SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2015**

2. SEC Identification Number **A199701584** 3. BIR Tax Identification No. **000-005-469-606**

4. Exact name of issuer as specified in its charter **PHILIPPINE BUSINESS BANK, INC.**

5. **CALOOCAN**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **350 Rizal Avenue corner 8th Avenue Gracepark, Caloocan City** **1400**________
Address of principal office Postal Code

8. **(02) 363-33-33**
Issuer's telephone number, including area code

9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	**536,458,423**

11. Are any or all of these securities listed on a Stock Exchange.

Yes [**x**] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE **COMMON SHARES OF STOCK**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of

The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ]   No [x]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in “Annex B”).

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]   No [ ] NOT APPLICABLE

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify The part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview

PBB was incorporated as a Philippine corporation and registered with the SEC on January 28, 1997 as "Total Savings Bank" and was granted the authority to operate as a thrift bank under the MB Resolution No. 29 dated January 8, 1997. The BSP issued a Certificate of Authority on February 6, 1997. On December 16, 1997, the SEC approved the change of corporate name of the Bank to "Philippine Business Bank (A Savings Bank)", which the shareholders believe better reflects the Bank's business thrust and focus.

The Bank's focus is to become the bank of choice of the SME market segment. The BSP defines small and medium enterprises to be any business concern with assets between ₱3 million to ₱100 million, excluding the land value on which the entity's office, plant and equipment are situated.

This focus on the SME market is driven by the size and potential of this particular market. According to a recent data from the Department of Trade and Industry, SMEs account for 99.6 percent of total registered enterprises. The Bank believes that the SME segment is the major source of entrepreneurship and economic dynamism which provides trade, manufacturing and outsourcing and services and helps contribute to community and local development. Lastly, the Bank believes that the SME segment can be considered underserved with most financial institutions focusing on the banking requirements of large corporations and/or the consumer sector.

To become the bank of choice of the SME market, PBB has increased its branch presence in several commercial and industrial centres of the country and recruited branch and account officers with extensive client networks in these specific communities. The Bank's network grew from two (2) branches in 1997 to 134 branches as of December 31, 2015 with most branches located in areas with high concentration of small and medium businesses such as Caloocan, Malabon, Navotas, Valenzuela and Quezon City as well as in highly urbanized cities outside Metro Manila such as Cebu, Davao and Bacolod. PBB believes that client proximity, understanding of its targets' banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are among the key factors which have driven and will continue to drive its growth.

Principal Business Activities

PBB provides close to a full range of banking services and products, including cash management, retail and corporate lending, deposit products, international trade finance, treasury and trust products.

Reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

In April 2008, the Bank entered into a purchase agreement with the shareholders of Kabalikat Rural Bank, Inc. ("KRBI") under which the Bank will purchase 100 per cent of the stock, assets, and goodwill of KRBI subject to the approval of a merger plan by the BSP and SEC. Through this transaction, PBB acquired the five (5) existing branches of KRBI and converted these into thrift bank branches. As an incentive, the BSP granted PBB the right to establish three (3) branches in Restricted Areas and 10 branches in non-restricted areas of the country. In October 2008 and March 2012, the BSP and the SEC respectively approved the merger.

In June 2015, the Bank entered into a purchase agreement with the Insular Savers Rural Bank ("ISB") under which the Bank will purchase 100 per cent of the stock, assets, and goodwill of ISB subject to the approval of a merger plan by the BSP and SEC. Through the transaction PBB acquired the existing eight (8) branches of ISB. This will also help PBB establish a foothold in consumer loans via the expansion of teacher loans through DepEd.

In July 2015, the Bank entered into a purchase agreement with Bataan Savings and Loan Bank ("BSLB") wherein the Bank will purchase all of recorded properties, assets and goodwill of BSLB subject to the approval of a merger plan by the BSP and SEC. With this transaction, PBB acquired the three (3) existing branches of BSLB.

Products and Services Offered

PBB is a thrift bank that offers a range of commercial and consumer or retail banking products, trust services, and other related financial services such as mail and telegraphic transfers, safety deposit facilities, payment services, among others.

Commercial banking services include term loans, working capital credit lines, bills purchase and discounting lines. PBB is the first thrift bank to be allowed by the BSP to issue foreign currency denominated letters of credit. The Bank also offers specialized loans for agriculture and special programs of the Development Bank of the Philippines, the Social Security System, and other agencies.

Consumer banking loans include auto financing, home financing, and salary or personal loans.

As part of its commercial and consumer banking activities, PBB offers various deposit products to both its commercial and individual clients. These products include Peso denominated current and savings accounts, foreign currency denominated savings accounts and both Peso and foreign currency time deposits.

The Bank's treasury manages the liquidity of PBB and is a key component in revenue and income generation through its investment and trading activities.

Products and services offered by PBB's trust operations include PBB's "Diamond Fund", a unit investment trust fund, investment management arrangements for both individual and commercial clients, escrow agency, security, safekeeping and depository arrangements, a funds management of employee benefit and pre-need plans, among other typical trust products and services.

Distribution methods of the products or services

The Bank utilizes branches for the distribution of its deposit products. As for its loan products, the Bank has an Account Management Group and located in its Head Office and the Branch Lending Group with account officers in some branches. The Bank's Trust products are handled by its Trust Department while Treasury products are marketed by its Treasury Marketing and Sales Department of the Treasury Group.

Competition

PBB attributes its strong growth and attractive financial performance to the following competitive strengths:

1. Strong presence, reputation, and attention to its SME customers

The Bank believes that its deliberate focus on serving the banking needs of the SME market segment is a key factor for its successful growth over its history. Aside from potential size of this market segment, the Bank also believes that the SME segment is largely underserved by most financial institutions with their focus on large companies and the consumer market.

PBB's focus on the SME segment is manifested in its branch strategy, the recruitment of its officers, its business operations and even its corporate culture.

Majority of PBB's branches are located outside of typical commercial and business districts where most banks congregate and are situated in areas with significant SME concentration such as Caloocan, Malabon, Navotas, Valenzuela, Quezon City as well as highly urbanized cities outside Metro Manila such as Cebu, Davao and Bacolod. Aside from targeting such areas, PBB has also significantly increased the number of its branches over the past years.

The Bank believes the success of this branch strategy is shown in its increased business performance. PBB's branches have increased over the past three (3) years from 100 in 2013 to 134 as of December 31, 2015 coinciding with the growth in the PBB's deposit base from ₱37.9 billion in 2013, ₱46.6 billion in December 31, 2014 and ₱55.0 billion in December 31, 2015 and its portfolio of loans and receivables from ₱31.6 billion in 2013, ₱40.1 billion as of December 31, 2014 and ₱41.7 billion in December 31, 2015.

Of equal importance to PBB's current and prospective growth is the staffing of these branches. The Bank aggressively recruits branch managers and account officers who have established good relationships and solid reputation within each branch's catchment area. Through this recruitment strategy, PBB has been able to accelerate its client acquisition.

In line with its view that most SME clients have unique banking requirements with respect to bank transactions that require specific attention, PBB has also deliberately focused on providing its banking services through its branch officers and staff. This contrasts significantly with the trend to automate banking transactions. PBB believes that customer interaction and service will remain key ingredients for its growth.

2. Effective capital utilization

Aside from interest income from its loan products, PBB is focused on earnings generation from its treasury operations. PBB's treasury operations, aside from ensuring liquidity and managing liquidity risk, is and will remain actively involved in the trading of domestic treasury debt, corporate bonds, foreign currency denominated bonds and other financial instruments and is expected to generate income especially during periods of weak loan demand or excess liquidity arising from branch deposit taking efforts.

To this end, in 2009, PBB recruited officers and personnel with extensive treasury and trading experience and built up its securities portfolio. In 2013, PBB's AFS and trading portfolio amounted to ₱8.8 billion and in 2014 the AFS and trading portfolio amounted to ₱7.9 billion. As of December 31, 2015, the AFS holdings and other trading portfolio (FVPL) of the Bank reached ₱9.1billion.

3. Solid lending policies and practices

Despite the growth of PBB's loans and receivables, the Bank has successfully managed credit risk through its internal credit risk rating system, loan evaluation and approval practices, and other formal credit risk mitigating processes. Supplementing these formal processes is PBB's relationship and community based approach to lending, which takes advantage of branch and account officers' position in their respective communities to establish prospective borrowers' reputation, business performance and risks, and other credit evaluation factors.

The Bank believes that the advantages brought about by these processes have equal weight to its formal credit evaluation efforts, especially for prospective SME clients.

Over the past three (3) years, PBB's average NPL ratio was at 2.37 in 2013, 1.57 in 2014 and 2.88 in 2015.

4. Sound balance sheet well positioned for growth

PBB has consistently maintained a sound balance sheet which positions the Bank for future growth. Liquidity, as measured by the ratio of loans to deposit, in 2013, 2014 and 2015 was at 109.67%, 122.22%, and 75.03% respectively.

5. Resilient capital is among the foundations to PBB's increasing size

PBB's Total CAR and Tier 1 CAR was at 24.46%, 23.81% and 20.95%, 19.96% and 17.7% , 17.0% for the years ending December 2013, 2014 and 2015, respectively.

With its capital structure, the Bank is well positioned to undertake future fund raising efforts after the Offer, to finance further expansion plans and comply with the capital adequacy requirement set by the BSP.

6. Highly competent and well experienced management team

PBB is managed and ran by officers who have extensive experience in banking operations from leading universal and commercial banks in the country. On average, each of the Bank's senior officers possess about 27 years of experience in banking and finance. Similarly, each of PBB's branch officers has, on average, a total of 15 years of experience in branch banking.

With the experience and track record of officers, from the head office and throughout its branch network, the Bank is assured that it possesses extensive knowledge of all aspects of the banking industry, strong relationships with other banks and financial institutions, and familiarity with the Bank's target clients and their banking needs.

Sources and availability of raw materials and the names of principal suppliers

This is not relevant to the operations of the Bank.

Customer Concentration

The Bank has a diversified customer base and there is no concentration of business in major client group. The Bank is not dependent on any single customer that its loss would have material adverse effect on the Bank.

Transactions with and/or dependence on related parties

Although the Bank deals with related parties subject to existing rules on related party transactions, there is no dependency on any of its related parties.

Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held

The Bank has registered with the Intellectual Property Office of the Department of Trade and Industry its New Bank Logo and ATM Business Card Design. The Bank has not been involved in any disputes with respect intellectual property rights of other parties.

Government approval of principal products or services

The Bank has no outstanding application subject to government approval.

Effect of existing or probable governmental regulations on the business

The Philippine banking industry is a highly regulated sector whose operations are under the supervision of the BSP. The BSP formulates and implements regulatory policies and guidelines on capital adequacy, lending limits, anti-money laundering, management, loan loss provisioning and other aspects of a bank's operations and monitors compliance thereon through on-site and off-site examinations of banks.

Amount spent on research and development activities

The Bank has a department in-charge of new products which reports to the Branch Banking Group under the CEO. This department has two personnel – one officer and one staff. Its expense is only limited to regular salary of the employees and is very minimal.

Costs and effects of compliance with environmental laws

Not applicable.

Employees

As of December 31, 2015, the Bank has a total of 1,246 employees broken down into the following categories:

Executives	62
Managers – Operations and Support	287
Managers – Branch / Marketing	142
Staff	755
Total	**1,246**

For the ensuing twelve (12) months, the Bank anticipates to have additional 336 employees broken down as follows:

Executives	3
Managers – Operations and Support	111
Managers – Branch / Marketing	40
Staff	182
Total	**336**

There is no collective bargaining agreement between the Bank and any of its employees. None of the Bank's employees are affiliated with any labor union.

Financial Risk Management Objectives and Policies

PBB, as a financial institution, is in the business of risk taking. Its activities expose the Bank to credit, market and liquidity, and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity and interest rate risks in the Bank's investment portfolio. Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology and external events, including legal risk but excludes reputational risk.

Although risks are inherent in the Bank's activities, these are carefully managed through a process of identification, measurement, and monitoring subject to prudent limits and stringent controls as established in its risk management framework and governance structure. The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders.

Credit risk pertains to the risk to income or capital due to non-payment by borrowers or counterparties of their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default. This is inherent in the Bank's lending, investing, and trading and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the Board of Directors (BOD). Account officers and credit officers directly handle credit risk as guided by BOD-approved policies and limits. The Risk Management Center, as guided by the Risk Committee (Riskcom which is a Board Committee), performs an independent portfolio oversight of credit risks and reports regularly to the BOD and the RiskCom.

The Bank's market risk exposure arises from adverse movements in interest rates and prices of assets that are either carried in the banking book or held as positions in the trading book (financial instruments), mismatches in the contractual maturity of its assets and liabilities, embedded optionality in the loans and deposits due to pre-terminations, and potential cash run offs arising from changes in overall liquidity and funding conditions in the market. Market risk related to the Bank's financial instruments includes foreign currency, interest rate and price risks.

The Bank manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

To mitigate interest rate risk, the Bank follows a prudent policy on managing assets and liabilities so as to ensure that exposure to interest rate risk are kept within acceptable levels. The BOD has also approved the Earnings-at-Risk (EAR) Limit which is reviewed regularly. The earnings-at-risk is the maximum estimated loss on interest income as a result of mismatches in the repricing structure of the Bank's assets and liabilities and on the volatility of interest rates.

For interest rate risk in the trading portfolio, the Bank utilizes the value-at-risk (VaR) methodology and employs BOD-approved VaR and loss limits to mitigate risks. In recognition of the limitations of VaR related to the assumptions on which the model is based, the Bank supplements the VaR with a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder. To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the RiskCom prior to the confirmation by the BOD.

Item 2. Properties

The Bank owns the land and building on which its head office is located. This head office is located four-story building on a 1,300 square meter property along Rizal Avenue, Grace Park, and Caloocan City. The Bank also owns the land and premises on which four (4) of its branches are located, specifically, PBB's branches in Paso de Blas in Valenzuela, in Imus, Cavite, in Luwasan, Muzon, in San Jose del Monte City, Bulacan, and in General Tinio, Nueva Ecija.

The land and premises on which PBB's branches other branches are located are leased from various property owners. Such lease agreements are typically long term in nature, with durations of five (5) years or more. The Bank has entered into lease agreements with the following parties:

PBB BRANCH	LESSOR	COMMENCEMENT DATE	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
Grace Park	SMI Development Corporation	August 17,2013	August 17,2023	107,346.75	5% on 3rd yr. & every yr thereafter
A. Mabini C-3	Marea Ventures Corp.	June 1,2014	May 31,2019	66,550.00	10% on the 3rd ; 5% on 4th & 5th
Camarin	Luwell Realty & Development Corporation	June 1,2015	May 31,2020	53,085.38	5% annually
Edsa-Kalookan	Solmac Marketing Inc.	April 1,2007	March 31,2017	55,184.51	7% on 3rd, 5th, 7th, & 9th
Edsa-Monumento	New MBS Marketing Corporation	January 1,2014	December 31,2018	50,400.00	5% on 3rd yr. & every yr thereafter
Kaybiga	Guilmar Marble Corporation	October 21,2015	October 20,2020	44,501.54	5% annually
Samson Road	Oscar F. Tirona	October 1,2014	September 30,2019	50,578.00	Ave= 5.96% or 6% per year
Binondo Corporate Center	Philippine-Chinese Charitable Association, Inc.	October 1,2012	September 30,2018	102,487.00	10% every other 2 yrs
Carmen Planas	Zaldra Realty Development Corporation	January 1,2015	December 31,2019	65,000.00	5% on 3rd year & every yr thereafter
Elcano	Nena Lumbao Hung	September 1, 2014	August 31, 2017	88,421.06	5% annually
Jose Abad Santos	Virgilio Ting Uy	December 16,2013	December 15,2018	63,000.00	5% on 3rd year & every yr thereafter
Quintin Paredes	Downtown Realty Investment Corporation	July 24,2015	July 24,2020	199,849.65	7.5% every other year
Adriatico-Malate	Evangeline T. Lim	February 3,2012	February 3,2017	135,442.13	5% on 3rd year & every year thereafter

PBB BRANCH	LESSOR	COMMENCEMENT DATE	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
Pasay	Mayson Realty Corporation	March 14,2013	March 14,2018	50,490.09	5% on 2nd yr & every year thereafter
Pasay-Malibay	M. Ainsley Realty Corporation	January 1,2014	December 31,2018	68,250.00	5% on 3rd year & every year thereafter
Paterno-Quiapo	Edilberto Pontillas	July 1,2013	June 30,2018	99,225.00	5% annually
Pedro Gil-Paco	Wesco General Merchandise	July 27,2012	July 27,2017	85,600.00	5% on 3rd year & every year thereafter
Karuhatan -Malinta	Hermogenes P. Santiago	February 8,2011	February 8,2016	52,093.13	contract expired(will not renew due to transfer of location) same monthly rent until we have transferred
Malabon	J2NS Property Development, Inc.	August 1,2013	August 1,2018	78,923.04	8% on 3rd year & every year thereafter
Malabon-Rizal Avenue	Flaviano G. Felizardo III	August 18,2011	August 18,2026	40,000.00	none
Navotas	Megarite Development Corporation	January 1,2015	December 31,2019	37,507.05	5% annually
Valenzuela	PSL Prime Realty Corporation	August 1,2013	August 1,2018	100,667.97	5% annually
Baliuag	Danilo S. Santos	January 1,2007	December 31,2017	57,432.67	7% on 6th yr. & every yr thereafter
Bocaue	Joel G. Castillo and Cynthia G. Castillo	January 1,2014	December 31,2018	42,000.00	5% on 3rd yr. & every yr thereafter
Malolos	DJ Paradise Resort Inc.	January 1,2015	December 31,2019	36,750.00	5% annually
Meycauayan	I.S. Properties, Inc.	January 1,2016	January 1,2021	66,150.00	5% on 3rd yr. & every yr thereafter
Sta. Maria	Angelika Halili Cruz	October 1,2012	September 30,2017	38,828.13	5% on 3rd yr. & every yr thereafter
Angeles	AJV Investment Holdings, Inc.	July 1,2013	June 30,2018	66,445.31	5% on 3rd yr. & every yr thereafter
Cabanatuan	Angel S. Pascual	January 16,2014	January 15,2019	58,750.00	5% on 3rd year & every yr thereafter
Gapan	Veronica, Albino, Digna, Gregorio, Elizabeth(all surnamed Del Fonso)	November 1,2008	November 1,2023	40,083.79	beg.2nd yr 5%up 5th 6.5%-6th-10th 8%-11th-15th
Olongapo City	Maria Melinda Tan Chua	May 2011	May 2016	70,000.00	5% on 3rd yr. & every yr thereafter
San Fernando	JTG Sears Realty Corporation	April 1,2012	April 31,2017	24,000.00	-
Balanga	Melencio A. Unciano, Jr.	November 1,2014	October 31,2019	63,000.00	5% annually
SBMA-Subic	Subic Creative Center, Inc.	June 1, 2015	May 31, 2020	75,241.60	5% on 3rd yr. & every yr thereafter
Greenhills	LGI Group Corporation	June 1,2012	May 31,2017	96,900.00	None-straight 5 years
Mandaluyong	Antonio H. Yap	December 31,2011	December 31,2016	94,317.97	5% on 4th year & every yr thereafter
Ortigas	CW Marketing and Development Corporation	June 15,2015	June 14,2020	65,100.00	5% on 2nd yr & every year thereafter
Pasig Blvd.-Kapitolyo	Dhondup Holdings Inc.	April 15,2012	April 15,2017	56,036.77	5% on 3rd year & every yr thereafter
Antipolo	Megathon Properties, Inc.	August 14,2013	August 14,2018	69,502.32	3% annually
Cainta	Molks Realty Development Corp.	September 15,2013	September 14,2018	65,100.00	5% on 3rd year & every yr thereafter
Marikina	Heirs of Amelia M. Diguanco	October 1,2011	September 30,2016	75,245.63	5% on 3rd year & every yr thereafter

PBB BRANCH	LESSOR	COMMENCEMENT DATE	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
Concepcion-Marikina	Mark William Pua Uy	August 15,2013	August 14,2018	63,000.00	5% every 2 years
Antipolo-Masinag	Rikland Property Leasing	December 20,2011	December 20,2016	56,677.32	5% on 3rd year & every yr thereafter
Taytay	Estelita M. Felix	November 1,2014	October 31,2019	66,510.00	5% on 3rd year & every yr thereafter
Bonifacio Global City	MC Home Depot (Fort Bonifacio), Inc.	February 1,2015	January 31,2020	95,709.60	5% annually
Ortigas Ave. Ext.-Cainta	Decoro General Construction and Trading Corporation	September 16, 2015	January 16, 2020	50,000.00	5% on 3rd year & every yr thereafter
Commonwealth-Fairview	Frederick C. Ibay	December 1,2011	December 1,2016	69,457.50	5% on 3rd yr. & every yr thereafter
Cubao	RSAG Building Management Services	August 16,2015	August 15,2020	60,000.00	5% annually
Novaliches	Luwell Realty & Development Corporation	October 1,2014	September 30,2019	82,958.31	5% annually
Timog-Rotonda	A.A. Tanco, Inc.	December 1,2013	November 30,2018	84,000.00	5% on 3rd yr. & every yr thereafter
Banawe	Solmac Marketing Inc.	May 1, 2014	April 30, 2020	115,744.80	7.5% on 3rd yr. & every yr thereafter
Banawe-Kaliraya	Mary Ty Tan	June 15,2013	June 14,2018	84,000.00	5% on 3rd yr. & every yr thereafter
Congressional Avenue-Quezon City	Hedelita Cleofas Diaz, Herminio Cleofas, Jhoana Lyn Cleofas, Joisa Fatima Cleofas, Benancia Cleofas AKA Melicia Cleofas	April 1, 2015	December 31, 2017	73,500.00	5% annually
Del Monte	Cheung's Development Corporation	January 1, 2015	December 31, 2019	58,983.75	5% annually
Retiro	Doña Ignacia Development Corporation	May 22,2013	May 21,2018	53,500.00	7% on the 3rd year & every yr thereafter
Roosevelt	Henry Tan Villasi	November 15,2012	November 14,2017	31,334.27	5% on 3rd yr. & every yr thereafter
West Avenue	Fiorino Development Corporation	June 23,2012	June 23,2017	54,435.94	5% on 3rd yr. & every yr thereafter
Kamias-Anonas	Citi Property Management and Realty Corporation	August 16, 2015	August 15, 2020	79,200.00	5% on 3rd yr. & every yr thereafter
Legaspi Village-Makati	Andrea L.Dulalia	January 15,2013	January 14,2018	84,012.32	2nd year and every year thereafter
Makati	AMY Leasing Company	January 1,2009	January 1,2024	140,710.05	5% on 2nd yr & every year thereafter
Salcedo Village-Makati	Lacelli International Corporation	August 1,2012	July 31,2017	131,969.25	5% on 3rd year & every yr thereafter
Sucat-Parañaque	Jaka Investments Corporation	February 15,2012	February 14,2017	88,788.40	7.5% on 3rd year & every yr thereafter
The Fort	Megaworld Corporation/Bonifacio West Dev't Corp.	May 1, 2015	April 30, 2017	202,650.00	10% annually
Dasmariñas-Cavite	Jica Land Developers Inc.	October 1,2013	September 30,2018	50,820.00	5% on 3rd yr and every yr thereafter
Las Piñas	Omni Investment Bldg	September 1,2014	February 26,2019	65,100.00	5% on 4th year & every year thereafter
Madrigal Business Park	Solid Gold Realty Corporation	August 26,2011	August 25,2016	66,852.85	5% on 3rd year & every yr thereafter
Muntinlupa	Sps. Sturnino L. Baccay & Katherine C. Baccay	October 1,2012	October 1,2017	60,443.46	5% on 3rd year & every yr thereafter

PBB BRANCH	LESSOR	COMMENCEMENT DATE	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
Molino-Bacoor	SolaGrande Realty Corporation	July 1,2014	June 30,2019	56,354.60	5% on 3rd yr and every yr thereafter
Trece Martires-Cavite	Virginia P. De Guzman	June 16,2015	July 15,2020	35,000.00	5% on 3rd yr and every yr thereafter
Carmona-Cavite	Jupan C. Lim	November 1, 2015	October 31, 2020	31,578.95	5% on 3rd yr and every yr thereafter
Kawit	Half Bank Owned/ Half PNR Lease	Under Negotiation			
Binakayan	Philippine National Railways	Under Negotiation			
Better Living-Parañaque	Lauan Commercial Corporation	January 1, 2016	December 31, 2020	60,000.00	5% on 3rd yr and every yr thereafter
Cauayan	Jolilyn A. Guy	April 1,2013	March 31,2018	70,560.00	5% on 3rd yr. & every yr thereafter
Laoag City	Laoag Allied Realty and Development	October 1,2011	September 30,2016	81,033.75	5% on 3rd year & every yr thereafter
Tuguegarao	Lorita C. Corral	September 16,2013	September 15,2018	65,367.75	5% on 3rd yr. & every yr thereafter
Santiago	Sps. Manuel Salvador N. De Vera and Bonaleth M. De Vera	July 1,2014	June 30,2019	68,250.00	5% on 3rd yr. & every yr thereafter
Vigan	Juvencio L. Pe Benito	July 1,2014	June 30,2019	55,000.00	10% on 3rd yr. & every yr thereafter
Baguio	Atty. Ernesto Ll. De los Santos	August 26,2014	August 26,2019	73,643.56	5% on 2nd year & every 2 yrs thereafter
Dagupan	Wilson Dy	April 15,2002	April 14,2022	79,976.64	1st 3yrs at 50k 5% succeeding
La Union	Virginia Rondaris Mendoza	August 15,2014	August 15,2019	63,814.08	5% on 2nd yr & every year thereafter
Tarlac	Dentistaco Realty Corporation	July 1,2014	June 30,2019	70,195.49	5% annually
Urdaneta	Gold and Chimes Realty Corporation	February 1,2012	February 1,2022	70,340.18	5% every 2 years
Tarlac-Paniqui	Green Field Miracle Realty Development Corporation	January 16, 2015	January 15, 2020	38,962.00	5% on 3rd yr. & every yr thereafter
Benguet-La Trinidad	Sps. Fernando S. Tiong and Rosemarie G. Tiong	February 16, 2015	February 15, 2020	60,000.00	5,000 on the next 2.5 yrs.
Pangasinan-Lingayen	Carmen E. Dyliacco, Piedad E. Dyliacco & Montserrat S. Escano	November 1, 2015	October 31, 2020	53,000.00	5% on 3rd yr. & every yr thereafter
Candon-Ilocos Sur	Bienvenido Gabayan	November 1, 2015	October 31, 2020	63,157.89	none
Batangas	Sps. Jose Q. and Helen S. Cifra	August 1, 2012	August 1,2017	72,600.00	10% on 3nd year & every year thereafter
Lipa City	Reynato D. Goce	August 15,2012	August 15,2017	80,106.79	5% annually
Tanauan	Erwin L. Biscocho	August 16,2013	August 16,2018	75,600.00	5% on 3rd yr and every yr thereafter
Calapan	Tolentino Jr. and Lita S.	May 23,2014	May 22,2019	40,000.00	yr thereafter
Calamba	Nelson Lu	January 1,2016	December 31,2020	72,930.38	5% annually
Lucena City	Amalia Garana-Italia	November 2,2012	November 2,2017	49,612.50	5% on 3rd yr and every yr thereafter
San Pablo	Albrighton Corporation	October 16,2013	October 15,2018	65,400.00	5% on 3rd yr and every yr thereafter
Sta. Rosa	Philippine Seven Corporation(Sub Lessor)	March 1, 2015	February 28, 2018	80,128.15	7.5% on the 2nd yr & every yr thereafter
San Pedro	Lily Tsang Ngo	April 1,2014	March 31, 2019	60,000.00	5% on 3rd yr and every yr thereafter

PBB BRANCH	LESSOR	COMMENCEMENT DATE	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
Legazpi City	Natividad M. Sison	August 15,2012	August 15,2017	55,125.00	5% on 3rd year & every yr thereafter
Naga	Peterson Resources and Holding Inc.	March 1,2015	February 28,2020	42,000.00	5% on 3rd year & every yr thereafter
Sorsogon	Sorsogon Chang Kai Shek School	October 1,2013	September 30,2018	63,525.00	5% on 3rd yr and every yr thereafter
Puerto Princesa Palawan	Sps. Allan and Dawn Carlos	July 1,2012	July 1,2018	78,277.50	5% on 3rd yr and every yr thereafter
Iriga-Camarines Sur	Arnel H. Tan	April 1,2015	March 31,2020	55,000.00	5% on 3rd yr and every yr thereafter
Biñan-Laguna	Abbie Lane M. Perez and Sunshine M. Perez	June 1,2015	May 30,2020	50,000.00	5% on 3rd yr and every yr thereafter
Bacolod	The Philippine American Life and General Ins. Co.	November 1, 2014	October 31, 2019	67,154.52	5% annually
Iloilo	Manuel V. Uy	January 16,2015	January 15,2020	29,017.86	5% on 3rd year
Kalibo	Lawrence Ti Lu	September 6,2013	September 5,2018	66,000.00	10% on 3rd yr and every yr thereafter
Downtown-Cebu	Lianting Development Corporation	May 15, 2014	May 14, 2019	62,114.84	7.5% on the 3rd yr & every yr thereafter
Lapu-Lapu City	Antonio Amistad	February 15,2011	February 15,2016	65,116.00	For relocation; Under Negotiation
Mandaue	Lester & Lesley To Chip	April 1, 2014	March 31, 2019	63,814.08	5% annually
Tacloban	Tacloban Buddhist Temple, Inc.	May 31,2013	May 30,2018	63,000.00	5% on 3rd yr and every yr thereafter
Tagbilaran	EB Gallares Properties Associates, Inc.	September 16,2012	October 31,2017	77,225.17	5% on 3rd yr and every yr thereafter
Consolacion-Cebu	1028 Realty Corporation	December 1,2014	November 30,2019	58,415.00	5% on 3rd yr and every yr thereafter
Cebu-Talisay	Dynasty Management and Development Corporation	February 3, 2015	January 31, 2020	45,000.00	7% on the 3rd year & every yr thereafter
Cebu-Escario	Nicris Dev., Corp.	March 2015	March 2020	64,575.00	5% annually
Cebu-Banilad	SmartGlobal Holdings Inc.	July 2015	July 2020	75,515.00	5% on 3rd yr and every yr thereafter
Roxas City	Susan A. Jugo	November 16, 2015	November 15, 2020	55,500.00	5% on 3rd yr and every yr thereafter
Bajada, Davao	Davao City Chamber of Commerce & Industry Inc.	December 1,2015	November 30,2016	43,131.25	10% if will be extended for another year
Davao-Sales	JM Agro Industrial Trading Corporation	June 2009	June 2019	69,457.50	5% every 2 years
General Santos	Firenzo Property Dev't/GSC Suncity Suites	September 16,2010	September 16,2015	72,600.00	5% on 3nd year & every 2 yrs thereafter
Davao-Lanang	Binansel Inc.	June 1,2014	May 31,2019	50,000.00	Additional P5,000 on the 3rd yr and every year after
Davao-Toril	Far East Noble House, Inc.	July 21,2014	July 31,2019	37,000.00	5% on 3rd yr and every yr thereafter
Tagum City-Davao	Albert L. Ng	December 16,2014	December 15,2019	60,000.00	straight
General Santos-Santiago Blvd.	Asaje Realty Corporation	December 16,2014	December 15,2019	53,500.00	5% on 3nd yr, 10% on 4th and 5th year
Butuan	FG Ever, Inc.	December 26, 2013	December 25, 2018	66,315.78	5% on 3rd yr and every yr thereafter
Cagayan de Oro	Leo Boyd Casiño and Bernard M. Casiño	June 1, 2014	May 31, 2019	34,500.00	5% annually
Cagayan de Oro-Cogon	Alice LL. Andrada, Inc.	January 1,2014	December 31,2018	55,000.00	5% on 3rd yr and every yr thereafter

PBB BRANCH	LESSOR	COMMENCEMENT DATE	EXPIRY DATE	PRESENT BASIC RENTAL	ESCALATION CLAUSE
Iligan City	Sps. Glen and Marissa Doromal	April 1,2014	March 31, 2019	35,000.00	5% on 3rd yr and every yr thereafter
Zamboanga	Wee Agro Industrial, Inc.	September 6,2013	September 5,2018	63,000.00	5% on 3rd yr and every yr thereafter
Ozamis	The Insular Life Assurance Company, LTD	July 16,2014	July 15,2019	39,200.00	5% on 3rd yr and every yr thereafter
Dipolog	Johnny A. Lim	October 1,2014	September 30,2019	80,000.00	straight
Dumaguete	Maximo P. Tan, Jr.	December 16,2014	December 15,2019	63,000.00	5% annually
Davao-Panabo	Asaje Realty Corporation	January 16,2015	January 15,2020	62,909.00	5% on 3rd yr and every yr thereafter
Surigao City	Engr. Leonel A. Santos	August 1, 2015	July 31, 2020	46,000.00	10% on 3rd yr and every yr thereafter
Davao-C.M. Recto	JR Lacuesta Properties Development Corp.	September 1, 2015	August 31, 2020	59,325.00	5% on 3rd yr and every yr thereafter

Based on prevailing costs, the Bank estimates that the development of a new branch will cost approximately between ₱5 million to ₱10 million for leasehold improvements, IT infrastructure, and miscellaneous supplies. Leasehold improvements of a branch are typically amortized over the term of the lease while IT investments are amortized over a period of five (5) years.

The Bank intends to lease in the next twelve (12) months additional twenty three (23) branches for its branch network expansion program in the following areas:

High Priority Sites

1 Caloocan City
2 Agono,Rizal
3 Tagaytay City, Cavite
4 Concepcion, Tarlac
5 Bacoor, Cavite (Aguinaldo Highway)
6 Solano, Nueva Vizcaya
7 San Rafael, Bulacan
8 Iloilo City
9 Cabu City (Gorordo or Ayala Area)
10 Roxas, Isabela
11 Taguig City

2nd Priority Sites

12 Marikina City
13 Agoo, La Union
14 Apalit, Pampanga
15 San Carlos City, Negros Occ
16 San Jose, Antique
17 City of Koronadal, South Cotabato
18 Pagadian City, Zamboanga del Sur
19 Cotabato City
20 Kidapawan City, North Cotabato
21 Valencia, Bukidnon
22 Digos, Davao del Sur
23 Zamboanga City, Zamboanga del sur

The Bank believes all its facilities and properties are currently in good condition.

Item 3. Legal Proceedings

The Bank has no proceedings that involves a claim for damages that exceed 10% of the current assets of the Bank.

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

There were no matters submitted to vote a security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Information

The common shares of PBB was listed last February 19, 2013. The high and low price of the Registrant's shares as of March 31, 2016 is ₱ 14.42.

Holders

As of the December 31, 2015, PBB's public listing date, the following are the holders of record of the Bank's common shares as set forth in the following table:

Name	Citizenship	Holidngs	Rank
Alfredo M. Yao	Filipino	199,865,258	37.26%
PDC Nominee Corporation - Filipino	Filipino	160,651,564	29.95%
Zest-O Corporation	Filipino	135,044,103	25.17%
Francis T. Lee	Filipino	22,087,500	4.12%
PDC Nominee Corporation - Non Filipino	Foreign	9,428,583	1.76%
Leticia M. Yao	Filipino	1,350,447	0.25%
Erlinda M. Yao	Filipino	1,350,447	0.25%
Jeffrey S. Yao	Filipino	1,350,447	0.25%
Armando M. Yao	Filipino	714,286	0.13%
Roberto L. Obiedo	Filipino	421,875	0.08%
James G. Dy	Filipino	390,625	0.07%
Siot Keng Go Dy	Filipino	312,500	0.06%
Roberto Lee Obiedo	Filipino	312,500	0.06%
Peter Y. See	Filipino	312,500	0.06%
Wilbert G. Uy	Filipino	312,500	0.06%
Arvin Uy Ting or Irene Inee lo Ting	Filipino	273,437	0.05%
Antonio D. Tan &/or Caridad Tan	Filipino	270,090	0.05%
Jimmy wai Piu Ng	Filipino	216,072	0.04%
Johnny Chan	Filipino	156,250	0.03%
Reynato Keh Lim &/or Susana Dy Lim	Filipino	156,250	0.03%
Others		1,481,189	0.28%
Total		536,458,423	100.00%

On November 16, 2012, the SEC approved PBB's application for the amendment of its articles of incorporation to increase its authorized capital stock from ₱3.0 billion to ₱10.0 billion and for a decrease in par value from ₱100 to P10.00.

For the period ninety (90) days prior to the filing of the registration statement, there are no foreign holder of each class of common equity.

Dividends

PBB is authorized under Philippine laws to declare dividends, subject to certain requirements. The Board is authorized to declare dividends only from its unrestricted retained earnings and these dividends may be payable in cash, shares or property, or a combination of thereof as may be determined by the Board. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of PBB's outstanding capital stock. The Board may not declare dividends which will impair its capital.

Pursuant to Republic Act 8791 and as provided for in the Manual of Regulations Banks, PBB cannot declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. PBB cannot likewise declare dividends, if at the time of its declaration it has not complied with the following:

a) Its clearing account with BSP is not overdrawn;

b) BSP's liquidity floor requirement for government funds;

c) BSP's minimum capitalization requirement and risk-based capital ratio;

d) Prescribed EFCDU/FCDU cover consisting of 30 per cent liquidity cover and 100 percent asset cover

e) Statutory and liquidity reserves requirement;

f) It has no past due loans or accommodation with BSP or any institutions;

g) It has no net losses from operations in any one or two fiscal years immediately preceding the date of dividend declaration;

h) It has not committed any of the major violations enumerated in the Manual.

The Manual provides that for banks whose shares are listed in the Philippine Stock Exchange, the bank may give immediate notice of such dividend declaration to SEC and PSE; provided that no record date shall be fixed for such dividend declaration pending verification by the appropriate department of the BSP.

As of this date the Bank has not adopted a specific dividend policy which defines a minimum percentage of net earnings to be distributed to its common shareholders.

PBB did not declare dividends for its common shares for the years ended 2009 to 2011.

On July 16, 2012, the Bank's shareholders and Board of Directors approved the declaration of stock dividends amounting to ₱2.0 billion from its unrestricted retained earnings. In the same meeting, the Board also approved the payment of cash dividends to the preferred shareholders in the total amount of ₱100.35 million. Payment of these dividends were approved by BSP and SEC. On November 16, 2012, the Bank obtained approval for the issuance of 200,000,000 new common shares each at a par value of ₱10.00, in relation to this stock dividend declaration and the payment of cash dividends to the preferred stockholders.

There were no recent sales of unregistered or *e*xempt Securities, including recent issuance of securities constituting an exempt transaction.

There has been no Stock Options offered by the Bank.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Overview

PBB is a savings bank whose principal banking activities are focused on the corporate and SME markets. Among the Bank's principal products are corporate and consumer loans, deposit products, treasury and trust products and trade financing, among others. The Bank was formed in 1997 and today, has a network of 134 branches and 88 ATMs located all over the country.

Based on Chamber of Thrift Banks ("CTB") statistics as of December 30, 2015, the Bank is ranked 5th in terms of assets, loans and deposits out of a total of 69 CTB members.

As of December 31, 2015, the Bank's Tier 1 capital adequacy ratio and total capital adequacy ratio was 17.7% and 17.0%, respectively. Return on assets and return on equity were 0.8% and 6.1%, respectively.

Factors Affecting the Bank's Results of Operations

Set out below are the most significant factors which have affected the Bank's operating results in the past and which are expected to affect the Bank's results in the future. Factors other than those set forth below may also have a significant impact on the Bank's results of operations and financial condition in the future.

Interest Rates

Fluctuations in the interest rates in the market can have a material impact on the Bank by affecting its interest income, cost of funding as well as the general performance of the Bank's loan portfolio and other assets. The profitability of the Bank depends on its ability to manage its assets and liabilities particularly during periods when interest rates are volatile. An increase in interest rates may adversely affect earnings as it results in a higher cost of funds for the Bank and portfolio value of its assets.

Regulatory Environment

The Philippine banking industry is a highly regulated sector whose operations are under the supervision of the BSP. The BSP formulates and implements regulatory policies and guidelines on capital adequacy, lending limits, anti-money laundering, management, loan loss provisioning and other aspects of a bank's operations and monitors compliance thereon through on-site and off-site examinations of banks.

Competition

The Philippine banking sector is highly competitive and the Bank is subject to significant levels of competition from domestic and foreign banks. These banks may have more capital and other financial resources, larger branch network or higher brand recognition, among others, than the Bank. Some financial institutions may be able to offer more products and services, have higher lending limits, offer lower lending rate or possess stronger balance sheets. Competition has affected and will continue to affect the Bank's funding costs as well as the ability of the Bank to market its products and services and implement its business plans and adversely impact PBB's results of operations and financial condition.

Philippine and Global economic environment

The Bank's business and operations and assets are based in the Philippines and hence, the results of operations and performance and quality and growth of PBB's assets depend, to a large extent, on the performance of the Philippine economy. The Philippine economy, in turn, has also been adversely affected by the downturn in the global financial markets as well as the slowdown in the U.S. economy. Monetary policies worldwide formulated in response to the financial crisis resulted in a decline in interest rates. Interest rates in the Philippines have recently declined which could affect the Bank's income and margins.

A. Financial Performance

For the calendar year ended December 31, 2015 and 2014:

	For the calendar period ended			
	12/31/2015	12/31/2014	Variance	%
Interest income	₱ 3,140,643,449	₱ 2,835,896,095	₱ 304,747,354	10.7
Interest expense	(758,318,335)	(600,616,735)	(157,701,600)	26.3
Net interest income	₱ 2,382,325,114	₱ 2,235,279,360	₱ 147,045,754	6.6

Interest income grew by 10.7% from ₱2.8 billion to ₱3.1 billion this year due to higher loan volumes booked this year. Interest expense also increased by 26.3% as the volume of deposits increased from ₱46.6 billion in 2014 to ₱55.1 billion in 2015.

The Bank's net interest income increased from ₱2.2 billion in 2014 to ₱2.4 billion in 2015. The growth was a direct result of the increase in interest income from ₱2.8 billion in 2014 to ₱3.1 billion in 2015, 10.7% growth year-over-year (YoY) while interest expense grew by ₱157.7 million from ₱600.6 million in 2014 to ₱758.3 million in 2015.

As a result, PBB's net interest income totaled ₱2.4 billion for the year 2015.

	For the calendar period ended			
	12/31/2015	12/31/2014	Variance	%
Core income				
Net interest income	₱ 2,382,325,114	₱ 2,235,279,360	₱ 147,045,754	6.6
Service charges, fees and commissions	132,425,882	127,487,177	4,938,705	3.9
Miscellaneous	73,430,963	144,153,797	(70,722,834)	(49.1)
	2,588,181,959	2,506,920,334	81,261,625	3.2
Non-interest expenses	(1,780,166,990)	(1,573,216,261)	(206,950,729)	13.2
Core income	**808,014,969**	**933,704,073**	**(125,689,104)**	**(13.5)**

Despite the increase in net interest income, its core income decreased by 13.5% from ₱933.7 million to ₱808.0 million. However, on a recurring basis core income would increase by 2.5% owing to a one time gain in miscellaneous income in 2014.

Service charges, fees and commissions expanded to ₱132.4 million, or a 3.9% growth YoY, while Miscellaneous income decreased by ₱70.7 million resulting in ₱73.4 million.

Non-interest expenses grew by 13.2% YoY as the Bank continued its expansion of its branch network and added manpower to handle its expanding business volume.

	For the calendar period ended			
	12/31/2015	12/31/2014	Variance	%
Core income	₱ 808,014,969	₱ 933,704,073	(₱ 125,689,104)	(13.5)
Trading gains (losses)	69,474,667	34,827,391	34,647,276	99.5
Pre-tax, pre-provision income	**877,489,636**	**968,531,464**	(91,041,828)	**(9.4)**
Loan loss provisions	(172,050,358)	(189,887,127)	17,836,769	(9.4)
Taxes	(203,297,274)	(242,439,233)	39,141,959	(16.1)
Net income	502,142,004	536,205,104	(34,063,100)	(6.4)

The Bank's trading gains totaled ₱69.5 million, higher than last year's gain of ₱34.8 million, a 99.5% increase. As a result pre-tax pre-provision income rose to ₱887.9 million. PBB continues to set aside a certain portion of its income for impairment losses to cover its non-performing loans. The Bank decreased its provision by ₱17.8 million from ₱189.9 million in 2014 to ₱172.1 million in 2015.

Net income amounted to ₱502.1 million, which is 6.4% lower YoY from ₱536.2 million.

For the calendar year ended December 31, 2014 and 2013:

	For the calendar period ended			
	12/31/2014	12/31/2013	Variance	%
Interest income	₱ 2,835,896,095	₱ 2,231,764,242	₱ 604,131,853	27.1
Interest expense	(600,616,735)	(499,607,169)	101,009,566	20.2
Net interest income	₱ 2,235,279,360	₱ 1,732,157,073	₱ 503,122,287	29.0

Interest income grew by 27.1% from ₱2.2 billion to ₱2.8 billion this year due to the increase in loan volume booked during the period which increased by 26.9% YoY. Interest expense also increased by 20.2% as the volume of deposits increased from ₱37.9 billion in 2013 to ₱46.6 billion in 2014, a 23.1% increase.

Consequently, net interest income for the year also improved by 29.0% from ₱1.7 billion the previous year to ₱2.2 billion.

	For the calendar periods ended:			
	12/31/2014	12/31/2013	Variance	%
Core income				
Net interest income	₱ 2,235,279,360	₱ 1,732,157,073	₱ 503,122,287	29.0
Service charges, fees and commissions	127,487,177	73,829,527	53,657,650	72.7
Miscellaneous	144,153,797	38,228,379	105,925,418	277.1
	2,506,920,334	1,844,214,979	662,705,355	35.9
Non-interest expenses	(1,573,216,261)	(1,355,020,586)	218,195,675	16.1
Core income	**₱ 933,704,073**	**₱ 489,194,393**	**₱ 444,509,680**	**90.9**

The Bank's core business continued to perform well on the back of a robust lending business as core income for the year totaled to ₱935.5 million, a 91.2% growth from last year's core income of ₱489.2 million.
Net interest income for the period is at ₱2.2 billion, or an increase of 29.0% as interest income on loans and receivables grew by ₱551.4 million, a 30.4 % growth year-over-year (YoY), while interest expense on deposit liabilities increased by ₱107.6 million, a 21.9% growth YoY. Non-interest expenses increased by ₱216.4 million or 16.0%.

Service charges, fees and commissions increased to ₱127.5 million, or a 72.7% growth YoY, while Miscellaneous income grew to ₱144.1 million or 277.1%.

Meanwhile, non-interest expenses grew by 16.1% YoY as the Bank continued its expansion of its branch network and added manpower to handle its expanding business volume.

As a result, core income net of operating expenses increased by 90.9% amounting to ₱933.7 million YoY.

		For the calendar periods ended:					
		12/31/2014		12/31/2013		Variance	%
Core income	₱	933,704,073	₱	489,194,393	₱	444,509,680	90.9
Trading Gains		34,827,391		816,773,032	(	781,945,641)	(95.7)
Pre-tax pre provision income		**968,531,464**		**1,305,967,425**	**(**	**337,435,961)**	**(25.8)**
Loan loss provisions	(	189,887,127)	(	178,193,789)		11,693,338	6.6
Taxes	(	242,439,233)	(	123,727,024)		118,712,209	95.9
Net income	**₱**	**536,205,104**	**₱**	**1,004,046,612**	**₱**	**(467,841,508)**	**(46.6)**

On the other hand, the Bank's trading gains amounted to ₱34.8 million which is lower than last year's gain of ₱816.8 million, a 95.7% decrease. Thus, pre-tax pre-provision income dropped by 25.7% YoY from ₱1.305 billion last year to ₱970.3 million in 2014. The Bank increased its provisioning by 6.6% from ₱178.2 million to ₱189.9 million

Net income amounted to ₱536.2 million, which is 46.6% lower YoY from ₱1.004 billion in 2013, because of the decrease in the income from trading activities. However, it is worthy to note that as the core income for the period increased, total comprehensive income also increased by 180.6%, from last year's loss of ₱370 million to this year's profit of ₱1.040 billion.

Financial position

December 31, 2015 vs December 31, 2014

The Bank's assets reached ₱65.6 billion, a 13.4% increase as compared to ₱57.9 billion last year. A major source came from loans and receivables which grew by ₱1.6 billion or 4.1% from ₱40.110bn in December 31, 2014 to ₱41.7 billion in December 31, 2015 as a result of deployment of funds to borrowing clients.

Cash and Other Cash items improved by ₱105.3 million or 9.0% from ₱1.2 billion in December 31, 2014 to ₱1.3 billion in December 2015 due to significant increase in the number of branches.

Due from BSP grew by ₱3.1 billion or 68.46% from ₱4.6 billion in December 31, 2014 to ₱7.7 billion in

Due from other banks increased by ₱794.4 million or 39.1% from ₱2.0 billion in December 31, 2014 to ₱2.8 billion in December 31, 2015 this is an increase in excess cash in vault of branches deposited to our depository bank for transfer to BSP.

Bank Premises grew by ₱46.9 million or 9.1% from ₱515.766m in December 31, 2014 to ₱562.6 million in December 31, 2015 due to branch expansion.

Investment Properties declined by 4.2% or ₱30.0 million from ₱705.7 million in December 31, 2014 to ₱675.771m in December 31, 2015.

Other resources increased by 87.34% or ₱796.7 million from ₱912.1 million in December 31, 2015 to ₱1.7 billion in December 31, 2014.

Liabilities amounted to P57.1 billion as of December 31, 2015. This is ₱87.3 million or 14.6% higher as compared to December 31, 2014 level of ₱49.8 billion. This is due to increase in the number of branches and aggressive deposit campaign.

Bills Payable decreased by ₱308.6 million or 99.7% from ₱309.5 million in December 2014 to ₱956,250 in December 2015.

Accrued expenses and other liabilities decreased by 27.82% or ₱807.9 million from P2.9 billion in December 31, 2015 to P2.1 billion in December 31, 2014.

<u>December 31, 2014 vs. December 31, 2013:</u>

As of December 31, 2014, the Bank's assets reached ₱57.8 billion, a 22.7% increase as compared to ₱47.2 billion last year.

Loans and receivables increased by 26.9% from ₱31.6 billion to ₱40.1 billion this year as funds were deployed to borrowing clients. NPL ratio improved significantly from 2.37% last year to this year's ratio of 1.57%. CAR is at 20.95%.

Deposit liabilities grew by 23.1% due to an aggressive deposit campaign while total equity increased by 14.2% from ₱ 7.0 billion to ₱8.0 billion in December 2014.

<u>December 31, 2013 vs. December 31, 2012</u>

PBB's assets reached ₱46.9 billion as of December 31, 2013. This is 41.6% higher as compared to ₱33.1 billion as of December 31, 2012. Significant changes (more than 5%) in assets were registered in the following accounts:

Cash and Other Cash items increased by ₱299.8 million or 68.8% due to significant increase in the number of branches.

Due from BSP grew by ₱524.0 million or 17.1% due to increased deposits to BSP as a result of very liquid position during the year 2013.

Due from other banks decreased by ₱328.6 million or 32.9% from ₱1,000.1 million in December 31, 2012 to ₱671.5 million in December 31, 2013 this is due to transfer of excess cash in vault deposited to our depository bank and transferred our demand deposit account with BSP

Loans and Receivables grew by ₱10.7 billion or 51.4% from ₱20.9 billion in December 31, 2012 to ₱31.6 billion in December 31, 2013 as a result of deployment of funds to borrowing clients.

Bank Premises grew by ₱78.3 million or 19.7% from ₱398.5 million in December 31, 2012 to ₱476.8 in December 31, 2013 due to branch expansion.

Investment Properties decreased by 18.9% or ₱103.6 million from ₱549.2 million in December 31, 2012 to ₱445.7 million in December 31, 2013 due to sale of foreclosed property during the year.

Other resources decreased by 19.8% or ₱196.9 million from ₱993.4 million in December 31, 2012 to ₱796.5 million in December 31, 2013.

PBB's liabilities amounted to ₱37.9 billion as of December 31, 2013. This is ₱11.4 billion or 43.2% higher as compared to December 31, 2012 level of ₱26.4 billion.

Bills Payable decreased by ₱571.6 million or 74.7% from ₱765.5 million in December 2012 to ₱193.9 million in December 2013.

Accrued expenses and other liabilities increased by 36.7% or ₱552.2 million from ₱1.5 billion in December 31, 2012 to ₱2.1 billion in December 31, 2013.

B. Key Performance Indicators

CAR: Capital Adequacy Ratio is at 17.7%, higher than BSP's minimum requirement of 10.0%.

Asset Quality: There was an increase with regard to non-performing loans, from 1.5% in 2014 to 2.9% this year.

Profitability: Return on Average Equity (ROAE) decreased from 6.9% in 2014 to 6.1% this year.

Liquidity: The Bank's loans-to-deposits ratio (BSP formula) as of December 31, 2015 declined from 112.2% last year to 75.0% this year.

Asset efficiency: The Return on Average Assets (ROAA) decreased, from 1.0% in December 2014 to 0.8% in December 2015.

The following table shows the Top 5 key performance indicators for the past three (3) calendar years ending December 31, 2015:

Performance Indicator	2013	2014	2015
ROAE	17.63%	6.90%	6.10%
ROAA	2.51%	0.99%	0.80%
CAR	24.46%	20.95%	17.70%
Loans – Deposit Ratio (BSP Formula)	109.67%	122.22%	75.03%
NPL Ratio (BSP Formula)	2.37%	1.57%	2.88%

Critical Accounting Policies

For information on the Bank's significant accounting judgments and estimates, please refer to notes 2 and 3 of the Bank's financial statements included as attachment of SEC17-A.

Description of Comprehensive Statement of Income

Revenues

Interest Income - Interest income is interest generated from PBB's loans and receivables. The Bank also generates interest income from amounts due from other banks, investment securities and securities purchased under resale agreements.

Interest Expense - Interest expense refers to interest paid or accrued on deposits, bills payable and other fund borrowings.

Net Interest Income - Net interest income is equal to interest income after deducting interest expense.

Impairment Losses - Impairment losses refer to estimated losses in the Bank's loan portfolio, investment securities, investment properties and other risk assets.

Other Income

Other income is composed of the following:

Trading gains – net - This line item comprises results arising from trading activities which include gains and losses from changes in fair value of financial assets held for trading as well as gains from the sale of trading and investment securities.

Services charges, fees and commissions - The Bank earns service charges, fees and commissions from various financial services it provides to its customers. These fees include investment fund fees, custodian fees, commission income, credit related fees, asset management fees, portfolio and advisory fees.

Miscellaneous Income - Miscellaneous income also comprises foreign exchange gain, gain on asset foreclosures and dacion transactions, trust fees, gain on sale of assets and miscellaneous items.

Other Expenses

Other expenses are the Bank's general and administrative expenses composed primarily of salaries and employee benefits, taxes and licenses, rent and fees, depreciation and amortization and other operating costs.

Tax Expense

Tax expense relates mainly to the corporate income tax payable by the Bank which is composed of a two per cent (2%) minimum corporate income tax and a regular income tax of 30 per cent. The Bank is also subject to final taxes of 7.5 per cent (on the Bank's FCDU deposits with other institutions), 10 per cent (on onshore income from FCDU transactions), and 20 per cent (final withholding tax on tax-paid income).

C. Discussions on Key Variable and Other Qualitative and Quantitative Factors

<u>Vertical and Horizontal Analysis</u>

Financial Condition as of December 2015 vs December 2014:

As mentioned, PBB's assets rolled up to ₱65.3 billion as of December 31, 2015. This is 13.36% higher as compared to ₱57.9 billion as of December 31, 2014. Significant changes (more than 5%) in assets were registered in the following accounts.

a. Cash and Other Cash items improved by ₱105.3 million or 9.0% from ₱1.2 billion in December 31, 2014 to ₱1.3 billion in December 2015 due to significant increase in the number of branches.

b. Due from BSP grew by ₱3.1 billion or 68.46% from ₱4.6 billion in December 31, 2014 to ₱7.7 billion in December 31, 2015 due to increased deposits to BSP as a result of very liquid position during the year 2015.

c. Due from other banks increased by ₱794.4 million or 39.1% from ₱2.0 billion in December 31, 2014 to ₱2.8 billion in December 31, 2015 this is an increase in excess cash in vault of branches deposited to our depository bank for transfer to BSP.

d. Loans and Receivables grew by ₱1.6 billion or 4.1% from ₱40.110bn in December 31, 2014 to ₱41.7 billion in December 31, 2015 as a result of deployment of funds to borrowing clients.

e. Bank Premises grew by ₱46.9 million or 9.1% from ₱515.766m in December 31, 2014 to ₱562.6 million in December 31, 2015 due to branch expansion.

f. Investment Properties declined by 4.2% or ₱30.0 million from ₱705.7 million in December 31, 2014 to ₱675.771m in December 31, 2015

g. Other resources increased by 87.34% or ₱796.7 million from ₱912.1 million in December 31, 2015 to ₱1.7 billion in December 31, 2014.

On the other hand, PBB's liabilities amounted to P57.1 billion as of December 31, 2015. This is ₱87.3 million or 14.6% higher as compared to December 31, 2014 level of ₱49.8 billion. This is due to increase in the number of branches and aggressive deposit campaign.

Bills Payable decreased by ₱308.6 million or 99.7% from ₱309.5 million in December 2014 to ₱956,250 in December 2015.

Accrued expenses and other liabilities decreased by 27.82% or ₱807.9 million from P2.9 billion in December 31, 2015 to P2.1 billion in December 31, 2014.

Financial Condition as of December 2014 vs December 2013:

As mentioned, the Bank's assets reached ₱57.6 billion as of December 31, 2014 or an increase of 22.7% as compared to ₱47.2 billion in 2013. Significant changes (more than 5%) in assets were registered in the following accounts:

a. Cash and Other Cash items increased by 59.6% from ₱735.7 million in December 31, 2013 to ₱1.2 billion this year as the Bank continued with the expansion of its branch network.

b. Due from BSP grew by 26.6% from ₱3.6 billion last year to ₱4.6 billion in December 31, 2014 due to the increase in deposits to BSP as a consequence of a very liquid standing during the year.

c. Loans and receivables increased by 26.9% from ₱31.6 billion to ₱40.1 billion this year due to the aggressive generation of deposits.

d. Due from other banks increased by 202.6% from ₱671.5 million to ₱2.0 billion, as a result of the increase in excess cash in the vaults of the branches deposited to our depository bank for transfer to BSP.

e. Bank Premises grew by ₱38.9 million, a 8.2% from ₱476.8 million in 2013 to ₱515.8 million as of December 31, 2014 as a result of the continued branch expansion.

f. Investment Properties increased by 58.4% from ₱445.6 million last year to ₱705.7 million this year as past due accounts were transferred foreclosed properties during the year.

g. Other resources increased by 12.6% ₱796.5 million in December 31, 2013 to ₱912.1 million as of December 31, 2014.

On the other hand, the Bank's liabilities amounted to ₱46.6 billion as of December 31, 2014. This is ₱737.4 million or 23.1% higher as compared to 2013's liabilities amounting to ₱37.9 billion. This is still due to the increase in the number of branches and an aggressive deposit campaign.

Bills Payable increased by 59.6% from ₱193.9 million in December 2013 to ₱309.5 million this year. Accrued expenses and other liabilities also increased by 60.1% from ₱2.0 billion to ₱2.9 billion in 2014.

Results of Operations

For the year ended December 31, 2015 vs. December 31, 2014

- PBB's interest income increased from ₱2.8 billion in 2014 to ₱3.1 billion in 2015 largely due to the increase in loan volume to ₱41.7 billion in 2015 from ₱40.1 billion in 2014. Another factor is the increase of securities purchased under reverse repurchase agreements from

₱545.8 thousand in 2014 to ₱1.9 million in 2015. Interest due from BSP increased from ₱37.2 million in 2014 to ₱69.7 million due to the increase in volume of Deposit from BSP to cover deposit liability reserves.

- Overall interest expense expanded from ₱600.6 million in 2014 to ₱758.3 million in 2015, up 26.3% or ₱ 157.7 million generally because of the significant boost in the general deposit of 18.01%.Volume of deposit expanded from ₱46.6 billion in 2014 to ₱55.0 billion in 2015.

- Service charges, fees and commissions increased by 3.9% YoY, while Miscellaneous income declined by ₱70.7 million or 49.1%.

- Trading gains increased by ₱34.6 million resulting in ₱69.5 million for this year.

- Service charges, fees and commissions expanded to ₱132.4 million, or a 3.9% growth YoY, while Miscellaneous income decreased by ₱70.7 million resulting in ₱73.4 million. This decrease in miscellaneous income caused the 13.5% decrease in the core income.

- Non-interest expenses grew by 13.2% YoY as the Bank continued its expansion of its branch network and added manpower to handle its expanding business volume.

- Net income amounted to ₱502.1 million, which is 6.4% lower YoY from last year's ₱536.2 million.

<u>For the year ended December 31, 2014 vs. December 31, 2013</u>

- This year, the Bank's core income, which is composed of the Bank's net interest income, service charges, fees and commissions, and miscellaneous income amounted to ₱935.5 million. This is an increase of ₱503.1 million from last year's core income. Net income amounted to ₱536.2 million, which is 46.6% lower from ₱1.004 billion in 2013 due to the decrease in the income from trading activities, total comprehensive income improved by 180.6% from a loss last year to a total gain of ₱1.040 billion.

- Interest income grew by 27.1% from ₱2.2 billion in December 2013 to ₱2.8 billion in 2014 due to the increase in loan volume booked during the period which increased by 26.9% YoY.

- Service charges, fees and commissions by 72.7% YoY, while Miscellaneous income grew to ₱144.1 million or 277.1%.

- Trading gains amounted to ₱34.8 million, lower than last year's gain of ₱816.8 million, a 95.7% decrease.

- Manpower costs increased by 22.1% from ₱392.7 million in 2013 to ₱479.6 million in 2014 as a result of continued business expansion

For the year ended December 31, 2013 vs. year ended December 31, 2012

- PBB's interest income increased from ₱1.7 billion to ₱2.2 billion due mainly to the increased in the volume of loans booked during the period and the consistent yields at an average effective interest rate of 2% - 22% p.a. Loan volume increased from ₱20.869 billion in 2012 to ₱31.6 billion in 2013. Interest income from investment and trading securities increased from ₱347 million in 2012 to ₱368.6 million in 2013 due to general market conditions of higher interest rates. Interest due from BSP increased from ₱22.5 million in 2012 to ₱45.5 million in 2013 due to increase in volume of Deposit from BSP to cover deposit liability reserves.

- Total interest expense decreased from ₱608.0 million in 2012 to ₱489.3 million in 2013 or ₱118.8 million or 19.5% due to the decrease in interest rates even with the increase in the overall deposit of 43.2%. This represents lower interest costs on increased volume of deposit from ₱26.4 billion in 2012 to ₱37.9 billion in 2013 or ₱11.4 million.

- PBB NIM's rate improves to 4.5% from 3.8% due to the increase in interest income from ₱1.7 billion in 2012 to ₱2.2 billion in 2013 or ₱524.9 million or 30.6% while interest expense decreased by ₱135.7 million or 21.4% from ₱635.3 million in 2012 to ₱499.6 million in 2013. As a result net interest income increased by ₱600.6 million or 61.6% from ₱1.1 billion in 2012 to ₱1.7 billion in 2013.

- The bank continued to set aside certain impairment losses in 2013 to cover its non-performing loans. The bank increased its provisions by ₱105.8 million or 146.1% from ₱72.4 million in 2012 to ₱178.2 million in 2013. This makes up to more than 92% cover for its non-performing loans during the year 2013.

- PBB's other income increased by 4.9% or ₱43.9 million from ₱884.9 million in 2012 to ₱928.8 million in 2013, due mainly to trading income of ₱816.8 million from treasury activities. The bank was able to take the market opportunities and realize exceptional gains from its investment portfolio.

- Other Expenses increased by 15.5% or ₱182.0 million from ₱1.2 billion in 2012 to ₱1.4 billion in 2013. The increase in operating expenses, specifically to occupancy, salaries and wages, insurance, travelling and depreciation were due to the branch expansion program of the bank

- As a result PBB's net profit increased by 53.7% or ₱351.7 million from ₱654.6 million in 2012 to ₱1.0 billion in 2013.

Cash Flows

The following table sets forth selected information from PBB's statements of cash flows for the periods indicated:

	For period ended December 31		
	2013 (audited)	2014 (audited)	2015 (audited)
Cash and cash equivalents, beginning of the year	4,509.17	5,004.36	7,760.03
Net cash provided by (used in) operating activities	1,622.93	1,962.78	5,878.80
Net cash provided by (used in) investing activities	(3,567.91)	741.16	(1,552.36)
Net cash provided by (used in) financing activities	2,440.17	53.27	(308.57)
Net increase (decrease) in cash and cash equivalents	495.19	2,787.21	4,017.89
Cash and cash equivalents, end of the year	5,004.36	7,760.03	11,777.92

Net Cash Flow Provided By (Used In) Operating Activities

Net cash flow provided by operating activities is composed of deposits generated and loans and receivables. As of December 31, 2015, net cash used in operating activities amounted to ₱5.9 billion. During this time, the Bank increased its loans and receivables by ₱1.6 billion while its deposits grew by ₱8.4 billion. As of the years ended December 31, 2014 and 2013, cash flow from operating activities was ₱1.6 billion and ₱1.5 billion respectively.

Net Cash Flow Provided By (Used In) Investing Activities

Net cash flow provided by or used in investing activities involves the purchase and sale of available for sale securities and held-to-maturity investments and capital expenditure and proceeds from the disposal of investment and other properties. As of December 31, 2015 net cash used in investing activities amounted to ₱1.6 billion, with funds generated mainly from the proceeds from sale of investments and other property amounting to ₱838.5 million less net acquisition of bank premises and FFE and net acquisitions of available for sale securities. In 2014, net cash proceeds from investing activities amounted to ₱1.1 billion, with funds generated mainly from the proceeds from sale of investment and other properties amounting to ₱1.5 billion less net acquisitions of bank premises and FFE and net acquisitions of available for sale securities. In 2013, cash outflow from investing activities amounted to ₱3.4 billion with funds generated primarily by the sale of investment and other properties amounting to ₱15.4 billion less net acquisitions of bank premises and FFE and net acquisitions of available for sale securities.

Net Cash Flow Provided By (Used In) Financing Activities

Net cash flow provided by financing activities is mainly composed of availments of the Bank's credit lines and stockholders' equity infusion. As of December 31, 2015, PBB recorded a use of cash flow from financing activities of ₱308.6 million to payoff bills payables. As of December 31, 2014 PBB recorded net cash provided by financing activities of ₱53.3 million arising from net borrowings of ₱115.6 million net of cash dividend payment of ₱62.3 million. As of December 31, 2013 PBB recorded net cash provided by financing activities of ₱2.4 billion arising from share issuance amounting to ₱3.0 billion net of bills payment of ₱571.6 million. In 2012, PBB recorded net cash provided by financing activities of ₱918.7 million with funds arising from the Bank's loan availments. In the same period, the Bank generated funds of ₱375.0 million from the payment of subscriptions receivables from its preferred shareholders.

Capital Resources

The Bank is required to comply with the capital adequacy requirements based on the requirements for stand-alone thrift banks under BSP's Circular No. 688 issued in May 26, 2010.

The following table sets out details of the Bank's capital resources and capital adequacy ratios (as reported to the BSP).

₱ millions	As of the years ended December 31		
	2013	2014	2015
Tier 1 capital	8,154	8,678	8,709
Tier 2 capital	284	406	376
Gross qualifying capital	8,437	9,085	9,085
Less: required deductions	257	297	-
Total qualifying capital	8,180	8,787	9,805
Risk weighted assets	33,444	43,706	51,340
Tier 1 capital ratio	23.8	20.1	17.0
Total capital ratio	24.5	19.2	19.1

Known trends, demands, commitments, events or uncertainties

There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

Events that will trigger direct or contingent financial obligation

There are no events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation.

Material off-balance sheet transactions, arrangements or obligations

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unsolicited entities or other persons created during the reporting period other than those disclosed in the financial statements.

Significant Elements of Income or Loss

Significant elements of the consolidated net income for the period ended December 31, 2015 and 2014 came from its continuing operations.

Seasonal Aspects

There are no seasonal aspects that had a material effect on the Bank's financial position and results of operations.

Capital Expenditure

The Bank's capital expenditure for the year ended December 31, 2013 was ₱78.342 million while ₱123.371 million was spent for the year ended December 31, 2012. These expenses were comprised of acquisitions of bank premises, furniture, fixture and equipment used mainly for the Bank's expansion program.

Commitments and Contingent Liabilities

The following is a summary of the Banks commitments and contingent accounts as of December 31, 2015:

In ₱ millions	2014	2015
Investment management accounts	3,428,334,610	4,059,027,956
Outstanding letters of credit	512,119,342	1,193,799,732
Trust and other fiduciary accounts	281,508,984	506,103,798
Unit investment trust fund	103,019,963	31,812,677
Late deposits / payments received	13,121,910	9,736,574
Outward bills for collection	43,102,544	8,423,324
Items help for safekeeping	42,585	68,979
Items help as collateral	7,925	9,416
Other contingent accounts	123,879,021	529,127,518
Total	4,505,136,884	6,338,109,974

Among the Bank's contingent accounts are the following trust arrangements:

1. Investment Management Arrangement (IMA) - an agency arrangement that involves the prudent investment of funds on behalf of the clients;

2. Trust and Other Fiduciary Accounts (TOFA) include: Living trust, a trust created during the trustors' lifetime and involves the transfer of funds and other assets to a trustee for management and eventual distribution to intended beneficiaries; employee benefit trust, a trust established by a company for the benefit of its employees in addition to salaries or wages; escrow, a three party arrangement whereby the escrow agent is appointed as a disinterested or neutral party to protect the interest of the two parties to the contract; and other fiduciary arrangements;

3. Unit Investment Trust Fund (UITF) – is a pooled fund created to offer investment opportunities to small investors.

The Bank has ₱6.3 billion in contingent liabilities of which, ₱4.6 billion or 40.0% are in trust arrangements which include investment management accounts, trust and other fiduciary accounts, and unit investment trust fund.

Selected information disclosed in the Audited Financial Statements

Classifying Financial Assets at HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as HTM investments, the Bank evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity.

If the Bank fails to keep these investments at maturity other than for the allowed specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class to AFS securities. The investments would therefore be measured at fair value and not at amortized cost. However, the tainting provision will not apply if the sales or reclassifications of HTM investments are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Bank, is nonrecurring and could not have been reasonably anticipated by the Bank.

In 2008, the BSP and the SEC allowed the reclassification of certain financial assets that were previously classified under FVTPL and AFS categories, due to the tainting in 2006, back to HTM investments or loans and receivables. Accordingly, despite the tainting prohibition until 2008, the Bank reclassified its investments in debt securities previously classified under FVTPL and AFS securities to HTM investments amounting to P18.8 million and P2,130.8 million, respectively, representing the fair value of the reclassified investments on September 11, 2008, the effective date of reclassification (see Note 10), as allowed under FRSP for banks.
On September 14, 2009, however, the Bank reclassified its remaining HTM investments to AFS securities with carrying value of P2,621.7 million (see Note 10). As such, the Bank was not allowed to classify as HTM investments its existing and new acquisitions of financial assets due to tainting until 2011. Starting 2012, the tainting of the Bank had been lifted.

Management of Liquidity Risks through MCO Limits

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder. A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank statement of financial position distributed into tenor buckets across the term structure on the basis of the term to final maturity or cash flow dates. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the ROC prior to the confirmation by the BOD.

DOSRI Loans under Related Party Transactions

Total outstanding DOSRI loans as of December 31, 2015 pertain to loan transactions with its officers and employees and related parties amounting to ₱1.3 billion and ₱1.2 billion in 2014.

Earnings per Share

The Bank's earnings per share (EPS) as of December 31, 2015, 2014 and 2013 is ₱0.94, ₱0.88 and ₱1.87, respectively. This is computed by dividing the net income of 502.1 million, 536.2 million and 1,004.0 million, by the average number of outstanding shares as of December 31, 2015, 2104 and 2013 respectively.

Item 7. Financial Statements

The audited financial statements of the bank are filed as part of this for SEC17-A as "ANNEX A".

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Punong Bayan and Araullo (P &A), a member firm of Grant Thornton International Limited, has been the bank's independent accountant for the last seven (7) years and is again recommended for appointment at the scheduled stockholders meeting.

None of the Bank's external auditors have resigned during the most recent fiscal years (2011 and 2012) or any interim period. In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to the SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Mr. Benjamin P. Valdez was assigned in 2011 as an independent reviewer and partner in charge for the bank replacing Mr. Francis Albalate who was assigned since 2006. Representatives of P& A are expected to be present at the meeting to respond to matters relating to the Auditor's report on the 2012 financial statements of the bank that maybe pertinently raised during the meeting. Their representatives will be given opportunity to make a statement if they so desire.

The Bank has paid the following fees to P&A and Co relative to the regular and special engagements rendered by the latter that are reasonably related to the performance of the audit review of the Bank's financial statement:

Audit Fees For	**In ₱**
Dec 31, 2011 (full year)	721,412.31
Jun 30, 2012	752,640.00
Sep 30, 2012	978,432.00
Dec 31, 2012 (full year)	824,320.00
Dec 31, 2013 (full year)	2,609,152.00
Dec 31, 2014 (full year)	2,475,405.61
Dec 31, 2015 (full year)	2,324,278.38

No other services were rendered by P&A and Co that were not related to the audit and review of the Bank's financial statements.

There were no disagreements with P&A and Co on accounting and financial disclosures.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Directors and Executive Officers:

a. The following are the names of the incumbent Directors of the Bank:

Incumbent	Age	Nationality	Position with the Bank	Date of election
Amb. Alfredo M. Yao	71	Filipino	Chairman Emeritus	Jul 26, 2010
Francis T. Lee	67	Filipino	Chairman	May 29, 2015
Rolando R. Avante	57	Filipino	President & Chief Executive Officer	May 29, 2015
Jeffrey S. Yao	48	Filipino	Director	May 29, 2015
Amador T. Vallejos, Jr.	69	Filipino	Director	May 29, 2015
Honorio O. Reyes- Lao	72	Filipino	Director	May 29, 2015
Paterno H. Dizon	78	Filipino	Independent Director	May 29, 2015
Leticia M. Yao	63	Filipino	Director	May 29, 2015
Benjamin R. Sta. Catalina, Jr.	68	Filipino	Independent Director	May 29, 2015
Roberto A. Atendido	69	Filipino	Director	May 29, 2015

BUSINESS EXPERIENCE:

The following is a brief description of the business experience of each of the Directors of the Bank:

Alfredo M. Yao (Filipino, 71 years old)

Mr. Alfredo M. Yao is the Chairman Emeritus of the Board of PBB. He is also currently the Chairman of Zest-O Corporation, Semexco Marketing Corp., and Asiawide Refreshments Corp. He is currently serving as President of Solmac Marketing Inc., Harman Foods (Phil.) Inc., and Amchem Marketing, Inc. He is also a former director of Export and Industry Bank. He has had training in Corporate Governance, AML and Risk Management, one conducted by the Pacific Management Forum and PBB. He has had training on CISA – for the Credit Bureau, and on SME Related Issues and other CTB Related seminars. He also had attended several PCCI Business Forum, given by PCCI and the International Trade Organization under the umbrella of the PCCI and the DTI.

Francis T. Lee (Filipino, 67 years old)

Chairman Francis T. Lee, was appointed Chairman of the Board on 26 July 2010 and last re-elected as Director on 29 May 2015. He was appointed Chief Operating Officer (COO) on 01 September 2011 before he held the Chairman position.

Active in the community, he served as President of the AMY Foundation – the CSR of the Yao Group of Companies, from 08 December 2003 up to 08 December 2013.

A career banker for more than 30 years, Mr. Lee started his banking career with Pacific Bank where he gained much experience and knowledge. His career progressed as he held a number of executive positions from Senior Manager rising to Senior Vice President at the Metrobank Group from 1988 to 2000 before he joined PBB.

His expertise and trainings include Philippine Institute of Banking in 1969; Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002; Team Building Workshop in 2004 at PBB; Risk Awareness Seminar in 2009 at the Pacific Management Forum; and the Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2012 and in 2014; Corporate Governance Seminar for Board of Directors on December 10, 2015.

Mr. Lee studied Bachelor of Arts in Business Administration in Manuel L. Quezon University.

Jeffrey S. Yao (Filipino, 48 years old)

Mr. Jeffrey S. Yao, was appointed to the Board in 1999 and last re-elected as Director on 29 May 2015. On April 01, 2016, he assumed the position on Vice-Chairman.

He currently holds directorship at Asiawide Refreshments Corp. He was also appointed the Chief Operating Officer (COO) of the Zest-O Corporation since 2005.

Mr. Yao started his career in the food and beverage industry when he was appointed as Plant

Manager at Harman Food Philippines from 1990 to 1995.

He completed trainings in Basic of Trust at the Trust Institute of the Philippines in 2002, Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, and the Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014; Distinguished Corporate Governance Speaker Series on August 24, 2015.

Mr. Yao graduated from the Ateneo De Manila University with the degree of Bachelor of Science in Management Engineering.

Rolando R. Avante (Filipino, 57 years old)

Pres. & CEO Rolando R. Avante, was appointed to the Board on 02 November 2011. He held the position President and Chief Executive Officer since 02 November 2011.

Because of his strong background in treasury management, PBB has become one of the largest, fastest-growing and most respected savings banks. PBB was listed at The Philippine Stocks Exchange last February of 2013.

His banking career includes Vice President for Local Currency Desk at City Trust Banking Corp. from 1988 to 1994; Senior Vice President & Treasurer at Urban Bank from 1994 to 1995; First Vice President for Domestic Funds Management at Philippine Commercial International Bank from 1995 to 1999; Executive Vice President & Treasurer at China Trust (PHILS.) Commercial Bank Corp. from 1999 to 2009; Executive Vice President & Treasurer at Sterling Bank of Asia from 2009 to 2011.

He was elected President and Director at the Money Market Association of the Phil. (MART) in 1999 and elected the same position at ACI Philippines in 2011.

His training includes Money Market at the Inter Forex Corp. in 1983; Treasury Management in Times of Crisis in 1984, Bourse Game in 1987 both conducted by FINEX; Rate Risk Game in 1989, Investment Banking Fundamental in 1990, Managing People in 1991 at the Citibank APBI; Capital Market Instruments in Asia in 1992, Asset & Liability Management in 1995 both conducted by Euro money; Asian Bond Fund II Workshop in 2004 at the Asian Bank; Securitization Law in 2006 at FINEX & SEC; ACI World Congress in 2011 at ACI Phil.; Economic Outlook 2012 in 2012 at the ANZ Private Bank Exclusive; Annual Global Markets Outlook in 2012 at Deutche Bank; Entrepreneurs Forum in 2012 conducted by Business World; AMLA Seminar in 2012 at the Bangko Sentral ng Pilipinas; CEO Business Forum in 2012 at Punong Bayan & Araullo; Cross-Border RMB Business in 2012 at Bank of China; Eco Forum in 2012 at Security Bank; Phil. Business Conference in 2012 at the Philippine Chamber of Commerce & Industry; Annual Investment Outlook 2013 in 2013 at ANZ Private Bank; Philippine Investment Summit 2013 in 2013 at the Investment Banking Group; IPO Annual Asia Pacific in 2013 at CIMB; Corporate Governance Seminar for Board of Directors on December 10, 2015.

Mr. Avante graduated from the De La Salle University with the degree of Bachelor of Science in Commerce major in Marketing Management and has taken MBA units, also from DLSU.

Amador T. Vallejos, Jr. (Filipino, 69 years old)

Mr. Amador T. Vallejos, Jr., was appointed to the Board on 27 May 1997 and last re-elected as Director on 29 May 2015.

Currently the General Manager of AMCHEM, he is also the Chairman of King of Travel and President of SMI Development Company.

He held directorships at the Philippine Association of Food Technology in 1988, Philippine Chamber of Food Manufacturer in 1989; and the Philippine Article Numbering Council in 1992.

He is also a member of the Professional Risk Managers International Association (PRMIA) since 2009.

From 1974 to 1976 he held the Marketing Manager position at Rockgas and transferred to Edward Keller Ltd. as the Department Manager from 1976 to 1984.

His expertise and trainings include BAI Conference and Seminars on Technology in Banking taken in 1998 and 1999 both in BAI, USA; Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, and the Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014; Corporate Governance Seminar for Board of Directors in November and in December, 2014; Updated Guidelines on Sound Credit Risk Management on August 07, 2015.

Mr. Vallejos graduated from the Ateneo De Manila University with the degree of Bachelor of Arts in Economics.

Honorio O. Reyes- Lao (Filipino, 72 years old)

Mr. Honorio O. Reyes-Lao, was appointed to the Board on 30 April 2010 and last re-elected as Director on 29 May 2015.

A seasoned banker, he has more than 40 years of experience in corporate and investment banking, branch banking and credit management, where he started his banking career at China Banking Corporation in 1973 to 2004. He was appointed Senior Management Consultant in 2005 to 2006 at East West Banking Corporation.

His expertise was sought by Antel Group of Companies, as Consultant, in 2007 to 2009 and was appointed President at Gold Venture Lease and Management Services, Inc. from 2008 to 2009.

Currently, he is an independent and non-executive director at the DMCI Holding Corporation and a Member of the Society of Institute of Corporate Directors (ICD) Fellows since 2004.

His background and trainings include Overall Banking Operations at the Philippine Institute of Banking in 1971 to 1972; Director Certification Program at the Institute of Corporate Directors (ICD) in 2004; and the AMLA Seminar at the Bangko Sentral ng Pilipinas in 2014; ASEAN Corporate Governance Conferences and Awards 2016 on November 14, 2015; Distinguished

Corporate Governance Speaker Series on August 24, 2015.

Mr. Lao holds a post-graduate degree, Masters in Business Management, from the Asian Institute of Management and he graduated with a double degree in Bachelor of Science in Business Administration major in Economics and Bachelor of Science in Commerce major in Accountancy from the De La Salle University.

Paterno H. Dizon (Filipino, 78 years old)

Mr. Paterno H. Dizon, was appointed Independent Director to the Board on April 2006 and last re-elected as Independent Director on 29 May 2015.

He had previously served as President to the following institutions: Science Park of the Phil. Inc., Cebu Light Industrial Park, Inc., and RFM Science Park of the Philippines from 1997 to 2003.

Mr. Dizon held directorships at Hermosa Ecozone Development Corp. from 1997 to 2003; Export & Industry Bank from 1994 to 2006; and EIB Securities from 2004 to 2006.

He served on the board of Phil. Export-Import Credit Agency from 2010 to 2012. He was elected as Chairman of the Phil. Exporters' Confederation Inc. since 1990 up to the present. He has been the President and CEO of Holy Cross College of Pampanga since 2012.

His expertise includes trainings in Financial Management at SGV in 1974, Money and Banking from the Ateneo De Manila University in 1959, Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, Risk Awareness Seminar at the Pacific Management Forum in 2009, and the Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014; ASEAN Corporate Governance Conferences and Awards 2016 on November 14, 2015; Distinguished Corporate Governance Speaker Series on August 24, 2015.

Mr. Dizon holds a Bachelor of Science in Economics from the Ateneo De Manila University and a Master in Business Administration from the University of the Philippines.

Benjamin R. Sta. Catalina, Jr. (Filipino, 68 years old)

Mr. Benjamin R. Sta. Catalina, Jr., was appointed Independent Director to the Board on July 2012 and last re-elected as Independent Director on 29 May 2015. He first assumed his independent directorship at PBB in 2003 to 2005.

During his early professional years, Mr. Sta. Catalina was the Senior Vice President of the Asset Based Finance Group of FNCB Finance Co. from 1980 to 1981. He later joined Citibank N.A. from 1981 to 1995 where he has served as Asst. Vice President & Division Head for the Public Sector Division, then became the Vice President and Asst. Director of the Asia Pacific Training Center. He later handled the Middle East Africa Division Training Center as Vice President and Associate Director, and then handled the World Corporation Group for Middle East Africa, Division Training Center as Regional Administrator. He was appointed to General Manager and handled the Center for International Banking Studies. In 1993 to 1994, Mr. Sta. Catalina was appointed Vice President and Chief of Staff of the Global Finance Marketing, then rose to Group Head where he handled the

Pan Asian Corporate Team in 1994 to 1995.

In the academic sphere, he was the Executive Director of the Center for Banking and Financial Management of the Asian Institute of Management in 1996.

In addition to holding a number of executive positions, he underwent trainings including Makati CAD in 1974, Philippine Core Credit in 1976, Intermediate Credit Seminar in 1977, Exceptional Sales Performance in 1978, Bourse Game in 1979, Asset Based Finance Seminar in 1980, Electronic Banking Seminar in 1981, Selling Skills Train the Trainer Program in 1982, Advanced Lending Strategy in 1982, Technology for Senior Management in 1983 from the Asia Pacific Training Center. He attended Multinational Business Course in 1980 at Citibank New York, Face to Face Selling Skills in 1986 at the Boston Consulting Group. In 1987 he has attended the MAC Approach Course and Alcar Valuation Seminar at MEAD Training Center in Greece. He attended the Corporate Finance II in 1988 at the Asia Pacific Banking Institute. At MEAD Training Center in London, he attended the Risk Management Seminar and the Risk Management III – Corporate Finance in 1991. From 1993 to 1995, Mr. Sta. Catalina attended the Strengthening Organizational Capabilities, Service Quality Management, Technology Solutions for the Business, Marketing Derivatives Ideas, Standards Workshop, Marketing Financing Ideas to Issuers at Citibank Training Center.

Most recent, he attended the Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2003, and the Anti Money Laundering Act Seminar in 2014, Distinguished Corporate Governance Speaker Series on August 24, 2015 and 2015 Distinguished Corporate Governance Speaker Series 2 on September 15, 2015.

Mr. Sta. Catalina is a graduate of the Asian Institute of Management with a post graduate degree of Masters in Business Management. He finished his Bachelor of Science in Management Engineering from the Ateneo De Manila University.

Leticia M. Yao (Filipino, 63 years old)

Dra. Leticia M. Yao, was appointed to the Board in 2009 and last re-elected as Director on 29 May 2015.

A well-respected figure in the healthcare industry, Dra. Yao was appointed at the United Doctors Medical Center (UDMC) as a Consultant at the Department of Medicine from 1991 to 2012.

She proceeded along trainings for Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002 and further taken the Risk Awareness Seminar at the Pacific Management Forum in 2009. Earlier this year, she attended the AMLA Seminar at the Bangko Sentral ng Pilipinas, Distinguished Corporate Governance Speaker Series on August 24, 2015 and Corporate Governance Seminar for Board of Directors on December 10, 2015 to hone her skills as Director of PBB.

Dra. Yao graduated from the University of Sto. Tomas with a Bachelor of Science degree in Medical Technology then pursued her post graduate degree in Medicine also from the University of Sto. Tomas.

Roberto A. Atendido (Filipino, 69 years old)

Mr. Roberto A. Atendido, was appointed to the Board on 26 May 2006 and last re-elected as Director on 29 May 2015.

He is a seasoned investment banker and a recognized expert in the field with over 30 years of investment banking and consulting experience in the Philippines and in the ASEAN region. Mr. Atendido started his career in consulting with the management services group of Sycip, Gorres & Velayo, the largest accounting and consulting group in the Philippines. He began his investment banking career in Bancom Development Corporation, the leading investment house in the Philippines during the late 60's and 70's. He was later posted as Vice President of Bancom International Ltd in HK from 1980-1982. He then moved to PCI Capital Asia, Ltd. (HK) as Vice President from 1982-1983. The PCI Group posted him in Indonesia as Managing Director of PT Duta Perkasa Chandra Inti Leasing, a joint venture between the PCI Group of the Philippines and Bank Duta and Gunung Agung Group of Indonesia, from 1983-1988. Mr. Atendido moved back to the Philippines in 1988 as President of Asian Oceanic Investment House, Inc., a fully owned subsidiary of the Asian Oceanic Group of HK. The company was later bought by the Insular Life Group and renamed Insular Investment & Trust Corporation. In 1996, Mr. Atendido together with several investors organized Asian Alliance Holdings & Development Corporation (AAHDC) and later established Asian Alliance Investment Corp. (AAIC) as a wholly owned investment banking subsidiary. He is currently President of AAHDC and Executive Vice Chairman of AAIC.

Currently, Mr. Atendido is a member of the Board of Directors of Paxys Inc., Philippine Business Bank, PICOP Resources, Inc., Pharmarex, Inc. Ardent Property Development Corp., First Ardent Property Corp., and GEM Communications & Holding Corp. He is also Vice Chairman and Director of Sinag Energy Philippines, Inc., (since 2008), Chairman and President of Myka Advisory and Consulting Services, Inc. (since 2010).

He has also held directorships in the past in the Philippine Stock Exchange (2005-2009), Securities Clearing Corporation (2006-2010), Export & Import Bank as an Independent Director (2006-2012), Marcventures Holdings, Inc. (2010-2013), Carac-An Development Corp. as Chairman from 2010-2013, Beneficial Life Insurance Corp. from 2008-2014.

He has equipped himself with trainings in Corporate Governance & Risk Management for the Bank's Board of Directors at the Development Finance Institute in 2003; Risk Management and Basel 2 Seminar at the Export & Industry Bank in 2007. Earlier this year, he attended the Anti-Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas, Distinguished Corporate Governance Speaker Series on August 24, 2015, 2015 Distinguished Corporate Governance Speaker Series 2 on September 15, 2015 and 2015 Distinguished Corporate Governance Speaker Series 3 on November 06, 2015

Mr. Atendido is a graduate of the Asian Institute of Management with a Master's in Business Management Degree in 1973. He completed his Bachelor of Science in Management Engineering from the Ateneo de Manila University.

Apart from his business activities, Mr. Atendido is also active in the Brotherhood of Christian Businessmen and Professionals, a nation-wide Christian community where he served as Chairman from 2009-2011.

b. EXECUTIVE OFFICERS:

The following are the Executive Officers of the Bank, and their respective age, citizenship and position as of March 31, 2016:

Rolando R. Avante (Filipino, 57 years old)

Pres. & CEO Rolando R. Avante, was appointed to the Board on 02 November 2011. He held the position President and Chief Executive Officer since 02 November 2011.

Because of his strong background in treasury management, PBB has become one of the largest, fastest-growing and most respected savings banks. PBB was listed at The Philippine Stocks Exchange last February of 2013.

Mr. Avante, a banking industry veteran with more than three decades of experience, is guiding Philippine Business Bank through a brand resurgence.

His banking career includes Vice President for Local Currency Desk at City Trust Banking Corp. from 1988 to 1994; Senior Vice President & Treasurer at Urban Bank from 1994 to 1995; First Vice President for Domestic Funds Management at Philippine Commercial International Bank from 1995 to 1999; Executive Vice President & Treasurer at China Trust (PHILS.) Commercial Bank Corp. from 1999 to 2009; Executive Vice President & Treasurer at Sterling Bank of Asia from 2009 to 2011.

He was elected President and Director at the Money Market Association of the Phil. (MART) in 1999 and elected the same position at ACI Philippines in 2011.

His training includes Money Market at the Inter Forex Corp. in 1983; Treasury Management in Times of Crisis in 1984, Bourse Game in 1987 both conducted by FINEX; Rate Risk Game in 1989, Investment Banking Fundamental in 1990, Managing People in 1991 at the Citibank APBI; Capital Market Instruments in Asia in 1992, Asset & Liability Management in 1995 both conducted by Euro money; Asian Bond Fund II Workshop in 2004 at the Asian Bank; Securitization Law in 2006 at FINEX & SEC; ACI World Congress in 2011 at ACI Phil.; Economic Outlook 2012 in 2012 at the ANZ Private Bank Exclusive; Annual Global Markets Outlook in 2012 at Deutche Bank; Entrepreneurs Forum in 2012 conducted by Business World; AMLA Seminar in 2012 at the Bangko Sentral ng Pilipinas; CEO Business Forum in 2012 at Punong Bayan & Araullo; Cross-Border RMB Business in 2012 at Bank of China; Eco Forum in 2012 at Security Bank; Phil. Business Conference in 2012 at the Philippine Chamber of Commerce & Industry; Annual Investment Outlook 2013 in 2013 at ANZ Private Bank; Philippine Investment Summit 2013 in 2013 at the Investment Banking Group; IPO Annual Asia Pacific in 2013 at CIMB; Corporate Governance Seminar for Board of Directors on December 10, 2015.

Mr. Avante graduated from the De La Salle University with the degree of Bachelor of Science in Commerce major in Marketing Management and has taken MBA units, also from DLSU.

Alice P. Rodil (Filipino, 58 years old)

Ms. Alice P. Rodil, joined the bank 1998 and has been the Senior Vice President and Comptroller of PBB since 2001. A Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountant. From 1991 to present she was a member of Bank Administration Institute International, Philippine Chapter, and from 2001 to 2002, she served as one of its Directors. Recently she was elected to the Board of the Philippine Red Cross –Caloocan Chapter and Treasurer of the PCCI-Caloocan. From 1992 to 1998 she was a Senior Manager at UCPB. She also is the Executive Director and Project Coordinator of the AMY Foundation Inc., the CSR arm of the Yao Group.

Atty. Roberto S. Santos (Filipino, 66 years old)

Attorney Roberto S. Santos is the Corporate Secretary and holds the position of Vice-President and Head of the Legal Services Center and Remedial and Special Assets Management Group. In his 40-year experience in banking and finance, he was a Manager with Traders Royal Bank since 1980 and subsequently held various executive positions with Security Bank from 1982 to 1999 and was also General Manager of Security Finance Company from 1997-2001. He was the Head of the Legal Department of Metrobank Card Corporation from 2002 to 2004 and joined PBB as Assistant Vice-President in 2008.

Joseph Edwin S. Cabalde (Filipino, 46 years old)

Mr. Joseph Edwin S. Cabalde is elected Treasurer and holds the position of Senior Vice-President and Head of the Treasury Services Group. His work experience include: Accounting Assistant and Assistant Secretary Head of China Banking Corporation (1991 to 1993), Treasury Officer of Urban Bank Inc. (1993 to 1995), Manager and Chief Dealer of Bangkok Bank Manila, and of Bank of Tokyo Mitsubishi (1995 to 2004), Treasury Head of Oilink International (2004 to 2007), Assistant Vice-President and Treasurer of EEI Corporation (2007 to 2008). He also attended the Corporate Good Governance and AML Seminars sponsored by PBB.

Teresita S. Sion (Filipino, 63 years old)

Ms. Teresita S. Sion is the Assistant Vice President and Trust Officer of PBB. She started as Per Pro of the Trust Services Group at Philippine Commercial International Bank from 1976 to 1991. She was the Officer-in-Charge of the Trust Banking Group of Metropolitan Bank and Trust Company from 1991 to 1995. In October 1995 she became the Senior Manager of the Trust and Investment Department, the position she held until September of 1998. From October 1998 to November 2006, she was the Vice President and Head of the Trust Banking Group of Export and Industry Bank, Inc. She was the Consultant on Financial Matters of MRC Allied, Inc from August 2008 to May 2009. She was also the Consultant for Trust Banking Sector of Asiatrust Development Bank from May 2009 to July 2009 and in July 2009 was appointed as Vice President and Trust Officer of the same bank until February 2012. She joined PBB in February 2012 as Marketing and Business Development Officer and became the Assistant Vice President and Trust Officer on November of the same year.

Efren P. Mercado (Filipino, 66 years old)

Mr. Efren P. Mercado is the Vice President and Head of the Branch Lending Unit of PBB. He started as Paymaster at Del Mar Carriers from 1968 to 1970. His banking career started at Philippine Banking Corporation from 1970 to 1988 with a variety of positions from Rank and File to Managerial. He joined China Banking Corporation in 1992 to 2005 and had held several Managerial and Executive positions including Branch Manager, Area Head and Senior Assistant Vice President. He joined PBB in March 2011.

Laurence R. Rapanut (Filipino, 53 years old)

Ms. Laurence R. Rapanut is the Assistant Vice President and Internal Auditor of PBB. Her work experience include: Junior Examiner of Far East Bank and Trust Company (June 1985 to January 1988); Junior Examiner to Branch Controller of First Philippine International Bank (September 1988 to January 1995); Branch Accountant to Senior Assistant Manager of Westmont Bank (April 1996 to December 2000); Senior Assistant Manager to Manager of United Overseas Bank (January 2001 to January 2006). She joined PBB in March 2006 as Supervising Examiner of Internal Audit Center.

Raymond T. Co (Filipino, 60 years old)

Mr. Raymond T. Co is the Senior Vice President and Head of Account Management Group I of PBB. His work experience include: Account Officer of Filinvest Credit Corporation (1977 to 1980); Manager of Jardine Manila Finance, Inc. (1980 to 1982); Senior Assistant Manager of Family Bank & Trust Co. (1982 to 1983); Credit Administrator of Saudi Investment Bank/National Commercial Bank of Saudi Arabia (1983 to 1986); Senior Manager of Unitrust Development Bank (1987 to 1988) Senior Manager of Equitable Banking Corporation (1988 to 1990); Vice President of Metropolitan Bank and Trust Company (1990 to 1997); First Vice President of Solid Bank (1997 to 2000); First Vice President of RCBC (2000 to 2002); President of I-Mart Corporation (2002 to 2003). He joined PBB in May 2003.

Felipe V. Friginal (Filipino, 61 years old)

Mr. Felipe V. Friginal is the First Vice-President / Group Head of the Branch Banking Group. His work experience include: Cashier of United Coconut Planters Bank (UCPB) Head Office (1984-1986) Branch Accountant of UCPB, Northern Luzon Branches (1986-1989) Assistant Manager – Cashier of UCPB (1989-1991) Senior Assistant Manager - Cashier of UCPB (1991-1992) Senior Manager of UCPB (1992-1998) Assistant Vice-President – SMC Branch Head of UCPB (1998-1999) Assistant Vice-President GMA 6 Area Head (1999-2003).

Agustin E. Dingle, Jr. (Filipino, 59 years old)

Mr. Agustin E. Dingle is the First Vice-President / Chief Compliance Officer of PBB. His work experience include: Chief Compliance Officer of China Bank Savings (2010-2012), Head, Reports Section / Accounting Department (1997-1998), Senior Bank Examiner of Central Bank of the Philippines (1985-1994), Reconcilement Analyst of Philippine National Bank (1979-1985) and Loans Bookkeeper of Banco Filipino (1977-1979). He is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. He held various managerial and executive positions with PBB: Assistant BBG/BOCC head (1998-2001), Internal Auditor and Chief Compliance Officer (2002-2009).

Roselle M. Baltazar (Filipino, 41 years old)

Ms. Roselle M. Baltazar is the First Vice-President / Assistant Controller & Head of Central Operations Group of PBB. In 1999, she joined PBB and held various managerial and executive positions including: Senior Manager / Head- central Operations Group (2004-2005), Senior Manager / Head- Branch Operations Control Center (2001-2004), Senior Manager / Head- General Services Group (2001-2003), Manager / Head- Systems and Methods Sector (2000-2001) and Assistant Manager / Senior Systems Analysts (1999-2000). She started her banking career at Westmont Bank (now United Overseas Bank) as: Accountant (1996-1999), Audit Examiner II (1995-1996), Loan Assistant (August-October 1995) and CASA Bookkeeper (June-August 1995). She is a Certified Public Accountant and a Civil Service (Professional & Sub-Professional) passer.

Eduardo R. Que (Filipino, 54 years old)

Mr. Eduardo R. Que is the Vice-President / Head of the Account Management Group III. His professional experience include: International Banking (Foreign/Domestic Trade Finance), SWIFT (Society for Worldwide Inter-bank Financial Telecommunication) Operations, Branch Operation Officer Training Program – (class "topnotcher") and Lecturer in the Officer Training Program (OD) for twenty (20) years. Before he joined PBB in 2012 he was the Vice-President/Senior Account Officer in Account Management Division of Allied Banking Corporation.

Clarissa S. Rivera (Filipino, 46 years old)

Ms. Clarissa S. Rivera is the Vice President and Head of Consumer Banking Group of PBB. She graduated with the degree of BSBA-Accounting from Miriam College and is a Certified Public Accountant. Ms. Rivera also holds the degree of Doctor of Business Administration from Colegio de San Juan de Letran. She was previously connected with Planters Development Bank as Manager and Head of Credit and Customer Service (2004 to 2008); Assistant Manager/Account Officer of International Exchange Bank (2002 to 2004); Manager/Account Officer of Asiatrust Bank (2001 to 2002); and occupied various positions with Shopping Center Management Corporation, CIPI Leasing & Finance Corporation and Philippine National Bank. She joined PBB in June 2008.

Miami V. Torres (Filipino, 54 years old)

Ms. Miami V. Torres is the Vice-President / Head of the Credit Services Group. She is a graduate of AB Behavioral Science and BSC Accounting from the University of Santo Tomas. She is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants. She has with her 29 years of banking experience. She started in 1984 as a junior bookkeeper in UCPB, handling SA, CA, CTD, Proofsheet, GL and remittances. She had 2 years experience as a Senior Analyst in the same Bank before she became an officer. As an officer, she was assigned as Branch Operations Officer and Branch Marketing Officer. Her last stint with UCPB was as Branch Head for Pasay Rotonda Branch. From 2002 to present she held various managerial and executive positions with PBB: Branch Head, Antipolo Branch (2002), Section Head, Remedial & Special

Assets Management Group (RSAM) (2003), Head, Credit Services Group (2006-2008), Head, RSAM (2008-2010) and Head, Credit Services Group (2010-present).

Atty. Leonardo C. Bool (Filipino, 52 years old)

Atty. Leonardo C. Bool, is the Assistant Corporate Secretary holding the position of Assistant Vice President. He obtained his college degree, Bachelor of Science in Commerce, Major in Accounting, at the University of Santo Tomas. Also, he obtained his Bachelor of Laws (LlB) at the same University. He is a Certified Public Accountant and a Lawyer at the same time. Prior to joining Philippine Business Bank, Atty. Bool was employed with Philippine Banking Corporation (later on merged with Global Business Bank) for 13 years from 1987 to 2000. From 2000 to 2004, he was with Export & Industry Bank (EIB). After his resignation with EIB, starting 2005 to 2010, he engaged in a full time law practice handling civil, criminal, labor, corporate and administrative cases.

Francisco M. Lopez (Filipino, 66 years old)

Francisco M. Lopez joined the Bank in May 23, 2012 as head of the Human Resources Group with overall responsibility for PBB's human resource strategies and solutions. He brings 40 years of leadership experience in human resources in diverse environments, including banking and the medical field.

Prior to joining PBB, he led human resources at the Asian Hospital, as a consultant. He also had a directorship position from the same hospital.

Earlier in his career, he served as senior manager at Republic Planters Bank, assistant vice president, human resources, at Landbank, and was later promoted to vice president. Prior to PBB, he held various human resource management positions at Security Bank where he worked for four years, then at Chinatrust Bank as first vice president for six years.

Mr. Lopez is a graduate of the De La Salle University with a double degree in Arts and Business Administration. He completed his Master's Degree from the Asian Institute of Management.

John David D. Sison (Filipino, 31 years old)

Dave Sison joined Philippine Business Bank in July 2014. He leads the bank's corporate planning group, which plays a key role in the bank's strategic management, investor relations functions, and M&A initiatives. Prior to PBB, he was a private equity analyst with KGL Investment Company Asia since 2008. Before joining KGL, Dave was an investment banking associate with PNB Capital & Investment Corporation, a boutique investment bank offering financial advisory, debt syndications, and corporate finance services.
He began his career in finance as an investor relations analyst with ABS-CBN Corporation. He graduated in 2006 with a Bachelor of Science degree in Management Engineering (an Honors Program) from the Ateneo de Manila University where he received training in traditional management disciplines (marketing, finance, operations management, organizational behavior, and strategic management), economics, and the social sciences in combination with skills development in qualitative and quantitative analysis, mathematics, statistics, and operations research.

Belinda C. Rodriguez (Filipino, 54 years old)

Belinda C. Rodriguez joined Philippine Business Bank on January 18, 2016 as Chief Risk Officer (CRO). As CRO, she is responsible for the supervision of the implementation of the risk management framework as part of corporate governance whereby policies and best practices are instituted.

She is a seasoned bank executive with 33 years of experience in the financial services industry and a strong background in enterprise risk management honed from exposure from employment both on the regulator (BSP) and regulated private and government banks. Most recently, she served as First Vice President for Asia United Bank, where she held various positions she held for fifteen years that included the CRO and head of the branch banking & treasury operations.

She held executive positions with Town Savings Bank, Dao Heng Bank, and Land Bank of the Phil. During her career, she has managed a number of activities, including treasury operations and compliance operations. Other areas of expertise include audit, compliance, remittance, and risk reduction through improved controls.

Ms. Rodriguez has participated in various banking industry forums on risk management, regulatory compliance, AMLA, and credit risk. She is a Certified Public Accountant (CPA) and has completed her MBA Degree from the Ateneo Graduate School of Business (AGSB). She is a graduate of Polytechnic University with a degree in Commerce major in Accounting,

Maria Consuelo S. Ruffy (Filipino, 56 years old)

Maria Consuelo S. Ruffy is the Vice President and Branch Lending Unit II Head at Philippine Business Bank, a position she has held since September 16, 2015. Before she joined the bank, she already worked under the credit department during the '80s.

She has almost 36 years of experience on both the sales and credit sides of banking, all in the SME and corporate markets. Prior to joining PBB, she was with PCI Bank, Equitable PCI Bank, BDO, Equicom Savings Bank, Unity Bank, Planters Development Bank and China Bank Savings from 1980-2015, serving as an account officer to senior credit officer and lending head with responsibility for all commercial business segments, as well as for credit approval and credit risk administration.

Ms. Ruffy has participated in various banking industry forums on credit risk, finance, and AMLA. She is a graduate of the University of Sto. Tomas with a degree in Commerce major in Accounting.

Identify Significant Employees

Although PBB has relied on and will continue to rely on, the individual and collective contributions of each of its executive officers, senior operational personnel and non-executive employees, PBB believes that it does not depend on the services of a particular employee and that there is no employee that the resignation or loss of whom would have a material adverse impact on its business.

Family Relationships

Amb. Alfredo M. Yao and Leticia M. Yao are siblings.

Jeffrey S. Yao is the son of Amb. Yao.

Other than the foregoing, there are no family relationships either by consanguinity or affinity up to the fourth civil degree among directors, executive officers and nominees for election as directors.

Involvement in Certain Legal Proceedings

Below are the cases filed against the Bank for the past five (5) years:

1. The following administrative and criminal cases mentioned below are cases filed (and still pending against the Bank) by a certain Nimfa Simbulan ("Simbulan") and her siblings which the Bank considered as harassment suits as the Bank was caught in the crossfire between the complainant and one of the respondents, Jose C. Lee (a client of the bank, "Lee"). The complainant, Nimfa Simbulan, is demanding payment for alleged damages she sustained by virtue of an alleged mortgage loan with the Bank which, based on the Bank's records, does not exist.

The following cases arose from a controversy between Lee, who was the one who actually obtained a loan from the bank, and Simbulan. The Bank was caught in the crossfire since the release of the loan was made using the facilities of the Bank upon the request of Lee. Simbulan was of the belief that a mortgage loan was obtained from the Bank in her name and that a savings account was opened in her name, both without her knowledge and consent.

The Bank, in all its submissions to the respective judicial and quasi-judicial offices where the following cases are pending, has categorically stated that no such mortgage loan in the name of Simbulan exists in its records. Further, the Bank maintains its position that the opening of the savings account in Simbulan's name was done in accordance with its regular procedure for opening of accounts for each and every client.

a. On January 27, 2012, an administrative case was filed by Nimfa Simbulan thru her AIF, Dyan S. dela Cruz against Rolando R. Avante, Elizabeth S. Cheung, et al. for alleged Violation of Sec. 55.1 (a) Participating in Fraudulent Transaction) of Republic Act No. 8791 (General Banking Law of 2000) with the Office of Special Investigation (OSI) of the Bangko Sentral ng Pilipinas under OSI Adm. Case No. 2012-001 filed by Nimfa Simbulan thru her AIF, Dyan S. dela Cruz. In this case, Simbulan alleged that the Bank and the impleaded officers participated in defrauding her when they approved the alleged loan and mortgage agreement and opened the savings account. As previously stated the Bank denied these allegations and insisted that no mortgage loan in the name of Simbulan exists in records of the Bank. The case is now pending with the Supervised Banks Complaints Evaluation Group, Office of the General Counsel and Legal Services of the Bangko Sentral ng Pilipinas.

b. On February 16, 2012 a criminal complaint was filed by Nimfa Simbulan thru her AIF, Dyan S. dela Cruz against Elizabeth S. Cheung, Rolando R. Avante and Alfredo M. Yao, et al. at the Prosecutor's Office of Quezon City docketed as IS No. XV-03-INV-12B-01508 for alleged

Violation of Republic Act No. 8791. The allegations in this case are similar to the allegations in the immediately preceding item, thus bolstering the Bank's position that this is a harassment suit. This case has already been **dismissed** by the Prosecutor's Office of Quezon City. The Complainant appealed said Resolution though to the Department of Justice.

2. on March 22, 2002, Mr. Tomas Tan of CST Enterprise, Inc. (CST) filed a derivative suit as a minority stockholder against Philippine Business Bank, et al., for the Declaration of Unenforceability of Promissory Notes and Mortgage, Injunction and Damages with Prayer for Temporary Restraining Order or Writ of Preliminary Injunction. The case arose from a loan obtained by CST, as represented by John Dennis Chua and secured by Real Estate Mortgage over TCT nos. 124275 and 157581. CST defaulted in the payment of the loans constraining PBB to commence the necessary foreclosure proceedings on the mortgaged properties. However, the minority stockholder, Tomas Tan, alleged that the loan was fraudulently obtained and sought for its nullification. The case is still pending in RTC 66 – Makati City. In the same case, PBB filed a cross claim against Felipe Chua and successfully obtained a Summary Judgment (and was executed), however, defendant/cross-defendant Felipe Chua appealed the Order of execution pending appeal, wherein the Supreme Court eventually ordered to remand the case back to the RTC 66-Makati City for further trial. True enough, RTC 66 – Makati City already rendered a Decision dismissing the Complaint. However, Plaintiff moved for reconsideration of the said RTC 66's Decision, which was denied by the Court. Thereupon, Plaintiff filed Notice of Appeal to the Court of Appeals. Even if an adverse decision will be finally adjudged against the Bank on this civil case, the Bank believes it will not have an adverse material effect on its operations.

In fact**,** the criminal case for Syndicated Estafa filed by Mr. Tomas Tan and his group against some of the Bank's past and incumbent directors/officers with the Office of the City Prosecutor of Caloocan City docketed as I.S. No. XV-02-INV-13B-0874 entitled "Tomas Tan versus Rodulfo Besinga, et.al." has already been **dismissed** though the Complainant elevated the case to the Department of Justice (DOJ) via Petition for Review.

Item 10. Executive Compensation

The following table sets forth the aggregate compensation received by its key management officers:

In ₱ millions		Aggregate Compensation Paid as a Group		
NAME	**POSITION**	**2013**	**2014**	**2015**
CEO and the four (4) most highly compensated officers of the Bank namely: Rolando R. Avante Alice P. Rodil Raymond T. Co Joseph Edwin S. Cabalde Agustin E. Dingle, Jr.	 President & CEO Senior Vice President Senior Vice President SVP / Treasurer Chief Compliance Officer	28.93	20.89	21.95

Total Aggregate Compensation of Directors and Officers of the Bank as a group:	**Salary**	**Other Compensation**	**Bonus**	**Total**
2013	5.78	13.89	9.26	28.93
2014	10.02	6.68	4.17	20.89
2015	10.87	6.68	4.40	21.95

Compensation of Directors

Each director of the Bank receives a per diem allowance of ₱20,000.00 determined by the Board of Directors for attendance in a Board meeting and a ₱5,000.00 allowance for attendance in a committee meeting. The Directors are also entitled to a monthly gasoline allowance of ₱5,000.00. Except as disclosed above, none of these Directors receive any additional compensation for any special assignments.

Except for each of the individual Directors' participation in the Board, no Director of the Bank enjoys other arrangements such as consulting contracts or similar arrangements.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

PBB has executed pro-forma employment contracts with its Staff and Officers. These contracts basically specify the scope of services expected from these individuals and the compensation that they shall receive.

There are no arrangements for compensation to be received by these named executive officers from the Bank in the event of a change in control of the Bank.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

The following persons own at least five per cent (5%) of the Bank's outstanding common shares:

Title of Class	Name, Address of Record Owners and relationship with the issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	No. of shares held	Per cent of class
Common	Alfredo M. Yao 84 Dapitan St. corner Banawe St. Sta. Mesa Heights, Quezon City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	199,865,258.00	37.26%
Common	Zest-O Corporation 574 EDSA Caloocan City Stockholder	The record owner is the beneficial owner of the shares indicated	Filipino	135,044,103.00	25.17%
Total Common Shares				334,909,361.00	62.43%

On November 16, 2012, the SEC approved PBB's application for the amendment of its articles of incorporation to increase its authorized capital stock from ₱3.0 billion to ₱10.0 billion and for a decrease in par value from ₱100 to P10.00

Security Ownership of Management

The following directors and executive officers of the Company directly own approximately [7.55%] percent of the Company's issued and outstanding common stock as of April 30, 2013 as follows:

Name of Director	Nationality	Present Position	No. of Shares	%	Class
Francis T. Lee	Filipino	Chairman	24,200,000	10%	Common
Peter N. Yap	Filipino	Vice Chairman	48	negligible	Common
Jeffrey S. Yao	Filipino	Director	864,286	0.36%	Common
Leticia M. Yao	Filipino	Director	864,286	negligible	Common
Rolando R. Avante	Filipino	President & CEO	58	negligible	Common
Amador T. Vallejos, Jr.	Filipino	Director	576	negligible	Common
Benjamin R. Sta. Catalina	Filipino	Director	57	negligible	Common
Paterno H. Dizon	Filipino	Director	57	negligible	Common
Honorio O. Reyes-Lao	Filipino	Director	58	negligible	Common
Josephine Joy D. Caneba	Filipino	Corporate Secretary	none		Common
Joseph Edwin S. Cabalde	Filipino	Treasurer	5,000	negligible	Common
Alice P. Rodil	Filipino	Senior Vice President - Controller	25,000	negligible	Common
Atty. Roberto Santos	Filipino	Internal Legal Counsel and Asst. Corporate Secretary	8,000	negligible	Common

The aggregate shareholdings of the Bank's Directors and Officers as a group is 7.55% with a total of 25,967,426 number of shares.

Voting Trust Holders of 5% Or More

The Bank is unaware of any person holding more than five per cent (5%) of shares under a voting trust or similar agreement.

Changes in Control

There have been no arrangements that have resulted in a change of control of the Bank during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

As of the December 31, 2013, the following are the significant transactions of the Bank in the normal course of business with related parties, as reflected in the interim audited financial statements of the Bank:

a) The Bank has loan transactions with its officers and employees.

The General Banking Act of the BSP provides that in aggregate, loans to DOSRI generally should not exceed the Bank's total capital funds or 15 per cent of the Bank's total loan portfolio, whichever is lower. In addition, the amount of individual loans to DOSRI, of which 70 per cent must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. As of December 31, 2015 and 2015, total loans extended to DOSRI amounted to ₱1.3 billion and ₱1.2 billion, respectively. As of December 31, 2015 and 2014, the Bank has satisfactorily complied with the BSP requirement on DOSRI limits.

Relative to the DOSRI loans, the following additional information is also presented:

	December 31, 2015	December 31, 2014
Total outstanding DOSRI loans	₱ 1,257,883,137	₱ 1,227,156,442
% to total loan portfolio	3.0%	3.1%
% of unsecured DOSRI loans	0.9%	0.7%
% of past due DOSRI loans	0.3%	0.3%

The Bank has no past due DOSRI loans as of December 31, 2015 and 2013.

The Bank has no unsecured loan that is subject to 30 per cent aggregate DOSRI ceiling. Unsecured DOSRI loans to the officers of the Bank, which are subject to the 5 per cent ceiling for loans under fringe benefits program under MORB, amounted to ₱11.3 million and ₱8.4 million, as of December 31, 2015 and 2014, respectively.

The Bank has no unsecured loan that is subject to 30% aggregate DOSRI ceiling. Unsecured DOSRI loans to the officers of the Bank, which are subject to the 5 per cent ceiling for loans under fringe benefits program under MORB.

The details of total outstanding DOSRI Loans for the year ended December 31, 2015 and 2014 are shown below:

	2015	2014
Commercial loans	**P 1,223,815,659**	P 1,192,734,492
Key management personnel	34,067,478	34,421,951
	P 1,257,883,137	P 1,227,156,443

The Bank has deposits from related parties.

As of December 31, 2015, the total balance of DOSRI deposits, inclusive of the corresponding related accrued interest, included in the financial statements amounted to P4.3 billion.

The Bank leases properties from related parties.

The Bank leases the following properties from affiliated parties:

Property	Owner
Banawe, Quezon City branch	Solmac Marketing Inc.
EDSA Caloocan branch	Zest-O Corporation
Quintin Paredes, Binondo branch	Downtown Realty Corporation
PBB Support Center, Caloocan City	SMI Development Corporation
Yakal Makati branch	AMY Building Leasing

The Bank's related parties include entities under common ownership, key management and others. These include P5.97 billion in loans granted during the year which is backed by deposits. The transactions were executed at arms-length to ensure fair treatment as if these entities were regular clients of the Bank. Other than these back-to-back transactions, there were no other transactions during the last two years, or any proposed transactions, to which the Bank was or is to be a party, in which any director or executive officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the foregoing persons, had or is to have a direct or indirect material interest except those granted under the duly approved fringe benefit program (FBP) of the Bank.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Philippine Business Bank, Inc. commits to the highest standards of good corporate governance in realizing its vision and mission. The Bank believes that sound corporate practices based on fairness, accountability and transparency is essential in achieving growth and stability as well as enhancing investor confidence.

The Bank aims to create and sustain value for its various stakeholders. To achieve this, the Bank's Board of Directors, senior management and employees understand that compliance with regulations and best practice standards is everybody's responsibility. The Bank accomplishes this by adopting measures designed to align the shareholders' and senior management's objectives with that of the employees.

The Board of Directors conducts its functions as a full Board and through its six (6) committees, namely: Executive, Trust, Corporate Governance and Nomination, Audit, Risk Management and Manpower, Compensation and Remuneration. Board-approved Corporate Governance policies are contained in the Manual of Corporate Governance which is based on the Corporate Code of the Philippines, Securities Regulations Code, SEC Revised Code of Corporate Governance and relevant provisions of the Bangko Sentral ng Pilipinas Manual of Regulations for Banks. Every member of the organization of Phlippine Business Bank, Inc. is informed of these policies.

The Bank's Code of Ethics ensures that all employees adhere to the highest standards of quality, honesty, transparency and accountability. To further emphasize its commitment to integrity, the Philippine Business Bank, Inc., under its Whistle Blowing Policy, encourages employees to report, in good faith, to Senior Management any misconduct within their respective business units. The policy protects in confidence the identity of the employee who disclosed the suspected offence within the organization.

Philippine Business Bank, Inc. values the contribution of its employees in fostering a culture of good corporate governance. The Human Resource Group and the Personnel Committee ensure that interests and concerns of personnel are heard and addressed.

Going beyond adherence to regulatory framework, Philippine Business Bank, Inc. fosters a culture of partnership within its organization to ensure that long-term success and performance of the Bank are achieved.

The Corporate Governance and Nomination Committee leads the Bank in defining corporate governance policies and attaining best practices. As one of its strategic governance roles, the Corporate Governance and Nomination Committee reviews and evaluates the qualification of individuals nominated to the Board as well as those nominated to other positions requiring appointment by the Board. The Committee is responsible for the periodic administration of performance evaluation of the Board and its committees. It conducts an annual evaluation of its performance in accordance with the criteria provided in the 2009 SEC Code of Corporate Governance and the Bangko Sentral ng Pilipinas Manual of Regulations for Banks. The Committee is assisted by the Compliance Office led by the Chief Compliance Officer in the implementation of its mandates.

The Committee, consisting of two (2) independent directors (one of whom acts as chairperson) and one (1) regular director meets every two months.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Annex A …....... Audited Financial Statements

(b) Reports on SEC Form 17-C

State whether any reports on SEC Form 17-C, as amended were filed during the last six month period covered by this report, listing the items reported, any financial statements filed and the dates of such.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of CALOOCAN CITY on APR 14 2016.

By:

ROLANDO R. AVANTE
President and Chief Executive Officer

ALICE P.RODIL
SVP and Controller

JOSEPH EDWIN S. CABALDE
Treasurer and Chief Finance Officer

ATTY. ROBERTO S. SANTOS
Corporate Secretary

APR 14 2016

SUBSCRIBED AND SWORN to before me this _____ day of _________ 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	TIN NO.
ROLANDO R. AVANTE	106-968-623
ALICE P. RODIL	107-200-588
ROBERTO S. SANTOS	123-467-623
JOSEPH EDWIN S. CABALDE	117-482-086

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PAGE NO. 85
BOOK NO. 9
SERIES OF 16

ATTY. NIÑO CHRISTOPHER R. PURA
Notary Public
Notary Public Caloocan City NC504 (Valid until Dec 2017)
Roll of Attorney's no. 53988
IBP OR no. 1008540; 01.04.2016; CALMANA
PTR OR no. 7613524; 01.04.2016; Caloocan
MCLE Compliance no. IV-0021928/09.11.13
350 Rizal Ave Ext Cor 8th Ave Grace Park Caloocan

BUSINESS BANK
A savings bank

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Philippine Business Bank, Inc., A Savings Bank**, is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2015, in accordance with Philippine Financial Reporting Standards (PFRS), including the Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68 filed separately from the basic financial statements.

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with Philippine Standards on Auditing and, and in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

FRANCIS T. LEE
Chairman of the Board

ROLANDO R. AVANTE
President and CEO

ALICE P. RODIL
SVP Controller

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 14 2016
LTDO MAKATI
E. BERNAL

Subscribed and sworn to before me this APR 14 2016
Affiant exhibited to me his/her [illegible] No. ______
issued at ______ on ______

...gned this

DOC. NO. 235
PAGE NO. 47
BOOK NO. 47
SERIES OF 2016

JOEL G. GORDOLA
Notary Public
Commission expires until December...
Adm. No. [illegible], Roll No. 25103, IBP ...
PTR No. 1876282, 1/04/16; ...
TIN 126-[illegible], MCLE No. V-...
Unit 1 # 879 Quirino Hway, Culod, N...

P&A
Grant Thornton
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Report of Independent Auditors

The Board of Directors and the Stockholders
Philippine Business Bank, Inc., A Savings Bank
350 Rizal Avenue Extension corner 8th Avenue
Grace Park, Caloocan City

Report on the Financial Statements

We have audited the accompanying financial statements of Philippine Business Bank, Inc., A Savings Bank, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Philippine Business Bank, Inc., A Savings Bank as at December 31, 2015 and 2014, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2015 required by the Bureau of Internal Revenue as disclosed in Note 31 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Leonardo D. Cuaresma, Jr.
Partner

CPA Reg. No. 0058647
TIN 109-227-862
PTR No. 5321721, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0007-AR-4 (until Apr. 30, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-7-2014 (until Aug. 5, 2017)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 13, 2016

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2015	2014
RESOURCES			
CASH AND OTHER CASH ITEMS	9	**P 1,279,302,155**	P 1,174,011,464
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**7,672,637,783**	4,554,441,827
DUE FROM OTHER BANKS	10	**2,825,982,401**	2,031,581,088
TRADING AND INVESTMENT SECURITIES			
At fair value through profit or loss	11	**75,942,639**	171,891,804
Available-for-sale	12	**3,094,538,311**	1,715,736,721
Held-to-maturity	13	**5,948,727,495**	5,962,970,252
LOANS AND OTHER RECEIVABLES - Net	14	**41,737,830,222**	40,110,256,377
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	15	**562,634,722**	515,766,476
INVESTMENT PROPERTIES - Net	16	**675,770,624**	705,735,722
OTHER RESOURCES - Net	17	**1,708,795,604**	912,123,484
TOTAL RESOURCES		**P 65,582,161,956**	P 57,854,515,215
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	18		
Demand		**P 2,318,743,667**	P 681,026,719
Savings		**19,346,525,011**	17,224,051,369
Time		**33,350,950,832**	28,714,329,538
Total Deposit Liabilities		**55,016,219,510**	46,619,407,626
BILLS PAYABLE	19	**956,250**	309,521,852
ACCRUED EXPENSES AND OTHER LIABILITIES	20	**2,095,433,359**	2,903,219,245
Total Liabilities		**57,112,609,119**	49,832,148,723
EQUITY	21		
Capital stock		**5,984,584,370**	4,911,667,500
Additional paid-in capital		**1,998,396,816**	1,998,396,816
Surplus		**1,092,456,161**	1,663,231,027
Revaluation reserves		**(605,884,510)**	(550,928,851)
Total Equity		**8,469,552,837**	8,022,366,492
TOTAL LIABILITIES AND EQUITY		**P 65,582,161,956**	P 57,854,515,215

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
INTEREST INCOME				
Loans and other receivables	14	**P 2,644,242,170**	P 2,366,338,136	P 1,814,946,365
Trading and investment securities	11, 12, 13	**424,837,162**	431,775,906	368,600,681
Due from Bangko Sentral ng Pilipinas and other banks	9, 10	**69,705,482**	37,236,220	45,503,957
Securities purchased under reverse repurchase agreements		**1,858,635**	545,833	2,713,239
		3,140,643,449	2,835,896,095	2,231,764,242
INTEREST EXPENSE				
Deposit liabilities	18	**753,904,091**	596,886,481	489,258,915
Bills payable	19	**3,331,735**	2,221,806	8,609,402
Others	23	**1,082,509**	1,508,448	1,738,852
		758,318,335	600,616,735	499,607,169
NET INTEREST INCOME		**2,382,325,114**	2,235,279,360	1,732,157,073
IMPAIRMENT LOSSES	14, 17	**172,050,358**	189,887,127	178,193,789
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**2,210,274,756**	2,045,392,233	1,553,963,284
OTHER INCOME				
Service charges, fees and commissions		**132,425,882**	127,487,177	73,829,527
Trading gains - net	11, 12, 13	**69,474,667**	34,827,391	816,773,032
Miscellaneous - net	22	**73,430,963**	144,153,797	38,228,379
		275,331,512	306,468,365	928,830,938
OTHER EXPENSES				
Salaries and other employee benefits	23	**543,446,728**	479,552,337	392,749,657
Taxes and licenses	31	**328,317,557**	306,352,118	265,247,277
Occupancy	27	**250,346,533**	209,871,217	172,761,117
Depreciation and amortization	15, 16	**137,495,289**	122,622,015	105,713,999
Insurance		**128,348,739**	109,164,821	84,456,483
Management and other professional fees		**93,426,123**	88,896,599	130,457,358
Representation and entertainment		**32,269,518**	31,944,122	30,848,276
Miscellaneous	22	**266,516,503**	224,813,032	172,786,419
		1,780,166,990	1,573,216,261	1,355,020,586
PROFIT BEFORE TAX		**705,439,278**	778,644,337	1,127,773,636
TAX EXPENSE	25	**203,297,274**	242,439,233	123,727,024
NET PROFIT		**P 502,142,004**	P 536,205,104	P 1,004,046,612
Earnings Per Share				
Basic and Diluted	30	**P 0.94**	P 0.88	P 1.87

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
NET PROFIT		**P 502,142,004**	P 536,205,104	P 1,004,046,612
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	23	**3,715,322**	(2,187,913)	(12,978,354)
Tax income (expense)	25	**(1,114,597)**	656,374	3,893,506
		2,600,725	(1,531,539)	(9,084,848)
Items that will be reclassified subsequently to profit or loss				
Fair value gains (losses) on available-for-sale securities during the year - net	12	**(53,101,385)**	124,563,684	(1,042,090,203)
Fair value losses (gains) reclassified to profit or loss	12	**6,615,377**	393,988,832	(323,766,597)
Amortization of fair value losses on reclassified securities	12, 13	**(11,070,376)**	4,986,463	-
		(57,556,384)	523,538,979	(1,365,856,800)
Other Comprehensive Income (Loss) - Net of Tax		**(54,955,659)**	522,007,440	(1,374,941,648)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P 447,186,345**	P 1,058,212,544	(P 370,895,036)

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

		Capital Stock			Surplus		Revaluation Reserves		
	Notes	Preferred Stock	Common Stock	Additional Paid-in Capital	Appropriated	Unappropriated	Unrealized Fair Value Losses on Available-for-sale Securities	Accumulated Actuarial Losses	Total Equity
BALANCE AS OF JANUARY 1, 2015		P 620,000,000	P 4,291,667,500	P 1,998,396,816	P 3,411,900	P 1,659,819,127	(P 519,742,021)	(P 31,186,830)	P 8,022,366,492
Stock dividends	21	-	1,072,916,870	-	-	(1,072,916,870)	-	-	-
Appropriation for trust reserves	21	-	-	-	1,387,487	(1,387,487)	-	-	-
Total comprehensive income (loss)	12, 23, 25	-	-	-	-	502,142,004	(57,556,384)	2,600,725	447,186,345
BALANCE AS OF DECEMBER 31, 2015		**P 620,000,000**	**P 5,364,584,370**	**P 1,998,396,816**	**P 4,799,387**	**P 1,087,656,774**	**(P 577,298,405)**	**(P 28,586,105)**	**P 8,469,552,837**
BALANCE AS OF JANUARY 1, 2014		P 620,000,000	P 3,433,334,000	P 1,998,396,816	P 1,764,202	P 2,045,920,221	(P 1,043,281,000)	(P 29,655,291)	P 7,026,478,948
Stock dividends	21	-	858,333,500	-	-	(858,333,500)	-	-	-
Cash dividends	21	-	-	-	-	(62,325,000)	-	-	(62,325,000)
Appropriation for trust reserves	21	-	-	-	1,647,698	(1,647,698)	-	-	-
Total comprehensive income (loss)	12, 23, 25	-	-	-	-	536,205,104	523,538,979	(1,531,539)	1,058,212,544
BALANCE AS OF DECEMBER 31, 2014		P 620,000,000	P 4,291,667,500	P 1,998,396,816	P 3,411,900	P 1,659,819,127	(P 519,742,021)	(P 31,186,830)	P 8,022,366,492
BALANCE AS OF JANUARY 1, 2013		P 620,000,000	P 2,420,000,000	P -	P 873,498	P 1,042,764,313	P 322,575,800	(P 20,570,443)	P 4,385,643,168
Share issuance during the year	21	-	1,013,334,000	1,998,396,816	-	-	-	-	3,011,730,816
Appropriation for trust reserves	21	-	-	-	890,704	(890,704)	-	-	-
Total comprehensive income (loss)	12, 23, 25	-	-	-	-	1,004,046,612	(1,365,856,800)	(9,084,848)	(370,895,036)
BALANCE AS OF DECEMBER 31, 2013		P 620,000,000	P 3,433,334,000	P 1,998,396,816	P 1,764,202	P 2,045,920,221	(P 1,043,281,000)	(P 29,655,291)	P 7,026,478,948

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 705,439,278**	P 778,644,337	P 1,127,773,636
Adjustments for:				
Impairment losses	14, 17	**172,050,358**	189,887,127	178,193,789
Depreciation and amortization	15, 16	**137,495,289**	122,622,015	105,713,999
Gain on sale of properties - net	22	**(15,028,632)**	(27,801,013)	(17,233,626)
Loss (gain) on foreclosure - net	22	**2,480,845**	(87,676,870)	(6,239,465)
Operating profit before working capital changes		**1,002,437,138**	975,675,596	1,388,208,333
Decrease (increase) in financial assets at fair value through profit or loss		**95,949,165**	745,739,073	(917,630,877)
Increase in loans and other receivables		**(1,811,234,055)**	(9,327,174,393)	(10,892,111,672)
Decrease (increase) in other resources		**(740,015,317)**	(68,713,507)	67,869,366
Increase in deposit liabilities		**8,396,811,884**	8,737,396,882	11,433,124,006
Increase (decrease) in accrued expenses and other liabilities		**(879,949,701)**	745,196,586	373,334,420
Cash generated from operations		**6,063,999,114**	1,808,120,237	1,452,793,576
Cash paid for income taxes		**(185,189,537)**	(177,589,674)	-
Net Cash From Operating Activities		**5,878,809,577**	1,630,530,563	1,452,793,576
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of available-for-sale securities	12	**(2,274,907,422)**	(443,590,778)	(18,912,353,899)
Proceeds from sale of available-for-sale securities		**838,549,448**	1,535,846,420	15,422,983,845
Acquisition of bank premises, furniture, fixtures and equipment	15	**(178,055,371)**	(149,373,100)	(169,372,809)
Proceeds from sale of investment and other properties	16, 17	**55,820,368**	128,723,649	267,590,427
Proceeds from sale of bank premises, furniture, fixtures and equipment		**6,236,962**	268,663	2,214,982
Acquisition of held-to-maturity investments		**-**	-	(8,833,467)
Net Cash From (Used In) Investing Activities		**(1,552,356,015)**	1,071,874,854	(3,397,770,921)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net borrowings (payments) of bills payable		**(308,565,602)**	115,594,051	(571,561,716)
Payment of cash dividends	21	**-**	(62,325,000)	-
Proceeds from share issuance	21	**-**	-	3,011,730,816
Net Cash From (Used In) Financing Activities		**(308,565,602)**	53,269,051	2,440,169,100
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,017,887,960**	2,755,674,468	495,191,755
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
Cash and other cash items	9	**1,174,011,464**	735,667,668	435,898,545
Due from Bangko Sentral ng Pilipinas	9	**4,554,441,827**	3,597,209,300	3,073,180,153
Due from other banks	10	**2,031,581,088**	671,482,943	1,000,089,458
		7,760,034,379	5,004,359,911	4,509,168,156
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and other cash items	9	**1,279,302,155**	1,174,011,464	735,667,668
Due from Bangko Sentral ng Pilipinas	9	**7,672,637,783**	4,554,441,827	3,597,209,300
Due from other banks	10	**2,825,982,401**	2,031,581,088	671,482,943
		P 11,777,922,339	P 7,760,034,379	P 5,004,359,911

Supplemental Information on Noncash Investing and Financing Activities:

(1) In 2015 and 2014, the Bank's stockholders approved the declaration of stock dividends on common stocks amounting to P1,072.9 million and P858.3 million, respectively. This was distributed to stockholders in the same years of declaration (see Note 21).

(2) Transfers from loans and other receivables to investment properties as a result of foreclosures amounted to P29.1 million, P284.2 million and P16.9 million in 2015, 2014 and 2013, respectively, (see Note 16), while transfers from loans and other receivables to other resources in 2015 and 2014 amounted to P0.5 million and P1.0 million, respectively, are disclosed in Note 17 (nil in 2013). Amounts mentioned were exclusive of gains (losses) on foreclosure amounting to (P2.5 million), P87.7 million and P6.2 million in 2015, 2014 and 2013, respectively (see Note 22).

(3) On May 29, 2014, the Bank reclassified certain government debt securities from available-for-sale securities to held-to-maturity securities with a market value of P5,623.6 million at the date of reclassification (see Notes 12 and 13).

See Notes to Financial Statements.

PHILIPPINE BUSINESS BANK, INC., A SAVINGS BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos or As Otherwise Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Philippine Business Bank, Inc., A Savings Bank (the Bank or PBB) was incorporated in the Philippines on January 28, 1997 to engage in the business of thrift banking. It was authorized to engage in foreign currency deposit operations on August 27, 1997 and in trust operations on November 13, 2003. As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). In this regard, the Bank is required to comply with rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities and those relating to adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. The Bank's activities are subject to the provisions of the General Banking Law of 2000 (Republic Act No. 8791) and other relevant laws. On April 1, 2010, PBB is the first savings bank in the Philippines that obtained the BSP approval to issue foreign letters of credit and pay/accept/negotiate import/export drafts/bills of exchange under Republic Act Nos. 8791 and 7906 and the Manual of Regulations for Banks.

On January 9, 2013, the Philippine Stock Exchange (PSE) approved the Bank's application for the listing of its common shares. The approval covered the initial public offering (IPO) of 101,333,400 unissued common shares of the Bank at P31.50 per share and the listing of those shares in the PSE's main board on February 19, 2013 (see Note 21.1).

As of December 31, 2015 and 2014, the Bank operates within the Philippines with 134 and 116 branches, respectively, located nationwide.

The Bank's registered address, which is also its principal place of business, is at 350 Rizal Avenue Extension corner 8th Avenue, Grace Park, Caloocan City.

1.2 Approval of the Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2015 (including the comparative financial statements as of December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Bank's Board of Directors (BOD) on April 13, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents a statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates. The financial statements of the Bank's foreign currency deposit unit (FCDU) which is reported in its functional currency, the United States (US) dollar, are translated to Philippine peso based on Philippine Dealing System closing rates (PDSCR) at the end of reporting period (for the statement of financial position accounts) and at the average PDSCR for the period (for profit and loss accounts).

2.2 Adoption of New and Amended PFRS

(a) Effective in 2015 that are Relevant to the Bank

In 2015, the Bank adopted for the first time the following amendment and annual improvements to PFRS which are mandatorily effective for annual periods on or after July 1, 2014 for the Bank's annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amended standard and improvements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Bank's financial statements since the Bank's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Bank but had no material impact on the Bank's financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 3 (Amendment), *Business Combinations*. The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments – Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PFRS 8 (Amendment), *Operating Segments*. The amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3 (Amendment), *Business Combinations*. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40 or a business combination in accordance with PFRS 3.

(b) Effective in 2015 that are not Relevant to the Bank

Among the annual improvements to PFRS, which are mandatory for accounting periods beginning on or after July 1, 2014, only PFRS 2 (Amendment), *Shared-based Payment – Definition of Vesting Condition* is not relevant to the Bank's financial statements.

(c) *Effective Subsequent to 2015 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015, which are adopted by the FRSC, Management will adopt the following relevant pronouncements in accordance with their transitional provisions and; unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), Property, Plant and Equipment and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated.

(iii) PFRS 11 (Amendment), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (effective from January 1, 2016). This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3 to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements, which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Bank is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Bank to determine whether the effect of PFRS 9 (2014) is significant or not to the financial statements and it is conducting a comprehensive study of the potential impact of this standard to the financial statements and operations of the Bank prior to its mandatory adoption date.

(v) Annual Improvements to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after January 1, 2016. Among those improvements, the following amendments are relevant to the Bank but management does not expect those to have material impact on the Bank's financial statements:

- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*. The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of a business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity or net assets. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Negative goodwill which is the excess of the Bank's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Bank is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provision, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Bank's products and services as disclosed in Note 8.

Each of these operating segments is managed separately as each of these services requires different technologies and resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies of the Bank used for segment reporting under PFRS 8 is the same as those used in its financial statements. In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

The Bank's operations are organized according to the nature of the products and services provided. Financial performance on operating segments is presented in Note 8.

2.5 Financial Assets

Financial assets are recognized when the Bank becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of an equity for the issuer in accordance with the criteria under PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) securities. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Except for derivative financial instruments and financial assets designated at FVTPL, the designation of financial assets is re-evaluated at the end of each reporting period and at which date, a choice of classification or accounting treatment is available, which is subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their settlement date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

A more detailed description of the four categories of financial assets is as follows:

(i) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the Bank to be carried at FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money or services directly to a debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers, securities purchased under reverse repurchase agreements (SPURRA), unquoted debt securities, sales contract receivables and all receivables from customers and other banks.

The Bank's financial assets categorized as loans and receivables are presented as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Other Receivables, and Other Resources (specifically Security deposits, Petty cash fund and Foreign currency notes and coins on hand) in the statement of financial position. For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks and SPURRA.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any.

(iii) HTM Investments

This includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as HTM if the Bank has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification.

If the Bank were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to AFS securities under PFRS, and the Bank will be prohibited from holding investments under the HTM investments category for the next two financial reporting years after the year the tainting occurred. The tainting provision under PFRS will not apply if the sales or reclassifications of HTM investments are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Bank, is nonrecurring and could not have been reasonably anticipated by the Bank. The Bank currently holds listed sovereign bonds and corporate bonds designated into this category.

Subsequent to initial recognition, the HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any.

(iv) AFS Securities

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Bank's AFS securities include government securities, corporate bonds and equity securities.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial assets has not been derecognized.

(b) Impairment of Financial Assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about certain loss events, including, among others: (i) significant financial difficulty of the issuer or debtor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) it is probable that the borrower will enter bankruptcy or other financial reorganization; (iv) the disappearance of an active market for that financial asset because of financial difficulties; or, (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

(i) Carried at Amortized Cost – Loans and Receivables and HTM Investments

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Bank includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and other receivables or HTM investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If loans and other receivables or HTM investments have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosures less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the BOD, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

When possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur.

(ii) Carried at Fair Value – AFS Financial Assets

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as AFS securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss.

Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as AFS securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognized the impairment loss is reversed through profit or loss.

Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(iii) Carried at Cost – AFS Financial Assets

The Bank assesses at the end of each reporting period whether there is objective evidence that any of the unquoted equity securities which are carried at cost, may be impaired. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses relating to financial assets are recognized in the statement of profit or loss.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments

The Bank uses derivative financial instruments to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Bank's derivative instruments provide economic hedges under the Bank's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

2.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Financial Liabilities

Financial liabilities include Deposit Liabilities, Bills Payable and Accrued Expenses and Other Liabilities (excluding tax-related payables and post-employment benefit obligation) and are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as Interest Expense in the statement of profit or loss.

Deposit liabilities and bills payable are recognized initially at their fair value, which is the issuance proceeds (fair value of consideration received) net of direct issue costs, and are subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. Any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period of the borrowings.

Accrued expenses and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

In 2014 and 2013, dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group and subsequent approval of the BSP. In 2015, BSP approval is no longer necessary on dividend recognition in accordance with the liberalized rules for banks and quasi-banks on dividend declaration.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.9 Other Resources

Other resources pertain to other assets controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

2.10 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost. Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment losses.

The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture, fixtures and equipment	5-7 years
Transportation equipment	5 years

Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvements of 5 to 20 years, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation and amortization of Bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.11 Investment Properties

Investment properties pertain to land and buildings or condominium units acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are held by Bank either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.19). The cost of an investment property comprises its purchases price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Investment properties except land are depreciated over a period of five to ten years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

Investment properties, including the related accumulated depreciation and any impairment losses, are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss under the Gain or loss on sale of properties under Miscellaneous Income or Expenses in the statement of profit or loss, in the year of retirement or disposal.

2.12 Intangible Assets

Intangible assets include goodwill, acquired branch licenses and computer software included as part of other resources which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful life lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.19. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired and branch licenses at the date of acquisition. Goodwill and branch licenses are classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.19). For purposes of impairment testing, goodwill and branch licenses are allocated to cash-generating units and is subsequently carried at cost less any allowance for impairment losses.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Bank is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Equity

Capital stock represents the nominal value of the common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Appropriated surplus pertains to appropriations made by the Bank for a portion of the Bank's income from trust operations in compliance with BSP regulations.

Unappropriated surplus includes all current and prior period results of operations as disclosed in the statement of profit or loss, less appropriated surplus and dividends declared.

Revaluation reserves comprise remeasurements of post-employment defined benefit plan and unrealized fair value gains (losses) on mark-to-market valuation of AFS securities, net of amortization of fair value gains or losses on reclassified financial assets.

2.15 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and (d) the Bank's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.16 Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Bank; and the costs and expenses incurred and to be incurred can be measured reliably. Cost and expenses are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) Interest Income and Expense

Interest income and expense are recognized in the statement of profit or loss for all financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

(b) *Trading Gains or Losses*

Trading gains or losses are recognized when the ownership of the security is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the security. Trading gains or losses also include result from the mark-to-market valuation of the securities classified as FVTPL at the valuation date and gain or loss from foreign exchange trading.

(c) *Service Charges, Fees and Commissions*

Service charges, fees and commissions are generally recognized on an accrual basis when the service has been provided. Other service fees are recognized based on the applicable service contracts, usually on a time-appropriate basis.

2.17 Leases

The Bank accounts for its leases as follows:

(a) *Bank as Lessee*

Leases, which do not transfer to the Bank substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments (net of any incentive received from a lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as insurance and repairs and maintenance, are expensed as incurred.

(b) *Bank as Lessor*

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Bank determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.18 Foreign Currency Transactions and Translation

The accounting records of the Bank's regular banking unit are maintained in Philippine pesos while the FCDU are maintained in US dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as AFS securities are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.19 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures and equipment, investment properties, goodwill, branch licenses, computer software, other properties held for sale (classified as part of Miscellaneous under Other Resources) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment loss is charged pro rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the cash generating units' recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee bank.

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates based on zero coupon government bonds as published by Philippine Dealing & Exchange Corp. (PDEx) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity (e.g. Social Security System and Philhealth). The Bank has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonus Plans

The Bank recognizes a liability and an expense for employee bonuses, based on a formula that is fixed regardless of the Bank's income after certain adjustments and does not take into consideration the profit attributable to the Bank's shareholders. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Expenses and Other Liabilities account in the statement of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

2.21 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Bank has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.22 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit by the weighted average number of common shares subscribed and issued during the period, after retroactive adjustment for any stock dividend declared in the current period.

The diluted EPS is also computed by dividing net profit by the weighted average number of common shares subscribed and issued during the period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares as approved by the Securities and Exchange Commission. Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. As of December 31, 2015 and 2014, the Bank has no convertible preferred shares (see Note 21.1).

2.23 Trust and Fiduciary Operations

The Bank acts as trustee and in other fiduciary capacity that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and their income arising thereon are excluded from these financial statements, as these are neither resources nor income of the Bank.

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Classifying Financial Assets at HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as HTM investments, the Bank evaluates its intention and ability to hold such investments up to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity.

If the Bank fails to keep these investments at maturity other than for the allowed specific circumstances as discussed in the succeeding paragraph, it will be required to reclassify the entire class to AFS securities. The investments would therefore be measured at fair value and not at amortized cost. However, the tainting provision will not apply if the sales or reclassifications of HTM investments are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Bank, is nonrecurring and could not have been reasonably anticipated by the Bank.

(b) *Impairment of AFS Securities*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Bank's AFS securities, management concluded that no assets are impaired as of December 31, 2015 and 2014. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(c) *Distinguishing Investment Properties and Owner-occupied Properties*

The Bank determines whether a property qualifies as investment property. In making this judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

Some properties may comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in providing services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Bank accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(d) Classifying of Acquired Properties and Determining Fair Value of Investment Properties and Other Properties Held-for-Sale

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as other properties held for sale presented as part of Miscellaneous under Other Resources if the Bank expects that the properties (properties other than land and building) will be recovered through sale rather than use, as Investment Properties if the Bank intends to hold the properties for capital appreciation or as financial assets in accordance with PAS 39. At initial recognition, the Bank determines the fair value of the acquired properties based on valuations performed by both internal and external appraisers. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property.

The Bank's methodology in determining the fair value of acquired properties are further discussed in Note 7.

(e) Distinguishing Operating and Finance Leases

The Bank has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

As of December 31, 2015 and 2014, the Bank has determined that all its leases are operating leases (see Note 27).

(f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 27.

In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results.

Although the Bank does not believe that its dealing on these proceedings will have material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period:

(a) Evaluating Impairment of Financial Assets (HTM Investments and Loans and Other Receivables)

The Bank reviews its HTM investments and loans and other receivable to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio before the decrease can be identified with an individual item in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group, including, but not limited to, the length of the Bank's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying value of loans and other receivables and the analysis of the related allowance for impairment on such financial assets are shown in Notes 14. There are no impairment losses recognized on HTM investments in 2015, 2014 and 2013.

(b) Fair Value of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Bank's financial assets at FVTPL and AFS securities and the amounts of fair value changes recognized on those assets are disclosed in Notes 11 and 12, respectively.

(c) Estimating Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties Except Land, Branch Licenses and Computer Software

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, investment properties except land, branch licenses and computer software based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment, investment properties and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The Bank's branch licenses were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

The carrying amounts of bank premises, furniture, fixtures and equipment and investment properties are analyzed in Notes 15 and 16, respectively. Based on management assessment, there is no change in the estimated useful lives of these assets during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determining Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets, which the management assessed to be fully utilized within the next two to three years, as of December 31, 2015 and 2014 is disclosed in Notes 17 and 25.

(e) Determination of Fair Value of Investment Properties

The Bank's investment properties are composed of parcels of land and buildings and improvements which are held for capital appreciation or held-for-lease, and are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined on the basis of the appraisals conducted by professional appraiser applying the relevant valuation methodologies as discussed therein.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(f) Estimating Impairment Losses of Non-financial Assets

Except for intangible assets with indefinite useful lives (i.e. goodwill and acquired branch licenses), PFRS requires that an impairment review be performed when certain impairment indications are present. The Bank's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Allowance for impairment recognized on investment properties and other properties held for sale are discussed in Notes 16 and 17. There are no impairment losses recognized in goodwill, acquired branch licenses, bank premises, furniture, fixtures and equipment.

(g) Valuation of Post-employment Benefits

The determination of the Bank's obligation and cost of post-employment benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rates, expected rate of salary increases and employee turnover. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of DBO, as well as the significant assumptions used in estimating such obligation, are presented in Note 23.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

PBB, as a financial institution, is in the business of risk taking. Its activities expose the Bank to credit, market and liquidity and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity and interest rate risks in the Bank's investment portfolio. Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology and external events.

The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders.

4.1 Risk Management

The Bank continually advances on its risk management techniques and marry this into the overall strategic business objectives to support the growth objectives of the Bank.

The Bank has automated the front-office, back office, and middle office operations as far as market risk is concerned. This includes the integration of pre-deal limit checking, on-demand position monitoring, automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover market risk exposures.

On the credit side, the Bank has instituted improvements on its credit policies, which includes large exposure and credit concentration. Credit process streamlining has also been initiated to ensure that commensurate controls are in place while the Bank continues to device ways to improve on its credit process.

As for operational risk, the Bank has completed the bankwide operational risk and control self-assessment in support of the enterprise risk management framework of the Bank. With this, there is also an enterprise-wide training on risk awareness to ensure appreciation and measurement of key risks of each unique business and support units and how these relate to the over-all objective and strategies of the Bank. In addition, information security policies were further strengthened, hardened, implemented, and disseminated across all units of the Bank.

4.2 Enterprise Risk Management Framework

The Bank adopts an Enterprise Risk Management framework as its integrated approach to the identification, measurement, control and disclosure of risks, subject to prudent limits and stringent controls as established in its risk management framework and governance structure. The Bank has an integrated process of planning, organizing, leading, and controlling its activities in order to minimize the effects of risk on its capital and earnings. The Bank's BOD formulates the corporate risk policy, sets risk tolerances and appetite and provide risk oversight function through the Risk Oversight Committee (ROC), which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes and guidelines. The framework covers operational, market and liquidity, credit and counterparty and other downside risks within the context of the supervision by risk guidelines of the BSP and aligned best practices on risk management.

4.3 Credit Risk

Credit risk pertains to the risk to income or capital due to failure by borrowers or counterparties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default. This is inherent in the Bank's lending, investing, and trading and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the BOD. Account officers and credit officers directly handle credit risk as guided by BOD-approved policies and limits. ERMG, as guided by the ROC, performs an independent portfolio oversight of credit risks and reports regularly to the BOD and the ROC.

On the transactional level, exposure to credit risk is managed through a credit review process wherein a regular analysis of the ability of the obligors and potential obligors to meet interest and capital repayment obligations is performed. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Moreover, in accordance with best practices, the Bank also adopts an internal credit risk rating system (ICRRS) for the purpose of measuring credit risk for every exposure in a consistent manner as accurately as possible and uses this information as a tool for business and financial decision-making.

Pursuant to regulatory requirements and best practices, the Bank also conducts sensitivity analysis and stress testing of the credit portfolio to assess sensitivity of the Bank's capital to BOD-approved credit risk scenarios.

Exposure to Credit Risk

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements as summarized below (amounts in thousands).

	Notes		**2015**		2014
Cash and other cash items	9	**P**	**1,279,302**	P	1,174,011
Due from BSP	9		**7,672,638**		4,554,442
Due from other banks	10		**2,825,982**		2,031,581
Financial assets at FVPL	11		**75,943**		171,892
AFS securities	12		**3,092,838**		1,714,037
HTM investments	13		**5,948,727**		5,962,970
Loans and other receivables – net	14		**41,737,830**		40,110,256
Other resources – net	17		**92,152**		82,354
		P	**62,725,412**	P	55,801,543

The credit risk quality of the Bank's financial assets is further described as follows:

(i) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are Cash and Other Cash Items, Due from BSP and Due from Other Banks. Due from Other Banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(ii) *Financial Assets at FVTPL, AFS Securities and HTM investments*

The Bank continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Moreover, these investments are mainly composed of government bonds whose credit risk is secured by the Philippine Government and certain corporate debt securities issued by publicly-known local companies with no observed history of credit default. Accordingly, all debt instruments held by the Bank are considered as either high grade or standard grade that is neither past due nor specifically impaired.

(iii) Loans and Other Receivables

The Bank regularly reviews and monitors defaults of borrowers identified either individually or by group, and incorporates this information into its credit risk evaluation. Where available at a reasonable cost, external credit ratings and/or reports on customers are obtained and used. In addition, for a significant proportion of loans, post-dated checks are received to mitigate credit risk.

The following table shows the Bank's maximum exposure to credit risk on loans and other receivables as of December 31, 2015 and 2014 (amounts in thousands):

	2015	2014
Individually impaired		
Wholesale and retail trade	**P 523,163**	P 323,949
Real estate, renting and construction	**413,800**	147,456
Manufacturing	**131,050**	64,979
Consumption	**87,060**	158,087
Others	**926,120**	620,098
Gross amount	**2,081,193**	1,314,569
Allowance for impairment	**(700,825)**	(495,420)
Carrying amount	**1,380,368**	819,149
Collectively impaired		
Wholesale and retail trade	**11,163,616**	15,356,456
Real estate, renting and construction	**3,516,952**	3,215,895
Manufacturing	**2,597,782**	5,736,638
Consumption	**-**	6,597,008
Others	**6,676,846**	7,628,669
Gross amount	**23,955,196**	38,534,666
Allowance for impairment	**(375,800)**	(410,800)
Carrying amount	**23,579,396**	38,123,866
Past due but not impaired		
Carrying amount	**68,943**	-
Neither past due nor impaired		
Carrying amount	**16,709,123**	1,167,241
Total carrying amount	**P 41,737,830**	P 40,110,256

In addition to default and concentration risk arising from lending activities, the Bank has an incremental issuer credit risk exposure emanating from Trading and Investment Securities and Due from Other Banks amounting to P9,117.5 and P2,826.0 million, respectively, as of December, 31, 2015 and P7,848.9 million and P2,031.6 million, respectively, as of December 31, 2014. These are considered as neither past due nor impaired.

The carrying amount of the above loans and other receivables are partially secured with collateral mainly consisting of real estate and chattel mortgage.

The Due from BSP account represents the aggregate balance of noninterest-bearing deposit accounts in local currency maintained by the Bank with the BSP primarily to meet reserve requirements and to serve as a clearing account for interbank claims. Hence, no significant credit risk is anticipated for this account.

4.4 Market Risk

The Bank's market risk exposure arises from adverse movements in interest rates and prices of assets that are either carried in the banking book or held as positions in the trading book (financial instruments), mismatches in the contractual maturity of its assets and liabilities, embedded optionality in the loans and deposits due to pre-terminations, and potential cash run offs arising from changes in overall liquidity and funding conditions in the market. Market risk related to the Bank's financial instruments includes foreign currency, interest rate and price risks.

(a) Foreign Currency Risk

The Bank manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The Bank's foreign currency exposure is primarily limited to the foreign currency deposits, which are sourced within the Philippines or generated from remittances by Filipino expatriates and overseas Filipino workers. Also, foreign currency trading with corporate accounts and other financial institutions is a source of foreign currency exposure for the Bank. At the end of each month, the Bank reports to the BSP on its acquisition and disposition of foreign currency resulting from its daily transactions.

The breakdown of the financial assets and financial liabilities as to foreign currency (translated into Philippine pesos) and Philippine peso-denominated balances as of December 31, 2015 and 2014 follow (amounts in thousands):

	2015		
	Foreign Currency	Philippine Peso	Total
Financial Assets:			
Cash and other cash items	P -	P 1,279,302	P 1,279,302
Due from BSP	-	7,672,638	7,672,638
Due from other banks	2,372,753	453,229	2,825,982
Financial assets at FVTPL	-	75,943	75,943
AFS securities	2,990,980	103,558	3,094,538
HTM investments	461,114	5,487,613	5,948,727
Loans and other receivables - net	569,439	41,168,391	41,737,830
Other resources	91,833	319	92,152
	P 6,486,119	**P 56,240,993**	**P 62,727,112**
Financial Liabilities:			
Deposit liabilities	P 6,458,745	P 48,557,475	P 55,016,220
Bills payable	-	956	956
Accrued expenses and other liabilities	1,886	1,936,797	1,938,683
	P 6,460,631	**P 50,495,228**	**P 56,955,859**

	2014		
	Foreign Currency	Philippine Peso	Total
Financial Assets:			
Cash and other cash items	P -	P 1,174,011	P 1,174,011
Due from BSP	-	4,554,442	4,554,442
Due from other banks	463,362	1,568,219	2,031,581
Financial assets at FVTPL	-	171,892	171,892
AFS securities	1,577,834	137,903	1,715,737
HTM investments	438,030	5,524,940	5,962,970
Loans and other receivables - net	595,845	39,514,411	40,110,256
Other resources	82,080	274	82,354
	P 3,157,151	P 52,646,092	P 55,803,243
Financial Liabilities:			
Deposit liabilities	P 4,217,618	P 42,401,790	P 46,619,408
Bills payable	-	309,522	309,522
Accrued expenses and other liabilities	890	2,697,859	2,698,749
	P 4,218,508	P 45,409,171	P 49,627,679

(b) Interest Rate Risk

Interest rate risk is the probability of decline in net interest earnings as a result of an adverse movement of interest rates.

In measuring interest rate exposure from an earnings perspective, the Bank calculates the Earnings at Risk (EAR) to determine the impact of interest rate changes on the Bank's accrual portfolio. The EAR is the potential decline in net interest income due to the adverse movement in interest rates. To quantify interest rate exposure, the statement of financial position is first classified into interest rate sensitive and non-interest rate sensitive asset and liability accounts and then divided into pre-defined interest rate sensitivity gap tenor buckets with corresponding amounts slotted therein based on the term to next re-pricing date (the re-pricing maturity for floating rate accounts) and remaining term to maturity (the equivalent re-pricing maturity for fixed rate accounts).

The rate sensitivity gaps are calculated for each time band and on a cumulative basis. The gap amount for each bucket is multiplied by an assumed change in interest rate to determine EAR. A negative interest rate sensitivity gap position implies that EAR increases with a rise in interest rates, while a positive interest rate sensitivity gap results in a potential decline in net interest rate income as interest rates fall. To supplement the EAR, the Bank regularly employs sensitivity analysis on the Bank's interest rate exposure.

To mitigate interest rate risk, the Bank follows a prudent policy on managing resources and liabilities so as to ensure that exposure to interest rate risk are kept within acceptable levels. The BOD has also approved the EAR Limit which is reviewed regularly.

The analyses of the groupings of resources, liabilities, capital funds and off-statement of financial position items as of December 31, 2015 and 2014 based on the expected interest realization or recognition are presented below (amounts in thousands).

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
2015						
Resources:						
Cash and other cash items	P 1,279,302	P -	P -	P -	P -	P 1,279,302
Due from BSP	7,672,638	-	-	-	-	7,672,638
Due from other banks	2,825,982	-	-	-	-	2,825,982
Trading and investment securities	58,873	20,086	6,521	9,033,728	-	9,119,208
Loans and other receivables - net	29,654,273	3,273,654	3,501,767	5,308,136	-	41,737,830
Other resources	-	-	-	-	2,947,201	2,947,201
Total Resources	41,491,068	3,293,740	3,508,288	14,341,864	2,947,201	65,582,161
Liabilities and Equity:						
Deposit liabilities	17,087,810	8,513,338	7,369,904	22,045,168	-	55,016,220
Bills payable	-	-	956	-	-	956
Accrued expenses and other liabilities	-	-	-	-	2,095,433	2,095,433
Total Liabilities	17,087,810	8,513,338	7,370,860	22,045,168	2,095,433	57,112,609
Equity	-	-	-	-	8,469,553	8,469,553
Total Liabilities and Equity	17,087,810	8,513,338	7,370,860	22,045,168	10,564,986	65,582,162
On-book Gap	24,403,258	(5,219,598)	(3,862,572)	(7,703,304)	(7,617,784)	-
Cumulative On-book Gap	24,403,258	19,183,660	15,321,088	7,617,784	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	1,341,367	1,341,367
Off-book Gap	-	-	-	-	(1,341,367)	(1,341,367)
Net Periodic Gap	24,403,258	(5,219,598)	(3,862,572)	(7,703,304)	(8,959,151)	(1,341,367)
Cumulative Total Gap	**P 24,403,258**	**P 19,183,660**	**P 15,321,088**	**P 7,617,784**	**(P 1,341,367)**	**P -**

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
2014						
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 1,174,011	P 1,174,011
Due from BSP	-	-	-	-	4,554,442	4,554,442
Due from other banks	-	-	-	-	2,031,581	2,031,581
Trading and investment securities	-	-	171,892	7,678,707	-	7,850,599
Loans and other receivables - net	30,576,275	3,446,655	2,863,466	1,331,675	1,892,185	40,110,256
Other resources	-	-	-	-	2,133,626	2,133,626
Total Resources	30,576,275	3,446,655	3,035,358	9,010,382	11,785,845	57,854,515
Liabilities and Equity:						
Deposit liabilities	16,359,916	8,020,236	3,918,852	641,266	17,679,138	46,619,408
Bills payable	-	309,522	-	-	-	309,522
Accrued expenses and other liabilities	-	-	-	-	2,903,219	2,903,219
Total Liabilities	16,359,916	8,329,758	3,918,852	641,266	20,582,357	49,832,149
Equity	-	-	-	-	8,022,366	8,022,366
Total Liabilities and Equity	16,359,916	8,329,758	3,918,852	641,266	28,604,723	57,854,515
On-book Gap	14,216,359	(4,883,103)	(883,494)	8,369,116	(16,818,878)	-
Cumulative On-book Gap	14,216,359	9,333,256	8,449,762	16,818,878	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	615,085	615,085
Off-book Gap	-	-	-	-	(615,085)	(615,085)
Net Periodic Gap	14,216,359	(4,883,103)	(883,494)	8,369,116	(17,433,961)	(615,085)
Cumulative Total Gap	P14,216,359	P 9,333,256	P 8,449,762	P16,818,878	(P 615,085)	P -

(c) Price Risk

In measuring the magnitude of exposures related to the Bank's trading portfolio arising from holding of government and other debt securities, the Bank employs Value-at-Risk (VaR) methodology. VaR is an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Bank uses a 99% confidence level for this measurement (i.e. losses could exceed the VaR in one out of 100 trading days).

In calculating the severity of the market risk exposure for fixed income securities, the Bank takes into account the cash flow weighted term or modified duration of the securities comprising the portfolio, the yield to maturity, and mark-to-market value of the component securities position in the trading book. As the VaR methodology requires a minimum historical period of reckoning with market movements from a transparent discovery platform, the Bank uses yield and price data from the PDEx and Bloomberg in the calculation of the volatility of rates of return and security prices, consistent with BSP valuation guidelines.

In assessing market risk, the Bank scales the calculated VaR based on assumed defeasance or holding periods that range from one day and ten days consistent with best practices and BSP standards.

As a prudent market risk control and compliance practice, the BOD has approved a market risk limit system which includes: (i) VaR limit on a per instrument and portfolio; (ii) loss limit on per investment portfolio, (iii) off-market rate limits on per instrument type; and, (iv) holding period for investment securities.

In recognition of the limitations of VaR related to the assumptions on which the model is based, the Bank supplements the VaR with a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

The table below shows the VaR position and ranges of the Bank's financial assets at FVTPL and AFS securities portfolios as at December 31.

	2015	2014
VaR Position:		
Financial assets at FVTPL	**P 1,440**	P 6,214
AFS securities	**1,451**	186,915
VaR Ranges:		
Minimum	**P 6,214**	P 5,091
Maximum	**11,200**	152,602
Average	**1,787**	23,681

Stress test on the December 31, 2015 and 2014 portfolio shows the potential impact on profit and capital funds of parallel increase in interest rates of financial assets at FVTPL and AFS securities as follows:

2015				
	Current	**Sensitivities**		
Currency	**Market Value**	**+100 bps**	**+300 bps**	**+500 bps**
Philippine peso	P 178,702,857	(P 13,233,739)	(P 39,701,216)	(P 66,168,694)
US dollar	2,990,980,345	(333,852,546)	(1,001,557,637)	(1,669,262,728)
Total	**P3,169,683,202**	**(P347,086,285)**	**P1,041,258,853**	**(P 1,735,431,422)**

Currency	Current Market Value	Sensitivities +100 bps	+300 bps	+500 bps
	2014			
Philippine peso	P 309,794,253	(P 24,635,885)	(P 73,907,654)	(P 123,179,423)
US dollar	1,577,834,272	(166,590,526)	(499,771,577)	(832,952,629)
Total	P 1,887,628,525	(P 191,226,411)	(P 573,679,231)	(P 956,132,052)

(d) Liquidity Risk

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder. A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank's statement of financial position distributed into tenor buckets across the term structure on the basis of the term to final maturity or cash flow dates. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the ROC prior to the confirmation by the BOD.

The analysis of the cash flow gap analysis of resources, liabilities, capital funds and off-statement financial position items as of December 31, 2015 and 2014 is presented below (amounts in thousands).

	Less than One Month	**One to Three Months**	**Three Months to One Year**	**More than One Year**	**Total**
2015					
Resources:					
Cash and other cash items	P 1,279,302	P -	P -	P -	P 1,279,302
Due from BSP	7,672,638	-	-	-	7,672,638
Due from other banks	2,825,982	-	-	-	2,825,982
Trading and investment securities	135,372	20,113	4,821	8,958,902	9,119,208
Loans and other receivables	8,007,087	10,555,930	10,790,464	12,384,349	41,737,830
Other resources	452,757	-	133,815	2,360,630	2,947,202
Total Resources *(balance carried forward)*	P 20,373,138	P 10,576,043	P 10,929,100	P 23,703,881	P 65,582,162

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
2015					
Total Resources *(balance brought forward)*	P 20,373,138	P 10,576,043	P 10,929,100	P 23,703,881	P 65,582,162
Liabilities and Equity:					
Deposit liabilities	8,727,282	13,153,235	11,609,010	21,526,693	55,016,220
Bills payable	-	-	956	-	956
Accrued expenses and other liabilities	2,285,952	22,737	51,570	(264,826)	2,095,433
Total Liabilities	11,013,234	13,175,972	11,661,536	21,261,867	57,112,609
Capital Funds	-	-	-	8,469,553	8,469,553
Total Liabilities and Capital Funds	11,020,467	13,175,972	11,661,536	29,724,187	65,582,162
On-book Gap	9,352,671	(2,599,929)	(732,436)	(6,020,306)	-
Cumulative On-book Gap	9,352,671	6,752,742	6,020,306	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	29,665	587,008	682,635	37,501	1,336,809
Off-book Gap	(29,665)	(587,008)	(682,635)	(37,501)	(1,336,809)
Net Periodic Gap	9,323,006	(3,186,937)	(1,415,071)	(6,057,807)	(1,336,809)
Cumulative Total Gap	**P 9,323,006**	**P 6,136,069**	**P 4,720,998**	**(P 1,336,809)**	**P -**
2014					
Resources:					
Cash and other cash items	P 1,174,011	P -	P -	P -	P 1,174,011
Due from BSP	4,554,442	-	-	-	4,554,442
Due from other banks	2,031,581	-	-	-	2,031,581
Trading and investment securities	-	-	171,892	7,678,707	7,850,599
Loans and other receivables	-	18,259,698	11,241,422	10,609,136	40,110,256
Other resources	-	598,870	172,520	1,362,236	2,133,626
Total Resources	P 7,760,034	P 18,858,568	P 11,585,834	P 19,650,079	P 57,854,515
Liabilities and Equity:					
Deposit liabilities	2,265,575	20,325,396	3,454,604	20,573,833	46,619,408
Bills payable	-	299,604	4,327	5,591	309,522
Accrued expenses and other liabilities	110,287	2,324,280	436,649	29,706	2,903,219
Total Liabilities	2,375,862	22,949,280	3,897,877	20,609,130	49,832,149
Capital Funds	-	-	-	8,022,366	8,022,366
Total Liabilities and Capital Funds *(balance carried forward)*	2,375,862	22,949,280	3,897,877	28,631,496	57,854,515

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
Total Liabilities and Capital Funds *(balance brought forward)*	P 2,375,862	P 22,949,280	P 3,897,877	P 28,631,496	P 57,854,515
On-book Gap	5,384,172	(4,090,712)	7,687,957	(8,981,417)	-
Cumulative On-book Gap	5,384,172	1,293,460	8,981,417	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	76,467	396,998	171,886	47,064	692,415
Off-book Gap	(76,467)	(396,998)	(171,886)	47,064	692,415
Net Periodic Gap	5,307,705	(4,487,710)	7,516,071	(9,028,481)	(692,415)
Cumulative Total Gap	P 5,307,705	P 819,995	P 8,336,066	(P 692,415)	P -

The negative liquidity gap in the MCO is due to the timing difference in the contractual maturities of assets and liabilities. The MCO measures the maximum funding requirement the Bank may need to support its maturing obligations. To ensure that the Bank maintains a prudent and manageable level of cumulative negative gap, the Bank maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the Bank's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance to MCO Limits is monitored and reported to the BOD and senior management. In case of breach in the MCO Limit, the Risk Management Center elevates the concern to the BOD through the ROC for corrective action.

Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis.

More frequent analysis of projected funding source and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The ROC of the Bank assists management in meeting its responsibility to understand and manage operational risk exposures.

The ROC applies a number of techniques to efficiently manage operational risks. Among these are:

- Each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ROC to keep them up-to-date with different operational risk issues, challenges and initiatives.

- With ROC's bottom up self-assessment process, which is conducted at least annually, areas with high risk potential are highlighted and reported, and control measures are identified. The results of said self-assessment exercise also serve as one of the inputs in identifying specific key risk indicators (KRIs).

- KRIs are used to monitor the operational risk profile of the Bank and of each business unit, and alert the management of impending problems in a timely fashion.

- Internal loss information is collected, reported and utilized to model operational risk.

- The ROC reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

(a) *Reputational Risk*

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Bank to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels or processes may generate adverse public opinion such that it seriously affects the Bank's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Bank adopted a reputation risk monitoring and reporting framework to manage public perception.

(b) *Legal Risk and Regulatory Risk Management*

Changes in laws and regulations and fiscal policies could adversely affect the Bank's operations and financial reporting. In addition, the Bank faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Bank uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions. In addition, the Bank seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguard the integrity of the Bank by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Audit Committee and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 million within one banking day. The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168.

In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, Group Head approval is necessary.

The Bank's procedures for compliance with the AMLA are set out in its MLPP. The Bank's Compliance Officer, through the Anti-Money Laundering Department (AMLD), monitors AMLA compliance and conducts regular compliance testing of business units.

The AMLD requires all banking units to submit to the Compliance Office certificates of compliance with the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Compliance Officer regularly reports to the Audit Committee and to the BOD results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT AND REGULATORY CAPITAL

The Bank's lead regulator, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets. PBB, being a stand-alone thrift bank, is required under BSP regulations to comply with Basel 1.5. Under this regulation, the qualifying capital account of PBB should not be less than an amount equal to 10% of its risk weighted assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio consists of Tier 1 capital plus Tier 2 capital elements net of the required deductions from capital such as:

(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
(c) deferred tax asset net of deferred tax liability;
(d) goodwill;
(e) sinking fund for redemption of redeemable preferred shares; and,
(f) other regulatory deductions.

Risk weighted assets is the sum of the Bank's credit risk weighted assets, operational risk weighted assets, and market risk weighted assets. The latter was due to the Bank's authority to engage in derivatives as end-user under a Type 3 Limited End-User Authority. Risk weighted assets are computed using the standardized approach for credit and market risks while basic indicator approach with modification was used for operational risks.

The following are the risk-based capital adequacy of the Bank as of December 31, 2015 and 2014 (amounts in millions):

	2015	2014	2013
Tier 1 Capital	**P 8,709**	P 8,275	P 8,099
Tier 2 Capital	**376**	407	284
Total Regulatory Capital	**9,085**	8,682	8,383
Deductions	**-**	-	(258)
Total Qualifying Capital	**P 9,085**	P 8,682	P 8,125
Tier 1 Capital	**P 8,709**	P 8,275	P 8,099
Tier 1 Capital Deductions	**-**	-	(258)
Net Tier 1 Capital	**P 8,709**	P 8,275	P 7,841
Risk Weighted Assets			
Credit Risk Weighted Assets	**P 43,382**	P 38,348	P 31,252
Operational Risk Weighted Assets	**3,580**	3,233	2,155
Market Risk Weighted Assets	**4,378**	139	829
Total Risk-Weighted Assets	**P 51,340**	P 41,720	P 34,236

	2015	2014	2013
Capital ratios:			
Total qualifying capital expressed as percentage of total risk-weighted assets	**17.7%**	20.8%	26.0%
Net Tier 1 capital expressed as percentage of total risk-weighted assets	**17.0%**	19.8%	22.9%

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

The Bank's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

A Bank's regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital equivalent to 50% of the following:

(a) Investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;

(b) Investments in debt capital instruments of unconsolidated subsidiary banks;

(c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;

(d) Reciprocal investments in equity of other banks/enterprises; and,

(e) Reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

Provided, that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

As of December 31, 2015 and 2014, the Bank has no exposure in item (a) to item (e) above. There were no material changes in the Bank's management of capital during the current year.

As of December 31, 2015 and 2014, the Bank has satisfactorily complied with the capital-to-risk assets ratio.

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regular net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects (mainly in the recognition of deferred tax assets). Thrift banks with head office within Metro Manila are required to comply with the minimum capital requirement of P1.0 billion. The Bank has complied with the minimum capital requirement at the end of each reporting period.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying values and fair values of those financial assets and financial liabilities in the statements of financial position:

	Notes	Carrying Values	Fair Value
December 31, 2015:			
Financial Assets			
Loans and Receivables:			
Cash and other cash items	9	**P 1,279,302,155**	**P 1,279,302,155**
Due from BSP	9	**7,672,637,783**	**7,672,637,783**
Due from other banks	10	**2,825,982,401**	**2,825,982,401**
Loans and other receivables	14	**41,737,830,222**	**41,737,830,222**
Other resources	17	**92,151,704**	**92,151,704**
Financial assets at FVTPL	11	**75,942,639**	**75,942,639**
AFS securities	12	**3,094,538,311**	**3,094,538,311**
HTM investments	13	**5,948,727,495**	**5,918,817,190**
Financial Liabilities			
At amortized cost:			
Deposit liabilities	18	**P 55,016,219,510**	**P 55,016,219,510**
Bills payable	19	**956,250**	**956,250**
Accrued expenses and other liabilities	20	**1,936,797,170**	**1,936,797,170**
At fair value –			
Derivative liabilities	20	**1,886,043**	**1,886,043**
December 31, 2014:			
Financial Assets			
Loans and Receivables:			
Cash and other cash items	9	P 1,174,011,464	P 1,174,011,464
Due from BSP	9	4,554,441,827	4,554,441,827
Due from other banks	10	2,031,581,088	2,031,581,088
Loans and other receivables	14	40,110,256,377	40,110,256,377
Other resources	17	82,353,952	82,353,952
Financial assets at FVTPL	11	171,891,804	171,891,804
AFS securities	12	1,715,736,721	1,715,736,721
HTM investments	13	5,962,970,252	6,119,200,174

	Notes	Carrying Values	Fair Value
Financial Liabilities			
At amortized cost:			
Deposit liabilities	18	P 46,619,407,626	P 46,619,407,626
Bills payable	19	309,521,852	309,521,852
Accrued expenses and other liabilities	20	2,698,519,743	2,698,519,743
At fair value –			
Derivative liabilities	20	228,814	228,814

6.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets of the Bank with net amounts presented in the statements of financial position as of December 31, 2015 and 2014 are subject to offsetting, enforceable master netting arrangements and similar agreements (amounts in millions):

	Financial assets	**Financial liabilities available for set-off**	**Collateral received**	**Net Amount**
December 31, 2015				
Loans and receivables				
Receivables from customers	2,693	1	2,691	1
	P 2,693	**P 1**	**P 2,691**	**P 1**
December 31, 2014				
HTM investments	P 411	P 300	P -	P 111
Loans and receivables				
Receivables from customers	2,311	9	2,301	1
	P 2,722	P 309	P 2,301	P 112

The following financial liabilities with net amounts presented in the statements of financial position of the Bank are subject to offsetting, enforceable master netting arrangements and similar agreements (amounts in millions):

	Financial liabilities	**Financial assets available for set-off**	**Collateral given**	**Net Amount**
December 31, 2015				
Deposit liabilities	P 2,691	P 2,691	P -	P -
Bills payable	1	-	1	-
	P 2,692	**P 2,691**	**P 1**	**P -**

	Financial liabilities	Financial assets available for set-off	Collateral given	Net Amount
December 31, 2014				
Deposit liabilities	P 2,301	P 2,301	P -	P -
Bills payable	309	-	309	-
	P 2,610	P 2,301	P 309	P -

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Bank and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

7.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Bank's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2015 and 2014 (amounts in millions).

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Financial assets at FVTPL				
Government bonds	**P -**	**P 76**	**P -**	**P 76**
AFS securities				
Government debt securities	**1,853**	**78**	**-**	**1,931**
Other debt securities	**1,162**	**-**	**-**	**1,162**
	3,015	**78**	**-**	**3,093**
	P 3,015	**P 154**	**P -**	**P 3,169**
December 31, 2014				
Financial assets at FVTPL				
Government bonds	P -	P 172	P -	P 172
AFS securities				
Government debt securities	880	93	-	973
Other debt securities	741	-	-	741
	1,621	93	-	1,715
	P 1,624	P 265	P -	P 1,886

The Bank has golf club shares amounting to P1.7 million as of December 31, 2015 and 2014 and are presented as part of AFS Securities in the statements of financial position. This is stated at cost as the carrying amounts of these financial instruments approximate their fair values.

As of December 31, 2015 and 2014, the Bank has derivative liabilities classified under Accrued Expenses and Other Liabilities in the statements of financial position amounting to P1.9 million and P0.2 million, respectively (see Note 20). Derivative liabilities are categorized within Level 3, and are determined through valuation techniques using the net present value computation.

The fair value of the debt securities of the Bank determined as follows:

(a) For peso-denominated government debt securities issued by the Philippine government, fair value is determined to be the reference price per PDEx which is computed based on the weighted average of done or executed deals (Level 1), or the simple average of all firm bids per benchmark tenor or interpolated yields (Level 2). This is consistent with BSP Circular No. 813, issued by the BSP pursuant to Monetary Board Resolution No. 1504 dated September 13, 2013.

(b) For other quoted debt securities under Level 1, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (amount in millions).

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Financial Assets:				
Cash and other cash items	P 1,279	P -	P -	P 1,279
Due from BSP	7,673	-	-	7,673
Due from other banks	2,826	-	-	2,826
HTM investments	529	5,390	-	5,919
Loans and other receivable	-	-	41,738	41,738
Other resources	-	-	92	92
	P 12,307	**P 5,390**	**P 41,830**	**P 59,527**
Financial Liabilities:				
Deposit liabilities	P -	P -	P 55,016	P 55,016
Bills payable	-	-	1	1
Accrued expenses and other liabilities	-	-	1,937	1,937
	P -	**P -**	**P 56,954**	**P 56,954**
December 31, 2014				
Financial Assets:				
Cash and other cash items	P 1,174	P -	P -	P 1,174
Due from BSP	4,554	-	-	4,554
Due from other banks	2,032	-	-	2,032
HTM investments	2,448	3,671	-	6,119
Loans and other receivable	-	-	40,110	40,110
Other resources	-	-	82	82
	P 10,208	P 3,671	P 40,192	P 54,071

	Level 1	Level 2	Level 3	Total
Financial Liabilities:				
Deposit liabilities	P -	P -	P 46,619	P 46,619
Bills payable	-	-	310	310
Accrued expenses and other liabilities	-	-	2,699	2,699
	P -	P -	P 49,628	P 49,628

For financial assets and financial liabilities, other than HTM investments, with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. HTM investments consist of government securities issued by the Philippine government with fair value determined based on prices quoted in PDEx consistent with BSP Circular No. 813 (see Note 7.2).

The fair values of financial assets and financial liabilities not presented at fair value in the statements of financial position are determined as follows:

(a) Due from BSP and Other Banks

Due from BSP pertains to deposits made by the Bank to BSP for clearing and reserve requirements. Due from other banks includes interbank deposits and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximates the nominal value.

(b) Loans and Other Receivables

Loans and other receivables are net of impairment losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Long term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

(c) Other Resources

Other resources are composed of foreign currency notes and coins, security deposits and petty cash fund. Due to their short duration, the carrying amounts of these items in the statements of financial position are considered to be reasonable approximation of their fair values.

(d) Deposits and Bills Payable

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and bills payable without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amounts of deposits and bills payable already approximate their fair values.

(e) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities, except for post-employment benefit obligation and tax liabilities, are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Fair value of these short-term liabilities approximates their carrying values.

7.4 Fair Value Measurement Investment Properties Carried at Cost

The total estimated fair values of the Bank's investment properties, categorized under Level 3 of the fair value hierarchy, amounted to and P803.3 million and P798.9 million as of December 31, 2015 and 2014, respectively.

The fair value of the investment properties of the Bank was determined on the basis of a valuation carried out on the respective dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the Bank with respect to determination of the inputs such as size, age, and condition of the land and buildings and the comparable prices in the corresponding property location. In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in highest and best use. Based on management's assessment, the best use of the investment properties indicated above is their current use.

The fair value of these investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price.

(b) Fair Value Measure for Building and Improvements

The Level 3 fair value of the buildings and improvements under Investment Properties account was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, constructions standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2015 and 2014.

8. SEGMENT REPORTING

The Bank's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Bank in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies the Bank's three service lines as primary operating segments.

(a) *Consumer Banking* – includes auto financing, home financing, and salary or personal loans;

(b) *Corporate Banking* – includes term loans, working capital credit lines, bills purchase and discounting lines; and,

(c) *Treasury Operations* – manages liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities.

These segments are the basis on which the Bank reports its segment information. Transactions between the segments are on normal commercial terms and conditions.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

The contribution of these various business activities to the Bank's revenues and income for the years 2015, 2014 and 2013 follow (amounts in millions):

	Corporate Banking	Consumer Banking	Treasury Operations	Total
December 31, 2015				
Statement of Profit or Loss				
Net interest income	P 1,921	P 173	P 288	P 2,382
Non-interest income	205	-	70	275
Total income (after interest expense)	2,126	173	358	2,657
Operating expenses	(1,387)	(76)	(489)	(1,952)
Pre-tax profit (loss)	739	97	(131)	705
Net profit (loss)	**P 526**	**P 68**	**(P 92)**	**P 502**

	Corporate Banking	Consumer Banking	Treasury Operations	Total
Statement of Financial Position				
Total Resources				
Segment assets	P 40,634	P 3,027	P 21,522	P 65,183
Intangible assets	56	-	-	56
Deferred tax assets	343	-	-	343
	P 41,033	**P 3,027**	**P 21,522**	**P 65,582**
Total Liabilities	**P 38,978**	**P 2,428**	**P 15,707**	**P 57,113**
Other segment information				
Depreciation and amortization	**P 93**	**P 6**	**P 38**	**P 137**
Capital expenditures	**P 32**	**P 2**	**P 13**	**P 47**
December 31, 2014				
Statement of Profit or Loss				
Net interest income	P 1,573	P 144	P 518	P 2,235
Non-interest income	271	-	35	306
Total income (after interest expense)	1,844	144	553	2,541
Operating expenses	(1,304)	(61)	(398)	(1,763)
Pre-tax profit	540	83	155	778
Net profit	P 378	P 55	P 103	P 536
Statement of Financial Position				
Total Resources				
Segment assets	P 39,321	P 2,229	P 15,968	P 57,518
Intangible assets	51	-	-	51
Deferred tax assets	286	-	-	286
	P 39,658	P 2,229	P 15,968	P 57,855
Total Liabilities	P 35,310	P 1,918	P 12,604	P 49,832
Other segment information				
Depreciation and amortization	P 86	P 5	P 32	P 123
Capital expenditures	P 27	P 2	P 10	P 39
December 31, 2013				
Statement of Profit or Loss				
Net interest income	P 1,343	P 126	P 263	P 1,732
Non-interest income	112	-	817	929
Total income (after interest expense)	1,455	126	1,080	2,661
Operating expenses	(1,069)	(46)	(418)	(1,533)
Pre-tax profit	386	80	662	1,128
Net profit	P 344	P 71	P 589	P 1,004

	Corporate Banking	Consumer Banking	Treasury Operations	Total
Statement of Financial Position				
Total Resources				
Segment assets	P 30,861	P 1,765	P 14,231	P 46,857
Intangible assets	51	-	-	51
Deferred tax assets	250	-	-	250
	P 31,162	P 1,765	P 14,231	P 47,158
Total Liabilities	P 26,382	P 1,371	P 12,378	P 40,131
Other segment information				
Depreciation and amortization	P 69	P 4	P 33	P 106
Capital expenditures	P 52	P 3	P 24	P 79

9. CASH AND DUE FROM BSP

This account is composed of the following:

	2015	2014
Cash and other cash items	**P 1,279,302,155**	P 1,174,011,464
Due from BSP		
Mandatory reserves	**3,802,637,783**	3,414,441,827
Other than mandatory reserves	**3,870,000,000**	1,140,000,000
	7,672,637,783	4,554,441,827
	P 8,951,939,938	P 5,728,453,291

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines. Other cash items include cash items (other than currency and coins on hand) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims.

Due from BSP bears annual effective interest rates ranging from 0.0% to 2.5% in 2015 and 2014, and 0.0% to 2.0% in 2013 and except for the amounts within the required reserve as determined by the BSP. The total interest income earned amounted to P58.6 million, P31.2 million and P43.8 million in 2015, 2014 and 2013, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

10. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	2015	2014
Local banks	**P 2,036,612,414**	P 1,493,241,853
Foreign banks	**789,369,987**	538,339,235
	P 2,825,982,401	P 2,031,581,088

Interest rates on these deposits range from 0.25% to 1.75% per annum in 2015 and 2014, and 0.25% to 1.90% per annum in 2013. The total interest income earned amounted to P11.1 million, P6.0 million and P1.7 million in 2015, 2014 and 2013, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

The breakdown of due from other banks by currency follows:

	2015	2014
US dollars	**P 2,372,753,175**	P 463,361,884
Philippine peso	**453,229,226**	1,568,219,204
	P 2,825,982,401	P 2,031,581,088

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account is composed of held-for-trading government securities with fair value amounting to P75.9 million and P171.9 million as of December 31, 2015 and 2014, respectively. Interest rates on these investments range from 4.6% to 6.1% in 2015, 5.9% in 2014, and 5.9% to 6.3% interest rates range in 2013. The total interest income earned amounted to P36.7 million, P44.3 million and P26.6 million in 2015, 2014 and 2013, respectively, and are included as part of Interest Income on Trading and Investment Securities in the statements of profit or loss.

The related net unrealized fair value gains or losses, presented as part of Trading Gains - net in the statements of profit or loss, amounted to P0.2 million loss, P17.1 million gain and P19.4 million loss in 2015, 2014 and 2013, respectively. Realized trading gains, net of losses, amounting to P15.9 million, P2.7 million and P94.2 million in 2015, 2014 and 2013, respectively, for held-for-trading government securities; and P0.3 million and P3.6 million in 2015 and 2014, respectively, and P0.1 million realized loss, net of gain, in 2013 for spot transactions are presented as part of Trading Gains - net in the statements of profit or loss.

12. AVAILABLE-FOR-SALE SECURITIES

This account is composed of the following:

	2015	2014
Corporate bonds	**P 1,931,193,769**	P 972,817,054
Government securities	**1,161,644,542**	741,219,667
Equity securities	**1,700,000**	1,700,000
	P 3,094,538,311	P 1,715,736,721

As to currency, this account consists of the following:

	2015	2014
Foreign currencies	**P 2,990,980,345**	P 1,577,834,272
Philippine pesos	**103,557,966**	137,902,449
	P 3,094,538,311	P 1,715,736,721

Changes in the AFS securities are summarized below.

	Note	2015	2014
Balance at beginning of year		**P 1,715,736,721**	P 7,908,049,843
Additions		**2,274,907,422**	443,590,778
Amortization of discount		**223,929,554**	24,789,027
Disposals		**(913,710,806)**	(1,172,147,778)
Foreign currency revaluation		**(152,837,025)**	10,487,626
Fair value gains (losses)		**(53,487,555)**	124,563,684
Reclassification	13	**-**	(5,623,596,459)
Balance at end of year		**P 3,094,538,311**	P 1,715,736,721

The reconciliation of unrealized fair value losses on AFS securities reported under equity is shown below.

	2015	2014	2013
Balance at beginning of year	**(P 519,742,021)**	(P1,043,281,000)	P 322,575,800
Changes on unrealized fair value gains (losses) during the year:			
Fair value gains (losses) during the year	**(53,101,385)**	124,563,684	(1,042,090,203)
Realized fair value losses (gains) on AFS securities disposed during the year - net	**6,615,377**	393,988,832	(323,587,908)
Fair value loss on AFS securities reclassified to HTM investments in 2014	**-**	511,641,246	-
Amortization of fair value gains on reclassified AFS securities in 2012	**-**	-	(178,689)
Balance carried forward	**(46,486,008)**	1,030,193,762	(1,365,856,800)

	2015	2014	2013
Balance brought forward	**(P 46,486,008)**	P1,030,193,762	(P1,365,856,800)
Changes on unrealized fair value losses on reclassified securities during the year:			
Amortization of fair value losses on reclassified securities in 2014	**(11,070,376)**	4,986,463	-
Fair value losses on AFS securities reclassified to HTM investments in 2014	**-**	(511,641,246)	-
	(11,070,376)	(506,654,783)	-
Balance at end of year	**(P 577,298,405)**	(P 519,742,021)	(P1,043,281,000)

AFS securities earn annual interest ranging from 3.5% to 9.1%, 3.5% to 9.2% and 4.3% to 9.1% in 2015, 2014 and 2013, respectively. The total interest income earned amounted to P96.5 million, P215.0 million and P341.7 million in 2015, 2014 and 2013, respectively, and are included as part of Interest Income on Trading and Investment Securities in the statements of profit or loss. Net fair value gains or losses recycled to profit or loss from equity resulting from the sale of AFS securities amounted to P6.6 million loss, P394.0 million loss and P323.8 million gain in 2015, 2014 and 2013, respectively. These are included as part of Trading Gains – net in the statements of profit or loss. Realized trading gains, net of losses, presented as part of Trading Gains – net in the 2015, 2014 and 2013 statements of profit or loss, amounted to P58.2 million, P16.4 million and P741.9 million, respectively.

The fair values of AFS securities have been determined directly by reference to published prices in an active market.

In compliance with current banking regulations relative to the Bank's trust functions, certain AFS securities of the Bank, with a face value of P70.75 million and P78.75 million as of December 31, 2015 and 2014, respectively, are deposited with the BSP (see Note 28).

13. HELD-TO-MATURITY INVESTMENTS

As of December 31, 2015 and 2014, this account is composed of local and foreign government debt securities which have remaining maturities of beyond one year.

As to currency, this account consists of the following:

	2015	2014
Philippine peso	**P 5,487,613,698**	P 438,029,959
Foreign currencies	**461,113,797**	5,524,940,293
	P 5,948,727,495	P 5,962,970,252

Changes in the HTM investments are summarized below.

	2015	2014
Balance at beginning of year	**P 5,962,970,252**	P 8,656,409
Amortization of discount (premium)	**(14,516,797)**	330,612,497
Foreign currency revaluation	**274,040**	104,887
Reclassification	**-**	5,623,596,459
Balance at end of year	**P 5,948,727,495**	P 5,962,970,252

Effective interest rates on these investments ranges from 5.3% to 8.1% per annum in 2015 and 2014 and 7.0% per annum in 2013. The total interest income earned from these investments amounted to P291.6 million, P172.5 million and P0.3 million in 2015, 2014 and 2013, respectively, and is shown as part of Interest Income on Trading and Investment Securities in the statements of profit or loss.

On May 29, 2014, the Bank reclassified certain government debt securities from AFS securities to HTM investments with a market value of P5,623.6 million at the date of reclassification and with annual effective interest rates of the reclassified securities ranging from 5.3% to 8.1%. The unrealized fair value loss on the reclassified securities amounting to P511.6 million is retained in other comprehensive income and will be amortized over the remaining life of the HTM investments or recognized to profit or loss upon sale, whichever comes earlier. No similar reclassification of AFS to HTM occurred in 2015. The amortization of fair value loss amounted to P11.1 million and P5.0 million in 2015 and 2014, respectively, and is presented as part of Trading Gains – net in the statements of profit or loss. The book value and unamortized fair value losses related to these debt securities as of December 31, 2015 amount to P5,581.6 million and P498.9 million, respectively, and P5,954.6 million and P506.7 million, respectively, as of December 31, 2014 (see Note 12).

HTM securities amounting P300.0 million as of December 31, 2014 (nil as of December 31, 2015) are pledged as collaterals to secure borrowings under repurchase agreement (see Note 19).

14. LOANS AND OTHER RECEIVABLES

	2015	2014
Receivables from customers:		
Loans and discounts	**P 36,954,001,403**	P33,824,150,253
Bills purchased	**1,259,177,626**	1,703,226,381
Customers' liabilities on acceptances, letters of credit and trust receipts	**3,066,453,404**	3,945,258,885
	41,279,632,433	39,472,635,519
Unearned discount	**(96,231,198)**	(104,429,610)
	41,183,401,235	39,368,205,909
Other receivables:		
Unquoted debt securities	**1,216,105,404**	1,242,808,397
Accrued interest receivable	**178,793,670**	153,712,571
Sales contracts receivable	**91,856,163**	118,337,176
Accounts receivable	**87,727,360**	76,537,289
Deficiency claims receivable	**56,571,522**	56,874,809
	1,631,054,119	1,648,270,242
	42,814,455,354	41,016,476,151
Allowance for impairment	**(1,076,625,132)**	(906,219,774)
	P 41,737,830,222	P40,110,256,377

On various dates in 2002, the Bank purchased P259.0 million face value of the 10-year Poverty Eradication and Alleviation Certificates (PEACe) bonds, in the belief that these were tax-exempt. Said bonds were issued by the Bureau of Treasury (BTr) in 2001 which matured on October 18, 2011. As of December 31, 2015 and 2014, the Accounts receivable includes P36.7 million set up by the Bank for the final tax withheld by the BTr upon maturity of the bonds subject to the resolution of a case filed with the Supreme Court on the matter. On January 13, 2015, the Supreme Court nullified the 2011 Bureau of Internal Revenue (BIR) Rulings classifying all bonds as deposit substitutes and ordered the Bureau of Treasury to return to the petitioning banks the 20% final withholding taxes it withheld on the PEACe Bonds on October 18, 2011; hence, management believes that recoverability of the final tax on PEACe bonds continues to be probable.

As of December 31, 2015 and 2014, non-performing loans of the Bank amount to P1,191.6 million and P601.5 million, respectively, while restructured loans amount to P80.96 million and P120.6 million, respectively.

A summary of the Bank's maximum exposure to credit risk on loans and other receivables is disclosed in Note 4.3.

The maturity profile of the Bank's loans and discounts follows (amounts in thousands):

	2015	2014
Within one year	**P 29,422,912**	P 29,174,034
Beyond one year	**11,856,720**	10,298,602
	P 41,279,632	P 39,472,636

The Bank's concentration of credit as to industry for its loans and discounts portfolio follows (amounts in thousands):

	2015	2014
Wholesale and retail trade	**P 17,390,757**	P 14,426,930
Construction	**8,744,390**	7,206,797
Manufacturing	**5,011,775**	6,108,277
Administrative and support services	**4,984,934**	7,712,045
Transportation and storage	**3,218,626**	1,067,807
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	**681,598**	2,051,399
Electricity, gas, steam and air-conditioning supply	**675,625**	463,065
Agriculture, fishery and forestry	**461,296**	336,316
Mining and quarrying	**110,631**	100,000
	P 41,279,632	P 39,472,636

As to security, loans and discounts are classified into the following (amounts in thousands):

	2015	2014
Secured:		
Real estate mortgage	**P 14,247,890**	P 12,329,560
Deposit hold-out	**2,693,318**	2,300,522
Chattel mortgage	**2,335,847**	1,933,400
Others	**1,259,177**	622,833
Unsecured	**20,743,400**	22,286,321
	P 41,279,632	P 39,472,636

The changes in the allowance for impairment losses on loans and other receivables are summarized below.

	2015	2014
Balance at beginning of year	**P 906,219,774**	P 716,332,647
Impairment losses for the year	**170,405,358**	189,887,127
Balance at end of year	**P 1,076,625,132**	P 906,219,774

Of the total loans and discounts of the Bank as of December 31, 2015 and 2014, 99.8% and 98.4%, respectively, are subject to periodic interest repricing.

Annual effective interest rates of loans and discounts range from 1.65% to 26.0% in 2015, 1.3% to 22.0% in 2014 and 2.0% to 22.0% in 2013, while the annual effective interest rates of interest-bearing other receivables range from 4.0% to 16% in 2015, and 4.0% to 2014 and 2013. The total interest income earned from loans and discounts amounted to P2,457.3 million, P2,165.4 million and P1,625.0 million in 2015, 2014 and 2013, respectively, while total interest income earned from interest-bearing other receivables amounted to P186.9 million, P200.9 million and P189.9 million in 2015, 2014 and 2013, respectively. These are presented as Interest Income on Loans and Other Receivables in the statements of profit or loss.

Loans receivables amounting to P1.0 million and P20.0 million as of December 31, 2015 and 2014, respectively, are pledged as collaterals to secure borrowings under rediscounting privileges (see Note 19).

15. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2015 and 2014 are shown below.

	Land	Building	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improve-ments	Total
December 31, 2015						
Cost	P 84,327,556	P 109,343,864	P 370,921,928	P 130,418,587	P 486,983,266	P 1,181,995,201
Accumulated depreciation and amortization	-	(36,053,768)	(218,191,093)	(71,265,077)	(293,850,541)	(619,360,479)
Net carrying amount	**P 84,327,556**	**P 73,290,096**	**P 152,730,835**	**P 59,153,510**	**P 193,132,725**	**P 562,634,722**
December 31, 2014						
Cost	P 84,327,556	P 110,257,855	P 299,261,604	P 120,355,469	P 409,639,438	P 1,023,841,922
Accumulated depreciation and amortization	-	(32,760,656)	(179,720,221)	(59,527,339)	(236,067,230)	(508,075,446)
Net carrying amount	P 84,327,556	P 77,497,199	P 119,541,383	P 60,828,130	P 173,572,208	P 515,766,476
January 1, 2014						
Cost	P 77,747,556	P 100,487,964	P 257,715,168	P 108,189,288	P 259,172,230	P 803,312,206
Accumulated depreciation and amortization	-	(29,654,000)	(146,850,837)	(48,865,508)	(101,104,229)	(326,474,574)
Net carrying amount	P 77,747,556	P 70,833,964	P 110,864,331	P 59,323,780	P 158,068,001	P 476,837,632

A reconciliation of the carrying amounts at the beginning and end of 2015 and 2014 is shown below.

	Land	Building	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improve-ments	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 84,327,556	P 77,497,199	P 119,541,383	P 60,828,130	P 173,572,208	P 515,766,476
Additions	-	492,456	78,517,090	22,797,614	76,248,211	178,055,371
Disposals	-	(1,118,916)	(3,499,043)	(1,619,003)	-	(6,236,962)
Reclassification	-	(195,000)	-	-	195,000	-
Depreciation and amortization charges for the year	-	(3,385,643)	(41,828,595)	(22,853,231)	(56,882,694)	(124,950,163)
Balance at December 31, 2015, net of accumulated depreciation and amortization	**P 84,327,556**	**P 73,290,096**	**P 152,730,835**	**P 59,153,510**	**P 193,132,725**	**P562,634,722**
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 77,747,556	P 70,833,964	P 110,864,331	P 59,323,780	P 158,068,001	P 476,837,632
Additions	6,580,000	9,759,600	44,072,714	23,807,897	65,152,889	149,373,100
Disposals	-	-	-	(268,663)	-	(268,663)
Depreciation and amortization charges for the year	-	(3,096,365)	(35,395,662)	(22,034,884)	(49,648,682)	(110,175,593)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 84,327,556	P 77,497,199	P 119,541,383	P 60,828,130	P 173,572,208	P 515,766,476

The BSP requires that investment in bank premises, furniture, fixtures and equipment do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2015 and 2014, the Bank has satisfactorily complied with this requirement.

As of December 31, 2015 and 2014, the Bank's fully depreciated bank premises, furniture, fixtures and equipment still in use in operations amounted to P130.9 million and P183.6 million, respectively.

16. INVESTMENT PROPERTIES

Investment properties consist of various parcels of land and buildings and improvements acquired through foreclosure or dacion as payment of outstanding loans by the borrowers.

The gross carrying amounts and accumulated depreciation and allowance for impairment of investment properties at the beginning and end of 2015 and 2014 are shown below.

	Land	Buildings and Improvements	Total
December 31, 2015			
Cost	P 620,444,728	P 138,104,033	P 758,548,761
Accumulated depreciation	-	(54,033,282)	(54,033,282)
Allowance for impairment	(26,551,861)	(2,192,994)	(28,744,855)
Net carrying amount	**P 593,892,867**	**P 81,877,757**	**P 675,770,624**
December 31, 2014			
Cost	P 651,957,954	P 127,493,252	P 779,451,206
Accumulated depreciation	-	(44,970,629)	(44,970,629)
Allowance for impairment	(26,551,861)	(2,192,994)	(28,744,855)
Net carrying amount	P 625,406,093	P 80,329,629	P 705,735,722
January 1, 2014			
Cost	P 376,208,090	P 145,300,691	P 521,508,781
Accumulated depreciation	-	(47,103,372)	(47,103,372)
Allowance for impairment	(26,551,861)	(2,192,994)	(28,744,855)
Net carrying amount	P 349,656,229	P 96,004,325	P 445,660,554

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2015 and 2014 is shown below.

	Land	Buildings and Improvements	Total
Balance at January 1, 2015, net of accumulated depreciation and impairment	P 625,406,093	P 80,329,629	P 705,735,722
Additions	7,737,410	18,825,563	26,562,973
Disposals	(38,930,343)	(5,052,602)	(43,982,945)
Reclassification	(320,293)	320,293	-
Depreciation for the year	-	(12,545,126)	(12,545,126)
Balance at December 31, 2015, net of accumulated depreciation and impairment	**P 593,892,867**	**P 81,877,757**	**P 675,770,624**

	Land	Buildings and Improvements	Total
Balance at January 1, 2014, net of accumulated depreciation and impairment	P 349,656,229	P 96,004,325	P 445,660,554
Additions	356,685,050	15,176,503	371,861,553
Disposals	(80,935,186)	(10,100,171)	(91,035,357)
Reclassification		(8,304,606)	(8,304,606)
Depreciation for the year	-	(12,446,422)	(12,446,422)
Balance at December 31, 2014, net of accumulated depreciation and impairment	P 625,406,093	P 80,329,629	P 705,735,722

Additions to investment properties include loss on foreclosure amounting to P2.5 million in 2015 and gain on foreclosure amounting to P87.7 million and P6.2 million for the years ended December 31, 2014 and 2013, respectively. These are presented as part of Gain on foreclosure – net under Miscellaneous Income in the statements of profit or loss (see Note 22.1).

In 2015, 2014 and 2013, gains on sale of investment properties amounted to P15.0 million, P27.8 million and P17.2 million, respectively, and are presented as part of Gain on sale of properties under Miscellaneous Income in the statements of profit or loss (see Note 22.1).

In 2013, impairment losses amounting to P10.0 million (presented as part of Impairment losses in the 2013 statement of profit and loss) was recognized by the Bank to write-down its certain parcels of land and buildings to recoverable amount. The recoverable amount of these assets as of December 31, 2013 was based on value-in-use computed using discounted cash flows method at an effective rate of 2.9%. No impairment losses were recognized by the Bank in its investment properties in 2015 and 2014.

17. OTHER RESOURCES

This account consists of the following as of December 31:

	Notes	2015	2014
Other investments/deposits	17.2	**P 602,077,114**	P 15,000,000
Deferred tax assets - net	25	**343,049,563**	286,392,760
Branch licenses	17.1	**248,575,050**	248,680,000
Due from head office or branches		**95,550,242**	23,223,993
Sundry debits		**91,598,123**	84,878,908
Foreign currency notes and coins on hand		**63,871,020**	58,364,936
Computer software - net		**56,151,749**	50,989,684
Prepaid expenses		**53,540,346**	12,932,236
Goodwill	17.3	**49,878,393**	49,878,393
Security deposits		**28,018,409**	23,715,216
Deferred charges	17.4	**13,383,687**	13,383,687
Stationery and supplies		**12,837,539**	13,609,965
Miscellaneous	17.4	**65,302,793**	44,467,130
		1,723,834,028	925,516,908
Allowance for impairment		**(15,038,424)**	(13,393,424)
		P 1,708,795,604	P 912,123,484

The movement in the allowance for impairment for other resources is shown below.

	2015	2014
Balance at beginning of year	P 13,393,424	P 13,393,424
Impairment loss for the year	1,645,000	-
Balance at end of year	P 15,038,424	P 13,393,424

17.1 Branch Licenses

On February 27, 2014, the Bank received an approval from the BSP regarding its application for new licenses. This is in line with the Bank's branch expansion program for which it has allocated P200.0 million of its IPO proceeds to cover the cost of new licenses in the following areas plus processing fees which amounted to a total of P2.2 million: CAMANAVA, Vis-Min Area, Central Luzon and Southern Luzon.

In November 2011, the Monetary Board of BSP approved the request of the Bank to establish 15 branches in selected restricted cities in Metro Manila for a total consideration of P226.5 million which was paid by the Bank to the BSP in January 2012.

In December 2011, the Bank acquired four licenses from Prime Savings Bank, Inc. for a total consideration of P20.0 million.

In 2015, the Bank provided allowance for impairment to certain branch licenses amounting to P1.7 million (nil in 2014).

17.2 Other Investments/Deposits

In July 2015, the Bank's BOD approved the acquisition of all outstanding shares of Insular Savers Bank, Inc. (ISBI) with an agreed purchase price of P518.2 million. The Bank directly paid P101.2 million to the shareholders of ISBI, while the remaining P417.0 million was deposited with the escrow agent. As of December 31, 2015, a total of P105.1 million has been released from the escrow fund as payment to the ISBI shares. Moreover, in July 2015, the Bank entered into a Sale and Purchase Agreement with Bataan Savings and Loan Bank, Inc. (BLSB), whereby the Bank shall acquire all properties, assets and goodwill of BLSB and assume the payment of all its obligation. The agreed purchase price amounted to P68.8 million and has been fully paid by the Bank as of December 31, 2015. The acquisition of the shares of ISBI and the Sale and Purchase Agreements with BLSB are subject to the approval by the BSP. Pending such approval, the total payments made by the Bank totaling P587.0 million as of December 31, 2015 for these transactions are initially presented as part of Other investments/deposits under Other Resources.

In September 2014, the Bank's BOD approved the acquisition of all properties, assets and goodwill of Rural Bank of Kawit, Inc. (RBK) and assumption of all its obligation with an initial purchase price of P15.0 million. As of December 31, 2015, the approval of the BSP has not yet been obtained (see Note 26); hence, the purchase price is temporarily booked as part of Other investments/deposits under Other Resources.

17.3 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets of Kabalikat Rural Bank, Inc. (KRBI) at the date of merger in 2010, wherein net liabilities assumed amounted to P33.9 million, while total consideration amounted to P49.9 million.

17.4 Others

Deferred charges amounting to P13.4 million as of December 31, 2014 and 2013 pertain to prepaid final taxes from prior years that are fully provided with allowance since the Bank has assessed that these prepaid taxes are no longer recoverable.

Other properties held for sale (included under Miscellaneous) with a cost of P7.1 million and P7.6 million as of December 31, 2015 and 2014, respectively, are presented net of accumulated depreciation of P2.3 million and P2.7 million as of December 31, 2015 and 2014, respectively. Additions to other properties held for sale in 2015 and 2014, as a result of foreclosure, amounted to P0.5 million and P1.0 million, respectively (nil in 2013). In 2015 and 2014, certain properties were sold with book value of P0.5 million and P1.5 million, respectively (nil in 2013). Gain or loss on sale from the disposal is presented as part of Gain on sale of properties – net under Miscellaneous Income account in the statements of profit or loss (see Note 22.1).

18. DEPOSIT LIABILITIES

The maturity profile of the Bank's deposit liabilities follows:

	2015	2014
Within one year	**P 54,225,906,880**	P 45,948,551,504
Beyond one year	**790,312,630**	670,856,122
	P 55,016,219,510	P 46,619,407,626

The classification of the Bank's deposit liabilities as to currency follows:

	2015	2014
Philippine peso	**P 48,557,474,402**	P 42,401,789,144
Foreign currencies	**6,458,745,108**	4,217,618,482
	P 55,016,219,510	P 46,619,407,626

Annual interest rates on deposit liabilities range from 0.25% to 2.81% in 2015, 0.25% to 2.60% in 2014 and 0.25% to 2.50% in 2013.

As mentioned in Note 24, the Bank has deposit liabilities from DOSRI as of December 31, 2015 and 2014.

Under existing BSP regulations, non-FCDU deposit liabilities are subject to required reserves for deposits of 8.00%. The Bank is in compliance with these regulations.

On April 6, 2012, the BSP issued an amendment to the existing provisions as to the eligibility of cash and deposit accounts with BSP as forms of reserve requirements. As indicated in the recent amendment, cash and other cash items are no longer considered as eligible reserves. Available reserves as of December 31, 2015 and 2014 amount to P3,802.6 million and P3,414.4 million, respectively (see Note 9).

19. BILLS PAYABLE

This account consists of the following (including the related accrued interest):

	2015	2014
Repurchase agreement	**P -**	P 300,384,028
Other banks	**956,250**	9,137,824
	P 956,250	P 309,521,852

The maturity profile of bills payable follows:

	2015	2014
Within one year	**P 956,250**	P 304,740,602
Beyond one year	**-**	4,781,250
	P 956,250	P 309,521,852

Bills payable are denominated in Philippine pesos with annual interest rates ranging from 4.0% to 5.35%, 2.25% to 5.35% and 3.50% to 5.35% in 2015, 2014 and 2013, respectively. The total interest expense incurred amounted to P3.3 million, P2.2 million and P8.6 million in 2015, 2014 and 2013, respectively, and these are presented as Interest Expense on Bills Payable in the statements of profit or loss. Bills payable are collateralized by certain loans from customers and HTM securities (see Notes 13 and 14).

20. ACCRUED EXPENSES AND OTHER LIABILITIES

The breakdown of this account follows:

	Notes	2015	2014
Bills purchased		**P 1,248,610,581**	P 1,692,670,131
Accounts payable		**334,167,460**	289,042,507
Accrued expenses	31.1(a)	**142,337,555**	115,201,233
Manager's checks		**113,701,850**	137,371,321
Income tax payable		**66,868,068**	92,902,903
Outstanding acceptances		**41,982,694**	468,961,122
Withholding taxes payable		**32,617,776**	31,136,457
Post-employment benefit obligation	23.2	**23,388,433**	39,810,239
Derivative liabilities	7.2	**1,886,043**	228,814
Others		**89,872,899**	35,894,518
		P 2,095,433,359	P 2,903,219,245

Bills purchased pertain to availments of the bills purchase line which are settled on the third day from the transaction date.

Outstanding acceptances pertain to the liabilities recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

Accounts payable include amounts which the Bank owes to its suppliers and advance payments received from its customers.

Accrued expenses include accruals on employee benefits, utilities, janitorial and security services fees and others.

21. EQUITY

21.1 Capital Stock

Capital stock as of December 31 consists of:

	Number of Shares		Amount	
	2015	2014	**2015**	2014
Preferred shares – P10 par value				
Authorized – 130,000,000 shares				
Issued, fully paid and outstanding	**62,000,000**	62,000,000	**P 620,000,000**	P 620,000,000
Common shares – P10 par value				
Authorized – 870,000,000 shares in 2013				
Issued, fully paid and outstanding				
Balance at beginning of year	**429,166,750**	343,333,400	**P 4,291,667,500**	P3,433,334,000
Stock dividends	**107,291,687**	85,833,350	**1,072,916,870**	858,333,500
	536,458,437	429,166,750	**P 5,364,584,370**	P4,291,667,500

The Bank's preferred shares are nonvoting, nonconvertible, and are redeemable at the option of the Bank. These shares are entitled to non-cumulative dividend of 8.0% per annum.

On February 18, 2013, the Bank offered its 101,333,400 unissued common shares by way of IPO at P31.50 per share resulting in the recognition of additional paid-in capital of P1,998.4 million, net of transactions costs (see Notes 1 and 21.4).

As of December 31, 2015, the Bank has 64 holders of its equity securities listed in the PSE and its share price closed at P16.98. The Bank has 536,458,438 million common shares traded in the PSE as of December 31, 2015.

21.2 Dividends

On August 19, 2015, the BOD approved the declaration stock dividends totaling 107.3 million common shares amounting to P1.1 billion for all issued and outstanding common shares to stockholders on record for the year ended December 31, 2014. The dividend distribution was approved by the stockholders representing at least two-thirds of the issued and outstanding capital stock and the BSP on May 29, 2015 and August 4, 2015, respectively.

On May 5, 2014, the BOD approved the declaration of cash dividends amounting to P62.3 million for all issued and outstanding preferred shares and stock dividends totaling 85.8 million common shares amounting to P858.3 million for all issued and outstanding common shares to stockholders on record for the year ended December 31, 2013. The dividend distribution was approved by the stockholders representing at least two-thirds of the issued and outstanding capital stock and the BSP on May 30, 2014 and June 26, 2014, respectively.

21.3 Appropriated Surplus

In 2015, 2014 and 2013, additional appropriations of surplus amounting to P1.4 million, P1.6 million and P0.9 million, respectively, pertain to the portion of the Bank's income from trust operations set-up in compliance with BSP regulations (see Note 28).

On August 16, 2003, the BOD approved the establishment of a sinking fund for the exclusive purpose of the redemption of redeemable preferred shares should the Bank opt to redeem the shares. As of December 31, 2015 and 2014, the sinking fund for the redemption of redeemable preferred shares is yet to be established (see Note 26).

21.4 Paid-in Capital from IPO

As mentioned in Note 21.1, the Bank's common shares were listed at the PSE in February 2013. Total proceeds received from the IPO amounted to P3,011.7 million, P1,998.4 million of which is treated as part of Additional Paid-in Capital being the amount paid in excess of the common stocks' par value. The total share issuance costs deducted from APIC amounted to P180.2 million. Offer expenses from the IPO amounting to P4.9 million were presented as part of Other Operating Expenses in the 2013 statement of profit or loss.

21.5 Revaluation Reserves

Revaluation reserves pertain only to the accumulated actuarial losses of post-employment defined benefit plan (see Note 23.2) and unrealized fair value losses on AFS securities (see Note 12).

22. MISCELLANEOUS INCOME AND EXPENSES

22.1 Miscellaneous Income

This account is composed of the following:

	Notes	**2015**	2014	2013
Gain on sale of properties – net	16, 17	**P 15,028,632**	P 27,801,013	P 17,233,626
Trust fees	28	**13,874,866**	16,476,979	8,907,035
Gain (loss) on foreclosure - net	16	**(2,480,845)**	87,676,870	6,239,465
Others		**47,008,310**	12,198,935	5,848,253
		P 73,430,963	P144,153,797	P 38,228,379

Others include, among others, commitment, processing and handling fees in relation to services rendered by the Bank.

22.2 Miscellaneous Expense

This account is composed of the following:

	2015	2014	2013
Transportation and travel	**P 90,613,557**	P 83,152,129	P 74,778,937
Litigation on asset acquired	**35,032,847**	24,195,212	9,323,605
Communication	**28,225,214**	24,038,942	16,025,157
Banking fees	**26,472,435**	18,625,488	13,852,700
Amortization of software licences	**18,184,042**	13,847,731	11,391,881
Office supplies	**13,647,334**	14,021,252	16,315,156
Advertising and publicity	**9,824,351**	9,727,883	6,858,379
Information technology	**9,373,418**	2,052,533	2,563,313
Membership dues	**2,273,029**	1,719,026	1,249,200
Donations and contributions	**161,806**	6,307,236	2,280,172
Others	**32,708,469**	27,125,600	18,147,919
	P266,516,502	P224,813,032	P172,786,419

Others include, among others, brokerage fees, commissions, appraisal and processing fees incurred by the Bank.

23. EMPLOYEE BENEFITS

23.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and other employee benefits are broken down below.

	Note	2015	2014	2013
Salaries and wages		**P 324,688,012**	P 278,087,924	P 227,880,927
Bonuses		**98,262,420**	96,991,056	71,319,899
Post-employment defined benefit plan	23.2	**23,344,826**	22,450,730	14,583,891
Social security costs		**18,922,253**	17,816,211	12,969,290
Short-term medical benefits		**223,416**	60,670	142,363
Other short-term benefits		**78,005,801**	64,145,746	65,443,287
		P 543,446,728	P 479,552,337	P 392,749,657

23.2 Post-employment Benefit

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by the Bank's trust department that is legally separated from the Bank. The Bank's Retirement Plan Committee, in coordination with the Bank's trust department, who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2015 and 2014.

The amounts of post-employment defined benefit obligation (see Note 20) recognized in the statements of financial position are determined as follows:

	2015	2014
Present value of the DBO	**P 172,423,348**	P 144,748,892
Fair value of plan assets	**(149,034,915)**	(104,938,653)
	P 23,388,433	P 39,810,239

The movements in the present value of the post-employment defined benefit obligation are as follows:

	2015	2014
Balance at beginning of year	**P 144,748,892**	P 118,207,371
Current service cost	**23,344,826**	22,450,730
Interest expense	**6,499,225**	5,910,369
Remeasurements:		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**5,201,633**	4,814,608
Experience adjustments	**(1,639,231)**	(4,547,415)
Benefits paid	**(5,731,997)**	(2,086,771)
Balance at end of year	**P 172,423,348**	P 144,748,892

The movements in the fair value of plan assets are presented below.

	2015	2014
Balance at beginning of year	**P 104,938,653**	P 73,619,374
Contributions to the plan	**37,133,819**	30,924,849
Return (loss) on plan assets (excluding amounts included in net interest)	**7,277,724**	(1,920,720)
Interest income	**5,416,716**	4,401,921
Benefits paid	**(5,731,997)**	(2,086,771)
Balance at end of year	**P 149,034,915**	P 104,938,653

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2015	2014
Cash and cash equivalents	**P 120,241,369**	P 51,536,801
Government bonds	**26,751,767**	52,051,242
Accrued interests	**2,041,779**	1,557,081
	149,034,915	105,145,124
Accountabilities	**-**	(206,471)
	P 149,034,915	P 104,938,653

The fair values of the above government bonds are determined based on quoted market prices in active markets.

The plan assets earned actual return of P12.7 million and P2.5 million in 2015 and 2014, respectively.

Plan assets do not comprise any of the Bank's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2015	2014	2013
Reported in profit or loss:			
Current service cost	**P 23,344,826**	P 22,450,730	P 14,583,891
Net interest expense	**1,082,509**	1,508,448	1,738,852
	P 24,427,335	P 23,959,178	P 16,322,743
Reported in other comprehensive income:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**(P 5,201,633)**	(P 4,814,608)	P 1,810,936
Experience adjustments	**1,639,231**	4,547,415	(13,611,233)
Return (loss) on plan assets (excluding amounts included in net interest expense)	**7,277,724**	(1,920,720)	(1,178,297)
	P 3,715,322	(P 2,187,913)	(P 12,978,354)

Current service cost is presented as part Salaries and Other Employee Benefits under the caption Other Expenses while net interest expense is presented as Interest Expense – Others in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2015	2014	2013
Discount rates	**4.9%**	4.5%	5.0%
Expected rate of salary increases	**6.0%**	5.0%	5.0%
Employee turnover	**0.0% - 7.5%**	0.0% - 7.5%	-

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 28years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon bond government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2015 and 2014:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2015			
Discount rate	**+7.0%/-6.3%**	**P 12,132,902**	**P 10,778,044**
Salary rate	**+6.0%/-5.5%**	**10,371,902**	**9,442,839**
Turnover rate	**+16.3%**	**28,089,425**	**-**
December 31, 2014			
Discount rate	+7.1%/-6.3%	P 10,309,904	P 9,184,011
Salary rate	+6.1%/-5.6%	8,864,310	8,093,255
Turnover rate	+15.4%	22,246,021	-

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Bank through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Bank actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2015 and 2014 consists of debt securities, although the Bank also invests in cash and cash equivalents. The Bank believes that debt securities offer the best returns over the long term with an acceptable level of risk.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P23.4 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 28 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan for the next ten years follows:

	2015	2014
Within one year	**P 20,948,575**	P 16,285,200
More than one year to five years	**36,919,502**	41,518,462
More than five years to ten years	**60,175,169**	45,758,486
	P 118,043,246	P 103,562,148

The weighted average duration of the defined benefit obligation at the end of the reporting period is 8.8 years.

24. RELATED PARTY TRANSACTIONS

The Bank's related parties include entities under common ownership, key management and others as described below.

The following are the Bank's transactions with related parties:

Related Party Category	Note	2015 Amount of Transaction	2015 Outstanding Balance	2014 Amount of Transaction	2014 Outstanding Balance
Entities Under Common Ownership					
Deposit liabilities	24.1	**P6,783,959,179**	**P 6,579,213,030**	P 6,684,121,984	P 6,679,050,225
Loans	24.2	**1,223,858,013**	**1,223,815,659**	1,193,206,043	950,000,000
Interest income on loans	24.2	**47,628,911**	**3,278,287**	70,604,436	2,306,326
Retirement Fund					
Plan assets	24.3	**3,792,241**	**1,950,384**	2,086,772	5,742,625
Key Management and Others					
Compensation	24.4	**83,029,008**	**-**	79,610,918	-
Loans	24.2	**55,048,650**	**34,067,479**	22,898,075	277,156,442
Interest income on loans	24.2	**869,662**	**128,305**	1,531,692	120,504

24.1 DOSRI Deposits

The total balance of DOSRI deposits are inclusive of the corresponding related accrued interest included in the financial statements as of December 31, 2015 and 2014.

Deposit liabilities transactions with related parties have similar terms with other counterparties (see Note 18).

24.2 DOSRI Loans

The Bank has loan transactions with its officers and employees. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

The General Banking Act of the BSP provides that in aggregate, loans to DOSRI generally should not exceed the Bank's total equity or 15% of the Bank's total loan portfolio, whichever is lower. In addition, the amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. In aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the Bank, whichever is lower. As of December 31, 2015 and 2014, the Bank has satisfactorily complied with the BSP requirement on DOSRI limits.

Relative to the DOSRI loans, the following additional information is also presented:

	2015	2014
Total outstanding DOSRI loans	**P 1,257,883,137**	P 1,227,156,442
Unsecured DOSRI loans	**11,312,547**	8,354,223
Past due DOSRI loans	**3,819,459**	3,157,034
% to total loan portfolio	**3.0%**	3.1%
% of unsecured DOSRI loans to total DOSRI loans	**0.9%**	0.7%
% of past due DOSRI loans to total DOSRI loans	**0.3%**	0.3%

The details of total outstanding DOSRI Loans for the year ended December 31, 2015 and 2014 are shown below.

	2015	2014
Commercial loans	**P 1,223,815,659**	P 1,192,734,491
Key management personnel	**34,067,478**	34,421,951
	P 1,257,883,137	P 1,227,156,442

As of December 31, 2015 and 2014, the Bank has an approved line of credit to certain related parties totaling P23.0 million and P23.5 million and all was used to guarantee the obligation of the respective related parties to other creditors up to the extent of the unused line of credit.

24.3 Transactions with Retirement Fund

The Bank's retirement fund has no transactions direct and indirect with the Bank or its employees as of December 31, 2015 and 2014, except for the contributions and benefits paid out of the plan to the Bank's employees as disclosed in Note 23. The retirement plan asset also comprise of short-term placements to the Bank amounting to P2.0 million and P5.7 million as of December 31, 2015 and 2014, respectively.

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments by any restrictions or liens.

24.4 Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

	2015	2014	2013
Salaries and wages	**P 58,902,581**	P 55,286,737	P 56,277,678
Bonuses	**14,890,912**	13,771,434	14,044,419
Post-employment defined benefit	**7,004,439**	8,701,539	4,666,559
Other short-term benefits	**1,052,380**	683,000	1,256,000
Social security costs	**1,178,696**	1,168,208	1,339,335
	P 83,029,008	P 79,610,918	P 77,583,991

25. TAXES

The components of tax expense (income) for the years ended December 31 follow:

	2015	2014	2013
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%			
Regular Banking Unit (RBU)	**P165,170,994**	P176,802,660	P 68,890,924
FCDU	**2,323,577**	410,982	660,432
Final tax on income at 20%, 10% and 7.5%	**93,574,103**	100,999,011	101,023,942
	261,068,674	278,212,653	170,575,298
Deferred tax income relating to origination and reversal of temporary differences	**(57,771,400)**	(35,773,420)	(46,848,274)
	P203,297,274	P242,439,233	P123,727,024
Reported in other comprehensive income			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 1,114,597**	(P 656,374)	(P 3,893,506)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss follows:

	2015	2014	2013
Tax on pretax profit at 30%	**P 211,631,783**	P233,593,301	P338,332,091
Adjustment for income subjected to lower tax rates	**(93,128,766)**	(78,188,870)	(31,492,317)
Tax effects of:			
Non-deductible expenses	**89,587,230**	90,655,288	116,503,975
Non-taxable income	**(4,792,973)**	(3,620,486)	(299,616,725)
Tax expense	**P203,297,274**	P242,439,233	P123,727,024

The Bank is subject to minimum corporate income tax (MCIT) computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher. In 2013, the Bank utilized its entire outstanding MCIT incurred in 2010 to 2012 totaling P32.9 million

The net deferred tax assets as of December 31, 2015 and 2014 (included as part of Other Resources account – see Note 17) relate to the following:

	Statements of Financial Position		**Profit or Loss**		**Other Comprehensive Income**	
	2015	2014	**2015**	2014	**2015**	2014
Deferred tax assets:						
Allowance for impairment	**P 324,923,516**	P 273,308,409	**(P 51,615,107)**	(P 52,940,136)	**P -**	P -
Accumulated depreciation of investment properties and other properties held for sale	**17,842,060**	15,292,014	**(2,550,046)**	(211,840)		-
Post-employment benefit obligation	**7,016,530**	11,943,072	**3,811,945**	2,089,701	**1,114,597**	(656,374)
Unamortized past service cost	**9,990,473**	7,342,146	**(2,648,327)**	(1,467,535)	**-**	-
Accrued bonus and leave conversion	**9,697,390**	10,933,991	**1,236,601**	(721,539)	**-**	-
Deferred tax liabilities:						
Loss (gain) on initial exchange of investment properties	**(26,420,406)**	(32,426,872)	**(6,006,466)**	(17,477,929)	**-**	-
Net Deferred Tax Assets	**P 343,049,563**	P 286,392,760				
Deferred Tax Expense (Income)			**(P 57,771,400)**	(P 35,773,420)	**P 1,114,597**	(P 656,374)

As of December 31, 2015 and 2014, the Bank has unrecognized deferred tax assets amounting to P10.5 million which pertain to certain allowance for impairment absorbed from KRBI upon merger amounting to P0.7 million.

For the years ended December 31, 2015 and 2014, the Bank opted to claim itemized deductions.

26. EVENTS AFTER THE END OF REPORTING PERIOD

26.1 Redemption of Preferred Shares

On February 17, 2016, the Bank's BOD approved the redemption of all of its preferred shares totaling P620.0 million (62,000,000 shares with P10 par value) through staggered redemption. The staggered redemption is expected to be completed by the end of December 2016, subject to the approval by the BSP.

26.2 Others

On February 1, 2016, the Bank received the final BSP approval in relation to the acquisition of assets and assumption of liabilities of RBK. The Bank recorded the assets and assume the liabilities of RBK as of January 30, 2016 (see Note 17.2).

27. COMMITMENTS AND CONTINGENT LIABILITIES

The following are the significant commitments and contingencies involving the Bank:

(a) The Bank leases the premises occupied by its branch offices for periods ranging from 5 to 20 years, renewable upon mutual agreement between the Bank and the lessors. Rent expense amounted to P115.1 million, P95.5 million and P78.8 million in 2015, 2014 and 2013, respectively, and are included as part of Occupancy under Other Expenses in the statements of profit or loss.

As of December 31, 2015, 2014 and 2013, future minimum rental payments required by the lease contracts are as follows:

	2015	2014	2013
Within one year	**P 107,784,137**	P 83,544,132	P 69,432,324
After one year but not more than five years	**244,536,398**	219,653,731	179,362,736
More than five years	**10,418,892**	22,230,832	21,402,649
	P 362,739,427	P 325,428,695	P 270,197,709

(b) In the normal course of the Bank's operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the financial statements.

(c) The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable.

The following is a summary of the Bank's commitments and contingent accounts as of December 31:

	2015	2014
Investment management accounts	**P 4,059,027,956**	P 3,428,334,610
Outstanding letters of credit	**1,193,799,732**	512,119,342
Trust and other fiduciary accounts	**506,103,798**	281,508,984
Unit investment trust fund	**31,812,677**	103,019,962
Late payment/deposits received	**9,736,574**	13,121,910
Outward bills for collection	**8,423,324**	43,102,544
Items held for safekeeping	**68,979**	42,584
Items held as collateral	**9,416**	7,925
Other contingent accounts	**529,127,518**	123,879,021
	P 6,338,109,974	P 4,505,136,882

As of December 31, 2015 and 2014, the Bank's management believes that losses, if any, from the above commitments and contingencies will not have a material effect on the Bank's financial statements.

28. TRUST OPERATIONS

The following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the statements of financial position since these are not resources of the Bank:

	2015	2014
Loans and other receivables	**P 2,390,413,668**	P 2,235,096,360
Due from banks	**982,964,468**	404,797,825
Investment securities	**981,566,295**	1,067,235,611
Due from BSP	**242,000,000**	97,000,000
	P 4,596,944,431	P 3,804,130,796

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

(a) Government bonds owned by the Bank with face value of P70.75 million and P78.75 million as of December 31, 2015 and 2014, respectively, are deposited with the BSP (see Note 12); and,

(b) 10% of the trust income is transferred to appropriated surplus. This transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock. Additional reserve for trust functions amounted to P1.4 million, P1.6 million and P0.9 million in 2015, 2014 and 2013, respectively and are presented as Appropriated Surplus in the Bank's statements of changes in equity.

Income from trust operations, shown as part of Miscellaneous Income, amounted to P13.9 million, P16.5 million and P8.9 million for the years ended December 31, 2015, 2014 and 2013, respectively, in the statements of profit or loss (see Note 22.1).

29. SELECTED FINANCIAL PERFORMANCE INDICATORS

a. The following are some of the financial performance indicators of the Bank:

	2015	2014	2013
Return on average capital			
Net profit / Average total capital accounts	**6.1%**	7.1%	17.6%
Return on average resources			
Net profit / Average total resources	**0.8%**	1.0%	2.5%
Net interest margin			
Net interest income / Average interest earning resources	**4.1%**	4.5%	4.6%
Capital to risk assets ratio			
Total capital / Risk resources	**19.1%**	20.8%	26.0%
Liquidity ratio			
Current assets / Current liabilities	**1.0**	1.3	1.2
Debt-to-equity ratio			
Liabilities / Equity	**6.7**	6.2	5.7
Asset-to-equity ratio			
Asset / Equity	**7.7**	7.2	6.7
Interest rate coverage ratio			
Earnings before interests and taxes / Interest expense	**1.9**	2.3	3.3

b. Secured Liabilities and Resources Pledged as Security

As of December 31, 2015 and 2014, bills payable are the only secured liabilities (see Note 19).

30. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	2015	2014 (As Restated)	2013 (As Restated)
Net profit	**P 502,124,004**	P 536,205,104	P1,004,046,612
Dividends on preferred shares	**-**	(62,325,000)	-
Net profit attributable to common shareholders	**502,142,004**	473,880,104	1,004,046,612
Divided by the weighted average number of outstanding common shares	**536,458,438**	536,458,438	536,458,438
Basic earnings per share	**P 0.94**	P 0.88	P 1.87

The 2014 and 2013 earnings per share of the Bank were restated to account for the stock dividends declared in 2015 which is considered as a bonus issue under PAS 33, *Earnings per Share*, which requires stock dividends issued to be recognized as if it occurred at the beginning of 2013, the earliest period presented for earnings per share computation.

As of December 31, 2015, 2014 and 2013, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share are equal to diluted earnings per share.

31. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the BIR under its existing revenue regulations (RR) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

31.1 Requirements Under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year under RR No. 15-2010 follows:

(a) Gross Receipts Tax

In lieu of the value-added tax, the Bank is subject to the Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code which is imposed on banks, non-banks financial intermediaries and finance companies.

In 2015, the Bank reported total GRT amounting to P158,199,699 shown under Taxes and Licenses account [see Note 31.1(c)]. GRT paid during the year amounted to P140,485,487, exclusive of December 2014 GRT paid during 2015. The total GRT payable as of December 31, 2015 amounted to P17,714,212, included as part of Accrued expenses under Accrued Expenses and Other Liabilities account in the 2015 statement of financial position (see Note 20).

GRT is levied on the Bank's lending income, which includes interest, commission and discounts arising from instruments with maturity of five years or less and other income. The tax is computed at the prescribed rates of either 7%, 5% or 1% of the related income.

(b) *Documentary Stamp Tax (DST)*

The Bank is enrolled under the Electronic Documentary Stamp Tax (e-DST) System starting July 2010. In 2015, DST remittance thru e-DST amounted to P304,769,369, while DST on deposits for remittance amounts to P95,019,629. In general, the Bank's DST transactions arise from the execution of debt instruments, lease contracts and deposit liabilities.

DST on loan documents and letters of credit in 2015 amounting to P209,749,740 were charged to borrowers and these were properly remitted by the Bank.

(c) *Taxes and Licenses*

The details of Taxes and Licenses account for the year ended December 31, 2015 follow:

	Note		
Gross receipts tax	31.1(a)	P	158,199,699
DST	31.1(b)		145,170,305
Deficiency tax	31.1(e)		6,844,297
Business tax			15,672,430
Real property tax			991,731
Miscellaneous			1,439,095
		P	328,317,557

Taxes and licenses allocated to tax exempt income and FCDU totaling P26,812,196 were excluded from the itemized deductions for purposes of income tax computation (see Note 25).

(d) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2015 are shown below.

Final	P	133,161,629
Compensation and benefits		62,214,006
Expanded		21,770,843
	P	217,146,478

(e) *Deficiency Tax Assessments and Tax Cases*

In 2015, the Bank paid final deficiency taxes on DST, withholding taxes and gross receipts tax for taxable year 2012 totalling P490,307.

(f) *Other Required Tax Information*

The Bank did not have any transactions in 2015, which is subject to excise tax, customs duties and tariff fees.

31.2 Requirements Under RR No. 19-2011

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The Bank's RBU is taxed separately from the FCDU. The amounts of taxable revenues and income, and deductible costs and expenses of RBU of the Bank are presented below. The amounts of taxable revenues and income, and deductible costs and expenses of the FCDU are presented in the notes to the separate financial statements of the FCDU for which corresponding income tax return is separately filed with the BIR.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR; hence, may not be the same as the amounts reflected in the 2015 statement of profit or loss, which are based on PFRS.

(a) *Taxable Revenues*

The Bank's taxable revenues for the year ended December 31, 2015 at the regular tax rate pertain to interest income amounting to P2,512,948,346.

(b) *Deductible Costs of Services*

Deductible costs of services for the year ended December 31, 2015 at the regular tax rate comprise the following:

Salaries and wages	P 511,687,283
Interest expense	508,452,322
Insurance	91,661,419
Supervision/examination fees	22,523,181
	P1,134,324,205

(c) *Taxable Non-operating and Other Income*

The details of taxable non-operating and other income in 2015 which are subject to regular tax rate are shown below.

Bank commissions and service charges	P 129,825,262
Gain on sale of properties	32,569,337
Others	46,271,013
	P 208,665,612

(d) Itemized Deductions

The amounts of itemized deductions for the year ended December 31, 2015 subject to regular tax rate follow:

Taxes and licenses	P 301,149,825
Depreciation	124,950,163
Rental	113,509,367
Janitorial and messengerial	93,774,973
Management and other professional fees	81,459,335
Communication, light and water	54,844,422
Transportation and travel	52,599,568
Fuel and oil	38,013,989
Litigation	32,168,773
Representation	27,168,006
Insurance	26,194,302
Amortization of computer software	16,697,424
Office supplies	12,531,610
Repairs and maintenance	9,167,887
Advertising and promotion	9,021,172
Information technology	8,607,104
Realized trading losses	4,813,345
Charitable contribution	148,577
Others	29,899,932
	P1,036,719,774