

**MINUTES OF THE ANNUAL MEETING
OF THE SHAREHOLDERS
OF THE
PHILIPPINE BANK OF COMMUNICATIONS**
Held at The Training Room, 15th Floor, PBCOM Tower
6795 Ayala Avenue corner V.A. Rufino Street, Makati City
on April 7, 2014 at 10:00 a.m.

ATTENDANCE:

| <u>STOCKHOLDERS PRESENT/REPRESENTED</u> | <u>NO. OF SHARES</u> | <u>PERCENTAGE</u> |
|---|----------------------|-------------------|
| PROXIES | 120,008,992 | 40.06% |
| IN PERSON | 126,600,511 | 42.26% |
| TOTAL ATTENDANCE | 246,609,511 | 82.32% |

PROCEEDINGS

I. CALL TO ORDER

The Chairman of the Board, Mr. Eric O. Recto, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Jovita D.S. Larrazabal, recorded the proceedings.

Also in attendance were the following members of the Board of Directors:

Eric O. Recto
Mario J. Locsin
Henry Y. Uy
Nina D. Aguas
Tomas I. Alcantara
David L. Balangue
Luis Y. Benitez
Colin D. Keogh
Bunsit Carlos G. Chung
Jesus S. Jalandoni, Jr.
Ralph C. Nubla, Jr.
Teresita Ang-See
Gregorio T. Yu
Patrick Sugito Walujo

II. PROOF OF NOTICE AND CERTIFICATION OF QUORUM

The Corporate Secretary reported that notice of the meeting had been sent to all the stockholders as provided in the By-Laws of the Philippine Bank of Communications (the "Bank" or the "Corporation") and that there were present, in person and in proxy, stockholders owning at least 82.32% of the outstanding capital stock. She then certified that there was a quorum for the transaction of business.

III. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

The next item on the agenda was the approval of the minutes of the previous meeting of the stockholders held on June 25, 2013, copies of which had been earlier distributed to the stockholders.

Upon motion made and duly seconded, the reading of the previous meeting of the stockholders was dispensed with and the same were unanimously approved.

IV. MANAGEMENT REPORT AND APPROVAL OF THE AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013

The next item on the agenda was the report on the performance of the Bank for 2013 and the approval of the Audited Financial Report as of December 31, 2013.

The President and CEO Ms. Nina D. Aguas, made a report on the performance of the Bank for the year ended December 31, 2013.

The President and CEO reported that at the beginning of 2013, PBCOM had the task of implementing a transformation strategy crafted in December 2012. The following factors were taken into consideration by PBCOM: 1.) the expiration of the Financial Assistance Agreement with PDIC in 16 months; 2.) the investment in new technology towards ensuring that PBCOM is equipped to support the products and services needed to be relevant and competitive in the marketplace; and 3.) the challenges to the expansion of its distribution network (i.e. regulatory approval and equity on capital).

By the end of 2013, the company exhibited significant improvement in its operations after the implementation of the following programs:

- A new **Convenience Banking segment**, focusing on the consumer lending market, was launched in response to the necessity of diversifying revenue resources. This segment consisted of a new personal loan system and an improved Auto and Home loans, which delivered over 2 Billion in loan bookings in 2013.
- A **new core banking system** was successfully implemented within 13 months. Although the initial cut-over date was not met, this implementation sets an industry record for the quickest integration of a new core banking system in the Philippines.
- The **expansion of PBCOM's distribution network** was commenced after BSP approved our request for 10 additional banking licenses.
- **Post-acquisition regulatory incentives** in the form of additional 36 branch licenses and 50 Other Banking offices were requested and subsequently granted by the BSP. Although this is the longer path to obtaining licenses, this mode of expansion is FREE licensing and processing fees. In parallel to said branch expansion, an aggressive ATM expansion plan successfully increased our network from 62 ATMs to 135.
- The launching of a **new corporate identity** and corporate branding efforts signalled our company transformation.
- In order to attract fresh talents and to build a strong talent pool at all levels of the organization, the **Relationship Manager Development Program and Operations Academy** was launched.

While much attention was given to our transformation initiatives, PBCOM maintained a strong focus on delivering positive financial results:

- We ended 2013 with a net income of 1.63B, 66% better than 2012. Operating income increased by 1.144B. Earnings per share for 2013 is P5.87 as opposed to P3.54 in 2012.
- Total balance sheet grew by 37% (P62.6B) from 2012 (P45.8) to 2013. Total resources stood at P62.6B, representing a year over year increase of P16.8B. Loans and receivables increased by 57% (P24.9B/P15.9B), funded by a 51% (P47.3B/P31.38B) growth in deposits.
- Net NPL Ratio improved significantly, from 1.02% in 2012 to 0.6% in 2013.
- Return on Assets grew from 2.26% in 2012 to 3.01% in 2013.
- A Return in Equity of 38% was achieved in 2013, making PBCOM one of the highest performers in the commercial banking industry.

One of the things we are most proud of is the establishment of **PBCOM Moves**, a fund launched to support initiatives focused on the rebuilding and rehabilitation of areas affected by Typhoon Yolanda. Through the donations and efforts of our employees, we were able to raise P3 Million.

For 2014, we intend to pursue **continued growth** for our distribution network, more new products, expansion into alternative channels and completion of our migration into a new core banking platform. One of primary objectives in 2014 is the development of relevant products and services in response to the growing needs of **small to medium enterprises (SMEs) across the country**. Our exit from our Financial Assistance Agreement with PDIC in March 2014 marked our full repayment and manifested PBCOM's positive trajectory.

The challenge in the coming year is to maintain our trajectory despite **external forces** affecting the global market such as the tapering of the US Federal Reserve's quantitative easing policies. We are planned for contingencies that will minimize the impact of these externally-driven events.

As PBCOM celebrates its 75th year in 2014, it is envisioned that the company will enjoy a full range of products and services, higher demand for its stocks, leadership position in digital banking channels and to continue to build presence in communities across the country.

Upon motion made and duly seconded, the management report on the growth of the Bank for 2013 and the Audited Financial Statements as of December 31, 2013 previously distributed to the shareholders were unanimously approved.

V. **RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT SINCE THE LAST ANNUAL MEETING OF STOCKHOLDERS**

The next item on the agenda was the ratification of the acts and proceedings of the Board of Directors and corporate officers for the period covering years 2013-2014, as they appear in the minutes of the Board meetings and in disclosures and reports made to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange, Inc. (PSE). Upon motion made and duly seconded, all stockholders present and represented in the meeting approved and ratified all the acts and proceedings of the Board of Directors and corporate officers for the period covering years 2013-2014.

VI. **AMENDMENT OF ARTICLES OF INCORPORATION TO SPECIFY THE COMPLETE ADDRESS OF THE PRINCIPAL OFFICE OF THE BANK**

The Chairman of the meeting presented to the stockholders for approval the amendment of Article Three of the Articles of Incorporation of the Bank in compliance with SEC Memorandum Circular No. 6 Series of 2014 to specify the complete address of the principal office of the Bank. Currently, the said provision merely states that – “The principal office for the transaction of business of this corporation is to be located in Metro Manila, Philippines.”

Upon motion made and duly seconded, the following resolution was passed and approved:

“RESOLVED, that the Philippine Bank of Communications (the “Bank”) is hereby authorize to approve the amendment to Article Three of the Bank’s Articles of Incorporation as follows:

“THIRD: That the place where the principal office of the Corporation is located is at PBCOM, PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino St., Makati City.

VII. **ELECTION OF DIRECTORS**

The Corporate Secretary advised the body of the nominations he received for the Board of Directors as indorsed by the Nominations Committee. The Corporate Secretary then announced the nominations to the Board of Directors, as follows:

Eric O. Recto
Mario J. Locsin
Henry Y. Uy
Nina D. Aguas

Tomas I. Alcantara
David L. Balangue
Luis Y. Benitez
Bunsit Carlos G. Chung
Colin D. Keogh
Jesus S. Jalandoni, Jr.
Ralph C. Nubla, Jr.
Teresita Ang-See
Edgar J. Sia II
Gregorio T. Yu
Patrick Sugito Walujo

There being no other nominees, and since there were only fifteen (15) nominees for the fifteen (15) positions, on motion made and seconded, the Corporate Secretary was directed by the Chairman to cast the votes of all those present and represented at the meeting equally among the above-named individuals who were thereby unanimously elected as members of the Board of Directors for a term of one (1) year or until their successors have been elected and qualified.

VIII. APPOINTMENT OF EXTERNAL AUDITOR

Upon motion made and seconded, the stockholders approved the appointment of SGV and Co., as the external auditor of the Bank for the fiscal year ending December 31, 2014.

IX. OTHER MATTERS

X. ADJOURNMENT

There being no other matters to be discussed, upon motion made and duly seconded, the meeting was adjourned.

CERTIFIED CORRECT:



ANGELO PATRICK F. ADVINCULA
Corporate Secretary

ATTESTED:



ERIC O. RECTO
Chairman of the Board