



**MARKETS AND SECURITIES REGULATION DEPARTMENT**

IN THE MATTER OF THE

**PHILIPPINE BANK OF COMMUNICATIONS** :

MSRD Order No. 19  
Series of 2019

X-----X

**ORDER**

**WHEREAS**, on May 10, 2019, Philippine Bank of Communications ("PBCom") submitted its Definitive Information Statement ("DIS") and Management Report relative to the scheduled stockholders' meeting on June 4, 2019.

**WHEREAS**, the company distributed its DIS on May 14, 2019, however, in order to complete the list of nominees to the Board of Directors, Messrs. Jack Huang and Conrad Gloria were included as nominees to the Board, thereby necessitating the amendment of PBCom's DIS.

**WHEREAS**, on May 16, 2019 PBCom filed before the Commission a request to approve the amendments in its DIS.

**WHEREFORE**, the company's request to approve the amendments in its DIS is hereby **GRANTED** subject to its full compliance of SRC Rule 20.3.3.4.

**SO ORDERED**

Pasay City, Philippines

May 16, 2019

  
**VICENTE GRACIANO P. FELIZMENIO, JR.**  
Director

P W 0 0 0 0 0 6 8 6

S.E.C. Registration Number

P H I L I P P I N E B A N K O F C O M M U N I C A T I O N S

[Empty grid]

[Empty grid]

[Empty grid]

(Company's Full Name)

P B C O M T O W E R , 6 7 9 5 A Y A L A A V E N U E

C O R N E R V . A . R U F I N O S T R E E T

M A K A T I C I T Y

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

Angelo Patrick F. Advincula

Contact Person

1 2 3 1

Month Day Fiscal Year

Amended

2 0 I S

Form Type

(02) 830-7062

Company Telephone Number

3<sup>rd</sup> Tuesday of June

[Empty grid]

Month Day Annual Meeting

[Empty grid]

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

[Empty grid]

Amended Articles Number/Section

4 0 5

Total No. of Stockholders

Total Amount of Borrowings

[Empty grid]

Domestic

[Empty grid]

Foreign

To be accomplished by SEC Personnel Concerned

[Empty grid]

File Number

LCU

[Empty grid]

Document I.D.

Cashier

STAMPS

## NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS

Please take notice that the Annual Meeting of Stockholders of the **PHILIPPINE BANK OF COMMUNICATIONS** will be held on **Tuesday, 4 June 2019 at 10:00 a.m.** at the Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City to discuss the following:

### AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Review and Approval of the Minutes of the Previous Meeting held on 5 June 2018
4. Annual Report of Management and Approval of the Audited Financial Statements for 2018
5. Ratification of Acts of the Board of Directors and Management Since the Last Annual Meeting of Stockholders
6. Amendment of the By-Laws to include Bangko Sentral ng Philipinas (BSP) prescribed board level committees of the Bank
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

For purposes of the meeting, only stockholders of record as of 26 April 2019 are entitled to notice of, and to vote at, the Annual Meeting of Stockholders.

Registration starts at 9:00 a.m. For your convenience in registering your attendance, please have available some form of identification, such as your driver's license, passport or any government issued ID. For representatives of corporate stockholders, kindly bring a copy of the Board Resolution authorizing you to vote the shares of the company you represent.

Should you be unable to attend the meeting in person, you may want to execute a proxy in favor of a representative. The giving of such proxy will not affect your right to vote in person, should you decide to attend the Annual Meeting.

Copies of the following documents will be available upon request: (i) Minutes of the Annual Meeting of Stockholders held on 5 June 2018; (ii) Information Statement; (iii) Management Report; (iv) Audited Financial Statements for the year 2018.



**ANGELO PATRICK F. ADVINCULA**  
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE  
SECURITIES REGULATION CODE

1. Check the Appropriate box

Preliminary Information Statement

Definitive Information Statement - Amended

2. Name of Registrant as specified in its charter PHILIPPINE BANK OF COMMUNICATIONS

3. Province, country or other jurisdiction of incorporation or organization Philippines

4. SEC Identification Number PW00000686

5. BIR Tax Identification Number 000-263-340-000

6. Address of Principal Office PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino Street, Makati City 1226, Philippines

7. Registrant's telephone number, including area code (632) 830-7000

8. Date, time and place of meeting of security holders

Date **4 June 2019, Tuesday**

Time **10:00 a.m.**

Place **The Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders

**14 May 2019**

10. Securities registered pursuant to Section 8 and 12 of the Code or Sections 4 and 8 of the RSA (information of the number of shares and amount of debt is applicable only to corporate registrants)

<u>Title of Each Class</u>	<u>Number of Common Stock Outstanding or Amount of Debt Outstanding</u>
<b>Common Stock</b>	<b>480,645,163 shares</b>
<b>Debt Outstanding</b>	<b>None</b>

11. Are any or all of the registrant's securities listed on a Stock Exchange?

Yes            No

12. If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

**Philippine Stock Exchange, Inc.**      **Common Shares**

## INFORMATION STATEMENT

**We are not asking you for a proxy and you are requested not to send us a proxy.**

### GENERAL INFORMATION

#### Date, Time and Place of Meeting of Security Holders

Date : 4 June 2019, Tuesday  
Time : 10:00 a.m.  
Place : Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City

#### Mailing Address of the Bank

The complete mailing address of the Philippine Bank of Communications (hereinafter, "PBCOM", the "Bank" or the "Corporation") is:

**PHILIPPINE BANK OF COMMUNICATIONS**  
PBCOM Tower, 6795 Ayala Ave. corner V.A. Rufino St.  
Makati City 1226, Philippines

#### Record Date

The record date for the purpose of determining the stockholders entitled to notice of, and to vote at, the Annual Meeting of the Stockholders is **26 April 2019** (the "Record Date").

#### Approximate Date of First Release of Information Statement

The approximate date on which this Information Statement will be first sent out to the stockholders of the Bank is on 14 May 2019.

#### Dissenter's Right of Appraisal

In accordance with Title X of the Corporation Code, any stockholder of the Bank has the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
3. In case of merger or consolidation

The procedure for the exercise of such appraisal right by the stockholders is as follows:

1. The stockholder voted against the proposed corporate action.
2. The dissenting stockholder shall make a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair market value of his shares. The failure

of the stockholder to make the demand within such period shall be deemed a waiver of the appraisal right.

3. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock within ten (10) days after demanding payment for his shares (Sec. 86), the fair value thereof; and

4. Upon payment of the agreed or awarded price, the stockholder shall transfer his shares to the corporation.

To date, there are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Corporation Code.

### **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

There is no matter to be acted upon in which any director or executive officer is involved or had a direct, indirect or substantial interest (except the election of directors).

No director has informed the registrant, in writing or otherwise, that he intends to oppose any action to be taken by the registrant at the Meeting.

### **CONTROL AND COMPENSATION INFORMATION**

#### **Voting Securities and Principal Holders Thereof**

(a) **Total Number of Shares Outstanding as of the date of this report** : 480,645,163 common shares

**Number of Votes per Share:** One (1) vote per share.

(b) **Record Date:** All stockholders of record as of the close of business on **26 April 2019** are entitled to notice of, and to vote at, the Annual Meeting.

(c) Pursuant to Article II, Section 2 of the Bank's By-laws, a stockholder may vote during the Annual Stockholders' Meeting in person or by proxy.

In accordance with Section 24 of the Corporation Code, a stockholder may vote for the directors of the Bank in any of the following manner:

1. He may vote such number of shares for as many persons as there are directors to be elected. He may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by his shares; or
2. He may distribute them in the same principle among as many candidates as he shall see fit.
3. In any of the foregoing instances, the total number of votes cast by the shareholder should not exceed the number of shares owned by him as shown in the books of the Bank multiplied by the number of directors to be elected.

#### **Security Ownership of Certain Record and Beneficial Owners – as of the date of this report**

There are no delinquent stocks and the direct and indirect record of beneficial owners of more than five percent (5%) of common shares of the Bank are:



Title of Class	Name and Address of Record Owner and relationship with Issuer	Name of Beneficial Ownership and relationship with Record Owner	Citizenship	No. of Shares	% Held
Common	P.G. Holdings, Inc. 900 Romualdez Street Paco, Manila Stockholder	Lucio L. Co – Chairman & President Susan P. Co – Director	Filipino	186,241,408	38.75%
Common	PCD Nominee Corporation 37 <sup>th</sup> Floor, Tower 1, The Enterprise Center, Ayala Avenue cor. Paseo de Roxas, Makati City Stockholder	Various stockholders  <u>VFC Land Corporation</u> – owns 9.37% of the voting securities	Filipino Non-Filipino	91,819,885 1,923,939	19.10% 0.40%
Common	Eric O. Recto 5/F PBCOM Tower 6795 Ayala Ave. cor. V.A. Rufino St., Makati City Stockholder	Eric O. Recto – same as record owner	Filipino	50,135,776	10.43%
Common	Ralph C. Nubla, Jr. 5/F PBCOM Tower 6795 Ayala Ave. cor. V.A. Rufino St., Makati City Stockholder	Ralph C. Nubla, Jr. – same as record owner	Filipino	46,519,036	9.68%
Common	Telengtan Brothers & Sons, Inc. Km. 14, South Superhighway, Paranaque City Stockholder	Various stockholders;  Bunsit Carlos G. Chung – authorized to vote the shares	Filipino	31,859,844	6.63%
Common	VFC Land Resources, Inc. 1379 San Gregorio St., Paco, Manila	Various stockholders;  <u>Lucio L. Co –</u> authorized to vote the shares	Filipino	26,587,375	5.53%

Except as stated above, the Board of Directors and Management of the Bank have no knowledge of any person who, as of the date of this report, was indirectly or directly the beneficial owner of more than five percent of the Bank's outstanding shares of common stock or who has voting power or investment power with respect to shares comprising more than five percent of the outstanding shares of common stock. There are no persons holding more than 5% of the Bank's common stocks that are under a voting trust or similar agreement.

### Security Ownership of Management

The following are the number of shares of common stock owned of record and beneficially by the directors and executive officers of the Bank and the percentage of shareholdings of each, as of the date of this report:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common	Eric O. Recto	Direct 50,135,776	Filipino	10.50%
Common	Leonardo B. Dayao	Direct 10,001	Filipino	0.00%
Common	Patricia May T. Siy	Direct 100	Filipino	0.00%
Common	Carmen G. Huang	Direct 500	Filipino	0.00%
Common	Bunsit Carlos G. Chung	Direct 550,716	Filipino	0.11%
		Indirect 449,294		0.09%
Common	Lucio L. Co	Direct 1	Filipino	0.00%
		Indirect 93,120,704		19.37%
Common	Susan P. Co	Direct 1	Filipino	0.00%
		Indirect 93,027,584		19.35%
Common	Levi B. Labra	Direct 100	Filipino	0.00%
Common	Ralph C. Nubla, Jr.	Direct 46,519,036	Filipino	10.77%

Common	Gregorio T. Yu	Direct	1,432,692	Filipino	0.30%
Common	Jesus S. Jalandoni, Jr.	Direct	10	Filipino	0.00%
Common	Roberto Z. Lorayes	Direct	500	Filipino	0.00%
Common	Emmanuel Y. Mendoza	Direct	100	Filipino	0.00%
Common	Gilda E. Pico	Direct	100	Filipino	0.00%
Common	John Howard D. Medina	N/A	0	Filipino	0.00%
Common	Alan E. Atienza	N/A	0	Filipino	0.00%
Common	Arlene M. Datu	N/A	0	Filipino	0.00%
Common	Angelo Patrick M. Advincula	N/A	0	Filipino	0.00%
Common	Michael Stephen H. Lao	N/A	0	Filipino	0.00%

Except as disclosed above, the Bank has not received from any of the directors or executive officers of the Bank any statement of ownership, whether of record or beneficially, of more than 5% of the Bank's outstanding shares of common stock. As known by the Bank, the aggregate number of common shares owned directly by all key officers and directors as a group as of the date of this report is 290,831,201 common shares.

### Changes in Control

There are no voting trust agreements or any other similar agreement that may result in a change in control of the Bank of which the Bank has any knowledge. No change in control of the Bank has occurred since the beginning of its last fiscal year.

### Directors and Executive Officers

Pursuant to the Bank's By-Laws, the directors are elected at the annual stockholders' meeting to hold office until next succeeding annual meeting and until their respective successors in interest have been elected and qualified.

The following names have been nominated for election to the Board of Directors for the ensuing year:

Eric O. Recto  
Leonardo B. Dayao  
Patricia May T. Siy  
Lucio L. Co  
Susan P. Co  
Carmen G. Huang  
**Jack E. Huang**  
Bunsit Carlos G. Chung  
Levi B. Labra  
Ralph C. Nubla, Jr.  
Gregorio T. Yu

**Conrad Gloria – Independent Director**  
Jesus S. Jalandoni, Jr. – Independent Director  
Emmanuel Y. Mendoza – Independent Director  
Gilda E. Pico – Independent Director

The aforementioned list of nominees had been evaluated and confirmed by the Nominations Committee of the Bank.

The nominees for Independent Director have all the qualifications and none of the disqualifications of an Independent Director.

The following names were nominated as members of the Executive, Risk Oversight, Governance, Audit, Related Party Transactions (RPT), and Trust Committees for the ensuing year:



**Executive Committee**

- a. Lucio L. Co (Chairman)
- b. Eric O. Recto (Vice Chairman)
- c. Leonardo B. Dayao (Vice Chairman)
- d. Patricia May T. Siy
- e. Carmen G. Huang
- f. Bunsit Carlos G. Chung
- g. Ralph C. Nubla, Jr.

**Risk Oversight Committee**

- a. **Conrad Gloria (Independent Director)**
- b. Jesus S. Jalandoni, Jr. (Independent Director)
- c. Levi B. Labra
- d. Patricia May T. Siy

**Governance Committee**

- a. Gilda E. Pico (Chairman/Independent Director)
- b. **Conrad Gloria (Independent Director)**
- c. Eric O. Recto
- d. Leonardo B. Dayao
- e. **Jack E. Huang**

The Governance Committee also serves as the Bank's Nominations Committee, Compensation and Remuneration Committee and Performance Evaluation Committee.

**Audit Committee**

- a. Emmanuel Y. Mendoza (Chairman/Independent Director)
- b. Gilda E. Pico (Independent Director)
- c. Levi B. Labra

**RPT Committee**

- a. Jesus S. Jalandoni, Jr. (Chairman/Independent Director)
- b. **Conrad Gloria (Independent Director)**
- c. Gilda E. Pico (Independent Director)
- d. Levi B. Labra

**Trust Committee**

- a. Eric O. Recto (Chairman)
- b. Patricia May T. Siy
- c. Jesus S. Jalandoni, Jr. (Independent Director)

**Rules on Nomination and Election of Directors and Independent Directors and Manner of Voting**

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

SEC.1. Period. All the nominations for directors and independent directors shall be submitted to the Nominations Committee through any of the members of the committee or the Corporate Secretary at any time before the submission of the Definitive Information Statement to the Securities and Exchange Commission, allowing the Nominations Committee sufficient time to pass upon the qualifications of the nominees.

SEC.2. Form and Contents. 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/s is/are 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.

SEC.3. Qualifications. No individual shall be nominated as director or independent director unless he meets the minimum requirements/qualifications prescribed by the regulatory agencies/offices concerned of listed banks.

SEC.4. List of Candidates. The Nominations Committee shall pre-screen the qualifications of the nominees and prepare the final list of candidates, including a summary of all relevant information about them.

### **Names of Directors and Executive Officers**

The following are the names, ages and periods of service of the incumbent directors and executive officers of the Company with a brief description of the business experience during the past five years of each of the directors and executive officers:

#### **Board of Directors**

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

Mr. Recto, Filipino, 55 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 President of ISM Communications Corporation; Chairman and President of Bedfordbury Development Corporation; Vice Chairman and Director of Atok-Big Wedge Co., Inc.; Vice Chairman of Alphaland Corporation; an Independent Director of Aboitiz Power; Independent Director of PH Resorts Group Holdings, Inc.; President and Director of Q-Tech Alliance Holdings, Inc.; and Supervisory Board Member of Acentic GmbH and Ltd. Prior to joining the Bank, Mr. Recto served as Undersecretary of the Department 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.

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

Mr. Dayao, Filipino, 75 years old, was elected Director on September 29, 2014 and 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 Catuiran Hydropower Corporation, Fertuna Holdings Corp., Kareila Management Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc.; Vice-Chairman of Ayagold Retailers, Inc.; 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 and Puregold Realty Leasing & Management, Inc. He received a Bachelor of Science Degree in Commerce from 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.

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

Mr. Co, Filipino, 64 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, Ellimac Prime Holdings, Inc., Entenso Equities Incorporated, Invescap Incorporated, 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., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc., He is also a Director of the following privately-owned companies: Catuiran Hydropower Corporation, Kareila Management Corp., League One Finance and Leasing Corporation, Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Pamana Water Corporation, PPCI Subic, Inc., Patagonia Holdings Corp., Premier Wine & Spirits, Inc., S&R Pizza (Harbor Point), Inc., and S&R Pizza, Inc., Tower 6789 Corporation (Formerly: Alphaland Makati Tower, Inc.). 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.

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

Ms. Siy, Filipino, 58 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.

**CARMEN G. HUANG**, *Executive Director*

Ms. Huang, Filipino, 68 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.

**BUNSIT CARLOS G. CHUNG**, *Director*

Mr. Chung, Filipino, 68 years old, was elected Director on June 17, 1997. He is Chairman & 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 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, Seng Guan Temple and Kim Siu Ching Family Association, Vice-Chairman & President of Tiong Se Academy. 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.

**SUSAN P. CO, Director**

Mrs. Co, Filipino, 61 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 Tower 6789 Corporation (Formerly: Alphaland Makati Tower, Inc.) and Director of the following privately-owned companies: Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Kareila Management Corp., KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., NE Pacific Shopping Center Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PPCI Subic Inc., Premier Wines and Spirits, Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., 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.

**LEVI B. LABRA, Director**

Mr. Labra, Filipino, 61 years old, served as an Independent Director from October 24, 2014 until his election as a regular member of the Board of Directors on February 22, 2017. Mr. Labra is also a Director of Cosco Capital, Inc., a publicly listed company. He obtained his Bachelor of Science in Business Administration (Cum Laude) at the University of San Carlos, Cebu City.

**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. Mr. Nubla has more than 30 years of experience in banking being 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 was formerly President of CNC Investment Inc. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Commerce.

**GREGORIO T. YU, Director**

Mr. Yu, Filipino, 60 years old, was elected Director on July 26, 2011. At present, Mr. Yu is Chairman of the Board of Auto Nation Group Inc., CATS Automobile Corporation and American Motorcycles, Inc. and Vice Chairman of the Board and Chairman of the Executive Committee of Sterling Bank of Asia. He is also a Director of the ISM Corporation, Alphaland Corporation, Philippine Airlines, PAL Holdings, Inc., CATS Asian Cars, Inc., PhilEquity Management Inc., Vantage Equities Inc., E-Business Services, Inc, Unistar Credit and Finance Corporation, Prople BPO Inc., Glyph Studios, Inc., WSI Corporation, Nexus Technologies and Jupiter Systems Corporation. Mr. Yu is a Board Member of Ballet Philippines and The Manila Symphony Orchestra. In the past, he was a member of the Board of Trustees of Xavier School Inc., and Chairman, Ways and Means of Xavier School Educational and Trust Fund, a member of the Board of Trustees of the Government Service Insurance System, 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., Filcredit Finance, Yehey Corporation, iRemit, iRipple, RS Lim & Co., and a Director and Vice President at Chase Manhattan Asia Limited. Mr. Yu 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.

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

Mr. Jalandoni, Filipino, 61 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 Enterprise 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 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.

**ROBERTO Z. LORAYES**, *Independent Director*

Mr. Lorayes, Filipino, 76 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.

**EMMANUEL Y. MENDOZA**, *Independent Director*

Mr. Mendoza, Filipino, 54 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) and President of MQ Agri Unlimited Inc. He is also the Chairman of the Audit Committee of the Philippine Institute of Certified Public Accountants. 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.

**GILDA E. PICO**, *Independent Director*

Ms. Pico, Filipino, 72 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 Chairman/Director of the following acquired banks of Producers Savings Bank while awaiting BSP approval for the merger: *A) Chairman/Director:* 1) Rural Bank of Pamplona (Camarines Sur), Inc.; 2) Rural Bank of Barotac Nuevo, Inc.; 3) Rural Bank of Sibalom (Antique), Inc.; *B) Director:* 4) Bangko Rural ng Pasacao (Camarines Sur) Inc.; 5) Bangko Rural ng Magarao (Camarines Sur), Inc.; 6) Rural Bank of San Fernando (Camarines Sur), Inc.; 7) Rural Bank of President Quirino (SK), Inc.; 8) Rural Bank of San Quintin. Ms. Pico is also connected with Marinor 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

## **Independent Director**

As approved by the Board of Directors, the procedure for the nomination of independent directors shall be as follows:

The nomination of independent directors shall be conducted by the Nominations Committee prior to the Annual Meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the nominees for election. The Nominations Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.

After the nomination, the Nominations Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the information statement, or in such other reports the Company is required to submit the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relation with the nominee.

Only nominees whose names appear on the final list of candidates shall be eligible for election as independent directors. No other nomination shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

All nominees, Messrs. Jesus S. Jalandoni, Jr., Emmanuel Y. Mendoza and Ms. Gilda E. Pico do not have a relationship with the Bank which would interfere with the exercise of independent judgment in carrying out responsibilities of a director. None of them are related to any of the directors or officers of the Company.

The Chairman of the Bank, Mr. Eric O. Recto, has recommended the nominations of Messrs. Jesus S. Jalandoni, Jr., Emmanuel Y. Mendoza and Ms. Gilda E. Pico as independent directors for the ensuing year. Mr. Recto is not related to any of the mentioned nominees.

The Nominations Committee has taken into consideration the qualifications to be an Independent Director. Attached as **Annexes "A" and "B"** are the Certificates of the Qualifications of the Nominees for Independent Directors. The Nominations Committee is composed of Ms. Gilda E. Pico (Chairman), Messrs. Eric O. Recto, Leonardo B. Dayao and Roberto Z. Lorayes.

## **OFFICERS**

### **JOHN HOWARD D. MEDINA**, *Executive Vice President and Chief Operations Officer*

Mr. Medina, 48 years old, joined PBCOM in April 2017. He has a proven executive management track record and over 25 years of experience driving innovation, change and transformation for financial services in different countries. Prior to joining PBCOM, Mr. Medina was the Head of Global Operations, Technology and Credit for the Philippine National Bank, where he worked for almost 15 years. He was also the Integration Director, who oversaw the merger of PNB with Allied Banking Corporation in 2013. He was a pioneer in the process and technology management practice in the nineties when he helped transform the Asian operations of one of the largest multinational banks. He subsequently established a private consulting firm in the United States, helping design new business initiatives for financial institutions and dot-com startups. Mr. Medina also worked at Union Bank of the Philippines for 5 years where he conceptualized and implemented digital banking products and services. Mr. Medina has a Bachelor of Science in Industrial Engineering from the University of the Philippines and an MBA from the Shidler College of Business at the University of Hawaii at Manoa. He was an East-West Center Degree Fellow and the recipient of a full scholarship while at the University of Hawaii. He also received study grants to attend the Handelshøjskolen I Århus (The Aarhus School of Business), Pacific Asian Management Institute and the European Summer School for Advanced Management for additional graduate studies.

### **ALAN E. ATIENZA**, *Senior Vice President – Treasurer*

Mr. Atienza, 48 years old, joined PBCOM in January 2016 as Head of the Treasury Group's Trading Division. He assumed the Bank Treasurer position in May 2018 upon resignation of



the previous Treasurer. He brings to the Bank extensive trading and treasury operations experience, having been involved with the financial markets for the last 22 years with stints in Equitable Bank, East West Bank, and Security Bank. Prior to joining PBCOM, Mr. Atienza was First Vice President and Head of Fixed Income Trading with East West Bank. With his strong background in Treasury trading he has been awarded by The Asset as Top Trader in the Philippines (2007 & 2009) & One of the most astute local currency bond investors in the country (2006 & 2008). He has also been named by the Bureau of Treasury as one of the Top 10 GSEDs from 2002-2011. Mr. Atienza graduated with an MBA degree as well as an AB Economics degree from San Sebastian College. He has passed the SEC Licensure Exam for fixed income trading and the BAP Treasury Certification Program.

**ARLENE M. DATU**, *Senior Vice President – Comptroller*

Ms. Datu, 61 years old, was hired on January 21, 2013. She was formerly SVP and Franchise Controller of Citibank N.A. – Philippines and Guam. Prior to the said position, she was the Chief Finance Officer of Citibank-Guam. She also held various managerial positions with Citibank – Philippines where she started her career in banking, focusing on the areas of Operations and Finance. Ms. Datu obtained her Bachelor of Science in Commerce degree Major in Accounting at the Polytechnic University of the Philippines.

**ANGELO PATRICK F. ADVINCULA**, *Corporate Secretary*

Mr. Advincula, Filipino, 48 years old, was elected Corporate Secretary on October 24, 2014. He is currently a Senior Partner at 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, 35 years old, was elected Assistant Corporate Secretary and Corporate Information Officer on November 30, 2014. He is currently a Partner at Zambrano Gruba Caganda and Advincula Law Offices. Mr. Lao received his Bachelor of Science degree in Business Administration from the College of Saint Benilde and his Juris Doctor degree from the Ateneo de Manila School of Law in 2012. He was admitted to the Philippine Bar in 2013.

**Directorships in Other Reporting Companies**

- Mr. Eric O. Recto is also a Director of ISM Communications Corporation, Atok-Big Wedge Co. Inc., Aboitiz Power Corporation and PH Resorts Group Holdings, Inc.
- Mr. Leonardo B. Dayao is also a Director of Puregold Price Club, Inc. and Cosco Capital, Inc.
- Mr. Lucio L. Co is also a Director of Puregold Price Club, Inc., Cosco Capital, Inc., and Da Vinci Capital Holdings, Inc.
- Ms. Susan P. Co is also a Director of Puregold Price Club, Inc. and Cosco Capital, Inc.
- Mr. Levi B. Labra is also a Director of Cosco Capital, Inc.
- Mr. Gregorio T. Yu is also a Director of IRemit, Inc., ISM Communications Corporation, PAL Holdings and Vantage Equities, Inc.
- Mr. Jesus S. Jalandoni, Jr. also is a Director of Liberty Flour Mills.
- Mr. Roberto Z. Lorayes is also a Director of Vantage Equities, Inc.
- Mr. Angelo Patrick F. Advincula is also a Director of Da Vinci Holdings, Inc.

Shares of Atok-Big Wedge Co., Inc. (AB), ISM Communications Corporation (ISM), Aboitiz Power Corporation (AP), PH Resorts Group Holdings, Inc. (PHR), Puregold Price Club, Inc. (PGOLD), Cosco Capital, Inc. (COSCO), Da Vinci Capital Holdings, Inc. (DAVIN), IRemit, Inc. (I), and Vantage Equities, Inc. (V), PAL Holdings (PAL), Liberty Flour Mills (LFM), are all listed in the Philippine Stock Exchange, Inc.

### **Significant Employee**

There is none to disclose. The Bank currently does not employ any person who is not an executive officer but makes a significant contribution to the business.

### **Family Relationships**

Mr. Lucio L. Co and Ms. Susan P. Co are husband and wife. Other than the foregoing, the persons nominated or chosen by the Bank to become directors or executive officers are not related to each other up to the fourth civil degree either by consanguinity or affinity.

### **Involvement in Certain Legal Proceedings**

To the best of the knowledge of management, the Bank is not aware of:

- any bankruptcy petition filed by or against any business of which they are incumbent directors or senior officers, was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or executive officers;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of the incumbent directors or executive officers in any type of business, securities, commodities or banking activities; and
- any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent directors or executive officers has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

which may have a material effect in the operations and deter, bar or impede the fulfillment of his/ her duties as a director or executive officer of the Bank.

### **Certain Relationships and Related Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Bank's transactions with related parties include key management personnel, affiliates (i.e. entities which are controlled), significantly influenced by or for which significant voting power is held by the Bank or key management personnel or their close family members and retirement plan for the benefit of the Bank's employee). These transactions are made in the ordinary course of business and on substantially same terms with that of other parties.

The Bank's related party transactions below are also presented and discussed in Note 31 of the Audited Financial Statements.

Related Party	Transaction with the Bank
<b>Post-retirement Plan</b>	Investment made in retirement plan is approved by the Bank's Retirement Board. Trust fee income from such service and total deposits maintained with the Bank in 2018 amounted ₱ 2.31 Million and ₱ 30.38 Million, respectively while interest expenses paid by the Bank to the deposits was ₱2.17 Million.
<b>Provident Fund</b>	Outstanding deposit and interest paid by the Bank as of year-end was ₱21.03 Million and ₱1.85 Million, respectively while trust fees earned from such service amounted to ₱2.33 Million.
<b>Key Management Personnel</b>	Senior Management Team constitutes key management personnel for purposes of PAS 24. Short term benefits and post-employment benefits given to SMT in 2018 amounted to ₱142.48 Million and ₱5.66 Million, respectively. Year-end balance of deposits and interest expenses paid by the Bank amounted to ₱26.24 Million and ₱0.12 Million respectively.
<b>Affiliate</b>	Year-end balance of deposits and interest expenses incurred by the Bank amounted ₱14.32 Million and ₱0.06 Million, respectively. Rental income earned for the year is ₱0.16 Million.
<b>Subsidiaries</b>	Year-end balance of deposits and interest expenses incurred by the Bank amounted ₱15.81 Million and ₱0.03 Million, respectively. Rental income earned for the year is ₱0.17 Million.
<b>Significant Investors</b>	Year-end balance of deposits and interest expenses incurred by the Bank amounted ₱5.19 Billion and ₱78.56 Million, respectively. Rental income and expenses during the year amounted to ₱4.23 Million and ₱30.74 Million.

As required by BSP, the Bank discloses loans transactions with certain directors, officers, shareholders and their related interests ("DOSRI") in the ordinary course of business, under commercial terms and on an arm's length basis observing at all times the legal limits prescribed under current BSP regulations on DOSRI loans. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total unimpaired capital or 15% of the total loan portfolio. These limits do not apply to loans secured by assets considered as non-risk as defined in the regulations. As of December 31, 2018 the Bank is in compliance with such regulations.

### 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 three fiscal years 2016 to 2018 of the Bank's Chief Executive Officer and four other most highly compensated executive officers are as follows, amounts in 000's:

	2018	2017	2016
<b>CEO and four most highly compensated Executive officers</b>	Patricia May T. Siy President & CEO	Patricia May T. Siy President & CEO	Patricia May T. Siy President & CEO
	John Howard D. Medina Executive Vice President	Eriberto Luis S. Elizaga Executive Vice President	Eriberto Luis S. Elizaga Executive Vice President

	Delbert S. Ang It Senior Vice President	Manuel Andres D. Goseco Executive Vice President	Manuel Andres D. Goseco Executive Vice President
	Alan E. Atienza Senior Vice President	Jenny F. Lansang Senior Vice President	Salvador R. Serrano Senior Vice President
	Expedito G. Garcia, Jr. Senior Vice President	Alan E. Atienza Senior Vice President	Alan E. Atienza Senior Vice President
<b>Salary</b>	₱46,050	₱50,220	₱48,850
<b>Bonus</b>	15,350	18,715	16,283
<b>Other Annual Compensation</b>			-
<b>TOTAL</b>	₱61,400	₱68,935	₱65,133

All officers and directors as Group Unnamed			
<b>Salary</b>	₱551,901	₱593,389	₱577,172
<b>Bonus</b>	180,367	194,196	189,191
<b>Other Annual Compensation</b>	-	-	-
<b>TOTAL</b>	₱732,268	₱787,585	₱766,363

**The following is the estimated annual compensation for year 2019:**

	Salary	Bonus	Other Annual Compensation	Total
<b>Total of CEO and Four most highly compensated Executive Officers</b>	₱47,250	₱15,750	none	₱63,000
<b>All officers as a group unnamed</b>	505,412	168,470	none	673,832

The director's per diem and other fees amounted to ₱9.7 Million, ₱15.5 Million and ₱9.0 Million, as of December 31, 2018, 2017 and 2016, respectively.

The four (4) independent and one (1) other Director are entitled to a Director's fee for attending Board meetings. The remaining nine (9) 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, 2018.

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

**Independent Public Accountant**

The accounting firm of Sycip, Gorres, Velayo and Co. ("SGV"), with address at SGV Building, 6760 Ayala Avenue, Makati City, has been the Bank's independent public accountants for the past years. The same accounting firm will likely be recommended for re-election at the scheduled annual meeting this

year. Ms. Josephine A. Abarca was assigned partner starting in 2014 in compliance with SRC 68(3)(b)(ix).

SGV is expected to be represented in the coming Annual Stockholders' Meeting with an opportunity to make statements, if they so desire, and will be available to respond to appropriate questions.

There is no disagreement with the Bank's accountants on matters of accounting and financial disclosure.

The aggregate external audit fees billed for each of the last two (2) fiscal years for the audit of the registrant's annual financial statements or services that are normally provided by the external auditors are as follows:

Fiscal Year	Audit Fees	All other fees
2018	P6,627	P66
2017	₱4,005	-

The above audit fees are inclusive of the following: (a) Other assurance related services by the External Auditor that are reasonably related to the performance of the audit or review of the Bank's financial statements and (b) All Other Fees. Fees paid to professional partnerships like SGV are not subject to withholding tax.

The Audit Committee is directly responsible in selecting and appointing the independent public accountants. Annually, the Committee recommends that the Board request shareholder ratification of the appointment of the independent public accountants. The Committee is also responsible for setting the compensation of the independent public accountants and periodically reviews the fees charged for all permitted audit-related expenses and other services. It is also their responsibility to evaluate and, when appropriate, to remove the independent public accountants.

At present, the Audit Committee is composed of: Emmanuel Y. Mendoza as Chairman with Levi B. Labra and Gilda E. Pico as Members.

### **Compensation Plans**

No action pertaining to any plan involving the payment or distribution of cash or non-cash compensation will be taken during the Annual Meeting.

### **Action with Respect to Reports**

The stockholders will be asked to approve or ratify during the Annual Stockholders Meeting the following matters:

1. Approval of the Minutes of the Previous Meeting held on 5 June 2018 (copy attached as Annex "C") covering the following matters;
  - a. Certification of Notice and Quorum
  - b. Approval of Minutes of Previous Stockholders' Meeting Held on 6 June 2017
  - c. Annual Report of Management and Approval of the Audited Financial Statements for the year ended December 31, 2017
  - d. Ratification of the Acts of the Board of Directors and Management since the last Annual Meeting of Stockholders
  - e. Election of Directors
  - f. Appointment of External Auditors
2. Annual Report of Management and Approval of the Audited Financial Statements

- for 2018
3. Ratification of Acts of the Board of Directors and Management since the last Annual Meeting of Stockholders
  4. Amendment of the By-Laws to include Bangko Sentral ng Pilipinas (BSP) - prescribed board level committees of the Bank
  5. Election of Directors
  6. Appointment of External Auditor

There are no other items submitted for approval or consideration, other than those required in the ordinary course of business that requires approval or presentation to the shareholders of the Bank.

### Amendment of Charter, By-Laws or Other Documents

Last April 24, 2019, the Board of Directors approved the following amendments to the Bank's Executive Committee Charter and By-Laws:

<b>CHARTER OF THE EXECUTIVE COMMITTEE</b>			
	<b>Current Provision</b>	<b>Proposed Revision</b>	<b>Remarks</b>
<b>1</b>	<p><b>PURPOSE</b></p> <p>Subject to the limits set forth in the Bank's By-Laws and insofar as such may be lawfully delegated to it, the Executive Committee shall possess and exercise all of the functions and powers of the Board in the management of the business and affairs of the Bank during intervals between the monthly meetings of the Board. The Executive Committee shall have the power to provide business development and financial policy direction.</p>	<p><b>PURPOSE</b></p> <p>Subject to the limits set forth in the Bank's By-Laws and insofar as such may be lawfully delegated to it, the Executive Committee shall possess and exercise all of the functions and powers of the Board <del>in the management of the business and affairs of the Bank</del> during intervals between the monthly meetings of the Board. The Executive Committee shall have the power to provide business development and financial policy direction.</p>	<p>Revision is in compliance with a BSP finding during its Regular Examination of the Bank last 13 September 2018.</p>
<b>PHILIPPINE BANK OF COMMUNICATIONS – BY LAWS</b>			
	<b>Current Provision</b>	<b>Proposed Revision</b>	<b>Remarks</b>
<b>1</b>	<p><b>ARTICLE IV</b></p> <p><b>THE EXECUTIVE COMMITTEE</b></p> <p><b>1. COMPOSITION AND FUNCTIONS</b> - There shall be an Executive Committee composed of not more than seven (7) members of the Board of Directors as may be elected by the Board. In case of lack of quorum, the Chairman may designate any officer or member of the Board to fill the vacancy temporarily. The Secretary of the Board of Directors shall act as Secretary of the Executive Committee. Said Committee shall have the power to exercise functions and prerogatives of the Board of Directors during intervals between meetings of said Board except as to such matters as the Board may have specifically reserved for itself by appropriate resolution. The Committee shall adopt its own rules and procedures. Minutes of all meetings of the Executive Committee shall be kept and carefully preserved as a record of the business transacted at such meeting and shall be submitted, together with a report of all matters acted upon by this Committee, at the regular</p>	<p><b>ARTICLE IV</b></p> <p><b>THE EXECUTIVE COMMITTEE</b></p> <p><b>1. COMPOSITION AND FUNCTIONS-</b> There shall be an Executive Committee <u>composed of at least five (5) members of the Board</u> of Directors as may be elected by the Board. In case of lack of quorum, the Chairman may designate any officer or member of the Board to fill the vacancy temporarily. The Secretary of the Board of Directors shall act as Secretary of the Executive Committee. Said Committee shall have the power to exercise functions and prerogatives of the Board of Directors during intervals between meetings of said Board except as to such matters as the Board may have specifically reserved for itself by appropriate resolution. The Committee shall adopt its own rules and procedures. Minutes of all meetings of the Executive Committee shall be kept and carefully preserved as a record of the business transacted at such meeting and shall be submitted, together with a report of all matters acted upon by this Committee, at the regular meetings of the Board of Directors.</p>	<p>Revision is to align with the latest EXCOM Charter.</p>



	meetings of the Board of Directors.  A quorum at any meeting of the Executive Committee shall consist of a majority of all members thereof, and a majority of such quorum shall decide any question that may come before the meeting. (As amended on June 18, 1996)	A quorum at any meeting of the Executive Committee shall consist of a majority of all members thereof, and a majority of such quorum shall decide any question that may come before the meeting. (As amended on _____)	
<u>2</u>	<u>No Provision</u>	<u><b>ARTICLE V</b></u>  <u><b>THE AUDIT COMMITTEE</b></u>  <b>1. COMPOSITION AND FUNCTIONS</b> – There shall be an Audit Committee composed of at least three (3) members of the Board of Directors, as may be elected by the Board, who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson. The chairperson of the Audit Committee shall not be the chairperson of the Board of Directors or any of the board-level-committees.  The Audit Committee shall (a) oversee the financial reporting framework; (b) monitor and evaluate the adequacy and effectiveness of the internal control system; (c) oversee the internal audit function; (d) oversee the external audit function; (e) oversee the implementation of corrective actions; (f) investigate significant issues/concerns raised; and (g) establish whistleblowing mechanism. (As amended on _____)	Revision is proposed to align with the Section X144.1 of Manual of Regulations for Banks
<u>3</u>	<u>No Provision</u>	<u><b>ARTICLE VI</b></u>  <u><b>THE RISK OVERSIGHT COMMITTEE</b></u>  <b>1. COMPOSITION AND FUNCTIONS</b> – There shall be a Risk Oversight Committee composed of at least three (3) members of the Board of Directors as may be elected by the Board, majority of whom shall be independent directors, including the chairperson. The chairperson of the Risk Oversight Committee shall not be the chairperson of the Board of Directors or any of the board-level-committees.  The Risk Oversight Committee shall advise the Board of Directors on the Bank’s overall current and future risk appetite, oversee senior management’s adherence to the risk appetite statement, and report on the state of the risk culture of the Bank. The Risk Oversight Committee shall (a) oversee the risk management framework; (b) oversee adherence to risk appetite; and (c) oversee the risk management function. (As amended on _____)	Revision is proposed to align with the Section X144.2 of Manual of Regulations of Banks 2017
<u>4</u>	<u>No Provision</u>	<u><b>ARTICLE VII</b></u>  <u><b>THE CORPORATE GOVERNANCE</b></u>	Revision is proposed to align with the Section X144.3 of Manual

		<p><b>COMMITTEE</b></p> <p><b>1. COMPOSITION AND FUNCTIONS –</b> There shall be a Corporate Governance Committee composed of at least three (3) members of the Board of Directors as may be elected by the Board, who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson.</p> <p>The Corporate Governance Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. The Corporate Governance Committee shall (a) oversee the nomination process for members of the Board of Directors and for positions appointed by the Board of Directors; (b) oversee the continuing education program for the Board of Directors; (c) oversee the performance evaluation process; and (d) oversee the design and operation of the remuneration and other incentives policy. (As amended on _____)</p>	<p>of Regulations of Banks 2017</p>
<p>5</p>	<p>No Provision</p>	<p><b>ARTICLE VIII</b></p> <p><b>THE RELATED PARTY TRANSACTIONS COMMITTEE</b></p> <p><b>1. COMPOSITION AND FUNCTIONS –</b> There shall be a Related Party Transaction Committee composed of at least three (3) members of the Board of Directors and two (2) of whom shall be independent directors, including the chairperson, as may be elected by the Board. The committee shall at all times be entirely composed of independent directors and non-executive directors, with independent directors comprising of majority of the members. The compliance officer is the committee secretariat.</p> <p>The Related Party Transaction Committee shall (a) evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, monitored, and subsequent changes are captured; (b) evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances, that no corporate or business resources of the Bank are misappropriated or misapplied, and continuous determination on the relevant potential reputational risk; (c) ensure that appropriate disclosure is made and/or information is provided to regulating and supervising authorities relating to the Bank's RPT exposures and policies on conflict of interest; (d) report to the Board of Directors on a regular basis the status of exposures to each related party; (e) ensure transactions with related party are subject to periodic review; and (f) oversee the implementation of the system for</p>	

		identifying, monitoring, measuring, controlling, and reporting RPTs, including periodic review of RPT policies and procedures. (As amended on _____)	
<u>6</u>	No Provision	<p><b>ARTICLE IX</b></p> <hr/> <p><b>THE TRUST COMMITTEE</b></p> <p><b>1. COMPOSITION AND FUNCTIONS</b> – There shall be a Trust Committee composed of at least five (5) members, who shall consist of the president, the trust officer, and the remaining three (3) of whom shall either be independent or non-executive directors, as may be elected by the Board. The members The Trust Committee shall report directly to the board of directors and is primarily responsible for overseeing the fiduciary activities of the bank</p> <p>The Trust Committee shall (a) ensure that fiduciary activities are conducted in accordance with applicable laws, rules and regulations, and prudent practices; (b) ensure that policies and procedures that translate the board’s objectives and risk tolerance into prudent operating standards are in place and continue to be relevant, comprehensive and effective; (c) oversee the implementation of the risk management framework and ensure that internal controls are in place relative to the fiduciary activities; (d) adopt an appropriate organizational structure/staffing pattern and operating budgets that shall enable the trust department to effectively carry out its functions; (e) oversee and evaluate performance of the trust officer; (f) conduct regular meetings at least once every quarter, or more frequently as necessary, depending on the size and complexity of the fiduciary business; and (g) report regularly to the board of directors on matters arising from fiduciary activities.</p>	
<u>7</u>	<p><b>ARTICLE V</b></p> <hr/> <p><b>OFFICERS AND AGENTS OF THE BANK</b></p> <p><b>3. CHAIRMAN OF THE BOARD</b> - The Chairman of the Board shall be elected by the Board of Directors from their own number. He shall preside at all meetings of the stockholders and the Board of Directors. He shall be the Chairman of the Executive Committee. He shall have the power and authority of supervision and control over the affairs of the Bank, and over all other officers and staff. He shall have such other powers and duties as may be prescribed by the Board of Directors.</p>	<p><b>ARTICLE X</b></p> <hr/> <p><b>OFFICERS AND AGENTS OF THE BANK</b></p> <p><b>3. CHAIRMAN OF THE BOARD</b> – The Chairman of the Board shall be elected by the Board of Directors from their own number. He shall preside at all meetings of the stockholders and the Board of Directors. <del>He shall be the Chairman of the Executive Committee.</del> He shall have the power and authority of supervision and control over the affairs of the Bank, and over all other officers and staff. He shall have such other powers and duties as may be prescribed by the Board of Directors.</p>	Revision is proposed to re-align duties of the Board Chairman and in compliance with a BSP finding during its Regular Examination of the Bank last 13 September 2018.

## Other Matters

The following is a summary of the acts of Management since the last Annual Meeting in 2018 to date which will be submitted for ratification to the stockholders during the coming Annual Meeting:

Date Approved	Particulars
	2018 Attendance-Board and Board Committees (Annex “D”)
	2018 Summary of the Performance Evaluation of the Board/Board Committees (Annex “E”)
April 24, 2019	Amendments to the Bank’s By-Laws
March 27, 2019	Holding of 2019 Annual Stockholders Meeting on June 4, 2019 and Agenda
March 31, 2019	Resignation of Mr. Jaime Valentin Araneta, EVP – Retail Business Head
February 27, 2019	Resignation of Mr. David L. Balangue, Independent Director
October 15, 2018	Resignation of Mr. Eriberto Luis Elizaga, EVP and CCBG Head
September 18, 2018	Issuance of PBCOM’s Long Term Negotiable Certificates of Time Deposit (LTNCD)
July 31, 2018	Amendments on the Issuance of Long Term Negotiable Certificates of Time Deposit (LTNCD)
July 25, 2018	Hiring of Ms. Josephine Cervero, SVP, Head of Trust and Wealth Management Group
June 5, 2018	Results of Annual Meeting of Stockholders and Organizational Board Meeting:  Board of Directors for Year 2018-2019:  Eric O. Recto Leonardo B. Dayao Patricia May T. Siy Carmen G. Huang Bunsit Carlos G. Chung Lucio L. Co Susan P. Co Ralph C. Nubla, Jr. Gregorio T. Yu Levi P. Labra  David L. Balangue- Independent Director Jesus S. Jalandoni, Jr. – Independent Director Gilda E. Pico- Independent Director Roberto Z. Lorayes- Independent Director Emmanuel Y. Mendoza- Independent Director  Corporate Officers of the Bank for Year 2018-2019:
	Chairman of the Board: Eric O. Recto
	Vice Chairman: Leonardo B. Dayao
	President and CEO: Patricia May T. Siy
	Executive Director: Carmen G. Huang
	EVP & Branch Banking Group Head: Jaime Valentin L. Araneta
	EVP & Corporate and Commercial Banking Group Head: Eriberto Luis S. Elizaga
	EVP & Chief Operations Officer: John Howard D. Medina
	SVP – Branch Sales, Distribution and Services Division: Delbert S. Ang It
	SVP & Treasurer: Alan E. Atienza
	SVP & Comptroller: Arlene M. Datu
	SVP & Transaction Banking and Customer Contact Center Group Head: Expedito G. Garcia, Jr.
	SVP & General Services Group Head: Jane Lim-Laragan
	SVP & Global Operations Group Head: Daniel M. Yu
	SVP & General Counsel: Jorge Alfonso C. Melo
	SVP & Consumer Sales & Marketing Division Head: Ricardo R. Mendoza
	Corporate Secretary: Angelo Patrick F. Advincula
	Assistant Corporate Secretary and Corporate
	Michael Stephen H. Lao

Information Officer:	
FVP & Acting Head-Internal Audit Group:	Jeruel N. Lobien
FVP & Human Resources Group Head:	Mina F. Martinez
FVP & Enterprise Risk Management/ICAAP Head:	Evelyn D. Vinluan
AVP & Compliance Group Officer-In-Charge:	Angelita U. Egalin
AVP & Trust and Wealth Management Group Officer-In-Charge:	Irwin Joseph T. Tychuaco

The Board of Directors likewise constituted the following committees and appointed the following members thereof:

Executive Committee:

- a) Lucio L. Co (Chairman)
- b) Eric O. Recto (Vice Chairman)
- c) Leonardo B. Dayao (Vice Chairman)
- d) Patricia May T. Siy
- e) Carmen G. Huang
- f) Bunsit Carlos G. Chung

Risk Oversight Committee:

- a) David L. Balangue (Chairman/Independent Director)
- b) Jesus S. Jalandoni, Jr. (Independent Director)
- c) Roberto Z. Lorayes (Independent Director)
- d) Levi B. Labra
- e) Patricia May T. Siy

Governance Committee:

- a) Gilda E. Pico (Chairman/Independent Director)
- b) Eric O. Recto
- c) Leonardo B. Dayao
- d) David L. Balangue (Independent Director)
- e) Roberto Z. Lorayes (Independent Director)

The Governance Committee also serves as the Bank's Nominations Committee, Compensation and Remuneration Committees, and Performance Evaluation Committee.

Audit Committee:

- a) Emmanuel Y. Mendoza (Chairman/Independent Director)
- b) Gilda E. Pico (Independent Director)
- c) Levi B. Labra

Trust Committee

- a) Eric O. Recto (Chairman)
- b) Patricia May T. Siy
- c) Jesus S. Jalandoni, Jr. (Independent Director)
- d) Roberto Z. Lorayes (Independent Director)

Related Party Transactions Committee

- a) Jesus S. Jalandoni, Jr. (Chairman/ Independent Director)
- b) David L. Balangue (Independent Director)
- c) Gilda E. Pico (Independent Director)
- d) Levi B. Labra
- e) Roberto Z. Lorayes (Independent Director)

## Voting Procedures

The vote required for acts requiring stockholders approval is at least a majority of the outstanding capital stock.

In the election of directors, the fifteen (15) nominees with the greatest number of votes will be elected directors.

Every stockholder is entitled to one vote. However, with respect to the election of directors, the stockholders may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the number of directors to be elected.

The method of counting the votes of the shareholders shall be in accordance with the general provisions of the Corporation Code of the Philippines. Method of voting shall be conducted by show of hands unless a shareholder requires a poll to be made on any action. In such case, the method of counting votes shall be done in secret. Counting of votes shall be supervised by the Corporate Secretary with the assistance of representatives from Sycip, Gorres Velayo and Co.



---

## FINANCIAL AND OTHER INFORMATION

---

### Financial Statements

Copies of the audited financial statements for the period ended December 31, 2018 shall be made available to the stockholders during the Annual Stockholders' Meeting on June 4, 2019.

### Item 1. The Company

Philippine Bank of Communications (“PBCOM” or the “Bank”) was incorporated as one of the earliest non-American foreign banks in the country on August 23, 1939. It received the authority to engage in commercial banking from the then Bureau of Banking of the Department of Finance under the Philippine Commonwealth, with a capitalization of Two Million Pesos. The Bank commenced operations on September 4, 1939. However, its operations were temporarily interrupted during World War II, but were immediately reconstituted in 1945 through the infusion of fresh funds. The Bank started under full Filipino ownership in 1974 when a group of industrialists led by Ralph Nubla Sr. bought majority of the Bank's outstanding shares.

The Bank is a registered government securities dealer, having been granted the license on December 14, 1981. It also has a Trust license which was approved on August 24, 1961.

PBCOM acquired a license to operate as an expanded commercial bank from the BSP on December 24, 1993 and operated as such until the year 2000. In order to focus on its core strengths and maximize utilization of available resources, the Bank applied for the conversion of its expanded commercial bank license into a regular commercial banking license which was approved by the Monetary Board of the BSP on March 31, 2000. PBCOM has since opted to capitalize on its core strength by focusing on and pursuing traditional commercial banking operations. In December 2000, the Bank acquired 100% of Consumer Savings Bank as part of its strategy to expand its consumer banking business.

On July 26 2011, the major shareholders of the Bank, namely the Chung, Luy, and Nubla Groups, signed a Memorandum of Agreement (MOA) with a group of investors led by ISM Communications Corporation (the “ISM Group”), involving the sale of their entire stake in the Bank to the ISM Group and the commitment of the Chung and Nubla groups to reinvest the proceeds of the sale of their respective shares amounting to approximately ₱2.8 Billion in the Bank.

On October 13, 2011, the Monetary Board approved the acquisition of PBCOM by the ISM Group.

On December 23, 2011, the acquisition by the ISM Group of a controlling interest in the Bank was successfully transacted through the facilities of the Philippine Stock Exchange.

On December 27, 2011, the Chung and Nubla Groups reinvested ₱2.4 Billion as deposits for future subscription of PBCOM shares of stock. Another ₱0.4 Billion was deposited in March 2012 and additional P22 Million in April 2012 to complete their commitment of approximately P2.8 Billion.

On May 31, 2012, the LFM Properties Group deposited ₱0.72 Billion for future subscription to PBCOM shares of stock. Another ₱30 Million was deposited by the LFM Properties Group on October 24, 2012.

On February 8, 2013, BSP issued a Certificate of Authority to the Bank for it to register its Amended Articles of Incorporation and Amended By-Laws with the SEC.

On March 8, 2013, the Bank obtained approval from SEC for a quasi-reorganization and an increase in authorized capital stock. The Articles of Incorporation was amended to implement the following:

- a. Reclassification of Bank's existing 120,000,000 preferred shares to common shares;
- b. Reduction of the par value of all its common shares from ₱100 per share to ₱25 per share; and
- c. Increase in authorized capital stock to ₱19,000,000,000 divided into 760,000,000 common shares with a par value of ₱25 per share.

The reclassification of the said preferred shares to common shares took effect on March 19, 2013. On December 2013, the Bank received the approval of both the BSP and SEC to apply ₱3.94B in APIC to partially wipe out the bank's outstanding deficit.

On March 26, 2014, the Bank exited from the 10-year Financial Assistance Agreement with PDIC by settling the loan of P7.6 Billion which represents financial assistance by the latter to the Bank in 2004.

The subscription by P.G. Holdings (PGH) to the new shares of the Parent Company amounting to ₱5.98 billion was approved by BSP on September 23, 2014. The first installment of P1.79 billion was paid by PGH on September 25, 2014. Subsequently on October 1, 2014, VFC Land Resources Inc. (VFC) bought 59.24 million shares at P33.00 per share from the ISM Group. PGH and VFC are beneficially owned by the family of Mr. Lucio Co, bringing his total stake in PBCOM to 49.99%.

On September 22, 2015, June 29, 2016 and September 11, 2017, the Parent Company received the second, third and final installment payments, respectively, each amounting to P1.39 billion for the subscribed shares of PGH.

In 2015, both PGH and VFC bought additional 2.4 million shares and on the following year an additional 0.49 million shares and 9.49 million shares were acquired by PGH and VFC, respectively. In 2018, PGH bought an additional 2.27 million shares bringing the Co Family's total stake in the Parent Company of 53.65%.

### Business of Registrant

PBCOM offers a wide range of products and services to clients. These include basic commercial banking services such as deposit products, credit and loan facilities, trade-related services, treasury and foreign exchange trading, cash management services and Trust and Investment Management services.

Deposit products and services include peso, dollar and third currency savings, checking and time deposit accounts, ATM accounts, foreign and domestic remittance services, cash management services namely deposit pick-up and cash delivery, payroll and check-writing services. Ancillary services such as safety deposit boxes and manager's checks, demand drafts, acceptance of tax and SSS payments are also available. These products are offered on a retail basis to individuals and to corporate clients as well.

Credit and loan facilities include working capital financing, post-dated check discounting, specialized lending programs such as mortgage and contract-to-sell financing. Structured Products including trade financing were introduced in August 2005. In 2012, the Bank launched home and auto loans while the personal loan product was launched in April 2013.

Trade-related services include import LCs, standby LCs, credit bank guaranty and shippers bond, export LC advising, export packing credits & export bills negotiation and collections, trade financing of receivables and payables, domestic LCs and trust receipt financing. These services are financing facilities offered to importers and exporters.

Treasury products include dealership and brokering of government securities and commercial papers, both domestic and international, deposit substitutes like promissory notes and repurchase agreements, foreign exchange proprietary trading and commercial client servicing.

Trust services include investment management services, personal trust funds, escrow agency services, employee benefit trust services and estate planning.

### Contribution to Revenue

The contribution to sales/revenues from the Bank's products and services is broken down as follow: (1) interest income derived from lending, investment securities and others receivables accounted for 78.76% of gross revenues while (2) other operating income consisting of trading gains, service charges, fees and commissions, income from trust operations, profit/loss from asset sold, foreign exchange gain/loss, rental income and miscellaneous income accounted for 21.24% of the Bank's gross income.

The Bank does not maintain any branch or sales office abroad. Hence, all revenues are generated domestically.

### Distribution Methods of Products and Services

The Parent Bank's liability and ancillary products and services are distributed primarily through its 89 branches. These branches are supported by a network of 151 automated teller machines deployed in strategic branch sites including 71 off-site locations.

PBCOM clients may also access and conduct its transactions through the Bank's Internet and Mobile Banking facilities, which the BSP approved for launching last June 21, 2017 and September 28, 2018; respectively. In addition, the Bank has also deployed 44 Cash Deposit Machines across various sites to help service the deposit requirements of its clients.

### Competition

As of end 2018, the Philippine commercial banking industry is composed of 24 commercial banks (KB) of which 5 are private domestic commercial banks and 15 are foreign banks with either established subsidiaries or foreign branch licenses.

### Patents, Trademarks, Licenses, Franchises, Concessions, and Royalty

There are no outstanding patents, trademarks, copyrights, franchises, concessions, and royalty agreements held as of December 31, 2018.

### Customers

PBCOM has nurtured and grown a strong core clientele in the Filipino-Chinese community over the years and this has become a significant market for the Bank. Today, the Filipino-Chinese market continues to be its major customer base despite the Bank's recent success in expanding into other markets where the larger universal banks dominate. The Bank continues to strengthen its presence in the middle market by focusing on the products that will address the needs of these customers.

### Subsidiaries and Affiliates

The Bank acquired two Rural Banks in 2014, Rural Bank of Nagcarlan Inc. (RBNI) on July 28, 2014 and Banco Dipolog Inc. (BDI) on September 8, 2014.

RBNI was registered with the Securities and Exchange Commission on May 31, 1962 with Registration No. 20816. RBNI was authorized by the BSP on June 2, 1962 to engage in rural banking business. Its head office is located at 692 Jose Coronado St., Nagcarlan, Laguna and has 6 branches located in various municipalities of Laguna.

BDI was formally organized under the Corporation Code of the Philippines on October 17, 1957 and the first bank established in Dipolog City and in the Zamboanga Peninsula. It is one of the leading rural

banks in Southern Philippines. Another rural bank, Rural Bank of Kabasalan, Inc. (RBKI), from an earlier acquisition, was in the process of consolidation with BDI in 2014.

To capitalize on the strength of its Rural Banks, PBCOM merged BDI, RBNI and RBKI with BDI as the surviving entity. BSP's Monetary Board approved the merger last December 11, 2017. To reinforce brand unity with PBCOM, BDI filed for change of name to PBCOM Rural Bank, Inc. (PRBI). This was approved by the SEC last July 9, 2018 and change was authorized by the BSP last July 27, 2018.

As of December 31, 2018, PRBI has 17 branches and 9 Branch Lite Units.

PBCOM Insurance Services Agency, Inc. (PISAI) was incorporated and registered with the Securities and Exchange Commission on May 9, 2014 to engage primarily in the business of soliciting and promoting insurance products. The company offers a range of insurance agency services specific to life and investment-linked products to meet customers' wealth management and risk protection needs.

PBCOM Finance Corporation was incorporated and registered with the SEC on January 9, 1980 to provide, grant, and/or extend credit facilities to any person, business, juridical or otherwise. It is 40% owned by the Bank while the remaining 60% is owned by various individual shareholders. Its principal place of business is located at 7<sup>th</sup> floor, PBCOM Building, 214-216 Juan Luna St. Binondo, Manila.

#### Transaction with and/ or Dependence on Related Parties

The Bank's related parties include key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members, associates and post-employment benefits for the benefit of the Bank's employee.

As required by BSP, the Bank discloses loan transactions with its associates, affiliates and with certain directors, officers, stockholders and related interests. As of December 31, 2018 the Bank is compliant with DOSRI rules and regulation.

The Bank's related party transactions are presented and discussed in Note 31 of the Audited Financial Statements.

#### Effect of Existing or Probable Government Regulations

##### *Bangko Sentral ng Pilipinas*

The Bank fully complies with the required capitalization for commercial banks without expanded banking licenses (non-unibank) as prescribed by the BSP. The Bank's consolidated qualifying capital as of end-December 31, 2018 stood at ₱11.66 Billion while its capital to risk assets ratio under the BASEL III reporting standards covering credit, market and operational risks as reported to BSP remained well above the 10% prescribed cap at 14.56%.

##### *Bureau of Internal Revenue*

RA No. 9337, An Act Amending the National Internal Revenue Code, provides that starting January 1, 2009, the Regular Corporate Income Tax rate (RCIT) shall be 30% while interest expense allowed as a deductible expense is reduced to 33% of interest income subject to final tax.

A Minimum Corporate Income Tax (MCIT) of 2% on modified gross income is computed and compared with the RCIT. Any excess MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, Net Operating Loss Carry Over (NOLCO) is allowed as a deduction from taxable income in the next three years from the year of inception.

Foreign Currency Deposit Unit (FCDU) offshore income (income from non-residents) is tax-exempt while gross onshore income (interest income from loans to residents) is subject to 10% income tax. Income from FCDU transactions, other than offshore and onshore, is subject to the 30% RCIT or 2% MCIT whichever is applicable.

On March 15, 2011, the Bureau of Internal Revenue (BIR) issued RR 4-2011 which prescribes the attribution and allocation of expenses between the FCDUs/EFCDUs or OBUs and Regular Banking Unit (RBU) and within RBU.

On January 01, 2018, Republic Act No. 10963, known as the Train Reform for Acceleration and Inclusion (TRAIN) Law, took effect. The law increased the rates of Documentary Stamp Tax (DST) by 100% except on the DST on debt instruments which increased by 50%. Among the other taxes which rates were increased are Fringe Benefit Tax from 32% to 35%; Excise Tax on Petroleum Products up to 8php per liter/kilo; and, Final Withholding Tax on interest income from deposit under the expanded foreign currency deposit system from 7.5% to 15%.

### Research and Development Activities

The bank offers basic commercial banking products and services that require no significant amount to be spent on product research & development.

### Employees

As of December 31, 2018 the Bank has 1,074 employees with 741 officers and 333 rank and file. All rank and file employees are covered by a 3-year Collective Bargaining Agreement (CBA) signed last September 21, 2018, with effect until December 31, 2020. There had been neither dispute nor occurrence of employees' strike for the past years. PBCOM Rural Bank has 396 employees with 111 officers and 285 rank and file.

### Risk Management

PBCOM applies risk management across the entire organization — from the Board of Directors, Senior Management, Business Groups, Business Centers, support units, its 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.

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.

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

### **Risk Vision Statement**

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

### **Risk 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.

### **ERM 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.

### **ERM 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.

### **PBCOM Enterprise Risk Governance**

The Board of Directors, directly or through Board Committees ensures alignment of business decisions with the Bank's strategies and risk appetite. It approves key risk policies, limits, strategies and the Bank's risk appetite. It is responsible for establishing and maintaining a sound risk management system and is ultimately accountable for risks taken within the Bank.

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, its subsidiaries and its trust unit. Its responsibilities are to:

1. *Oversee the risk management framework.* The committee shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.
2. *Oversee the adherence to risk appetite.* The committee shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limits structure, policies, and procedures relating to risk management and control, and performance of management, among others.
3. *Oversee the risk management function.* The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer (CRO). It shall also ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of the Bank.

The ERM/Internal Capital Adequacy Assessment Process (ICAAP) Group is the ROC's implementing arm in carrying out its functions. It serves the Bank's Board of Directors and Management by assisting the Bank accomplish its objectives by bringing a systematic and disciplined approach to promoting risk management practices consistent with the type and complexity of operation of the Bank and its subsidiaries. It assists the management of risk that is a direct responsibility of the business and support units.

### **Capital Management**

PBCOM's capital management framework involves providing shareholders optimal returns within the ability of the capital to protect the interests of all the bank's stakeholders. The framework involves monitoring both capital requirements and capital resources to ensure:



- Qualifying capital remains above minimum requirements of ten (10) percent of risk weighted assets;
- Quality of capital resources aligns with the risks present or to be taken to achieve growth & return and;
- Prudent balance between the growth and return required of strategic plans and the continuing institutional strength of the Bank.

PBCOM consistently maintains a ratio of qualifying capital to risk weighted assets that are in excess of the ten (10) percent minimum requirements of Philippine banking regulations.

The Bank, in addition, conducts an ICAAP, along with its strategic planning exercise. The ICAAP provides the bank the opportunity to:

- Articulate its risk appetite, strategic growth and return targets;
- Identify the businesses, products and services the bank will pursue or use to achieve the targets;
- Define and measure the risks each business, product or service will create;
- Consider how the bank will mitigate and manage the identified risks;
- Determine the amount and the quality of the capital resources necessary to sustain financial strength through a risk event;
- Conduct stress tests to aid in identifying break points and vulnerabilities; and
- Develop capital build-up and contingency plans.

The ICAAP is a collaborative effort of the Management and the Board of Directors. PBCOM submits the documentation of the results of its ICAAP to the supervisory review and examination of the BSP.

The regulatory qualifying capital of the Bank consists of Common Equity Tier 1 and Additional Tier 1 and is comprised of paid-up common stock, retained earnings including current year profit and surplus reserves less required deductions such as unsecured credit accommodations to DOSRI, and goodwill. The other component of regulatory capital is Gone-Concern Capital (Tier 2), which includes appraisal increment reserves (as authorized by the Monetary Board) and general loan loss provision.

The Bank's capital charge for credit risk is computed at 10% of credit risk-weighted on- and off-balance sheet assets. Risk weights of on-balance sheet assets are computed using the standardized approach. For off-balance sheet assets, the risk weights are calculated by multiplying the notional principal amount by the appropriate credit conversion factor as specified in BSP Circular No. 538.

Market risk capital charge is computed according to the methodology set under BSP Circular No. 360, as amended by BSP Circular No. 538 using the standardized approach. Under this approach, capital for market risk is equivalent to 10% of market risk-weighted assets that cover interest rate, equity and foreign exposures of the bank.

Operational risk capital charge is computed using the Basic Indicator Approach, under which capital for operational risk is equal to 15% of the Bank's average positive annual gross income of the previous three years.

#### Market, Liquidity and Interest Rate Risk Management

Market risk arises from adverse fluctuations in the market value of financial instruments in both on- and off-balance sheet items. The Bank employs the Value-at-Risk (VaR) at 99% confidence

level to measure market risk and performs backtesting (using both hypothetical and actual backtesting approaches) to ensure an accurate and robust VaR model. Stress Testing is also employed to determine the earnings impact of extreme market movements not captured by VaR calculations. A system of risk limits that reflect the Bank's level of capital, expected returns and the overall risk appetite is used to manage market risk. These limits include the VAR limit, Nominal Position limit, Off-Market Tolerance limit and Stop-loss limit. The Bank also uses Market Risk Assessment Matrix to assess the overall market risk profile of the Bank.

Liquidity risk refers to the possibility that the Bank will be unable to meet its financial obligations in any currency. The Bank monitors daily and ensures compliance to regulatory ratios such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) and employs other liquidity ratios, liquidity stress testing, liquidity gapping report, liquidity funding concentration, and Maximum Cumulative Outflow (MCO) limit to manage liquidity risk. Market stress testing results are also applied to the Liquidity Gap report to measure impact on future cash flows. The Bank also uses Liquidity Risk Assessment Matrix to assess the overall liquidity risk profile of the Bank. In managing intraday liquidity, the Bank has an internal buffer fund called "Secondary Reserve" for Deposit Liabilities, Deposit Substitutes, and Repurchase Agreements. The buffer fund serves to manage demand and supply of funds for new loans and funding of potential amount of liability outflows. This will allow the Bank to readily support its new business strategies and direction and management of liquidity risk.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Bank follows a prudent policy in managing its assets and liabilities so as to ensure that the exposure to fluctuations in interest rates is kept within acceptable limits. A substantial proportion of the total loan portfolio is for a term of less than one year, and the majority of the balance of its medium-term portfolio is on a floating-rate basis. Floating rate loans are repriced periodically by reference to the transfer pool rate which reflects the Bank's internal cost of funds. As a result of these factors, the Bank's exposure to interest rate fluctuations, and other market risks, is significantly reduced. The Bank, in keeping with banking industry practice, aims to achieve stability and lengthen the term structure of its deposit base, while providing adequate liquidity to cover transactional banking requirements of customers. The Bank uses Earnings-at-Risk (EaR), Economic Value of Equity (EVE), and Interest Rate Repricing Gap reports to measure the possible impact to net interest income and net worth of the Bank under a simulated parallel movement of interest rate. Likewise, a system of risk limits and key risk indicators is also employed by the Bank to manage interest rate risk in the banking book.

## **Credit Risk Management**

### *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 when Bank's funds are extended, committed, invested or exposed through actual or implied contractual agreements. Capital depletion through loan losses has been the ultimate cause of most institutions' failures. The Bank's credit risk arises from its lending and trading of securities and foreign exchange activities.

The Bank, in recognition of the importance of identifying and rating credit risk as the initial step towards its effective management, has put in place a comprehensive set of policies and established underwriting processes, as approved by the Board of Directors. Regular analysis of the ability of potential and existing borrowers to meet interest and capital repayment obligations is made, including amendment of lending limits when appropriate. The Bank is thus able to continually manage credit-related risks in its risk asset portfolio through objective

assessments/evaluations of credit proposals prior to presentation to the appropriate approval authority, 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.

The Bank also employs and implements an Internal Credit Risk Rating System (ICRRS) that is consistent with global rating standards, compliant with Basel II requirements and appropriate to the Bank's nature, complexity and scale of activities. Resulting ratings/scores together with experienced credit judgment serve as basis in proactively setting-up of loan loss provisions in compliance with PFRS 9.

#### Credit Exposure Limits

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual borrowers and groups of borrowers as well as limits on large exposures and real estate loan ceilings and limits on past due and non-performing ratios. Such risks are monitored on a regular basis and subjected to annual or more frequent review, when considered necessary. These limits are approved by the Board of Directors. The exposure to any one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored regularly.

#### Other Credit Enhancements

Exposure to credit risk is also managed in part by obtaining collateral, suretyship or guarantees. The amount and type of security required depends on an assessment of the credit risk of the counterparty. In order to minimize credit loss, additional security is sought from the borrower when impairment indicators are observed for the relevant individual loans and advances. 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, inventories 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 and timely 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 has in place an independent post credit review of the loan portfolio quality and credit process that allows it to continually identify and assess the risks on credit exposures and take corrective actions. This function is carried out by the Credit Review Unit under the Bank's Enterprise Risk Management/ICAAP Group.

The management of the credit portfolio is subject to internal and regulatory limits which serve to control the magnitude of credit risk exposures and preserve the quality of the portfolio. ERMG also monitors large exposures and credit risk concentrations in accordance with BSP regulations.

### **Operational Risk Management**

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. Operational risk is inherent in all activities, products and services and cuts across multiple activities and business lines within the Bank and across its subsidiaries and affiliates. The primary tool in controlling operational risk is an effective system of internal controls which is approved by the Board and participated by each and every employee of the Bank.

The Bank's Operational Risk Management Framework is updated 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, and the internal operational loss database, results of which are periodically reported by the Operational Risk Management Division (ORMD) to the ROC. ORMD 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.

Aside from securing adequate insurance coverage over properties owned and acquired, putting up of reserve for self-insurance and setting up allowances for probable losses, operational risk is mitigated through preventive and detective controls which are embedded in operating policies and procedures, approval limits and authorities to govern day-to-day operations.

To instill risk awareness and an operational risk control environment, the Bank's ERMG and Compliance Management Group (CMG) conduct regular in-house seminars and trainings, such as 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.

The Bank's Technology Risk Management Framework continues to provide strengthened foundation and guidance on how the Bank should effectively manage emerging technology risks. It incorporates the requirements under existing BSP regulations 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 methodologies for both IT functions and application systems are in place. Risk identification and assessments over project management are enhanced from project initiation to implementation. Control validation process is incorporated in technology risk assessments to ensure effectiveness of established risk mitigation strategy. Corrective action plans are periodically monitored and reported to ensure 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 a risk aware organization through the conduct of trainings and seminars to Bank employees.

The Bank has in place a Business Continuity Management Framework that provides guidance for continuous operations in the event of any disruptions, and proactive mechanisms designed to prevent interruptions to critical business functions and improved Bank's resiliency. It follows a robust business continuity planning process that involves the conduct of a business impact

analysis/risk assessment, periodic review and updating of business continuity plans and conduct of BCP tests and tests evaluation. Crisis Management and Emergency Preparedness Plan, Pandemic Plan and Cyber Resiliency Plan are 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.

### **Fraud Risk Management**

Fraud risk is an integral part of the enterprise-wide operational risk management of the Bank. The enterprise-wide platform of the business in risk management enhances the quality and dexterity of the Bank's overall management capabilities in addressing fraud and operational risks while transforming to digital strategies.

Strategic steps taken by the Bank toward an effective fraud risk reduction program are:

- a. Fraud risk assessment at process-level controls to address risks associated with the consumers increasing sophistication in digital banking;
- b. Centralization of Internal Operational Loss Data and Fraud Loss events to identify the scope of the risks on an enterprise wide basis;
- c. Support the Bank's transformation / development and implementation of new digital technologies to enhance effectiveness of managing both cyber and non-cyber related fraud risks; and
- d. Active participation in related industry forums and forming partnerships to maintain a "leading edge" approach to address the risk challenges pose by digitization initiatives of the bank.

To promote the bank-wide level of culture of eternal vigilance, strong internal control and compliance, the Enterprise Fraud Risk Unit facilitates in-house seminars, with key focus on basic training and awareness programs both on traditional and Cyber Digital Fraud, Fraud Risk Awareness, Signature Verification and Counterfeit Detection, Credit Fraud and Risk Management, Identity Theft/Fraud and Check Fraud and KYC Training Sessions.

In step with the mission of adherence to the BSP's advocacy on promoting financial inclusion and consumer welfare awareness, the Enterprise Fraud Risk Unit has ably supported the Bank's initiatives in promoting awareness on Cyber-Crime and Fraud and Disaster Preparedness roadshow learning sessions among clients and non-clients of the Bank.

### **Information Security Management**

PBCOM has built its Information Security Division (ISD) based on the provision of BSP Circular 982 –Enhanced Guidelines on Information Security Management. PBCOM information security management systems, framework, practices and standards have also been created and referenced their contents on ISO/IEC 27002 and 27001 and framework of COBIT 5 for Information Security.

The Information Security framework of the Bank, namely: Operating Principles (Charter), Enterprise IS Policy, Programs and Minimum Baseline Security Standards (MBSS) are periodically reviewed and updated to conform with the minimum provisions prescribed by the regulatory authorities, government statutes and generally accepted standards. With the advent of cyber security attacks in the country, PBCOM is committed to continuously enhance its internal processes and implement robust security measures (technical, administrative and physical controls) to protect / safeguard the Bank's information assets. Information Security plays a key role in ensuring protection of data, hence, preserving its confidentiality, integrity and availability, particularly during system migration, new products and services; and other initiatives involving third-party services.

The enhanced Information Security Awareness Program sustains the employee security awareness and maturity by way of regular updating of critical information to all employees through PBCOM On-Boarding for New Employees (P-ONE), Computer-Based Training (CBT) for Continuing Education Program, Regulatory Roadshow for Existing Employees and sending out email publications provides necessary information security related matters needing urgent attention of all employees such as but not limited to, dissemination of security updates, cyber security issues, ATM Skimming/Jackpotting/Shimming or similar attacks, social engineering like Phishing, Vishing and SMShing, and other security related activities.

### **Data Privacy Management**

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 regulatory and statutory requirements. PBCOM built its privacy risk management system based on the provisions of 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 has instituted control measures to efficiently manage the risk to an acceptable level.

PBCOM, through the designated Data Protection Officer (DPO), manages the risk related to data privacy by adhering to the five (5) pillars of compliance as mandated by the NPC, at the minimum.

The Bank's compliance to the data privacy is reported to the Board of Directors (BOD), through the Risk Oversight Committee (ROC), on a quarterly basis or as deemed necessary.

### **Trust Risk Management**

The Trust and Wealth Management Group (TWMG) is exposed to fiduciary risks in managing funds and assets entrusted under its care and custody. Failure of the Group to fulfill its fiduciary responsibilities to the trustor/principal may result to a loss, damage liability, or any undesirable event that can have adverse impact on the Bank. The major risks associated with the fiduciary activities of TWMG are market, credit, liquidity, operational, legal, compliance, strategic and reputation risks. Having account management, portfolio and trading, trust credit, and operations functions within TWMG, the Bank has also designated personnel performing independent risk management function on fiduciary activities who directly report to the Enterprise Risk Management/ICAAP Group (ERMG). The fiduciary risk exposure exists in both discretionary and non-discretionary trust arrangements.

Risks arising in the performance of trust duties and obligations are addressed through the Trust Committee, Risk Oversight Committee (ROC) and ERMG. The Trust Committee performs oversight function on wealth, trust and other fiduciary services including the implementation of the risk management framework ensuring that internal controls are in place relative to the fiduciary activities of the Group. The ROC has the overall responsibility for the development of the risk strategy and implementing principles, risk framework, policies and limits of the Bank, including its Trust business. ERMG spearheads the effective implementation of the risk management process through the following risk tools and controls:

- a. Periodic Stress Testing of Trust and Wealth portfolio
- b. Risk Management Dashboard
- c. Risk Limit Monitoring
- d. Risk Control Self-Assessments (RCSA)

e. Trust Risk Management Policies

**Item 2. Properties**

---

PBCOM’s Head Office is located at PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino Street, Makati City. The Bank currently owns 50% of PBCOM Tower which was constructed under a Joint Development Agreement with Filinvest Asia. The Bank has a total of 89 branches as of December 31, 2018. Most of these are located in the metropolitan areas of Luzon, Visayas and Mindanao.

PBCOM Rural Bank, Inc.’s (PRBI) Head Office is located at 083 Rizal Avenue Corner Calibo St., Dipolog City, 7100 Zamboanga del Norte, Philippines. PRBI operates with 17 branches and 9 branch-lite units as of December 31, 2018. These branches and banking offices are owned or leased by PRBI.

PBCOM’s and PRBI’s branches are owned and/or leased. The list of branches is attached herewith marked as Annex “F”. All properties owned by the Bank are unencumbered. To date, the Bank has not identified properties to acquire in the next 12 months.

**Item 3. Legal Proceedings**

---

PBCOM has certain loan-related suits and claims that remain unsettled. It is not practicable to estimate the potential financial statement impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums that would have a material effect on the financial statements.

The Bank is a defendant in legal actions arising from its normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the Bank’s financial position.

**Item 4. Submission of Matters to a Vote of Security Holders**

---

Nothing was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

**Market Price and Dividends**

**A. Dividends History:**

Year	Stock Dividend	Cash Dividend
2018	-	-
2017	-	-
2016	-	-
2015	-	-
2014	-	-

The Bank strictly complies with the BSP regulatory requirements under Subsection X136.2 of the Manual of Regulations for Banks which states that “before any declaration of dividends, banks shall comply with the following:

- (a) Clearing account with the BSP is not overdrawn;
- (b) Liquidity floor requirement for government funds;
- (c) Minimum capitalization requirement and risk-based capital ratio;
- (d) Prescribed EFCDU/FCDU cover;
- (e) Statutory and liquidity reserves requirement;
- (f) No past due loans or accommodations with the BSP or with any institution;

- (g) No net losses from operations in any one (1) of the two (2) fiscal years immediately preceding the date of dividend declaration;
- (h) Has not committed any of the major violations enumerated in Subsection X136.2.h.

**B. Common Shares of the Bank are traded in the Philippine Stock Exchange.**

Stock Prices:

	2019		2018		2017		2016	
	High	Low	High	Low	High	Low	High	Low
1 <sup>st</sup> Quarter	₱23.95	₱18.02	₱24.45	₱21.50	₱26.40	₱22.00	₱22.50	₱22.00
2 <sup>nd</sup> Quarter			₱20.05	₱20.00	₱26.50	₱24.20	₱26.00	₱22.00
3 <sup>rd</sup> Quarter			₱20.55	₱20.45	₱26.50	₱24.35	₱25.80	₱22.00
4 <sup>th</sup> Quarter			₱20.20	₱19.78	₱25.50	₱22.35	₱24.70	₱21.20

As of April 25, 2019, closing price of the Bank's common share was ₱21.95.

**C. Holders**

As of the Record Date or 26 April 2019, there are 405 shareholders of the Bank's 480,645,163 issued and outstanding common shares, 17,205,266 or 3.58% of which are owned by foreigners.

The top 20 registered stockholders of the Bank as of the Record Date or 26 April 2019 are as follows:

	Name of Shareholder	No. of Shares	%
1	P.G. Holdings, Inc.	186,241,408	38.75%
2	PCD Nominee Corporation:	93,743,824	19.50%
	Filipino – 91,819,885		
	Non-Filipino – 1,923,939		
3	Recto, Eric O.	50,135,776	10.43%
4	Nubla, Jr., Ralph C.	46,519,036	9.68%
5	Telengtán Brothers & Sons, Inc.	31,859,844	6.63%
6	VFC Land Resources, Inc.	26,587,375	5.53%
7	Langford Universal Finance Ltd.	15,263,964	3.18%
8	La Suerte Workmen's Compensation Fund	7,056,103	1.47%
9	ISM Communications Corporation	4,806,987	1.00%
10	TTC Development Corporation	4,181,665	0.87%
11	Roxas-Chua, Ray Anthony Go	3,070,724	0.64%
12	Cham, Edison Siy	1,790,853	0.37%
13	KLK International, Inc.	1,790,853	0.37%
14	Yu, Gregorio T.	1,432,692	0.30%
15	Chungunco, Raymond N.	604,011	0.13%
16.	TFC Holdings, Inc.	562,588	0.12%
17.	Chung, Bunsit G. (a.k.a. Carlos G. Chung)	550,716	0.11%
18.	Chung, Patricia Regine K.	261,294	0.05%
19	Chung, Philippe Ryan K.	261,294	0.05%
20	Ching, Winnifred	187,798	0.04%

**Recent Sale of Unregistered Securities**

There were no sales of unregistered securities within the fiscal year covered by this report.

The Bank has no registered debt securities. There are no existing or planned stock options. There are no registered securities subject to redemption or call. There are no existing or planned stock warrant offerings.



## Management's Discussion and Analysis of Financial Condition and Results of Operations

### (1) Management's Discussion of Analysis

#### Financial Condition & Results of Operations: 2018 (Consolidated)

The Bank registered a net income of ₱626.2 Million for 2018. The bottom line grew by 57.96% or ₱229.8 Million from the restated 2017 net income of ₱396.4 Million mainly as a result of growth in corporate and consumer loan volume and improvement in yields.

Total interest income for 2018 improved by 21.32% to ₱4.8 Billion from ₱3.9 Billion. The Bank grew its loans and receivables by ₱6.7 Billion and improved its yields which resulted to higher income on loans and receivable by ₱812.3 Million. Interest income from trading and investment securities increased by 4.95% brought about by better market conditions and portfolio mix while interest on deposit with other banks declined by 28.31% or ₱4.5 Million. Higher year on year average interbank loans receivables volume accounts for 6.13% growth in interest income.

Net Interest Income improved by 7.33% as a result of better performance from the regular income streams of the Bank despite a corresponding increase in interest and finance charges by 59.60%.

Improvements in rental income by ₱97.8 Million, net trading gains by ₱36.6 Million, service charges, fees and commissions by ₱20.2 Million contributed to 8.71% increase in total operating income.

Total operating expenses increased by 3.3% from last year's restated level of ₱3.4 Billion primarily from higher taxes and licenses by ₱118.1 Million, higher occupancy and other equipment-related costs by ₱36.2 Million, higher insurance by ₱17.8 Million and higher management and professional fees by ₱7.9 Million. These were partially offset by declines in provisions for credit and impairment losses by ₱70.9 Million and in depreciation and amortization by ₱15.5 Million.

The total assets of the PBCOM Group stood at ₱103.7 Billion while total liabilities and equity amounted to ₱93.4 Billion and ₱10.3 Billion, respectively, as of December 31, 2018. Total liquid assets slightly went up by ₱2.0 Million due to increase in trading and investment securities by 15% notwithstanding the Group's increase in lending activities which resulted to a ₱6.7 Billion increase in loans and receivable. Despite increase in loans, the Group's non-performing loans (NPL) decreased by ₱7.6 Million. Consequently, the Group's gross NPL ratio declined by 0.69% from 5.09% in 2017 to 4.40% in 2018 as a result of improved collection efforts.

PBCOM's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments and likewise fully complied with the regulatory reserve requirements on a continuing basis at an optimum funding mix during the year.

The total financial assets at fair value through other comprehensive income, held by the Bank for long-term strategic purpose, increased by ₱6.7 Billion. On the other hand, year-end levels of investment securities at amortized cost and financial assets at fair value through profit and loss declined by ₱2.1 Billion and ₱1.8 Billion, respectively.

The Bank's deposit base registered a 4.66% or on increase of ₱3.3 Billion from ₱70.7 Billion last year brought about by the maiden issuance of Long Term Negotiable Certificates of Time Deposit (LTNCD) and aggressive marketing strategy of the Bank to improve funding mix focusing on low cost. The increase in deposit volume and higher cost of funds contributed to higher interest expense by ₱384.3 Million. Likewise, total borrowed funds went up by ₱5.1 Billion mainly coming from deposit substitutes placements and repos resulting to higher interest expense of ₱247.6 Million in the current year.

PBCOM's capital is at ₱10.3 Billion, up by ₱376.7 Million as of December 31, 2018 from ₱9.9 Billion restated capital as of year-end 2017. The Bank's Risk Based Capital Adequacy Ratio of 14.56% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement.

### **Financial Condition & Results of Operations: 2017 (Consolidated)**

The comparative financial statements of the Bank are restated as a result of BSP's directive to change the method of accounting for investment properties from fair value model to cost model. The following discussion and analysis are based on the restated prior year balances.

The Bank registered a net income of ₱396.5 Million for 2017. The bottom line grew by 137.45% or ₱229.5 Million from ₱166.9 Million realized last year which is mainly attributed to the growth in loan volume.

Total interest income for 2017 improved by 8.98% to ₱4.0 Billion from ₱3.6 Billion. The Bank grew its loans and receivables by ₱7.3 Billion which resulted to higher income on loans and receivable by ₱313.9 Million. Income from trading and investment securities increased by 2.17% brought about by better market conditions and portfolio mix while interest on deposit with other banks declined by 57.89% or ₱21.8 Million. Higher interbank loans receivables volume by ₱224.8 Million account for 103.98% growth in interest income from interbank loans.

Net Interest Income improved by 11.77% as a result of better performance from the regular income streams of the Bank despite a corresponding increase in interest and finance charges by 2.02%. Improvements in rental income by ₱89.0 Million, miscellaneous income by ₱70 Million, net foreign exchange gain by ₱58.3 Million and profits from assets sold by ₱21.9 Million contributed to 6.7% increase in total operating income. Total operating expenses declined by 1.09% from last year's level of ₱3.4 Billion mainly brought about by the decline in provision for credit and impairment losses by ₱134.9 Million. Likewise, management and professional fees dropped by ₱42.5 Million, and compensation and fringe benefits dropped by ₱18.2 Million. These were offset partially by higher taxes and licenses by ₱51.0 Million, higher miscellaneous expenses by ₱46.2 Million and higher occupancy and other equipment-related costs by ₱39.9 Million. The total resource base of the PBCOM Group stood at ₱95.0 Billion while total liabilities and equity amounted to ₱85.1 Billion and ₱9.9 Billion, respectively, as of December 31, 2017. Total liquid assets slightly went up by ₱5.1 Billion due to increase in trading and investment securities by 35.29% notwithstanding the Group's increase in lending activities which resulted to a ₱7.3 Billion increase in loans and receivable. Despite increase in loans, Group's non-performing loans (NPL) decreased by ₱63.4 Million.

Consequently, the Group's gross and net NPL ratios declined by 1.05% and 0.17%, to 5.09% and 0.94%, respectively, in 2017 as a result of improved collection efforts. PBCOM's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments and likewise fully complied with the regulatory reserve requirements on continuing basis at an optimum funding mix during the course of the year. Total property and equipment declined by ₱183.9 Million mainly due to depreciation and amortization and write-off of leasehold improvements. Investment properties marginally also decreased by 1.59% due to depreciation and amortization. Moreover, other assets increased by ₱188.6 Million mostly brought about by the releases in allowances for favorable court decisions on tax refund cases. The Bank's deposit base registered a 12.02% or ₱7.6 Billion increase to ₱70.7 Billion as of year-end 2017 from ₱63.1 Billion during the same period last year brought about by the aggressive marketing strategy of Bank to improve funding mix focusing on low cost. This resulted in favorable reduction in interest expenses on deposits which went down by ₱26.8 Million from the previous year level of ₱861.4 Million in 2016 to ₱834.6 Million of the current reporting year. Likewise, total borrowed funds went up by ₱2.5 Billion mainly coming from deposit substitutes placements and repo resulting to increased interest expense of ₱47.8 Million in the current year. Year-end level of manager's check and other liabilities went up by ₱127.0 Million and by ₱214.6 Million respectively.

PBCOM's capital increased to ₱9.9 Billion as of December 31, 2017 from ₱8.1 Billion as of year-end 2016, showing a growth rate of 22.17% or ₱1.8 Billion, which represents the 4th and final tranche payment of PG Holdings Corporation amounting to ₱1.4 Billion and increase in net income of ₱396.5 Million. The Bank's Risk Based Capital Adequacy Ratio of 15.85% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement.

### **Financial Condition & Results of Operations: 2016 (Consolidated)**

The Bank registered a net income of ₱167.0 Million for 2016. Total interest income for 2016 improved by 10.16% to ₱3.63 Billion from ₱3.3 Billion. The Bank provided credits worth over ₱9.6 Billion to its clients during the year which resulted to increased income on loans and receivable of ₱304.7 Million. Income from trading and Investment Securities increased by 7.48% brought about by better market conditions and portfolio mix while interest on deposit with other bank declined by 39.22% or ₱24.3 Million. Net interest income improved by 11.61% as a result of better performance from the regular income streams of the Bank despite a corresponding increase in interest and finance charges by 6.70%.

As the overall market outlook improved this year, trading activities also picked up which translated to healthy trading gains that grew by ₱239.3 Million from the ₱7.7 Million year-end level in the previous year. Foreign Exchange gain likewise improved by 12.49% or ₱1.3 Million while rental income went up by ₱70.1 Million from last year's level of ₱404.1 Million. Gain from assets exchange increased by 278% from ₱23.6 million from last year's level and Profit from asset sold improved by ₱20.1 Million.

Meanwhile, total operating expenses declined by ₱70.6 Million from last year's level of ₱3.55 Billion mainly brought about by net effect of the decline in compensation and fringe benefits by ₱163.0 Million and increase in depreciation and amortization by ₱56.1 million as brought by increase in various infrastructure and hardware upgrade. Likewise, taxes and licenses and occupancy and equipment-related cost dropped by ₱29.3 Million and ₱33.3 Million, respectively while provision for impairment losses rose by ₱90.2 million during the year. The total resource base of the PBCOM Group stood at ₱82.75 Billion while total liabilities and equity amounted to ₱74.61 Billion and ₱8.15 Billion, respectively, as of December 31, 2016. Total liquid assets slightly went up by ₱794.78 Million in spite of Trading and Investment securities dropping by 9.61% as the Bank opted to engage more in lending activities which resulted to a ₱9.6 Billion increase in loans and receivable. This consequently increased the Bank's non-performing loans (NPL) by ₱250.7 Million. However, the Group's NPL ratio declined from 1.44% in year 2015 to 1.10% in 2016 as the Bank increased the additional provisions for credit/impairment losses as a buffer against normal lending risks increases.

PBCOM's liquidity position continued to remain stable as the Bank comfortably met all its financial obligations and loan commitments and likewise fully complied with the regulatory reserve requirements on continuing basis at an optimum funding mix during the course of the year.

Total property and equipment declined by ₱ 141.602 Million mainly due to depreciation and amortization while Investment properties improved by 1.68% due to acquisition during the period. Moreover, Other Assets decreased by ₱111.2 Million brought about by the reversal of floats, advance rentals and prepaid expenses. The Bank's deposit base registered an 8.31% or ₱4.8 Billion increase to ₱ 63.1 Billion as of year-end 2016 from ₱58.3 Billion during the same period last year brought about by the aggressive marketing strategy of Bank to improve deposit mix focus on low cost. This resulted in favorable reduction in interest expenses on deposits which went down by ₱8.53 Million from the previous year level of ₱869.93 Million in 2015 to ₱861.40 Million of the current reporting year. Likewise, total borrowed funds went up by ₱3.6 Billion mainly coming from deposit substitutes placements and repo resulting increased interest expense of ₱73.7 Million in current year. Year-end level of manager's check went up by ₱191.47 Million.

PBCOM's capital base at ₱8.1 Billion is up by ₱1.66 Billion as of December 31, 2016 from ₱6.5 Billion as of year-end 2015, primarily by third tranche payment of PG Holding Corporation amounting to ₱1.4 Billion. The Bank's Risk Based Capital Adequacy Ratio of 14.64% under BASEL III reporting standards covering credit, market and operational risk as of report date is well above the 10% minimum requirement.

## (2) Discussion of various key indicators:

### A. Key Performance Indicators

Ratio	December 2018 (Consolidated)	December 2017 (Consolidated, as restated)	Remarks
Profit Margin (Net income divided by Gross income)	14.20%	9.77%	Higher growth in revenues mainly due to increase in total interest income by 21%.
Return on Average Asset (Net income divided by Average assets)	0.63%	0.45%	Increase in net income and average assets for the year ended resulted to an increase ROA of 0.18% pts compared to the previous year
Return on Average Equity (Net income divided by Average equity)	6.18%	4.39%	Increase in net income by 58% and increase in average equity resulted to a higher return on average equity compared to the previous year.
Capital Adequacy Ratio (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	14.56%	15.85%	Movement in Capital Adequacy Ratio is attributable to increase in risk weighted assets by 11%. It remains however above the 10% minimum CAR required by the BSP.
Basic Earnings per share (Net income divided by average no. of common shares)	1.30	0.82	The Bank's good financial performance resulted to a higher net income which resulted to an improved basic earnings per share.

### B. Financial Soundness

Ratio	December 2018 (Consolidated)	December 2017 (Consolidated, as restated)	Remarks
Liquidity Ratio (Liquid Assets to Total Deposits) <i>Liquid Assets include cash, due from banks, interbank loans, and trading and inv. Securities. Total deposit refers to the total of peso and foreign currency deposits.</i>	51.65%	51.27%	Minimal increase in the liquidity ratio is attributed to net effect of increases in both liquid assets and total deposits
Debt Ratio (Total Liability to Total Asset) <i>Debt refers to the total liabilities while assets is the total assets</i>	90.05%	89.53%	A minimal increase in total debt ratio is due to growth of liabilities by 9.74%, which outweighed the increase in total assets by 9.1%
Asset to Equity Ratio (Total Asset to Total Equity)	1005%	956%	The 9.13% growth in total assets outweighed the 3.79% growth in equity, thereby increasing the total asset to equity ratio
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	150%	158%	Decrease of 7.33 % pts. because the growth in earnings before interest & taxes by 52% was outweighed by the growth in interest expense by 59%
Net Interest Margin (Net interest income over Average Earning assets)	4.02%	4.27%	Decrease is due to higher growth in average earning assets of 14% than increase in net interest income by 7%

#### Statement of Condition: December 2018 vs. December 2017 (consolidated)

	Increase/(Decrease)	Percentage Change	Explanation
Cash and Other Cash Items	₱415,663	42.67%	Higher cash on hand, mainly those in held

			cash centers
Due from Other Banks	(786,340)	-67.44%	Lower investment in DFOB's
Interbank Loans Receivable	(327,961)	-61.31%	Lower investment in interbank loans during the period
Financial Assets at Fair Value through Profit or Loss	(1,847,255)	-67.41%	Lower investment in FVTPL
Financial Assets at Fair Value through Other Comprehensive Income	6,701,515	7393.63%	Increase as a result of the new FVOCI model adopted by the Bank.
Investment Securities at Amortized Cost	(2,075,602)	-13.46%	Decline mainly as a result of reclassification of HTC securities to FVOCI
Loans and Receivables	6,726,311	12.61%	Growth in corporate and consumer loan volume
Property and Equipment	(86,650)	-7.81%	Depreciation recognized for the period
Investment Properties			
Office units for lease	(1,249)	-31.23%	Depreciation and transfer from bank premises
Intangible Assets	(40,404)	-5.43%	Lower due to amortization of software during the year partially offset by acquisitions
Deferred Tax Assets - net	(8,268)	-50.13%	Utilization of DTA on excess minimum income tax over regular income tax against income tax.
Other Assets	₱134,259	19.24%	Higher due to recognition of retirement plan assets and higher creditable withholding taxes
Deposit Liabilities			
Savings	(518,884)	-6.23%	Decline in volume of savings deposits
LTNCD	2,902,730	100.00%	Maiden issuance of Long Term Negotiable Certificates of Time Deposit (LTNCD)
Bills Payable	5,091,684	40.52%	Higher due to increase in volume of borrowings from deposit substitutes and bills payable – REPO
Outstanding Acceptances	(17,741)	-27.68%	Due to lower bills of exchange accepted by the Bank
Manager's Checks	(329,958)	-77.20%	Lower un-negotiated MC's as of reporting date
Accrued Interest, Taxes and Other Expenses	263,343	62.45%	Higher accrued interest payable and accrued taxes and licenses
Income Tax Payable	(9,723)	-72.25%	Utilization of DTA on excess minimum income tax over regular income tax against income tax.

### Statement of Income and Expenses: Jan-Dec 2018 vs Jan-Dec 2017 (consolidated)

(in thousands)	Increase (Decrease)	Percentage	Remarks
<b>INTEREST INCOME</b>			
Loans and receivables	₱812,347	25.26%	Higher corporate and consumer loan volume and improvement in yields
Interbank loans receivable and securities purchased under resale agreements	2,386	6.13%	Higher income due to increase in ave. volume and yields
Deposits with other banks	(4,481)	-28.31%	Lower investment volume in other banks
<b>INTEREST AND FINANCE CHARGES</b>			
Deposit liabilities	384,343	46.05%	Higher cost of funds and increase in volume
Bills payable, borrowings and others	247,239	109.80%	Higher cost of funds and increase in volume
<b>NET INTEREST INCOME</b>			
Rent income	97,758	17.36%	Higher due to contract renewals and new contracts at higher rates
Service charges, fees and commissions	20,240	5.58%	Higher TFR fees
Foreign exchange gain - net	(19,834)	-28.42%	Lower FX revaluation (unrealized) gain
Trading and securities gain (loss) -	36,579	-276.21%	Higher net realized and unrealized gains

net			
Profit (loss) from assets sold	(11,654)	-38.17%	Lower gain on sale from ROPA
Gain (loss) on assets exchange - net	15,161	280.45%	Higher gains from ROPA foreclosures
<b>OPERATING EXPENSES</b>			
Taxes and licenses	118,095	25.82%	Higher DST costs from TRAIN implementation and higher GRT accrued and paid
Provision for credit and impairment losses - net	(70,859)	-20.93%	Lower provision requirement in 2018
Occupancy and other equipment-related costs	36,166	16.12%	Higher PBCOM Tower repairs and maintenance costs, higher armored car rental due to increase in volume of cash pick-ups for clients, higher office rent from new branches and contract renewals with increased rates, higher storage costs of ROPA
Insurance	17,754	13.55%	Higher PDIC insurance from higher deposits
Management and professional fees	7,935	7.34%	Higher consultancy fees
Security, clerical, messengerial and janitorial services	16,391	17.44%	Higher security costs due to increase in agency fees & wage order increases

Interest income on non-discounted loans is recognized based on the accrual method of accounting while unearned discounts are amortized to income over the terms of the loans. As such, there are no seasonal aspects that materially impact on the Bank's interest revenues.

### (3) Other material events and/or uncertainties:

- The Bank does not anticipate any cash flow or liquidity problems in the next 12 months after year-end 2018.
- The Bank does not foresee any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- There are no material commitments for capital expenditures.
- There are no uncertainties regarding the sustainability of economic growth of the country which may pose challenges in the Bank's drive to expand its loan portfolio. Any negative impact of a slower economic growth, however, may be overcome or mitigated at the very least by aggressive spread management initiatives.
- There are no significant elements of the Bank's income in 2018 that did not arise from continuing operations.
- There are no seasonal aspects that have a material effect on the financial condition or results of operations.

### (2) Discussion of various key indicators:

#### A. Key Performance Indicators

Ratio	December 2017 (Conso)	December 2016 (Conso)	Remarks
Profit Margin (Net income divided by Gross income)	16.36%	9.87%	Net Profit Margin increased by 6.49% due to higher net income which grew by 79.73% compared to last year.
Return on Average Asset (Net income divided by Average assets)	0.77%	0.49%	Increased income for the year and average assets, has resulted to higher ROA versus Dec 2016

Return on Average Equity <i>Net income divided by Average equity)</i>	6.06%	4.06%	Higher net income and increased average equity resulted to 2.00% improvement in ROE for the year.
Capital Adequacy Ratio <i>Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)</i>	15.85%	14.67%	Qualifying capital grew by ₱ 1.8 B due mainly to final tranche of capital infusion while total risk-weighted assets increased by ₱6.79 B. It remains however above the 10% minimum CAR required by the BSP.
Basic Earnings per share <i>Net income divided by average no. of common shares)</i>	2.00	1.34	Higher net income versus 2016, which was primarily driven by increased interest income has resulted to improved earnings per share

## B. Financial Soundness

Ratio	December 2017 (Conso)	December 2016 (Conso)	Remarks
Liquidity Ratio (Liquid Assets to Total Deposits) <i>Liquid Assets include cash, due from banks, interbank loans, and trading and inv. Securities. Total deposit refers to the total of peso and foreign currency deposits.</i>	51.27%	49.40%	The Bank's liquidity ratio increased by 1.87% due to 16.25% increase in liquid assets particularly in financial assets which is higher than the increase in deposit liabilities of 12.02%.
Debt Ratio (Total Liability to Total Asset) <i>Debt refers to the total liabilities while assets is the total assets</i>	86.97%	87.54%	A minimal decrease in the Bank's debt ratio has been observed due to growth in liabilities by 13.196%, particularly in deposit liabilities by ₱7.6 B, and this was outweighed by the increase in total asset by 14.71% for the current period.
Asset to Equity Ratio (Total Asset to Total Equity)	767.34%	802.27%	The Bank's lower leverage was due to 19.93% increase in year-on-year total equity as a result of final tranche payment of subscribed common stock by investor last September 2017 while total assets managed to grow only by 14.71%.
Interest Rate Coverage Ratio (Earnings before interest & taxes to Interest Expense)	198.26%	161.10%	Interest rate coverage increased by 37.16% due to increase of earnings before interest by 25.55%.
Net Interest Margin <i>Net interest income over Average Earning assets</i>	4.26%	4.42%	The slight decrease of 0.16% was due to the 15.87% increase in average earning asset which outweighed the 11.77% increase in net interest income.

## Statement of Condition: December 2017 vs. December 2016 (consolidated)

(in thousands)	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	(68,404)	-6.56%	Lower cash on hand
Due from BSP	1,984,636	14.86%	Higher reserves requirement from higher deposits volume
Due from Other Banks	(1,830,695)	-61.09%	Lower investment in DFOB's
Interbank Loans Receivable and SPURA	224,794	72.48%	Higher investment in interbank loans as of period
Financial Assets at FVTPL	2,439,988	812.02%	Higher investment in FVTPL as of period
Equity Securities at FVOCI	38,397	73.50%	Higher investment in FVOCI as of period
Financial Assets at Amortized Cost	2,281,707	17.37%	Higher investment in HTC as of period
Loans and Receivables	7,263,530	15.76%	Increase in loan volume as of the reporting period
Investments in Subsidiaries and in an Associate	692	5.59%	Higher income from affiliate (PBCOM Finance)
Property and Equipment	(175,456)	-10.64%	Depreciation recognized for the period, write-

			off of leasehold improvements
Investment Properties	410,723	6.82%	Higher because of FV gain recognized for the year, increase in cost from improvements booked, and ROPA acquisitions
Deferred Tax Assets	(3,789)	-6.34%	Subsidiary's lower recognized tax benefit
Intangible Assets	(36,987)	-4.73%	Lower due to amortization of software during the period partially offset by acquisitions
Other Assets	188,610	37.03%	Higher creditable withholding taxes, chattel mortgage and lower allowance primarily from releases due to favorable court decisions
Demand	3,935,963	25.45%	
Savings	1,385,759	19.96%	Improved deposit mix due to conscious effort to lower cost led to higher % of low cost deposits
Time	2,268,114	5.57%	
Bills Payable	2,468,015	24.44%	Higher due to placements in REPO
Outstanding Acceptances	29,728	86.53%	Due to higher bills of exchange accepted by the Bank
Manager's Checks	127,020	42.29%	Increase in un-negotiated MC's as of reporting date
Income Tax Payable	13,218	5,507.50%	Increase due to MCIT and non application of DTA to income tax due
Deferred Tax Liabilities	123,332	11.16%	Mostly from fair value gain recognized during the period
Other Liabilities	214,649	34.81%	Higher mostly from accrual of 3 <sup>rd</sup> party incentives

### Statement of Income and Expenses: Jan-Dec 2017 vs Jan-Dec 2016 (consolidated)

	(in thousands)	Increase (Decrease)	Percentage	Remarks
Interest Income - Loans and Receivables		313,853	10.81%	Higher interest income mainly due to increase in volume
Interest Income - Deposits with Other Banks		(21,757)	-57.89%	Lower income due to lower investment in SDA with BSP
Interest Income - Interbank Loans Receivable and SPURA		19,832	103.98%	Higher income due to increase in volume
Interest Expense - Bills Payable, Borrowings and Others		47,782	26.94%	Increase in interest expense mainly due to higher volume from REPO product and BSP OLF
Rent Income		89,046	18.78%	Rental from new tenants in 2017 and higher rent extension charges
Fair Value Gain from Investment Properties		67,588	23.60%	Mainly from higher FV gain in PBCOM Tower
Trading and Securities Gain - Net		(260,282)	-105.36%	Lower because of net trading losses incurred in 2017
Foreign Exchange (Gain) Loss – Net		58,313	508.22%	Higher realized and unrealized fx revaluation
Income from Trust Operations		(1,460)	-8.66%	The Bank registered lower trust fees during the comparative period
Profit from Assets Sold and Exchange		12,586	259.29%	The Bank has recognized higher net gains from the sale of ROPA properties
Miscellaneous		69,995	137.05%	Higher mainly due to higher allocation to income for utilities charged to PBCOM Tower tenants
Taxes and Licenses		50,971	12.54%	Higher GRT accrued and paid
Occupancy and Other Equipment-related Costs		39,939	21.66%	Higher mainly because of higher allocation to income for utilities charged to PBCOM Tower tenants
Depreciation and Amortization		(18,663)	-5.40%	Lower mainly from derecognition of leasehold assets from OBO closure & Wynsum lease, offset by increase in software amortization and depreciation on computers, FFE, etc
Provision for impairment losses		(139,473)	-29.18%	Improved collection efforts
Security, Clerical, Messengerial and Janitorial Services		9,026	10.62%	Higher agency fees for security
Entertainment, Amusement and Recreation		4,849	6.26%	Increase in entertainment expenses
Management and Professional Fees		(42,538)	-28.24%	Lower consultancy fees
Miscellaneous Expense		46,226	14.28%	Primarily caused by higher collection fees in



			2017
Share in net income of an associate	429	163.12%	Share in the improved net income of PBCOM Finance Corp for the year
Provision for Income Tax	87,818	37.40%	Increase due to recognition of fair value of bank owned properties

Interest income on non-discounted loans is recognized based on the accrual method of accounting while unearned discounts are amortized to income over the terms of the loans. As such, there are no seasonal aspects that materially impact on the Bank's interest revenues.

### **Statement of Condition: March 2019 vs. December 2018 (conso)**

	Increase (Decrease)	Percentage	Remarks
Cash and Other Cash Items	198,713	14.30%	Higher cash on hand
Due from BSP	(2,634,083)	-17.30%	Lower requirement for reserve
Due from Other Banks	1,753,538	461.79%	Higher funding on foreign banks
Interbank Loans Receivable	329,194	159.06%	Higher investment in interbank loans during the period
Financial assets at Fair Value through Profit or Loss	674,062	75.46%	Net acquisition of investments in FVTPL
Financial assets at Fair Value thorough Other Comprehensive Income	(3,280,177)	-48.25%	Sale of investments in FVOCI
Investment securities at Amortized Cost	(68,298)	-0.51%	Amortization of income in HTC investments
Loans and Receivables	(3,792,514)	-6.31%	Decline in loan volume during the reporting period
Property and Equipment	(25,609)	-2.51%	Depreciation recognized for the period
Investment Properties	55,778	2.14%	ROPA acquisitions, offset by depreciation of condo and office units for lease
Intangible Assets	(1,892)	-0.27%	Lower due to amortization of software during the period partially offset by acquisitions
Other Assets	582,354	69.98%	Higher mostly due to higher prepaid expenses on the early quarters of the year (PDIC insurance, manpower benefits, etc.) and Right Of Use Assets recognized in compliance with PFRS 16
Demand Deposits	2,002,269	9.88%	Lower deposits volume primarily in TD due to the Bank's efforts to increase volume of low-cost source of funds
Savings Deposits	(531,986)	-6.81%	
Time Deposits	(2,401,191)	-5.58%	
Bills Payable	(6,251,537)	-35.40%	Lower due to lower BP-BSP and deposit substitutes volume partially offset by increase in bills payable – REPO
Outstanding Acceptances	40,876	88.20%	Due to higher bills of exchange accepted by the Bank
Manager's Checks	133,129	136.62%	Higher un-negotiated MC's as of report date
Accrued Interest, Taxes and Other Expenses Payable	8,018	1.17%	Higher expense accruals, taxes and licenses and accrued interest payable
Income Tax payable	16,333	437.30%	Higher income tax due for the period
Other Liabilities	378,914	45.28%	Higher mainly due to lease liability recognized in compliance with PFRS 16

### **Statement of Income and Expenses : January-March 2019 vs January-March 2018 (conso)**

	Increase (Decrease)	Percentage	Remarks
Interest Income on investment securities	43,288	27.19%	Higher interest income mainly due higher volume and yields
Interest Income on Loans and receivable	300,169	34.38%	Higher interest income mainly due to increase in volume and higher yields
Interest Income on IBCL	(3,622)	-30.80%	Decline from lower volume
Interest Income on Deposit with other Banks and others	298	10.70%	Slight increase from higher yield
Interest Expense on Deposit Liabilities	214,303	86.15%	Higher due to higher volume (LTNCD) and higher cost of funds
Interest Expense on Bills payable, borrowings and others	120,779	180.95%	Increase in interest expense mainly due to higher cost of funds

Trading and Securities Gain – net	165,526	755.83%	Higher trading gains, mostly realized
Rent Income	21,406	14.05%	Higher contract rates from renewals and vacancy in 2019
Service Charges, Fees & Commissions	18,116	20.58%	Increase mainly because of higher TFR income
Foreign Exchange Gain (Loss) –Net	14,882	285.64%	Increase is mainly due to fx reval gain in 2019 vs fx reval loss in 2018 partially offset by lower realized fx gains
Gain on asset exchange	(7,903)	-106.93%	Lower gain on asset exchange of ROPA vs prior year
Profit/(Loss) from Assets Sold/Exchanged	(36,819)	-69.46%	Lower gain on sale of ROPA vs prior year recognized by a subsidiary in 2018
Income from Trust Operations	1,830	48.93%	The Bank registered higher trust fees during the comparative period
Miscellaneous Income	(2,374)	-6.64%	Lower other income during the period
Compensation and Fringe Benefits	(7,997)	-2.81%	Lower costs from lower headcount
Taxes and Licenses	8,106	5.77%	Higher GRT from higher income
Depreciation and Amortization	13,386	13.62%	Higher depreciation mainly from the impact of depreciation of right of use asset in compliance with PFRS 16
Occupancy and other equipment-related costs	(16,818)	-27.64%	Lower rent expense mainly from the impact of depreciation of right of use asset in compliance with PFRS 16
Provision for impairment losses	(42,461)	-69.67%	Lower provision requirement in 2019
Miscellaneous	29,341	0.14%	Increase is mainly due to higher litigation costs, brokerage fees, collection fees, business promo costs, security costs, etc.
Provision for income tax	(9,494)	-13.11%	Lower income tax due to lower taxable income base
Share in net income of subsidiaries and an associate	67	155.81%	Slight increase in income from affiliate for the period

### Financial Condition: March 31, 2019 vs. December 31, 2018

The Bank registered a net income of ₱382.6 Million for the first quarter of 2019, ₱205.7 Million or 116.3% higher than the ₱176.9 Million earned in the same period last year. Total operating income increased by ₱179.7 Million or by 16.4% as the Bank sustains its business growth. Interest income from loans and receivables is higher by 34.4% compared to the same quarter last year as the Bank continued in focusing its efforts in expanding its corporate and consumer loan portfolios and increasing loan yields, bringing in ₱300.2 Million higher revenues for the first three months. Total loans and receivables increased by ₱712.0 Million or by 1.3% from ₱55.6 Billion level in March last year. Low-cost deposit volume has improved as the Bank grew its demand and savings deposit base to ₱29.5 Billion from ₱28.1 Billion at the close of the previous year while time deposits and bills payable declined by 5.6% and 35.4%, respectively. Interest expense however grew by ₱335.1 Million compared to prior year period primarily from the rise in cost of funds and the impact of the increase in volume from the Bank's maiden issuance of Long Term Negotiable Certificates of Time Deposit (LTNCD). Trading results improved greatly this quarter as the Bank recognized ₱187.4 Million in gains. Rent income, service charges and fees, profit from ROPA sales and foreign exchange gains also contributed to the growth to the Bank's bottom line. Total operating expenses also improved from ₱849.5 Million to ₱833.3 Million during this year's first quarter, mostly contributed by lower provisions for losses, occupancy and other equipment-related costs and manpower costs from lower headcount.

Total Assets of PBCOM Group stood at ₱97.5 Billion, ₱419.3 Million higher compared to prior year end of quarter, and ₱6.2 Billion lower compared to the close of year last year arising from lower total loans and receivable and lower financial assets at fair value through other comprehensive income. The Group's gross NPL ratio declined to 5.00% from first quarter of last year's level of 5.05% as a result of continuous improvement in collection efforts.

Total Liquid Assets remain stable at ₱35.2 Billion which is slightly lower by 7.9% from year-end level. Moreover, Total Liabilities amounted to ₱86.8 Billion with a decrease of 7.1% from the last year's end level of ₱93.4 Billion. This resulted mostly from lower bills payable by ₱6.3 Billion. Total Capital on the other hand amounted to ₱10.7 Billion from ₱10.3 Billion last

December 2018. Improvement in capital by 3.8% was mainly contributed by the earnings of the Bank for the first three quarters.

## 2. Discussion of various key indicators:

### A. Key Financial Performance (consolidated)

Ratio	March 2019	March 2018	Remarks
Net Profit Margin (Net income divided by Gross income)	29.93%	16.10%	Ratio increased by 13.83% due to increase in net income by 116.30% which is attributable total increase trading and securities gain by 755.83%
Return on Average Asset (Net income divided by Average assets)	0.38%	0.18%	Higher net income during the current period and increase in Average Assets resulted to higher ROA compared to March 2018.
Return on Average Equity (Net income divided by Average equity)	3.64%	1.77%	Return on Average Equity increased due to combination of higher net income and Average Equity by 116.30% and 5.09%, respectively.
Capital Adequacy Ratio (Basel 3) (Qualifying capital divided by total of risk-weighted assets that include credit, market and operational risk)	15.59%	15.25%	Capital ratio improved by 0.65% due to higher Qualifying Capital by ₱497.5 million while Total Credit Risk Weighted Assets remain stable at ₱76.2 Billion despite increase by ₱345 Million in qualifying capital for the period.
Basic Earnings per share (Net income divided by average no. of common shares)	0.80	0.37	Increase in net income by 116.30% during the current period attributed to the rise of basic earnings per share.

### B. Financial Soundness (consolidated)

Ratio	March 2019	December 2018	Remarks
<b>Liquidity Ratio</b> (Liquid Assets to Total Deposits) <i>Liquid Assets include cash, due from banks, interbank loans, and trading and inv. Securities Total deposit refers to the total of peso and foreign currency deposits.</i>	48.16%	51.65%	Ratio declined by 3.48%, resulting from lower liquid assets and total deposits of ₱3.0 Billion and ₱930.90 million, respectively.
<b>Debt Ratio</b> (Total Liability to Total Assets) <i>Debt refers to the total liabilities while assets refers to total Assets</i>	89.01%	90.05%	Debt ratio was lower by 1.04% as a result of decrease in both total liabilities and total assets of ₱6.6 billion and ₱6.2 billion, respectively
<b>Asset to Equity Ratio</b> (Total Asset to Total Equity)	9.10	10.05	Ratio is lower by 0.95 as a result of decrease in total assets of ₱6.2 billion
<b>Interest Rate Coverage Ratio</b> (Earnings before interest & taxes to Interest Expense)	168.46%	179.00%*	Bank's interest rate coverage declined due to increase in interest expenses, which outpaced the improvement of income registered in 2018.
<b>Net Interest Margin</b> Net interest income over Average Earning assets	0.93%	0.98%*	Ratio dropped by 0.05% as Average Earning Assets improved for the period by ₱4.90 Billion.

\* As of March 2018

## 3. Discussion and Analysis of Material Event/s and Uncertainties

- a. The Bank does not foresee any event that will trigger direct or contingent financial obligation that is material to the company.
- b. The Bank does not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with

unconsolidated entities or other persons created during the reporting period.

- c. As of March 31, 2019, the unspent amount from the approved capital expenditures budget on technology enhancement, realignment and facility improvement amounted to ₱89.6 Million.
- d. There are no known trends, events or uncertainties that are expected to have a material impact on net sales or revenues of the Bank in the near future.
- e. There is no recorded significant income or losses during the quarter that did not come from the Bank's regular operations.
- f. Interest income on non-discounted loan is recognized based on the accrual method of accounting while unearned discounts are amortized to income over the term of the loans. As such, there is no seasonal aspect that has a material impact on the Bank's interest revenues. Non-interest revenues, on the other hand, are largely dependent on market dynamics and economic trends rather than on seasonal factors.

### **Compliance with Leading Practices on Good Governance**

PBCOM Board of Directors and Management, employees and shareholders, believe that Corporate Governance is a necessary component of what constitutes sound strategic business management. Thus, the Bank has undertaken every effort necessary to create awareness for this within the 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 the global practices of good Corporate Governance, the Bank's overriding commitment to a culture of good governance is seen through the following underlying principles:

1. It is the Bank's objective to enhance shareholders' value by making the most efficient use of resources. Its human capital strategy is one of its vital focus areas, as it is a principal indicator for the company's success.
2. The Board of Directors constitutes Board Committee namely Governance, Audit, Risk Oversight and Related Party Transactions Committees which are all chaired by Independent Directors and composed of majority of Independent Directors, all of whom have a good understanding of the business.
3. The Governance Committee is responsible for ensuring the Board's effectiveness and due observance of Corporate Governance principles and guidelines. They assist the Board of Directors in fulfilling its corporate governance responsibilities.
4. The 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 the Members of the Board, review performance vis-a-vis agreed upon objectives, evaluate progress made with respect to Senior Management Directors Development plans, monitor changes in professional affiliations, personal status even health, which could have qualifications, resignation and succession implications.

5. Transparency in its Annual Reports is ensured and reflects true and fair accounting information prepared in accordance with applicable standards; disclose and discuss all material risks; and disclose and explain the rationale for all material estimates. Disclosures are all completed in a timely manner.
6. To ensure that all act is 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
7. The Bank's Corporate Governance Manual, 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.

## UNDERTAKING

The Bank will post and make available for download the full version of this SEC Form 20-IS (Amended Definitive Information Statement), together with its annexes including the Bank's 2018 consolidated audited financial statements on the Bank's website [www.pbcom.com.ph](http://www.pbcom.com.ph) upon its approval by the Securities and Exchange Commission.

The Bank will likewise post, make available for download, its interim unaudited financial statements for the first quarter of 2019 on SEC Form 17-Q on the Bank website [www.pbcom.com.ph](http://www.pbcom.com.ph) on May 15, 2019 and cause the publication of its availability in the Bank's website in two (2) newspapers of general circulation.

Upon the written request of a stockholder, the Bank will provide, without charge, hard copies of the Bank's SEC Form 20-IS (Amended Definitive Information Statement), SEC Form 17-A (Annual Report) and SEC Form 17-Q (Unaudited Financial Statements for the first quarter of 2019) duly filed with the Securities and Exchange Commission. The stockholder may be charged a reasonable cost for photocopying the exhibits.

All requests may be sent to the following address:

**PHILIPPINE BANK OF COMMUNICATIONS**  
5<sup>th</sup> Floor PBCOM Tower  
6795 Ayala Avenue cor. V.A. Rufino St.  
Makati City, 1226

Attention: **ANGELO PATRICK F. ADVINCULA**  
Corporate Secretary

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on May 21, 2019.

**PHILIPPINE BANK OF COMMUNICATIONS**  
Issuer

By:

  
**MICHAEL STEPHEN H. LAO**  
Assistant Corporate Secretary



**CERTIFICATION OF INDEPENDENT DIRECTOR**


I, **EMMANUEL Y. MENDOZA**, Filipino, of legal age, and a resident of No. 149 Swallow Drive, Greenmeadows Subdivision, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of Philippine Bank of Communications and have been its Independent Director since December 19, 2014.
2. I am affiliated with the following companies or organizations:

Company	Position/Relationship	Period of Service
Mendoza Querido & Co.	Managing Partner	2004 to present
MQ Agri Unlimited Inc.	President	2010 to present
Phil. Institute of Certified Public Accountants	Chairman-Audit Committee	2019

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Bank of Communications as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of Philippine Bank of Communications and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of Philippine Bank of Communications of any changes in the abovementioned information within five days from its occurrence.


Done this APR 29 2019 at Makati City.

  
EMMANUEL Y. MENDOZA  
Affiant

APR 29 2019

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Makati City, affiant exhibited to me his TIN 102-092-096.

Doc. No. 256  
Page No. 53  
Book No. 26  
Series of 2019

  
BUENAVENTURA U. MENDOZA  
Notary Public  
Until December 31, 2019  
PTR No. 7333005 Makati City-01/03/19  
IBP No. 050814 09-05-18 Roll No. 31206  
500-A Madrigal Bldg. Ayala Ave. Makati City

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **GILDA E. PICO** Filipino, of legal age, and a resident of No. 23 Winchester St., Hillsborough Subdivision, Alabang, Muntinlupa City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of the **Philippine Bank of Communications** and have been its independent director since February 22, 2017.
2. I am affiliated with the following companies or organizations:

<b>Company</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Producers Savings Bank	Chairman of the Board	2016 to present
Rural Bank of Bustos	Director	2017 to present
Rural Bank of Pamplona (Camarines Sur), Inc.	Chairman	2017 to present
Rural Bank of Barotac Nuevo, Inc.	Chairman	2018 to present
Rural Bank of Sibalom (Antique), Inc.	Chairman	2018 to present
Rural Bank of Pasacao (Camarines Sur), Inc.	Director	2018 to present
Rural Bank of Magarao (Camarines Sur), Inc.	Director	2018 to present
Rural Bank of Pres. Quirino (SK), Inc.	Director	2017 to present
Rural Bank of San Fernando (Camarines Sur), Inc.	Director	2018 to present
Rural Bank of San Quintin	Director	2019
Marinor Development Corporation	Director/Treasurer	1980 to present
Gilart Holdings Corporation	President	June 2006 to present
PayMaya Philippines	Independent Director	2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Philippine Bank of Communications as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other issuances.
4. I am not related to any director/officer/substantial shareholder of Philippine Bank of Communications and its subsidiaries and affiliates as provided under Rule 38.2.3 of the implementing rules of the securities regulation code.



5. I disclose that, as far as I can remember, I am the subject of the following criminal/administrative investigation or proceeding:

Offense Charged/Investigated	Tribunal or Agency Involved	Status
<i>Administrative: Grave Misconduct and Conduct Prejudicial to the Best Interest of the Service</i>	Supreme Court	The Office of the Ombudsman filed a Petition for Review of the Decision of the CA finding the undersigned not guilty of the offense charged. Still awaiting Supreme Court resolution on the said pending petition.
Section 3(g) of R.A. No. 3019	Office of the Ombudsman	Ombudsman already filed an information in court. However, upon motion of the respondents, the case was suspended on the ground of prejudicial question in a civil case filed by SMC Global against LBP, et. al.  The Petition for Certiorari (questioning OMB Resolution filed with Supreme Court is still pending thereat.

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary Philippine Bank of Communications of any changes in the abovementioned information within five days from its occurrence.

Done this \_\_\_\_ day of \_\_\_\_\_ at Makati City.

*Gilda E. Pico*  
**GILDA E. PICO**  
 Affiant

SUBSCRIBED AND SWORN to before me this **APR 25 2019** at Makati City, affiant exhibited to me her TIN 112-411-729.

Doc. No. 106  
 Page No. 23  
 Book No. XIV  
 Series of 2019.

*Gervacio B. Ortiz Jr.*  
**ATTY. GERVACIO B. ORTIZ JR.**  
 Notary Public Makati City  
 Until Dec. 31, 2019  
 Appointment No. M-133 (2019-2020)  
 PTR No. 733104 Jan. 3, 2019/Makati  
 IBP Lifetime No. 656155 Roll No. 40091  
 MCLE Compliance No. V-0006934  
 101 Urban Ave. Campos Rueda Bldg.  
 Brgy. Pio Del Pilar, Makati City

**MINUTES OF THE ANNUAL MEETING  
OF THE STOCKHOLDERS OF  
PHILIPPINE BANK OF COMMUNICATIONS**  
Held at Manila Golf & Country Club, Harvard Road  
Forbes Park, Makati City  
on June 5, 2018 at 2:00 p.m.

**ATTENDANCE:**

<u>STOCKHOLDERS PRESENT/REPRESENTED</u>	<u>NO. OF SHARES</u>	<u>PERCENTAGE</u>
PROXIES	321,895,235	66.97
IN PERSON	106,689,628	22.20
<b>TOTAL ATTENDANCE</b>	<b>428,584,863</b>	<b>89.17</b>

**PROCEEDINGS****I. CALL TO ORDER**

The Chairman of the Board, Mr. Eric O. Recto, called the meeting to order and presided over the same. He then proceeded to introduce the members of the Board present during the meeting:

Leonardo B. Dayao  
Lucio L. Co  
Patricia May T. Siy  
Carmen G. Huang  
Bunsit Carlos G. Chung  
Susan P. Co  
Levi B. Labra  
Ralph C. Nubla, Jr.  
Gregorio T. Yu  
David L. Balangue – Independent Director  
Jesus S. Jalandoni, Jr. – Independent Director  
Roberto Z. Lorayes – Independent Director  
Emmanuel Y. Mendoza – Independent Director  
Gilda E. Pico – Independent Director

The Corporate Secretary, Atty. Angelo Patrick F. Advincula, recorded the minutes of the meeting.

**II. CERTIFICATION OF NOTICE AND QUORUM**

The Secretary certified the fact of sending the notices of the meeting to all stockholders of record as provided in the By-Laws of the Philippine Bank of Communications (the "Bank"). He also certified the existence of a quorum there being present, in person or by proxy in the meeting, shareholders representing 428,584,863 shares of the Bank or approximately 89.17% of the 480,645,163 outstanding common shares of the Bank.

**III. REVIEW AND APPROVAL OF MINUTES OF PREVIOUS MEETING HELD ON JUNE 6, 2017**

The Chairman directed the Corporate Secretary to read the previous minutes of the stockholders' meeting held on 6 June 2017.

Upon motion made and duly seconded, the reading of said minutes was dispensed with. Thereafter, the Chairman submitted the minutes for approval and upon motion made and duly seconded, said minutes was unanimously approved, confirmed and ratified.



IV. ANNUAL REPORT OF MANAGEMENT AND APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

The Chairman turned over the floor to Ms. Patricia May T. Siy, President & CEO to render Management's Report for 2017.

A video presentation was shown on the performance of the Bank for the year ended December 31, 2017.

Upon motion made and duly seconded, the Management Report and the Audited Financial Statements as of December 31, 2017 previously distributed to the stockholders were unanimously approved.

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

The next item in the agenda was the ratification of the acts and proceedings of the Board of Directors and Management since the last annual meeting of the stockholders as they appear in the minutes of the Board meetings and in the 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 the stockholders present and represented in the meeting approved and ratified the acts of the Board of Directors and Management since the last annual meeting of the stockholders.

VI. ELECTION OF DIRECTORS

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

Eric O. Recto  
Leonardo B. Dayao  
Lucio L. Co  
Patricia May T. Siy  
Carmen G. Huang  
Bunsit Carlos G. Chung  
Susan P. Co  
Levi B. Labra  
Ralph C. Nubla, Jr.  
Gregorio T. Yu  
David L. Balangue – Independent Director  
Jesus S. Jalandoni, Jr. – Independent Director  
Roberto Z. Lorayes – Independent Director  
Emmanuel Y. Mendoza – Independent Director  
Gilda E. Pico – Independent Director

There being no other nominees, and since there were only fifteen (15) nominees for the fifteen (15) seats, on motion made and duly 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.

VII. APPOINTMENT OF EXTERNAL AUDITORS

Upon motion made and duly seconded, the stockholders approved the appointment of SGV and Co., as the External Auditor of the Bank for the fiscal year ending December 31, 2018.

VIII. ADJOURNMENT

There being no other matters to be discussed, the meeting was adjourned at 2:45 o'clock in the afternoon.

CERTIFIED CORRECT:



**ANGELO PATRICK F. ADVINCULA**

 Corporate Secretary

ATTESTED:



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



**PHILIPPINE BANK OF COMMUNICATIONS  
ATTENDANCE-BOARD AND BOARD COMMITTEES  
JANUARY 2018 TO DECEMBER 2018**

<b>BOARD OF DIRECTORS</b>	<b>No. of Meetings Attended</b>
Eric O. Recto, Chairman	15/16
Leonardo B. Dayao, Vice Chairman	14/16
Lucio L. Co	12/16
Patricia May T. Siy	16/16
Carmen G. Huang	15/16
Bunsit Carlos G. Chung	16/16
Susan P. Co	11/16
Levi B. Labra	14/16
Ralph C. Nubla, Jr.	13/16
Gregorio T. Yu	16/16
David L. Balangue	12/16
Jesus S. Jalandoni, Jr.	13/16
Roberto Z. Lorayes	14/16
Emmanuel Y. Mendoza	15/16
Gilda E. Pico	14/16

<b>EXECUTIVE COMMITTEE</b>	<b>No. of Meetings Attended</b>
Lucio L. Co, Chairman	38/49
Eric O. Recto, VC	38/49
Leonardo B. Dayao, VC	36/49
Patricia May T. Siy	45/49
Bunsit Carlos G. Chung	49/49
Carmen G. Huang	44/49
Ralph C. Nubla, Jr.	44/49

<b>AUDIT COMMITTEE</b>	<b>No. of Meetings Attended</b>
Emmanuel Y. Mendoza, Chairman	13/13
Gilda E. Pico	13/13
Levi B. Labra	8/13

<b>CORPORATE GOVERNANCE COMMITTEE</b>	<b>No. of Meetings Attended</b>
Gilda E. Pico, Chairman	12/12
David L. Balangue	7/12
Eric O. Recto	7/12
Leonardo B. Dayao	9/12
Roberto Z. Lorayes	11/12

<b>RISK OVERSIGHT COMMITTEE</b>	<b>No. of Meetings Attended</b>
David L. Balangue, Chairman	9/12
Patricia May T. Siy	9/12
Jesus S. Jalandoni, Jr.	8/12
Roberto Z. Lorayes	10/12
Levi B. Labra	10/12

<b>RELATED PARTY TRANSACTIONS COMMITTEE</b>	<b>No. of Meetings Attended</b>
Jesus S. Jalandoni, Jr., Chairman	7/7
David L. Balangue	6/7
Levi B. Labra	6/7
Gilda E. Pico	6/7
Roberto Z. Lorayes (effective 6/5/18)	3/3

<b>TRUST COMMITTEE</b>	<b>No. of Meetings Attended</b>
Eric O. Recto, Chairman	4/4
Patricia May T. Siy	4/4
Roberto Z. Lorayes	4/4
Jesus S. Jalandoni, Jr.	2/4

## 2018 Summary of Performance Evaluation of the Board/Board Committees:

Score	Board En Banc	Director's Self Evaluation	Executive Committee	Governance Committee	Audit Committee	Risk Oversight Committee	RPT Committee	Trust Committee
Director's points on Qualitative Performance	338.73	77.40	186.00	188.40	231.67	193.60	192.20	191.25
Attendance (perfect score 40)	35.00	35.00	34.29	30.67	34.87	30.67	36.57	35.00
Total Director's Score	373.73	112.40	220.29	219.07	266.54	224.27	228.77	226.25
Total Perfect Score	390	120	230	230	280	240	240	240
Total Score (%)	95.83%	93.67%	95.78%	95.25%	95.19%	93.45%	95.32%	94.27%

Criteria are as follows:

- I. Board en Banc
  - Questions on the Board as a whole
  - Questions on the Chairman of the Board
  - Questions on the Members of the Board
  - Questions on Board Meetings
  - Questions on Other Board Issues
  - Actual attendance on Board meetings
- II. Director's Self-assessment
  - Evaluation of Director's Quantitative Performance
  - Actual attendance on Board meetings
- III. Board Committees
  - Questions on the Board Committee
  - Questions on the Members of the Committee
  - Questions on Committee meetings
  - Additional Questions for Specific Committee (based on Charter)
  - Actual attendance on Committee meeting

Procedures for assessment:

Director will accomplish a separate evaluation form for Board's Performance, Director's Self-Evaluation and Board Committee's Performance he/she is a member.

Director will go over each question carefully and assign a number from 1- 10 (the lowest being not observed and the highest being largely observed to reflect his/her personal-assessment of the degree compliance with the corporate governance mechanisms.

After the director's assessment, the Compliance Management Group will compile/tabulate the individual member's assessment. Result of board performance and director's self-evaluation will be submitted to the Governance Committee for evaluation prior to submission to the Board of Director for notation/confirmation. For board committee, the summary/tabulation evaluation will be presented to Committee en banc for evaluation of their own performance. The Committee en banc evaluation will then be submitted to the Governance Committee for review prior to submission to the Board of Director for notation/confirmation.



No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS		
					MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF DECEMBER 2018	EXPIRY DATE	RENEWAL OPTIONS
<b>A. BANK-OWNED PROPERTIES UTILIZED AS BRANCHES</b>							
1	BINONDO BANKING CENTER	7th Floor, PBCOM Bldg 214-216 Juan Luna St. Binondo Manila	good	owned	-		
		4th Floor, PBCOM Bldg 214-216 Juan Luna St. Binondo Manila	good	owned	-		
2	CAGAYAN DE ORO	PBCOM Bldg. Hayes St. cor. Tiano Bros. St. Cagayan De Oro City	good	owned	-		
3	CEBU	Magallanes near corner Manalili Streets, Cebu City	good	owned	-		
4	DAVAO	41 Monte Verde St., Davao City	good	owned	-		
5	GENERAL SANTOS	Santiago Blvd., General Santos City	good	owned	-		
6	ILOILO	Ledesma corner Valeria Sts, Iloilo City	good	owned	-		
7	KORONADAL	Gen. Santos Drive, Koronadal, South Cotabato	good	owned	-		
8	MAKATI BANKING CENTER	PBCOM Tower, 6795 Ayala Avenue corner V.A. Rufino, Makati City	good	owned	-		
9	MANDAUE	National Highway corner Jayme Street, Mandaue City	good	owned	-		
10	MANGO	General Maxillom (Mango) Ave., Cebu City	good	owned	-		
11	MARIKINA	34 J.P. Rizal St., Calumpang, Marikina	good	owned	-		
12	MERALCO AVE (FORMER JULIA VARGAS)	C-1 Horizo Condominium, Meralco Avenue, Pasig City	good	owned	-		
13	QUIRINO-DAVAO	111 E. Quirino Avenue, Davao City	good	owned	-		
14	TAGUM	Pioneer Avenue, Tagum, Davao del Norte	good	owned	-		
15	U.N. AVENUE (FORMER MABINI)	U101 & 102, Don Alfonso Cond. 1108 MH del Pilar cor. UN Ave. & Guerrero Sts., Ermita, Manila	good	owned	-		
<b>B. LEASED PROPERTIES UTILIZED AS BRANCHES</b>							
16	ANGELES	Ground Floor, MLT Centre Building, Lot 28, Block 2, McArthur Highway, Brgy. Ninoy Aquino, Angeles City	good	leased	87,516.45	15-Aug-19	
17	ANNAPOLIS	Unit 101 Victoria Plaza, 41 Annapolis St., Greenhills, San Juan	good	leased	209,554.97	15-Apr-19	
18	AYALA-ALABANG	ALPAP II Building, Investment Drive cor. Trade St., Madrigal Busines Park, Ayala Alabang, Muntinlupa City	good	leased	230,444.04	31-Jan-21	
19	BACOLOD	Units A-E, Ground Floor, Sorrento	good	leased	132,597.36	28-Feb-19	
20	BAGUIO	Ground Floor Level, Unit Nos. 105, 106 & 106-B, Baguio Holiday Villas, No. 10 Legarda Road, Baguio City	good	leased	206,476.00	30-Nov-19	
21	BATANGAS	Diego Silang St., Batangas City	good	leased	118,910.58	31-Jan-19	
22	BMA	Web-Jet Building, Quezon Ave., Q.C.	good	leased	94,753.80	30-Nov-23	
23	CABANATUAN	Ground Floor, SAM Building along Maharlika Highway, Cabanatuan City	good	leased	60,000.00	31-Jan-19	
24	CAINTA	LGF 04 & LGF 05, CK Square Bldg., Ortigas Ave. Extension cor. Sunset Drive, Cainta, Rizal	good	leased	97,993.90	19-Sep-19	
25	CALAMBA	Ground Floor Walter Mart, National Highway corner Real Street, Calamba, Laguna	good	leased	92,960.77	31-Oct-21	
26	CALOOCAN	29B-C2 6th Avenue Ext. Caloocan City	good	leased	65,825.90	14-Sep-22	
27	CAUAYAN	Mateo-Patricia Bldg., Rizal Avenue Extension, Cauayan, Isabela	good	leased	82,687.50	31-May-19	
28	CEBU BUSINESS PARK	Unit 1, Ground Floor, Creativo 2 Bldg. Mindanao Avenue, Cebu Business Park, Cebu City Taguig	good	leased	235,302.80	20-Jan-19	
29	CONGRESSIONAL	No. 8 Congressional Ave., Brgy. Bahay Toro, Quezon City	good	leased	95,679.53	30-Apr-21	
30	CUBAO	2nd Floor SPARK Place, P. Tuazon cor. 10th Avenue, Quezon City	good	leased	161,724.48	31-Aug-19	
31	DAGUPAN	Ground Floor, Balingit Building, Arellano Street, Dagupan City	good	leased	94,060.00	15-May-19	
32	DASMARINAS	EVY Building Salawag-Paliparan Road Dasmariñas, Cavite	good	leased	107,738.77	31-Oct-19	
33	DAVAO BAJADA	RAQ Bldg., J.P. Laurel Avenue, Bajada Street, Davao City	good	leased	153,101.09	30-Sep-21	
34	DUMAGUETE	Unit No. 6 Yala Building, Calindagan, Dumaguete City	good	leased	52,253.70	28-Feb-19	
35	ECHAGUE	ERC Building, Echague cor. Isla Del Romero, Quiapo, Manila	good	leased	94,404.97	31-Mar-20	
36	ELCANO	SHC Tower, Elcano St., San Nicolas, Manila	good	leased	158,025.00	28-Feb-21	
37	F1 HOTEL, BGC	F1 Hotel Building, Lane Q corner Lane A Roads, Bonifacio Global City	good	leased	509,066.34	15-Feb-23	
38	GREENHILLS	Quadstar Building, 80 Ortigas Avenue, San Juan, Metro Manila	good	leased	224,115.36	31-Mar-21	
39	ILIGAN	Juan Luna cor. Del Pilar Sts., Iligan City	good	leased	144,005.41	15-Jul-19	
40	IMUS	Luis Gaerlan St., and Imus Boulevard, Imus, Cavite	good	leased	91,162.97	30-Jun-21	



No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS		
					MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF DECEMBER 2018	EXPIRY DATE	RENEWAL OPTIONS
41	J.P. RIZAL	Ground Floor, Santini Corp. Building, 519 J.P. Rizal Ave., Brgy. Olympia, Makati City	good	leased	149,434.24	30-Apr-20	
42	LA UNION	Quezon Avenue, San Fernando City, La Union	good	leased	98,538.29	31-Jan-20	
43	LEGASPI VILLAGE	Unit 1-A, Vernida I 120 Amorsolo St., Legaspi Vill., Makati City	good	leased	156,230.10	31-Jul-20	
44	LEGASPI CITY	Ground Floor De Los Santos, Commercial Building, Landco, Business Park, Legaspi City	good	leased	129,190.95	9-Aug-19	
45	LIPA	ATDRMAM Building Ayala Highway Mataas na Kahoy, Lipa	good	leased	106,964.55	31-Jan-19	
46	LUCENA	VCCI Building Merchan cor. San Fernando, Lucena City	good	leased	88,645.73	15-Nov-23	
47	M. DE SANTOS, DIVISORIA	553-561 M. De Santos St., Divisoria, Tondo, Manila	good	leased	240,786.00	31-Mar-20	
48	MAKATI PLACE	Ground Floor Unit C-15, Alphaland Makati Place, Ayala Ave. cor. Malugay St. Makati City	good	leased	154,842.97	30-Nov-19	
49	MALABON	Unit Nos. 1 & 2 Ground Floor, Robinsons Town Mall, No. 5 Gov. Pascual Avenue corner Crispin Street, Tinajeros, Malabon City	good	leased	149,911.39	31-May-19	
50	MALOLOS	Malolos Shopping Arcade Paseo Del Congreso, Malolos City	good	leased	63,384.93	15-Aug-21	
51	MASANGKAY	1004-1006 Masangkay St. Binondo, Manila	good	leased	154,560.00	30-Sep-21	
52	MEYCAUAYAN	Mancon Building McArthur Highway, Calvario, Meycauyan City	good	leased	80,239.32	15-Apr-21	
53	NAGA	Ground Floor, Rodriguez Building, 956 Panganiban St., corner Balintawak St., Naga City	good	leased	81,033.75	28-Feb-19	
54	OLONGAPO	Grd. Flr. YBC Centre Mall, Rizal, Avenue Extension, Olongapo City	good	leased	139,365.21	30-Sep-19	
55	ONGPIN	Chinatown Center, 729 Ongpin Street, Sta. Cruz, Manila	good	leased	300,689.24	30-Sep-19	
56	PADRE RADA	951 Juan Luna Street, Tondo, Manila	good	leased	128,971.60	14-Jul-22	
57	PARANAQUE	Unit 3-4, Kingsland Building Dr. A. Santos Avenue, Pique, City	good	leased	138,717.74	31-May-22	
58	PASAY	2492 Taft Avenue, Pasay City	good	leased	123,480.00	31-Oct-20	
59	PIONEER	RFM Corporate Center Pioneer cor. Sheridan Sts., Mandaluyong City	good	leased	215,422.28	13-May-21	
60	PUREGOLD SAN PEDRO	Puregold San Pedro, Old National Highway cor. Magsaysay St., San Pedro, Laguna	good	leased	51,671.60	14-Nov-21	
61	QUEZON AVE	APC Building, 1186 Quezon Avenue, Quezon City	good	leased	220,500.00	30-Sep-21	
62	SALCEDO VILLAGE	Ground Floor, Unit Nos. 7 & 8, V Corporate Centre, LP Leviste St., Salcedo Village, Makati City	good	leased	363,546.92	30-Apr-19	
63	SAN FERNANDO	McArthur Highway Dolores, San Fernando, Pampanga	good	leased	133,181.06	31-Mar-19	
64	SAN MIGUEL AVE.	Unit G1010MM-CITRA Condominium, San Miguel Avenue, Ortigas Center, Pasig City	good	leased	164,835.64	31-Jul-20	
65	SAN PABLO	Rizal Avenue, San Pablo City, Laguna	good	leased	50,426.21	30-Apr-21	
66	SEN. GIL PUYAT	Unit 101-C, Oppen Building, 349 Sen. Gil Puyat Avenue, Makati City	good	leased	199,133.34	14-Jul-20	
67	SHAW BLVD	146 Shaw Boulevard cor. San Roque St., Pasig City	good	leased	83,641.71	15-Nov-19	
68	SOLER	No. 943 Soler St., of R & S Tower, inc., Binondo, Manila	good	leased	129,670.09	31-May-21	
69	SOUTH GATE MALL	Unit T06 and T07, Third Floor, Alphaland Southgate Mall, 2258 Chino Roces Avenue corner EDSA, Makati City, Metro Manila	good	leased	224,475.52	18-Dec-19	
70	STA. MESA	G. Araneta Avenue, Sta. Mesa, Q.C.	good	leased	156,657.72	31-Jul-21	
71	STA. ROSA	Unit No. 2, Paseo 5, Phase 2, Paseo de Sta. Rosa	good	leased	185,160.19	31-Mar-20	
72	STO. CRISTO	563 Sto. Cristo Street, Divisoria, Manila	good	leased	94,500.00	16-Sep-20	
73	T. ALONZO	T. Alonzo Street, Sta. Cruz, Manila	good	leased	273,800.00	10-Sep-21	
74	TAGBILARAN	Ground Floor, LTS Building, Carlos, P. Garcia Avenue, Tagbilaran City	good	leased	67,200.00	30-Jul-19	
75	TIMOG	75 Timog Avenue, Quezon City	good	leased	581,109.67	15-Jul-19	
76	TOMAS MORATO	Ground Floor Unit, Atherton Building, Tomas Morato Avenue corner Don A. Roces Avenue, Quezon City	good	leased	109,528.28	30-Sep-19	
77	VALENZUELA	246 McArthur Highway, Karuhatan, Valenzuela	good	leased	178,500.00	18-May-21	
78	ZAMBOANGA VALDEROSA	LKG Building, Valderosa Street, Zamboanga City	good	leased	123,718.00	30-Apr-21	
79	ZAMBOANGA VETERANS	BSC Tower (formerly Zamsulu Bldg.) Ground Floor, Door 5-7, Veterans Ave., Zamboanga City	good	leased	101,871.00	30-Sep-19	
80	LAPU-LAPU	Grd. Flr. Unit 11, Alpha Arcade Bldg., M.L. Quezon National Highway, Pajo, Lapu-Lapu City	good	good	26,843.97	31-Jul-20	

No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS		
					MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF DECEMBER 2018	EXPIRY DATE	RENEWAL OPTIONS
81	DIVISORIA MALL	Stalls No. 3N-01, 03 and 05 located at Third Floor (3rd) Old Divisoria Market, bounded by Tabora, Comercio, M. De Santos and Sto. Cristo, Manila	good	leased	119,613.93	2-Jul-21	
82	INOZA TOWER	Ground Floor Unit D, 40th St., Bonifacio Global City, Taguig City	good	leased	314,832.00	7-Oct-22	
83	WILSON	Ground Floor Unit of ONE86 at Wilson, San Juan, Metro Manila	good	leased	71,400.00	14-Oct-22	
<b>BRANCHES OPENED IN 2018</b>							
84	S & R COMMONWEALTH	Ground Floor Unit 4 of S & R Membership Shopping – Commonwealth, Brgy. Kaligayahan, Quirino Highway, Novaliches, Quezon City	good	leased	125,316.00	15-Oct-22	
85	S & R DAU	Ground Floor Unit 2 of S&R Membership Shopping Dau, NLEX Access Road, Barangay Dau, Mabalacat City, Pampanga	good	leased	93,840.00	15-Jan-23	
86	LIBIS	of Ground Floor Commercial Spaces at Nuvo City - Aspire Tower, 150 E. Rodriguez Jr. Avenue cor. Calle Industria, Bagumbayan, Quezon City	good	leased	73,271.03	14-May-20	
87	ORMOC	Unit 105, Ground Floor of L & R Building, Bonifacio Street, District 8, Ormoc City, Leyte	good	leased	16,421.05	12-Mar-19	
<b>LONG TERM BRANCH LEASE</b>							
88	CORINTHIAN GARDENS	Sanso Street, Corinthian Gardens, Q.C.	good	leased	Leasehold Rights of P12 Million	30-Sep-21	
89	TUTUBAN	Prime Block Building, Tutuban Center, C.M. Recto Avenue, Manila	good	leased	Leasehold Rights of P9.92 Million	22-Aug-39	



PBCOM RURAL BANK, INC.  
BRANCHES' SITES - OWNED AND LEASED  
AS OF DECEMBER 31, 2018

ANNEX F

No.	BRANCH	ADDRESS	CONDITION OF PREMISES	OWNED / LEASED	LEASE TERMS		
					MONTHLY RENTAL (OFFICE + PARKING + OTHER CHARGES) AS OF DECEMBER 2018	EXPIRY DATE	RENEWAL OPTIONS
<b>A. BANK-OWNED PROPERTIES UTILIZED AS BRANCHES</b>							
1	Dipolog City/Head Office	083 Rizal Avenue, corner Calibo St., Dipolog City	good	owned			
2	Sindangan, Zamboanga del Norte	BDI Bldg., Quezon Avenue, Poblacion Sindangan, 7112 Zamboanga del Norte	good	owned			
3	Ipil, Zamboanga-Sibugay	BDI Bldg., Osmena St., Poblacion Ipil, 7001 Zamboanga Sibugay	good	owned			
4	Pagadian, Zamboanga del Sur	BDI Bldg., Pajares corner Sanson Sts., Padian City, 7016 Zamboanga del Sur	good	owned			
5	Nagcarlan Branch	Nagcarlan Branch (Head Office), 692 Jose Coronado Street, Nagcarlan, Laguna	good	owned			
6	San Pablo Branch	80 Rizal Avenue, San Pablo City, Laguna	good	owned			
<b>B. LEASED PROPERTIES UTILIZED AS BRANCHES</b>							
1	Dapitan City, Zamboanga del Norte	Justice F. Saguin St., Potol, Dapitan City, Zamboanga del Norte	good	leased	15,000.00	31-Dec-18	Extended up to June 30, 2019
2	Dumaguete City, Negros Oriental	DPEC Building, Pinili Street, Dumaguete City	good	leased	85,000.00	1-Jan-23	
3	Ozamis City, Misamis Occidental	LKT Bldg., Don Anselmo Bernard Avenue, Ozamis City, 7200 Misamis Occidental	good	leased	40,000.00	30-May-19	
4	Iligan City, Lanao del Norte	0135 Quezon Ave. Extension, Pala-o, Iligan City, 9200 Lanao del Norte	good	leased	75,239.76	31-May-19	
5	Cagayan De Oro City	RAC Commercial Bldg., Claro M. Recto, Lapasan Highway, Cagayan de Oro City, 9000 Misamis Oriental	good	leased	40,071.58	28-Feb-19	
6	Valencia City, Bukidnon	Sayre Highway corner T. N. Pepito St., Valencia City, 8709 Bukidnon	good	leased	22,374.00	31-May-19	
7	Cebu City, Cebu	260 Villalon Building, Osmena Boulevard, Cebu City	good	leased	79,772.00	31-May-23	
8	Imelda, Zamboanga Sibugay	Clamohoy Bldg. Rizal St., Purok Poblacion, Imelda, 7007 Zamboanga Sibugay	good	leased	20,837.25	30-Jun-19	
9	Poblacion Kabasalan, Zamboanga Sibugay	Poblacion Kabasalan, Zamboanga Sibugay	good	leased	11,500.00	30-Jun-18	Extended up to March 31, 2019
10	Calamba City, Laguna	Unit #1AB, Ground Flr, ALX Building, National Highway, Brgy. Halang, Calamba City, Laguna	good	leased	72,750.00	31-Jul-23	
11	Los Baños, Laguna	National Highway, Brgy. San Antonio, Los Baños, Laguna	good	leased	25,000.00	30-Apr-20	
12	Oroquieta, Misamis Occidental	Capitol Drive, Oroquieta City, 7207 Misamis Occidental	good	leased	24,200.00	21-Feb.-21	
13	Piñan, Zamboanga del Norte	Poblacion Pinan, 7105 Zamboanga del Norte	good	leased	7,500.00	15-Jul.-19	
14	Manukan, Zamboanga del Norte	Caballero Bldg. National Highway, Poblacion Manukan, 7110 Zamboanga del Norte	good	leased	18,947.37	31-Mar.-21	
15	Liloy, Zamboanga del Norte	Insong Building, Magsaysay Street, Baybay, Liloy, 7115 Zamboanga del Norte	good	leased	21,052.63	31-OCT.-20	
16	Molave, Zamboanga del Sur	Rizal Ave., Makuguihon, Molave, 7023, Zamboanga del Sur	good	leased	26,315.79	15-May-21	
17	Calamba, Misamis Occidental	Rotonda, Poblacion, Calamba, 7210 Misamis Occidental	good	leased	2,105.26	30-Apr-23	
18	Siayan, Zamboanga del Norte	National Highway, Poblacion, Siayan, 7113 Zamboanga del Norte	good	leased	52,631.58	30-Sept.-33	
19	Aurora, Zamboanga del Sur	National Highway, Poblacion, Aurora, 7020 Zamboanga del Sur	good	leased	15,789.47	31-Oct.-19	

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY )S.S.

### SECRETARY'S CERTIFICATE

I, MICHAEL STEPHEN H. LAO, of legal age, Filipino and with office address at PBCom Tower, 6795 Ayala Avenue corner V.A. Rufino Street, Makati City, after having been duly sworn in accordance with law, hereby certify that:

1. I am the Assistant Corporate Secretary of the PHILIPPINE BANK OF COMMUNICATIONS (the "Bank"), a corporation organized under Philippine laws, with office address at 6795 Ayala Avenue corner V.A. Rufino Street, Makati City, Metro Manila.
2. That the following directors and officers of the Bank are not presently connected with any government agency:


Directors:

Eric O. Recto  
Leonardo B. Dayao  
Patricia May T. Siy  
Lucio L. Co  
Carmen G. Huang  
Susan P. Co  
Bunsit Carlos G. Chung  
Levi B. Labra  
Ralph C. Nubla, Jr.  
Gregorio T. Yu  
Jesus S. Jalandoni, Jr.  
Roberto Z. Lorayes  
Emmanuel Y. Mendoza  
Gilda E. Pico

Officers:

John Howard D. Medina  
Alan E. Atienza  
Arlene M. Datu  
Angelo Patrick F. Advincula  
Michael Stephen H. Lao

IN WITNESS WHEREOF, I have hereunto affixed my signature this \_\_\_\_\_ at Makati City, Philippines.

  
**MICHAEL STEPHEN H. LAO**  
Assistant Corporate Secretary

**APR 25 2019**

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_, affiant exhibiting to me his Philippine Passport No. EC4190009 issued by the Department of Foreign Affairs, Manila on 17 May 2015 and valid until 16 May 2020.

Doc. No. 107  
Page No. 23  
Book No. XIV  
Series of 2019.

  
**ATTY. GERVACIO B. ORTIZ JR.**  
Notary Public, Makati City  
Until Dec. 31, 2019  
Appointment No. M-185 (2019-2020)  
PTR No. 7333104 Jan. 3, 2019/Makati  
IBP Lifetime No. 656185 Roll No. 40091  
MCLE Compliance No. V-0006934  
101 Urban Ave. Campos Rueda Bldg.  
Brgy. Pio Del Pilar, Makati City