearly grasp, recognize and appreciate SteelAsia's presentation of the rebar industry and their corresponding strategies. Banking on the good rapport between them, PBCOM extends support to SteelAsia's funding requirements.

SteelAsia appreciates the support and confidence of PBCOM as the bank understands the business and is constantly looking for solutions to support its growth initiatives. With the increasing support of PBCOM, SteelAsia is able to expand their sales volume, thereby improving their financial status.

SteelAsia is expanding their rebar capacity to four million metric tons in the next five years, increasing their funding requirements correspondingly. They are optimistic that PBCOM will continue supporting their business. Moreover, they trust that the relational banking between them will steadily strengthen, keeping pace with the country's growth.

Mutual respect is key to the continued successful collaboration between SteelAsia and PBCOM. SteelAsia sees in PBCOM a very refined banking culture that is truly reflective of P.R.I.D.E.; PBCOM sees SteelAsia as a frontrunner in the country's industrialization initiatives.



from L to R: Mr. Benjamin Yao (SteelAsia Chairman & CEO), Ms. Lillian Yao (SteelAsia Head of Treasury), Mr. Luis Elizaga (PBCOM Commercial & Corporate Banking Head) and Ms. Lillian Lim (PBCOM CCBG Relationship Manager)

“The partnership between SteelAsia and PBCOM started with a Letter of Credit/Trust Receipt Line. Today, PBCOM is supporting SteelAsia with an omnibus line and a term loan for their business expansion.”





from L to R: Mr. James Arvin Ison (PBCOM Auto Loan Area Head for South Luzon and South Metro), Mr. Jimi Araneta (PBCOM Retail Banking Head), Mr. Doroteo Sornet (LICA Auto Group SVP and COO), Mr. Ricky Mendoza (PBCOM Consumer Finance Sales Head), and Mr. Marc Villanueva (PBCOM Auto Loan Head)

## PBCOM Partners with LICA Auto Group to Maneuver the Country



To further strengthen the presence of PBCOM all over the country, we have partnered with big names in the automotive industry. The objective is to extend our network who offers Auto Loans to clients beyond what is covered by our existing branch network.

Our valued partner in the Calabarzon area is LICA Auto Group, whose mother company, LICA Group, is also involved in other businesses such as real estate and hospitality, financial services, and office systems. From their roots in CALABARZON-based real estate, sugar plantations and banking, they have become one of the leading diversified business groups in the Philippines.

LICA Auto Group represents a wide variety of leading international brand names like Nissan, Hyundai, Honda, Chevrolet, Suzuki, Foton, Volvo, and Kia to name a few. They are the largest, multi-awarded and synergistic group of automotive retail and service companies in the country, involved in new and used car dealerships, rent-a-car and leasing, parts and equipment distribution, and auto service center chain stores.

Our partnership with LICA has put us in a strong position especially in the South Luzon area. Their dealer stores in Cavite, Laguna, Batangas, Rizal and Quezon further extends our customer reach aside from the 11 existing PBCOM branches. It is now more convenient for our customers to avail of an Auto Loan.

We are one with the LICA Auto Group in their plans. We are looking forward to being a lifetime partner of the LICA Group in helping its customers, both locally and internationally, own and enjoy their car completely.



## Statement of Management's Responsibility for Financial Statements

The management of Philippine Bank of Communications (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Sycip, Gorres, Velayo and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



**ERIC O. RECTO**  
Chairman of the Board



**PATRICIA MAY T. SIY**  
President & CEO



**MANUEL ANDRES D. GOSECO**  
Treasurer



**ARLENE M. DATU**  
Comptroller





SyCip Gorres Velayo & Co.  
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Philippines

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Fax: (632) 819 0872  
sy.com/ph

BOA/PRC Reg. No. 0001.  
December 14, 2015, valid until December 31, 2018  
SEC Accreditation No. 0012-FR-4 (Group A),  
November 10, 2015, valid until November 9, 2018

## The Stockholders and the Board of Directors Philippine Bank of Communications

### Opinion

We have audited the consolidated financial statements of Philippine Bank of Communications and its subsidiaries (the "Group") and the parent company financial statements of Philippine Bank of Communications (the "Parent Company"), which comprise the consolidated and parent company statements of financial position as at December 31, 2016 and 2015, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (the "Code of Ethics") together with the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

### Applicable to the Audit of the Consolidated & Parent Company Financial Statements

#### *Impairment testing on loans and receivables*

Loans and receivables consist of corporate and consumer loans, which account for 51% and 50% of the Group's and the Parent Company's total assets as of December 31, 2016, respectively. We considered the impairment testing on loans and receivables as a key audit matter as it involves

significant judgment and estimates by management. Key assumptions include the timing and amounts of collections expected from the borrower and the expected cash flows from foreclosing and selling the collateral. The Group performs specific impairment testing on individually significant corporate loans. The other loans are grouped based on credit risk characteristics and are subjected to collective impairment testing. The disclosures relating to the impairment of loans and receivables are included in Notes 3 and 18 of the financial statements.

#### *Audit response*

We obtained an understanding of impairment testing process, including the identification of loans and receivables to be subjected to specific impairment testing, and tested the key controls over impairment data and calculations. For loans and receivables subjected to specific impairment testing, we selected a sample of impaired loans, checked the mathematical accuracy of the impairment calculation, and obtained an understanding of the borrower's business and financial capacity. We tested the key inputs to the impairment calculation by assessing whether the forecasted cash flows are based on the borrower's current financial condition, checking whether the discount rates used are based on the original effective interest rate or the last repriced rate, and inspecting recent appraisal reports to determine the fair value of collateral held. For loans and receivables subjected to collective impairment testing, we tested the underlying loan information used in the impairment calculation by comparing the details to the source information systems. We tested whether the assumptions used in the impairment calculation, such as likelihood of default and loss rate, are based on historical data. We also checked the mathematical accuracy of the impairment calculation.

#### *Valuation of investment properties*

The Group accounts for its investment properties using the fair value model. The investment properties consist of condominium and office units for lease and foreclosed properties. The determination of the fair values of these properties involves significant management judgment in the use of assumptions, such as vacancy and rental rates. The valuation also requires the assistance of external appraisers whose calculations also depend on certain assumptions, such as capitalization rates, price per square meter and reproduction cost. Thus, we considered the valuation of investment properties as a key audit matter. The disclosures relating to investment properties are included in Notes 3 and 15 of the financial statements.

#### *Audit response*

We obtained an understanding of the Group's valuation process and the related controls.

For condominium and office units for lease, we involved our internal specialist in the review of the methodology and assumptions used by the Group's external appraiser – whose professional qualifications and objectivity were also considered. We evaluated the key assumptions used, such as capitalization, vacancy and rental rates, by comparing the capitalization rates against yield data for comparable properties within the area where the Group's properties are located, vacancy rates against market data and historical vacancy rates for the Group's properties, and rental rates against rental contracts and agreements. We also checked the mathematical accuracy of the calculations.

For foreclosed properties, which consist of land and buildings and improvements, we assessed the competence and objectivity of the external appraisers and the propriety of the valuation methodology used. We tested the key inputs used in the appraisal reports, such as price per square meter for land and reproduction costs for buildings and improvements, by comparing these inputs against market data. We assessed whether the discounts applied by the management on the appraised values of the properties were based on the Group's historical data on disposals of similar properties. We also checked the mathematical accuracy of the calculations.

#### *Realizability of deferred tax assets*

As disclosed in Note 31 of the financial statements, the Group has unrecognized deferred tax assets relating to allowance for credit and impairment losses and other deductible temporary differences. Deferred tax assets have been recognized to the extent that management has assessed that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. We considered the realizability of deferred tax assets as a key audit matter since the assessment process is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group.

#### *Audit response*

We obtained an understanding of the Group's deferred income tax calculation process, including the applicable tax rules and regulations. We reviewed the management's assessment on the availability of



future taxable profit in reference to financial forecast and tax strategies. We evaluated the management's forecast by comparing the expected growth rates of the loan and deposit portfolios with that of the industry and the historical performance of the Group. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

#### **Change in business model for managing financial assets**

As disclosed in Note 3 of the financial statements, in September 2016, the Parent Company's Board of Directors (BOD) approved the change in the Parent Company's business model for managing its investments in debt securities to reflect changes in its strategic priorities and to address the requirements of BSP Circular No. 905, Implementation of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio and Disclosure Standards, issued on March 10, 2016.

On October 1, 2016, the first day of the accounting period following the change in business model, the Parent Company reclassified certain debt securities with an aggregate face amount of US\$59.15 million (P2,875.00 million) from the hold-to-collect portfolio to the trading portfolio and recognized a gain on reclassification of US\$4.10 million (P198.70 million).

Under PFRS 9, *Financial Instruments*, a change in business model is expected to be very infrequent as it must be significant to the entity's operations and demonstrable to external parties. Determining whether certain events would trigger a change in business model for managing financial assets is a key area of judgment for the management. Thus, we considered this as a significant audit matter.

#### **Audit response**

We obtained an understanding on how the identified triggering events changed the objective of the Parent Company's business model for managing its investments in debt securities through inquiry with relevant officers of the Parent Company and reading of the minutes of meetings of the Risk Oversight Committee and the BOD. We reviewed the new business model documentation to check whether the new policies and procedures for managing the Parent Company's investments in debt securities reflect the change in the objective of the business model. We checked the underlying processes and reports used to monitor and evaluate the performance of the debt securities portfolios – including the processes established to comply with the requirements of BSP Circular No. 905. We checked the new classifications of the debt securities based on our evaluation of the new business model. We reviewed the reclassification adjustment made by the Parent Company based on the requirements of PFRS 9.

#### **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2016 but does not include the consolidated and parent company financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2016, which are expected to be made available to us after that date.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated and Parent Company Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, management is responsible

for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 38 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Bank of Communications. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Josephine Adrienne A. Abarca.

#### SYCIP GORRES VELAYO & CO.

*Josephine Adrienne A. Abarca*

Josephine Adrienne A. Abarca

Partner

CPA Certificate No. 92126

SEC Accreditation No. 0466-AR-3 (Group A),

February 9, 2016, valid until February 8, 2019

Tax Identification No. 163-257-145

BIR Accreditation No. 08-001998-61-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5908660, January 3, 2017, Makati City

March 29, 2017



	Consolidated		Parent Company		
	As of December 31				As of
				2015	January 1,
				(As restated -	2015
	2016	2015	2016	Note 2)	(As restated -
	(Amounts in Thousands)				
ASSETS					
Cash and Other Cash Items	₱1,042,611	P1,343,340	₱1,011,756	P1,311,615	P1,153,418
Due from Bangko Sentral ng Pilipinas (Notes 19 and 20)	13,356,075	11,909,774	13,276,681	11,839,461	12,463,067
Due from Other Banks	2,996,758	2,008,522	2,631,497	1,786,592	1,375,645
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Note 9)	310,131	229,281	310,131	229,281	832,604
Financial Assets at Fair Value through Profit or Loss (Note 10)	300,483	395,258	300,483	395,258	684,219
Equity Securities at Fair Value through Other Comprehensive Income (Note 11)	52,242	44,452	52,242	44,452	42,975
Investment Securities at Amortized Cost (Note 12)	13,135,494	14,468,390	13,135,494	14,468,390	13,256,310
Loans and Receivables (Note 13)	46,089,437	36,502,141	44,303,654	34,629,214	32,306,710
Investments in Subsidiaries and an Associate (Note 8)	12,376	12,113	1,023,334	928,156	857,365
Property and Equipment (Note 14)					
At cost	1,130,034	1,271,792	1,066,588	1,199,503	1,320,698
At appraised value	519,010	519,010	470,113	470,113	441,307
Investment Properties (Note 15)					
Condominium units for lease	5,044,552	4,799,635	5,044,552	4,799,635	3,959,178
Foreclosed properties	957,000	880,234	721,780	681,408	566,058
Office units for lease	23,858	19,142	23,858	19,142	—
Goodwill (Note 7)	178,456	178,456	—	—	—
Intangible Assets (Note 16)	781,166	824,816	516,008	558,066	554,742
Deferred Tax Assets - net (Note 31)	59,717	49,545	—	—	—
Other Assets (Note 17)	509,333	620,415	493,863	603,767	579,546
TOTAL ASSETS	₱86,498,733	P76,076,316	₱84,382,034	P73,964,053	P70,393,842

**LIABILITIES AND EQUITY****LIABILITIES****Deposit Liabilities (Notes 19 and 32)**

Demand	P15,464,230	P12,523,472	P15,571,988	P12,610,784	P9,450,291
Savings	6,943,767	5,054,764	6,400,070	4,507,544	3,487,510
Time	40,737,984	40,724,117	39,227,043	39,437,185	44,818,420
	63,145,981	58,302,353	61,199,101	56,555,513	57,756,221
Bills Payable (Note 20)	10,099,384	6,481,620	10,099,384	6,296,862	3,421,652
Outstanding Acceptances	34,357	42,065	34,357	42,065	25,620
Manager's Checks	300,385	108,914	300,385	108,914	211,130
Accrued Interest, Taxes and Other Expenses					
(Note 21)	414,575	539,185	382,452	501,415	521,673
Income Tax Payable	240	29,774	182	10,241	8,770
Deferred Tax Liabilities - net (Note 31)	1,105,523	1,033,544	974,865	911,399	621,893
Other Liabilities (Note 7 and 22)	616,552	614,838	601,293	606,433	600,824

<b>TOTAL LIABILITIES</b>	<b>75,716,997</b>	<b>67,152,293</b>	<b>73,592,019</b>	<b>65,032,842</b>	<b>63,167,783</b>
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(Forward)

	Consolidated		Parent Company		
	As of December 31				As of
				2015	January 1, 2015
				(As restated -	(As restated -
	2016	2015	2016	Note 2)	Note 2)
	(Amounts in Thousands)				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
Common stock (Note 24)	₱7,489,114	₱7,489,114	₱7,489,114	₱7,489,114	₱7,489,114
Subscribed common stock - net (Note 24)	4,581,340	3,187,019	4,581,340	3,187,019	1,792,698
Additional paid-in capital	813,515	813,601	813,601	813,601	813,601
Surplus reserves (Note 24)	105,772	105,772	105,772	105,772	105,772
Deficit (Note 24)	(2,345,243)	(2,745,295)	(2,345,243)	(2,745,295)	(2,948,596)
Unrealized gain on equity securities carried at fair value through other comprehensive income (Note 11)	33,621	25,831	33,621	25,831	24,354
Revaluation increment on land, office units and condominium properties (Notes 14 and 15)	280,228	280,228	280,228	280,228	247,743
Cumulative translation adjustment	(72,739)	(52,394)	(72,739)	(52,394)	(27,392)
Remeasurement losses on retirement liability (Notes 8 and 28)	(95,679)	(172,665)	(95,679)	(172,665)	(271,235)
	10,789,929	8,931,211	10,790,015	8,931,211	7,226,059
NON-CONTROLLING INTERESTS	(8,193)	(7,188)	—	—	—
TOTAL EQUITY	10,781,736	8,924,023	10,790,015	8,931,211	7,226,059
TOTAL LIABILITIES AND EQUITY	₱86,498,733	₱76,076,316	₱84,382,034	₱73,964,053	₱70,393,842

See accompanying Notes to Financial Statements.



	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	2016	2015 (As restated - Note 2)	2014 (As restated - Note 2)
	(Amounts in Thousands, Except Earnings per Share)					
INTEREST INCOME						
Loans and receivables (Notes 13 and 32)	P2,902,068	P2,597,337	P2,079,458	P2,539,901	P2,299,675	P2,036,406
Investment securities (Note 27)	676,016	628,963	798,169	676,016	628,963	798,154
Deposits with other banks	37,583	61,835	27,368	37,202	61,296	27,397
Interbank loans receivable and securities purchased under resale agreements (Notes 9 and 32)	19,073	11,431	21,715	19,073	19,033	21,715
Others	—	—	197,642	—	—	197,642
	3,634,740	3,299,566	3,124,352	3,272,192	3,008,967	3,081,314
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 19 and 32)	861,401	869,926	882,095	799,652	825,398	871,840
Bills payable, borrowings and others (Note 20)	177,385	103,672	300,315	176,704	99,321	299,919
	1,038,786	973,598	1,182,410	976,356	924,719	1,171,759
NET INTEREST INCOME	2,595,954	2,325,968	1,941,942	2,295,836	2,084,248	1,909,555
Rent income (Notes 15, 29 and 32)	474,213	404,072	313,424	474,105	403,948	313,350
Service charges, fees and commissions	363,635	426,556	326,464	326,484	377,997	297,601
Fair value gain from investment properties (Note 15)	286,404	941,728	380,407	252,095	929,751	380,407
Gain on reclassification of investment securities from amortized cost to FVTPL (Note 12)	198,700	—	—	198,700	—	—
Trading and securities gain (loss) - net (Note 27)	48,339	(40,465)	61,957	48,339	(40,465)	61,957
Income from trust operations (Notes 26 and 28)	16,864	18,300	19,055	16,864	18,300	19,055
Gain (loss) on assets exchange - net (Note 15)	12,170	3,702	(21,435)	12,170	(215)	(21,539)
Foreign exchange gain - net	11,474	10,200	31,805	11,474	10,200	31,805
Profit (loss) from assets sold (Notes 14, 15 and 17)	(7,316)	5,335	9,019	(7,915)	4,608	8,865
Gain (loss) on disposal of investment securities at amortized cost (Note 12)	—	48,174	(258)	—	48,174	(258)
Miscellaneous	51,071	90,827	21,928	39,061	30,355	19,631
TOTAL OPERATING INCOME	4,051,508	4,234,397	3,084,308	3,667,213	3,866,901	3,020,429

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	2016	2015 (As restated - Note 2)	2014 (As restated - Note 2)
	(Amounts in Thousands, Except Earnings per Share)					
<b>OPERATING EXPENSES</b>						
Compensation and fringe benefits (Notes 15, 28 and 32)	P1,181,173	P1,344,158	P1,366,032	P1,074,104	P1,240,970	P1,345,892
Provision for (reversal of) credit and impairment losses - net (Note 18)	477,968	443,802	(194,853)	396,223	391,493	(198,541)
Taxes and licenses (Notes 15 and 31)	406,471	435,777	380,124	377,609	409,648	375,008
Depreciation and amortization (Note 14)	345,578	290,531	197,961	324,496	270,192	192,927
Occupancy and other equipment-related costs (Notes 15, 29 and 32)	184,412	217,691	210,472	173,159	202,716	207,097
Management and professional fees	150,628	162,627	80,827	147,839	158,643	78,266
Insurance	126,452	128,052	102,877	119,230	122,735	100,913
Security, clerical, messengerial and janitorial services	84,980	99,563	96,430	75,177	91,548	94,712
Entertainment, amusement and recreation	77,515	62,879	81,825	77,198	62,715	81,756
Communications	58,180	67,378	67,379	56,303	60,889	66,612
Miscellaneous (Notes 15 and 30)	323,713	292,389	285,495	289,543	267,105	269,929
<b>TOTAL OPERATING EXPENSES</b>	<b>3,417,070</b>	<b>3,544,847</b>	<b>2,674,569</b>	<b>3,110,881</b>	<b>3,278,654</b>	<b>2,614,571</b>
<b>INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND AN ASSOCIATE</b>	<b>634,438</b>	<b>689,550</b>	<b>409,739</b>	<b>556,332</b>	<b>588,247</b>	<b>405,858</b>
<b>SHARE IN NET INCOME (LOSS) OF SUBSIDIARIES (Note 8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,683</b>	<b>70,747</b>	<b>(6,313)</b>
<b>SHARE IN NET INCOME OF AN ASSOCIATE (Note 8)</b>	<b>263</b>	<b>468</b>	<b>361</b>	<b>263</b>	<b>468</b>	<b>361</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>634,701</b>	<b>690,018</b>	<b>410,100</b>	<b>606,278</b>	<b>659,462</b>	<b>399,906</b>
<b>PROVISION FOR INCOME TAX (Note 31)</b>	<b>234,821</b>	<b>486,336</b>	<b>299,553</b>	<b>206,226</b>	<b>456,161</b>	<b>288,949</b>
<b>NET INCOME</b> (See last paragraph of Note 15, page 84 and Note 36, page 114)	<b>P399,880</b>	<b>P203,682</b>	<b>P110,547</b>	<b>P400,052</b>	<b>P203,301</b>	<b>P110,957</b>
Attributable to:						
Equity holders of the Parent Company	P400,052	P203,301	P110,957			
Non-controlling interests	(172)	381	(410)			
	<b>P399,880</b>	<b>P203,682</b>	<b>P110,547</b>			
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 33)</b>	<b>P1.34</b>	<b>P0.68</b>	<b>P0.37</b>			

See accompanying Notes to Financial Statements.



# Statements of Comprehensive Income

	Consolidated			Parent Company		
	Years Ended December 31					
	2016	2015	2014	2016	2015 (As restated - Note 2)	2014 (As restated - Note 2)
	(Amounts in Thousands)					
<b>NET INCOME FOR THE YEAR</b> <i>(See last paragraph of Note 15, page 84 and Note 36, page 114)</i>	<b>P399,880</b>	<b>P203,682</b>	<b>P110,547</b>	<b>P400,052</b>	<b>P203,301</b>	<b>P110,957</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX</b> Item that may be reclassified to profit or loss in subsequent periods:						
Net movement in cumulative translation adjustment	(20,345)	(25,002)	(15,781)	(20,345)	(25,002)	(15,781)
Items that may not be reclassified to profit or loss in subsequent periods:						
Change in remeasurement gains (losses) on retirement liability (Note 28)	76,561	98,235	(34,151)	77,695	99,780	(33,067)
Unrealized gain on equity securities carried at fair value through other comprehensive income (Note 11)	7,790	1,477	197	7,790	1,477	197
Net movement in revaluation increment on land, office units and condominium properties (Notes 14 and 15)	—	46,450	54,567	—	45,285	54,567
Income tax relating to components of other comprehensive income	437	(13,619)	(16,102)	—	(13,586)	(16,370)
	<b>84,788</b>	<b>132,543</b>	<b>4,511</b>	<b>85,485</b>	<b>132,956</b>	<b>5,327</b>
	<b>64,443</b>	<b>107,541</b>	<b>(11,270)</b>	<b>65,140</b>	<b>107,954</b>	<b>(10,454)</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME BEFORE SHARE IN OTHER COMPREHENSIVE INCOME OF SUBSIDIARIES</b>	<b>464,323</b>	<b>311,223</b>	<b>99,277</b>	<b>465,192</b>	<b>311,255</b>	<b>100,503</b>
<b>SHARE IN OTHER COMPREHENSIVE INCOME OF SUBSIDIARIES</b> Items that may not be reclassified to profit or loss in subsequent periods:						
Change in remeasurement losses on retirement liability (Note 8)	—	—	—	(1,146)	(1,526)	(1,075)
Net movement in revaluation increment on land, office units and condominium properties (Note 8)	—	—	—	—	1,123	—
Income tax relating to components of other comprehensive income	—	—	—	437	(21)	267
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>P464,323</b>	<b>P311,223</b>	<b>P99,277</b>	<b>P464,483</b>	<b>P310,831</b>	<b>P99,695</b>
Attributable to:						
Equity holders of the Parent Company	<b>P464,483</b>	<b>P310,831</b>	<b>P99,695</b>			
Non-controlling interests	<b>(160)</b>	<b>392</b>	<b>(418)</b>			
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>	<b>P464,323</b>	<b>P311,223</b>	<b>P99,277</b>			

See accompanying Notes to Financial Statements.



Parent Company											
Years Ended December 31, 2016, 2015 and 2014											
	Common Stock (Note 24)	Subscribed Common Stock - net (Note 24)	Additional Paid-in Capital	Surplus Reserves (Note 24)	Deficit (Note 24)	Net Unrealized Gain (Loss) on Available-for- Sale Investments	Unrealized Gain on Equity Securities at Fair Value Through Other Comprehensive Income (Note 11)	Revaluation Increment on Land, Office Units and Condominium Properties (Notes 14 and 15)	Cumulative Translation Adjustment	Remeasurement Losses on Retirement Liability (Notes 8 and 28)	Total Equity
(Amounts in Thousands)											
Balances at January 1, 2016, as restated	P7,489,114	P3,187,019	P813,601	P105,772	(P2,745,295)	P-	P25,831	P280,228	(P52,394)	(P172,665)	P8,931,211
Collection of subscription receivable (Note 24)	-	1,394,321	-	-	-	-	-	-	-	-	1,394,321
Total comprehensive income (loss) for the year	-	-	-	-	400,052	-	7,790	-	(20,345)	76,986	464,483
<b>Balances at December 31, 2016</b>	<b>P7,489,114</b>	<b>P4,581,340</b>	<b>P813,601</b>	<b>P105,772</b>	<b>(P2,345,243)</b>	<b>P-</b>	<b>P33,621</b>	<b>P280,228</b>	<b>(P72,739)</b>	<b>(P95,679)</b>	<b>P10,790,015</b>
Balances at January 1, 2015, as previously stated	P7,489,114	P1,792,698	P813,601	P105,772	(P2,951,928)	P-	P24,354	P247,743	(P27,392)	(P270,427)	P7,223,535
Effects of the adoption of equity method in investment in subsidiaries and an associate (Note 2)	-	-	-	-	3,332	-	-	-	-	(808)	2,524
Balances at January 1, 2015, as restated	7,489,114	1,792,698	813,601	105,772	(2,948,596)	-	24,354	247,743	(27,392)	(271,235)	7,226,059
Collection of subscription receivable (Note 24)	-	1,394,321	-	-	-	-	-	-	-	-	1,394,321
Total comprehensive income (loss) for the year	-	-	-	-	203,301	-	1,477	32,485	(25,002)	98,570	310,831
<b>Balances at December 31, 2015</b>	<b>P7,489,114</b>	<b>P3,187,019</b>	<b>P813,601</b>	<b>P105,772</b>	<b>(P2,745,295)</b>	<b>P-</b>	<b>P25,831</b>	<b>P280,228</b>	<b>(P52,394)</b>	<b>(P172,665)</b>	<b>P8,931,211</b>
Balances at January 1, 2014	P7,489,114	P-	P813,601	P105,772	(P3,085,318)	(P1,219,413)	P-	P209,546	(P11,611)	(P237,360)	P4,064,331
Effect of early adoption of PFRS 9	-	-	-	-	16,481	1,219,413	24,157	-	-	-	1,260,051
Effect of the adoption of equity method in investment in subsidiaries and an associate (Note 2)	-	-	-	-	9,284	-	-	-	-	-	9,284
Balance at January 1, 2014, as restated	7,489,114	-	813,601	105,772	(3,059,553)	-	24,157	209,546	(11,611)	(237,360)	5,333,666
Subscription of common stock (Note 24)	-	1,792,698	-	-	-	-	-	-	-	-	1,792,698
Total comprehensive income (loss) for the year	-	-	-	-	110,957	-	197	38,197	(15,781)	(33,875)	99,695
<b>Balances at December 31, 2014</b>	<b>P7,489,114</b>	<b>P1,792,698</b>	<b>P813,601</b>	<b>P105,772</b>	<b>(P2,948,596)</b>	<b>P-</b>	<b>P24,354</b>	<b>P247,743</b>	<b>(P27,392)</b>	<b>(P271,235)</b>	<b>P7,226,059</b>

See accompanying Notes to Financial Statements.

Consolidated												
Years Ended December 31, 2016, 2015 and 2014												
Equity Attributable to Equity Holders of the Parent Company												
	Common Stock (Note 24)	Subscribed Common Stock - net (Note 24)	Additional Paid-in Capital	Surplus Reserves (Note 24)	Deficit (Note 24)	Net Unrealized Gain (Loss) on Available-for- Sale Investments	Unrealized Gain on Equity Securities at Fair Value Through Other Comprehensive Income (Note 11)	Revaluation Increment on Land, Office Units and Condominium Properties (Notes 14 and 15)	Cumulative Translation Adjustment	Remeasurement Losses on Retirement Liability (Note 28)	Total	Non- Controlling Interests
(Amounts in Thousands)												
Balances at January 1, 2016	P7,489,114	P3,187,019	P813,601	P105,772	(P2,745,295)	P-	P25,831	P280,228	(P52,394)	(P172,665)	P8,931,211	(P7,188)
Collection of subscription receivable (Note 24)	-	1,394,321	-	-	-	-	-	-	-	-	1,394,321	-
Total comprehensive income (loss) for the year	-	-	-	-	400,052	-	7,790	-	(20,345)	76,989	464,486	(163)
Acquisition of non-controlling interests (Note 8)	-	-	(86)	-	-	-	-	-	-	(3)	(89)	(855)
Deposit for future stock subscription (Note 8)	-	-	-	-	-	-	-	-	-	-	13	13
<b>Balances at December 31, 2016</b>	<b>P7,489,114</b>	<b>P4,581,340</b>	<b>P813,515</b>	<b>P105,772</b>	<b>(P2,345,243)</b>	<b>P-</b>	<b>P33,621</b>	<b>P280,228</b>	<b>(P72,739)</b>	<b>(P95,679)</b>	<b>P10,789,929</b>	<b>(P8,193)</b>
Balances at January 1, 2015	P7,489,114	P1,792,698	P813,601	P105,772	(P2,948,596)	P-	P24,354	P247,743	(P27,392)	(P271,235)	P7,226,059	(P7,580)
Collection of subscription receivable (Note 24)	-	1,394,321	-	-	-	-	-	-	-	-	1,394,321	-
Total comprehensive income (loss) for the year	-	-	-	-	203,301	-	1,477	32,485	(25,002)	98,570	310,831	392
<b>Balances at December 31, 2015</b>	<b>P7,489,114</b>	<b>P3,187,019</b>	<b>P813,601</b>	<b>P105,772</b>	<b>(P2,745,295)</b>	<b>P-</b>	<b>P25,831</b>	<b>P280,228</b>	<b>(P52,394)</b>	<b>(P172,665)</b>	<b>P8,931,211</b>	<b>(P7,188)</b>
Balances at January 1, 2014	P7,489,114	P-	P813,601	P105,772	(P3,076,034)	(P1,219,413)	P-	P209,546	(P11,611)	(P237,360)	P4,073,615	P-
Effect of early adoption of PFRS 9	-	-	-	-	16,481	1,219,413	24,157	-	-	-	1,260,051	-
Effect of business combination	-	-	-	-	-	-	-	-	-	-	-	(7,162)
Subscription of common stock (Note 24)	-	1,792,698	-	-	-	-	-	-	-	-	1,792,698	-
Total comprehensive income (loss) for the year	-	-	-	-	110,957	-	197	38,197	(15,781)	(33,875)	99,695	(418)
<b>Balances at December 31, 2014</b>	<b>P7,489,114</b>	<b>P1,792,698</b>	<b>P813,601</b>	<b>P105,772</b>	<b>(P2,948,596)</b>	<b>P-</b>	<b>P24,354</b>	<b>P247,743</b>	<b>(P27,392)</b>	<b>(P271,235)</b>	<b>P7,226,059</b>	<b>(P7,580)</b>

See accompanying Notes to Financial Statements.



	Consolidated			Parent Company		
	Years Ended December 31			Years Ended December 31		
	2016	2015	2014	2016 (As restated - Note 2)	2015 (As restated - Note 2)	2014 (As restated - Note 2)
	(Amounts in Thousands)					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Income before income tax	P634,701	P690,018	P410,100	P606,278	P659,462	P399,906
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:						
Provision for (reversal of) credit and impairment losses (Note 18)	477,968	443,802	(194,853)	396,223	391,493	(198,541)
Depreciation and amortization (Notes 14 and 16)	345,578	290,531	197,961	324,496	270,192	192,927
Fair value gain on investment properties (Note 15)	(286,404)	(941,728)	(380,407)	(252,095)	(929,751)	(380,407)
Gain on reclassification of investment securities from amortized cost to FVTPL (Note 12)	(198,700)	—	—	(198,700)	—	—
Accretion of interest on unquoted debt securities (Note 13)	(180,520)	(182,628)	(262,937)	(180,520)	(182,628)	(262,937)
Loss (gain) from sale of investment securities at amortized cost (Note 12)	—	(48,174)	258	—	(48,174)	258
Unrealized loss (gain) on financial assets at FVTPL	(48,339)	3,136	5,509	(48,339)	3,136	5,509
Loss (gain) on assets exchanged (Note 15)	(12,170)	(3,702)	21,435	(12,170)	215	21,539
Loss (profit) from assets sold (Note 15)	7,316	(5,335)	(9,019)	7,915	(4,608)	(8,865)
Share in net loss (income) of subsidiaries and an associate (Note 8)	(263)	(468)	(361)	(49,946)	(71,215)	5,952
Accretion of interest on bills payable	—	—	210,893	—	—	210,893
Amortization of unearned income credited to interest income - others	—	—	(197,642)	—	—	(197,642)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables	(9,941,668)	(3,268,639)	(7,352,754)	(9,941,778)	(2,563,072)	(7,112,505)
Financial assets at FVTPL	341,813	285,825	1,422,921	341,813	285,825	1,422,921
Other assets	114,831	(14,474)	(222,188)	118,625	(6,328)	(224,642)
Increase (decrease) in the amounts of:						
Deposit liabilities	4,843,628	(817,263)	10,281,808	4,643,587	(1,202,221)	10,475,724
Manager's checks	191,472	(102,216)	37,629	191,472	(102,216)	37,629
Accrued interest, taxes and other expenses	(124,610)	5,012	(9,743)	(118,962)	(20,258)	(18,939)
Other liabilities	79,219	77,854	260,134	72,969	105,389	260,514
Net cash generated from (used for) operations	(3,756,148)	(3,588,449)	4,218,744	(4,099,132)	(3,414,759)	4,629,294
Income taxes paid	(192,375)	(207,496)	(196,222)	(152,818)	(178,770)	(198,772)
Net cash provided by (used in) operating activities	(3,948,523)	(3,795,945)	4,022,522	(4,251,950)	(3,593,529)	4,430,522
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Decrease (increase) in interbank loans receivable	(49,720)	89,440	(44,769)	(49,720)	89,440	(44,769)
Acquisitions of:						
Investment securities at amortized cost	(2,264,061)	(2,009,366)	(1,026,686)	(2,264,061)	(2,009,366)	(1,016,670)
Property and equipment (Note 14)	(146,031)	(146,276)	(512,523)	(136,227)	(136,840)	(509,729)
Software cost (Note 16)	(32,984)	(56,435)	(150,255)	(32,140)	(56,435)	(150,255)
Investment properties (Notes 14 and 15)	(30,005)	(8,632)	(1,133)	(30,005)	(8,632)	(1,133)
Chatel mortgage	(28,325)	(45,471)	(19,978)	(28,325)	(45,471)	(19,978)
Subsidiaries (Notes 7 and 8)	—	—	(43,599)	(45,000)	—	(852,841)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31			Years Ended December 31		
	2016	2015	2014	2016 (As restated - Note 2)	2015 (As restated - Note 2)	2014 (As restated - Note 2)
	(Amounts in Thousands)					
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Disposals of:						
Investment securities	P—	P845,460	P496,837	P—	P845,460	P496,836
Investment properties (Note 15)	48,837	25,184	172,157	50,323	19,064	171,507
Property and equipment (Note 14)	24,272	49,402	24,720	24,272	49,399	23,551
Chatel mortgage	11,839	16,076	900	11,839	16,076	900
Proceeds from maturity of investment securities	3,596,957	—	6,562,880	3,596,957	—	6,562,880
Net cash provided by (used in) investing activities	1,130,779	(1,240,618)	5,458,551	1,097,913	(1,237,305)	4,660,299
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Availments of:						
Bills payable	103,725,503	39,069,117	25,647,949	103,725,500	38,783,769	25,647,949
Outstanding acceptances	405,111	567,502	1,248,917	405,111	567,502	1,248,917
Marginal deposits	37,683	37,913	7,602	37,683	37,913	(7,602)
Settlements of:						
Bills payable	(100,107,738)	(36,012,924)	(31,936,967)	(99,922,984)	(35,908,558)	(31,895,431)
Outstanding acceptances	(412,820)	(551,056)	(1,266,485)	(412,820)	(551,056)	(1,266,485)
Marginal deposits	(39,033)	(36,401)	(7,602)	(39,033)	(36,401)	7,602
Proceeds from shares subscription (Note 24)	1,394,321	1,394,321	1,792,698	1,394,321	1,394,321	1,792,698
Net cash provided by (used in) financing activities	5,003,027	4,468,472	(4,513,888)	5,187,778	4,287,490	(4,472,352)
<b>EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT</b>	(20,345)	(25,002)	(15,781)	(20,345)	(25,002)	(15,781)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,164,938	(593,093)	4,951,404	2,013,396	(568,346)	4,602,688
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>						
Cash and other cash items	1,343,340	1,181,592	740,012	1,311,615	1,153,418	740,012
Due from Bangko Sentral ng Pilipinas	11,909,774	12,522,613	9,573,407	11,839,461	12,463,067	9,573,408
Due from other banks	2,008,522	1,636,641	661,308	1,786,592	1,375,646	661,308
Interbank loans receivable and securities purchased under resale agreements (Note 34)	229,281	743,164	157,879	229,281	743,164	157,879
	15,490,917	16,084,010	11,132,606	15,166,949	15,735,295	11,132,607
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>						
Cash and other cash items	1,042,611	1,343,340	1,181,592	1,011,756	1,311,615	1,153,418
Due from Bangko Sentral ng Pilipinas	13,356,075	11,909,774	12,522,613	13,276,681	11,839,461	12,463,067
Due from other banks	2,996,758	2,008,522	1,636,641	2,631,497	1,786,592	1,375,646
Interbank loans receivable and securities purchased under resale agreements (Note 34)	260,411	229,281	743,164	260,411	229,281	743,164
	P17,655,855	P15,490,917	P16,084,010	P17,180,345	P15,166,949	P15,735,295

**OPERATIONAL CASH FLOWS FROM INTEREST**

	Consolidated			Parent Company		
	Years Ended December 31			Years Ended December 31		
	2016	2015	2014	2016	2015	2014
	(Amounts in Thousands)					
Interest paid	P1,061,279	P974,872	P986,131	P996,632	P932,702	P979,207
Interest received	3,554,941	3,131,233	3,026,918	3,352,973	2,799,462	2,996,212

See accompanying Notes to Financial Statements.





**PHILIPPINE BANK OF COMMUNICATIONS**

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