



ANNUAL REPORT 2017

PBCCOME PRIDE

OUR VISION

We are PBCOM. We will be the most preferred and trusted financial partner through generations of nurturing relationships, realizing visions and enriching lives.

OUR MISSION

Our mission is to provide a balanced environment that is customer, people, and result centric while delivering optimal returns to our shareholders.

We respond to the changing needs of our customers and partners, with continuous innovation of our products and services making them accessible anytime, anywhere.

We nurture and develop empowered, inspired and equally committed employees under a learning and mentoring organization.

We fulfill our social responsibility in the communities we serve.

OUR CORE VALUES: The PBCOM PRIDE

With a burning **Passion**,
filling our hearts and driving us forward;

Marked by **Responsiveness**,
a determination to delight our customers and stakeholders;

Sealed with **Integrity**,
a resolve to always do what is right and what is fair;

Moved by **Dynamism**,
creating, innovating, taking calculated risks and remaining relevant;

Set apart by **Excellence**,
a mindset to be the best, both as an individual and as a team.

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THE PBCOM PRIDE

2017 saw the birth of our bank's new Vision, Mission and Values. With this new VMV comes our renewed focus on the well-being of our stakeholders. This further strengthens the foundation which we have built as it aligns everyone into one direction. All programs and initiatives in 2017 have been solely focused in staying relevant to our consumers. As has been our bank's thrust for almost eight decades, we put our customers at the heart of everything we do.

We focus on the PBCOM PRIDE: our core values referring to Passion, Responsiveness, Integrity, Dynamism, and Excellence. We want PRIDE to be our unique trademark, such that when we mention PBCOM, it shall be equated to an excellent brand of service. Ultimately, we want everyone in the organization to say: I am PBCOM, and I do everything with PRIDE.

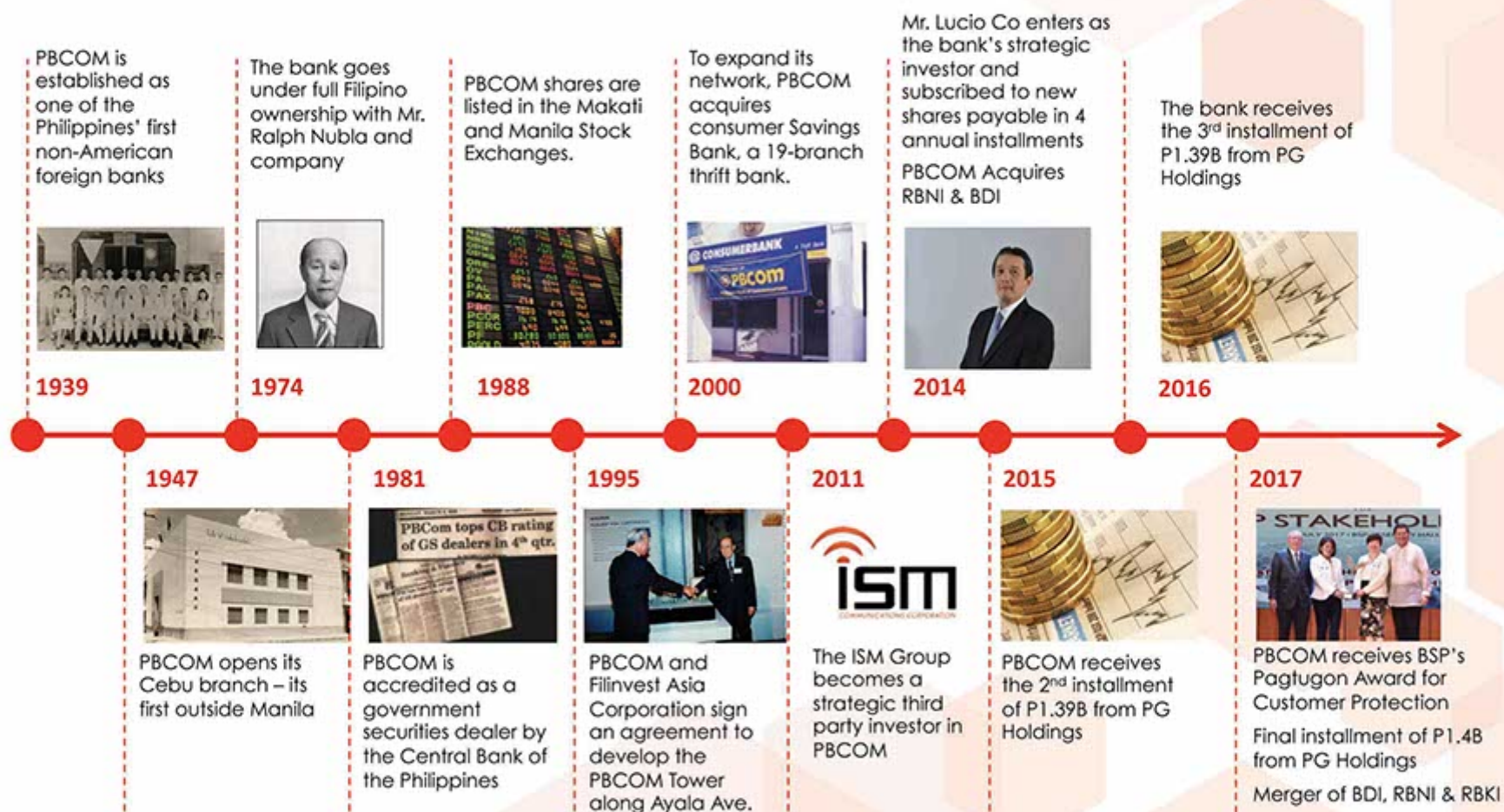


With a burning **PASSION** filling our hearts and driving us forward.

In this section, we feature the people behind PBCOM: our Chairman, our President, our Board of Directors, and our Senior Officers who all share the same Passion to drive our bank onwards and upwards.

From L to R: Eriberto Luis S. Elizaga, EVP (Head, Corporate & Commercial Banking); John Howard D. Medina, EVP (Chief Operations Officer); Alan E. Atienza, SVP (Treasurer); Patricia May T. Sly (President & CEO); Jaime Valentin L. Araneta, EVP (Head, Branch Banking); Ramon L. Lim (Chairman, Banco Dipolog Inc.)

PBCOM THROUGH THE YEARS



CHAIRMAN'S MESSAGE

To my fellow Shareholders,

Allow me to refer you to the President's Report which discusses in greater detail the results of our operations for 2017. I assure you we had a rather good year last year.

More importantly, I would like to report a significant step in our efforts to align our Bank to meet the new challenges facing the banking and financing industry. In 2017, we launched our new Vision, Mission and Values statement. We did this in order to communicate to our team members the objectives that we at the Board believe should be driving our day to day activities. In short, our new VMV statement is both our oath and our promise to our shareholders and our clients of a better PBCOM to come.



Our guiding principles are:

VISION | We are PBCOM. We will be the most preferred and trusted financial partner through generations of nurturing relationships, realizing dreams, and enriching lives.

MISSION | Our mission is to provide a balanced environment that is customer, people and result centric while delivering optimal returns to our shareholders. We respond to the changing needs of our customers and partners with continuous innovation of our products and services making them accessible anytime, anywhere. We nurture and develop empowered, inspired, and equally committed employees in a learning and mentoring organization. We fulfill our social responsibility in the communities we serve.

VALUES | In PBCOM, we take PRIDE in everything we do.

With a burning PASSION filling our hearts and driving us forward; Marked by RESPONSIVENESS, a determination to delight our customers and stakeholders; Sealed with INTEGRITY, a resolve to always do what is right and what is fair; Moved by DYNAMISM, creating, innovating, taking calculated risks and remaining relevant; Set apart by EXCELLENCE, a mindset to be the best, both as an individual and as a team.

We are now in the middle of inculcating our VMV across the entire organization and our efforts are clearly starting to bear fruit. Our team members are now responding quicker and with more focus towards fulfilling the needs of our depositors and borrowers - which is just the beginning of our transformation.

On another front, the strength of our Bank was cemented further with the infusion of another P1.4 Billion by the Lucio Co Group, our major shareholder. This was part of the original program to build up the Bank's capital base when the LCG bought into the Bank in 2014. Aside from the additional capital, the LCG through the Puregold Supermarkets and S & R Stores have allowed PBCOM to integrate more and more into their network of customers and suppliers which has been one of the main drivers of the improvement in our profitability. To this end, we thank the LCG for both its capital and management contributions to PBCOM.

We also recently and finally launched our Internet Banking product which we have named POP - PBCOM Online Platform. This provides all of our clients a state-of-the-art internet-based banking tool that allows them to do their banking anytime and anywhere.

Finally, we are proud to be a recipient of the Banko Sentral ng Pilipinas Pagtugon Award as recognition of our improvements on customer service and consumer protection. As I said earlier, the fruits of our efforts to promote the VMV statements within the organization are truly bearing fruit.

In closing, I would like to thank you again our shareholders, customers and team members for the patience and commitment you have shown the past few years that we have been rebuilding the institution that PBCOM deserves to be. I am, as I have always been, confident that in due course we will get to where we want to be - your most trusted and preferred financial partner.

Eric O. Recto
Chairman

THE PRESIDENT SPEAKS

Greetings to all Stakeholders,

PBCOM has a very rich history marked by a legacy of strong relationships nurtured through generations. And the responsibility of carrying on this legacy lies in every one within the organization.

It is with this in mind when we refreshed the Vision, Mission and Values of the Bank. We put a lot of emphasis on Values which we believe will set the Bank apart from every organization looking at a similar vision or mission. Doubly meaningful is the coined word that Passion, Responsiveness, Integrity, Dynamism and Excellence generated – PRIDE, which stands for a deep feeling of satisfaction from achievements that are widely admired.

It is this feeling that we would like to instill in everybody, to be proud to belong to an organization that will be recognized for its achievements. This feeling should be present in all those who have been with the Bank longer, and has seen its former glory, has seen the time when it faded, and is now filled with hope to see it rise again. Likewise, to all new employees who have chosen to believe in PBCOM's promise to be a great institution that they can grow their career with. Whatever one's role is, whatever the assigned task, as long as one carries it out with PRIDE, then one is contributing to the overall success of the Bank.

As we look ahead to the future of PBCOM, there is a bigger reason for everyone to be proud to belong. We will emerge stronger and more relevant as we all work together to make this happen. As one family, we accept the challenge to become the PRIDE of PBCOM.

Patricia May T. Siy
PATRICIA MAY T. SIY
President & CEO

REPORT ON 2017 OPERATIONS

Philippine Bank of Communications' (PBCOM) focus on growing its core business and delivering productivity gains carried on to 2017 as reflected in its performance.

PBCOM reported a full-year consolidated net income of P718.7 Million for fiscal year ended 31 December 2017. Robust growth in the parent bank's lending activities and supported by its deposit-taking activities, sustained the momentum from 2016.

PBCOM's loan portfolio expanded to P53.4 Billion, with Corporate and Middle Market segments accounting for 76% of the loans and Consumer Finance growing to 24%. Corporate & Commercial segment's portfolio growth were in the areas of electricity, gas and water supply; wholesale and retail trade and in manufacturing sector. Consumer Finance's growth in portfolio by 50% was largely attributed to the increase branch participation in generation of consumer loans, as well as further strengthening in auto dealer and housing developer relationships. The enhancements in processes resulted to improved turnaround time and increased customer satisfaction. Interest income on loans, which registered a 10.8% growth to P3.2 Billion, contributed

largely to the improvement in Operating Income.

The loan portfolio growth was funded by Low cost deposit which expanded by 23.7% or P5.3 Billion and made up 39.2% of the Bank's total deposits. The efforts to strengthen low cost deposit generation helped contain the increase in Interest Expense to a marginal 2.0%. To support the asset build-up of the bank, Branch Banking opened three branches in 2017, further extending its network reach to 85 branches. The Bank's launch of the corporate cash management system and retail internet banking facility under the PBCOM Online Platform (POP) is seen to be an essential tool to expand deposit generation activities.

Curbing the interest expense increase together with cost efficiency helped PBCOM achieve an enhanced Return on Asset of 0.77% from 0.49% in 2016.

The final tranche of the committed capital infusion of PG Holdings, Inc. amounting to P1.48Billion, together with the year's Net Income buoyed the Capital to P12.9 Billion. Return on Equity improved to 6.06% from 4.06% a year ago. PBCOM's CAR by year end 2017 was at 15.85%.



OUR BOARD OF DIRECTORS

ERIC O. RECTO

Chairman of the Board and Director



SUSAN P. Co

Director



LEVI B. LABRA

Director



**BUNSI CARLOS
G. CHUNG**
Director



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



LEONARDO B. DAYAO
Vice Chairman and Director



CARMEN G. HUANG
Executive Director



GREGORIO T. YU
Director



LUCIO L. CO
Executive Committee Chairman and Director



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



EMMANUEL Y. MENDOZA
Independent Director



JESUS S. JALANDONI, JR.
Independent Director





ROBERTO Z. LORAYES
Independent
Director



GILDA E. PICO
Independent
Director



DAVID L. BALANGUE
Independent
Director



HENRY Y. UY
Board Adviser



**ANGELO
PATRICK F.
ADVINCULA**
Corporate
Secretary



**MICHAEL
STEPHEN H. LAO**
Assistant Corporate
Secretary &
Corp. Information
Officer

OUR EXECUTIVE VICE PRESIDENTS



**JAIME
VALENTIN L.
ARANETA**



**ERIBERTO
LUIS S.
ELIZAGA**



**JOHN
HOWARD D.
MEDINA**

RESPONSIVENESS



Marked by **RESPONSIVENESS**, a determination to delight our customers & stakeholders.

This section features PBCOM's receipt of the prestigious Pagtugon Award for Customer Service & Protection, and our training program for our people. It also features the initiatives of the bank in responding to the needs of our customers and partners including our Branch and ATM network.

From L to R: Marichelle B. Poyaoan, AVP (Head, Customer Protection & Experience Management); Belle Rosamond D. Justiniñan, AVP (Head, Marketing); Atty. Jorge Alfonso C. Melo, SVP (Head, Legal Services); Atty. Jane L. Laragan, SVP (Head, General Services); Mina F. Marlinez, FVP (Head, Human Resources)



PBCOM receives BSP's Pagtugon Award for Customer Service

PBCOM, in our pursuit to put customers at the heart of everything we do, has been recognized by no less than the Banko Sentral ng Pilipinas for **RESPONSIVENESS**.

Last July 11, during the 2017 Awards Ceremony and Appreciation Lunch for BSP Stakeholders, our President and CEO, Ms. Patricia May Siy, along with Customer Protection and Experience Division Head, Ms. Marichelle B. Poyaoan, received the Pagtugon Award for Universal and Commercial Bank category on behalf of PBCOM.

The Pagtugon Award, launched in 2012 by then Financial Consumer Affairs Group (FCAG), now Financial Consumer

Protection Department (FCPD), is given to the bank which promptly responds to referrals of consumer issues to uphold the BSP's advocacy of consumer protection. This award is a testament to the bank's efficiency in serving and protecting the interests of their clients, and in adhering to best practices in customer service.

PBCOM's Vision is to be a trusted financial partner through generations of nurturing relationships, realizing visions, and enriching lives. To receive this award is not just a step, but a great stride towards realizing this vision.

"This award is for all the officers and staff of PBCOM who are working hard to realize this vision. With the Pagtugon Award in our hands this year, we will aim to get it again, with everyone working towards this common goal..."

Patricia May T. Siy
President & CEO

ON CUSTOMER PROTECTION

PBCOM is determined to delight our customers with responsiveness as we take the journey towards our vision to be the most preferred and trusted financial partner through generations. With the customers at the heart of everything we do, we try our best to ensure that we nourish the relationship we have with them, with only one end in mind – enriching their lives.

PBCOM provides “an enabling environment that protects the interest of financial consumers and institutionalizes the responsibilities of all stakeholders”. PBCOM is committed to protect the interest of our financial customers; we ensure that they are protected during their entire relationship with the Bank.

The majority of the provisions in the BSP Circular 857 on Consumer Protection have already been complied with by PBCOM. This includes the creation of a dedicated consumer assistance officer, which the Bank has already established and is directly reporting to the Customer Protection and Experience Management Head. PBCOM’s Customer Protection and Experience Management Division is continuously working on reviewing and improving our programs for financial education, fair treatment, customer handling, and risk management.

PBCOM’s Board of Directors is also involved with the approval of the Bank’s risk assessment strategies, review of policies and procedures, oversight of the implementation of consumer protection strategies and ensuring compliance and performance of the Senior Management in managing the day to day consumer protection strategies.

The Senior Management team is responsible for the implementation of the consumer protection policies approved by the Board. They also manage the day to day consumer protection activities of the Bank. Everyone in PBCOM is knowledgeable on the importance of protecting our customers and have the same objective to deliver an excellent customer experience.

SECURITY AND FRAUD PREVENTION

PBCOM ensures that there are control systems for customers to have secure and consistent banking transactions, whether through the branches or through digital channels. This is to safeguard the Bank’s customers from security threats such as financial and personal identity theft. Risk of PIN / card data skimming devices is controlled by regularly checking the PBCOM ATMs. Stringent control systems are implemented to protect the Bank’s customers from financial thefts and security threats.

PBCOM also continuously issue warnings on information security threats to provide the public with practical and useful guides on how to protect themselves against such threats. These are published in various channels such as our website, social media accounts, and ATM screen displays.

PRIVACY OF INFORMATION

PBCOM enhanced the verification process across varied channels to protect our customers from theft of personal information. The Bank added a more secured verification process and several layers of positive identification measures before assisting customers with their banking transactions. The Bank adopted a system wherein customers are informed and they have the choice to opt out in the event that they don’t want to be part of any promotions, research and other marketing driven initiatives. PBCOM employees are all aware that protecting client information not only involves gathering and use of customer information, but the distribution, storage and disposal of these data as well.

DISCLOSURE AND TRANSPARENCY

With the continuous innovation of the Bank’s products and services, PBCOM makes them accessible, understandable, clear and accurate by ensuring that all necessary and relevant information are available to the customers. Nevertheless, the customers have the right to be adequately educated regarding features, terms, systems and procedures, and inherent risks of the Bank’s products and services, including his responsibilities, and the right to be protected against fraudulent, dishonest or misleading advertising, labeling, or promotion, and to seek redress for misrepresentation, breach of contractual obligations, shoddy goods or unsatisfactory services.

The Bank’s frontliners are equipped with the knowledge and IT-supported technical capabilities to confidently advise the customers on security and fraud prevention, as well as the procedure for the reporting and resolution of fraud cases and card related concerns. They are also professionally trained to handle inquiries and complaints about our products, services and processes.

PBCOM ensures that the information about its products and services are accurate, easy to understand, clear and readily available and accessible. All BSP required information are displayed at our branches and our corporate website; and our frontliners are equipped to discuss financial matters, our products and services and its risks so the customers can make sound decisions.

CUSTOMER CONCERN HANDLING

PBCOM provides its customers with accessible and efficient means to communicate their inquiries, request, concern and feedback. Each feedback that we receive is treated as an opportunity for the Bank to evaluate and improve its services and provide an excellent banking experience to the customers.

PBCOM customers may communicate concerns through different channels, namely: (1) Phone Call, (2) Email, (3) Social Media Sites, (4) Website, (5) Branches, (6) and SMS. All concerns reported through these channels are documented and handled in compliance with existing bank and BSP-prescribed guidelines. Through the PBCOM Consumer Assistance Office, the Bank has implemented a reliable Feedback / Complaint Management System which logs and monitors customer concerns supported by documentation and concrete data. With the system’s periodic and thorough customer service reports, the Bank gains valuable insight with which we refine and improve the “overall customer experience”.

In 2017, the bulk of concerns that the Bank received and handled are related to ATM concerns, such as withdrawal concerns and card capture. All units involved in resolving a complaint were mindful of the SLA (Service Level of Agreement) with the customers. Proper coordination between the Branches, Customer Care, Business Units involved, and Customer Assistance Office ensures a prompt response for each issue that was raised and received by all channels.

PBCOM also gives importance to the VOC (Voice of Customers) and provides customers with efficient ways of raising their concerns and feedback; and this information is used to further improve the service delivery and product offerings of the Bank.

FINANCIAL EDUCATION AND AWARENESS

It has always been PBCOM’s thrust to put the customers in the heart of everything we do. The main and only objective is to ensure that the Bank will be fair with its dealings, will always communicate, and will protect the customers in all their financial transactions with the Bank.

In 2017, PBCOM was very active in promoting a responsible financial system that protects the interest of the customers. A Customer Handling Training entitled “How May I Help You?” has been facilitated and cascaded to all frontliners to help them enhance their skills in providing excellent customer service.

The Bank is an advocate of empowering customers by creating

campaigns and programs that will equip them with the financial know-how. This will enable customers to make sound financial decision in saving, investing, budgeting and borrowing. A year-round of awareness campaigns for existing and potential customers were rolled-out last year. Regular workshops were facilitated for our onboarding and existing employees to ensure that our employees provide the customers with correct information and details.

PBCOM protects its customers from misuse of their information, over indebtedness, and availing of product and/or service that will only fit their needs. The bank also protects them from scams, fraud, misdealing and other incidents that will put them in a financial problem through customers tips which are regularly released.

The Bank believes that communication is one major key to

achieve its goal in delivering an excellent customer experience, thus, involving each employee is one of its practice. PBCOM aims to deliver one message to customers in every dealings; PBCOM cares for their welfare.

TRAINING & DEVELOPMENT

Being able to respond to the changing needs of our customers and partners is no easy feat. But, the leaders of PBCOM believe that this is very much achievable. How then do we start? – by equipping our people with the proper tools, and the proper mindset. As our President and CEO, Ms. Patricia May T. Siy puts it, it all starts with learning.

The Board and the Senior Management Team give high priorities to employees' training and development. They believe that the entire organization will be more empowered and ultimately become a "high performance team" by undergoing the necessary attitude and skills development activities. In 2017, we have successfully executed training programs that include orientation for new employees, technical trainings for frontliners, leadership and management development program, paradigm shift & team building activities, and, compliance to regulatory training requirements.

PBCOM ORIENTATION FOR NEW EMPLOYEES (P ONE)

The goal of this program is to help new employees feel welcome, integrate into the organization, and perform their new assignments effectively. During the program, they are provided with an in-depth discussion about the industry, the bank, and the brand. Included in the P-ONE module are: PBCOM's Vision, Mission and Values, products and services, organizational structure, Bank's policies, procedures, rules and regulations and regulatory requirements.

BRANCH LABORATORY TRAINING

This is a program for the new hires of Branch Banking Group to provide them with a deeper understanding of their function in the branch as well as the branch operations and core banking systems. In addition, participants are given an opportunity to know all the circulars and other BSP regulations that will enable them to manage the functional requirements of their jobs and adapt to work standards set for all branches. During the program, participants are assessed through various written examinations and case studies.

STAFF DEVELOPMENT PROGRAM

This program is designed to develop high potential staff level employees to prepare them in becoming effective Junior Officers of the bank. The program offers an extensive curriculum on Regulatory, Core Programs, Professional, Leadership and Technical / Functional programs that is facilitated by competent Internal Subject Matter Experts. Part of the program is an On-the-Job Training for several months wherein participants will be given an exposure to the day-to-day activities of an Officer. While in the OJT, a mentor is being assigned to each participant to guide and give regular feedback on their performance. To assess their performance in the program, each participant will be subjected to a revalida, measuring their knowledge on products and services, applications of concepts and theories, independent judgement, analytical skills and communication skills.

WORK ATTITUDE AND VALUES ENRICHMENT SERIES (WAVES)

The program allows the participants to discover their personal vision, mission and values, which they had to check for alignment with PBCOM's Core Values. This workshop reviews the participants' work values vis-à-vis the corporate values and the components of ethical decision-making. Experiential learning experiences lead the participants on a journey to discover their own work value system and their role in building team relationships. They will take PRIDE in everything they do in their work and feel proud that they are part of this growing organization.

COMPLIANCE AND FRAUD ROADSHOW

With the strict implementation of Anti-Money Laundering and Anti-Fraud policies of the bank, it is very important that all employees are aware of the regulations both internal and external. Ran separately for AML and Fraud, these programs provide our employees with an in-depth knowledge on internal audit policies, AMLA, Fraud Detection & Countermeasures, and all other pertinent regulation governing the institution.

OUR BRANCH & ATM NETWORK



OUR BRANCHES

METRO MANILA REGION

ANINAPOLIS

Unit 101 Victoria Plaza Condominium
41 Annapolis St., Greenhills, San Juan

AYALA – ALABANG

Unit 101 ALPAP II Bldg., Trade cor.
Investment Drive, Madrigal Business Park
Alabang, Muntinlupa City

BINONDO BANKING CENTER

214-216 Juan Luna St., Binondo, Manila

BMA

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

CAINTA

LGF 04 & 05, CK Square Bldg.
Ortigas Ave. Ext., cor. Sunset Drive, Cainta, Rizal

CALOOCAN

298 Rizal Ave., Ext., bet. 5th and 6th Ave.
Grace Park, Caloocan City

CONGRESSIONAL

8 Congressional Ave.
Barangay Bahay Toro, Quezon City

CORINTHIAN GARDENS

Sanjo St., Corinthian Gardens, Quezon City

CUBAO

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

DIVISORIA MALL

3/F Divisoria Mall, Tondo, Manila

ECHAGUE

88-90 Carlos Palanca cor.
Isa de Romero St., Quiapo, Manila

ELCANO

SHC Tower, 613 Ecano St.
San Nicolas, Manila

F1 BONIFACIO GLOBAL CITY

G/F F1 Hotel Building Lane A cor.
Lane Q, Bonifacio Global City, Taguig

GREENHILLS

Quadstar Bldg., Ortigas Ave., Greenhills
San Juan, Metro Manila

INOZA TOWER

G/F Inoza Tower, 40th Street
North Bonifacio Global City, Taguig City

J.P. RIZAL

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

LEGASPI VILLAGE

G/F Vernida 1 Condominium,
120 Amoroso St.,
Legaspi Village, Makati City

M. DE SANTOS – DIVISORIA

G/F LCCCK Bldg., M. De Santos St., cor.
Tabora St., Divisoria, Manila

MAKATI BANKING CENTER

P8COM Tower, 6795 Ayala Ave., cor.
V.A. Rufino St., 1226 Makati City

MAKATI PLACE

GF Unit C-15, Alphaland, Makati Place
Ayala Ave., cor. Malugay St., Makati City

MALABON

Unit Nos. 1 & 2 G/F Robinsons Town Mall
#5 Governor Pascual Ave., cor.
Crispin St., Tinajeros, Malabon City

MARIKINA

36 J.P. Rizal St., Columpong, Marikina City

MASANGKAY

1004-1006 G. Masangkay St., Binondo,
Manila

MERALCO AVENUE

C-1 Horizon Condominium
Meralco Avenue, Ortigas Center, Pasig City

ONGPIN

729 Ongpin St., cor. S. Padilla St.
Sta. Cruz, Manila

PADRE RADA

G/F 951 Juan Luna St., Tondo, Manila

PARAÑAQUE

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

PASAY

2492 Taff Ave. Ext., Pasay City

PIONEER

G/F RFM Corp. Center, Pioneer cor.
Sheridan St., Mandaluyong City

QUEZON AVENUE

APC Bldg., 1186 Quezon Ave., Quezon City

SALCEDO VILLAGE

G/F Unit Nos. 7 & 8, V Corporate Centre
LP Leviste St., Salcedo Village, Makati City

SAN MIGUEL AVENUE

G/F 101 One Magnificent Mile (OMM)
Citra Condominium, San Miguel Ave.
Pasig City

SEN. GIL PUYAT AVENUE

G/F, Oppen Bldg., 349 Sen. Gil Puyat Ave.
Makati City

SHAW BLVD.

146 Shaw Blvd., cor. San Roque St., Pasig City

SOLER

G/F R and S Tower, 943 Soler St.
Binondo, Manila

SOUTHGATE MALL

3/F, Alphaland Southgate Mall 2258
Chino Roces St., cor. EDSA, Makati City

STA. MESA

440-A G. Araneta Ave., cor. Bayani St.
Sta. Mesa, Quezon City

STO. CRISTO

565-567 Sto. Cristo St., Binondo, Manila

T. ALONZO

G/F, Tan Kiang Bldg., 665 T. Alonzo St.
Sta. Cruz, Manila

TIMOG

G/F, Gil-Preciosa Building 2
No. 75 Timog Ave., Quezon City

TOMAS MORATO

Unit 2 #12-8, G/F Alherton Place
Tomas Morato Ave., cor. Don A. Rocas Ave.
Quezon City

TUTUBAN

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

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

VALENZUELA

246 McArthur Highway
Karuhatan, Valenzuela City

WILSON BRANCH

G/F Unit 18 186 Wilson Street
San Juan City

LUZON REGION

ANGELES

G/F MLT Centre Bldg., Lot 28 Block 2

McArthur Highway Brgy. Ninoy Aquino
Angeles City

BAGUIO

GF Unit 105, 106 & 106-B Baguio Holiday Villas
10 Legarda Road, Baguio City

BATANGAS

Diego Silang St., Batangas City, Batangas

CABANATUAN

G/F SAM Building, Along Maharlika Highway
Cabanatuan City

CALAMBA

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

CAUAYAN

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

DAGUPAN

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

DASMARIÑAS

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

IMUS

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

LA UNION

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

LEGASPI – ALBAY

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

LIPA

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

LUCENA

G/F, VCI Bldg., Merchan St., Lucena City
Quezon Province

MALLOS

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

MEYCAUAYAN

Mancon Bldg., McArthur Highway
Barrio Calvario, Meycauayan, Bulacan

NAGA

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

OLONGAPO
GF YBC Centre Mall
Rizal Ave., Ext., Olongapo City

SAN FERNANDO – PAMPANGA
McArthur Highway, Dolores
City of San Fernando, Pampanga

SAN PABLO
65 Rizal Ave., Poblacion, San Pablo, Laguna

SAN PEDRO
Puregold San Pedro, Old National Highway
Cor. Magsaysay St., San Pedro, Laguna

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

VISAYAS REGION

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

CEBU BUSINESS PARK
Unit 1, GF, Mercedes Benz Tower, Mindanao Ave.,
Cebu Business Park, Cebu City

CEBU LAPU-LAPU
G/F Unit 11 Alpha Arcade Bldg., M.L. Quezon Ave.,
National Highway, Lapu-Lapu City

CEBU MAGALLANES
Magallanes near cor. Manilla St., Cebu City

CEBU MANDAUE
National Highway, Mandaue, Cebu City

CEBU MANGO
General Maxillon Mango Ave., Cebu City

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

ILOILO
Ledesma cor. Valeria St., Iloilo City

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

MINDANAO REGION

CAGAYAN DE ORO
Tiano Bros. cor. Hayes St., Cagayan De Oro City

DAVAO MONTEVERDE
41 T. Monteverde Ave., Davao City

DAVAO BAJADA
G/F RAG Building, J.P. Laurel Ave.,
Bajada, Davao City

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

GENERAL SANTOS
Santiago Blvd., General Santos City

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

KORONADAL
General Santos Drive
Koronadal South, Cotabato

TAGUM
Pioneer, Tagum, Davao Del Norte

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

ZAMBOANGA VETERANS
BSC Tower (formerly Zamslu Bldg.)
GF, Door 5-7, Veterans Ave.,
Zamboanga City

OUR ATMs

METRO MANILA REGION

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, Paranaque

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

BGC InoztaTower – PBCOM
GF Inozta Tower
40th Street, BGC, Taguig

CAINTA – PBCOM
LGF 04 & 05, CK Square Bldg., Ortigas Ave., Ext.,
cor. Sunset Drive, Cainta, Rizal

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

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

COMMONWEALTH – S&R
S&R Commonwealth, Commonwealth Avenue
cor. Quirino Highway
Navaliches, Quezon City

COMMONWEALTH – SHOPWISE
54 Along Commonwealth Ave.,
Diliman, Quezon City

CONGRESSIONAL – PBCOM
8 Congressional Ave.,
Barangay Bohay Tara, Quezon City

CONGRESSIONAL – S&R
30 Congressional Ave., Ramon Magsaysay
Bago Bantay, QC

CORINTHIAN GARDENS – PBCOM
Santo St., Corinthian Gardens, 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.,
Isa de Romero St., Quiapo, Manila

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

EMILIO AGUINALDO COLLEGE
Emilio Aguinaldo College – Dentistry
Gen. Luna near cor. Taft Avenue, Manila

ERMITA – LUNETTA SEAFARERS CENTER
101 Luneta Park, T.M. Kalaw cor.,
Ma. Orosa Sts., Ermita, 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, Verrida 1 Condominium, 120 Amoroso St.,
Legaspi Village, Makati City

MAKATI BANKING CENTER – PBCOM (4 ATMs)
PBCOM Tower, 6795 Ayala Ave., cor.,
V.A. Rufino St., 1226 Makati City

MAKATI PLACE – PBCOM
GF Unit C-15, Alphaland, Makati Place
Ayala Ave. cor. Malugay St., Makati City

MAKATI – TOWER 6789
GF Tower 6789
Ayala Ave., 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.,
Tinajeros, 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 LCC 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 – 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

PARANAQUE – S&R ASEANA
Braddock Ave., Aseana Business Park,
Blvd. 2000, Bacalaran, Parañaque City

PASAY – PBCOM
2492 Taft Ave. Edn., Pasay City

PASAY – DLTB Bus Station
2085 Taft Ave., cor. Sen. Gil Puyat Ave.,
San Isidro, 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. Soreena 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 #12-8, G/F Alherton Place
Tomas Morato Ave., cor. Don A. Rocas Ave.,
Quezon City

TUTUBAN – PBCOM
Unit No. PL-L507 & PL-L508, 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
Lower G/F Tiangge Unit NS, Paso De Blas cor.,
Gen. Luis St. NLEX, Valenzuela City

WILSON – PBCOM
G/F One86 at Wilson 186 Wilson St., San Juan 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

BAGUIO – PBCOM
GF Unit 105, 106 & 106-B Baguio Holiday Villas
10 Legarda Road, Baguio City

BALESIN ISLAND (2 ATMs)
Balesin Island Resort, Quezon

BATANGAS – PBCOM
Diego Silang St., Batangas City, Batangas

BATANGAS – JESUS NAZARETH (2 ATMs)
Jesus of Nazareth Multi-Purpose Coop. Hospital
Gulod Itaos, 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
Maleo-Patria 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-Palparan Road Salawag
Dasmariñas, Cavite

DAU – S&R
S&R Dau Entrance, NLEX Access Road
Barangay Dau, Mabalacat City, Pampanga

GMA – PUREGOLD
San Gabriel, Governor's Drive, GMA

IMUS – PBCOM
P. Nueño St., cor. Gaerlan St., Imus, Cavite

IMUS – PUREGOLD ANABU
Emilio Aguinaldo Highway, Anabu II-C
Imus City, Cavite

IMUS – S&R
Barangay Anabu I-D, Emilio Aguinaldo Highway
Imus City, Cavite

LA UNION – PBCOM
G/F, C.J. Arch Bldg., Quezon Ave.,
San Fernando City, La Union

LEGASPI – 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 YCII Bldg., Merchan St.,
Lucena City, Quezon Province

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

MEYCAUAYAN – PBCOM
Mancon Bldg., McArthur Highway
Barrio Calvario, Meycauayan, 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 – RBN
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 (formerly Pacita Complex) – PBCOM
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 Blk 13 Solenad 3 Nuvali, Brgy. Sta. Doming
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. Piazza Sorrento Bldg.,
13th and Lacson Sts., Bacolod City

CEBU BUSINESS PARK
Unit 1, GF Mercedes Benz Tower, Mindanao Ave.
Cebu Business Park, Cebu City

CEBU – COSTABELLA TROPICAL BEACH RESORT
Costabella Tropical Beach Hotel Lobby
Buyong, Maclean Island, Cebu

CEBU – FOODA SAVERS
No. 280-A General Maxilom Ave.
(Formerly Mango Ave.) Cebu City

CEBU – MAGALLANES
Magallanes near cor. Manilla St., Cebu City

CEBU – MANDAUE
National Highway, Mandaue, Cebu City

CEBU – MANDAUE-BASAK
Co Tiao King Bldg., Cebu North Road
Basak, Mandaue 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 Manduriao, 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

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 Hwy 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. Pingoy 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 Zamslu Bldg.)
GF, Door 5-7, Veterans Ave. Zamboanga City

ZAMBOANGA – YUBENCO
G/F Megalang Corp. Don Alfaro St.
Brgy. Tefuan, Zamboanga City

ZAMBOANGA – YUBENCO MALL
MCLL Highway, Pufik, Zamboanga City

ZAMBOANGA – YUBENCO SUPERMARKET
G/F San Jose Gusu cor. San Roque St., Zamboanga City



Visit www.pbcom.com.ph for the
complete branch contact details.



Sealed with **INTEGRITY**, a resolve to always do what is right and what is fair.
This value is one of the main foundations with which the organization is led. This section features Risk and Capital Management as well as the Corporate Governance Reports of the Bank which are anchored on Integrity.

Standing from L to R: Joan Iris T. Leon, VP (Head, Performance & Project Management); Evelyn D. Vinluan, FVP (Chief Risk Officer); Arlene M. Datu, SVP (Comptroller); Seated: Jeruel N. Loblen, FVP (Acting Head, Internal Audit)

RISK AND CAPITAL MANAGEMENT

ENTERPRISE RISK MANAGEMENT FRAMEWORK

OVERALL RISK MANAGEMENT CULTURE AND 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, Branches, support units, subsidiaries and affiliates 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 Statement. To protect and optimize PBCOM's enterprise value through effective risk management.

Mission Statement. 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.

- Identify, measure, manage and control risks inherent in

PBCOM's activities or embedded in its portfolio.

- Define and disseminate risk management philosophy and policies.
- Assist risk-taking business and operating units in understanding and measuring risk/return profiles.
- Develop a risk management infrastructure that includes policies and procedures, organization, limits and approval authorities, MIS and reporting, systems and risk models.
- 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:

- Enterprise Risk Management Framework
- Market Risk and Capital Oversight Manual
- Credit Policy Manual
- Operational Risk Management Framework
- Fraud Risk Management Framework
- Crisis Management Framework
- IT Risk Management Framework
- Business Continuity Management Framework
- Information Security Risk Management Framework
- Trust Risk Management Framework
- 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 January 2018 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 January 2018 reviewed and approved the 2018 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:

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

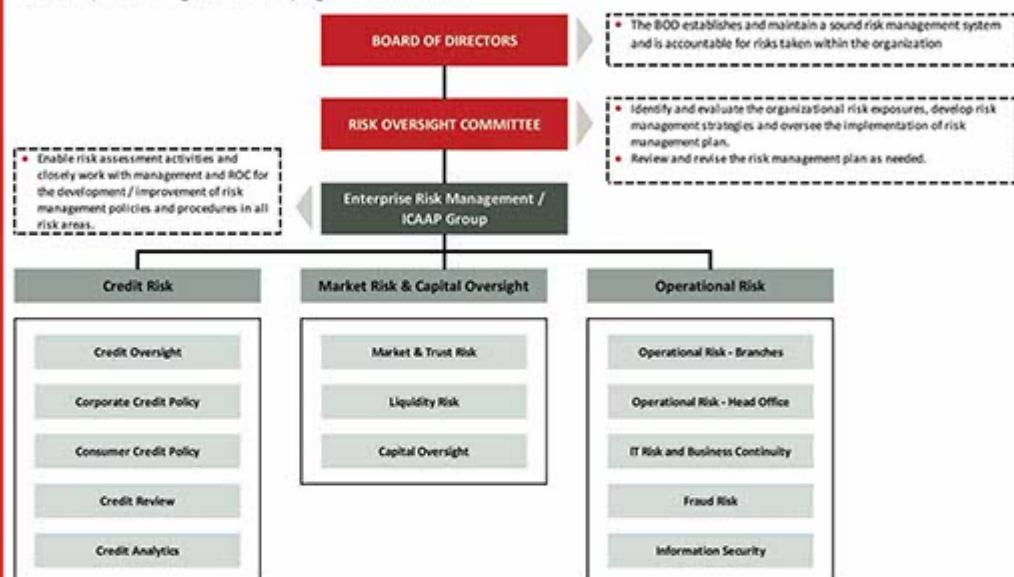
The Holistic Risk Appetite level serves as the macro level that defines the minimum trigger level of capital coverage over the risks assumed. The Holistic Risk Appetite level is further supported by the eight (8) components, which serve as micro levels that look into the details that drive the holistic 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"> Identify, mitigate and manage risks; Comply with Policies, Standards and Regulations Ensure day-to-day control procedures are in place Undertake tests to ensure controls are followed
SECOND LINE: ENTERPRISE RISK MANAGEMENT ICAAP GROUP / COMPLIANCE GROUP	Set and Monitor Standards: <ul style="list-style-type: none"> Establish risk management framework, standards and policies Validate risk ratings Challenge control levels and action plans
THIRD LINE: INTERNAL AUDIT GROUP	Independent Assurance Review - Internal Auditors <ul style="list-style-type: none"> Independent assurance review Audit the adequacy of risk assessment and the risk management process

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 life, liberty, and property from acts of terrorism and to condemn terrorism and those who support and finance it and to recognize it as inimical and dangerous to national security and the welfare of the people, and to make the financing of terrorism a crime against the Filipino people, against humanity, and against the law of nations.
- To recognize and adhere to international commitments to combat the financing of terrorism
- To reinforce its fight against terrorism by criminalizing the financing of terrorism and related offenses, and by preventing and suppressing the commission of said offenses through freezing and forfeiture of properties or funds while protecting human rights,

The Bank has adopted the following principles to combat money laundering and terrorist financing:

- 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 principles that our employees will not aid or abet money laundering and terrorist financing activities and will protect the integrity and confidentiality of bank accounts.
- PBCOM shall not allow the opening of anonymous accounts, accounts under fictitious names and all other similar 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.

- Officers and Employees specially frontliners are expected to be conversant with the Anti-Money Laundering and Terrorist Financing rules so as to provide information and guidance to existing and prospective clients, as part of the Bank's Anti-Money Laundering and Terrorist Financing educational campaign.
- PBCOM shall cooperate fully with the Anti Money Laundering Council (AMLC) and the BSP within limits allowed by law.

Also the Bank has adopted and implemented a sound AML and terrorist financing risk management system to ensure risks associated with money laundering and terrorist financing such as counterparty, reputational and compliance risks among others 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:

- A process for assessing the overall capital adequacy in relation to the risk profile;
- A strategy for maintaining, at least, the minimum level of regulatory capital;
- A process for reviewing and evaluating internal capital

- adequacy assessments and strategies; and
- 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:

- Board and Senior Management Oversight
- Sound capital assessment

- Risk assessment
- Monitoring and reporting
- 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.

Note 24 of the attached 2017 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 Parent Company's RBCAR as reported to BSP as of December 31, 2017 and 2016 are shown in the table below (amounts in millions)

	Consolidated		Parent	
	2017	2016	2017	2016
CAPITAL RESOURCES				
CORE EQUITY - TIER ONE	9,332	7,578	8,961	7,220
Paid-in Common Shares	14,278	12,884	14,278	12,884
Retained Surplus (Deficit)	(3,873)	(4,133)	(3,805)	(4,088)
Accumulated Other Comprehensive Income	(60)	(138)	(60)	(137)
Minority interest	(11)	(10)	-	-
Less: Regulatory Adjustments to CET-1				
Unsecured loans, other credit accommodations granted to subsidiaries and affiliates	-	(1)	(2)	(2)
Investments in Subsidiaries	(14)	(15)	(982)	(949)
Investments in Affiliates	(13)	(12)	(13)	(12)
Intangible Assets	(719)	(741)	(353)	(374)
Goodwill	(256)	(256)	(102)	(102)
ALTERNATIVE TIER ONE CAPITAL				
TIER TWO CAPITAL	2,093	1,999	2,062	1,969
Valuation Increment Reserves on PBCOM Tower	1,610	1,596	1,597	1,582
General Loan Loss Provision	483	403	465	387
QUALIFIED CAPITAL	11,425	9,577	11,023	9,189
Tier One	9,332	7,578	8,961	7,220
Core Equity	9,332	7,578	8,961	7,220
Alternative Tier One	-	-	-	-
Tier Two	2,093	1,999	2,062	1,969
Risk Weighted Assets	72,079	65,288	69,564	62,755
Credit Risk-Weighted Assets	65,022	59,199	62,945	56,895
Market Risk-Weighted Assets	768	545	768	545
Operational Risk-Weighted Assets	6,289	5,544	5,851	5,315
Core-Equity, Tier One Ratio (Adjusted CET-1 Capital/Total Risk Weighted Assets)	12.95%	11.61%	12.88%	11.51%
Tier One Ratio (Adjusted Tier One Capital/Total Risk Weighted Assets)	12.95%	11.61%	12.88%	11.51%
Capital Adequacy Ratio (Total Capital/Total Risk Weighted Assets)	15.85%	14.67%	15.85%	14.64%
Capital Conservation Buffer (Excess Adjusted CET-1/Total Risk Weighted Assets)	6.95%	5.61%	6.88%	5.51%

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

	Consolidated		Parent	
	2017	2016	2017	2016
RECONCILIATION OF REPORTED CAPITAL RESOURCES				
PFRS Capital	12,930	10,782	12,940	10,790
Deposit for Stock Subscription	-	-	-	-
Differences in Accounting Principles Recycled to P&L & Retained as Earnings	(2,353)	(1,894)	(2,285)	(1,856)
Differences in Comprehensive Income (Loss) on Debt Securities	-	-	-	-
Differences in Comprehensive Income (Loss) on FX Forwards used as Hedge	-	-	-	-
Differences in additional paid-in capital	9	-	-	-
Differences in Comprehensive Income (Loss) on Equity Securities	(30)	(8)	(30)	(8)
Differences in Appraisal Increment Reserves	1,309	1,316	1,295	1,302
Differences in Cumulative Translation Adjustment	121	80	121	88
Actuarial loss on Post-Retirement Benefits (PAS 19R)	(31)	(76)	(31)	(75)
Differences in Minority interest	(11)	(2)	-	-
RAP Capital	11,944	10,198	12,010	10,241
Unsecured loans and other accommodations granted to subsidiaries and affiliate	-	-	(2)	(2)
General Loan Loss Provision	483	403	465	387
Investment in Subsidiaries and Affiliate	(27)	(27)	(995)	(961)
Intangible Assets and Goodwill	(975)	(997)	(455)	(476)
Qualified Capital for Minimum Adequacy Compliance under Basel III	11,425	9,577	11,023	9,189



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.

Details of risk-weighted assets and capital requirements

December 31, 2017	Credit Risk		Market Risk		Operational Risk	
	Group	Parent	Group	Parent	Group	Parent
On-Balance Sheet	62,124	60,047				
Off-Balance Sheet Commitments to Lend	2,363	2,363				
Counterparty Risk-Weighted assets in the banking book	535	535				
Counterparty Risk-Weighted assets in the Trading book						
Interest Rate Risk on the Trading Books			663	663		
Foreign Exchange Risk			105	105		
Basic Indicator Approach					6,289	5,851
Total	65,022	62,945	768	768	6,289	5,851
Capital Requirements	6,502	6,295	77	77	629	585
	-	-	-	-	-	-
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
Total	59,199	56,895	545	545	5,544	5,315
Capital Requirements	5,920	5,690	55	55	554	532

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 2017 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 are 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 assessments / 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 collateral 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) serves as the 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 uses several solutions systems. For corporate and commercial loans, the Bank uses the Moody's Analytics Risk Origins System, 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 uses the INDUS Loans Originations System, a loan applications processing solution covering the entire process from submission of applications to disbursements. Also, the Bank entered into a partnership with TransUnion, a trusted provider of information solutions for assessing and managing risk. The foregoing risk rating systems shall be monitored for their predictive capability and model performance.

MINIMUM CAPITAL REQUIREMENTS TO COVER CREDIT RISK EXPOSURES

PBCOM 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 receives 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

December 31, 2017	Consolidated Risk weight							Parent Risk weight						
	0%	20%	50%	75%	100%	150%	Total	0%	20%	50%	75%	100%	150%	Total
On-Balance Sheet														
Cash and Other Clearing Items	968	5					973	941	-					941
Due from Bangko Sentral ng Pilipinas	15,341	-					15,341	15,279	-					15,279
Due from Banks	-	803	334	54	489	-	1,680	-	803	334	-	289	-	1,426
Securities Portfolio (Excluding Trading Books Positions)	12,113	-	2,190	-	5,007	-	19,310	12,113	-	2,190	-	5,007	-	19,310
Loan Portfolio (net of specific provisions for loss)	-	62	2,826	-	45,468	425	48,781	-	62	2,825	-	43,913	389	47,189
Sales Contracts Receivable	-	-	-	-	130	28	158	-	-	-	-	124	29	153
Real & Other Properties Acquired	-	-	-	-	-	600	600	-	-	-	-	-	528	528
Other Assets	-	-	-	-	6,561	-	6,561	-	-	-	-	6,447	-	6,447
Off-Balance Sheet Commitments to Lend	6,392	1,455	-	-	2,072	-	9,919	6,392	1,455	-	-	2,072	-	9,919
Counterparty Risk-Weighted assets in the Banking book	-	-	-	-	535	-	535	-	-	-	-	535	-	535
Counterparty Risk-Weighted assets in the Trading book	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Credit exposure	34,814	2,325	5,350	54	60,262	1,053	103,858	34,725	2,320	5,349	-	58,387	946	101,727
Total Risk-Weighted On-Balance Sheet assets	-	174	2,675	41	57,655	1,580	62,124	-	173	2,675	-	55,780	1,420	60,047
Total Risk-Weighted Off-Balance Sheet assets	-	291	-	-	2,072	-	2,363	-	291	-	-	2,072	-	2,363
Total Counterparty Risk-Weighted assets in the Banking book	-	-	-	-	535	-	535	-	-	-	-	535	-	535
Total Counterparty Risk-Weighted assets in the Trading book	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Credit Risk-Weighted Assets	-	465	2,675	41	60,262	1,580	65,022	-	464	2,675	-	58,387	1,420	62,945

December 31, 2016	Consolidated Risk weight							Parent Risk weight						
	0%	20%	50%	75%	100%	150%	Total	0%	20%	50%	75%	100%	150%	Total
On-Balance Sheet														
Cash and Other Clearing Items	1,034	8					1,042	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	-	2,642	-	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	45,606	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
Off-Balance Sheet Commitments to Lend	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Credit exposure	32,833	2,411	5,632	65	54,419	955	55,374	32,691	2,403	5,632	-	52,310	859	53,895
Total Risk-Weighted On-Balance Sheet assets	-	155	2,816	49	51,604	1,434	56,057	-	153	2,816	-	49,495	1,289	53,753
Total Risk-Weighted Off-Balance Sheet assets	-	327	-	-	2,223	-	2,550	-	327	-	-	2,223	-	2,550
Total Counterparty Risk-Weighted assets in the Banking book	-	-	-	-	592	-	592	-	-	-	-	592	-	592
Total Counterparty Risk-Weighted assets in the Trading book	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Credit Risk-Weighted Assets	-	482	2,816	49	54,419	1,434	59,199	-	481	2,816	-	52,310	1,289	56,895

The capital requirement under the RBCAR framework from the 10% of the amount of Credit Risk Weighted Assets as of December 2017 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 2017 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:

- Changes in prevailing interest rates eroding the values of securities and foreign exchange contracts; and
- 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.

- (a) The enterprise 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.
- (b) 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.
- (c) 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:

- 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.
- Price sensitivity testing of FVPL Bonds and FX Net Open Position.
- Market Stress Testing for the Trading Books and FX Net Open Position.
- 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 provided in the Capital Requirements by Quality and by Class of Risk in the previous section shows the details in different market risk-weighted assets using the standardized approach and its equivalent capital requirements in accordance with BSP Circular No. 538.

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, 2017.

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 2017 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.

ement Objectives and Policies" of the attached 2017 Audited Financial Statement contains in greater detail the quality of comprehensive explanations of how ratios involving components of regulatory capital are calculated.

The risks in 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:

- (a) 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;
- (b) 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;
- (c) Basis risks where the re-pricing characteristics of assets and liabilities do not perfectly correlate resulting in adverse changes to interest spreads;
- (d) 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
- (e) 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.

- The enterprise 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.
- Financial control and operations ensure that all exposures are recognized, reported and re-measured according to proper financial reporting standards.
- 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 enterprise 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:

- 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;
- 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;
- 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:

- **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.
- **Economic Value of Equity (EVE)** that is a financial measure of the value of the bank's equity reflected as the difference between the weighted duration of the bank's assets and the weighted duration 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:

ASSET-LIABILITY GAP POSITION

amounts in millions PHP

CONSOLIDATED

	≥ 1 Mo.	1 - 3 Mo.	3 - 12 Mo.	1 - 2 Yrs.	> 2 Yrs.	Total
December 31, 2017						
Total Assets	9,158	11,041	7,489	3,007	42,516	73,211
Total Liabilities	61,531	11,811	5,131	3,110	1,720	83,303
Asset-liability Gap	(52,373)	(770)	2,358	(103)	40,796	(10,092)
December 31, 2016						
Total Assets	12,372	9,121	8,213	1,749	31,376	62,831
Total Liabilities	47,242	18,415	2,082	3,007	2,499	73,245
Asset-liability Gap	(34,870)	(9,294)	6,131	(1,258)	28,877	(10,414)

* Please refer to Note 5 - Interest Rate Risk Management of 2017 Notes to Audited Financial Statement of the Annual Report for details of Asset-Liability Gap

PARENT COMPANY

	≥ 1 Mo.	1 - 3 Mo.	3 - 12 Mo.	1 - 2 Yrs.	> 2 Yrs.	Total
December 31, 2017						
Total Assets	8,941	11,040	7,462	2,888	40,947	71,278
Total Liabilities	60,685	11,630	4,970	2,789	1,538	81,612
Asset-liability Gap	(51,744)	(590)	2,492	99	39,409	(10,334)
December 31, 2016						
Total Assets	11,605	9,113	8,051	1,635	30,276	60,680
Total Liabilities	46,383	18,076	1,855	2,967	2,017	71,298
Asset-liability Gap	(34,778)	(8,963)	6,196	(1,332)	28,259	(10,618)

EARNINGS-AT-RISK AND ECONOMIC VALUE OF EQUITY

Amounts in millions and in PHP for RBU and in US\$ for FCDU

	2017		2016	
	RBU	FCDU	RBU	FCDU
Earnings-at-Risk				
at +25bps	(25.83)	(0.15)	(50.09)	(0.14)
at +50bps	(51.66)	(0.30)	(100.19)	(0.29)
at +100bps	(77.49)	(0.44)	(200.38)	(0.57)
at +300bps	(309.95)	(1.78)	(601.13)	(1.72)
at +400bps	(413.26)	(2.37)	(801.50)	(2.29)
at +500bps	(516.58)	(2.97)	(1,001.88)	(2.87)
EVE sensitivity				
at +25bps	(480.93)	(1.64)	(10.40)	(0.04)
at +100bps	(1,923.73)	(6.55)	(41.59)	(0.15)
at +300bps	(5,771.20)	(19.64)	(124.78)	(0.45)
at +500bps	(9,618.67)	(32.74)	(207.96)	(0.76)

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 2017 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 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 on a weekly basis 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. 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 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, & 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.

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 and people 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.

In April 2017, the Operational Risk Management Unit (ORMU) under the ERMG updated the Bank's Operational Risk Management Framework to comply with the requirements of BSP Circular 900 re: Guidelines on Operational Risk Management. The framework, which provides for a strengthened foundation and guidance on how PBCOM should effectively manage its operational risks, is periodically reviewed by the Board of Directors to ensure that operational risk management policies, processes and systems are implemented effectively at all decision levels.

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), Key Risk Indicators (KRI), incident reports, corrective action plan and the internal operational loss database, results of which are periodically reported by the ORMU to the ROC. ORMU likewise ensures that other operational risk reports such as Profile of Complaints and Legal Case Profile are assessed and reported by the concerned banking units to the ROC on a periodic basis. 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 an operational risk control environment, the Bank's 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. The Bank has a Computer-Based Training project aimed at enabling training content more readily available and accessible; providing training and tests statistics and analytics, and a database for employees' educational achievements.

TECHNOLOGY RISK MANAGEMENT

The Bank's Technology Risk Management Framework continues to provide strengthened foundation and guidance on how the Bank should effectively manage emerging technology risks. The IT Risk Management Unit (ITRMU) under the ERMG incorporates the

requirements under existing BSP regulations and which takes into account that strategic, operational, compliance and reputational risks are periodically reviewed and updated to ensure that all risks in the Bank's technology-enabled products, services, delivery channels and processes are effectively managed and that any gaps are being regularly monitored and addressed.

A comprehensive risk assessment and profiling methodology for both IT functions and application systems are in place. Risk identification and assessments over project management were enhanced from project initiation to implementation. Control validation process was incorporated in technology risk assessments to ensure effectiveness of established risk mitigation strategy. Corrective action plans are periodically monitored and reported by ITRMU to ensure that risk issues are timely addressed and managed proactively. The Bank's risk management team continues to play an active role in providing risk insights and assessments during launch of new products, technology and services, development of risk management policies and imbuing a culture of risk aware organization through conduct of trainings and seminars to Bank employees.

FRAUD RISK MANAGEMENT

Fraud Risk is an integral part of the enterprise-wide operational risk management of the Bank. The integration of Fraud Risk Unit to the ERMG on a single enterprise-wide platform has improved overall management capabilities in addressing fraud risk. Generally, the steps taken by the Bank toward an effective fraud risk reduction program are:

- Centralization of fraud risk loss events to identify the scope of the problem on an enterprise wide basis;
- Support the development and implementation of new technologies to enhance fraud management effectiveness; and
- Joining industry forums and forming partnerships to maintain a "leading edge" approach to fraud solutions.

To bring in a culture of eternal vigilance, strong internal control and compliance, the Bank's Enterprise Fraud Risk Unit conducts regular in-house seminars and trainings, with presentations focusing on Fraud Risk Awareness, Signature Verification and Counterfeit

Detection, Credit Fraud and Risk Management, Identity Theft/Fraud and Check Fraud and KYC Training Sessions.

To further illuminate the "2017 BSP Pagtugon Award", the Enterprise Fraud Risk Unit has ably supported the Bank's initiative in promoting cyber-crime/fraud awareness among clients and non-clients of the bank.

BUSINESS CONTINUITY MANAGEMENT

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. The Business Continuity Risk Management Unit under the ERMG 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, Pandemic Plan and Cyber Resiliency Plan as well have been established. 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.

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	
	2017	2016	2017	2016
Average Gross Income (Previous 3 Years)	3,354	2,957	3,121	2,835
Capital Charge (Average Gross Income times 18.75%*)	629	554	585	532
Risk Weighted Asset (Capital Charge times 10)	6,289	5,544	5,851	5,316

*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 2017 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.

INFORMATION SECURITY, CYBERSECURITY AND PRIVACY RISKS

INFORMATION SECURITY RISK

Information Security (IS), like Information Technology (IT), is considered a business enabler that manage risks related to the protection of information and information systems. Such would ensure that within PBCOM, information is protected against disclosure to unauthorized users, improper modification and non-access when required.

IS risk is managed by the Information Security Office under the ERMG and is headed by the Chief Information Security Officer (CISO). Management of IS risk is based on the existing risk management strategies in place such as but not limited to: Information Security Risk Assessment which include inventory of information assets classification and valuation; Security Controls Implementation which covers the three main classification of controls namely: Administrative, Technical/Logical and Physical; Security Process, Monitoring and Updating which include activity monitoring through the use of Security Information and Events Management (SIEM), incident management and continuing threat assessment; and Audit and Compliance Reviews which include security risk testing and assessment, vulnerability management and penetration testing.

Likewise, third-party vendors or service providers are assessed through the use of Third-Party Information Security Assessment (TPISA) tool. PBCOM shall at all times ensure an effective oversight process is in place to efficiently monitor third-parties that store, transmit, process or dispose customers' confidential information.

Further, adherence to the minimum requirements of the Payment Card Industry – Data Security Standards (PCI-DSS) is also considered for the Bank's debit card business.

All of the aforementioned activities are embodied under the Bank's Information Security Framework, i.e. Operating Principles, Programs, Guidelines and Procedures, and Minimum Baseline Security Standards (MBSS).

CYBERSECURITY RISK

Cybersecurity refers to the ability to control access to networked systems and the information they contain. Where cyber controls are in place, the cyberspace is considered reliable, resilient and trustworthy digital infrastructure. Conversely, in the absence of cyber controls, the cyberspace is considered insecure.

Cybersecurity is considered a subset of Information Security. Although at present time these two terminologies are used interchangeably. Cybersecurity shall cover the cyber realm whereas Information Security shall cover all security related regardless of realm.

At PBCOM cyber risk is considered as a business risk. It is managed based on the generally accepted cybersecurity risk management framework, namely: Identification, Prevention, Detection, Response and Recovery. Each of the identified strategies shall cover related activities that would promote cyber resiliency.



DATA PRIVACY RISK

PBCOM cares about the protection of personal identifiable and/or sensitive information provided by customers and/or clients, thus, shall at all times abide to the minimum requirements of the Republic Act 10173 – Data Privacy Act of 2012, its Implementing Rules and Regulations (IRR), National Privacy Commission (NPC) issuances and other related laws.

Privacy risk is defined as a potential loss of control over personal identifiable and/or sensitive personal information. With the emerging threats on data privacy, the Bank had instituted control measures to efficiently manage the risk to an acceptable level. PBCOM, through the designated Data Protection Officer (DPO), shall manages the risks related to data privacy by adhering to the five (5) pillars of compliance as mandated by the NPC, to wit:

1. • Appoint a data protection officer
2. • Conduct a Privacy Impact Assessment
3. • Create a Privacy Management Program and Manual
4. • Implement Privacy & Data Protection Measures
5. • Regular exercise of Breach Reporting Procedure

Any issues noted on information security, cybersecurity and privacy risks are reported to the Board of Directors (BOD), through the Risk Oversight Committee (ROC), on a quarterly basis or as deemed necessary.

Cybersecurity and Privacy Risk Monitoring are part of the CISO's oversight functions.

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:

1. 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.
2. 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:

- Bankwide Profile of Complaints
- Analysis of Bankwide Risk Aggregation and Prioritization related to Reputational Risks
- 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.

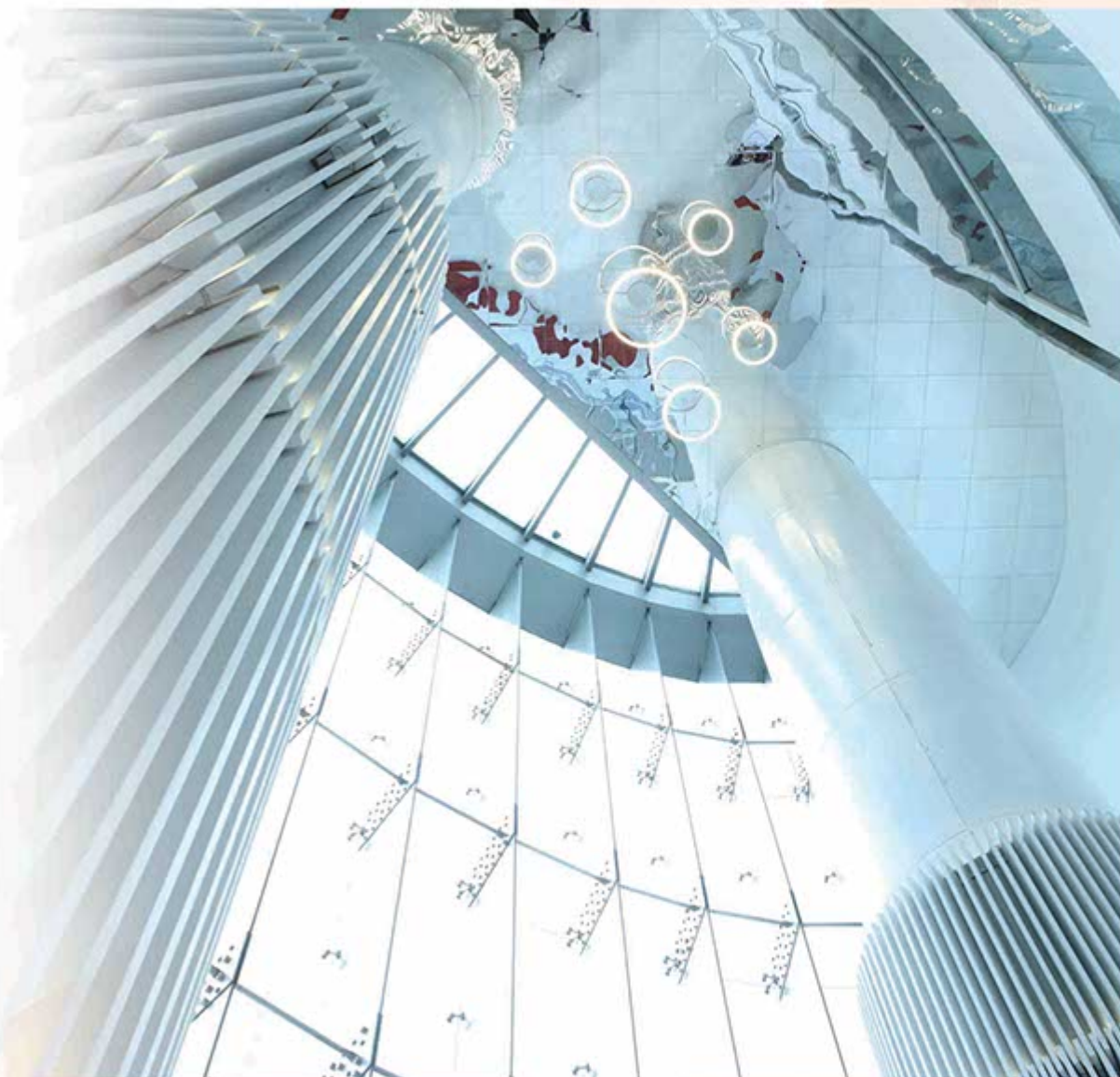
Strategic Risk in relation to the Bank's Risk Assessment & Prioritization Guidelines is broken-down to three (3) risk names:

- 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.
- 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.
- 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:

- Actual Financial Performance & Business Plan Review
- Analysis of Bankwide Risk Aggregation and Prioritization related to Strategic Risks



CORPORATE GOVERNANCE

PBCOM Board of Directors and Management, employees and shareholders, believe that Corporate Governance is a necessary component of what constitutes a sound strategic business management. Thus, the Bank has undertaken every effort necessary to create awareness for this within its organization. All Directors and Senior Management 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 practice on 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 Board of Directors constitute Board Committees namely: Governance Committee, Risk Oversight Committee, Audit Committee and Related Party Transaction Committee which are all chaired and composed of majority of Independent Directors, all of whom have a good understanding of the business.
3. 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 while the Performance Evaluation Sub-Committee, recommends and oversees the implementation of a Performance Management Process for Senior Management and Members of the Board, reviews performance vis-a-vis agreed upon objectives, evaluates progress made with respect to Senior Management Directors Development plans, monitors changes in professional affiliations, personal status even health, which could have qualifications, resignation and succession implications.

4. Transparency in its Annual Reports is ensured and reflects true and fair accounting information prepared in accordance with applicable standards; discloses and discusses all material risks; and discloses and explains 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.

Annually, the Bank, through the Governance Committee, reviews the Corporate Governance Manual and recommends changes/amendments/revisions for the approval of the Board of Directors when and where necessary.

SELECTION PROCESS OF THE BOARD AND SENIOR MANAGEMENT

Directors of the Bank are elected at the annual stockholders' meeting to hold office until the next succeeding meeting and until their respective successors have been elected and qualified.

In compliance with the SEC SRC Rule 38, and as a matter of practice, the Bank has adopted the following rules in the nomination and election of Directors:

- All nominations for directors and independent directors shall be submitted to the Nominations Committee through any of its members or the Corporate Secretary at any time before the submission of the Definitive Information Statement to the Securities and Exchange Commission (SEC), allowing the Nominations Committee sufficient time to pass upon the qualifications of the nominees.
- All nominations shall be in writing duly signed by a stockholder and accepted and conformed to by the nominees, likewise in writing, indicating whether a particular nominee is intended to be an independent director or not. It must contain the nominee's age, educational attainment, work and/or business experience and/or affiliation.
- No individual shall be nominated as director or independent director unless he meets the minimum requirements / qualifications prescribed by the regulatory agencies / offices concerned for listed banks.

- The Nominations Committee shall pre-screen the qualifications of the nominees and prepare a final list of candidates, including a summary of all relevant information about them.

The Nomination Sub-Committee of the Corporate Governance Committee shall be responsible for the appointment / selection of key members of senior management and heads of control functions and the Compensation & Remuneration Sub-Committee, also of the Governance Committee, for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the Board, through the Governance Committee, shall oversee the selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Bank's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Bank.

BOARD QUALIFICATIONS

Executive and Non-Executive Directors Criteria

Director shall have the following minimum qualifications:

- a. He must be fit and proper for the position of a director.

In determining whether a person is fit and proper for the position of a director, the following matters must be considered:

- integrity/probity, physical/mental fitness;
- relevant education/financial literacy/training;
- possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and
- sufficiency of time to fully carry out responsibilities.

- b. He must have attended a seminar on corporate governance for board of directors within a period of six months from date of election. A director shall submit to the BSP a certification of compliance with the BSP - prescribed syllabus on corporate governance for first time directors and documentary proof of such compliance.

Independent Directors Criteria

Must have all the qualifications of a Regular Director and in addition:

- is not or was not a director, officer or employee of the bank, its subsidiaries, affiliates or related interests during the past three (3) years counted from the date of his election/appointment;
- is not or was not a director, officer, or employee of the bank's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
- is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- is not a close family member of any director, officer or stockholder holding shares of stock sufficient to elect one (1) seat in the board of directors of the bank or any of its related companies or of any of its substantial stockholders;
- is not acting as a nominee or representative of any director or substantial shareholder of the bank, any of its related companies or any of its substantial shareholders;
- is not or was not retained as professional adviser, consultant, agent or counsel of the bank, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
- is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the bank or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;
- was not appointed in the bank, its subsidiaries, affiliates or related interest as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the board of directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;
- is not affiliated with any non-profit organization that receives significant funding from the bank or any of its related companies or substantial shareholders
- is not employed as an executive officer of another company where any of the bank's executives serve as directors.

BOARD'S OVERALL RESPONSIBILITY

The Board of Directors is primarily responsible for defining the Bank's vision and mission. The Board of Directors has the fiduciary roles, responsibilities and accountabilities as provided under the law, the Bank's articles and by-laws, and other legal

pronouncements and guidelines to the Bank, all its shareholders including minority shareholders and other stakeholders. The Board also recognizes and places importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.

Board of Directors

The Board of Directors is composed of Executive, Non-Executive and Independent Directors. They act in the interests of the Bank to the best of their ability and judgment, consistent with their responsibilities in achieving the overall direction of the organization and protecting the interest of its shareholders.

Board of Directors' Role

- Approves and oversees the implementation of strategies to achieve corporate objectives
- Approves and oversees the implementation of risk governance framework and the systems of checks and balances.
- Establishes a sound corporate governance framework
- Approves the selection of the CEO and key members of senior management and control functions and oversees their performance.

Board of Directors' Accountabilities

- The Board of Directors shall define the Bank's corporate culture and values.
- The Board of Directors shall be responsible for approving Bank's objectives and strategies and in overseeing management's implementation thereof.
- The Board of Directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel.
- The Board of Directors shall be responsible for approving and overseeing implementation of the Bank's corporate governance framework.
- The Board of Directors shall be responsible for approving Bank's risk governance framework and overseeing management's implementation thereof.
- The Board of Directors may delegate some of its functions, but not its responsibilities, to board-level committees.

The Chairman of the Board

The Chairman of the Board leads the Board of Directors in achieving its mandate of setting the overall direction of the organization and representing the interests of shareholders. He provides leadership in the Board of Directors, ensures that the board takes an informed decision, and sets the tone of good governance from the top. His accountabilities include:

- Ensures effective functioning of the board, including maintaining a relationship of trust with board members;

- Ensures sound decision making, encourages and promotes critical discussions, and ensures that dissenting views can be expressed and discussed within the decision-making process;
- Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Bank, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- Guarantees that the Board receives accurate, timely, relevant, insightful, concise and clear information to enable it to make sound decisions;
- Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging in the skills and expertise of individual directors;
- Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- Assures the availability of proper orientation for first time directors and continuing training opportunities for all directors; and
- Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

PBCOM'S BOARD OF DIRECTORS

ERIC O. RECTO

Chairman of the Board and Director

Mr. Recto, Filipino, 54 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. Total No. of Direct Shares - 52,729,424 - 10.97% (some shares under PCD Nominee Corp.)

LEONARDO B. DAYAO

Vice Chairman and Director

Mr. Dayao, Filipino, 74 years old, was elected Director on September 29, 2014 and Co-Vice Chairman on October 24, 2014. Mr. Dayao currently holds the following positions in publicly listed companies: President of Cosco Capital, Inc. and Director of Puregold Price Club, Inc. He also holds various positions in the following privately-owned companies: Chairman of

Cabadbaran-Magallanes Water Corporation, Catuiran Hydropower Corporation, Fertuna Holdings Corp., Grass Gold Renewable Energy (G2REC) Corporation, Karela Management Corporation, League One Finance and Leasing Corporation, North Palawan Water Corporation, Pamana Holdings Incorporated, PSMT Philippines, Inc., PG Lawson Company, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Tacloban City Water Corporation; President of Alcorn Petroleum Minerals Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Union Energy Corporation; Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Properties, Inc., Union Equities, Inc., VFC Land Resources, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Karayan Hydropower Corporation, Uquigaz Philippines Corp., and Puregold Realty Leasing & Management, Inc. He received a Bachelor of Science Degree in Commerce from the Far Eastern University. He is a Certified Public Accountant and has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu. Total No. of Direct Shares – 7,001 – 0.00%

LUCIO L. CO

Executive Committee Chairman and Director

Mr. Co, Filipino, 63 years old was elected Director on September 29, 2014. Mr. Co currently holds the following positions in other publicly listed companies: Director and Chairman of Puregold Price Club, Inc., Chairman of Cosco Capital, Inc. and Chairman and President of Da Vinci Capital Holdings, Inc. He is also the Chairman of the following privately-owned companies: Alcorn Petroleum & Minerals Corporation, Bellagio Holdings, Inc., Canaria Holdings Corporation, Elimac Prime Holdings, Inc., Entenso Equities Incorporated, Invescap Incorporated, Uquigaz Philippines Corporation, NE Pacific Shopping Centers Corporation, P.G. Holdings, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Finance, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., Pure Petroleum Corp., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc. He is also a Director of the following privately-owned companies: Alphaland Makati Tower, Inc., Cabadbaran-Magallanes Water Corp., Catuiran Hydropower Corp., Grass Gold Renewable Energy (G2REC) Corp., Karayan Hydropower Corp., Karela Mgmt. Corp., LCC& Sons Realty Corporation, League One Finance and Leasing Corp., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., North Palawan Water Corp., Pamana Holdings Incorporated, PG Lawson Company, Inc., PPCI Subic, Inc., Patagonia Holdings Corp., Premier Wine & Spirits, Inc., S&R Pizza (Harbor Point), Inc., and S&R Pizza, Inc., Tacloban City Water Corporation. He is a member of the Board of Trustees of Adamson University and Luis Co Chi Kiat Foundation, Inc. Mr. Co has been an entrepreneur for the past 40 years. Total No. of Direct and Indirect Shares – 91,985,706 – 19.14%

PATRICIA MAY T. SIY

President and Chief Executive Officer, 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 Chief Corporate Planning Officer of Travellers International Hotel Group from 2012 and as Chief Finance Officer of Rustan's Supercenter Inc. from 2011 to 2012. Her banking experience spanned 31 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. Total No. of Direct Shares – 100 – 0.00%

CARMEN G. HUANG

Executive Director

Ms. Huang, Filipino, 67 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. Total No. of Direct Shares – 500 – 0.00%

BUNSI CARLOS G. CHUNG

Director

Mr. Chung, Filipino, 68 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. Total No. of Direct and Indirect Shares – 1,000,010 – 0.20%

SUSAN P. CO

Director

Mrs. Co, Filipino, 60 years old was elected Director on September 29, 2014. She currently holds the positions of Vice-Chairman of Puregold Price Club, Inc. and Vice-Chairman and Treasurer of Cosco Capital, Inc., both publicly listed companies. Mrs. Co is the Chairman of Alphaland Makati Tower, Inc. and Director of the following privately-owned companies: Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Elimac Prime Holdings, Inc., Karela Management Corp., KMC Realty Corp., Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., NE Pacific Shopping Center Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PG Lawson Company, Inc., PPCI Subic Inc., Premier Wines and Spirits, Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., Pure Petroleum Corp., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., San Jose City I Power Corp., Union Energy Corporation and Union Equities, Inc. Mrs. Co received a Bachelor of Science Degree in Commerce from the University of Santo Tomas. Total No. of Direct & Indirect Shares – 91,893,721 – 19.12%

LEVI B. LABRA

Director

Mr. Labra, Filipino, 60 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. Total No. of Direct Shares – 100 – 0.00%

RALPH C. NUBLA, JR.

Director

Mr. Nubla, Filipino, 67 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. Total No. of Direct Shares – 51,779,374 – 10.77%

GREGORIO T. YU

Director

Mr. Yu, Filipino, 59 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. Mr. Yu is also a Director of Philippine Airlines and PAL Holdings Inc., CATS Asian Cars, Inc., PhilEquity Management Inc., Vantage Equities Inc., Iremil Inc.,

Unistar Credit and Finance Corporation, ISM Corporation, Prople BPO Inc., Glyph Studios, Inc., WSI Corporation, Nexus Technologies, Jupiter Systems Corporation and E-business Services Inc. Mr. Yu is also 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, Yehy 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, Xavier School Inc., and Chairman, Ways and Means of Xavier School Educational and Trust Fund. 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. Total No. of Direct Shares – 1,432,692 – 0.30%

DAVID L. BALANGUE **Independent Director**

Mr. Balangue, Filipino, 66 years old, was elected Independent Director on April 7, 2014. He is presently Director of Pinma Energy Corporation, Pinma Power Generation Corporation, Subic One Power Generation Corporation, Roxas Holdings, Inc., Holcim Philippines, Inc., Maybank ATR Kim Eng Capital Partners, Inc., ATR Asset Management, Inc., ATRAM Trust Corporation, Unistar Credit & Finance Corporation, Omnipay, Inc. and Broadband Everywhere Corporation. He is also Chairman and President of Makati Center Estate Association and Makati Parking Authority, Inc. In the past, he served as Chairman and Managing Partner of Sycip Gorres Velayo & Co. and Chairman of the Philippine Financial Reporting Standards Council, National Movement for Free Elections (NAMFREL), and the Philippine Center for Population and Development, Inc. 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. Total No. of Direct Shares – 50 – 0.00%

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

Mr. Jalandoni, Filipino, 60 years old, was elected Independent Director on January 28, 2013. He is currently 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 LFM Properties Corporation, ValueLine Realty & Development Corporation, Buendia Offices

Condominium Corporation and The Second Mid-land Offices Condominium Corporation and now as the new Treasurer of JM & Co. Inc. He is the President of Kanlaon Development Corporation, Jayjay 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. Total No. of Direct Shares – 10 – 0.00%

ROBERTO Z. LORAYES **Independent Director**

Mr. Lorayes, Filipino, 75 years old, was elected Independent Director on October 24, 2014. He is currently Chairman of the Board of PhilEquity Management, Inc., Director of Vantage Equities, 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. Total No. of Direct Shares – 500 – 0.00%

EMMANUEL Y. MENDOZA **Independent Director**

Mr. Mendoza, Filipino, 53 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, Aermac Construction & Development Corporation, M.Y. Mendoza Realty Development Corporation and Director and Treasurer of Marinaside Holdings, Inc. 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. Total No. of Direct Shares – 100 – 0.00%

GILDA E. PICO **Independent Director**

Ms. Pico, Filipino, 71 years old, was elected Independent Director on February 22, 2017. She is currently Chairman of the Board of Producers Savings Bank where she was formerly a Director/Consultant. She also sits as Director of the following acquired banks of Producers Savings Bank while awaiting Bangko Sentral ng Pilipinas ("BSP") approval for the merger: 1) Rural Bank of Bustos; 2) Rural Bank of Sto. Domingo; 3) Rural Bank of Pamplona; 4) Rural Bank of President Quirino; 5) Rural Bank of Pasacao; and 6) Rural Bank of Magarao. Ms. Pico is also connected with Marlinor Development Corporation as Director/Treasurer, Gilart Holdings Corporation as President and PayMaya Philippines as Independent Director. In the past, Ms. Pico was President and CEO of Land Bank of the Philippines from

November 2006 to July 2016. She was Land Bank's Acting President from July 2005 to November 2006 and Trustee of Land Bank Countryside Development Fund from 2005 to 2015. 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. Ms. Pico 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. Total No. of Direct Shares – 100 – 0.00%

HENRY Y. UY **Board Adviser**

Mr. Uy, Filipino, 70 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. Total No. of Direct Shares – 10 – 0.00%

ANGELO PATRICK F. ADVINCULA **Corporate Secretary**

Mr. Advincula, Filipino, 47 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 and Corporate Information Officer**

Mr. Lao, Filipino, 34 years old, was elected Assistant Corporate Secretary and Corporate Information Officer on November 30, 2014. He is currently a Senior Associate of Zambrano Gruba Caganda and Advincula Law Offices. Mr. Lao received his Juris Doctor degree from the Ateneo de Manila School of Law in 2012 and was admitted to the Philippine Bar in 2013.

BOARD COMMITTEES

Executive Committee

The Executive Committee is composed of seven (7) directors who shall be appointed or elected by the Board of Directors based on the recommendation of the Governance Committee. 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.

In case of any vacancy in the Executive Committee, whether such vacancy shall be filled or not, shall be left to the discretion of the Board. However, should vacancies occur reducing the number of Executive Committee members to less than the required quorum, the Chairman may designate any officer or member of the Board to fill such vacancy, and the Executive Committee member chosen shall serve only for the unexpired portion of the vacated term to be confirmed by the Board of Directors. The Corporate Secretary shall act as the Secretary.

Executive Committee's responsibilities are the following:

- Review of corporate financial status, policies and procedures and the approval / recommendation of revisions thereto, including periodic registration and disclosure statements, publications, etc.;
- Review of specific business or operating plans regarding significant investments, acquisition or disposal of assets (e.g. CAPEX, OPEX, etc.);
- Subject to limits imposed by the Board, authorization or approval to invest in or acquire another company, to extend loans to corporations or individuals, to enter, modify, extend, renew or terminate partnerships, joint venture or any other business dealing, and to sell or dispose acquired and / or fixed bank properties;
- Evaluation and recommendation to the Board of policies and / or transactions where the proposed amount involved exceeds the limit imposed by the Board as set forth in the relevant rules and / or regulations;
- Approval of any and all major policies and strategic actions to be undertaken by management beyond the authorities established for management; and
- Such other functions as may be delegated by the Board to the Executive Committee, which shall include, the approval of credits and setting of authorization limits thereof. This shall, however, exclude material RPT and DOSRI transactions, which are required to be approved by the Board

Governance Committee

The Governance Committee is composed of five (5) members of

the Board of Directors, three of whom are Independent Directors, and under the chairmanship of an Independent Director. The Committee assists the Board of Directors in fulfilling its corporate governance responsibilities. 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, nomination process for members of the board, continuing education program, evaluation process, assessing the propriety of business strategies and determining how the Bank 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
- Continuing education program for Board of Directors

In addition, the Governance Committee oversees the Bank's compliance system and 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.

Audit Committee

The Audit Committee is composed of three (3) members of the Board of Directors, two of whom are Independent Directors including the Chairman. The Chairman is not the Chairman of the Board or of any other Board Committee. 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. The Committee oversees the internal and external audit function.

Risk Oversight Committee

The Risk Oversight Committee is composed of five (5) members of the Board of Directors, three of whom are Independent Directors who possess adequate knowledge of the Bank's risk exposures. The Chairman of the Committee is an independent director and not Chairman of the Board, any other Board Committee. The Committee assists the Board of Directors in the execution of its function in overseeing the risk management framework, adherence to risk appetite and risk management function of the Bank. An effective risk management framework is a critical component of financially sound Bank operations. It is a key element in achieving PBCOM's goals and objectives, optimizing growth and capital while minimizing losses to the Bank.

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.

Related Party Transactions Committee

The Related Party Transactions Committee is composed of four (4) members of the Board of Directors, three of whom are Independent Directors, including the Chairman. The Committee is composed entirely of independent directors and non-executive directors, with independent directors comprising the majority of the members. The Compliance Officer is the committee secretariat, while the Internal Auditor may sit as the resource person.

The Committee has the overall responsibility in 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 client and other Stakeholders. They evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. They also evaluate all material RPTs and oversee the implementation of the RPT system. They ensure that transactions with related parties are subject to periodic 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 exposures to all related parties.

DIVIDEND POLICY

The board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them; Provided, that any cash dividends due on delinquent stock shall first be applied to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid; Provided, further, that no stock dividend shall be issued without the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

BOARD

Eric O. Recto, Chairman	12/13
Lucio L. Co, Director & Exec. Committee Chairman	12/13
Leonardo B. Dayao, Vice Chairman	13/13
Patricia May T. Siy, President & CEO	12/13
Carmen G. Huang, Executive Director	13/13
Bunsit Carlos G. Chung, Director	12/13
Gregorio T. Yu, Director	12/13
Levi B. Labra, Director*	11/13
Ralph C. Nubla, Jr., Director	13/13
Susan P. Co, Director	10/13
David L. Balangue, Independent Director	11/13
Emmanuel Y. Mendoza, Independent Director	11/13
Gilda E. Pico, Independent Director**	11/11
Jesus S. Jalandoni, Jr., Independent Director	10/13
Roberto Z. Lorayes, Independent Director	11/13

*Elected as Director effective Feb. 22, 2017

**Elected as an Independent Director effective Feb. 22, 2017

EXECUTIVE COMMITTEE

Lucio L. Co, Chairman	40/48
Eric O. Recto, Vice Chairman	41/48
Leonardo B. Dayao, Vice Chairman	36/48
Patricia May T. Siy	46/48
Bunsit Carlos G. Chung	44/48
Carmen G. Huang	45/48
Ralph C. Nubla, Jr.	45/48

GOVERNANCE COMMITTEE

Gilda E. Pico, Chairman*	10/10
David L. Balangue	10/12
Eric O. Recto	9/12
Leonardo B. Dayao	9/12
Roberto Z. Lorayes**	10/12

*Member effective Feb. 22 and Chairman effective Jun. 6, 2017

**Chairman up to Jun. 5, 2017

AUDIT COMMITTEE

Emmanuel Y. Mendoza, Chairman	11/12
Gilda E. Pico*	10/10
Levi B. Labra**	7/12
Bunsit Carlos G. Chung***	9/12

*Member effective Feb. 22, 2017

**From Independent Director to Regular Director effective Feb. 22, 2017

***Member up to Dec. 20, 2017

RISK OVERSIGHT COMMITTEE

David L. Balangue, Chairman	8/12
Jesus S. Jalandoni, Jr.	9/12
Patricia May T. Siy	11/12
Bunsit Carlos G. Chung*	3/5
Levi B. Labra**	7/10
Carmen G. Huang***	3/4

*Member up to May 15, 2017

**Member effective Feb. 20, 2017

***Member from Aug. 31, 2017 to Dec. 19, 2017

RELATED PARTY TRANSACTION COMMITTEE

Jesus S. Jalandoni, Chairman*	2/2
David L. Balangue**	1/2
Levi B. Labra	2/2
Gilda E. Pico***	0/1
Bunsit Carlos G. Chung****	0/1

*Chairman effective Dec. 20, 2017

**Chairman up to Dec. 19, 2017

***Member effective Jun. 6, 2017

****Member up to Jun. 5, 2017

TRUST COMMITTEE

Eric O. Recto, Chairman	3/3
Patricia May T. Siy	2/3
Roberto Z. Lorayes	3/3
Jesus S. Jalandoni, Jr.	2/3
Irwin Joseph T. Tychuaco	3/3

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 and applicable provisions of the existing Collective Bargaining Agreement.

Compensation of Directors and Executive Officers

Since the Bank obtained an exemption from the SEC to disclose the required detailed compensation information, disclosure of aggregate compensation paid or accrued during the last two fiscal years 2016 to 2017 of the Bank's Chief Executive Officer and four other most highly compensated executive officers are as follows:

	2017	2016
CEO and four most highly compensated Executive officers	Patricia May T. Siy President & CEO Eriberto Luis S. Elzaga Executive Vice President Manuel Andres D. Goseco Executive Vice President Jenny F. Lanson Senior Vice President Alan E. Alenao Senior Vice President	Patricia May T. Siy President & CEO Eriberto Luis S. Elzaga Executive Vice President Manuel Andres D. Goseco Executive Vice President Salvador R. Serrano Senior Vice President Alan E. Alenao Senior Vice President
Salary	P50,220,000.00	P48,850,000.00
Bonus	18,715,111.00	16,283,333.33
Total	P68,935,000.00	P65,133,333.33

All officers and directors as Group Unnamed	2017	2016
Salary	P665,578,642.00	P612,155,661.68
Bonus	204,966,214.00	193,137,665.14
Total	P870,544,856.00	P805,293,326.82

The director's per diem and other fees amounted to P15.5M and P9.0M as of December 31, 2017 and 2016 respectively.

The five (5) independent and two (2) other Directors are entitled to a Director's fee for attending Board meetings. The remaining eight (8) Directors have waived their right to receive Director's fees. As stipulated in the By-laws, Directors are also entitled to share in the net profits to be distributed in such manner as the Board may provide but not exceeding four (4) percent.

There are no other terms and conditions with regard to employment contract between PBCOM and named Executive Officers or any other more compensatory plans or arrangement except those disclosed above.

There are no Outstanding Warrants or Options held by the Directors, Officers as of December 31, 2017.

The Bank has no record of adjusting or amending the exercise price of stock warrants previously awarded to any of the officers and directors.

ORIENTATION & TRAINING PROGRAM

New directors are required to attend a special seminar on Corporate Governance for Board of Directors conducted by the Bangko Sentral ng Pilipinas (BSP). Director Gilda E. Pico joined the bank in 2017 and attended this program on September 5, 2017.

All key officers and members of the board are also required to attend, at least once a year, a program on Corporate Governance conducted by training providers that are duly accredited by the Securities and Exchange Commission. The Corporate Governance Seminar conducted by SGV & Co. on February 28, 2017 covered the following topics:
Part 1 – Overview & Perspective Key Development in the Code of Corporate Governance for Publicly Listed Companies
Part 2 – Fraud awareness
Part 3 – Actual Cases and Case Studies

Indicated below are the trainings/courses, which were attended by Directors and Senior Management on Corporate Governance

- Corporate Governance Orientation Program (September 5, 2017); Training Partner - Institute of Corporate Directors (ICD); Attended by - Gilda E. Pico (new Director)

- Corporate Governance Seminar (Feb 28, 2017); Training Partner - SGV & Co.; Attended by - Eric O. Recto, Leonardo B. Dayao, Patricia May T. Siy, Lucio L. Co, Bunsit Carlos G. Chung, Carmen G. Huang, Roberto Z. Lorayes, David L. Balangue, Emmanuel Y. Mendoza, Levi B. Labra, Jesus S. Jalandoni, Jr., Ralph C. Nubla, Jr., Henry Y. Uy

RETIREMENT AND SUCCESSION PROGRAM

The Bank has two (2) categories of retirement, namely: Voluntary and Compulsory. Voluntary retirement is applied to any regular employee who has rendered at least five (5) years of continuous service to the Bank. Compulsory retirement, on the other hand, shall be required of all employees who reach the age of sixty (60) years irrespective of their length of service with the Bank. The Bank does not have a prescribed retirement age for its board members.

The Bank likewise adopts management succession planning as it recognizes the importance of leadership continuity in the organization and the need to immediately fill open critical positions arising from attrition and other modes of separation. Heads are required to identify at least two (2) understudies or

successors to key management positions in the units under their supervision.

PERFORMANCE ASSESSMENT PROGRAM

The Bank recognizes the need to link overall business goals to team and individual contributions to ensure optimal productivity; thus it implements a performance management system to its employees where deliverables are defined, output is quantified, and performance gaps are addressed.

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

PBCOM has business relationships with certain related parties. Transactions with such parties should be made in the ordinary course of business and on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions must not involve more than the normal risk of collectability or present other unfavorable conditions.

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

It is the policy of the Bank that Related Party Transactions (RPT) between the Bank and Related Parties are identified and subjected to review and approval to ensure that they are at arm's length, the terms are fair and they will inure to the best interest of the Bank and its depositors, creditors, fiduciary client, and other stakeholders.

RPTs shall be disclosed, reviewed and approved in accordance with the Bank's policy consistent with the principles of transparency and fairness and in accordance with applicable law, rules and regulations. The policy requires that any transaction with related parties is made on terms equivalent to those that prevail in an arm's length transaction.

The Bank and its subsidiaries or affiliates shall enter into any RPT solely in the ordinary course of business and on ordinary commercial terms subject to appropriate corporate approvals and actions of the Bank. In addition, the Bank shall exercise appropriate oversight and implement control systems for managing potential exposures brought about by RPTs as these may lead to abuses that are disadvantageous to the Bank and its depositors, creditors and other stakeholders.

The Board of Directors, Officers & Stockholders shall disclose whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the Bank. Directors & Officers with interest in the transaction shall

abstain from the discussion, approval and management of such transaction or matter affecting the bank.

The Bank shall, at all times, observe and adhere with the provisions of all relevant laws, rules and regulations, as may be applicable, in the review and approval of RPTs.

The Bank shall, at all times, observe, uphold and respect the rights of its shareholders, minority and majority alike.

RELATED PARTY TRANSACTIONS MATERIAL

Bank's materiality threshold for both individual and aggregate transactions, subject to annual review are:

- more than five (5) years contract/agreement; or
- transaction amount of more than fifty million (Php50 million) or its equivalent.

In 2017, the Board, upon endorsement of the RPT Committee, approved the renewal of a credit line with increase (Omnibus Line of Php115M & Domestic Bills Purchase Line of Php25M) of People Agri. Service and Supply Inc. (PASSI). MGBonilao, president and owner of PASSI is an Independent Director of Banco Dipolog Inc, a subsidiary of PBCOM.

SELF-ASSESSMENT FUNCTION

Audit Function

The Internal Audit Group represents the permanent internal audit function of PBCOM. It reports operationally to the Board's Audit Committee with a dotted line representation to the President and Chief Executive Officer. Internal Audit's coverage and service extends to all business and operating units of the Bank as well as to its subsidiaries and affiliates.

The Internal Audit Group exists to support the Board of Directors and Management in the effective discharge of their responsibilities. It has the authority to audit all parts of the Bank and shall have full and complete access to any of the organization's records, files, data, physical properties, and personnel relevant to the performance of an audit.

A written report will be prepared and issued by the Chief Audit Executive following the conclusion of each audit. Copies of the report will be distributed as appropriate. The concerned management receiving the report is responsible for ensuring that progress is made toward correcting any unsatisfactory conditions. Internal Audit is responsible for determining whether the action taken is adequate to resolve audit findings. If the action is not adequate, Internal Audit will inform Bank Management of the potential risk and exposure in allowing the unsatisfactory conditions to continue.

The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to internal controls including financial reporting control and information technology security, accounting policies, and auditing and financial reporting practices.

Compliance Function

The Compliance Management Group assists management in ensuring observance of applicable provisions in order to identify at an early stage the risk associated with regulations which could harm the bank's reputation, to avert such risk as far as possible and to guarantee the bank's irreproachable business conduct.

Compliance function have a formal status within the bank. It has the right to obtain access to information necessary to carry out its responsibilities, conduct investigations of possible breaches of the compliance policy, and directly report to and have direct access to the Governance Committee and the Board of Directors.

Compliance function shall facilitate effective management of compliance risk by:

- a. Advising the board of directors and senior management on relevant laws, rules and standards, including keeping them informed on developments in the area;
- b. Apprising Bank personnel on compliance issues, and acting as a contact point within the Bank for compliance queries from bank personnel;
- c. Establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
- d. Identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units;
- e. Assessing the appropriateness of the bank's compliance procedures and guidelines, promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments;
- f. Monitoring and testing compliance by performing sufficient and representative compliance testing;
- g. Maintaining a constructive working relationship with the BSP and other regulators.

CORPORATE SOCIAL RESPONSIBILITY

As stated in PBCOM's new Vision Mission and Values, the Bank "fulfills its social responsibilities in the communities it serves". As an

institution, PBCOM is very much involved and concerned with the welfare of the communities in which the bank has presence.

The Board and the Senior Management Team encourages the branches to participate in different charities within their localities. They also encourage the branches to support the initiatives and activities of each local government which has a significant impact on the environment and social welfare at the barangay and municipal levels. These activities include various fund raising projects to help victims of calamities, waste segregation, and recycling drives of different organizations and NGOs.

As an institution, PBCOM has been very active in supporting activities that involve the less privileged children of the country. In the past three years, PBCOM has partnered with the Children's Joy Foundation Inc. (CJFI) in supporting a holistic livelihood program for the chosen beneficiary families of the CJFI.

Since 2015, PBCOM employees have been generously supporting the "Donate Joy and Make a Difference" fund raising campaign, whose proceeds go directly to the Children's Joy Foundation in support of their many activities and programs.

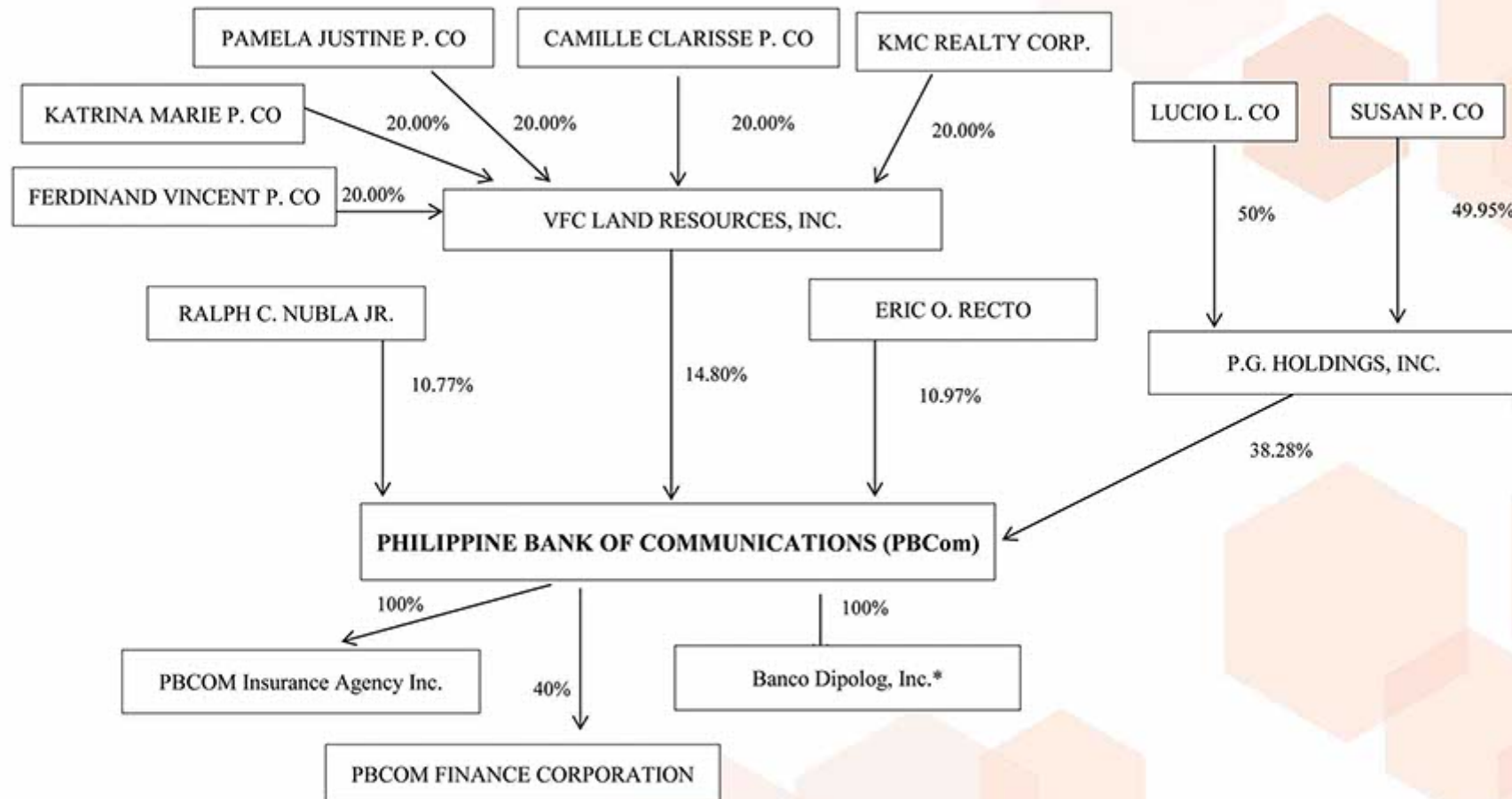
*"It is not how much we give,
but how much love
we put into giving."*

-Mother Theresa

*In the photo below: Children at the Quezon City Shelter of
Children's Joy Foundation Inc.*



CONGLOMERATE MAP AS OF DECEMBER 31, 2017



*On 11 December 2017, the Securities and Exchange Commission approved the Articles and Plan of Merger executed by and among Banco Dipolog, Inc. A Rural Bank (Banco Dipolog), Rural Bank of Nagcarlan, Inc. and Rural Bank of Kabasalan (Zamboanga del Sur), Inc., with Banco Dipolog as the surviving bank.

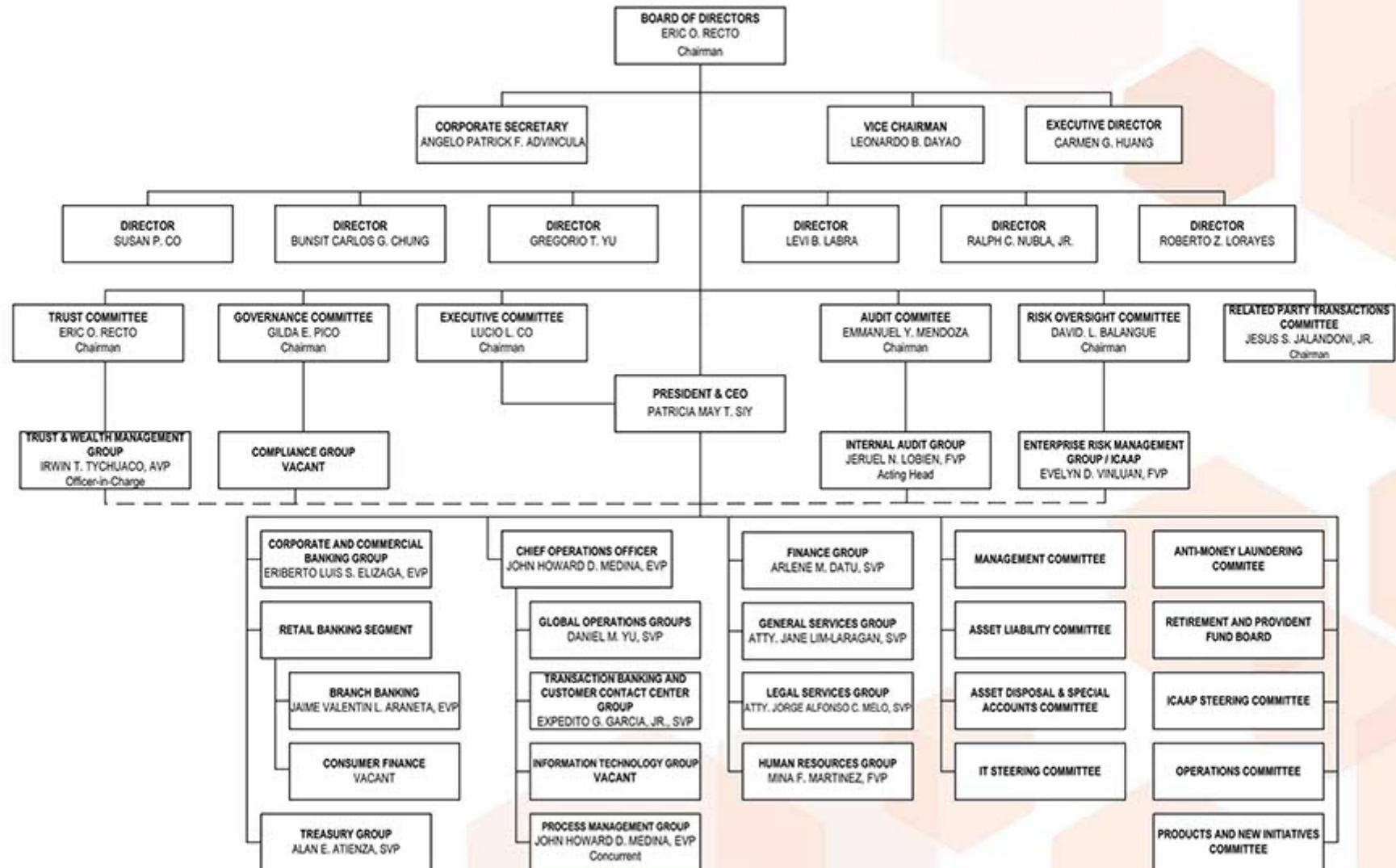
TOP TWENTY (20) STOCKHOLDERS

AS OF DECEMBER 31, 2017

	<u>Citizenship</u>	<u>No. of Shares</u>	<u>%</u>
1. P.G. Holdings, Inc.	Filipino	181,080,608	37.67%
2. PCD Nominee Corporation:		145,848,713	30.34%
Filipino - 145,836,074			
Non-Filipino - 12,639			
3. Recto, Eric O.	Filipino	52,405,776	10.90%
4. Nubla, Jr., Ralph C.	Filipino	51,779,374	10.77%
5. Langford Universal Finance Ltd.	BVI	15,263,964	3.18%
6. VFC Land Resources, Inc.	Filipino	11,848,288	2.47%
7. ISM Communications Corporation	Filipino	4,806,987	1.00%
8. TTC Development Corporation	Filipino	4,181,665	0.87%
9. Roxas-Chua, Ray Anthony Go	Filipino	3,070,724	0.64%
10. Cham, Edison Siy	Filipino	1,790,853	0.37%
11. KLG International, Inc.	Filipino	1,790,853	0.37%
12. Yu, Gregorio T.	Filipino	1,432,692	0.30%
13. Chungunco, Edwin Ng	Singaporean	631,730	0.13%
14. TFC Holdings, Inc.	Filipino	562,588	0.12%
15. Chung, Patricia Regine K.	Filipino	261,294	0.05%
16. Chung, Philippe Ryan K.	Filipino	261,294	0.05%
17. Ching, Winnifred	Filipino	187,798	0.04%
18. Ching, Jeffrey	Filipino	175,505	0.04%
19. Chung, Dexter Noel T.	Filipino	174,196	0.04%
20. Chung, Sidney T.	Filipino	174,196	0.04%
Chung, Zachary T.	Filipino	174,196	0.04%

Total issued and outstanding shares (exclusive of one (1) in treasury) - 480,645,163

TABLE OF ORGANIZATION



OUR SENIOR OFFICERS

PRESIDENT

Siy, Patricia May T.

EXECUTIVE VICE PRESIDENTS

Araneta, Jaime Valentin L.
Elizaga, Eriberto Luis S.
Medina, John Howard D.

SENIOR VICE PRESIDENTS

Ang II, Delbert S.
Atienza, Alan E.
Datu, Arlene M.
Garcia, Expedito Jr. G.
Laragan, Jane L.
Melo, Jorge Alfonso C.
Mendoza, Ricardo R.
Yu, Daniel M.

FIRST VICE PRESIDENTS

Advincula, Angelo Patrick F.
Cruz, Teresita S.
Go, Gloria Elena H.
Go, James Y.
Hernando, Margaret Y.
Lobien, Jeruel N.
Lu, Cherry Anne
Martinez, Mina F.
Mayo, Iona I.
Montes, Leo G.
Navarro, Henry Jesus S.
Panzo, Ma. Salome V.
Rodriguez, Jo-Anne D.
Vinluan, Evelyn D.
Yao, Marilyn M.

VICE PRESIDENTS

Alday, Dennis B.
Ambrocio, Hermelita H.
Arvisu, Alma Roxanne R.
Bautista, Banjo E.
Butalid, Armin C.
De Guzman, Ma. Sonia R.
Dominguez, Danilo
Galvez, Sandra Michelle N.
Gutierrez, Jerome P.
Hao, Rose Mary C.
Joaquin Jr, Rodrigo D.
Kimpo, Cherry Ann Vanessa
Ladaban, Justin Robert G.
Lagdameo, Rowena P.
Lagunzad, Consorcia Luz G.
Laqueo, Maela D.
Leon, Joan Iris T.
Lim, Lillian L.
Luy, Aaron Jay T.
Macalisa, Enrico L.
Marcelino, Katherine S.
Medina, Guia D.
Nieta, Maria Minerva A.
Pua, Michael Z.
Punsalan, Alvaro M.
Sahagun, Frederick S.
So, Maria Michele B.
Tonio, Ma. Monette C.
Valoria, Elzon P.
Villanueva, Marc Anthony T.
Yu, Alice C.

SENIOR ASSISTANT VICE PRESIDENTS

Dayan, Dennis R.
Lee, Gerard G.
Lichauco, Christopher C.
Pokaan, Alireza L.
Romero, Mary Ann C.
Santos, Gerardo T.
Wong, Kristine L.

ASSISTANT VICE PRESIDENTS

Abunan, Inocencio Joven C.
Arboleda, Gretchen Marie V.
Ariola, Alexie H.
Atido, Carolyn M.
Basa, Miguel I.
Botor-Jaranilla, Maria Judessa L.
Caddac, Emmanuel G.
Cadiz, Raymond C.
Cajucum, Amor F.
Candaza, Judith S.
Caparas, Concepcion D.
Carlos, Eleonor S.
Castillo, Rolando E.
Chan, Irwyn D.
Cheng, Alice A.
Cheng, Vanessa S.
Chu, Shan Shan N.
Chua, Gloria O.
Chua, Yolanda Y.
Co, Grace O.
Co, Jane Y.
Constantino, Ma. Annabelle D.
Culaba, Nilo Lu-Ang
Dimaculangan, Myra G.
Egalin, Angelita U.
Eleria, Rommel S.
Escalante, Melissa A.
Fajardo, Anthony F.
Fajatin, Flordeliza D.
Fredeluces, Rizalina L.
Geronimo, Maria Rosario C.
Giducos, Abram C.
Go, Chester Benedict U.
Gochangco, Rene H.
Guzman, Josephine T.
Ison, James Arvin B.
Justiniani, Belle Rosamond D.
Lagula, Ma. Rosario N.
Lamberte, Benito M.
Lao, Michael Stephen H.
Lee, Annabel C.

Lee, Jennielyn C.
Lobrio, Teresita P.
Lopez, Jose Javier D.
Mallari, Mario Cornelio J.
Maximo, Lizette Anne S.
Muniz, Joel C.
Nasol, Severino D.
Ng, Sherwin J.
Niosco, Michiko Y.
Ona, Wilma H.
Ong, Russell L.
Pacudan, Melchor S.
Padiernos, Ma. Theresa R.
Padilla, Orland M.
Paris, Mylene H.
Pedro, Jaypee Orlando C.
Perez, Ana Marie O.
Pineda, Napoleon Jr. N.
Pinza, Gina D.
Poblete, Maria Carmina P.
Posadas, Michael Lawrence S.
Poyaoan, Marichelle B.
Quitoriano, Donabel E.
Sanchez Jr., Jaime B.
Santos, Moises Germel S.
Soriano, Victoria V.
Tan, Melly C.
Tychuaco, Irwin Joseph T.
Varona, Jose Jr. H.
Wong, Lillian C.



Moved by **DYNAMISM**, creating, innovating, taking calculated risks, and remaining relevant.

In light of continuous improvement, we constantly review and update our Products and Services and ensure that they stay relevant to our customers.
This section shows the recent development to our offerings, as well as the complete line up which our customers may avail from the Bank.

Standing from L to R: Delbert S. Ang II, SVP (Sales & Distribution Head, Branch Banking); Daniel M. Yu, SVP (Head, Global Operations); Ricardo R. Mendoza, SVP (Sales Head, Consumer Finance)
Seated from L to R: Expedito G. Garcia, Jr., SVP (Head, Transaction Banking & Customer Contact Center); Irwin Joseph T. Tychuaco, AVP (Officer-in-Charge, Trust & Wealth Management)

PBCOM ONLINE PLATFORM

2017 saw the unveiling of the new look for PBCOM's digital banking services: **P.O.P.** or **PBCOM Online Platform**. P.O.P. is a comprehensive and robust suite of digital services to serve the full spectrum of client needs wherever they are.

For our individual customers there is both the **P.O.P Mobile app** (available on either the Apple App or Google Play stores) and **P.O.P Online Banking** (via www.pbcom.com.ph).



P.O.P.
MOBILE
APP

The range of new features in the **P.O.P Mobile app** and **P.O.P Online Banking** include seamless in-app account enrollment, a full view across all customer accounts, prepaid load purchases, as well as extensive funds transfer and bills payment options.

In addition, the **P.O.P. Mobile app** is one of the first to provide online real-time funds transfers to other banks via InstaPay and loading of GCash wallets. Our seamless account enrollment means that registration and activation is done online without the need to visit a PBCOM branch.



View
Balance



Transfer
Funds



Pay
Bills



Purchase
Load



Find a branch
or ATM

For our business and corporate users, there is **P.O.P. for Business**, a fully featured suite of online cash management services.

P.O.P. for Business is our integrated suite of digital services to help our business and corporate customers plan, monitor and manage their company's liquidity and meet their payments, receivables, accounts and information requirements.

P.O.P. for Business addresses our customers' end-to-end collections and payment needs in real time via a fully secured web portal.

Our **P.O.P. for Business** collections solutions increase our customers' efficiency and profitability through better receivables and risk management.



P.O.P. FOR
BUSINESS

Our **P.O.P. for Business** payment solutions can help our customers save time and money while providing a value-added service to their suppliers.

In addition, our **P.O.P. for Business** users information and finances are always fully secured with the use of strong security tokens.

"I am very excited to have launched these platforms to our clients. Aside from introducing it to the public, we are also thrilled with the updates we will be doing and unveiling soon. This is just the start and I am sure that our clients will be as excited, or even more excited to be able to experience future innovations from a bank that has such a rich history as PBCOM," said **Expedito Garcia, Jr.**, PBCOM's Head of Transaction Banking and Customer Contact Center.

OUR BUSINESS

We structured the business segments in line with our philosophy of client care and satisfaction. At every business size or at an individual level, PBCOM provides holistic integrated solutions that can fulfill your diverse needs. We have targeted them towards areas where we can best deliver value. But as we grow as a company, we also endeavor to evolve with you and your aspirations.

CORPORATE & COMMERCIAL BANKING

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 LOANS

- Short-Term Loan
 - Working Capital Loan
 - Trade Check Discounting
 - Trade Finance Receivable
 - Letter of Credit / Trust Receipt
 - Export Bills Purchase / Export Packing Credit
 - Foreign and Domestic Standby Letter of Credit
- Term Loan
 - Real Estate Development
 - Contract-to-Sell Financing
 - Project Finance

TREASURY

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.

TREASURY

- Deposit Substitutes
 - Promissory Notes
 - Repurchase Agreements
- Fixed Income
 - Commercial Papers
 - Corporate Bonds
 - Fixed Rate Treasury Notes
 - Foreign Currency Denominated Republic of the Philippines Bonds
 - Global Sovereign Bonds
 - Retail Treasury Bonds
 - Treasury Bills
 - US Treasuries

- Foreign Exchange
 - FX Forward Contracts
 - FX Spot
 - FX Swap Contracts

TRUST & WEALTH MANAGEMENT

The Trust & Wealth Management Group provides financial solutions to individual and institutional clients by understanding their unique investment objectives and risk tolerance. Customers may choose to open an account focused on investment management, escrow or retirement depending on their needs. For those who wish to take advantage of the expertise of professional fund managers, the Trust and Wealth Management Group also has three Unit Investment Trust Funds (UITFs), which invest in various financial instruments, such as money market securities, bonds and equities.

TRUST

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

TRANSACTION BANKING & CUSTOMER CONTACT CENTER

Transaction Banking & Customer Care 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

- Corporate Check Printing
- Debit Cards
 - ATM Cards
 - Cash Cards
- 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
- Managers Check Printing
- Payroll Service
- Payroll Software Solution
- Post Dated Check Warehousing Solution
- POP Business – Corporate Internet Banking Facility
- POP Personal – Retail Internet Banking Facility
- POP Mobile – Retail Mobile Banking Facility

RETAIL BUSINESS

The Retail Business is composed of two (2) major business groups:

BRANCH BANKING | 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.

CONSUMER FINANCE | The Consumer Finance Group provides practical loan solutions that balance quality and affordability. The group focuses in offering clients complete loan products and packages that meet their financial needs at every touchpoint.

DEPOSIT

- Quick Cash Account
- Regular Savings Account
- Pensionado (SSS Pensioner)
- Regular Checking Account
- Value Check Account
- IntegrALL Account
- Regular Time Deposit
- Passbook Time Deposit
- Dollar Savings Account
- Dollar Time Deposit
- Euro Savings Account
- Euro Time Deposit

ANCILLARY SERVICES

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

REMITTANCES

- Domestic Peso Transfer (RTGS)
- Domestic US Dollar Transfer (PDDTS)
- Incoming OFW Transfer (Philpass Remit)*
- Incoming Telegraphic Transfer
- Outgoing Telegraphic Transfer

CONSUMER LOANS

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

*Up to June 30, 2018 only

A group of approximately 15-20 people, mostly men and women of Asian descent, are gathered around a long, light-colored conference table in a modern office. They are all wearing bright red jackets with the PBCOM logo on the left chest. Some are seated at the table, looking at computer monitors, while others are standing and leaning over the table, engaged in discussion. The office has a curved ceiling with large, warm-toned pendant lights. In the background, there is a blue wall with a large abstract painting and a poster that says "ROOM PRICE".

Excellence

Set apart by **EXCELLENCE**, a mindset to be the best, both as an individual and as a team.
This section shows the financial reports which highlights the strong determination of the team in delivering positive results to our stakeholders.

FINANCIAL HIGHLIGHTS

	Consolidated		Parent Bank (Solo)	
<i>in PHP thousands</i>	Y2017	Y2016	Y2017	Y2016
Profitability				
Total Net interest income	2,901,558	2,595,954	2,665,009	2,295,836
Total Non-interest income	1,491,239	1,455,817	1,424,540	1,421,323
Total Non-interest expense	3,012,961	2,939,102	2,776,933	2,714,658
Pre-provision profit	1,379,836	1,112,669	1,312,616	1,002,501
Allowance for credit losses	338,495	477,968	288,811	396,223
Net Income	718,702	399,880	718,699	400,052
Selected Balance Sheet Data				
Liquid Assets	36,264,217	31,193,794	35,969,963	30,718,284
Gross Loans	52,060,040	43,926,844	50,305,517	42,139,659
Total Assets	99,220,250	86,498,733	97,359,678	84,382,034
Deposits	70,735,817	63,145,981	69,045,014	61,199,101
Total Equity	12,930,364	10,781,736	12,939,728	10,790,015
Selected Balance Sheet Data				
Return on Equity	6.06	4.06	6.06	4.06
Return on Assets	0.77	0.49	0.79	0.51
CET 1 capital ratio	12.95	11.61	12.88	11.51
Tier 1 capital ratio	12.95	11.61	12.88	11.51
Capital Adequacy Ratio	15.85	14.67	15.85	14.64
Per common share data				
Net Income per share				
Basic/Diluted	2.00	1.33	2.00	1.34
Book value	26.90	25.33	26.92	25.35
Others				
Cash dividends declared			none	none
Headcount				
Officers			766	756
Staff			361	376



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, 2017, 2016 and 2015, 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 Group'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 or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group'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 Group 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

April 4, 2018



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1220 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.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

INDEPENDENT AUDITOR'S REPORT

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2017, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Applicable to the Audit of the Consolidated and Parent Company Financial Statements

Adequacy of allowance for credit losses on loans and receivables

The Group's and the Parent Company's loans and receivables consist of corporate and consumer loans. The appropriateness of the provision for credit losses on these loans and receivables is a key area of judgment for the management. 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 identification of impairment and the determination of the recoverable amount involve various assumptions and factors. These include the financial condition of the counterparty, estimated future cash flows and estimated net selling prices of the collateral. The use of assumptions could produce significantly different estimates of provision for credit losses.

The disclosures relating to the impairment of loans and receivables are included in Notes 3, 5 and 17 to the financial statements.

Audit response

For loans and receivables subjected to specific impairment testing, we selected a sample of impaired loans and obtained an understanding of the borrower's financial condition. We also tested the assumptions underlying the impairment identification and quantification of the provision for credit losses. This was done by assessing whether the forecasted cash flows are based on the borrower's current financial condition, checking the payment history of the borrower, including payments made subsequent to year-end, agreeing the value of the collateral to the appraisal reports, checking whether the discount rates used are based on the original effective interest rate or the last repriced rate, and re-performing the impairment calculation.

For loans and receivables subjected to collective impairment testing, we tested the underlying models and the inputs to those models, such as historical loss rates and net flow rates. This was done by agreeing the details of the loan information used in the calculation of loss rates and net flow rates to the Group's and the Parent Company's records and subsidiary ledgers, validating the delinquency age buckets of the loans and loan groupings, and re-performing the calculation of provision for credit losses.

Valuation of investment properties

The Group accounts for its investment properties using the fair value model. 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 depend on certain assumptions, such as capitalization rates, and sales and listings of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors. Thus, we considered the valuation of investment properties as a key audit matter.

The disclosures relating to investment properties are included in Notes 4 and 14 to the financial statements.

Audit response

We evaluated the competence, capabilities and qualifications of the external appraisers by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by referencing common valuation models. 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 reviewed the relevant information supporting the sales and listings of comparable properties and the adjustments made to the sales price. We also checked the mathematical accuracy of the calculations.

Realizability of deferred tax assets

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 because the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions and the expected performance of the Group.

The disclosures relating to deferred tax assets are included in Note 30 to the financial statements.

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.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2017 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, 2017, 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 36 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. 08-001998-61-2018,
 February 26, 2018, valid until February 25, 2021
 PTR No. 6621219, January 9, 2018, Makati City

April 4, 2018

STATEMENTS OF FINANCIAL POSITION

	Consolidated		Parent Company	
	As of December 31			
	2017	2016	2017	2016
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	P974,207	P1,042,611	P941,823	P1,011,756
Due from Bangko Sentral ng Pilipinas (Notes 18 and 19)	15,340,711	13,356,075	15,279,084	13,276,681
Due from Other Banks	1,166,063	2,996,758	965,820	2,631,497
Interbank Loans Receivable (Note 8)	534,925	310,131	534,925	310,131
Financial Assets at Fair Value through Profit or Loss (Note 9)	2,740,471	300,483	2,740,471	300,483
Equity Securities at Fair Value through Other Comprehensive Income (Note 10)	90,639	52,242	90,639	52,242
Investment Securities at Amortized Cost (Note 11)	15,417,201	13,135,494	15,417,201	13,135,494
Loans and Receivables (Note 12)	53,352,967	46,089,437	51,619,999	44,303,654
Investments in Subsidiaries and an Associate (Note 7)	13,068	12,376	1,058,074	1,023,334
Property and Equipment (Note 13)				
At cost	955,106	1,130,034	900,867	1,066,588
At appraised value	518,482	519,010	470,113	470,113
Investment Properties (Note 14)				
Condominium units for lease	5,365,080	5,044,552	5,365,080	5,044,552
Foreclosed properties	1,020,710	957,000	761,207	721,780
Office units for lease	50,343	23,858	50,343	23,858
Goodwill (Note 15)	182,227	178,456	—	—
Intangible Assets (Note 15)	744,179	781,166	480,433	516,008
Deferred Tax Assets - net (Note 30)	55,928	59,717	—	—
Other Assets (Note 16)	697,943	509,333	683,599	493,863
TOTAL ASSETS	P99,220,250	P86,498,733	P97,359,678	P84,382,034
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 18 and 31)				
Demand	P19,400,193	P15,464,230	P19,480,422	P15,571,988
Savings	8,329,526	6,943,767	7,790,785	6,400,070
Time	43,006,098	40,737,984	41,773,807	39,227,043
	70,735,817	63,145,981	69,045,014	61,199,101
Bills Payable (Note 19)	12,567,399	10,099,384	12,567,399	10,099,384
Outstanding Acceptances	64,085	34,357	64,085	34,357
Manager's Checks	427,405	300,385	427,405	300,385
Accrued Interest, Taxes and Other Expenses (Note 20)	421,666	414,575	391,771	382,452
Income Tax Payable	13,458	240	14,945	182
Deferred Tax Liabilities - net (Note 30)	1,228,855	1,105,523	1,100,902	974,865
Other Liabilities (Note 21)	831,201	616,552	808,429	601,293
TOTAL LIABILITIES	86,289,886	75,716,997	84,419,950	73,592,019

	Consolidated		Parent Company	
	As of December 31			
	2017	2016	2017	2016
	(Amounts in Thousands)			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common stock (Note 23)	P12,016,129	P7,489,114	P12,016,129	P7,489,114
Subscribed common stock - net (Note 23)	—	4,581,340	—	4,581,340
Additional paid-in capital	2,252,826	813,515	2,262,246	813,601
Surplus reserves (Note 23)	105,824	105,772	105,824	105,772
Deficit (Note 23)	(1,626,290)	(2,345,243)	(1,626,290)	(2,345,243)
Unrealized gain on equity securities carried at fair value through other comprehensive income (Note 10)	64,104	33,621	64,104	33,621
Revaluation increment on land, office units and condominium properties (Notes 13 and 14)	301,846	280,228	301,846	280,228
Cumulative translation adjustment	(122,263)	(72,739)	(122,263)	(72,739)
Remeasurement losses on retirement liability (Note 27)	(61,868)	(95,679)	(61,868)	(95,679)
	12,930,308	10,789,929	12,939,728	10,790,015
NON-CONTROLLING INTERESTS	56	(8,193)	—	—
TOTAL EQUITY	12,930,364	10,781,736	12,939,728	10,790,015
TOTAL LIABILITIES AND EQUITY	P99,220,250	P86,498,733	P97,359,678	P84,382,034

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

	Consolidated			Parent Company		
	Years Ended December 31			Years Ended December 31		
	2017	2016	2015	2017	2016	2015
(Amounts in Thousands, Except Earnings per Share)						
INTEREST INCOME						
Loans and receivables (Notes 12 and 31)	P3,215,921	P2,902,068	P2,597,337	P2,921,310	P2,539,901	P2,299,675
Investment securities (Note 26)	690,658	676,016	628,963	690,658	676,016	628,963
Interbank loans receivable and securities purchased under resale agreements (Note 8)	38,905	19,073	11,431	38,905	19,073	19,033
Deposits with other banks	15,826	37,583	61,835	12,739	37,202	61,296
	3,961,310	3,634,740	3,299,566	3,663,612	3,272,192	3,008,967
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 18 and 31)	834,585	861,401	869,926	773,574	799,652	825,398
Bills payable, borrowings and others (Note 19)	225,167	177,385	103,672	225,029	176,704	99,321
	1,059,752	1,038,786	973,598	998,603	976,356	924,719
NET INTEREST INCOME	2,901,558	2,595,954	2,325,968	2,665,009	2,295,836	2,084,248
Rent income (Notes 14, 28 and 31)	563,259	474,213	404,072	563,245	474,105	403,948
Service charges, fees and commissions	362,842	363,635	426,556	317,721	326,484	377,997
Fair value gain from investment properties (Note 14)	353,992	286,404	941,728	336,859	252,095	929,751
Foreign exchange gain - net	69,787	11,474	10,200	69,787	11,474	10,200
Income from trust operations (Note 25)	15,404	16,864	18,300	15,404	16,864	18,300
Trading and securities gain (loss) - net (Note 26)	(13,243)	48,339	(40,465)	(13,243)	48,339	(40,465)
Profit (loss) from assets sold (Notes 13, 14 and 16)	11,953	(7,316)	5,335	3,464	(7,915)	4,608
Gain (loss) on assets exchange - net (Note 14)	5,487	12,170	3,702	(81)	12,170	(215)
Gain on reclassification of investment securities from amortized cost to fair value through profit or loss (Note 11)	-	198,700	-	-	198,700	-
Gain on disposal of investment securities at amortized cost (Note 11)	-	-	48,174	-	-	48,174
Miscellaneous	121,066	51,071	90,827	103,478	39,061	30,355
TOTAL OPERATING INCOME	4,392,105	4,051,508	4,234,397	4,061,643	3,667,213	3,866,901
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 14, 27 and 31)	P1,162,952	P1,181,173	P1,344,158	P1,055,169	P1,074,104	P1,240,970
Taxes and licenses (Notes 14 and 30)	457,442	406,471	435,777	427,136	377,609	409,648
Provision for credit and impairment losses - net (Note 17)	338,495	477,968	443,802	288,811	396,223	391,493
Depreciation and amortization (Note 13)	326,915	345,578	290,531	307,134	324,496	270,192
Occupancy and other equipment-related costs (Notes 14, 28 and 31)	224,351	184,412	217,691	210,864	173,159	202,716
Insurance	131,050	126,452	128,052	124,391	119,230	122,735
Management and professional fees	108,090	150,628	162,627	103,161	147,839	158,643
Security, clerical, messengerial and janitorial services	94,006	84,980	99,563	81,549	75,177	91,548
Entertainment, amusement and recreation	82,364	77,515	62,879	81,981	77,198	62,715
Communications	55,852	58,180	67,378	53,595	56,303	60,889
Miscellaneous (Notes 14 and 29)	369,939	323,713	292,389	331,953	289,543	267,105
TOTAL OPERATING EXPENSES	3,351,456	3,417,070	3,544,847	3,065,744	3,110,881	3,278,654
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND AN ASSOCIATE	1,040,649	634,438	689,550	995,899	556,332	588,247
SHARE IN NET INCOME OF SUBSIDIARIES (Note 7)	-	-	-	27,214	49,683	70,747
SHARE IN NET INCOME OF AN ASSOCIATE (Note 7)	692	263	468	692	263	468
INCOME BEFORE INCOME TAX	1,041,341	634,701	690,018	1,023,805	606,278	659,462
PROVISION FOR INCOME TAX (Note 30)	322,639	234,821	486,336	305,106	206,226	456,161
NET INCOME	P718,702	P399,880	P203,682	P718,699	P400,052	P203,301
Attributable to:						
Equity holders of the Parent Company	P718,699	P400,052	P203,301			
Non-controlling interests	3	(172)	381			
	P718,702	P399,880	P203,682			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	P2.00	P1.34	P0.68			

See accompanying Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016	2015	2017	2016	2015
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	P718,702	P399,880	P203,682	P718,699	P400,052	P203,301
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
Item that may be reclassified to profit or loss in subsequent periods:						
Net movement in cumulative translation adjustment	(49,524)	(20,345)	(25,002)	(49,524)	(20,345)	(25,002)
Items that may not be reclassified to profit or loss in subsequent periods:						
Unrealized gain on equity securities carried at fair value through other comprehensive income (Note 10)	38,397	7,790	1,477	38,397	7,790	1,477
Change in remeasurement gains on retirement liability (Note 27)	34,587	76,561	98,235	31,424	77,695	99,780
Net movement in revaluation increment on land, office units and condominium properties (Notes 13 and 14)	31,320	–	46,450	31,320	–	45,285
Income tax relating to components of other comprehensive income	(18,086)	437	(13,619)	(17,310)	–	(13,586)
	86,218	84,788	132,543	83,831	85,485	132,956
	36,694	64,443	107,541	34,307	65,140	107,954
TOTAL OTHER COMPREHENSIVE INCOME BEFORE SHARE IN OTHER COMPREHENSIVE INCOME OF SUBSIDIARIES	755,396	464,323	311,223	753,006	465,192	311,255
SHARE IN OTHER COMPREHENSIVE INCOME OF SUBSIDIARIES						
Items that may not be reclassified to profit or loss in subsequent periods:						
Change in remeasurement losses (gains) on retirement liability (Note 7)	–	–	–	3,162	(1,146)	(1,526)
Net movement in revaluation increment on land, office units and condominium properties (Note 7)	–	–	–	–	–	1,123
Income tax relating to components of other comprehensive income (Note 7)	–	–	–	(775)	437	(21)
TOTAL OTHER COMPREHENSIVE INCOME	P755,396	P464,323	P311,223	P755,393	P464,483	P310,831
Attributable to:						
Equity holders of the Parent Company	P755,393	P464,483	P310,831			
Non-controlling interests	3	(160)	392			
TOTAL COMPREHENSIVE INCOME, NET OF TAX	P755,396	P464,323	P311,223			

See accompanying Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

Consolidated											
Years Ended December 31, 2017, 2016 and 2015											
Equity Attributable to Equity Holders of the Parent Company											
	Common Stock (Note 23)	Subscribed Common Stock - net (Note 23)	Additional Paid-in Capital	Surplus Reserves (Note 23)	Deficit (Note 23)	Unrealized Gain on Equity Securities at Fair Value Through Other Comprehensive Income (Note 10)	Revaluation Increment on Land, Office Units and Condominium Properties (Notes 13 and 14)	Cumulative Translation Adjustment	Remeasurement Losses on Retirement Liability (Note 27)	Total	Non- Controlling Interests
											Total Equity
(Amounts in Thousands)											
Balances at January 1, 2017	P7,489,114	P4,581,340	P813,515	P105,772	(P2,345,243)	P33,621	P280,228	(P72,739)	(P95,679)	P10,789,929	(P8,193)
Collection of subscription receivable (Note 23)	-	1,394,320	-	-	-	-	-	-	-	1,394,320	-
Issuance of common stock (Note 23)	4,527,015	(5,975,660)	1,448,645	-	-	-	-	-	-	-	-
Amortization of revaluation surplus (Note 13)	-	-	-	-	306	-	(306)	-	-	-	-
Transfer to surplus reserves	-	-	-	52	(52)	-	-	-	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	718,699	30,483	21,924	(49,524)	33,811	755,393	3
Acquisition of non-controlling interests (Note 7)	-	-	(9,334)	-	-	-	-	-	-	(9,334)	8,246
Balances at December 31, 2017	P12,016,129	P-	P2,252,826	P105,824	(P1,626,290)	P64,104	P301,846	(P122,263)	(P61,868)	P12,930,308	P56
Balances at January 1, 2016	P7,489,114	P3,187,019	P813,601	P105,772	(P2,745,295)	P25,831	P280,228	(P52,394)	(P172,665)	P8,931,211	(P7,188)
Collection of subscription receivable (Note 23)	-	1,394,321	-	-	-	-	-	-	-	1,394,321	-
Total comprehensive income (loss) for the year	-	-	-	-	400,052	7,790	-	(20,345)	76,986	464,483	(160)
Acquisition of non-controlling interests (Note 7)	-	-	(86)	-	-	-	-	-	-	(86)	(858)
Deposit for future stock subscription	-	-	-	-	-	-	-	-	-	-	13
Balances at December 31, 2016	P7,489,114	P4,581,340	P813,515	P105,772	(P2,345,243)	P33,621	P280,228	(P72,739)	(P95,679)	P10,789,929	(P8,193)
Balances at January 1, 2015	P7,489,114	P1,792,698	P813,601	P105,772	(P2,948,596)	P24,354	P247,743	(P27,392)	(P271,235)	P7,226,059	(P7,580)
Collection of subscription receivable (Note 23)	-	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
Balances at December 31, 2015	P7,489,114	P3,187,019	P813,601	P105,772	(P2,745,295)	P25,831	P280,228	(P52,394)	(P172,665)	P8,931,211	(P7,188)

See accompanying Notes to Financial Statements.

Parent Company											
Years Ended December 31, 2017, 2016 and 2015											
	Common Stock (Note 23)	Subscribed Common Stock - net (Note 23)	Additional Paid-in Capital	Surplus Reserves (Note 23)	Deficit (Note 23)	Unrealized Gain on Equity Securities at Fair Value Through Other Comprehensive Income (Note 10)	Revaluation Increment on Land, Office Units and Condominium Properties (Notes 13 and 14)	Cumulative Translation Adjustment	Remeasurement Losses on Retirement Liability (Note 27)	Total	Total Equity
(Amounts in Thousands)											
Balances at January 1, 2017	P7,489,114	P4,581,340	P813,601	P105,772	(P2,345,243)	P33,621	P280,228	(P72,739)	(P95,679)	P10,790,015	
Collection of subscription receivable (Note 23)	-	1,394,320	-	-	-	-	-	-	-	1,394,320	
Issuance of common stock (Note 23)	4,527,015	(5,975,660)	1,448,645	-	-	-	-	-	-	-	
Amortization of revaluation surplus (Note 13)	-	-	-	-	306	-	(306)	-	-	-	
Transfer to surplus reserves	-	-	-	52	(52)	-	-	-	-	-	
Total comprehensive income (loss) for the year	-	-	-	-	718,699	30,483	21,924	(49,524)	33,811	755,393	
Balances at December 31, 2017	P12,016,129	P-	P2,262,246	P105,824	(P1,626,290)	P64,104	P301,846	(P122,263)	(P61,868)	P12,939,728	
Balances at January 1, 2016	P7,489,114	P3,187,019	P813,601	P105,772	(P2,745,295)	P25,831	P280,228	(P52,394)	(P172,665)	P8,931,211	
Collection of subscription receivable (Note 23)	-	1,394,321	-	-	-	-	-	-	-	1,394,321	
Total comprehensive income (loss) for the year	-	-	-	-	400,052	7,790	-	(20,345)	76,986	464,483	
Balances at December 31, 2016	P7,489,114	P4,581,340	P813,601	P105,772	(P2,345,243)	P33,621	P280,228	(P72,739)	(P95,679)	P10,790,015	
Balances at January 1, 2015	P7,489,114	P1,792,698	P813,601	P105,772	(P2,948,596)	P24,354	P247,743	(P27,392)	(P271,235)	P7,226,059	
Collection of subscription receivable (Note 23)	-	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	
Balances at December 31, 2015	P7,489,114	P3,187,019	P813,601	P105,772	(P2,745,295)	P25,831	P280,228	(P52,394)	(P172,665)	P8,931,211	

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016	2015	2017	2016	2015
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	P1,041,341	P634,701	P690,018	P1,023,805	P606,278	P659,462
Adjustments to reconcile income before income tax to net cash generated from (used for) operations:						
Fair value gain on investment properties (Note 14)	(353,992)	(286,404)	(941,728)	(336,859)	(252,095)	(929,751)
Provision for credit and impairment losses (Note 17)	338,495	477,968	443,802	288,811	396,223	391,493
Depreciation and amortization (Notes 13 and 15)	326,915	345,578	290,531	307,134	324,496	270,192
Accretion of interest on unquoted debt securities (Note 12)	(93,478)	(180,520)	(182,628)	(93,478)	(180,520)	(182,628)
Loss (profit) from assets sold (Note 14)	(11,953)	7,316	(5,335)	(3,464)	7,915	(4,608)
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 26)	13,243	(48,339)	3,136	13,243	(48,339)	3,136
Share in net income of subsidiaries and an associate (Note 7)	(692)	(263)	(468)	(27,906)	(49,946)	(71,215)
Loss (gain) on assets exchanged (Note 14)	(5,487)	(12,170)	(3,702)	81	(12,170)	215
Gain on reclassification of investment securities from amortized cost to fair value through profit or loss (Note 11)	-	(198,700)	-	-	(198,700)	-
Gain from sale of investment securities at amortized cost (Note 11)	-	-	(48,174)	-	-	(48,174)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables (Note 33)	(7,588,626)	(9,969,993)	(3,314,110)	(7,779,135)	(9,970,103)	(2,608,543)
Financial assets at fair value through profit or loss	(2,453,231)	341,813	285,825	(2,453,231)	341,813	285,825
Other assets	(269,860)	114,830	(14,474)	(103,830)	118,625	(6,328)
Increase (decrease) in the amounts of:						
Deposit liabilities	7,565,179	4,843,628	(817,263)	7,845,913	4,643,587	(1,202,221)
Manager's checks	127,020	191,472	(102,216)	127,020	191,472	(102,216)
Accrued interest, taxes and other expenses	4,949	(124,610)	5,012	40,744	(118,962)	(20,258)
Other liabilities	247,450	79,219	77,854	207,384	73,911	105,389
Net cash used for operations	(1,112,727)	(3,784,474)	(3,633,920)	(943,768)	(4,126,515)	(3,460,230)
Income taxes paid	(197,870)	(192,375)	(207,496)	(181,617)	(152,818)	(178,770)
Net cash used in operating activities	(1,310,597)	(3,976,849)	(3,841,416)	(1,125,385)	(4,279,333)	(3,639,000)
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease (increase) in interbank loans receivable	(12,693)	(49,720)	89,440	(12,693)	(49,720)	89,440
Acquisitions of:						
Investment securities at amortized cost	(2,351,707)	(2,264,061)	(2,009,366)	(2,351,707)	(2,264,061)	(2,009,366)
Property and equipment (Note 13)	(53,644)	(146,030)	(146,276)	(46,067)	(136,227)	(136,840)
Software costs (Note 15)	(30,358)	(32,984)	(56,435)	(30,358)	(32,140)	(56,435)
Investment properties (Notes 13 and 14)	(6,743)	(30,005)	(8,632)	(6,743)	(30,005)	(8,632)
Subsidiaries (Note 7)	3,069	-	-	-	-	-
Additional investments in subsidiaries (Note 7)	(1,088)	-	-	-	(45,942)	-

	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016	2015	2017	2016	2015
	(Amounts in Thousands)					
Proceeds from disposals of:						
Investment securities	P-	P-	P845,460	P-	P-	P845,460
Investment properties (Note 14)	47,896	48,837	25,184	43,103	50,323	19,006
Property and equipment (Note 13)	15,861	24,272	49,402	11,102	24,272	49,399
Chattel mortgage	85,349	11,839	16,076	85,349	11,839	16,076
Proceeds from maturity of investment securities	70,000	3,596,957	-	70,000	3,596,957	-
Net cash provided by (used in) investing activities	(2,234,058)	1,159,105	(1,195,147)	(2,238,014)	1,125,296	(1,191,834)
CASH FLOWS FROM FINANCING ACTIVITIES						
Availments of:						
Bills payable	190,375,643	103,725,503	39,069,117	190,375,643	103,725,500	38,783,769
Outstanding acceptances	324,197	405,111	567,502	324,197	405,111	567,502
Marginal deposits	3,410	37,683	37,913	3,410	37,683	37,913
Settlements of:						
Bills payable	(187,907,410)	(100,107,738)	(36,012,924)	(187,907,410)	(99,922,984)	(35,908,558)
Outstanding acceptances	(295,302)	(412,820)	(551,056)	(295,302)	(412,820)	(551,056)
Marginal deposits	(3,040)	(39,033)	(36,401)	(3,040)	(39,033)	(36,401)
Proceeds from shares subscription (Note 23)	1,394,320	1,394,321	1,394,321	1,394,320	1,394,321	1,394,321
Net cash provided by (used in) financing activities	3,891,818	5,003,027	4,468,472	3,891,818	5,187,778	4,287,490
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT	(49,524)	(20,345)	(25,002)	(49,524)	(20,345)	(25,002)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	297,639	2,164,938	(593,093)	478,895	2,013,396	(568,346)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
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 (Note 33)	260,411	229,281	743,164	260,411	229,281	743,164
	17,655,855	15,490,917	16,084,010	17,180,345	15,166,949	15,735,295
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	974,207	1,042,611	1,343,340	941,823	1,011,756	1,311,615
Due from Bangko Sentral ng Pilipinas	15,340,711	13,356,075	11,909,774	15,279,084	13,276,681	11,839,461
Due from other banks	1,166,063	2,996,758	2,008,522	965,820	2,631,497	1,786,592
Interbank loans receivable (Note 33)	472,513	260,411	229,281	472,513	260,411	229,281
	P17,953,494	P17,655,855	P15,490,917	P17,659,240	P17,180,345	P15,166,949
OPERATIONAL CASH FLOWS FROM INTEREST						
	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016	2015	2017	2016	2015
	(Amounts in Thousands)					
Interest paid	P1,040,615	P1,061,279	P974,872	P973,150	P996,632	P932,702
Interest received	3,851,860	3,554,941	3,131,233	3,485,682	3,352,973	2,799,462

See accompanying Notes to Financial Statements.

(Amounts in P Pesos)						
Proceeds from disposals of:						
Investment securities	P=	P=	P845,460	P=	P=	P845,460
Investment properties (Note 14)	47,896	48,837	25,184	43,103	50,323	19,064
Property and equipment (Note 13)	15,861	24,272	49,402	11,102	24,272	49,399
Chattel mortgage	85,349	11,839	16,076	85,349	11,839	16,076
Proceeds from maturity of investment securities	70,000	3,596,957	—	70,000	3,596,957	—
Net cash provided by (used in) investing activities	(2,234,058)	1,159,105	(1,195,147)	(2,238,014)	1,125,296	(1,191,834)
CASH FLOWS FROM FINANCING ACTIVITIES						
Availments of:						
Bills payable	190,375,643	103,725,503	39,069,117	190,375,643	103,725,500	38,783,769
Outstanding acceptances	324,197	405,111	567,502	324,197	405,111	567,502
Marginal deposits	3,410	37,683	37,913	3,410	37,683	37,913
Settlements of:						
Bills payable	(187,907,410)	(100,107,738)	(36,012,924)	(187,907,410)	(99,922,984)	(35,908,558)
Outstanding acceptances	(295,302)	(412,820)	(551,056)	(295,302)	(412,820)	(551,056)
Marginal deposits	(3,040)	(39,033)	(36,401)	(3,040)	(39,033)	(36,401)
Proceeds from shares subscription (Note 23)	1,394,320	1,394,321	1,394,321	1,394,320	1,394,321	1,394,321
Net cash provided by (used in) financing activities	3,891,818	5,003,027	4,468,472	3,891,818	5,187,778	4,287,490
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT						
	(49,524)	(20,345)	(25,002)	(49,524)	(20,345)	(25,002)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	297,639	2,164,938	(593,093)	478,895	2,013,396	(568,346)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
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 (Note 33)	260,411	229,281	743,164	260,411	229,281	743,164
	17,655,855	15,490,917	16,084,010	17,180,345	15,166,949	15,735,295
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	974,207	1,042,611	1,343,340	941,823	1,011,756	1,311,615
Due from Bangko Sentral ng Pilipinas	15,340,711	13,356,075	11,909,774	15,279,084	13,276,681	11,839,461
Due from other banks	1,166,063	2,996,758	2,008,522	965,820	2,631,497	1,786,592
Interbank loans receivable (Note 33)	472,513	260,411	229,281	472,513	260,411	229,281
	P17,953,494	P17,655,855	P15,490,917	P17,659,240	P17,180,345	P15,166,949

OPERATIONAL CASH FLOWS FROM INTEREST						
	Consolidated			Parent Company		
	Years Ended December 31					
	2017	2016	2015	2017	2016	2015
	(Amounts in Thousands)					
Interest paid	P1,040,615	P1,061,279	P974,872	P973,150	P996,632	P932,702
Interest received	3,851,860	3,554,941	3,131,233	3,485,682	3,352,973	2,799,462

See accompanying Notes to Financial Statements.

BUSINESS CONTRIBUTION BY SEGMENT

	Consolidated								Total
	2017								
	Branch Banking Group	Corporate Banking Group	Treasury Segment	Consumer Finance Segment	Trust and Wealth Management Segment	Unallocated	RAP	RAP-PFRS Adjustments/ Others	
Revenue									
Revenue, net of interest expense									
Third party	(P543,621)	P2,087,067	P330,591	P1,150,309	P1,508	P110,672	P3,136,526	P114,631	P3,251,157
Intersegment	1,424,346	(1,084,348)	(154,667)	(335,374)	(2,144)	152,187	—	—	—
Other operating income	38,826	14,638	35,042	39,980	15,511	663,685	807,682	333,958	1,141,640
Total operating income	919,551	1,017,357	210,966	854,915	14,875	926,544	3,944,208	448,589	4,392,797
Compensation and fringe benefits	290,771	80,755	50,773	223,730	10,028	508,209	1,164,266	(1,314)	1,162,952
Taxes and licenses	168,858	93,996	54,958	84,515	1,076	54,136	457,539	(97)	457,442
Occupancy and other equipment-related costs	159,610	21,920	816	28,522	1,772	11,739	224,379	(28)	224,351
Depreciation and amortization	114,424	3,552	1,912	26,723	694	313,424	460,729	(133,814)	326,915
Provision for (reversal of) credit and impairment losses	(7,629)	164,017	—	214,962	—	(69,372)	301,978	36,517	338,495
Other operating expenses	264,884	52,206	80,766	134,285	2,781	305,986	840,908	393	841,301
Net operating income (loss) before income tax	(P71,367)	P600,911	P21,741	P142,178	(P1,476)	(P197,578)	P494,409	P546,932	P1,041,341
Segment results									
Net interest income (loss)	P798,532	P826,189	P190,484	P733,401	(P636)	P260,365	P2,808,335	P93,223	P2,901,558
Trading and securities gain (loss) - net	—	—	(14,569)	—	—	—	(14,569)	1,326	(13,243)
Rent income	—	—	—	—	—	563,245	563,245	14	563,259
Service charges, fees, and commissions	82,193	176,530	9	81,534	—	2,494	342,760	20,082	362,842
Foreign exchange gain - net	22,106	7,215	40,465	—	—	—	69,786	1	69,787
Profit (loss) from assets sold	—	—	—	6,604	—	15,935	22,539	(10,586)	11,953
Income from trust operations	—	—	—	—	15,404	—	15,404	—	15,404
Fair value gain from investment properties	P—	P—	P—	P—	P—	P—	P—	P353,992	P353,992
Gain on assets exchange	—	—	—	—	—	—	—	5,487	5,487
Miscellaneous	16,720	7,423	(5,423)	33,376	107	84,505	136,708	(14,950)	121,758
Total operating income	919,551	1,017,357	210,966	854,915	14,875	926,544	3,944,208	448,589	4,392,797
Compensation and fringe benefits	290,771	80,755	50,773	223,730	10,028	508,209	1,164,266	(1,314)	1,162,952
Taxes and licenses	168,858	93,996	54,958	84,515	1,076	54,136	457,539	(97)	457,442
Occupancy and other equipment-related costs	159,610	21,920	816	28,522	1,772	11,739	224,379	(28)	224,351
Depreciation and amortization	114,424	3,552	1,912	26,723	694	313,424	460,729	(133,814)	326,915
Provision for (reversal of) credit and impairment losses	(7,629)	164,017	—	214,962	—	(69,372)	301,978	36,517	338,495
Other operating expenses	264,884	52,206	80,766	134,285	2,781	305,986	840,908	393	841,301
Total operating expenses	990,918	416,446	189,225	712,737	16,351	1,124,122	3,449,799	(98,343)	3,351,456
Segment profit (loss)	(71,367)	600,911	21,741	142,178	(1,476)	(197,578)	494,409	546,932	1,041,341
Provision for income tax	—	(8,918)	(130,098)	(11,945)	—	(57,673)	(208,634)	(114,005)	(322,639)
Non-controlling interests in net income of subsidiaries	—	—	—	(558)	—	—	(558)	555	(3)
Net income (loss)	(P71,367)	P591,993	(P108,357)	P129,675	(P1,476)	(P255,251)	P285,217	P433,482	P718,699
Segment assets									
Property and equipment	P445,005	P—	P—	P62,725	P—	P1,220,945	P1,728,675	(P255,087)	P1,473,588
Investment properties	—	—	—	72,857	—	3,175,210	3,248,067	3,188,066	6,436,133
Unallocated assets	11,505,907	39,065,373	25,621,908	13,816,110	70,712	4,089,296	94,169,306	(2,858,777)	91,310,529
Total segment assets	P11,950,912	P39,065,373	P25,621,908	P13,951,692	P70,712	P8,485,451	P99,146,048	P74,202	P99,220,250
Total segment liabilities	P60,927,417	P4,108,878	P16,782,805	P1,870,225	P—	P2,461,322	P86,150,647	P139,239	P86,289,886

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