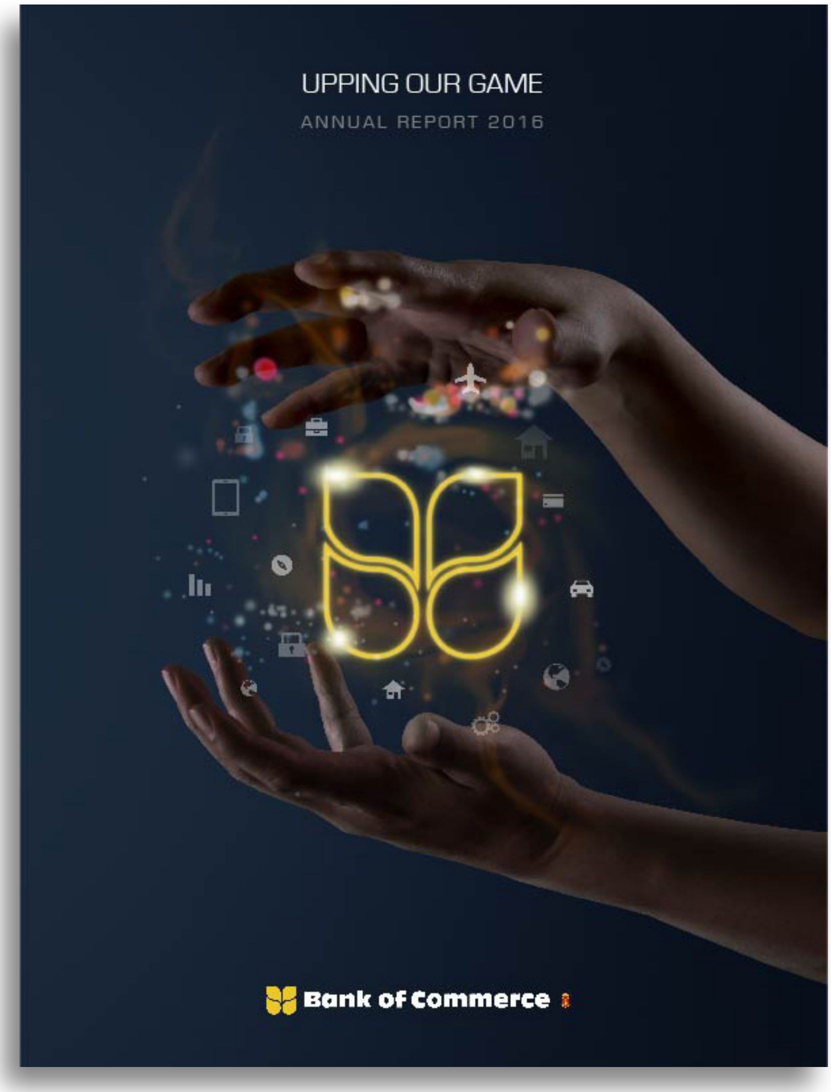
UPPING OUR GAME

ANNUAL REPORT 2016

Bank of Commerce



ABOUT THE COVER

UPPING OUR GAME

The banking demands of our clients continue to expand and grow.
Bank of Commerce takes on this challenge by building stronger banking systems and introducing technological innovations to keep pace with the changing needs and soaring global standards.
Our cover shows how we take advantage of ever-evolving technology to identify areas where improvement is necessary because clients' satisfaction is always a priority. We remain committed in giving what matters to our clients the most, because We Think Customers.

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COMPANY PROFILE

Bank of Commerce (the Bank) is one of the country's progressive commercial banks and is licensed by the Bangko Sentral ng Pilipinas (BSP). The Bank has been in operation since 1963 and traces its origin to the Overseas Bank of Manila with headquarters in Binondo, Manila.

The Bank has since evolved through different phases of growth. In 1980, Overseas Bank of Manila changed its name to Commercial Bank of Manila. The following year, the Government Service Insurance System (GSIS) acquired the Commercial Bank of Manila and used "ComBank" as the Bank's short name. In 1984, ComBank acquired Royal Savings Bank. The First National Bank of Boston, one of the oldest and leading banks in the United States, and a local investment group acquired ComBank in 1988 and was then renamed Boston Bank of the Philippines.

In November 1991, the Bank changed its official name to Bank of Commerce. The buyout of the majority interest of the First National Bank of Boston was completed in 1993, placing Bank of Commerce under complete Filipino ownership. As part of its growth plans, Bank of Commerce acquired Pan Asia Bank and purchased selected assets and liabilities of Trader's Royal Bank in 2001. These takeovers significantly increased the Bank's presence in the banking industry.

San Miguel Properties, Inc., a subsidiary of San Miguel Corporation (SMC), and San Miguel Corporation Retirement Fund, the registered retirement plan of SMC group employees, emerged as substantial shareholders of Bank of Commerce in 2008. The new shareholders reinforced capital, bolstered reserves, improved risk management systems, and strengthened banking operations, systems and services.

On January 16, 2013, the Securities and Exchange Commission (SEC) approved the extension of the corporate life of Bank of Commerce for another 50 years from December 13, 2013. Bank of Commerce provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, corporate banking, treasury, asset management, trust and investments. In terms of service reach, the Bank re-launched the Retail and Corporate Internet Banking facilities with enhanced features to encourage consumers and corporate clients to transact regular banking services such as bills payment, fund transfers, card loading and other services via the internet banking platform.

The Bank has a network of 132 Branches and 262 Automated Teller Machines (ATMs) strategically located nationwide, as of December 31, 2016.

ABOUT US

VISION

To be the Bank of choice for the business community, delivering total banking experience characterized by friendly and outstanding service with the desire to provide a better quality of life for all.

MISSION

Our business is professional banking. We commit to serve our clients with the highest standards of integrity and quality. We strongly believe in our human resources and dedicate ourselves to their continuous development.

We will create value for our stakeholders by being among the top banks in the industry.
In so doing, we contribute to nation building.

We are Bank of Commerce.

SERVICE PROMISE

With integrity and financial stability, we commit to deliver superior service to you, our discerning customers.

Through competent and warm professionals who understand, anticipate, and fulfill your needs with a sense of urgency in a safe and guest-friendly environment, we promise you a meaningful banking experience.

ECONOMIC FORECAST

The Philippine economy continues to level up its propulsion to development. Despite uncertainties in global markets, the country remained resilient as reflected by its performance in 2016. This reiterated the commitment to ensuring a stronger, more dynamic economy that will make the Philippines more competitive in the international arena.

The 6.8% GDP growth rate in 2016 was a solid indication that the Philippines is poised to move forward and cement its position as Asia's fastest growing economy. Driven by this exceptional performance, the country is expected to thrive with different engines for growth. The young population, expanding BPO industry, better infrastructure facilities, vibrant tourism opportunities, and continuous increase in Overseas Filipino Workers (OFWs) remittances are expected to take center stage in leading the economy to higher growth.

Investment, which grew from 15.1% in 2015 to 20.8% in 2016, and a healthy performance by the public and construction, posting a 10% growth in 2016 contributed to the country's GDP growth. Government and household spending also recorded concrete growth. Industry and services sector led the Philippine economy to further expand, posting an increase of 8% and 7.5% respectively, in 2016. All of these contributed to the Philippines' GDP performance.

With the advent of the new administration, the country remains optimistic that the upward trajectory of the economy will be sustained. The new administration vowed to combat graft and corruption and end red tape within government offices while improving on the previous administration's economic policies. The National Economic and Development Authority (NEDA), International Monetary Fund (IMF), Asian Development Bank (ADB), and Standard and Poor's (S&P) are positive that the country will continue its economic gains and further enhance the capabilities of all sectors of the economy. In addition, inflation is still pegged at around 2%-4%, despite its record low from the last two years.

As we welcome 2017, we in the banking sector are geared up to face the challenges and opportunities that the new year has in store. With Bank of Commerce stepping up its game, we are one with the country as it aims to become a more robust economy in 2017.

REPORT FROM THE CHAIRMAN AND PRESIDENT & CEO

The year 2016 witnessed a stronger Philippines claiming its rightful place among Asia's fastest-growing economies. The country's GDP grew by 6.8% for the year, exhibiting a particularly impressive 7.1% growth in the third quarter. Full-year inflation stood at 1.8%, the lowest in 29 years. Despite weaknesses in areas such as per capita income, development, and government revenue, international credit rating agencies maintained the Philippines' investment-grade status, citing the country's ample supply of foreign exchange, low level of foreign debt, and stable banking industry as key factors for their generally positive outlook on the economy.

The strength exhibited by the country's economy is shared by the local banking industry. In 2016, loans registered an increase of 17.2%. Loans for household consumption grew 22% due to sustained growth in credit card loans, motor vehicle loans, and salary-based general-purpose loans. Consumer loans, meanwhile, made up 17.62% of the total loan portfolio, up from 17.13% in 2015, but still the lowest among our ASEAN neighbors. In the case of Bank of Commerce, total loans increased to PHP49.8 billion or 18.4% versus last year. Consumer loans increased by PHP1.9 billion representing a growth of 35.4%.

As the local banking industry continues to make strides, Bank of Commerce is similarly raising its performance. The Bank covered a larger portion of the consumer market by increasing presence in areas such as Cebu, Davao, Pampanga, and Dagupan. As total bookings doubled in 2016, consumer and credit loans made up 14.91% of total loan portfolio, compared to just 13.04% in 2015. Consumer loans are further expected to double in 2017, as branches become more proactive in account origination. The roster of corporate accounts increased in tandem with the middle market segment.

The last five years saw the Bank's continuing profitability as Bank of Commerce accumulated PHP3.6 billion in Audited Net Income from year 2012 to year 2016, of which PHP610.4 million was earned during the year 2016, which is an 85.09% growth from the 2015 Net Income of PHP329.8 million. ROE increased to 3.5% in 2016, from 1.9% in 2015. Earnings per Share likewise increased to PHP5.44 in 2016, from PHP2.94 in 2015. Underlying this is the growth in the Bank's core businesses, the effectiveness of managing the cost of intermediation, and constant revisit of the cost of operations.

The Bank opened full-service branches in emerging cities with fast-growing local economies, namely, Tacloban, Iloilo-Atria, Bacolod-Capitol, Cauayan and Santiago City in Isabela, Tagum City, and Angeles-NepoMart. While most of these branches opened in the second half of the year, initial data already indicates that they will significantly contribute to deposit generation in 2017.

In the Bank's commitment to step up its game, it also focused on improving operational efficiency in areas of Information Technology (IT), Finance, and Human Resources (HR).

To keep pace with the increasing digitization of the business landscape, initial steps to realize the Data Integration Platform (DIP) project have already been taken to ensure that the Bank is able to face today's technology revolution. Plans are already in place to allow the Bank to revamp its systems architecture, making it more interactive and service-oriented to quickly address the needs of customers. Through DIP, the Bank is looking at providing customers with next-generation digital experiences, defined by a more unified data from internal and external sources, wider services reach, and faster delivery of consistent customer experience across any channel or device. With this platform, the Bank aims to take its business intelligence to the next level to boost marketing performance.

In 2016, Bank of Commerce successfully implemented its automated Financial Reporting Package (FRP) System, which has been carefully designed to ensure timeliness and reliability of financial reporting based on the 'one-source' financial data mart, and has been enhanced with an auditable automated validation process covering the more-than-one-hundred FRP schedules and the Bank's RAP financial statements. The Bank's FRP submissions to the BSP have never been as efficient. As a result, there is now an experienced significant reduction in report production time from 12 days to 5 days. These savings in man-days have made room for absorbing several new BSP reporting requirements, without having to hire additional headcount.

The Bank recognizes that employees are its biggest asset and in line with our mission to support the continuous development of our people, efforts are being made to properly manage our talent pool and determine areas of strength of our workforce. To build consistency and equity among all job levels and ensure that jobs are appropriately designed for our employees, the Bank embarked on the Job Evaluation (JE) exercise, which allowed us to determine the relative value of each job vis-à-vis the other roles offered by the Bank. One of our biggest projects for 2016, the JE exercise gave the Bank the right platform to engage experienced employees from different business units in identifying as well as assessing such jobs.

The Bank has also bolstered its efforts to help the community through numerous Corporate Social Responsibility (CSR) programs that were rolled out in 2016. Our CSR initiatives were broader in scope and inspired deeper participation and involvement from our employees. We partnered with highly respected organizations such as San Miguel Foundation Inc., International Care Ministries Foundation Inc., Habitat for Humanity, and World Vision to bring shelter, education, and livelihood programs to impoverished communities.

As we enter another year, Bank of Commerce is indeed in a unique position to make bigger leaps in the name of progress and growth. Banking on the aspirations we have set the past year, we are more inspired than ever to continuously innovate and adapt in order to keep pace with the ever-changing developments in our industry. We are bolder in our resolve not only to bring our A-game but to step it up in ways that provide the banking public with a solid and reliable partner that thoroughly understands their diverse needs.

As we commit ourselves to these endeavors, we intend to promote a culture of service in the bank which will permeate all the activities that we do.

We are more committed than ever before to up our game in the coming year. With the support and dedication of the Board of Directors, Board Advisers, Officers and Staff, we are firm in our vision to aim higher, aspire bigger and better, and become the best in what we do to take our customers' banking experience to the next level.

JOSE T. PARDO
CHAIRMAN

ROBERTO C. BENARES
PRESIDENT AND CEO

PRODUCTS & SERVICES

RETAIL PRODUCTS

- Savings Account with ATM
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- US Dollar Savings Account
- Euro Savings Account
- Junior Smart Savers Savings Account
- One Passbook Investment Account
- Time Deposit
- One-Year Time Deposit
- US Dollar Time Deposit
- Euro Time Deposit
- SSS Pension Account
- US Veterans Pension Savings Account (PHP and USD)
- Payroll Savings Account
- Cash Card

CONSUMER LOANS

- Home Loan
- Auto Loan
- Salary Loan

CREDIT CARD

- Bank of Commerce Mastercard

ALTERNATIVE CHANNELS

- ATM
- Corporate Internet Banking
- Retail Internet Banking

TRUST PRODUCTS AND SERVICES

- Investment Management Account
- Unit Investment Trust Funds
    - Diversity Money Market Fund
    - Diversity Peso Bond Fund
    - Diversity Dollar Bond Fund
    - Diversity Dividend Focused Fund
- Trust and Other Fiduciary Services
    - Personal Management Trust
    - Employee Benefit Trust
    - Facility / Loan Agency
    - Trust Under Indenture
    - Collateral Trust
    - Escrow Agency
        - Buyer and Seller Escrow
        - POEA Escrow
        - BIR Escrow
        - HLURB Escrow
        - Source Code Escrow
        - Other Types of Escrow
    - Other Institutional Trust / Agency Accounts

TREASURY PRODUCTS

- Fixed Income Government Securities (Peso / Dollar)
- Corporate Bonds
- Foreign Exchange

CORPORATE BANKING

- Working Capital Loan
- Term Loan
- Capital Expenditure Financing
- Project Financing
- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- Foreign Currency Denominated Loan
- Trade Financing
- Letters of Credit
- Export Packing Credit
- Export Bills Purchase
- Domestic Bills Purchase

CASH MANAGEMENT AND PAYMENT SERVICES

- Online Inquiry Services
- Transaction History
- SOA Downloading
- Electronic Fund Transfer to Own Accounts
- Electronic Fund Transfer to Third Party Accounts
- Auto Debit Arrangement (ADA)
- Auto Credit Arrangement (ACA)
- Payroll Crediting Service
- Manager's Check Cutting Service
- Deposit Pick-Up Service
- Bills Payment Facility
- Payroll Plus
- Over-the-Counter Collection Service
- Post-Dated Check Warehousing Facility
- Customs, Duties and Taxes Payments (via BoC PAS5 Facility)
- BIR Electronic Filing and Payment System (BIR eFPS) via BancNet
- eGovernment Facility via BancNet (SSS, Pag-IBIG and PhilHealth Payments)

REMITTANCE SERVICES

- SikapPinoy OFW Account
- Credit to Accounts with Bank of Commerce
- Credit to Accounts with Other Philippine Banks
- Cash Home Delivery
- Cash Pick-up Services via Bank of Commerce Branches from Partners & Tie-ups:
    - Al Ansari Exchange LLC
    - Al Ghurair Exchange LLP
    - Arab National Bank
    - Prabhu Money Transfer
    - TransFast
    - Eastern & Allied Pty Ltd (HaiHa Money Transfer)
    - U Remit International Corp
    - Family Express Canada
    - WorldRemit Ltd
    - MoneyGram
- Cash Pick-up Services via Payout Partners:
    - M Lhuillier
    - Cebuana
    - LBC Express
    - Plus One Direct Business Provider
- eGovernment Payments of OFWs through Remittance Partners:
    - SSS Contributions / Loan Payments
    - PhilHealth Contributions
    - Pag-IBIG Contributions / Loan Payments

FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

(in billions)

ASSETS	2016	2015
Cash and Cash Equivalents	P33.6	P40.0
Reserves	21.2	20.7
Securities (Net)	23.4	25.2
Loans and Receivables (Net)	50.8	42.4
Other Assets (Net)	9.7	9.2
TOTAL	P138.7	P137.5

LIABILITIES AND EQUITY		
Deposits	P117.5	P117.2
Other Liabilities	3.9	3.6
Equity	17.3	16.7
TOTAL	P138.7	P137.5

FINANCIAL SOUNDNESS INDICATORS	2016	2015
Current/Liquidity Ratio	67.2%	63.6%
Debt-to-Asset Ratio	87.5%	87.8%
Asset-to-Equity Ratio	701.4%	721.7%
Interest Rate Coverage Ratio	801.4%	821.7%
Return on Average Equity	3.5%	1.9%
Return on Asset	0.5%	0.3%

(in billions)

STATEMENT OF INCOME	2016	2015
Net Interest Margins	P3.3	P3.1
Non-Interest Income	1.1	1.6
OPEX	3.6	4.0
Reversal of Credit and Impairment Losses	(0.1)	(0.1)
Expense from Income Tax	0.3	0.5
NET INCOME	P0.6	P0.3

(in billions)

CAPITAL ADEQUACY	2016	2015
Total Qualifying Capital	P14.9	P14.6
Risk Weighted Assets	74.7	66.7
CAR	20.0%	21.9%

OPERATIONAL HIGHLIGHTS

The drive to surpass previous achievements has given Bank of Commerce the motivation to not just continue with what it has achieved, but to up its game through stronger banking fundamentals. With integrity and commitment to banking excellence, the Bank showed resiliency in the face of last year's challenges to emerge more focused. The Bank enhanced its operations and brought a diversified selection of products and services to its growing clientele.

BRANCH BANKING GROUP

2016 was an expansion year for the Branch Banking Group (BBG). The opening of seven new branches during the year in various locations outside Metro Manila signified the Bank's steadfast commitment to expand and reach out to more customers across the archipelago.

Bank of Commerce opened its third branch in each of the three bustling markets in the country, namely the cities of Iloilo, Bacolod, and Angeles. The Iloilo-Atria branch started operations in May 2016, followed a month later by the Bacolod-Capitol branch, and then by the Angeles-NepoMart branch in December.

Elsewhere, the Bank likewise covered geographical gaps by establishing presence in the resurgent city of Tacloban, as well as in the emergent cities of Santiago and Cauayan, Isabela, and Tagum City, Davao del Norte. Logistical activities are ongoing for the opening of eight more branches in the ensuing year. Meanwhile, the strategic relocation of the Batac Branch to Laoag City, implemented earlier in the year, has begun to bear early fruits. And just like in the past two years, several branches undertook major makeovers, namely, Mandaue, Kabankalan, Soler, Diliman, Iba, Zambales, Maramag, and Balibago.

Parallel to all these expansion and modernization activities, BBG also made organizational adjustments by consolidating branches into four divisions, aimed at bolstering supervision and business development capabilities.

The three-pronged branching approach to reposition, remodel, and reinforce locational links, as well as the proper mindset and attitude of customer service have contributed to expansions in the branch banking business. Based on comparative YTD ADBs, total CASA deposits were higher in 2016 than in the previous year by over PHP4.7 billion. BBG's partnership with Treasury and Trust was no less productive: total volume of branch referrals increased by nearly PHP4.6 billion. Moreover, branches were able to turn in a bigger number of referrals in consumer loans in 2016 than in previous years.

In the same year, BBG embarked on activities that were high on the customers' list of priority requirements. Appropriately labeled "Priority Access," the program aims to provide premium services that will heighten customer experience in all of the Bank's branches nationwide. This will be fueled by the Branch Marketing teams who are the primary contacts in developing business relationships with clients. Through Priority Access, the Bank solidifies its commitment to continually refresh its service standards while opening up new avenues to sustain, develop, and expand connections with its customers.

CORPORATE BANKING GROUP

The Corporate Banking Group (CBG) increased its loan portfolio by 16%, ending at PHP38.43 billion in 2016. CBG concentrated and nurtured relationships with the country's Top 1,000 corporations, middle market, and SME segments. All divisions of CBG not only exhibited growth in their target markets but also improved their asset quality with the reduction in past due loans.

CBG continued its thrust of supporting the fundraising activities of industries that have tangible benefits to the local economy, particularly in real estate, power, infrastructure, and construction. For 2017, CBG eyes more lending opportunities as it intends to maximize asset growth and yields to support the Bank.

CBG, through its Cash Management Division, continued to introduce enhancements in its suite of cash management solutions. These included the completion of the eGovernment Payments facility which allows non-retail clients to file and pay their SSS, PhilHealth, and Pag-IBIG member contributions and loan payments electronically via BancNet's payment gateway; the MC Cutting facility which provides customers the option of relegating check preparation and releasing functions to the Bank; and the addition of MT-940, CSV, and customized formats for Statement of Accounts (SOAs) that can be downloaded through the Corporate Internet Banking which is the cash management delivery platform of the Bank. Total number of cash management customers increased by 7% by year-end 2016.

CONSUMER LENDING DIVISION

Bank of Commerce's Consumer Loans portfolio grew 34%, ending 2016 with a total of PHP6.77 billion in housing, auto, and salary loans. This growth was a replication of the economy's resurgence, backed by the OFW market and strong middle class with increasing purchasing power.

Housing loans grew by more than 30%. The Bank's partners in the real estate development industry generated the bulk of the loan bookings, followed closely by the branch network's referrals. This reinforced Management's strategic focus toward the opportunities from existing depositor base and the new-to-Bank families that live or work near the Bank's branches in Manila and in the provinces.

The Bank's auto loan portfolio increased as well, with nationwide auto dealerships contributing to the lion's share of the loan applications. Total auto loans grew by 41%, from PHP1.7 billion to PHP2.4 billion, in parallel with the industry's growth. The branch network supported management's direction to leverage on its client base, resulting to auto loans booking doubling from the previous year.

The Bank will further focus on increasing consumer loans for 2017, fueled by a more efficient and decentralized backroom, diversified yet balanced distribution channels, and a more aggressive sales team in the Head Office.

CREDIT CARD UNIT

Growth indicators for the credit card business signified a 40% growth in cardbase, and 106% increase in total card billings, compared to the previous year.

These achievements resulted from card system improvements and conservative marketing programs that pushed for more usage of the rebranded Bank of Commerce Mastercard credit card. Promotional initiatives that attracted cardholder patronage included shopping, dining, travel, cash credit, and balance transfer campaigns. The year 2016 witnessed the launch of its first major nationwide promo which raffled off a brand-new SUV as grand prize.

Bank of Commerce Mastercard introduced three major installment programs that offer merchant tie-ups, exclusive usage campaigns, and more flexible payment terms: Travel Installment at 0% Interest, Buy Now Pay Later Program, and Convert to Install Program.

The Rewards Plus Program was also launched, which allowed Bank of Commerce Mastercard cardholders to earn 5x rewards points for selected card purchases and redeem dining, shopping, and travel perks equivalent to their accumulated rewards points. The Rewards Plus program sealed a pact with Mabuhay Miles for rewards points to be converted to airmiles that can be used for flights at Philippine Airlines.

For 2017, the credit card unit sets its goals on developing new card products, more premium merchant partnerships, and aggressive promotions in anticipation of market needs. At the same time, Bank of Commerce Mastercard will continue to enhance product offerings, adapt card security provisions and technologies, and expand cardholder engagement to fulfill its promise of a more rewarding shopping experience for customers while distinguishing itself from other card issuers in the market.

INTERNATIONAL OPERATIONS DIVISION

The International Operations Division (IOD) achieved a 20% increase in transaction volume and a 39% increase in the amount of OFW remittances in 2016. This strong performance elevated the potential of the Bank's remittance business to reach higher levels of significance in a competitive market.

To improve technical capacity, IOD completed its own front-end remittance system, BRemit System, enabling it to better serve foreign and domestic partners and clients. For 2017, the BRemit System will be initially rolled out to Bank of Commerce branches and later extend its services to major pawnshops as additional payout centers for domestic remittance.

IOD completed the connectivity with BancNet for Inter-Bank Fund Transfer (IBFT) transactions wherein remittance transactions intended for credit to clients' accounts with other banks are credited on the same day of transmission.

IOD complemented developments in its business systems with new partnerships from countries with OFW workforce. The Bank is now well-represented in Dubai and Abu Dhabi in the UAE, Qatar, Kingdom of Saudi Arabia, Italy, Canada, Australia, and the USA through remittance partners. In addition, the Bank signed agreements with financial services companies from Kuwait, Australia, and London, United Kingdom. The Bank will implement plans to broaden remittance partnerships in the Middle East to encourage more OFW-initiated transactions and soon launch eGovernment domestic collections through the Bank's branches, doing away with Special Bank Receipts (SBRs).

IOD sets its sights on becoming a significant industry player in the next few years. For 2017, IOD targets a 300% increase in transaction volume through strategic partnerships and targeted marketing efforts. The remittance business pulls the Bank closer to its vision of providing technical efficiency and reliable service to the growing OFW market.

TREASURY MANAGEMENT GROUP

Following the Federal Reserve System (the Fed) rate hike in December 2015, news about China's economic slowdown and Yuan depreciation greeted 2016. This development further lowered commodity prices and caused fears of recession in some economies, including Europe and Japan. This raised risk-off sentiment in practically all markets, driving fund managers away from Asia as a risk asset. The local government securities market was not spared. On the other hand, US Treasuries became attractive as safe haven trades supported the benchmark bonds. The Treasury Management Group (TMG) maintained a cautious stance focusing on more liquid US Treasuries. Opportunities to lighten up the Available-For-Sale (AFS) portfolio came with the Fed's dovish comments about yield normalization. The exercise allowed the team to rebalance its portfolio, preparing it to reposition at better yields.

Meanwhile, the historical referendum for Great Britain's exit from the European Union in the middle of the year provided another push to take in further gains from the market. However, the biggest market surprise came in toward the end of the year as Donald Trump emerged the winner in a close US presidential race. This caused the yields to spike up as the market priced in the implementation of Trump's populist policies. The hike in yields continued toward the end of the year causing the yields to surpass its levels at the start of the year, erasing market gains earned for the year.

These developments in the local and global fronts provided wide swings in the financial markets. TMG's cautious trading strategy to rebalance, maintain a light portfolio, and focus on liquid US Treasuries allowed the Bank to shore up decent trading gains despite the drastic turnaround at the end of the year.

TRUST SERVICES DIVISION

Sustainability has been the key guidance and thrust of the Trust Services Division (TSD) over the past three years which sustained growth. Asset Under Management (AUM) and Net Income posted a three-year Compounded Annual Growth Rate (CAGR) of 43% and 17%, to end 2016 at PHP23.7 billion and PHP33 million, respectively, amid the challenge of global and local uncertainties, and of booming competition within the trust and investment industry. Venturing into a more dynamic asset sourcing coupled with defensive stance for existing accounts and aggressive business development activities obtained positive results for TSD.

Investment Management Account continues to be the business driver of TSD, commanding 90.96% and 75.26% of 2016 AUM and Gross Income, respectively.

In sync with economic and market developments, TSD commenced gaining ground in Trust and Other Fiduciary Accounts services via Facility Agency, Trust Under Indenture, and Escrow arrangements through loan syndication and initial public offerings.

To further propel its standing in the trust industry, TSD, armed with streamlined operations, attractive investment options, and client-centric servicing, will take investment sophistication and trust experience to the next level in 2017.

SUPPORT INITIATIVES

Human Resources Management and Development Division

The Service Culture Program, which was introduced in 3Q of 2014, remained a top priority for the Human Resources Management and Development Division (HRMDD). As part of the program, the Bank launched its tagline, "We Think Customers". Employees were engaged in crafting the Bank's tagline and more than 1,500 entries were received. The new tagline was unveiled during a town hall meeting via video conferencing presided by President and CEO Roberto C. Benares in May 2016. It was a well-received event where all 1,600 employees nationwide were in attendance. Employees were able to witness the event in real time from their respective branches.

As of year-end 2016, 74% of the Bank's employees have undergone the Service Culture Program which teaches employees at all levels how to exemplify a Bank of Commerce employee and create a meaningful banking experience for customers.

Core, functional, and leadership programs were conducted throughout the year where a total of 1,541 participants attended. Training for Customer Service Assistants and Branch Officers was also a primary focus which equipped frontliners with the necessary skills to perform their jobs and serve customers better.

To further enrich the leadership skills of the Bank's senior management, select members were included in a transformational leadership program, where structure, processes, attitude, and leadership styles essential for effective organizational leadership were imparted.

A certificate program that will enhance leadership and management skills was offered to middle managers while an Officership Training Program for non-officers being considered for entry-level officers was also conducted. For 2016, a total of 46 non-officers passed the program and were promoted to junior officers.

HRMDD also embarked on a major project, the Job Evaluation (JE) exercise, in partnership with representatives from the different business units. For this endeavor, a Job Evaluation Committee (JEC) was created to evaluate unique jobs and determine the value of each job in relation to the other jobs in the Bank. HRMDD sought the assistance of experienced employees from other units who provided their inputs during the evaluation discussion. HRMDD engaged a leading global advisory and solutions company to guide the Bank in the process. The JEC is responsible for assessing 100% of the jobs and getting final approval from Management. By the end of 2016, the JEC graded 40% of the jobs and this initiative is expected to be finalized by Q1 2017.

HRMDD received recognition from the Department of Labor and Employment for the Bank's full compliance with all the labor laws. An extensive audit of labor standards was conducted in various sites in 2016 which included the Head Office and 62 branches in Metro Manila.

Information Technology Services Division

The Information Technology Services Division (ITSD) started 2016 with realignments in its organization. The clearer definition of internal job roles and consequential improvement of internal processes brought about a renewed passion for the entire ITSD to deliver the distinct service it has committed to the Bank.

The rest of 2016 was consumed in setting up the necessary IT roadmap and infrastructure to bring the Bank closer to its vision of creating a digital platform. The development of a digital platform will enable faster delivery of services or functionalities to customers, third-party sites and services, external partners, and internal customer-facing personnel. With ITSD at the helm, the Bank through this vision will broaden the scope of its business models and services.

The following digital transformation objectives were created: (a) modernize the Bank's legacy systems, including digitizing processes; (b) exploit new technologies; (c) develop a 360-degree view of the customer experience, as supported by a robust data collection system; and (d) utilize analytical capabilities to transform and redefine the customer experience.

The past year of gearing up for innovation allowed ITSD to make available the following new Systems and Facilities: Head Office and Branch Video Conferencing, RFID Top-Up via the Bank's alternative and over-the-counter channels through its branches, Data Center Co-Location at the San Miguel Corporation Head Office, Check Image Clearing System (CICS), and Enhanced Security for the Swift and ATMs.

Major IT projects that are expected to be completed in 2017 include the Data Integration Platform, Branch Distribution System Modernization, EMV (ATM Hardware Upgrade, ATM Card Re-Issue), Live Disaster Recovery for Internet Application Systems (e.g., Internet Banking), and Automatic Debit/Credit Arrangements with SMC Subsidiaries.

While system upgrades go through utilization-focused evaluation, ITSD leads the way in full force with stakeholders enabling the Bank to evolve into a future-forward, digitally synergistic banking service brand.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) has been the avenue of companies in extending their support to underprivileged communities. In line with its CSR mission, Bank of Commerce brought essential programs aimed at elevating the lives of those in need.

The Bank's CSR framework in 2016 was through partnerships with highly respected institutions. Through these collaborations, we were able to sustain and push our commitment to assist indigent communities. With a wider range of CSR activities supported by partner Non-Government Organizations (NGOs), we, the Bank, were able to encourage CSR initiatives like volunteerism, community development, and collaboration among employee-volunteers.

TEAM MALASAKIT

With the expansive school outreach last year in celebration of the 125th Anniversary of San Miguel Corporation (SMC), the San Miguel Foundation continued its Team Malasakit initiatives stretching the CSR program into a set of quarterly activities in 2016.

Habitat for Humanity

House-Building Activity at Santo Tomas, Batangas

Together with San Miguel Corporation, the Bank partnered with Habitat for Humanity for a house-building activity at Santo Tomas, Batangas. The on-ground initiative was the first quarter SMC-wide CSR event that provided employee-volunteers the opportunity to assist in the construction of safe, low-cost housing projects for the underprivileged.

Brigada Eskwela

Rizal High School, Pasig City

The Brigada Eskwela activity at Rizal High School was the biggest CSR event organized by San Miguel Foundation in 2016. The program gathered over 70 employee-volunteers from the Bank who refurbished at least three classrooms into comfortable, conducive-for-learning grounds for the students of the biggest public high school in Pasig City.

Brigada Eskwela is part of the Department of Education's Adopt-A-School Project, which invites companies to support public senior high schools in the implementation of the K to 12 Basic Education Program.

SMC Anniversary Reach-Out/Dance Competition

Hulo Elementary School, Mandaluyong City

The SMC Anniversary Reach-Out Activity at Hulo Elementary School was held for students who went through dance workshops and competed against other schools in preparation for their Teacher's Day presentation. The event, facilitated by the Bank's employee-volunteers, reflected the CSR program's aim at directing the student-beneficiaries' talents and skills for better use towards community development.

Christmas Outreach Program

Baseco Compound, Tondo, Manila

In celebration of the Yuletide season, the Bank reached out to families residing at the Baseco Compound in Tondo, Manila, by giving gifts to underprivileged children. They were also invited to join in on the fun, games, and gift-giving. Employee-volunteers led the games and distribution of Christmas presents for the kids and their families.

WORLD VISION – COMMUNITY-MANAGED SAVINGS AND CREDIT ASSOCIATION (COMSCA)

Laurel, Batangas

Low-income families were educated on financial literacy through the Bank's support for World Vision's Community-Managed Savings and Credit Association (CoMSCA). CoMSCA was established to create a local pool of capital for its members, allowing them to have easy access to lump sums that can be used to meet predictable expenses, reduce shocks to vulnerable livelihoods, facilitate household cash-flow management, and make short-term investments in income-generating activities.

The Bank supported a CoMSCA community at various barangays in Laurel, Batangas, and sponsored a complementary program dubbed CoMSCA Children, which was designed to help young members realize the importance of managing their own savings. By partnering with World Vision for this ongoing project, the Bank was able to help community members create more livelihood opportunities, improve their health and overall well-being, enhance their ability to send children to school, boost their sense of ownership and accountability, develop better community leaders, and build a stronger, more disaster-resilient community.

At present, the project has already benefitted 147 individuals from the community who have learned the basics of saving and have spent their savings wisely for education, household and family needs, and economic and livelihood activities.

INTERNATIONAL CARE MINISTRIES FOUNDATION, INC. (ICMFI) – TRANSFORM PROGRAM

On its 2nd year of partnership, the Bank joined forces with the International Care Ministries Foundation, Inc.'s (ICMFI) Transform Program, an intensive 16-week course designed to enhance the capacity for life skills and survival and meet the needs of families living below the poverty line. The program continues to empower these families with measureable progress in their struggle to rise above ultra-poverty, or living on less than PHP24 per day, malnutrition, chronic hunger, and in-crowded or inhumane shelters.

For 2016, the Bank was able to sustain its line of programs for Transform communities in Bacolod, Cebu, Iloilo, and Puerto Princesa. Employee-volunteers prepared meal packs for the beneficiaries through financial grants and employee donations. Employee contributions helped provide nutritious meal packs for the families and alleviate malnutrition particularly among children. The program also aimed at establishing new networks of support and social cohesion for the ultrapoor, delivering values, health, and livelihood education, and providing adequate food and nutritional supplements, medical kits, and livelihood resources for various communities in need.

CORPORATE GOVERNANCE

MANUAL ON CORPORATE GOVERNANCE

The Manual on Corporate Governance was adopted pursuant to Securities and Exchange Commission (SEC) Memorandum Circular No. 6 Series of 2009 and Memorandum Circular No. 9 Series of 2014, Bangko Sentral ng Pilipinas (BSP) Circular No. 840 and Section X141 of the Manual of Regulations for Banks. It is updated every year or as often as needed for significant changes in laws and regulations or best industry practices. The Manual also incorporates the applicable provisions of the General Banking Law of 2000.

It contains the principles of sound corporate governance which shall be adhered to by all directors, officers, and employees of Bank of Commerce as they discharge their respective duties and responsibilities. It emphasizes the Board of Directors' commitment to prudently manage the Bank, thereby preserving the trust and confidence reposed on it by its clients and other stakeholders. It is a valuable reference in the implementation of sound governance policies and practices and serves as a guide to the attainment of the Bank's vision, mission and strategic objectives.

The Manual on Corporate Governance highlights the Board of Directors' duties and responsibilities to ensure that the Bank is run in a sound and prudent manner. It also contains the qualification of directors/independent directors, as well as their mandated duties and responsibilities.

Cognizant that transactions between and among related parties create business synergy and economic benefits, a policy on dealings with related parties was adopted which included the creation of a Board-level Related Party Transactions Committee (RPTCom) in 2014. The policy defines guidelines for managing related party transactions, including managing of conflicts of interests or potential conflicts of interests to ensure that related party transactions are entered into on an arm's length basis and are consistent with the Bank and its shareholders' interests.

The creation of RPTCom preceded the regulatory mandate for an overarching policy on handling related party transactions to be adopted by banks including their non-bank financial subsidiaries, affiliates and related parties under BSP Circular No. 895 Series of 2015 and BSP Circular No. 914 Series of 2016. This reflects the Board's recognition that certain transactions involving related parties present an accentuated risk of conflict of interest or the perception thereof and initiative to adopt best practices consistent with good corporate governance.

BOARD GOVERNANCE

The Board of Directors (the Board) is primarily responsible for the sound governance of the Bank. Setting the tone from the top, it approves and oversees the implementation of the Bank's strategic objectives. Corollary to setting the policies for the accomplishment of corporate objectives, it also provides an independent check on Management. It is the Board's responsibility to foster the long-term success of the Bank, sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of the stockholders and other stakeholders.

BOARD OF DIRECTORS

At the end of 2016, the Board comprised of fifteen (15) members, five (5) of which or 33.33% of the total Board seats are independent directors. This number of independent directors is greater than the 20% representation of independent directors required by the BSP and SEC. The Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives. The membership of the Board is a combination of executive and non-executive directors such that no director or small group of directors dominates the decision-making process. All directors were chosen based on their qualifications, namely, integrity, probity, market reputation, conduct and behaviour, relevant education and training, physical and mental fitness, knowledge and experience. All directors possess such qualifications and stature that enable each of them to effectively participate in the deliberations of the Board.

An Independent Director is one who, apart from the required minimum shareholding, is independent of management and free from any business or other relationship, other than transactions which are conducted at arm's length, that could interfere with his exercise of independent judgment when carrying out his responsibilities as a director. An Independent Director only serves as such for a total of five (5) consecutive years, provided that the maximum term and any "cooling off" period prescribed by the Securities and Exchange Commission (SEC) apply.

The Board has adopted guidelines on the maximum number of directorships that its members can hold taking into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities as director of the Bank.

Pursuant to SEC Advisory dated 31 March 2016, independent directors elected in 2012 may be re-elected as such until 2017, when the two (2) year cooling-off period shall commence. If there are no suitable replacements, said independent directors may be re-elected in 2017 until 2021, at which time, they may no longer be qualified as independent directors for the same companies. The said re-election in 2017 until 2021 shall be with prior written notice and justification from the SEC.

A Director's office being one of trust and confidence, is expected to act in the best interest of the Bank and in a manner characterized by transparency, accountability, and fairness. As member of the Board upon which the corporate powers of the Bank is bestowed and exercised, and through which the Bank's strategic objectives, risk strategy, corporate governance and corporate values are set, a Director should exude leadership, observe prudence, exercise sound and objective judgment, prudence, and maintain integrity in directing the Bank toward sustained progress. The Board formulates the Bank's vision, mission, strategic objectives, policies, and procedures that guide its activities, including the means to effectively monitor Management's performance.

To effectively carry out their duties and responsibilities, the members of the Board are required to attend a program on corporate governance conducted by duly accredited training provider by the BSP. The Board has likewise adopted a policy on continuing education and training across all segments of the Bank's manpower complement, commensurate with their duties and responsibilities. This is in order to keep abreast with developments in the banking industry, ensure that skills and knowledge remain relevant and that requirements of the law, rules and regulations are understood and complied.

BOARD COMMITTEES

The Board has constituted the following committees to assist it in its supervision over the Bank's activities and to guide Management in implementing sound corporate governance: Executive Committee; Audit Committee; Board Risk Oversight Committee; Corporate Governance Committee; Nominations, Compensation, and Remuneration Committee; Trust and Investment Committee; and Related Party Transactions Committee. These committees regularly convene as mandated in their respective Charters. In the appointment of members of each committee, knowledge, skills, training and experience, among others, are considered to ensure an optimal mix of knowledge and experience to allow the members to fully understand, be critical and objectively evaluate the issues and promote healthy and objective discussions.

The Executive Committee (ExCom) is composed of five (5) members. It held twenty nine (29) meetings in 2016.

The Audit Committee (AuditCom) is composed of five (5) members, two (2) of whom, including the committee chairman, are independent directors. The committee oversees the institution's financial reporting policies, practices and controls the internal and external audit functions. It held thirteen (13) meetings in 2016, with one (1) special meeting in addition to the regular monthly meeting.

The Board Risk Oversight Committee (BROC) is composed of five (5) members, two (2) of whom are independent directors. Its chairman is a non-executive director. The committee is responsible for the development and supervision of the risk management program for the Bank and its trust unit. It held twelve (12) meetings in 2016.

The Corporate Governance Committee (CGCom) is composed of five (5) members, two (2) of whom, including the committee chairman, are independent directors. The corporate governance committee assists the Board in fulfilling its corporate governance responsibilities. The committee is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines across all levels of the Bank's personnel. It held twelve (12) meetings in 2016.

The Nominations, Compensation and Remuneration Committee (NCRC) is composed of five (5) members, two (2) of whom, including the committee chairman, are independent directors. It reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board. It held six (6) meetings in 2016.

The Trust and Investments Committee (TIC), is composed of five (5) members, three (3) of whom are non-executive directors including its chairman who is an independent director, the President of the Bank who is also a director, and the Trust Officer. TIC is primarily responsible for overseeing the fiduciary activities of the Bank. It held twelve (12) meetings in 2016.

Related Party Transactions Committee (RPTCom) is composed of five (5) members, three (3) of whom, including the committee chairman, are independent directors. The committee is composed entirely of independent directors and non-executive directors, with independent directors comprising majority of the members. It assists the Board in fulfilling its responsibility for ensuring that transactions with related parties are handled in an efficient and prudent manner, with integrity, and in compliance with relevant laws and regulations to protect the interest of depositors, creditors and other stakeholders. For this purpose, the RPTCom evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. It likewise evaluates all material RPTs to ensure that these are not undertaken on more favourable economic terms to such related parties than similar transactions with non-related parties under similar circumstances. It held twelve (12) meetings in 2016.

THE CORPORATE SECRETARY

The Corporate Secretary plays a significant part in ensuring that the Board is able to deliver its responsibilities. The Office of the Corporate Secretary prepares the agenda and sends out the required notices and the materials for discussion prior to the meeting and distributes the minutes of the previous meeting. The Office is responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Bank. Loyal to the mission, vision, and objectives of the Bank, the Corporate Secretary must work fairly and objectively with the Board, Management, stockholders, and other stakeholders. He should be aware of the laws, rules, and regulations essential to the performance of his duties and responsibilities and should ensure that all the Board procedures, rules, and regulations are strictly followed by the members.

THE COMPLIANCE OFFICER

The Board appointed a Chief Compliance Officer (CCO) who reports to the Board of Directors through the Corporate Governance Committee. The CCO is responsible for coordinating, monitoring, and facilitating compliance with existing laws, rules, and regulations. As such, he should have the skills and expertise to provide appropriate guidance and direction to the Bank on the development, implementation, and maintenance of the Compliance Program. The CCO is delegated with appropriate authority and provided with appropriate support and resources to ensure that compliance with laws, rules and regulations, and observance of best practices are carried out by the entire Bank. If any breach or violation of significant regulation is found, the matter is reported to the appropriate level of management or to the Board, together with appropriate recommendations to prevent recurrence and the necessity of imposing disciplinary action, when called for.

CHIEF RISK OFFICER

The Board also appointed a Chief Risk Officer (CRO) who is independent from executive, operations, and revenue generating functions within the Bank and possessed sufficient stature and authority within the Bank. Without compromising his independence, the CRO shall have the ability to engage in discussion with the Board, Chief Executive Officer and other senior management on key risk issues and to access such information as he deems necessary to form his or her judgment. The CRO has direct access to the Board and reports at least monthly to the Board Risk Oversight Committee. The CRO is responsible in identifying, measuring, and monitoring key risk exposures and in assessing whether decisions to accept particular risks are consistent with the risk appetite approved by the Board.

BOARD PERFORMANCE AND EVALUATION

The Board holds monthly meetings to enable directors to discharge their mandated duties and responsibilities of overseeing and monitoring the implementation of the Bank's strategic objectives and ensuring that its business is consistently carried out with compliance and corporate governance standards. Special meetings are also held from time to time as the need arises. In addition to the Board meetings, the directors attend the meetings of their respective Board Committees.

The Board of Directors annually assesses its performance and effectiveness as a body, as well as the various committees and the individual director through self, peer, committee, and board evaluation system facilitated by the Corporate Governance Committee.

REMUNERATION FOR DIRECTORS AND OFFICERS

The Bank observes overall compensation program at par with industry standards and aligned with the requirements of labor laws, rules and regulations. It likewise considers performance and is commensurate with the individual's qualifications, experience, and expertise. Corollary to this, the Bank utilizes data gathered from industry survey to ensure that remuneration packages of the Bank's directors, senior executives, and officers are within industry standards.

Directors are entitled to per diem allowance for their attendance at Board of Directors and Board Committee meetings. The Bank ensures these allowances are at par with peer banks. Likewise, employee performance is recognized through periodic performance assessments. This process provides the measure for commensurate salary increases and performance bonuses.

ADEQUATE AND TIMELY INFORMATION

Complete, adequate, and timely information on matters to be taken up during Board and committee meetings are important to enable the members of the Board to properly fulfill their duties and responsibilities. The information allows them to appreciate matters at hand and participate in exchanges and discussions during meetings in order to arrive at informed decisions. Prior to Board and committee meetings, members of the Board are provided with the required information. They are given independent access to the Management and Corporate Secretary at all times for the proper discharge of their functions.

FINANCIAL REPORTING, CONTROLS AND AUDIT

The Board envisions to protect shareholders' value through adequate internal controls. Thus, the Board encourages a collaborative environment that fosters and encourages a corporate environment of strong internal controls, sound fiscal accountability, high ethical standards, and compliance with laws, rules and regulations, and codes of conduct.

The Board also has a bounden duty to its shareholders to present a balanced and understandable assessment of the Bank's performance and financial position. Specifically, the Board commits to accurate Financial Reporting, Transparency, robust Internal Control, and adherence to accepted Accounting Standards and Auditor Independence.

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST

The Board respects the rights of the stockholders as provided for in the Corporation Code and ensures that they can freely vote on all matters that require their consent or approval, exercise their preemptive right to all stock issuances of the Bank, inspect the Bank's books and records, and access information on dividends and appraisal right. The Board likewise promotes transparency, accountability and fairness to stockholders of the Bank. It remains cognizant of its responsibility to foster the long-term success of the institution, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

STAKEHOLDERS

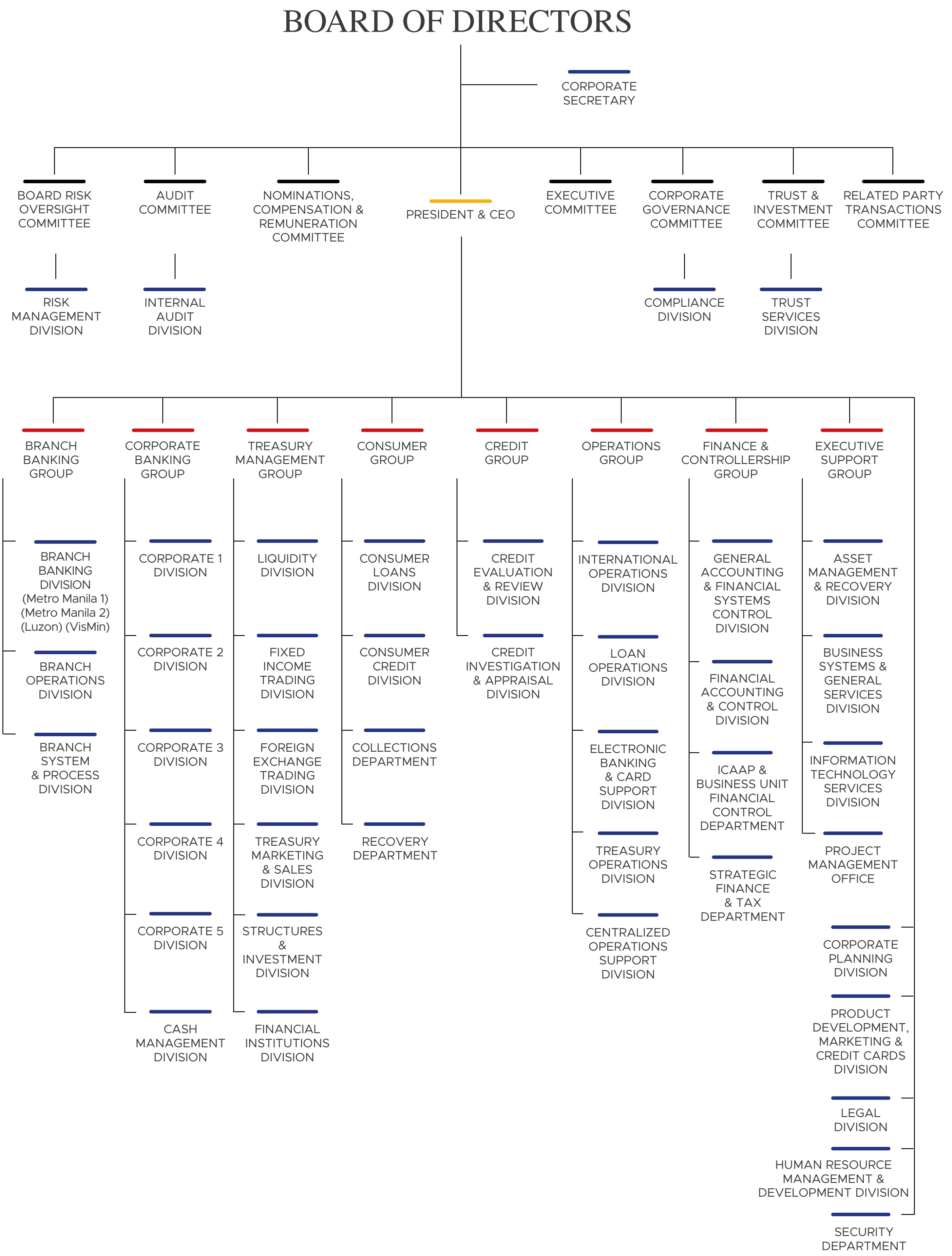
Beyond preservation of the financial value of the Bank, the Board recognizes the needs of its other stakeholders such as its customers, creditors, suppliers/contractors, personnel and the community at large. The Board has formulated policies that prioritizes customer needs, promote consumer protection, rationalize selection and evaluation of suppliers/service providers, and develop employees' potentials through continuing education, leadership training, and seminars. The Bank has adopted policies that created an open channel of communication for the Bank's various stakeholders, so they can express their concerns and other views to the Bank. It recognizes their rights as mandated by law and encourages their active participation in promoting financially sound and socially responsible endeavors.

CODE OF ETHICS AND STANDARDS

The Board upholds the Bank's Code of Conduct. It regularly reviews this Code, updates it whenever necessary, and communicates it to all the officers and employees of the Bank. It ensures that compliance of this Code is incorporated in the Bank's performance assessment system.

DISCLOSURE AND TRANSPARENCY

The Board commits to transparency and disclosure such that all essential and material information about the Bank which could adversely affect its viability or the interest of its stockholders and other stakeholders shall be adequately and timely disclosed. Aside from information and reports required by the BSP and the SEC to be published, information like earnings result, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and other indirect remuneration of members of the Board and Management, among others, shall remain disclosed.


BOARD OF DIRECTORS
CORPORATE SECRETARY
BOARD RISK OVERSIGHT COMMITTEE
AUDIT COMMITTEE
NOMINATIONS, COMPENSATION & REMUNERATION COMMITTEE
PRESIDENT & CEO
EXECUTIVE COMMITTEE
CORPORATE GOVERNANCE COMMITTEE
TRUST & INVESTMENT COMMITTEE
RELATED PARTY TRANSACTIONS COMMITTEE
RISK MANAGEMENT DIVISION
INTERNAL AUDIT DIVISION
COMPLIANCE DIVISION
TRUST SERVICES DIVISION
BRANCH BANKING GROUP
BRANCH BANKING DIVISION (Metro Manila 1) (Metro Manila 2) (Luzon) (VisMin)
BRANCH OPERATIONS DIVISION
BRANCH SYSTEM & PROCESS DIVISION
CORPORATE BANKING GROUP
CORPORATE 1 DIVISION
CORPORATE 2 DIVISION
CORPORATE 3 DIVISION
CORPORATE 4 DIVISION
CORPORATE 5 DIVISION
CASH MANAGEMENT DIVISION
TREASURY MANAGEMENT GROUP
LIQUIDITY DIVISION
FIXED INCOME TRADING DIVISION
FOREIGN EXCHANGE TRADING DIVISION
TREASURY MARKETING & SALES DIVISION
STRUCTURES & INVESTMENT DIVISION
FINANCIAL INSTITUTIONS DIVISION
CONSUMER GROUP
CONSUMER LOANS DIVISION
CONSUMER CREDIT DIVISION
COLLECTIONS DEPARTMENT
RECOVERY DEPARTMENT
CREDIT GROUP
CREDIT EVALUATION & REVIEW DIVISION
CREDIT INVESTIGATION & APPRAISAL DIVISION
OPERATIONS GROUP
INTERNATIONAL OPERATIONS DIVISION
LOAN OPERATIONS DIVISION
ELECTRONIC BANKING & CARD SUPPORT DIVISION
TREASURY OPERATIONS DIVISION
CENTRALIZED OPERATIONS SUPPORT DIVISION
FINANCE & CONTROLLERSHIP GROUP
GENERAL ACCOUNTING & FINANCIAL SYSTEMS CONTROL DIVISION
FINANCIAL ACCOUNTING & CONTROL DIVISION
ICAAP & BUSINESS UNIT FINANCIAL CONTROL DEPARTMENT
STRATEGIC FINANCE & TAX DEPARTMENT
EXECUTIVE SUPPORT GROUP
ASSET MANAGEMENT & RECOVERY DIVISION
BUSINESS SYSTEMS & GENERAL SERVICES DIVISION
INFORMATION TECHNOLOGY SERVICES DIVISION
PROJECT MANAGEMENT OFFICE
CORPORATE PLANNING DIVISION
PRODUCT DEVELOPMENT, MARKETING & CREDIT CARDS DIVISION
LEGAL DIVISION
HUMAN RESOURCE MANAGEMENT & DEVELOPMENT DIVISION
SECURITY DEPARTMENT

BOARD OF DIRECTORS

JOSE T. PARDO
Chairman (Independent Director)

ROBERTO C. BENARES
Member, President & CEO

FRANCIS C. CHUA
Vice Chairman

AMOR C. ILISCUPIDEZ
Member

MARITO L. PLATON
Member

CAROLINA G. DIANGCO
Member

MELINDA GONZALES-MANTO
Member (Independent Director)

RAMON A. DE LA LLANA
Member

ANIANO A. DESIERTO
Member (Independent Director)

BENEDICTA DU-BALADAD
Member

FE B. BARIN
Member

ALEXANDER R. MAGNO
Member

MARIANO T. KATIPUNAN, JR.
Member

JOSE C. NOGRALES
Member (Independent Director)

REBECCA MARIA A. YNARES
Member (Independent Director)

FERDINAND K. CONSTANTINO
Adviser

AURORA T. CALDERON
Adviser

MARGARITO B. TEVES
Adviser

CECILE L. ANG
Adviser

EVITA C. CABALLA
Corporate Secretary

SENIOR EXECUTIVE TEAM

ROBERTO C. BENARES
President & Chief Executive Officer

EVP EMMANUEL G. HERBOSA
Branch Banking Group Head

EVP FELIPE MARTIN F. TIMBOL
Treasury Management Group Head

EVP EDEL MARY D. VEGAMORA
Chief Financial Officer & Controller

SVP RAFAEL C. BUENO, JR.
Corporate Banking Group Head

SVP JOSEPH C. JUSTINIANO
Consumer Group Head

SVP REGINALD C. NERY
Chief Audit Executive

SVP JAY S. VELASCO
Operations Group Head

SVP EDWARD DENNIS J. ZSHORNACK
Executive Support Group Head

FVP JUAN ANGEL L. TINIO
Chief Information Officer

AVP AMALIA Q. BELARMINO
TSD Officer-In-Charge

VP MARIA ANA P. DELA PAZ
Credit Group Head

VP CORAZON T. LLAGAS
Chief Compliance Officer

VP JOSE MARI M. ZERNA
Chief Risk Officer

FVP ALFREDO J. BAUTISTA
Business Systems & General Services Division Head concurrent Corporate Planning Division Head
SET Secretariat

MANAGEMENT COMMITTEES

ANTI-MONEY LAUNDERING COMMITTEE

Chairperson	Corazon T. Llagas
Members	Phebe F. Cabildo
	Edwin T. Amahan
	Wilson C. Vinoya
	Ma. Teresa L. Zamora
	Jay S. Velasco
Adviser	Edward Dennis J. Zshornack
Secretariat	Lilibeth L. Sansait

ASSET LIABILITY MANAGEMENT COMMITTEE

Chairperson	Roberto C. Benares
Members	Felipe Martin F. Timbol
	Edel Mary D. Vegamora
	Emmanuel G. Herbosa
	Rafael C. Bueno, Jr.
	Joseph C. Justiano
	Alfredo J. Bautista
Adviser	Jose Mari M. Zerna
	Amalia Q. Belarmino
Secretariat	Monette G. De Leon

BIDS AND AWARDS COMMITTEE

Chairperson	Edel Mary D. Vegamora
Vice Chairperson	Sheilah R. Apostol
Members	Emmanuel G. Herbosa
	Jay S. Velasco
	Maria Ana P. Dela Paz
Secretariat	Maritess C. Claveria

COST REDUCTION COMMITTEE

Chairperson	Edel Mary D. Vegamora
Vice Chairperson	Emmanuel G. Herbosa
(alternate)	Edwin T. Amahan
Members	Edward Dennis J. Zshornack
	Jay S. Velasco
	Juan Angel L. Tinio
	Marie Kristin G. Mayo
	Celestino C. Mendiola
Secretariat	John M. Iledan
	Sheilah R. Apostol
Auditor	Reginald C. Nery

BUSINESS CONTINUITY MANAGEMENT COMMITTEE (CRISIS MANAGEMENT TEAM)

Chairperson	Roberto C. Benares
Vice Chairman	Jay S. Velasco
Members	Emmanuel G. Herbosa
	Joseph C. Justiniano
	Rafael C. Bueno, Jr.
	Maria Ana P. Dela Paz
	Edward Dennis J. Zshornack
	Felipe Martin F. Timbol
	Edel Mary D. Vegamora
	Corazon T. Llagas
	Jose Mari M. Zerna
	Reginald C. Nery

BUSINESS CONTINUITY MANAGEMENT COMMITTEE (BCP TEAM)

Chairperson	Emmanuel G. Herbosa
Vice Chairman	Edward Dennis J. Zshornack
Members	Edwin T. Amahan
	Jacqueline A. Domingo
	Leah S. Castaneda
	Cenen R. Grajo
	Paul John T. Reyes
	John M. Iledan
	Evelyn G. Brucales
	Marie Kristin G. Mayo
	Joel O. Longalong
	Rommelwin A. Ardidon
	Juan Angel L. Tinio
	Orlando M. Bibares
	Anna Marie A. Cruz
Secretariat	Roderick M. Martinez
	Emelito R. Papa

CLEAHR (CONTROLLERSHIP, COMPLIANCE, LEGAL, AUDIT, HUMAN RESOURCES AND RISK) COMMITTEE

Chairperson	Jose Mari M. Zerna
Members	Edel Mary D. Vegamora
	Corazon T. Llagas
	Louella P. Ira
	Reginald C. Nery
	Marie Kristin G. Mayo
Secretariat	Grace S. Cruz

COMMITTEE ON DISCIPLINARY ACTION

Chairman	Marie Kristin G. Mayo
Vice Chairman	Alfredo J. Bautista
Members	Morena V. Abadilla
	Louella P. Ira
	Joseph C. Justiniano
	Violeta M. Tirol
	Jose Mari M. Zerna
Secretariat	Anna-Lyn R. Tarrayo

CREDIT AND COLLECTION COMMITTEE

Chairman	Roberto C. Benares
Vice Chairman	Maria Ana P. Dela Paz
Members	Emmanuel G. Herbosa
	Felipe Martin F. Timbol
	Edward Dennis J. Zshornack
	Rafael C. Bueno, Jr.
	Joseph C. Justiniano
Advisers	Jose Mari M. Zerna
	Corazon T. Llagas
	Carmen Dee P. Sallan
Secretariat	Maria Monica L. Jimenez-Bigbig

INFORMATION TECHNOLOGY STEERING COMMITTEE

Chairman	Roberto C. Benares
Vice Chairman	Edward Dennis J. Zshornack
Members	Ramon A. De La Llana
	Emmanuel G. Herbosa
	Felipe Martin F. Timbol
	Jay S. Velasco
	Joseph C. Justiniano
	Rafael C. Bueno, Jr.
	Maria Ana P. Dela Paz
	Edel Mary D. Vegamora
	Anna Marie A. Cruz
	Juan Angel L. Tinio
	Alfredo J. Bautista
Advisers	Jose Mari M. Zerna
	Corazon T. Llagas
	Reginald C. Nery
Secretariat	Erma D. Pagkatipunan
	David S. Chua

SECURITY COMMITTEE

Chairman	Roberto C. Benares
Vice Chairman	Jay S. Velasco
Members	Edward Dennis J. Zshornack
	Violeta M. Tirol
	Januario G. Caringal
Advisers	Corazon T. Llagas
	Reginald C. Nery
	Jose Mari M. Zerna
Secretariat	Wilson C. Vinoya

ICAAP (INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS) COMMITTEE

Chairperson	Edel Mary D. Vegamora
Vice Chairman	Edward Dennis J. Zshornack
Members	Emmanuel G. Herbosa
	Jose Mari M. Zerna
	Corazon T. Llagas
	Joseph C. Justiniano
	Rafael C. Bueno, Jr.
	Alfredo J. Bautista
	Jay S. Velasco
	Felipe Martin F. Timbol
Adviser	Reginald C. Nery
Secretariat	John M. Iledan

OPERATIONS AND POLICIES COMMITTEE

Chairman	Jay S. Velasco
Members	Morena V. Abadilla
	Anna Marie A. Cruz
	Louella P. Ira
	Edel Mary D. Vegamora
	Edwin T. Amahan
	Alfredo J. Bautista
	Celestino C. Mendiola
	Juan Angel L. Tinio
	Jose Mari M. Zerna
Advisers	Corazon T. Llagas
	Reginald C. Nery
Secretariat	Cenen R. Grajo
Asst. Sec.	Marielisa B. Cruz

RISK MANAGEMENT

RISK PHILOSOPHY AND GUIDING PRINCIPLES

The Bank's goal is to generate steady returns to shareholders' capital. With this objective in mind, the Bank's business principles, strategies, and operations are designed to achieve cash flows in excess of its obligations to its fund providers and stakeholders. To realize this, the Bank takes risks that are inherent in the conduct of its commercial banking franchise. Risk taking presents opportunities to earn more-than-expected returns, provided that the risk-taking process is intentional, investigated, and controlled. The Bank's risk-taking activities are guided by the following principles:

- The Bank is in the business of taking risks.
- The Bank takes risks after a deliberate process to identify the risks, to dimension them, and to decide whether to reduce, avoid, accept, or transfer the risk.
- The Bank adopts risk management practices suited to the scope and sophistication of its business and in line with global best practices.
- The Bank's risk management is the concern of everyone.
- The Bank recognizes the independence of risk managers and risk takers from each other.

RISK MANAGEMENT OVERSIGHT

The Bank's Board of Directors (BOD), Board Risk Oversight Committee (BROC), and Risk Management Division (RSK) are responsible for setting the overall risk management framework and risk appetite of the Bank. The BOD is the sole arbiter of the risks taken by the organization, with the sole discretion of determining what manner (strategic direction) and magnitude (risk appetite) of risk are suitable for the organization. The BOD develops both the strategic direction and the risk appetite with inputs provided by Management.

The Board established the BROC to oversee the promotion of a risk management culture within the Bank. The BROC is responsible for establishing and maintaining a sound risk management system. It assists the Board in its risk oversight function by:

- Identifying and evaluating risk exposures
- Developing risk management strategies
- Implementing and periodically reviewing the risk management framework
- Promoting a culture that is conscious of the importance of risk management and capital adequacy

The Bank considers the understanding and the management of risk as a key part of its business strategy. The RSK is mandated to strengthen the Bank's risk management infrastructure to meet the requirements of its business.

The RSK implements the risk management directives of the Board and the BROC by:

- Formulating and recommending policies to manage market, liquidity, credit, operational, information technology, and trust risks arising from the business of the Bank
- Implementing the risk management framework approved by the Board of Directors
- Actively promoting a culture of risk awareness and risk management
- Coordinating with Finance and Controllership Group on the adequacy of the Bank's capital in absorbing the risks present in the Bank's business

The RSK reports to the Board through the BROC and is independent from the risk-taking business units of the Bank. Headed by the Chief Risk Officer, it comprises the following departments:

CREDIT RISK MANAGEMENT

The Credit Risk Management Department (CRM) consists of three sections, each focusing on a major segment of the credit risk management process. The CRM is responsible for developing and recommending policies that will aid in the management of credit risk present in the Bank's asset portfolios. The CRM is also in charge of developing and updating the Bank's credit risk rating systems. It is the department's duty to monitor credit risk exposures against established limits and report portfolio performance, including significant movements, asset quality, and levels of concentration to the BROC on a timely basis.

MARKET AND ASSET LIABILITY RISK MANAGEMENT

The Market and Asset Liability Risk Management Department (MRM) oversees the identification, assessment, monitoring, and control of risks arising from adverse movements in market risk factors and the related risk of the Bank not being able to meet its short-term financial obligations. It is responsible for recommending market and liquidity risk management policies which set uniform standards of risk assessment and capital adequacy. The MRM also provides Senior Management with risk assessments of Treasury-managed assets as well as the overall liquidity and repricing risk profile of the Bank's balance sheet. These are done through the use of Value-at-Risk and sensitivity metrics for the Treasury exposures and through liquidity and repricing gap analyses for the balance sheet profile. These metrics are evaluated against Board-approved limits and any exceptions are analyzed by the MRM and reported to the Board through the BROC.

OPERATIONAL RISK MANAGEMENT

The Operational Risk Management Department (ORMD) monitors the comprehensiveness and effectiveness of internal control systems employed by the Bank. The ORMD oversees the performance of these systems to minimize operational risks and detect vulnerabilities while the consequences are still manageable or avoidable.

The ORMD provides timely assessments of inherent general and functional risks to ensure the operational soundness of the organization as an ongoing concern. The ORMD also assists the operating units in improving the operational and system risk management capabilities through policy formulation.

INFORMATION TECHNOLOGY RISK MANAGEMENT

The Information Technology Risk Management (ITRM) focuses on the identification, monitoring, advisory, and reporting of risk issues arising from the technology transformation efforts of the Bank and the speed of innovation in products and services delivered on an information technology platform. It ensures the soundness of the organization's information technology systems by providing an effective assessment of inherent risks in its IT infrastructure. The ITRM also ensures the continuous relevance and enforcement of the Bank's IT Risk Management Framework and Information Security Policies and Procedures.

TRUST RISK MANAGEMENT

The Trust Risk Management (TRM) ensures the management of risks in the business operations of the Trust Services Division and reports to the Trust and Investment Committee (TIC) and the BROC. The TRM develops and enhances the policies and procedures in operational, credit, liquidity, and market risks in accordance with the risk management framework of the Bank to ensure that risk management practices continue to be effective and relevant to the ever-evolving trust business. It is responsible for overseeing the implementation of approved strategies and for ensuring that controls are in place relative to its business activities that will limit fiduciary risks and reinforce compliance with laws and regulations.

RISK MEASUREMENT AND REPORTING SYSTEMS

The Bank's capital adequacy is determined by measuring credit, market, and operational risk exposures using standardized or basic approaches as allowed by the Bangko Sentral ng Pilipinas (BSP). Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk taking personnel and groups but are independently validated, analyzed, and reported by the RSK. In cases where the risk measurement is performed by RSK, another independent party, in-house or external, conducts a validation exercise.

Market risks are measured by mark-to-market and Value-at-Risk analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit is measured via risk classifications of accounts using an Internal Credit Rating System that incorporates the BSP risk classifications of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowances for losses, including changes thereon, when necessary. All risk information are processed, analyzed, and consolidated for proper reporting to the BOD through the BROC, TIC, AuditCom, Senior Executive Team, and various management committees of the Bank.

Actual and estimated risk exposures and losses at Treasury, Corporate and Consumer Banking, Operations, and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and backtesting results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, status of legal cases, service level of major information technology systems, and ATMs.

The RSK streamlined the reporting of the enterprise-wide risk profile of the Bank through the periodic presentation and publication of the Risk Dashboard. This provides a readily available snapshot that highlights risk concerns encompassing the major business risk areas: Market, Asset and Liability, Credit, Corporate, Commercial and Consumer Lending, Operations, Information Technology, and Trust.

RISK EXPOSURES AND ASSESSMENTS

(as reported to Bangko Sentral ng Pilipinas)

RISK-WEIGHTED ASSETS

Bank of Commerce's risk-weighted assets at the end of 2016 totalled PHP74.7 billion.

RISK-WEIGHTED ASSETS	2016	2015
Credit Risk	67,625	58,921
On Balance Sheet	65,467	56,215
Commitments	2,146	2,694
Counterparty Risk-Weighted Assets in the Trading Book	12	12
Contingencies	-	-
Deduction: GLLP (in excess to 1% of Credit Risk-Weighted Assets)	-	-
Market Risk	292	1,186
Interest Rate Risk	27	1,052
Foreign Exchange Risk	265	134
Operational Risk	6,761	6,592
TOTAL RISK-WEIGHTED ASSETS	74,678	66,699

**Amounts in millions*

CREDIT RISK

The Bank considers credit risk as the possibility of loss arising from the customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted. The Bank uses the standardized approach in calculating its credit risk-weighted exposure. The straightforward nature of this approach enables the Bank to utilize a wider differentiation of risk weights and a wider recognition of risk mitigation techniques without taking in excessive complexity in the process.

Under this approach, the Bank assigns a specific risk weight to each asset and multiplies it by the credit risk exposure. The risk weights are based on the ratings provided by an External Credit Assessment Institution recognized by the BSP. For the end of 2016, the credit risk exposures of the Bank include PHP137.8 billion in balance sheet exposure.

All exposures arising from balance sheet items are net of provisions set aside to absorb credit losses:

ON-BALANCE SHEET ITEMS ASSESSED WEIGHT FOR CREDIT RISK	2016	2015
Cash & Other Cash Items	1,636	2,254
Due From Banks (including ILR and Due from BSP)	39,353	58,400
Securities	23,898	23,184
Sovereign	19,856	19,067
Bank	-	-
Corporate	4,041	4,117
Loan Portfolio	48,423	40,214
Loans to Corporates	40,971	34,651
Loans to Individuals - Qualified Residential REM	3,654	2,643
Loans to Individuals - Other Loans	3,640	2,854
Defaulted Exposures - Qualified Residential REM	47	75
Defaulted Exposures - Other Loans	111	(9)
Loan & Receivables Arising RPA	13,809	-
Sales Contracts Receivable	653	884
Real & Other Properties Acquired	2,742	2,625
Other Assets	5,196	5,449
TOTAL ON-BALANCE SHEET ITEMS WEIGHTED FOR CREDIT RISK	135,710	133,010

*Amounts in millions

As of December 31, 2016 and 2015, other assets have been subjected to the following deductions:

	2016	2015
Total Assets	136,843	136,027
General Loan Loss Provisions	465	307
Deductions		
Total Exposures Excluding other Assets	130,514	127,561
Financial Assets Held for Trading	94	1,701
Deferred Tax Assets	384	384
Other Intangible Assets	278	376
Other Equity Investments in Non-Financial Allied Undertakings and Non-Allied Undertakings	49	52
Significant Minority Instruments	-	-
Reciprocal Equity Investments	20	20
Accumulated Market gains /(losses) on AFS	-	-
Total Carrying Amount of Securitization Exposures	773	791
TOTAL OTHER ASSETS	5,196	5,449

*Amounts in millions

The Bank considers credit risk mitigation as a means to lower its exposure to credit risk. At the end of 2016, PHP0.661 billion in credit risk exposures carried mitigation in the form of qualified guarantees from third parties.

ON-BALANCE SHEET ITEMS COVERED BY CREDIT RISK MITIGATION	2016	2015
Exposures Covered by Credit Risk Mitigation	661	693
Items Covered by Guarantee (After Risk Weighing)	-	-
Items Covered by Collateral (After Risk Weighing)	-	-

**Amounts in millions*

The Bank uses a credit conversion factor as prescribed by banking regulations to account for the potential credit exposure arising from having committed to extend credit to a customer. The total loan equivalent exposure of the Bank to such commitments at the end of 2016 was PHP2.1 billion.

COMMITMENTS TO LEND (LOAN EQUIVALENT EXPOSURE)	2016	2015
Direct Client Substitutes	1,766	2,683
Transaction Related Contingencies	8	2
Trade Related Contingencies	372	9
Other Commitments	-	-
TOTAL COMMITMENTS TO LEND (LOAN EQUIVALENT EXPOSURE)	2,146	2,694

**Amounts in millions*

Net credit risk-weighted exposure at the end of 2016 was PHP67.6 billion. This credit exposure represents 91% of total risk-weighted assets.

The on-balance sheet credit risk-weighted assets without credit mitigation were PHP65.467 billion. On-balance sheet exposure makes up 96.8% of the total credit risk-weighted assets while the remainder is mostly in off-balance sheet assets, particularly on commitments to lend.

ON-BALANCE SHEET ITEMS ASSESSED WEIGHT FOR CREDIT RISK	2016	2015
Cash & Other Cash Items	3	5
Due From Banks (including ILR)	4,026	4,080
Securities	4,114	2,631
Sovereign	3,306	1,768
Bank	-	-
Corporate	808	862
Loan Portfolio	47,284	39,056
Loans to Corporates	40,628	34,371
Loans to Individuals - Qualified Residential REM	3,120	2,182
Loans to Individuals - Other Loans	3,322	2,441
Defaulted Exposures - Qualified Residential REM	47	75
Defaulted Exposures - Other Loans	167	(13)
Loan & Receivables Arising RPA	-	-
Sales Contracts Receivable	729	1,056
Real & Other Properties Acquired	4,114	3,938
Other Assets	5,196	5,449
TOTAL ON-BALANCE SHEET ITEMS WEIGHTED FOR CREDIT RISK	65,467	56,215

**Amounts in millions*

MARKET RISK

The Bank measures its exposure to market risk using the standardized approach under the Philippine Banking Regulation. Under this approach, the Bank applied risk weights defined by regulation to outstanding exposures to interest rates and to foreign exchange rates. Total of market risk-weighted assets at the end of 2016 was PHP292 million.

MARKET RISK-WEIGHTED ASSETS	2016	2015
Interest Rate Specific to the Issuer of the Debt Instruments	7	82
Interest Rate Risk Attributable to Market Conditions	20	970
Foreign Exchange Risk	265	134
TOTAL MARKET RISK-WEIGHTED ASSETS	292	1,186

*Amounts in millions

OPERATIONAL RISK

The Bank measures its exposure to operational risk using the basic indicator approach under the Philippine Banking Regulation. The approach utilizes the historical total annual gross income as the measure of risk exposure. Total of operational risk-weighted assets at the end of 2016 was PHP6.761 billion.

OPERATIONAL RISK-WEIGHTED ASSETS	2016	2015
Average Income of the Previous Three Years	3,606	3,515
Capital Charge (15 pct of Average Income)	541	527
Calibration (Capital Charge times 1.25)	676	659
TOTAL OPERATIONAL RISK-WEIGHTED ASSETS (CALIBRATED CAPITAL CHARGE TIMES 10)	6,761	6,592

*Amounts in millions

STRUCTURED PRODUCTS

The Bank's remaining investment in structured products is the MRT Tranche 3 Note. This is booked as part of unquoted debt securities classified as loans and is carried at cost. The Note regularly redeems part of its principal every month and is expected to be fully paid on February 7, 2025. The Bank's current carrying value as of December 31, 2016 was PHP773 million.

INVESTMENT IN STRUCTURED PRODUCTS IN 2016	CARRYING VALUE OF HOST INSTRUMENT	CARRYING VALUE OF EMBEDDED DERIVATIVES	GROSS EXPOSURE	PROVISION FOR LOSSES	TOTAL CARRYING VALUE OF EXPOSURE
Credit-Linked Notes (ROP Reference)	-	-	-	-	-
Collateralized Debt Obligations	-	-	-	-	-
Other Structured Investments	773.136	-	773.136	-	773.136
TOTAL	773.136	-	773.136	-	773.136

*Amounts in millions

INVESTMENT IN STRUCTURED PRODUCTS IN 2015	CARRYING VALUE OF HOST INSTRUMENT	CARRYING VALUE OF EMBEDDED DERIVATIVES	GROSS EXPOSURE	PROVISION FOR LOSSES	TOTAL CARRYING VALUE OF EXPOSURE
Credit-Linked Notes (ROP Reference)	-	-	-	-	-
Collateralized Debt Obligations	-	-	-	-	-
Other Structured Investments	790.896	-	790.896	-	790.896
TOTAL	790.896	-	790.896	-	790.896

*Amounts in millions

OTHER RISK DISCLOSURES

COMPLIANCE RISK

The Bank addresses compliance risk through strengthening its compliance infrastructure. This infrastructure requires all persons within the organization to know the laws, rules, and regulations attendant to their functions. In addition, the units in charge of compliance (legal, regulatory, tax) regularly disseminate any new issuances for the understanding of concerned units.

Compliance provides Business Operating Unit (BOU) guidance on the proper interpretation and implementation of BSP rules and regulations and other regulatory issuances. Breaches/deviations from these regulations are appropriately reported to the Management, Corporate Governance Committee, and the Board for immediate/ appropriate resolution.

Monitoring and assessment are performed regularly, creating a comfort level that compliance continues to function effectively and efficiently. For this purpose, the Bank implements the three-pronged approach in Compliance Testing: the Compliance Self-Assessment performed by the units themselves; the Independent Compliance Testing, a validation exercise performed by the Compliance Division on selected units and branches; and supplemented by validation performed by Internal Audit on all units and branches included in the Annual Audit Plan.

Deputy Compliance Officers (DCO) are appointed within each of the operating and business units, following a Compliance Program that is anchored on self-assessment. Compliance Self-Assessment is done on a monthly basis using the Compliance Self-Assessment Checklist. The result of Compliance Self-Assessment is validated through the Independent Compliance Testing. Results of Compliance Self-Assessment and Independent Compliance Testing are reported to the Corporate Governance Committee and appropriate levels of Management. Follow-through is being done until findings/exceptions are fully corrected.

REPUTATIONAL RISK

Reputational risk proceeds from negative public opinion and has the potential to erode the perception of the Bank as a worthy counterparty or investment target. Negative perception on the part of customers, providers of funding, or regulators can adversely affect a bank's ability to maintain existing, or establish new, business relationships or to continue accessing sources of funding.

As the Bank presently neither uses capital market sensitive funding nor publicly listed stock, its funding cost and equity value remain shielded from reputational risk events and market discipline rendering fair estimate difficult to quantify. Nevertheless, the impact on reputation of events that may occur in the regular course of business remains a top priority of Senior Management and the Board.

LEGAL RISK

Legal risk arises from failure in the implementation of necessary control measures as well as imperfect documentation of transactions. The primary functions of the Bank's Legal Services Division (LSD) comprise of rendering legal advice and document review to ensure that relevant laws are complied with, Bank interest is duly protected, and identified risks are imparted to responsible units of the Bank. The LSD handles cases filed for and against the Bank and provides Senior Management, the Corporate Governance Committee, and the BROC regular updates on any lawsuits involving the Bank.

PENSION RISK

The Bank enlists the assistance of third-party consultants to conduct actuarial evaluation on the condition of the retirement plan once a year in order to address any erosion in the explanatory power or significance of the actuarial models used to project benefit obligations.

Valuation of both the projected benefit obligation and the present value of the plan assets assumes rates of discount, asset return, and compensation growth. These parameters may properly reflect market conditions at the time of measurement but later be non-reflective as market conditions change.

The annual third-party actuarial evaluation of the condition of the retirement plan considers the relevance of the assumption used in valuation and recommends the necessary adjustments to properly reflect the value of plan assets and liabilities. The valuation assumptions last underwent review and adjustment during the actuarial report of 2016.

MODEL RISK

The Bank contracts external entities to validate internal models used to measure market, asset and liability risks, as well as rating models for the classification of borrowers' credit risk. Results of these validation exercises are reported to Management, the BROC, and the Audit Committee.

CAPITAL MANAGEMENT

The Board recognizes that capital adequacy is the foundation of institutional strength and therefore ensures that Bank of Commerce (the Bank) maintains an adequate level of capital to support business growth and maintain depositor and creditor confidence.

The Bank's capital management framework is designed to ensure that regulatory requirements are met at all times cognizant of the Bank's risk profile and target ratios approved by the Board. In addition, the Bank has its Internal Capital Adequacy Assessment Process (ICAAP), which enables the Bank to assess the capital impact of other risks apart from credit, market and operational risks.

REGULATORY CAPITAL OVERSIGHT

The Board oversees the deployment of capital funds bankwide, ensuring that Capital-to-Risk Weighted Assets Ratio (CAR) of the Bank meets or exceeds the minimum regulatory requirements. The following tables exhibit the Bank's capital condition as of December 31, 2016 and 2015:

AMOUNTS IN MILLIONS	2016	2015
Gross Qualifying Capital	16,425.5	16,197.3
Less: Regulatory deductions	1,504.0	1,622.2
Total Qualifying Capital	**14,921.5**	**14,575.1**
Credit risk-weighted assets	67,625.2	58,920.7
Market risk-weighted assets	292.1	1,186.3
Operational risk-weighted assets	6,761.3	6,592.3
Total Risk-Weighted Assets	**74,678.6**	**66,699.3**
Capital Adequacy Ratio or "CAR" Regulatory minimum is 10%	**20.0**	**21.9**
Tier 1 Capital Ratio Regulatory minimum is 7.5%	**19.3**	**21.4**
Common Equity Tier 1 Ratio	**19.3**	**21.4**

Source: CAR Report as of December 31, 2016 and 2015

The above ratios represent a measure of capital supply relative to the total risk-weighted assets and are measured against regulatory minimum requirements. As of December 31, 2016 and 2015, the Bank has complied with the minimum regulatory required capital.

Tier 1 Capital comprised common stock, additional paid-in capital and surplus. Common equity tier 1 represents ordinary share capital, share premium and retained earnings, including cumulative translation adjustment.

Risk weighted assets are determined based on standardized regulatory approach for credit risk (both on-and-off balance sheet exposures) and market risk, while operational risks are based on Basic Indicator Approach (BIA).

	DECEMBER 31, 2016		DECEMBER 31, 2015	
Amounts in millions	**Risk Weighted Assets**	**Capital Requirements**	**Risk Weighted Assets**	**Capital Requirements**
Credit Risk	67,625.2	6,762.5	58,920.7	5,892.1
Market Risk	292.1	29.2	1,186.3	118.6
Operational Risk	6,761.3	676.1	6,592.3	659.2
Total	**74,678.6**	**7,467.9**	**66,699.3**	**6,669.9**

The following tables exhibit the elements of the Bank's "Total Qualifying Capital" as of December 31, 2016 and 2015:

AMOUNTS IN MILLIONS	DECEMBER 31, 2016	DECEMBER 31, 2015
Paid-up Common Stock	11,224.1	11,224.1
Additional Paid-in Capital	8,748.5	8,748.5
Retained Earnings/(Deficit)[1]	(3,863.4)	(4,099.6)
Other Comprehensive Income	(165.7)	(3.4)
Gross Common Equity Tier 1 (CET1) Capital	**15,943.5**	**15,869.6**
Appraisal Increment Reserve – Bank Premises	17.2	20.3
General Loan Loss Provision	464.9	307.4
Gross Tier 2 Capital	**482.1**	**327.7**
Less: Regulatory Deductible Adjustments To Qualifying Capital		
Deferred Tax Assets	383.6	383.6
Other Intangible Assets	278.2	375.6
Other Equity Investments In Non-Financial Allied Undertakings And Non-Allied Undertakings	48.9	51.9
Reciprocal Equity Investments	20.2	20.2
Securitization Tranches And Structured Products Which Are Rated Below Investment Grade Or Are Unrated	773.1	790.9
Total Regulatory Deductible Adjustments To Qualifying Capital	**1,504.0**	**1,622.2**
Adjusted CET1 Capital	**14,439.4**	**14,247.4**
Adjusted Tier 2 Capital, mainly adding back the General Loan Loss Provisions	**482.1**	**327.7**
Total Qualifying Capital	**14,921.5**	**14,575.1**

Components of the regulatory qualifying capital are determined based on the BSP's regulatory accounting policy ("RAP"), which differs from the Capital based on PFRS in some respects.

[1] As disclosed in Note 37 to the 2016 Audited Financial Statements, the Bank reflected as of December 31, 2016 the SEC-approved equity restructuring to wipe out deficit amounting to P3.15 billion against its paid-in surplus (i.e. adjusting event after the reporting date). RAP-based financial statements used in generating CAR have been adjusted in 2017 to reflect the equity restructuring.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) OVERSIGHT

The Board oversees the ICAAP of the Bank, and recognizes the applicability of regulatory changes, such as Basel III, in its ICAAP. The ICAAP enables the Bank to properly understand the risks in its strategic plans and also to assess how much capital is required to withstand these risks. Integrating ICAAP into the organization creates a culture of collective responsibility and accountability to preserve and maximize the value of invested capital.

The Bank's management constantly monitors compliance with the minimum regulatory capital requirements as well as with internal capital requirements, as determined under its ICAAP. Management regularly reports to the Board the state of capital adequacy compliance to enable the Board to make proper decisions regarding risk and capital.

THE BOARD OF DIRECTORS AND THE BOARD RISK OVERSIGHT COMMITTEE

The Board of Directors, as the body responsible for the governance of the Bank, is the sole arbiter of the risks taken by the Bank and alone exercises discretion over the manner (strategic direction) and magnitude (risk appetite) in which the Bank's capital is placed at risk in pursuit of the Bank's strategic growth and profit targets.

The Board of Directors establishes an infrastructure that provides regular reports to ensure that the Board has sufficient information to make proper decisions on risk and capital.

The Board of Directors established within itself a Board Risk Oversight Committee (BROC) that oversees the risk management infrastructure of the Bank including the review of the ability of the Bank to absorb the risks where it has exposure.

ICAAP STEERING COMMITTEE

The ICAAP Steering Committee is a management committee that is responsible for overseeing the development of the assessment process and for monitoring the implementation and integration of the ICAAP. The Committee:

1. Evaluates the bank's compliance with mandated minimum capital requirements.
2. Oversees the internal capital adequacy assessment process to ensure it effectively approximates the bank's ability to absorb losses.
3. Formulates and recommends guidelines, policies and procedures which enable the bank to maintain a level of qualified capital appropriate to the bank's risk profile.
4. Evaluates the Regulator's findings and recommendations regarding ICAAP of the bank and oversees the bank's plans to address the Regulator's findings on ICAAP.

The ICAAP Report is issued by the ICAAP Committee to the Board annually, conveying the results of the evaluation of the Bank's ICAAP. The 2016 ICAAP Report highlighted the sufficiency of the Bank's compliance with regulatory and internal capital requirements considering the strategic plans from 2017 through 2019, and the sufficiency of management's Capital Contingency Plan as well as Capital Build-up Program. These action plans that have been approved by the Board include the following:

a. Achieve and protect the projected profits aggregating to PHP757 million (based on RAP) for the years 2017 thru 2019;
b. Infusion of additional PHP6 billion Tier 1 capital (i.e., public disclosure of the San Miguel Corporation President), in line with the planned Universal Banking License;
c. Raising of Tier 2 capital as and when needed; and
d. Reduction of Risk-weighted assets which entails cleaning up of the Bank's Non-performing assets.

The Bank's intended primary source of emergency capital would be through issuance of additional Tier 1 capital (common stock), as discussed and approved at the ICAAP Steering Committee and Board levels.

The Bank's long-term capital management plan that was approved by the Board back in 2014 consists of the following key components, which have materialized in a timely manner as follows:

1. Starting with its 2014 Audited Financial Statements, the Bank was able to finally resolve the long outstanding qualifications in the external Auditors' Opinion pertaining to prior years' unrecognized losses that should have otherwise reduced Total Capital. As of December 31, 2014, the Bank's Capital (PFRS basis) had been updated with the full write down of the required allowance for certain non-performing assets that had been acquired in 2002 from Traders Royal Bank as well as the full charge-off of deferred losses that had been actually incurred on the 2005 and 2007 sales of non-performing assets to special purpose vehicles.
2. Pursuant to the SEC's Certificate of Approval of Equity Restructuring, the Bank was allowed by SEC to effect in the Audited Financial Statements as of December 31, 2016, the wipe out of its Deficit as of December 31, 2015 in the amount of PHP3,154,450,041.00 against the Additional Paid-in Capital (APIC) of PHP8,748,529,678.00.
3. As part of on-going capital management, the Bank continues to evaluate the forward-looking capital requirements to support future business expansion and risk-taking strategies. The Board has directed Management to escalate for deliberation and approval by the Board any proposed capital-raising exercise, and accordingly to pursue the necessary regulatory approvals.

CONSUMER PROTECTION

Since early 2016, Bank of Commerce has been devoting its energies and resources to support the Financial Consumer Protection (FCP) advocacy of the Bangko Sentral ng Pilipinas (BSP) and will continue to champion in protecting its customers as encapsulated in the Bank's new tagline "We think Customers."

The Bank's initiatives include:

- **Further enhanced its Consumer Assistance Management System (CAMS)**
  The Bank hired an FCP Manager and has in place a Consumer Assistance Unit (CAU) as well as designated Customer Assistance Officer (CAO) in the head office and branches to ensure effective usage of the CAMS. The Bank ensures that the CAMS and related processes are implemented to readily assist customers' needs and concerns across all channels of the Bank.

- **Formulated and implemented a system for assessing and monitoring compliance to FCP**
  The Bank recognizes the importance of its full compliance to FCP, hence, a checklist was devised to analyze the gaps of the existing programs and systems of the Bank as well as to sustain its compliance.

  All existing operating policies and procedures, including Bank forms, are revisited and amended to include pertinent financial consumer protection provisions.

- **Embedded FCP in the Compliance and Audit Program of the Bank**
  Essential component of the Consumer Protection Risk Management System (CPRMS) is the implementation of FCP in the Compliance Program. In the conduct of independent compliance testing and compliance self-assessments of bank units, the review of consumer protection practices, adherence to internal policies and procedures, and compliance with banking laws and regulations on consumer protection are now included in the scope.

  The Audit programs are prepared prior to execution of the audit engagement to ensure that the most updated risks, controls, policies, and procedures are identified and covered during the audit. Audit procedures related to FCP are incorporated or updated in the audit programs of business units, branches, products, and processes included in the annual audit plan. The Bank's FCP Manual together with the relevant government regulations shall be the basis in updating existing audit procedures.

- **Embedded FCP in the Bank's Code of Conduct and Training Programs**
  The Bank has embedded the relevant provisions of FCP in its training programs particularly those pertaining to the needed disclosures when selling products and services. Also embedded are the standards for proper delivery of customer service and handling of customer complaints. Further, each newly hired employee is required to peruse and familiarize with the Bank's Code of Conduct, which contains the requirement of FCP.

- **Started Financial Education using the Bank's website**
  Aside from the programs conducted by the Bank at various schools to teach underprivileged children and their parents the basics and importance of saving, the Bank also initiated in its webpage a write up on Credit Tips that will give its existing and prospective clients pointers on how to manage good credit.

INTERNAL AUDIT DIVISION REPORT

The Internal Audit Division (IAD) is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and help improve the operations of the Bank. The IAD evaluates the effectiveness of the Bank's risk management and governance processes and provides reasonable assurance that the Bank's key organizational and procedural controls are effective, appropriate, and complied with. The IAD periodically audits all branches, head office units, as well as systems, applications, and projects of the Bank, using a risk-based approach.

Over the years, the IAD has also significantly enhanced the use of computer-assisted audit techniques (CAATs). Tools such as ACL (a data extraction and analysis software), and the advanced use of MS Excel allow the IAD to apply a more efficient, effective, and comprehensive approach in reviewing and analyzing data for selected audits and validations. Based on the results of audit and other assurance activities performed in 2016, the Chief Audit Executive declared that the Bank's systems of governance, internal controls and risk management are reasonably adequate to address financial, regulatory, compliance (including AMLA), operational, and fraud-related risks. It is worthy to note that the Bank has been consistently improving its internal controls and risk management processes to address emerging risks faced by the institution, to attune itself with new laws and regulations, and to respond to technology changes, competition and industry movements.

A structured program for continuing professional development is in place to help the Bank's auditors further enhance their knowledge, skills, and other competencies with regard to auditing. The program is also aimed at making the auditors informed about current developments in governance, risk, information technology (IT), regulations, and control processes relevant to the Bank. Furthermore, auditors are strongly encouraged to demonstrate their proficiency by obtaining appropriate professional certification related to internal auditing, internal control, risk management, IT security, and governance.

The IAD maintains a quality assurance and improvement program that covers all aspects of the internal audit activity. The program includes, but is not limited to, an evaluation of the internal audit activity's conformance with The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (the "Standards" or ISPPIA) and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

An internal assessment is conducted annually while external assessment is conducted by a qualified external quality assessment provider at least once every five years. The results of the internal and external assessments are both presented to the Audit Committee. The Bank is undertaking these assessments to demonstrate the IAD's continuing compliance with the Standards.

Bank of Commerce
We think CUSTOMERS

San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong CPO, Mandaluyong City
P.O. Box 002, 1550 Metro Manila, Philippines Trunkline (632) 982-6000
www.bankcom.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOSE T. PARDO
Chairman of the Board

ROBERTO C. BENARES
President and Chief Executive Officer

EDEL MARY D. VEGAMORA
Executive Vice President and Chief Financial Officer

Subscribed and sworn to before me this ______ day of APR 06 2017, affiants exhibiting their Senior Citizen Identification No. and Passport No., as follows:

Names	Identification Nos.	Date of Issue	Place of Issue
Jose T. Pardo	Senior Citizen ID No. 1725634	July 31, 2002	Muntinlupa City
Roberto C. Benares	Passport No. EC2113502	September 16, 2014	DFA NCR East
Edel Mary D. Vegamora	Passport No. P0383691A	September 26, 2016	DFA Angeles

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Book No. 11
Series of 2017

MARSELINE T. CARRASCO
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 0478-17
UNTIL DECEMBER 31, 2018
SMPC, # 7 ST. FRANCIS ST., MANDALUYONG CITY
PTR# 3011343 /JANUARY 3, 2017 MANDALUYONG CITY
IBP OR# 1C56034 /JANUARY 4, 2017 PASIG CITY
ROLL OF ATTORNEYS#63375

AUDITED FINANCIAL STATEMENTS

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Bank of Commerce
San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Report on the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the "Bank"), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

KPMG

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

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

R.G. MANABAT & CO.

ALINE A. NOVILLA
Partner
CPA License No. 0109938
BSP Accredited, Category A, valid until December 17, 2017
SEC Accreditation No. 1488-A, Group A, valid until May 20, 2018
Tax Identification No. 228-271-641
BIR Accreditation No. 08-001987-32-2014
Issued October 15, 2014; valid until October 14, 2017
PTR No. 5904938MD
Issued January 3, 2017 at Makati City

February 28, 2017
Makati City, Metro Manila

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2016**	2015
ASSETS			
Cash and Other Cash Items		**P1,635,564,614**	P2,253,631,232
Due from Bangko Sentral ng Pilipinas	*17*	**31,232,966,983**	49,802,020,338
Due from Other Banks		**3,839,466,066**	3,287,775,229
Interbank Loans Receivable and Securities Purchased Under Resale Agreement	*7*	**18,076,096,271**	5,383,605,561
Financial Assets at Fair Value through Profit or Loss	*8*	**93,511,228**	1,701,471,773
Available-for-Sale Securities - net	*9, 16, 32, 33*	**23,325,779,989**	23,449,649,377
Loans and Receivables - net	*10, 16, 33*	**50,790,241,751**	42,441,759,594
Non-current Assets Held for Sale	*11*	**53,667,264**	69,246,837
Investment in Associate - net	*12, 16, 33*	**48,265,331**	49,171,240
Property and Equipment - net	*13, 16*		
At cost		**429,706,361**	466,219,049
At appraised values		**840,453,110**	1,428,032,971
Investment Properties	*14*	**6,213,588,230**	5,401,420,485
Deferred Tax Assets - net	*30*	**168,489,161**	212,946,195
Other Assets - net	*15, 16*	**1,937,985,894**	1,526,836,569
		P138,685,782,253	P137,473,786,450

LIABILITIES AND EQUITY			
Deposit Liabilities	*17, 33*		
Demand		**P24,422,977,807**	P24,045,718,290
Savings		**68,709,645,591**	79,478,816,608
Time		**24,363,391,426**	13,647,607,324
		117,496,014,824	117,172,142,222
Bills Payable	*18*	**484,385**	688,850
Manager's Checks		**716,059,911**	500,111,612
Accrued Interest, Taxes and Other Expenses	*19, 33*	**941,943,850**	907,868,265
Other Liabilities	*20, 33*	**2,225,833,783**	2,163,029,627
Total Liabilities		**121,380,336,753**	120,743,840,576

Forward

		December 31	
	Note	**2016**	2015
Equity			
Capital stock	*22*	**P11,224,111,200**	P11,224,111,200
Paid-in surplus	*22, 37*	**5,594,079,646**	8,748,529,687
Surplus reserves	*23*	**152,581,050**	146,692,129
Retained earnings (Deficit)	*22, 37*	**618,096,016**	(3,154,450,041)
Revaluation increment on property and equipment and investment properties - net of tax	*13, 14*	**447,151,737**	404,436,767
Net unrealized losses on available-for-sale securities	*9*	**(566,622,743)**	(386,556,197)
Remeasurement losses on defined benefit liability	*27*	**(164,228,770)**	(231,690,806)
Share in other comprehensive loss of associate	*12*	**(1,023,607)**	(1,527,794)
Cumulative translation adjustment		**1,300,971**	(19,599,071)
Total Equity		**17,305,445,500**	16,729,945,874
		P138,685,782,253	P137,473,786,450

See Notes to the Financial Statements.

STATEMENTS OF INCOME

		Years Ended December 31	
	Note	**2016**	2015
INTEREST INCOME			
Loans and receivables	*10, 33, 37*	**P2,875,606,204**	P2,481,863,005
Debt securities	*24, 33*	**882,450,722**	1,053,353,028
Due from Bangko Sentral ng Pilipinas and other banks	*17*	**241,093,330**	401,202,935
Interbank loans receivable and securities purchased under resale agreement	*7*	**190,577,104**	18,233,643
		4,189,727,360	3,954,652,611
INTEREST EXPENSE			
Deposit liabilities	*17, 33*	**862,628,893**	846,492,696
Bills payable	*18*	**646,798**	747,274
		863,275,691	847,239,970
NET INTEREST INCOME		**3,326,451,669**	3,107,412,641
OTHER INCOME			
Trading and investment securities gains - net	*26*	**342,427,184**	366,368,135
Service charges, fees and commissions	*25, 33*	**324,203,760**	362,302,173
Gains on foreclosure, and sale of property and equipment and foreclosed assets - net	*11, 13, 14, 15, 33*	**257,113,853**	181,450,226
Reversal of credit and impairment losses	*16*	**108,038,780**	55,623,580
Foreign exchange gains - net		**51,341,679**	57,310,853
Fair value gain from investment properties	*14*	**47,586,165**	450,294,708
Miscellaneous	*14, 28, 33*	**83,777,604**	159,742,300
		1,214,489,025	1,633,091,975
OTHER EXPENSES			
Compensation and fringe benefits	*27, 33*	**1,381,603,312**	1,439,186,801
Rent and utilities	*28*	**671,243,535**	676,660,674
Taxes and licenses	*14, 30*	**480,727,818**	485,661,445
Insurance		**209,021,659**	200,648,829
Depreciation and amortization	*13, 15*	**194,611,245**	366,504,045
Entertainment, amusement and recreation	*30*	**155,850,059**	173,390,393
Amortization of software costs	*15*	**111,164,255**	98,779,699
Management and professional fees	*33*	**70,412,561**	76,302,237
Miscellaneous	*29*	**347,218,102**	425,105,525
		3,621,852,546	3,942,239,648
INCOME BEFORE SHARE IN NET LOSS OF ASSOCIATE AND INCOME TAX		**919,088,148**	798,264,968
SHARE IN NET LOSS OF ASSOCIATE	*12, 33*	**1,410,096**	2,087,297
INCOME BEFORE INCOME TAX		**917,678,052**	796,177,671
INCOME TAX EXPENSE	*30*	**307,280,056**	466,384,368
NET INCOME		**P610,397,996**	P329,793,303

See Notes to the Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2016**	2015
NET INCOME		**P610,397,996**	P329,793,303
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss			
Net change in remeasurement losses on defined benefit liability	*27*	**67,462,036**	23,245,869
Net change in revaluation increment on property and equipment and investment properties - net of tax	*13, 14*	**56,301,911**	36,086,097
		123,763,947	59,331,966
Items that may be reclassified to profit or loss			
Net change in net unrealized loss on available-for-sale securities	*9*	**(180,066,546)**	(833,852,333)
Net movement in cumulative translation adjustment		**20,900,042**	(859,333)
Share in other comprehensive income (loss) of associate	*12*	**504,187**	(1,224,050)
		(158,662,317)	(835,935,716)
		(34,898,370)	(776,603,750)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P575,499,626**	(P446,810,447)

See Notes to the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

	Note	Capital Stock (Note 22)	Paid-in Surplus (Notes 22 and 37)	Surplus Reserves (Note 23)	Retained Earnings (Deficit) (Notes 22 and 37)	Revaluation Increment on Property and Equipment and Investment Properties - net of tax (Notes 13 and 14)	Net Unrealized Losses on Available-for-Sale Securities (Note 9)	Remeasurement Losses on Defined Benefit Liability (Note 27)	Share in Other Comprehensive Loss of Associate (Note 12)	Cumulative Translation Adjustment	Total Equity
Balance as at December 31, 2015		P11,224,111,200	P8,748,529,687	P146,692,129	(P3,154,450,041)	P404,436,767	(P386,556,197)	(P231,690,806)	(P1,527,794)	(P19,599,071)	P16,729,945,874
Net income for the year		-	-	-	610,397,996	-	-	-	-	-	610,397,996
Other comprehensive income (loss):											
Items that may not be reclassified to profit or loss:											
Net change in remeasurement losses on defined benefit liability		-	-	-	-	-	-	67,462,036	-	-	67,462,036
Net change in revaluation increment on property and equipment and investment properties - net of tax		-	-	-	-	56,301,911	-	-	-	-	56,301,911
Items that may be reclassified to profit or loss:											
Net changes in fair value of available-for-sale (AFS) securities		-	-	-	-	-	172,618,932	-	-	-	172,618,932
Net changes in fair value of AFS securities taken to profit or loss		-	-	-	-	-	(352,685,478)	-	-	-	(352,685,478)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	-	-	20,900,042	20,900,042
Share in other comprehensive income of associate		-	-	-	-	-	-	-	504,187	-	504,187
Total comprehensive income for the year		-	-	-	610,397,996	56,301,911	(180,066,546)	67,462,036	504,187	20,900,042	575,499,626
Application of paid-in surplus against deficit	*22, 37*	-	(3,154,450,041)	-	3,154,450,041	-	-	-	-	-	-
Appropriation of surplus for trust business	*23*	-	-	5,888,921	(5,888,921)	-	-	-	-	-	-
Transfer of revaluation increment on property and equipment realized through depreciation		-	-	-	13,586,941	(13,586,941)	-	-	-	-	-
		-	(3,154,450,041)	5,888,921	3,162,148,061	(13,586,941)	-	-	-	-	-
Balance as at December 31, 2016		**P11,224,111,200**	**P5,594,079,646**	**P152,581,050**	**P618,096,016**	**P447,151,737**	**(P566,622,743)**	**(P164,228,770)**	**(P1,023,607)**	**P1,300,971**	**P17,305,445,500**

Forward

	Note	Capital Stock (Note 22)	Paid-in Surplus (Note 22)	Surplus Reserves (Note 23)	Deficit	Revaluation Increment on Property and Equipment - net of tax (Note 13)	Net Unrealized (Losses) Gains on Available-for-Sale Securities (Note 9)	Remeasurement Losses on Defined Benefit Liability (Note 27)	Share in Other Comprehensive Loss of Associate (Note 12)	Cumulative Translation Adjustment	Total Equity
Balance as at December 31, 2014		P11,224,111,200	P8,748,529,687	P142,211,945	(P3,600,050,151)	P488,637,661	P447,296,136	(P254,936,675)	(P303,744)	(P18,739,738)	P17,176,756,321
Net income for the year		-	-	-	329,793,303	-	-	-	-	-	329,793,303
Other comprehensive income (loss):											
Items that may not be reclassified to profit or loss:											
Net change in remeasurement losses on defined benefit liability		-	-	-	-	-	-	23,245,869	-	-	23,245,869
Net change in revaluation increment on property and equipment - net of tax		-	-	-	-	36,086,097	-	-	-	-	36,086,097
Items that may be reclassified to profit or loss:											
Net changes in fair value of available-for-sale (AFS) securities		-	-	-	-	-	(325,722,716)	-	-	-	(325,722,716)
Net changes in fair value of AFS securities taken to profit or loss		-	-	-	-	-	(508,129,617)	-	-	-	(508,129,617)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	-	-	(859,333)	(859,333)
Share in other comprehensive loss of associate		-	-	-	-	-	-	-	(1,224,050)	-	(1,224,050)
Total comprehensive loss for the year		-	-	-	329,793,303	36,086,097	(833,852,333)	23,245,869	(1,224,050)	(859,333)	(446,810,447)
Appropriation of surplus for trust business	*23*	-	-	4,480,184	(4,480,184)	-	-	-	-	-	-
Transfer of revaluation increment on property and equipment realized through depreciation		-	-	-	120,286,991	(120,286,991)	-	-	-	-	-
		-	-	4,480,184	115,806,807	(120,286,991)	-	-	-	-	-
Balance as at December 31, 2015		P11,224,111,200	P8,748,529,687	P146,692,129	(P3,154,450,041)	P404,436,767	(P386,556,197)	(P231,690,806)	(P1,527,794)	(P19,599,071)	P16,729,945,874

See Notes to the Financial Statements.

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P917,678,052**	P796,177,671
Adjustments for:			
Gain on sale of available-for-sale securities	*9, 26*	**(352,685,478)**	(508,129,617)
Gain on foreclosure, and sale of property and equipment and foreclosed assets - net	*11, 13, 14, 15*	**(257,113,853)**	(181,450,226)
Depreciation and amortization	*13, 15*	**194,611,245**	366,504,045
Amortization of software costs	*15*	**111,164,255**	98,779,699
Reversal of credit and impairment losses	*16*	**(108,038,780)**	(55,623,580)
Unrealized (gain) loss on financial assets and liabilities at fair value through profit or loss	*26*	**(86,897,122)**	72,505,565
Fair value gain from investment properties	*14*	**(47,586,165)**	(450,294,708)
Share in net loss of associate	*12*	**1,410,096**	2,087,297
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Financial assets at fair value through profit or loss		**1,694,857,667**	(1,420,769,828)
Loans and receivables		**(8,528,485,408)**	311,230,210
Other assets		**(178,348,163)**	(35,291,366)
Increase (decrease) in:			
Deposit liabilities		**323,872,602**	(2,414,220,419)
Manager's checks		**215,948,299**	(44,041,882)
Accrued interest, taxes and other expenses		**25,191,733**	95,388,219
Other liabilities		**130,257,230**	(383,686,610)
Net cash absorbed by operations		**(5,944,163,790)**	(3,750,835,530)
Income taxes paid		**(270,459,994)**	(328,267,461)
Net cash used in operating activities		**(6,214,623,784)**	(4,079,102,991)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale or redemption of:			
Available-for-sale securities		**100,360,375,520**	123,016,447,085
Investment properties		**157,026,800**	48,207,848
Property and equipment		**59,005,907**	51,272,795
Non-current assets held for sale		**-**	31,200,000
Additions to:			
Available-for-sale securities		**(100,063,887,200)**	(118,910,579,599)
Property and equipment	*13*	**(194,443,501)**	(140,781,776)
Deferred software costs	*15*	**(63,133,883)**	(60,191,661)
Investment properties		**(3,953,862)**	(668,093)
Non-current assets held for sale	*11*	**-**	(59,038)
Net cash provided by investing activities		**250,989,781**	4,034,847,561
CASH FLOWS FROM A FINANCING ACTIVITY			
Bills payable	18	**(204,465)**	(138,771)
EFFECT OF EXCHANGE RATE DIFFERENCES		**20,900,042**	**(859,333)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,942,938,426)**	(45,253,534)

Forward

	Years Ended December 31	
	2016	2015
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	**P2,253,631,232**	P2,325,629,766
Due from Bangko Sentral ng Pilipinas	**49,802,020,338**	49,198,853,766
Due from other banks	**3,287,775,229**	3,548,086,460
Interbank loans receivable and securities purchased under resale agreement	**5,383,605,561**	5,699,715,902
	60,727,032,360	60,772,285,894
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and other cash items	**1,635,564,614**	2,253,631,232
Due from Bangko Sentral ng Pilipinas	**31,232,966,983**	49,802,020,338
Due from other banks	**3,839,466,066**	3,287,775,229
Interbank loans receivable and securities purchased under resale agreement	**18,076,096,271**	5,383,605,561
	P54,784,093,934	P60,727,032,360
OPERATIONAL CASH FLOWS FROM INTEREST		
Interest received	**P4,063,503,779**	P4,080,765,769
Interest paid	**837,948,378**	827,107,444

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Bank of Commerce (the "Bank") is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on December 16, 1963. It provides commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, and trust services.

The Bank's original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as Overseas Bank of Manila. The Bank received its Foreign Currency Deposit Unit (the "FCDU") license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

On July 13, 2010, the Bangko Sentral ng Pilipinas (BSP) approved the Bank's proposed change of location of its head office and the conversion of its former main office branch as Ayala Avenue Branch and San Miguel Properties Centre Branch to Main Office Branch. Subsequently on February 25, 2011, upon receipt of the related SEC approval of its amended Articles of Incorporation and amended By-laws reflecting this change, the Bank's principal place of business was changed from Phil. First Building, 6764 Ayala Avenue, Makati City to San Miguel Properties Centre, No. 7, St. Francis Street, Mandaluyong City. The Bank has a total of 132 and 125 branches nationwide as at December 31, 2016 and 2015, respectively.

On January 17, 2012, the Board of Directors (BOD) of the Bank approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate life of the Bank, before its expiry date of December 16, 2013, for another 50 years or up to December 16, 2063. The said Amended Articles of Incorporation of the Bank were approved by the SEC on January 16, 2013.

The accompanying financial statements of the Bank as at and for the year ended December 31, 2016 were approved and authorized for issue by the BOD on February 28, 2017.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement
The financial statements of the Bank have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss (FVPL), available-for-sale (AFS) securities and investment properties, which are carried at fair value, net retirement liability which is measured at the present value of the defined benefit obligation less fair value of plan assets and land and buildings, which are carried at revalued amount.

Functional and Presentation Currency
The accompanying financial statements include accounts maintained in the Regular Banking Unit (the "RBU") and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP (see Note 3, *Foreign Currency Transactions*). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

Presentation of Financial Statements
The Bank presents its statements of financial position broadly in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 21.

3. Summary of Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Bank has adopted the following amendments to standards starting January 1, 2016 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Bank's financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to* PAS 16*, Property, Plant and Equipment and* PAS 38*, Intangible Assets).* The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

  The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four (4) standards. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Bank. The amendments are effective for annual periods beginning on or after January 1, 2016. Early application is permitted.

  - *Changes in method for disposal (Amendments to* PFRS 5*, Non-current Assets Held for Sale and Discontinued Operations).* PFRS 5 is amended to clarify that:

    - if an entity changes the method of disposal of an asset (or disposal group) - i.e. reclassifies an asset (or disposal group) from held-for-distribution to owners to held-for-sale (or vice versa) without any time lag - then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset (or disposal group) and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute of the asset (or disposal group); and

    - if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

    Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

    The amendment to PFRS 5 is applied prospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, to changes in methods of disposal that occur on or after January 1, 2016.*

  - *'Continuing involvement' for servicing contracts (Amendments to* PFRS 7*, Financial Instruments: Disclosures).* PFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset - e.g., if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred financial asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

    The amendment to PFRS 7 is applied retrospectively, in accordance with PAS 8, except that the PFRS 7 amendments relating to servicing contracts need not be applied for any period presented that begins before the annual period for which the entity first applies those amendments.

- *Disclosure Initiative (Amendments to* PAS 1, *Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information;

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure;

  - The list of line items to be presented in the statement of financial position, statement of income and statement of comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements; and

  - An entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to statement of income.

  The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

Foreign Currency Transactions
Foreign exchange differences arising from foreign currency transactions and re-translations of foreign currency-denominated assets and liabilities are credited to or charged as part of "Foreign exchange gains - net" account in the statements of income, except for differences arising from the re-translations of AFS equity securities which are recognized directly in "Net change in net unrealized loss on AFS securities" in OCI.

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the Philippine Dealing System (PDS) closing rate at the reporting date.

For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the PDS weighted average rate (PDSWAR) for the reporting period. The assets and liabilities of the FCDU at the reporting date are translated into PHP using PDS closing rate at the reporting date. The foreign currency-denominated monetary assets and liabilities in the RBU are translated in PHP based on the PDS closing rate prevailing at end of the year and foreign currency-denominated income and expenses, at the exchange rates prevailing at transaction dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Thus, in accordance with the Manual of Regulations for Banks (MORB), BSP Circular No. 691 issued on June 23, 2010 and PAS 21, *The Effects of Changes in Foreign Exchange Rates*, the exchange differences arising from translation (i.e. PDSWAR vs. PDS closing rate) of FCDU accounts to PHP are taken directly to OCI under “Net movement in cumulative translation adjustment” in the statements of comprehensive income. Exchange differences arising from restatements of foreign currency-denominated assets and liabilities of the RBU are credited to or charged against operations in the year in which the rates change.

Financial Instruments

Date of Recognition

Regular way purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Settlement date accounting refers to: (a) the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Derivatives are recognized on trade date basis. Trade date is the date that an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Initial Recognition of Financial Instruments

All financial instruments, whether financial assets or financial liabilities, are initially measured at fair value. Except for financial assets and financial liabilities valued at FVPL, initial measurement includes transaction costs. The Bank classifies its financial assets into financial assets at FVPL, AFS securities, held-to-maturity (HTM) investments and loans and receivables, while financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The category depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market and for HTM investments, the ability and intention to hold the investment until maturity. Management determines the category of its financial instruments at initial recognition and where allowed and appropriate, re-evaluates such designation at every reporting date.

Reclassification of Financial Assets

A financial asset held for trading is reclassified out of the FVPL category when the following conditions are met:

- The financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and

- There is a rare circumstance affecting the assumptions made by the Bank in classifying the financial asset as part of FVPL.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss previously recognized in the statements of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

The Bank may also reclassify certain AFS securities to HTM investments when there is a change of intention and the Bank has the ability to hold the financial instruments to maturity.

Financial Assets and Financial Liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets held for trading purposes, derivative instruments and financial assets or liabilities designated at FVPL upon initial recognition.

Held for Trading
Trading assets and trading liabilities are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income.

Trading assets and trading liabilities are those that the Bank acquire or incur principally for the purpose of selling or repurchasing in the near term, or hold as part of a portfolio that is managed together for short-term profit or position-taking.

Trading assets and trading liabilities are not reclassified subsequent to their initial recognition, except non-derivative trading assets, other than those designated at FVPL if they are no longer held for the purpose of being sold or repurchased in the near term.

Derivatives Recorded at FVPL
The Bank is a counterparty to derivative contracts, such as currency forwards, currency swaps, interest rate swaps and warrants. These derivatives are entered into as a service to customers and as a means of reducing or managing and hedging the Bank's respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date when the derivative contracts are entered into and are subsequently remeasured at fair value. Any changes in the fair value of derivatives (except those accounted for as accounting hedges) are recognized as part of "Trading and investment securities gains - net" account in the statements of income. Derivatives are carried as derivative financial assets when the fair value is positive and as derivative financial liabilities when the fair value is negative.

For hedge accounting purposes, hedges are classified primarily as either: a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); or b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge). In 2016 and 2015, the Bank did not apply hedge accounting treatment for any of its derivatives transactions.

Embedded derivatives that are bifurcated from the host contracts are also carried at fair value with fair value changes being reported in the statements of income when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets at FVPL, when their economic risks and characteristics are not closely related to those of their respective host contracts, and when a separate instrument with the same terms as the embedded derivatives would meet the definition of a derivative.

The Bank assesses whether embedded derivatives are required to be separated from the host contracts when the Bank first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows.

As at December 31, 2016 and 2015, there are no outstanding embedded derivatives under the "Financial assets and financial liabilities at FVPL" in the statements of financial position (see Notes 8 and 36).

Financial Assets or Financial Liabilities Designated at FVPL
Financial assets or financial liabilities may be designated at FVPL on initial recognition when any of the following criteria is met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities designated at FVPL are initially recorded in the statements of financial position at fair value. Changes in fair value are recognized as part of "Trading and investment securities gains - net" account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under "Miscellaneous income" account in the statements of income when the right to receive payment has been established.

There are no designated financial assets and financial liabilities at FVPL as at December 31, 2016 and 2015.

HTM Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Bank's management has the positive intention and ability to hold to maturity. Where the Bank reclassifies or sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. The Bank would then be unable to categorize financial instruments as HTM investments for the next two (2) years.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the investment's effective interest rate (EIR). The amortization is included under "Interest income on debt securities" account in the statements of income. Gains and losses are recognized in the statements of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized under "Reversal of credit and impairment losses" account in the statements of income. The effects of revaluing foreign currency-denominated HTM investments are recognized in the statements of income.

In 2014, the Bank has tainted its HTM investments when the management decided to transfer certain government securities (GS) under "AFS securities" account to "HTM investments" account. The tainting rule under PAS 39, *Financial Instruments: Recognition and Measurement* prohibits the Bank from classifying securities as HTM investments in the 2 succeeding financial years: 2015 and 2016.

In 2016 and 2015, there are no outstanding HTM investments in the statements of financial position. The prohibition of classifying securities as HTM investments has ended as at December 31, 2016.

Loans and Receivables
Loans and receivables include cash and other cash items (COCI) exclusive of cash on hand, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreement (SPURA), loans and receivables from customers, sales contracts receivable, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables. These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified under any other financial asset category.

After initial measurement, loans are subsequently measured at amortized cost using the effective interest method, less any allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is recognized in the statements of income as interest income.

When the estimated cash flows from the financial assets are revised, the carrying amount of the financial asset shall be adjusted to reflect the actual and revised estimated cash flows. The carrying amount shall be computed as the present value of estimated future cash flows at the financial instrument's original EIR, or, when applicable, the revised EIR. Any difference shall be recognized as "Reversal of credit and impairment losses" in the statements of income.

Where there is a subsequent increase in the estimate of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the asset at the date of the change in estimate.

AFS Securities
AFS securities are those which are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and may be held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS securities include equity securities, money market instruments, GS and private debt securities.

After initial measurement, AFS securities are subsequently measured at fair value. The effective yield component of AFS debt securities is reported in the statements of income. The impact of revaluation on foreign currency-denominated AFS debt securities is also reported in the statements of income. The unrealized gains and losses arising from the fair valuation of AFS securities are excluded, net of tax, from statements of income and reported as OCI and presented under "Net unrealized losses on AFS securities" account in the equity section of the statements of financial position.

When the AFS securities are disposed, the cumulative gains or losses previously recognized in equity is recognized in the period of disposal under “Trading and investment securities gain - net” account in the statements of income. Where the Bank holds more than one (1) investment in the same security, these are deemed to be disposed on a first-in first-out basis. Interest earned on holding AFS debt securities are reported as part of “Interest income on debt securities” in the statements of income using the effective interest method. Dividends earned on holding AFS equity securities are recognized in the statements of income as “Miscellaneous income” when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as “Reversal of credit and impairment losses” in the statements of income.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are carried at cost less impairment loss.

Other Financial Liabilities
Issued financial instruments or their components, are classified as liabilities under appropriate financial liability accounts, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity securities. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, borrowed funds and similar financial liabilities not qualified as and not designated as FVPL, are subsequently measured at cost or amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. This accounting policy relates to all liabilities in the statements of financial position, except for nonfinancial liabilities included under “Accrued interest, taxes and other expenses” and “Other liabilities” accounts which are due and expected to be paid within 1 year from reporting date.

Derecognition of Financial Assets and Financial Liabilities
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Securities sold under repurchase agreements at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income.

Impairment of Financial Assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of 1 or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, which include HTM investments and loans and receivables, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. 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. 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 for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original EIR of the financial asset (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged against current operations. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables and HTM investments, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized such as an improvement in the debtor's credit rating, the previously recognized impairment loss shall be reversed either directly or by adjusting an 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 the impairment is reversed. The amount of the reversal shall be recognized under "Reversal of credit and impairment losses" in the statements of income. Meanwhile, collections from defaulted customers not yet written-off are charged-off against "Allowance for credit losses" under "Loans and receivables - net" in the statements of financial position.

If a future write-off is later recovered due to subsequent collections from the defaulted customer, any amounts formerly charged against operations are credited to "Recovery for charged-off asset" included under "Miscellaneous income" account in the statements of income.

The estimated future cash flows are discounted at the financial asset's original EIR. If a financial asset carried at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. 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 foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. 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 in 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 reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred 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.

Restructured Loans
Where 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 the future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized as "Reversal of credit and impairment losses" in the statements of income.

AFS Securities
For AFS securities, the Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity securities classified as AFS securities, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is objective evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the equity securities previously recognized in the statements of income - is taken out from "Net unrealized losses on AFS securities" under equity and recognized in the statements of income for the period. Impairment losses recognized in the statements of income on equity securities classified as AFS are not reversed through the statements of income but recognized directly in equity as part of OCI.

If there is objective evidence that an impairment loss on financial assets carried at cost had 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses for AFS securities carried at cost are not reversed in subsequent periods.

In the case of debt instruments classified as AFS securities, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recognized in the statements of income as part of interest income. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statements of income for the period.

Fair Value Measurement
The Bank measures financial instruments, such as, financial assets and financial liabilities at FVPL, AFS securities, and non-financial assets such as investment properties, property and equipment, and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 6.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Bank determines the policies and procedures for recurring fair value measurement, such as financial assets at FVPL, investment properties, and land and building.

External valuers are involved for valuation of significant assets, such as investment properties and property and equipment. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in Note 6.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Offsetting

Financial assets and financial liabilities are offset with the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, as the related assets and liabilities are presented gross in the statements of financial position.

As at December 31, 2016 and 2015, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three (3) months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Financial Guarantees

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee. The guaranteed liability is subsequently carried at the higher of the amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable).

Investment in Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.25% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. Goodwill relating to an associate is included in the carrying value of the investment and is not amortized. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land and building are stated at appraised values less any subsequent accumulated depreciation on buildings and any subsequent impairment in value recognized after the date of revaluation. Revaluations are made with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The fair value of the revalued asset is usually determined every 3 or five (5) years.

If the carrying amount of land and building is increased as a result of a revaluation, the increase shall be recognized in OCI and accumulated in equity under "Revaluation increment on property and equipment and investment properties - net of tax" account in the statements of financial position. However, the increase shall be recognized in the statements of income to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statements of income.

If the carrying amount of land and building is decreased as a result of a revaluation, the decrease shall be recognized in the statements of income. However, the decrease shall be recognized in OCI to the extent of any credit balance existing in the revaluation increment on property and equipment. The decrease recognized in OCI reduces the amount accumulated in equity under "Revaluation increment on property and equipment and investment properties - net of tax" account in the statements of financial position.

An annual transfer from asset revaluation increment on property and equipment is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred directly to "Retained Earnings (Deficit)" account in the statements of financial position.

Leasehold improvements and furniture, fixtures and equipment are carried at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any cost that are directly attributable to bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

Estimated useful lives of property and equipment are as follows:

	Years
Buildings	50
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 - 15

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or dacion en pago and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at fair value of the asset acquired unless the fair value of each asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under investment properties from foreclosure date.

Subsequent to initial recognition, investment properties acquired from foreclosure or dacion en pago are carried at fair value, which reflects the prevailing market conditions at the reporting date. Gains or losses resulting from the changes in the fair values of investment properties are recognized under "Fair value gain from investment properties" account in the statements of income in the period in which they arise. Fair value is determined by reference to market-based measurement. The valuations performed by the appraisers are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property.

An investment property previously used as owner-occupied property is carried at fair value and any difference at the date of the change between the carrying amount of the property and its fair value shall be recognized as OCI and accumulated in equity under "Revaluation increment on property and equipment and investment properties - net of tax" in accordance with PAS 16, even if the property was previously measured using the cost model under PAS 16. Any existing or arising revaluation increment previously recognized in OCI is not transferred to statements of income at the date of transfer. However, on subsequent disposal, any existing revaluation increment that was previously recognized when the Bank applied the PAS 16 revaluation model to the property may be transferred to retained earnings.

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the derecognition of an investment property is recognized in the statements of income under "Gains on foreclosure, and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell.

Other Properties Acquired

Other properties acquired, included under "Other assets" account in the statements of financial position, include chattel mortgage properties acquired in settlement of loan receivables. The Bank applies the cost model in accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of 3 to 5 years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of the other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is recognized in the statements of income under "Gains on foreclosure, and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets
Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income in the period when the asset is derecognized.

Branch Licenses
Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs
Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Non-current Assets Held for Sale
Non-current assets held for sale include assets with or without improvements that are highly probable to be sold within 1 year and are included in the sales auction program for the year. Assets held for sale are stated at the lower of its carrying amount and fair value less costs to sell.

The Bank measures a non-current asset that ceases to be classified as held for sale at the lower of:

- the carrying amount before the non-current asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the noncurrent asset not been classified as held for sale; and

- the recoverable amount at the date of the subsequent decision not to sell.

The Bank includes any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in income from continuing operations in the year in which the asset ceases to be held for sale.

Impairment of Non-financial Assets

Property and Equipment, Non-current Assets Held for Sale, Other Properties Acquired and Intangible Assets

At each reporting date, the Bank assesses whether there is any indication of impairment on property and equipment, non-current assets held for sale, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount. The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged first to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statements of income.

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen to the Bank that can be measured reliably.

Determining whether the Bank is Acting as a Principal or an Agent

The Bank assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank bears the credit risk.

The Bank has determined it is acting as principal as assessed from the criteria above. The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. The Bank recognize income from fiduciary and custodianship activities under “Service charges, fees and commission income” account in the statements of income.

The following specific recognition criteria must also be met before income and expense are recognized:

Interest Income and Interest Expense
Interest income and interest expense are recognized in the statements of income and expenses for all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS securities as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the effective interest rate, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in statements of income and expenses as interest income or expense.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Trading and Investment Securities Gains or Losses
Trading and investment securities gains or losses represent results arising from disposal of AFS securities and trading activities (realized gains and losses) and from the changes in fair value of financial assets and financial liabilities at FVPL (unrealized gains or losses).

Service Charges, Fees and Commissions
Fees and commission income and expenses that are integral to the EIR of a financial asset or liability are included in the measurement of the EIR. Fees and commission income is recognized to the extent that an inflow of economic benefits is probable and that the amount of revenue can be reliably measured.

Fees and commission income is recognized at the fair value of the consideration received/receivable. If the fees are received upfront, these are amortized over the term that the service is rendered. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period.

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to their collectability. Fees earned for the provision of services over a period of time are accrued over that period.

Fees and commissions include loan upfront fees, guarantee fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees.

Fees and commission expense are recognized when incurred.

Dividends
Dividends are recognized when the Bank's right to receive the dividends is established.

Rental Income
Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as result of past service provided by the employer and the obligation can be estimated reliably.

Retirement Benefits
The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan (see Note 27) is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income.

The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires 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. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or

(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Bank as a Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of income on a straight-line basis over the lease term.

Bank as a Lessor
The Bank is also a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Income Taxes
Current Tax
Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date.

Deferred Tax
Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Contingent Liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

Events After the Reporting Date

Post year-end events that provide additional information about the Bank’s position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

Standards and Amendments to Standards Issued But Not Yet Adopted

A number of new standards, amendments to standards are effective for annual periods beginning after January 1, 2016. The Bank has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements except for PFRS 9*, Financial Instruments*.

The Bank will adopt the new or revised standards and amendments to standards in the respective effective dates as discussed below:

To be Adopted on or after January 1, 2017

- *Disclosure initiative (Amendments to* PAS 7*, Statement of Cash Flow)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to* PAS 12*, Income Taxes)*. The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

  The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

To be Adopted on or after January 1, 2018

- PFRS 9 *(2014)*. PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

  The Bank is assessing the potential impact on its financial statements resulting from the application of PFRS 9.

- PFRS 15*, Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if 2 companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRSs, then the guidance on separation and measurement contained in the other PFRSs takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Bank is currently assessing the potential impact on its financial statements resulting from the application of PFRS 15.

- *Transfers of Investment Property (Amendments to* PAS 40*, Investment property)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

  The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*. The amendments clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

To be Adopted on or after January 1, 2019

- PFRS 16*, Leases supersedes* PAS 17, *Leases and the related Philippine Interpretations.* The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

  The Bank is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

(a) Functional Currency

PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Bank considers the following:

a) the currency that mainly influences sales prices for financial instruments and services;

b) the currency in which funds from financing activities are generated; and

c) the currency in which receipts from operating activities are usually retained.

(b) Embedded Derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Bank accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statements of financial position together with the host contract.

(c) Provisions and Contingencies

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies.

(d) Operating Leases

Bank as Lessor
The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

Bank as Lessee
The Bank has entered into operating lease agreements for the premises it uses for its operations. The Bank has determined that all significant risks and rewards of ownership of the properties it leases on operating lease arrangements are not transferable to the Bank.

In determining whether or not there is an indication of the operating lease treatment, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) *Fair Value of Financial Instruments*

Where the fair values of financial assets and financial liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(b) *Financial Assets not Quoted in an Active Market*

The Bank classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

(c) *Impairment of AFS Securities*

The Bank classifies certain financial assets as AFS securities and recognizes movements in their fair values as OCI. When their fair values decline, management makes assumptions about the decline in value to determine whether it is an objective evidence of impairment. The recognition of an impairment loss, representing the net unrealized losses previously reported as part of equity, may be appropriate when there is evidence of deterioration in the financial health, industry and sector performance, and operational and financing cash flows of the investee.

The Bank treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Bank treats "significant" generally as 20.0% or more of the original cost of the investment, and "prolonged" if greater than six (6) months. In addition, the Bank evaluates other factors, including normal volatility in share prices for quoted equity securities, and the future cash flows and the discount factors for unquoted equities.

The Bank determines that AFS debt securities are impaired based on the same criteria as loans and receivables.

The carrying values of AFS securities and the related allowance for impairment losses are disclosed in Notes 9 and 16.

(d) *Impairment and Credit Losses on Loans and Receivables*

The Bank reviews its loans and receivables portfolio to assess impairment at least on an annual basis or more frequently as deemed necessary. Loans and receivables that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment on a collective basis. In determining whether an impairment loss should be recognized in statements of income, the Bank makes judgments as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. 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 values of loans and receivables and the related allowance for credit losses are disclosed in Notes 10 and 16.

The Bank determines the appropriate allowance for individual accounts whose outstanding balance as at reporting date is either past due or under litigation as at reporting date.

Based on the allowance provided by the Bank for impairment losses, management believes that the Bank has sufficient allowance to cover any losses that the Bank may incur from non-collection or non-realization of its receivables.

(e) *Impairment of Non-financial Assets*

<u>Property and Equipment, Non-current Assets Held for Sale, Other Properties Acquired and Intangible Assets</u>

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of property and equipment, non-current assets held for sale, other properties acquired and intangible assets are disclosed in Notes 11, 13 and 15.

(f) *Estimated Useful Lives of Property and Equipment, Other Properties Acquired and Software Costs*

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment and computer software.

The estimated useful lives of property and equipment, other properties acquired and software costs are disclosed in Note 3.

(g) *Fair Value Determination of Investment Properties and Revaluation of Property and Equipment*

The Bank carries its investment properties at fair value, with changes in fair value being recognized in the statements of income for investment properties acquired from foreclosure or dacion en pago and in the OCI for investment properties previously used as owner-occupied property. In addition, it measures land and building under “Property and equipment” in the statements of financial position at revalued amounts with changes in appraised value being recognized in OCI. Fair value of investment properties is derived on the basis of recent sales of similar properties in the same areas where the investment properties are located taking into account the economic conditions prevailing at the time of the valuation made. The Bank engaged various accredited independent appraisers to determine the appraised value of land and building on a periodic basis. The valuations performed by the appraisers are based on market prices of similar properties in the same areas the land and building are located, adjusted for any difference in the nature, location or condition of the specific property.

The fair value of investment properties and the appraised value of land and building are disclosed in Notes 13 and 14, respectively.

(h) *Recognition of Deferred Tax Assets*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable income will be available against which the related tax benefits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 30.

(i) *Present Value of Retirement Benefits Obligation*

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclosed in Note 27.

(j) Contingencies

The Bank is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results. The Bank's management currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 31).

5. Financial Risk Management Objectives and Policies

Introduction

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, market, liquidity, and operational risks, require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Risk Management Structure

The BOD is ultimately responsible for identifying and controlling risks; however, there are separate independent units at the BOD and management levels, responsible for managing and monitoring financial risk.

BOD

The BOD has the responsibility of promoting the highest standards of ethics and integrity. The BOD has management oversight for establishing and maintaining a sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank's Compliance System.

Related Party Transactions Committee (RPTCom)
The RPTCom shall assist the BOD in fulfilling its corporate governance responsibility related to the safety and soundness of the Bank's transaction/s with related parties, and ensure that such are conducted at arm's length terms and conditions pursuant to relevant laws, regulations and Bank policies.

Audit Committee
The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions.

Board Risk Oversight Committee (BROC)
The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)
The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporate policies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reports of the risk taking personnel. The RSK reports to the BROC.

Asset and Liability Committee (ALCO)
The ALCO shall be responsible for setting, developing and implementing the Bank's Asset Liability Management and hedging policy. It also reviews allocation of resources, pricing products and foreign exchange position of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)
The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

Credit and Collections Committee (Crecom)
The Crecom is responsible for the evaluation and approval of credit proposals based on a hierarchy of delegated credit authorities from the BOD. It is also tasked to review other credit-related matters, including amendments or revisions to existing policies as well as proposed credit risk policies for BOD approval. They are tasked with formulating standards for credit evaluation/analysis, diligence in credit assessment and reporting disclosure. It recommends credit risk management policies for BOD approval.

Internal Audit Division/Risk Control and Compliance Monitoring
They are tasked to monitor operational risk exposures. They monitor compliance of the risk-taking personnel and business units to policies and procedures. They also check for internal control deficiencies or unmitigated control risks and review the relevance of existing risk policies and procedures.

Legal Services Division
The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are complied with the Bank's interest duly protected and identified risks are either eliminated or minimized and imparted to responsible units of the Bank.

Compliance Division
The Compliance Division oversees that the Bank is effectively managing regulatory compliance in accordance with the Compliance Manual. The same division is also responsible for the implementation of the Anti-Money Laundering Program.

Risk Measurement and Reporting Systems
The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by the BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using Internal Credit Rating Systems together with the BSP risk classification of borrowing accounts. Senior management evaluates the required provisions for loan losses based on these data on a monthly basis. All risk information are processed, analyzed and consolidated for proper reporting to the BOD through the BROC, Audit Committee as well as the Senior Executive Team of the Bank.

Actual and estimated risk exposures/losses at Treasury, Credit Management, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation
To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes. Internally, based on its ICAAP, the Bank maintains a minimum CAR of 13% to capture other risks not covered under Pilar I of the BSP risk-based capital adequacy framework.

Risk Concentration
The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROC. Also, limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of different segments. Having these controls in place allow the Bank to proactively monitor exposure status and to act upon limit breaches whenever necessary.

Credit Risk
The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change to the Bank's exposure to credit risk or the manner in which it manages and measures the risk since prior financial year.

Derivative Financial Instruments
The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk in respect of derivative financial instruments is limited to those with positive fair values, which are reported as financial assets at FVPL.

Credit-related Commitment Risks
The Bank makes available to its customers guarantees which may require the Bank to make payment on their behalf. Such payments are collected from customers based on the terms of letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures
The table below shows the Bank's maximum exposure for receivables from customers and sales contract receivables net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2016 and 2015:

	December 31, 2016		December 31, 2015	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	**P38,359,254,539**	**P33,814,301,380**	P33,301,563,696	P29,123,321,567
Housing loans	**3,741,296,674**	**3,292,025,040**	1,645,549,324	432,467,938
Auto loans	**2,543,549,166**	**376,339,689**	2,709,777,213	1,449,902,173
Bills purchased, import bills and trust receipts	**1,176,598,301**	**1,172,310,909**	864,585,856	858,685,389
Agri-agra loans	**938,257,916**	**732,266,777**	425,406,824	400,055,026
Direct advances	**749,487,667**	**66,533,060**	838,386,984	139,183,077
Others	**834,206,895**	**783,440,061**	862,415,701	862,790,608
	48,342,651,158	**40,237,216,916**	40,647,685,598	33,266,405,778
Sales contracts receivable	**640,901,403**	**53,859,820**	865,147,466	1,037,885
	P48,983,552,561	**P40,291,076,736**	P41,512,833,064	P33,267,443,663

As at December 31, 2016 and 2015, fair value of collateral held for loans and receivables amounted to P43.3 billion and P20.7 billion, respectively.

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2016 and 2015.

Collateral and Other Credit Enhancements
The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;

- For commercial lending: mortgages over real estate properties, inventory and trade receivables and chattel mortgages; and

- For retail lending: mortgages over real properties.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank's policy to dispose of repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and through formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for downpayment as compared to prevailing market rates as examples.

Borrower Risk Rating (BRR) Disclosure
In compliance with the BSP, the Bank implemented in 2007 a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the company's credit quality by looking into 3 major aspects, namely, financial condition, industry analysis and management quality. Each section was given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL:	**600**	**100%**

There are several rating factors per section which can earn points depending on the 4 quality judgment as follows:

Good	- 30 points
Satisfactory	- 20 points
Still Acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's loan accounts. Loan accounts are classified according to a 1 - 10 rating scale based on BRR results, as follows:

	Final Score	**Equivalent Risk Rating**	**Calculated BRR**
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

<u>Excellent - BRR 1</u>
These are loans with access to raise substantial amounts of funds through the public markets at any time, strong debt servicing capacity, conservative statements of financial position leverage vis-a-vis the industry in which the borrower operates, very good profit track record, timely payments, no history of payment delinquencies, high level of liquidity, strong operating trends and no likely existing or future disruptions.

<u>Strong - BRR 2</u>
These are loans with good access to public funds, strong market, strong overall debt servicing, cash flow which can very well cover debt services, usually with quality of multinational or well-capitalized local corporations, no history of payment delinquencies and with adequate liquidity.

<u>Good - BRR 3</u>
These are loans which cover smaller corporations with access to public markets or alternative financial markets, quite low probability of default, susceptible to cyclical changes and more concentration of business risk by product or market, profitable for the last 3 years, no history of payment default in the last 12 months, satisfactory payment record, unlikely to be affected by existing or future disruptions and competent under current business model.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

<u>Satisfactory - BRR 4</u>
These are loans where there are certain clear risk element present, volatility of earnings and overall performance, normally have limited access to financial markets, can withstand normal business cycles but prolonged unfavorable economic period would affect/deteriorate performance, good matching of assets and cash flows, adequate debt servicing, reported profits in the fiscal year, with expectations of a profitable outcome in the current year, adequate to marginal liquidity, generally meeting obligations, likely to experience disruptions from external factors but the borrower has a great chance to overcome them and with recent departure of key employees or lack of key experience.

Acceptable - BRR 5
These are loans with sufficiently pronounced risk elements, still able to withstand normal business cycles, prolonged economic and financial crisis which can have an immediate effect on the company's operations, sufficient cash flow in spite of an economic downturn, with extraordinary developments that can present higher risk, marginal liquidity, declining trend in profits but repayment is still within satisfactory level, and with turnovers or unfilled key management positions.

Watchlist - BRR 6
These are loans that are in current status but require monitoring as the account may experience potential problems due to declining operating performance, unfavorable industry condition or significant economic downturn and company-specific risk factors.

Except for program loans, start-up companies including those with less than 3 years of operations, politically exposed borrowers, borrowers getting out of core competency or those changing business models and accounts with documents still pending for submission shall also be classified as Watchlist.

Special Mention - BRR 7
Substandard Grade or accounts with BRR of 7 are loans observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Substandard - BRR 8
These are loans or portions thereof which involve a substantial and unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. There is a possibility of future loss to the Bank unless given closer supervision. These are also loans not necessarily past due but with well-defined weaknesses that jeopardize liquidation. Weaknesses include adverse trend or development of financial, managerial, economic or political nature or a significant weakening of the fair value of the collateral.

Doubtful - BRR 9
These are loans, not necessarily past due, which have weaknesses inherent to those classified as Substandard with added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

Loss - BRR 10
These are loans, not necessarily past due, which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:
1) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.

2) However, if the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.

3) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.

4) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.

5) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

Facility Risk Factor (FRF):

1) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.

2) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3rd party guarantees in accordance with the BRR of the guarantor. An upgrade should be set to the BRR of the guarantor.
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors.

Credit Quality Per Class of Financial Assets

The credit quality of financial assets is assessed and managed by the Bank using external and internal credit ratings.

The following table shows the credit quality of financial assets, net of unearned interest income (in thousands).

	December 31, 2016			
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Total**
Neither past due nor impaired	**P49,631,351**	**P53,148,529**	**P23,419,291**	**P126,199,171**
Past due but not impaired	**134,853**	**-**	**-**	**134,853**
Impaired	**3,481,564**	**-**	**300,158**	**3,781,722**
Gross	**53,247,768**	**53,148,529**	**23,719,449**	**130,115,746**
Less allowance for credit losses	**2,457,526**	**-**	**300,158**	**2,757,684**
Net	**P50,790,242**	**P53,148,529**	**P23,419,291**	**P127,358,062**

**Comprised of Due from BSP, Due from other banks and Interbank loans receivable and SPURA*
*** Comprised of Financial assets at FVPL and AFS securities*

	December 31, 2015			
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Neither past due nor impaired	P40,617,772	P58,473,401	P25,151,121	P124,242,294
Past due but not impaired	165,562	-	-	165,562
Impaired	3,996,927	-	299,990	4,296,917
Gross	44,780,261	58,473,401	25,451,111	128,704,773
Less allowance for credit losses	2,338,501	-	299,990	2,638,491
Net	P42,441,760	P58,473,401	P25,151,121	P126,066,282

**Comprised of Due from BSP, Due from other banks and Interbank loans receivable and SPURA*
*** Comprised of Financial assets at FVPL and AFS securities*

The table below shows the credit quality by class of assets for loans and receivables (gross of allowance for credit losses and unearned interest income) based on the Bank's credit rating (in thousands).

	December 31, 2016					
	Neither Past Due nor Individually Impaired					
	High Grade	**Standard Grade**	**Substandard**	**Unrated**	**Past Due or Impaired**	**Total**
Loans and receivables:						
Receivable from customers	**P16,652,001**	**P23,626,089**	**P455,800**	**P6,617,205**	**P2,440,736**	**P49,791,831**
Unquoted debt securities	**-**	**-**	**-**	**1,352,794**	**291,578**	**1,644,372**
Accounts receivable	**-**	**-**	**-**	**350,574**	**511,729**	**862,303**
Accrued interest receivable	**-**	**-**	**-**	**666,689**	**172,558**	**839,247**
Sales contracts receivable	**-**	**-**	**-**	**494,945**	**199,816**	**694,761**
Returned checks and other check items (RCOCI)	**-**	**-**	**-**	**9,057**	**-**	**9,057**
	P16,652,001	**P23,626,089**	**P455,800**	**P9,491,264**	**P3,616,417**	**P53,841,571**

	December 31, 2015					
	Neither Past Due nor Individually Impaired					
	High Grade	Standard Grade	Substandard	Unrated	Past Due or Impaired	Total
Loans and receivables:						
Receivable from customers	P12,756,688	P17,579,365	P4,297,376	P4,570,090	P2,856,144	P42,059,663
Unquoted debt securities	-	-	-	-	291,578	291,578
Accounts receivable	-	-	-	375,428	501,321	876,749
Accrued interest receivable	-	-	-	532,031	180,993	713,024
Sales contracts receivable	-	-	-	533,732	332,453	866,185
RCOCI	-	-	-	1,220	-	1,220
	P12,756,688	P17,579,365	P4,297,376	P6,012,501	P4,162,489	P44,808,419

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, AFS securities and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poors, Fitch, Moody's, etc.) of the respective counterparties, as follows:

	December 31, 2016		
	AA - A	**Below BBB or Unrated**	**Total**
Loans and advances to banks:			
Due from BSP	**P -**	**P31,232,966,983**	**P31,232,966,983**
Due from other banks	**268,973,198**	**3,570,492,868**	**3,839,466,066**
Interbank loans receivable and SPURA	**18,076,096,271**	**-**	**18,076,096,271**
	18,345,069,469	**34,803,459,851**	**53,148,529,320**
Financial assets at FVPL:			
Government securities held for trading	**-**	**68,346,449**	**68,346,449**
Derivative assets*	**-**	**24,860,000**	**24,860,000**
Other debt securities	**-**	**304,779**	**304,779**
	-	**93,511,228**	**93,511,228**
AFS securities - gross:			
Quoted government securities	**4,778,676,538**	**14,320,939,698**	**19,099,616,236**
Quoted other debt securities	**4,002,904,644**	**81,722,088**	**4,084,626,732**
Unquoted debt securities	**-**	**-**	**-**
Quoted equity securities	**-**	**106,605,293**	**106,605,293**
Unquoted equity securities	**-**	**335,089,789**	**335,089,789**
	8,781,581,182	**14,844,356,868**	**23,625,938,050**
Loans and receivables - gross:			
Unquoted debt securities	**1,352,793,966**	**291,578,201**	**1,644,372,167**
	1,352,793,966	**291,578,201**	**1,644,372,167**
	P28,479,444,617	**P50,032,906,148**	**P78,512,350,765**

** Unrated derivatives pertain to warrants*

	December 31, 2015		
	AA - A	Below BBB or Unrated	Total
Loans and advances to banks:			
Due from BSP	P -	P49,802,020,338	P49,802,020,338
Due from other banks	2,336,787,888	950,987,341	3,287,775,229
Interbank loans receivable and SPURA	5,383,605,561	-	5,383,605,561
	7,720,393,449	50,753,007,679	58,473,401,128
Financial assets at FVPL:			
Government securities held for trading	-	1,677,624,660	1,677,624,660
Derivative assets*	-	23,530,000	23,530,000
Other debt securities	-	317,113	317,113
	-	1,701,471,773	1,701,471,773
AFS securities - gross:			
Quoted government securities	-	18,063,707,612	18,063,707,612
Quoted other debt securities	4,074,798,039	378,744,751	4,453,542,790
Unquoted debt securities	1,431,663,287	-	1,431,663,287
Quoted equity securities	-	106,605,293	106,605,293
Unquoted equity securities	-	334,887,343	334,887,343
	5,506,461,326	18,883,944,999	24,390,406,325
Loans and receivables - gross:			
Unquoted debt securities	-	291,578,196	291,578,196
	-	291,578,196	291,578,196
	P13,226,854,775	P71,630,002,647	P84,856,857,422

** Unrated derivatives pertain to warrants*

Carrying amount per class of loans and receivables whose terms have been renegotiated follows:

	2016	2015
Term loans	**P1,179,473,257**	P1,256,132,462
Agri-Agra loans	**17,663,370**	-
Housing loans	**12,747,747**	34,751,540
	P1,209,884,374	P1,290,884,002

Aging Analysis of Past Due but not Impaired

Past due loans and receivables include those that are only past due for a few days. An analysis of past due loans, by age, is provided below.

	December 31, 2016			
	1-30 Days	**31-60 Days**	**61-90 Days**	**Total**
Receivable from customers (gross):				
Auto loans	**P22,600,503**	**P14,505,552**	**P9,737,225**	**P46,843,280**
Housing loans	**15,205,602**	**12,691,292**	**3,664,570**	**31,561,464**
Term loans	**20,941,861**	**-**	**650,149**	**21,592,010**
Direct advances	**-**	**-**	**-**	**-**
Others	**3,106,957**	**335,523**	**238,150**	**3,680,630**
Sales contracts receivable	**23,899,377**	**3,963,659**	**3,312,792**	**31,175,828**
	P85,754,300	**P31,496,026**	**P17,602,886**	**P134,853,212**

	December 31, 2015			
	1-30 Days	31-60 Days	61-90 Days	Total
Receivable from customers (gross):				
Auto loans	11,128,781	3,514,221	537,802	15,180,804
Housing loans	10,273,928	14,987,406	-	25,261,334
Term loans	-	-	-	-
Direct advances	P2,000,000	P69,569,078	P -	P71,569,078
Others	10,951,269	1,374,388	954,440	13,280,097
Sales contracts receivable	27,113,496	7,670,237	5,486,538	40,270,271
	P61,467,474	P97,115,330	P6,978,780	P165,561,584

Impairment Assessment

The main consideration for the loan impairment assessment is an objective evidence of occurrence of events that would have an impact on the estimated future cash flows of the asset. This includes whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in 2 areas: individually assessed allowances and collectively assessed allowances.

BSP Regulatory Reporting - Credit Risk

The Bank calculates its credit risk-weighted assets using the standardized approach, the simplest of the 3 broad approaches to credit risk. This approach allows the Bank to utilize a wider differentiation of risk weights and a wider recognition of risk mitigation techniques without taking in excessive complexity in the process.

Below is the summary of risk weights and selected exposure types:

	Standardized Credit Risk Weights							
Credit Assessment	**AAA**	**AA+ to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to BB-**	**B+ to B-**	**Below B-**	**Unrated**
Sovereigns	**0%**	**0%**	**20%**	**50%**	**100%**	**100%**	**150%**	**100%**
Multilateral Development Banks (MDBs)	**0%**	**20%**	**50%**	**50%**	**100%**	**100%**	**150%**	**100%**
Banks other than MDBs	**20%**	**20%**	**50%**	**50%**	**100%**	**100%**	**150%**	**100%**
Interbank Call Loans				**20%**				
Local Government Units	**20%**	**20%**	**50%**	**50%**	**100%**	**100%**	**150%**	**100%**
Government Corporations (GCs)	**20%**	**20%**	**50%**	**100%**	**100%**	**150%**	**150%**	**100%**
Corporations other than GCs	**20%**	**20%**	**50%**	**100%**	**100%**	**150%**	**150%**	**100%**
Housing Loans				**50%**				
Micro, Small and Medium Enterprise qualified portfolio				**75%**				
Defaulted Exposures								
Housing Loans				**100%**				
Others				**150%**				
Real and Other Properties Acquired				**150%**				
All other assets				**100%**				

Credit risk-weighted assets as at December 31, 2016 and 2015 as reported to the BSP follows (amounts in thousands):

	2016	2015
Risk-weighted on-balance sheet assets	**P65,466,880**	P56,214,952
Risk-weighted off-balance sheet assets	**2,145,819**	2,693,870
Counterparty risk-weighted assets in the trading book	**12,492**	11,824
	P67,625,191	P58,920,646

The Bank's credit risk-weighted exposures arising from on-balance sheet assets amounting to P65.5 billion contribute 96.8% of the credit exposures of the Bank. Credit risk-weighted off-balance sheet assets and counterparty risk-weighted assets in the trading book make up the remainder. The off-balance sheet assets, consisting mainly of direct substitutes, e.g. guarantees and financial standby LCs, and transaction and trade-related contingencies, are weighted at 100%.

The Bank's credit exposures are risk-weighted based on third party credit assessment of the individual exposure as obtained from third party credit assessment institutions recognized by the BSP. In the calculation of risk weighted assets in both the banking and trading books, the Bank utilizes the disclosed ratings from Standard & Poors, Moody's, Fitch Ratings, and Philratings, whenever available. In cases where there are 2 or more ratings which correspond into different risk weights, the higher of the 2 lowest risk weights is used.

The breakdown of risk-weighted on-balance sheet assets follows (amounts in thousands):

	December 31, 2016								
				Risk Weights					
	Exposures, Net of Specific Provisions	Exposures Covered by Credit Risk Mitigation (CRM), Gross of Materiality Threshold	Exposures not Covered by CRM	0%	20%	50%	100%	150%	Total
Cash on hand	P1,618,103	P -	P1,618,103	P1,618,103	P -	P -	P -	P -	P1,618,103
COCI	17,462	-	17,462	-	17,462	-	-	-	17,462
Due from BSP	31,243,694	-	31,243,694	31,243,694	-	-	-	-	31,243,694
Due from other banks	8,003,516	-	8,003,516	-	343,382	7,447,180	212,954	-	8,003,516
AFS securities	23,897,606	-	23,897,606	13,943,612	4,041,425	5,214,136	698,433	-	23,897,606
Loans and receivables	48,529,343	660,870	47,868,473	-	105,891	1,067,802	46,583,388	111,392	47,868,473
Loans and receivables arising from repurchase agreements	13,808,759	-	13,808,759	13,808,759	-	-	-	-	13,808,759
Sales contracts receivable	653,026	-	653,026	-	-	-	500,761	152,265	653,026
Real and other properties acquired (ROPA)	2,742,634	-	2,742,634	-	-	-	-	2,742,634	2,742,634
Total exposures, excluding other assets	130,514,143	660,870	129,853,273	60,614,168	4,508,160	13,729,118	47,995,536	3,006,291	129,853,273
Other assets	5,195,716	-	5,195,716	-	-	-	5,195,716	-	5,195,716
Total exposures, including other assets	P135,709,859	P660,870	P135,048,989	P60,614,168	P4,508,160	P13,729,118	P53,191,252	P3,006,291	P135,048,989
Total risk-weighted on-balance sheet assets not covered by CRM					P901,632	P6,864,559	P53,191,252	P4,509,437	P65,466,880
Total risk-weighted on-balance sheet assets covered by CRM					-	-	-	-	-
Total risk-weighted on-balance sheet assets					P901,632	P6,864,559	P53,191,252	P4,509,437	P65,466,880

December 31, 2015									
	Exposures, Net of Specific Provisions	Exposures Covered by CRM, Gross of Materiality Threshold	Exposures not Covered by CRM	Risk Weights					Total
				0%	20%	50%	100%	150%	
Cash on hand	P2,227,849	P -	P2,227,849	P2,227,849	P -	P -	P -	P -	P2,227,849
COCI	25,783	-	25,783	-	25,783	-	-	-	25,783
Due from BSP	49,806,567	-	49,806,567	49,806,567	-	-	-	-	49,806,567
Due from other banks	7,317,492	-	7,317,492	-	426,783	6,725,982	164,727	-	7,317,492
AFS securities	23,183,505	-	23,183,505	15,862,324	4,067,694	2,872,383	381,104	-	23,183,505
Loans and receivables	41,490,021	693,460	40,796,561	-	570,395	1,626,257	38,608,844	(8,935)	40,796,561
Sales contracts receivable	884,387	-	884,387	-	-	-	541,525	342,862	884,387
ROPA	2,625,419	-	2,625,419	-	-	-	-	2,625,419	2,625,419
Total exposures, excluding other assets	127,561,023	693,460	126,867,563	67,896,740	5,090,655	11,224,622	39,696,200	2,959,346	126,867,563
Other assets	5,449,195	-	5,449,195	-	-	-	5,449,195	-	5,449,195
Total exposures, including other assets	P133,010,218	P693,460	P132,316,758	P67,896,740	P5,090,655	P11,224,622	P45,145,395	P2,959,346	P132,316,758
Total risk-weighted on-balance sheet assets not covered by CRM					P1,018,131	P5,612,311	P45,145,395	P4,439,019	P56,214,856
Total risk-weighted on-balance sheet assets covered by CRM					96	-	-	-	96
Total risk-weighted on-balance sheet assets					P1,018,227	P5,612,311	P45,145,395	P4,439,019	P56,214,952

The Bank uses credit risk mitigation techniques in order to obtain capital relief as allowed by regulations. With regard to the Bank's on-balance sheet assets, a few loans and receivables from government corporations and from private corporations are covered by eligible mitigants. In these cases, the documentation used in collateralized transactions and in guarantees has been reviewed to be legally enforceable in all relevant jurisdictions.

The breakdown of risk-weighted on-balance sheet assets covered by CRM follows (amounts in thousands):

December 31, 2016						
	Guaranteed Portion	**Total Exposures Covered by CRM**	**Risk Weights**		**Total**	**Total exposures Covered by CRM, Gross of Materiality Threshold**
			0%	**20%**		
Loans and Receivables						
Private corporations	**P342,626**	**P342,626**	**P342,626**	**P -**	**P342,626**	**P342,626**
Loans to individuals for consumption and other purposes	**318,244**	**318,244**	**318,244**	**-**	**318,244**	**318,244**
Total exposures covered by CRM	**P660,870**	**P660,870**	**P660,870**	**P -**	**P660,870**	**P660,870**
Risk-weighted on-balance sheet assets covered by CRM				**P -**	**P -**	

December 31, 2015						
	Guaranteed Portion	Total Exposures Covered by CRM	Risk Weights		Total	Total exposures Covered by CRM, Gross of Materiality Threshold
			0%	20%		
Loans and Receivables						
Private corporations	P280,317	P280,317	P279,837	P480	P280,317	P280,317
Loans to individuals for consumption and other purposes	413,143	413,143	413,143	-	413,143	413,143
Total exposures covered by CRM	P693,460	P693,460	P692,980	P480	P693,460	P693,460
Risk-weighted on-balance sheet assets covered by CRM				P96	P96	

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank has a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios. The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk since prior financial year.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2016 and 2015 based on contractual undiscounted repayment obligations (in thousands).

	December 31, 2016					
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Deposit liabilities:						
Demand	**P24,422,978**	**P -**	**P -**	**P -**	**P -**	**P24,422,978**
Savings	**18,882,591**	**45,044,494**	**4,882,819**	**-**	**-**	**68,809,904**
Time	**38,639**	**20,780,471**	**2,297,189**	**1,449,436**	**-**	**24,565,735**
Bills payable	**-**	**12**	**37**	**600**	**-**	**649**
Manager's check	**-**	**716,060**	**-**	**-**	**-**	**716,060**
Accrued interest and other expenses*	**-**	**509,007**	**-**	**-**	**-**	**509,007**
Other liabilities**	**-**	**-**	**1,825,636**	**263,575**	**-**	**2,089,211**
Total undiscounted financial liabilities	**P43,344,208**	**P67,050,044**	**P9,005,681**	**P1,713,611**	**P -**	**P121,113,544**

**amounts exclude accrued employee and other benefits, accrued taxes payable and accrued lease liability*
***amounts exclude withholding tax payable and retirement liability*

	December 31, 2015					
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	P24,045,718	P -	P -	P -	P -	P24,045,718
Savings	17,335,767	60,620,457	1,605,561	-	-	79,561,785
Time	69,425	8,827,689	3,235,144	1,746,813	-	13,879,071
Bills payable	-	18	53	540	371	982
Manager's check	-	500,112	-	-	-	500,112
Accrued interest and other expenses*	-	427,536	-	-	-	427,536
Other liabilities**	-	-	1,704,215	260,893	-	1,965,108
Total undiscounted financial liabilities	P41,450,910	P70,375,812	P6,544,973	P2,008,246	P371	P120,380,312

**amounts exclude accrued employee and other benefits, accrued taxes payable and accrued lease liability*
***amounts exclude withholding tax payable and retirement liability*

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (in thousands):

	December 31, 2016				
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Commitments	**P933,431**	**P186,390**	**P1,872,047**	**P2,840,280**	**P5,832,148**
Contingent liabilities	**21,671,513**	**811,866**	**1,576,838**	**2,000,035**	**26,060,252**
	P22,604,944	**P998,256**	**P3,448,885**	**P4,840,315**	**P31,892,400**

	December 31, 2015				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P641,309	P2,760,338	P3,369,041	P2,149,913	P8,920,601
Contingent liabilities	22,388,696	2,090,766	79,028	3,319,660	27,878,150
	P23,030,005	P4,851,104	P3,448,069	P5,469,573	P36,798,751

Market Risk

Market risk is the potential loss that may arise from decrease in earnings due to the decline in prices or present value of future cash flows of financial instruments. The value of these financial instruments may change as a result of changes in interest rates, foreign exchange rates, equity prices and other market changes. The Bank's market risk originates from its inventory of foreign exchange, debt and equity securities and freestanding derivatives.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk since prior financial year.

BSP Regulatory Reporting - Market Risk

Market risk-weighted assets by type of exposure as at December 31, 2016 and 2015 as reported to the BSP follows (amounts in thousands):

	2016	2015
Foreign exposures	**P265,108**	P133,867
Interest rate exposures	**27,009**	1,052,448
	P292,117	P1,186,315

Interest Rate Risk

One of the Bank's primary business functions is providing financial products that meet the needs of its customers. To satisfy their needs, loans and deposits are tailored to the customers' requirements. The difference between the yield earned on assets, such as loans, and the rate paid on the liabilities (including customer deposits or other borrowings) used to fund them gives the Bank its Net Interest Income (NII).

NII in the current period is the result of customer transactions and the related contractual rates which originated in prior periods as well as new transactions in the current period; those prior period transactions will be impacted by changes in rates on floating rate assets and liabilities in the current period.

The Bank's financial performance is subject to some degree of risk due to changes in interest rates. In order to manage these risks effectively, the Bank modified the pricing on new customer loans subject to the BRR policy. The BRR is the evaluation of the creditworthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. BRR for asset size of P15.0 million and above measures the customers' credit quality by looking into 3 major aspects, namely, financial condition, industry analysis and management quality. BRR for asset size of below P15.0 million measures the customers' credit quality using the Cash, Relationship, Administration, Market, Production and Security analysis.

The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and its influence on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions if more applicable. Loans, investments and deposits are entered in the time band according to its contracted maturity if fixed rate or to its next re-pricing date if floating. Moreover, the Bank assumes no prepayment on the loans. Cash and non-maturity deposits on the other hand, are considered non-rate sensitive.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered "liability sensitive" since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

BSP Regulatory Reporting - Interest Rate Risk

The table set forth the Bank's interest rate repricing gap as at December 31, 2016 and 2015, based on reporting made to BSP.

	December 31, 2016								
In Millions	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 -3 Years	3-5 Years	Beyond 5 Years	Non-rate Sensitive	Total
RESOURCES									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P1,636	P1,636
Due from BSP	10,000	-	-	-	-	-	-	21,233	31,233
Due from other banks	-	-	-	-	-	-	-	8,004	8,004
Interbank loans receivable	13,912	-	-	-	-	-	-	-	13,912
Financial assets at FVPL	-	-	-	-	-	-	-	94	94
AFS securities - net	1,091	2,472	4,784	9,329	2,252	1,007	2,774	(528)	23,181
Other investments - net	-	-	-	-	-	-	773	35	808
Loans - net	9,536	15,844	793	2,619	1,997	7,710	7,832	1,356	47,687
Other resources	429	59	6	-	1	-	-	9,793	10,288
	P34,968	P18,375	P5,583	P11,948	P4,250	P8,717	P11,379	P41,623	P136,843
LIABILITIES AND EQUITY									
Deposit liabilities	P40,964	P24,704	P3,005	P4,107	P260	P1,042	P -	P43,414	P117,496
Demand deposits	-	-	-	-	-	-	-	24,423	24,423
Savings deposits	-	-	-	-	-	-	-	18,991	18,991
Time deposits	40,964	24,704	3,005	4,107	260	1,042	-	-	74,082
Bills payable	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	3,982	3,982
	40,964	24,704	3,005	4,107	260	1,042	-	47,396	121,478
Capital funds	-	-	-	-	-	-	-	15,365	15,365
	P40,964	P24,704	P3,005	P4,107	P260	P1,042	P -	P62,761	P136,843
Total periodic gap	(P5,996)	(P6,329)	P2,578	P7,841	P3,990	P7,675	P11,379	(P21,138)	P -

In Millions	December 31, 2015 Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 -3 Years	3-5 Years	Beyond 5 Years	Non-rate Sensitive	Total
RESOURCES									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P2,254	P2,254
Due from BSP	29,100	-	-	-	-	-	-	20,702	49,802
Due from other banks	-	-	-	-	-	-	-	7,317	7,317
Interbank loans receivable	1,177	100	-	-	-	-	-	-	1,277
Financial assets at FVPL	-	-	-	-	-	-	-	1,702	1,702
AFS securities - net	2,490	5,502	7,508	250	196	1,016	6,346	-	23,308
Other investments - net	-	-	-	-	-	-	-	174	174
Loans - net	8,448	11,347	864	1,611	5,723	4,812	6,252	849	39,906
Other resources	503	16	15	-	-	-	-	9,753	10,287
	P41,718	P16,965	P8,387	P1,861	P5,919	P5,828	P12,598	P42,751	P136,027
LIABILITIES AND EQUITY									
Deposit liabilities	P48,491	P20,943	P3,184	P1,618	P585	P969	P -	P41,382	P117,172
Demand deposits	-	-	-	-	-	-	-	24,046	24,046
Savings deposits	-	-	-	-	-	-	-	17,336	17,336
Time deposits	48,491	20,943	3,184	1,618	585	969	-	-	75,790
Bills payable	-	-	-	-	0.1	0.2	0.4	-	0.7
Other liabilities	-	-	-	-	-	-	-	3,481	3,481
	48,491	20,943	3,184	1,618	585	969	0.4	44,863	120,654
Capital funds	-	-	-	-	-	-	-	15,373	15,373
	P48,491	P20,943	P3,184	P1,618	P585	P969	P0.4	P60,236	P136,027
Total periodic gap	(P6,773)	(P3,978)	P5,203	P243	P5,334	P4,859	P12,598	(P17,485)	

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

Currency	Changes in Interest Rates (In Basis Points)	Sensitivity Of Net Interest Income (In Millions)	**December 31, 2016** Sensitivity Of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity Of Other Comprehensive Income (In Millions)
PHP	**+200**	**(P854.02)**	**(P0.27)**	**(P1,017.49)**
USD	**+100**	**(0.27)**	**(2.91)**	**(426.13)**
PHP	**-200**	**854.02**	**0.27**	**1,017.49**
USD	**-100**	**0.27**	**2.91**	**426.13**

Currency	Changes in Interest Rates (In Basis Points)	Sensitivity Of Net Interest Income (In Millions)	December 31, 2015 Sensitivity Of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity Of Other Comprehensive Income (In Millions)
PHP	+200	(P128.31)	(P257.19)	(P2,578.02)
USD	+100	0.62	(35.67)	(194.99)
PHP	-200	128.31	257.19	2,578.02
USD	-100	(0.62)	35.67	194.99

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and financial liabilities held as at December 31, 2016 and 2015. The sensitivity of Trading gains - net and OCI is calculated by revaluing fixed-rate financial assets at FVPL and AFS debt securities, respectively as at December 31, 2016 and 2015. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Equity Price Risk
Given the nature and amount of the Bank's equity investments portfolio in 2016 and 2015, management believes the Bank's exposure to equity price risk is considered minimal.

Currency Risk
Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

The Bank employs risk limits and analytical models to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2016 and 2015. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2016			
	USD	**Euro**	**Others**	**Total**
Assets				
Due from other banks	**$779**	**$2,787**	**$858**	**$4,424**
Interbank loans receivable	**5,200**	**-**	**-**	**5,200**
Loans and receivables	**1,122**	**-**	**-**	**1,122**
Total assets	**7,101**	**2,787**	**858**	**10,746**
Liabilities				
Deposit liabilities	**-**	**3,290**	**-**	**3,290**
Other liabilities	**91**	**64**	**4**	**159**
Total liabilities	**91**	**3,354**	**4**	**3,449**
Net Exposure	**$7,010**	**($567)**	**$854**	**$7,297**

	December 31, 2015			
	USD	Euro	Others	Total
Assets				
Due from other banks	$3,249	$542	$1,897	$5,688
Interbank loans receivable	6,200	-	-	6,200
Loans and receivables	2,243	-	-	2,243
Total assets	11,692	542	1,897	14,131
Liabilities				
Deposit liabilities	-	708	-	708
Other liabilities	104	5	12	121
Total liabilities	104	713	12	829
Net Exposure	$11,588	($171)	$1,885	$13,302

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2016 and 2015 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Change in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	**Effect on Profit before Tax** (In Millions)	**Philippine Peso Depreciates by**	**Effect on Profit before Tax** (In Millions)
December 31, 2016				
Currency				
USD	**P1.00**	**(P7.01)**	**(P1.00)**	**P7.01**
Euro	**0.50**	**0.28**	**(0.50)**	**(0.28)**
Others	**0.40**	**(0.34)**	**(0.40)**	**0.34**

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2015				
Currency				
USD	P1.00	(P11.59)	(P1.00)	P11.59
Euro	0.50	0.09	(0.50)	(0.09)
Others	0.40	(0.75)	(0.40)	0.75

There is no other impact on the Bank's equity other than those already affecting the statements of income.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and nonfinancial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Investments in Quoted Debt Securities - Fair values are based on quoted market prices.

Derivative Instruments - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair value of receivables from customers and long-term sales contract receivables are equivalent to the estimated future cash flows expected to be received which are discounted using current market rates (i.e. PDST and Libor). Fair value of short-term sales contract receivables, accounts receivables, accrued interest receivables and RCOCI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined by reference to market-based evidence. This is derived on the basis of recent sales of similar properties in the same areas where the investment properties are located taking into account the economic conditions prevailing at the time the valuations are made.

Property and Equipment - Fair value is determined by reference to market-based evidence. The valuations performed by the appraisers are based on market prices of similar properties in the same areas the land and building are located, adjusted for any difference in the nature, location or condition of the specific property.

Deposit Liabilities - Fair values of time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e. PDST and Libor) and with maturities consistent with those remaining for the liability being valued. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bills Payables - Fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate and with maturities consistent with those remaining for the liability being valued.

Manager's Checks and Accrued Interest and Other Expense - Carrying amounts approximate fair values due to the short-term nature of the accounts.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, such as financial assets at FVPL, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (in thousands):

	December 31, 2016				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P68,346	P68,346	P -	P -	P68,346
Derivative assets	24,860	-	24,860	-	24,860
Other debt securities	305	305	-	-	305
AFS securities:					
Quoted government securities	19,099,616	19,099,616	-	-	19,099,616
Quoted other debt securities	4,084,627	4,084,627	-	-	4,084,627
Quoted equity securities	106,605	-	106,605	-	106,605
	23,384,359	23,252,894	131,465	-	23,384,359

Forward

	December 31, 2016				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Non-financial Assets					
Investment properties	P6,213,588	P -	P6,213,588	P -	P6,213,588
Property and equipment*	840,453	-	840,453	-	840,453
	P30,438,400	P23,252,894	P7,185,506	P -	P30,438,400
Assets for which Fair Values are Disclosed					
Financial Assets					
Loans and receivables:					
Receivable from customers	P48,356,797	P -	P49,818,548	P -	P49,818,548
Less unearned interest	14,146	-	14,146	-	14,146
	48,342,651	-	49,804,402	-	49,804,402
Sales contract receivables	640,901	-	774,538	-	774,538
	P48,983,552	P -	P50,578,940	P -	P50,578,940
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Time deposit liabilities	P24,363,391	P -	P22,882,806	P -	P22,882,806
Bills payable	484	-	558	-	558
	P24,363,875	P -	P22,883,364	P -	P22,883,364

**Land and building*

	December 31, 2015				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVPL:					
Government securities held for trading	P1,677,625	P1,677,625	P -	P -	P1,677,625
Derivative assets	23,530	-	23,530	-	23,530
Other debt securities	317	317	-	-	317
AFS securities:					
Quoted government securities	18,063,708	18,063,708	-	-	18,063,708
Quoted other debt securities	4,453,543	4,453,543	-	-	4,453,543
Quoted equity securities	106,605	-	106,605	-	106,605
	24,325,328	24,195,193	130,135	-	22,315,328
Non-financial Assets					
Investment properties	5,401,420	-	5,401,420	-	5,401,420
Property and equipment*	1,428,033	-	1,428,033	-	1,428,033
	P31,154,781	P24,195,193	P6,959,588	P -	P29,144,781
Assets for which Fair Values are Disclosed					
Financial Assets					
Loans and receivables:					
Receivable from customers	P40,675,844	P -	P42,986,549	P -	P42,986,549
Less unearned interest	28,159	-	28,159	-	28,159
	40,647,685	-	42,958,390	-	42,958,390
Sales contract receivables	865,147	-	972,751	-	972,751
	P41,512,832	P -	P43,931,141	P -	P43,931,141
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Time deposit liabilities	P13,647,607	P -	P13,617,038	P -	P13,617,038
Bills payable	689	-	836	-	836
	P13,648,296	P -	P13,617,874	P -	P13,617,874

**Land and building*

For 2016 and 2015, there have been no transfers into and out of each of the levels of the fair value hierarchy.

As at December 31, 2016 and 2015, the carrying values of the Bank's financial assets and financial liabilities, not included in the table above, as reflected in the statements of financial position and related notes approximate their respective fair values.

Fair value information has not been disclosed for the Bank's unquoted equity and debt securities included under "AFS securities" that are carried at cost because fair value cannot be measured reliably. The equity securities represent ordinary shares from a foreign financial institution and a telecommunications company that are not quoted on any market. The debt securities represent investments in a transportation company acquired by the Bank through a special purpose vehicle. The Bank does not intend to dispose of these investments in the foreseeable future.

7. Interbank Loans Receivable and Securities Purchased under Resale Agreement

This account consists of:

	2016	2015
SPURA	**P13,806,170,420**	P -
Interbank Loans Receivable	**4,269,925,851**	5,383,605,561
	P18,076,096,271	P5,383,605,561

Interest income on interbank loans receivable and SPURA follows:

	2016	2015
SPURA	**P173,221,178**	P -
Interbank Loans Receivable	**17,355,926**	18,233,643
	P190,577,104	P18,233,643

Peso-denominated interbank loans receivable bear interest rates ranging from 2.5% to 2.6% in 2016 and from 2.5% to 3.2% in 2015. Dollar-denominated interbank loans receivable bear interest rates ranging from 0.2% to 1.0% in 2016 and from 0.1% to 1.0% in 2015.

In 2016, interest rates earned on SPURA range from 3.0% to 4.0%.

8. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2016	2015
Government securities held for trading	**P68,346,449**	P1,677,624,660
Derivative assets	**24,860,000**	23,530,000
Private debt securities held for trading	**304,779**	317,113
	P93,511,228	P1,701,471,773

As at December 31, 2016 and 2015, financial assets and liabilities through FVPL are adjusted for unrealized gain of P86.9 million and unrealized loss of P72.5 million, respectively (see Note 26).

As at December 31, 2016 and 2015, there are no outstanding embedded derivatives under the "Financial assets and financial liabilities at FVPL" in the statements of financial position.

Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount and leverage exposure. The leverage exposure is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The leverage exposure indicates the volume of transactions outstanding as at December 31, 2016 and 2015 and is not indicative of either market risk or credit risk.

	December 31, 2016			December 31, 2015		
	Derivative Assets	**Notional Amount**	**Leverage Exposure**	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	**P24,860,000**	**$50,000**	**$ -**	P23,530,000	$50,000	$ -

9. Available-for-Sale Securities

This account consists of:

	Note	**2016**	2015
Quoted AFS Securities			
Government securities	*32*	**P19,099,616,236**	P18,063,707,612
Other debt securities		**4,084,626,732**	4,453,542,790
Quoted equity securities		**106,605,293**	106,605,293
		23,290,848,261	22,623,855,695
Unquoted AFS Securities			
Debt securities	*10*	**-**	790,896,041
Equity securities, net of allowance for impairment losses of P300.2 million and P300.0 million as at December 31, 2016 and 2015, respectively	*16*	**34,931,728**	34,897,641
		P23,325,779,989	P23,449,649,377

Quoted AFS Securities

In September 2015, the Bank participated in a bond exchange transaction affecting its AFS securities and received 10-year and 25-year bonds with coupons ranging from 3.6% to 4.6% with total face value of P5.6 billion, at a price equivalent to the ratio of the Eligible Bond Repurchase Price to the New Benchmark Bond Issue Price for every P1.0 principal amount of each Eligible Bonds offered. The Bank realized a net trading loss of P14.4 million from this bond exchange (see Note 26).

Unquoted AFS Securities

Unquoted AFS securities include the Bank's 8.57% equity interest in Banco National de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea (see Note 33).

Reclassification

In June 2016, the Bank transferred its investment in MRT III Bonds from "AFS securities" account to "Unquoted debt securities" under "Loans and receivables" account (see Note 10) in the statements of financial position due to unavailability of a quoted price in an active market that can provide a reliable evidence of the investment's fair value. The investment has a total face value of $28.8 million with an amortized cost and carrying value of $17.4 million and $15.9 million, respectively, at the time of reclassification.

Net Unrealized Losses on AFS Securities

The movements of net unrealized losses on AFS securities follow:

	Note	2016	2015
Balance at beginning of year		**(P386,556,197)**	P447,296,136
Net unrealized gain (loss) recognized as OCI		**172,618,932**	(325,722,716)
Realized gains taken to profit or loss	26	**(352,685,478)**	(508,129,617)
Balance at end of year		**(P566,622,743)**	(P386,556,197)

10. Loans and Receivables

This account consists of:

	Note	2016	2015
Receivables from customers:			
Term loans		**P39,207,590,391**	P34,253,028,709
Housing loans		**3,769,805,510**	2,781,932,147
Auto loans		**2,659,437,935**	1,854,220,350
Bills purchased, import bills and trust receipts	20	**1,250,494,385**	953,932,176
Agri-agra loans		**995,278,647**	432,244,397
Direct advances		**878,291,599**	902,651,646
Others		**1,030,932,972**	881,653,647
		49,791,831,439	42,059,663,072
Less unearned interest income		**14,145,839**	28,158,656
		49,777,685,600	42,031,504,416
Unquoted debt securities	9, 36	**1,064,714,656**	291,578,196
Accounts receivable		**862,302,717**	876,748,552
Sales contracts receivable		**694,761,223**	866,185,352
Accrued interest receivable:			
Loans and receivables	37	**637,361,405**	482,601,855
Trading and investment securities		**188,554,122**	225,700,087
Due from BSP and other banks		**10,727,083**	4,546,875
Interbank loans receivable and SPURA		**2,604,539**	174,751
RCOCI		**9,056,769**	1,220,469
		53,247,768,114	44,780,260,553
Less allowance for credit losses	16	**2,457,526,363**	2,338,500,959
		P50,790,241,751	P42,441,759,594

Bills purchased, import bills and trust receipts includes bills purchased with contra account in “Miscellaneous liabilities” under “Other Liabilities” amounting to P1.1 billion and P0.7 billion as at December 31, 2016 and 2015, respectively (see Notes 20 and 33).

Other receivables from customers pertains to consumer loans such as benefit loans, salary loans, and credit cards.

Sales contracts receivable arise mainly from the sale of foreclosed properties booked under “Investment properties” and “Non-current assets held for sale” accounts. Accounts receivable mainly consists of amounts due from customers and other parties under open-account arrangements, advances from buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Regulatory Reporting

As at December 31, 2016 and 2015, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2016		2015	
	Amount	**%**	Amount	%
Loans secured by:				
Real estate	**P6,421,722**	**12.9**	P5,763,856	13.7
Chattel	**2,650,238**	**5.3**	1,503,378	3.6
Deposit hold-out	**1,198,255**	**2.4**	749,615	1.8
Deed of assignment and others	**5,112,898**	**10.3**	8,979,237	21.3
	15,383,113	**30.9**	16,996,086	40.4
Unsecured	**34,408,718**	**69.1**	25,063,577	59.6
	P49,791,831	**100.0**	P42,059,663	100.0

As at December 31, 2016 and 2015, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2016		2015	
	Amount	**%**	Amount	%
Real estate activities	**P12,577,229**	**25.3**	P6,512,759	15.5
Construction	**8,673,005**	**17.4**	8,284,949	19.7
Manufacturing	**4,447,776**	**8.9**	1,884,730	4.4
Financial and insurance activities	**3,966,176**	**8.0**	4,368,754	10.4
Electricity, gas, steam, and air-conditioning supply	**3,669,670**	**7.4**	4,168,576	9.9
Transportation and storage	**3,602,677**	**7.2**	2,464,935	5.9
Wholesale and retail trade, repair of motor vehicles and motorcycles	**3,410,904**	**6.9**	4,347,126	10.3
Administrative and support service activities	**2,840,663**	**5.7**	3,810,327	9.1
Accommodation and food service activities	**1,493,296**	**3.0**	2,201,335	5.2
Fishing	**715,022**	**1.4**	533,363	1.3
Others*	**4,395,413**	**8.8**	3,482,809	8.3
	P49,791,831	**100.0**	P42,059,663	100.0

**Others include Agriculture, Information and Communication, Education, Arts, Entertainment and Recreation, and other various activities*

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio. The BROC constantly monitors the credit risk concentration of the Bank.

Under Section X309.1 of MORB, NPLs refer to loans whose principal and/or interest remain unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming. In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when 3 or more installments are in arrears.

In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, (i.e. the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches 10.0% of the total receivable balance).

Effective January 1, 2013, the exclusion of NPLs classified as loss and are fully covered by allowance was removed by the BSP in the non-performing classification through Circular No. 772. In addition, BSP Circular No. 772 requires banks to compute their net NPLs by deducting the specific allowance for credit losses on the total loan portfolio (inclusive of interbank loans receivable) from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

As at December 31, 2016 and 2015, the NPLs of the Bank, as reported to the BSP are as follows:

	2016	2015
Gross NPLs	**P1,777,798**	P1,883,474
Less deductions as required by the BSP	**1,619,043**	1,817,867
Net NPLs	**P158,755**	P65,607

Gross and net NPL ratios of the Bank are 2.8% and 0.2%, respectively, as at December 31, 2016 and 4.3% and 0.2%, respectively, as at December 31, 2015.

As at December 31, 2016 and 2015, restructured loans amounted to P1.2 billion and P1.3 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2016 and 2015, restructured receivables from customers considered as NPLs amounted to P0.5 billion.

Interest Income on Loans and Receivables

This account consists of:

	Note	2016	2015
Receivable from customers:			
Term loans		**P1,869,627,759**	P1,797,341,788
Housing loans		**211,042,226**	171,446,342
Auto loans		**198,525,693**	137,073,406
Direct advances		**34,753,886**	40,833,494
Agri-agra loans		**21,388,835**	33,618,615
Bills purchased, import bills and trust receipts		**7,524,649**	9,753,671
Others		**239,432,454**	241,718,847
		2,582,295,502	2,431,786,163
Legal interests on PEACe bonds	37	**181,161,821**	-
Sales contract receivable		**58,152,284**	50,076,842
Unquoted debt securities	9	**53,996,597**	-
		P2,875,606,204	P2,481,863,005

As at December 31, 2016 and 2015, 45.1% and 58.4%, respectively, of the total receivables from customers were subject to periodic interest repricing. Peso-denominated loans earn annual fixed interest rates ranging from 1.7% to 54.0% in 2016 and from 1.0% to 54.0% in 2015. Dollar-denominated loans earn annual fixed interest rates ranging from 0.1% to 13.0% in 2016 and 2015.

Unquoted debt instruments bear EIR per annum of 12.8% in 2016.

Sales contracts receivable bear fixed interest rates ranging from 3.4% to 14.3% and 2.7% to 14.3% in 2016 and 2015, respectively.

11. Non-current Assets Held for Sale

As at December 31, 2016 and 2015, these non-current assets were stated at carrying amount and comprised the following:

		2016			2015		
	Note	**Land**	**Buildings**	**Total**	Land	Buildings	Total
Balance at beginning of year		**P11,156,167**	**P58,090,670**	**P69,246,837**	P152,745,965	P69,145,933	P221,891,898
Additions		**-**	**-**	**-**	59,038	-	59,038
Reclassifications	14	**(4,304,682)**	**(1,414,106)**	**(5,718,788)**	(128,134,184)	(8,633,859)	(136,768,043)
Disposals		**(6,851,485)**	**(3,009,300)**	**(9,860,785)**	(13,514,652)	(2,421,404)	(15,936,056)
Balance at end of year		**P -**	**P53,667,264**	**P53,667,264**	P11,156,167	P58,090,670	P69,246,837

In 2016 and 2015, gains on sale of non-current assets held for sale amounted to P14.8 million and P31.2 million, respectively.

There is no cumulative income or expenses included in OCI relating to non-current assets held for sale.

12. Investment in Associate

The details of movements of the Bank's equity investment in BIC follow:

	Note	**2016**	2015
Acquisition cost (24.25%-owned)		**P75,395,200**	P75,395,200
Accumulated equity in net loss and OCI:			
Balance at beginning of year		**(20,298,174)**	(16,986,827)
Share in net loss		**(1,556,183)**	(1,630,078)
Share in other comprehensive income (loss)		**504,187**	(1,224,050)
Other adjustments		**146,087**	(457,219)
Balance at end of year		**(21,204,083)**	(20,298,174)
Allowance for impairment loss	*16*	**(5,925,786)**	(5,925,786)
	33	**P48,265,331**	P49,171,240

The following table shows the summarized financial information of BIC:

	2016**	2015*
Assets	**P201,965,373**	P209,693,257
Liabilities	**(2,933,081)**	(4,258,497)
Net assets	**199,032,292**	205,434,760
Revenues	**1,685,019**	16,616,782
Net loss for the year	**(6,417,247)**	(6,119,550)
OCI for the year	**14,781**	2,027,056
Total comprehensive loss for the year	**(6,402,466)**	(4,092,494)

**Based on 2015 audited financial statements*
***Based on 2016 unaudited numbers*

During the BOD meeting on January 18, 2011, the Board of the Bank approved a resolution which provides that the Bank is not willing to invest in additional capital stock of BIC and that it is willing to sell its shares in BIC to any interested and qualified buyer. Further, the Bank will formally request BIC to amend its Articles of Incorporation to reflect a change of name in order to remove Bancommerce from its name, the Bank not being a majority stockholder of the investee, and not having any participation in its operations.

On April 18, 2013, by a majority vote of BIC's BOD and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, a motion has been presented and approved to change the corporate name from BIC Investment and Capital Corporation to BIC Management and Consultancy, Inc. and to amend its articles of incorporation to drop and withdraw its license as an investment house. BIC submitted a letter to the SEC dated April 22, 2013, about the report of corporate approval to amend the Articles of Incorporation to change the corporate name and the primary purpose of the corporation. On July 23, 2014, SEC approved the said change of corporate name and the amendment of its articles of incorporation.

As at December 31, 2016 and 2015, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of the BIC's outstanding capital stock of P312.5 million.

13. Property and Equipment

The movements in property and equipment follow:

	December 31, 2016		
At Cost	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Total**
Cost			
Balance at January 1	**P1,647,309,686**	**P715,508,684**	**P2,362,818,370**
Additions	**133,493,793**	**36,409,687**	**169,903,480**
Disposals and others	**(115,949,974)**	**(986,217)**	**(116,936,191)**
Balance at December 31	**1,664,853,505**	**750,932,154**	**2,415,785,659**
Accumulated Depreciation and Amortization			
Balance at January 1	**1,295,469,827**	**601,129,494**	**1,896,599,321**
Depreciation and amortization	**107,183,908**	**40,884,650**	**148,068,558**
Disposals and others	**(58,588,581)**	**-**	**(58,588,581)**
Balance at December 31	**1,344,065,154**	**642,014,144**	**1,986,079,298**
Net Book Value at December 31	**P320,788,351**	**P108,918,010**	**P429,706,361**

		December 31, 2016		
At Appraised Values	***Note***	**Land**	**Buildings**	**Total**
Revalued Amount				
Balance at January 1		**P129,803,199**	**P1,480,488,329**	**P1,610,291,528**
Additions		**-**	**24,540,021**	**24,540,021**
Reclassifications	*14*	**-**	**(681,905,482)**	**(681,905,482)**
Balance at December 31		**129,803,199**	**823,122,868**	**952,926,067**
Accumulated Depreciation				
Balance at January 1		**-**	**167,525,357**	**167,525,357**
Depreciation		**-**	**36,206,566**	**36,206,566**
Reclassifications	*14*	**-**	**(105,992,166)**	**(105,992,166)**
Balance at December 31		**-**	**97,739,757**	**97,739,757**
Allowance for impairment losses	*16*	**(14,733,200)**	**-**	**(14,733,200)**
Net Book Value at December 31		**P115,069,999**	**P725,383,111**	**P840,453,110**

	December 31, 2015		
At Cost	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost			
Balance at January 1	P1,627,456,736	P691,409,108	P2,318,865,844
Additions	115,008,950	24,091,497	139,100,447
Disposals and others	(95,156,000)	8,079	(95,147,921)
Balance at December 31	1,647,309,686	715,508,684	2,362,818,370
Accumulated Depreciation and Amortization			
Balance at January 1	1,211,012,408	556,758,176	1,767,770,584
Depreciation and amortization	128,354,536	44,371,318	172,725,854
Disposals and others	(43,897,117)	-	(43,897,117)
Balance at December 31	1,295,469,827	601,129,494	1,896,599,321
Net Book Value at December 31	P351,839,859	P114,379,190	P466,219,049

		December 31, 2015		
At Appraised Values	*Note*	Land	Buildings	Total
Revalued Amount				
Balance at January 1		P129,803,199	P1,478,807,000	P1,608,610,199
Additions		-	1,681,329	1,681,329
Reclassifications		-	-	-
Balance at December 31		129,803,199	1,480,488,329	1,610,291,528
Accumulated Depreciation				
Balance at January 1		-	-	-
Depreciation		-	167,525,357	167,525,357
Reclassifications		-	-	-
Balance at December 31		-	167,525,357	167,525,357
Allowance for impairment losses	*16*	(14,733,200)	-	(14,733,200)
Net Book Value at December 31		P115,069,999	P1,312,962,972	P1,428,032,971

In 2016 and 2015, gains on sale of property and equipment amounted to P0.7 million and P1.5 million, respectively.

The Bank engaged various accredited independent appraisers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. The valuations performed by the appraisers are based on market prices of similar properties in the same areas the land and building are located, adjusted for any difference in the nature, location or condition of the specific property. Land and buildings were appraised in 2014.

The fair value measurement for land and buildings has been categorized as a Level 2 recurring fair value based on the inputs to the valuation technique used (see Note 6).

As at December 31, 2016 and 2015, appraisal increment for land and building, including revaluation increment for the reclassified properties to “Investment properties” account, as presented under “Revaluation increment on property and equipment and investment properties - net of tax” account amounted to P638.8 million and P577.7 million, respectively. These amounts are gross of deferred tax effect amounting to P191.6 million and P173.3 million, respectively (see Note 30).

In 2016, land and building, with carrying value of P575.9 million and fair value of P650.5 million, which are vacant and no longer used for administrative purposes, were reclassified from “Property and equipment” account to “Investment properties” account in the statement of financial position. As at December 31, 2016, the appraisal increment of the land and building reclassified to “Investment properties” account amounted to P502.3 million, gross of deferred tax effect amounting to P150.7 million.

As at December 31, 2016 and 2015, the cost of fully depreciated property and equipment still in use amounted to P1.0 billion and P0.9 billion, respectively.

If land and buildings were measured using the cost model, the carrying amounts would have been as follows:

	December 31, 2016			December 31, 2015		
	Land	**Buildings**	**Total**	Land	Buildings	Total
Cost	**P41,570,353**	**P842,955,164**	**P884,525,517**	P41,570,353	P1,271,500,790	P1,313,071,143
Accumulated depreciation	**-**	**(165,842,160)**	**(165,842,160)**	-	(448,071,781)	(448,071,781)
	P41,570,353	**P677,113,004**	**P718,683,357**	P41,570,353	P823,429,009	P864,999,362

14. Investment Properties

The movements in investment properties follow:

		December 31, 2016		
	Note	**Land**	**Buildings**	**Total**
Balance at January 1		**P4,178,608,537**	**P1,222,811,948**	**P5,401,420,485**
Additions		**336,093,102**	**58,985,972**	**395,079,074**
Changes in market value		**65,073,872**	**(17,487,707)**	**47,586,165**
Reclassifications	*11, 13*	**4,304,682**	**651,935,748**	**656,240,430**
Disposals and others		**(147,440,867)**	**(139,297,057)**	**(286,737,924)**
Balance at December 31		**P4,436,639,326**	**P1,776,948,904**	**P6,213,588,230**

		December 31, 2015		
	Note	Land	Buildings	Total
Balance at January 1		P3,437,899,194	P1,134,800,279	P4,572,699,473
Additions		223,798,278	133,806,925	357,605,203
Changes in market value		466,066,367	(15,771,659)	450,294,708
Reclassifications	*11*	128,134,184	8,633,859	136,768,043
Disposals and others		(77,289,486)	(38,657,456)	(115,946,942)
Balance at December 31		P4,178,608,537	P1,222,811,948	P5,401,420,485

The fair values of the Bank's investment properties have been determined by BSP-accredited appraisers or in-house appraisers on the basis of recent sales of similar properties in the same areas where the investment properties are located taking into account the economic conditions prevailing at the time the valuations were made. The recurring fair value measurement for investment property has been categorized as a Level 2 fair value based on the inputs to the valuation technique used (see Note 6).

Gain on foreclosure and sale of investment properties consists of the following:

	2016	2015
Gain on foreclosure	**P250,186,685**	P123,120,075
(Loss) gain on assets sold	**(11,794,216)**	2,252,749
	P238,392,469	P125,372,824

Rental income on investment properties (included in "Miscellaneous income" account in the statements of income) in 2016 and 2015 amounted to P1.3 million and P5.2 million, respectively.

Direct operating expenses on investment properties that generated rental income (included under "Litigation and acquired assets" in "Other expenses - miscellaneous" account and "Taxes and licenses" account in the statements of income) in 2016 and 2015 amounted to P3.6 million and P6.9 million, respectively. Direct operating expenses on investment properties that did not generate rental income (included under "Litigation and acquired assets" in "Other expenses - miscellaneous" account and "Taxes and licenses" account in the statements of income) in 2016 and 2015 amounted to P72.9 million and P71.9 million, respectively (see Note 29).

15. Other Assets

This account consists of:

	Note	2016	2015
Withholding tax on PEACe bonds		**P580,336,854**	P580,336,854
Intangible assets*		**368,515,704**	416,546,076
Other properties acquired*		**41,988,535**	15,025,219
Miscellaneous assets	*22, 34*	**5,563,581,266**	5,367,708,002
		6,554,422,359	6,379,616,151
Less allowance for impairment losses	*16*	**4,616,436,465**	4,852,779,582
		P1,937,985,894	P1,526,836,569

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Withholding Tax on PEACe Bonds

This account represents capitalized taxes withheld by the Bureau of Treasury (BTr) when the Bank's investment in Poverty Eradication and Alleviation Certificates (PEACe) bonds matured on October 18, 2011. This was in relation to the Bureau of Internal Revenue (BIR) ruling No. 370 - 2011 dated October 7, 2011 imposing a 20.0% withholding tax on accumulated interest income on the PEACe bonds.

On October 17, 2011, the Bank, along with a consortium of other banks with investment in PEACe bonds filed a petition with the Supreme Court seeking a temporary restraining order (TRO) against the implementation of the said BIR ruling. The Supreme Court (SC) issued a TRO, and in a resolution, enjoined the implementation of the BIR ruling and directed that the 20.0% final withholding tax (FWT) on interest income from PEACe bonds withheld be remitted to the banks and placed in escrow account pending resolution of the petition.

In a decision dated January 13, 2015, the SC *en banc* nullified BIR Ruling Nos. 370-211 and DA 378-2011, reprimanded the BTr for its continued retention of the amount corresponding to the 20.0% FWT despite the SC's directive in the TRO and ordered it to immediately release and pay the banks the amount corresponding to the 20.0% FWT.

The SC also stated that should the PEACe bonds be found to be within the coverage of deposit substitutes, the BTr must nevertheless pay the face value of the PEACe bonds to the banks and for the BTr to collect the unpaid FWT directly from RCBC Capital (underwriter). Respondents BIR and BTr and intervenor RCBC and RCBC Capital sought a reconsideration of the above decision in March 2015, seeking the reversal of the above findings.

In a Resolution promulgated on August 16, 2016, the SC denied the motion for reconsideration of Respondents BIR and BTr while the SC partially granted that of RCBC and RCBC capital. The SC agreed that RCBC and RCBC Capital together with other petitioner banks merely relied on the opinions of the BIR on their vested rights to exemption from FWT. The SC ordered BTr to immediately release to and pay the banks the amount of P4.96 billion representing the 20% FWT on the PEACe bonds plus legal interest at 6.0% per annum from October 19, 2011 until full payment.

Respondents BIR and BTr filed a motion on October 19, 2016 for leave to file anew and admit its motion for partial reconsideration of the Resolution dated August 16, 2016. However, the SC denied the motion in a minute Resolution dated November 22, 2016 because a second motion for reconsideration is a prohibited pleading under the Rules of Court. The SC moreover declared that it shall accept no further pleading or motion and directed the issuance of Entry of Judgment.

As at December 31, 2016, the Bank awaits the Entry of Judgment from the SC (see Note 37).

Based on Management's assessment of the recoverability of the disputed amount and in light of the current development in the status of the related legal case, the Bank recognized in 2016 the reversal of the P290.2 million allowance for impairment losses on PEACe bonds included under "Reversal of credit and impairment loses" in the statements of income. Allowance for impairment losses on PEACe bonds amounted to nil and P290.2 million as at December 31, 2016 and 2015, respectively.

Intangible Assets
Intangible assets consist of:

	2016	2015
Software costs*	**P308,515,704**	P356,546,076
Branch licenses	**60,000,000**	60,000,000
	368,515,704	416,546,076
Less allowance for impairment losses	**90,278,696**	40,923,010
	P278,237,008	P375,623,066

**net of accumulated amortization, gross of allowance for impairment losses*

Movements in software costs follow:

	2016	2015
Cost		
Balance at January 1	**P580,729,124**	P595,158,664
Additions	**63,133,883**	60,191,661
Write-offs and others	**(5,480,722)**	(74,621,201)
Balance at end of year	**638,382,285**	580,729,124
Accumulated Amortization		
Balance at January 1	**224,183,048**	200,024,550
Amortization for the year	**111,164,255**	98,779,699
Write-offs and others	**(5,480,722)**	(74,621,201)
Balance at end of year	**329,866,581**	224,183,048
Less allowance for impairment losses	**90,278,696**	40,923,010
Net Book Value	**P218,237,008**	P315,623,066

Other Properties Acquired
Movements in the other properties acquired follow:

	2016	2015
Cost		
Balance at January 1	**P18,673,404**	P132,986,846
Additions	**52,853,000**	17,433,219
Disposals	**(19,347,690)**	(131,746,661)
Balance at end of year	**52,178,714**	18,673,404
Accumulated Depreciation		
Balance at January 1	**3,648,185**	-
Depreciation for the year	**10,336,121**	26,252,834
Disposals	**(3,794,127)**	(22,604,649)
Balance at end of year	**10,190,179**	3,648,185
Less allowance for impairment losses	**382,361**	190,080
Net Book Value	**P41,606,174**	P14,835,139

In 2016 and 2015, gain on foreclosure amounted to P1.1 million and P0.2 million, respectively. Gain on sale of other properties acquired amounted to P2.0 million and P21.3 million in 2016 and 2015, respectively (see Note 33).

Deferred Charges - Loss on Sale to SPV
The Bank sold certain nonperforming assets (NPAs) to a special purpose vehicle (SPV) in 2007 and 2005. Pursuant to the requirements of PFRSs, the losses arising from the sale of the NPAs amounting to P432.1 million and P1.5 billion in 2007 and 2005, respectively, were recognized in full in the period such losses were incurred. The NPLs were sold for cash to an SPV pursuant to Republic Act (RA) No. 9182, *The Special Purpose Vehicle Act of 2002*.

For its separate prudential reporting to the BSP, the Bank continues to defer and amortize the losses from the sale of NPLs over ten years as provided under RA No. 9182:

End of Period from Date of Transaction	Cumulative Write-down of Deferred Charges
Year 1	5%
Year 2	10%
Year 3	15%
Year 4	25%
Year 5	35%
Year 6	45%
Year 7	55%
Year 8	70%
Year 9	85%
Year 10	100%

For the purpose of computing the Bank's income tax expense, the loss is treated as an ordinary loss and will be carried over as a deduction from the Bank's taxable gross income for a period of 5 consecutive taxable years immediately following the year of sale. For income tax reporting, the deferred losses were fully recognized in 2012 and 2010, respectively.

Miscellaneous Assets

This account includes the following: a.) Sinking fund for the unpaid portion of the redemption price of preferred shares amounting to P263.6 million and P260.9 million as at December 31, 2016 and 2015, respectively, and b.) NPAs amounting to P4.4 billion as at December 31, 2016 and 2015 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 34). Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2016 and 2015, were charged in full in the period incurred.

For its separate prudential reporting to the BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the FAA with PDIC until November 29, 2013 when the collateralized GS was sold and the obligation was fully settled. In 2016 and 2015, provisions for impairment losses recognized for prudential reporting to the BSP amounted to P158.9 million and P159.3 million, respectively (see Note 34).

16. Allowance for Credit and Impairment Losses

Movements in allowance for credit and impairment losses are summarized as follows (amounts in thousands):

	December 31, 2016				
	AFS Securities (Note 9)	**Loans and Receivables** (Note 10)	**Property and Equipment** (Note 13)	**Other Assets*** (Notes 12 and 15)	**Total**
Balance at beginning of year	**P299,990**	**P2,338,501**	**P14,733**	**P4,858,705**	**P7,511,929**
Provisions (reversals) taken up to profit or loss	**-**	**128,109**	**-**	**(236,148)**	**(108,039)**
Reclassifications	**-**	**-**	**-**	**-**	**-**
Recoveries	**-**	**(22,017)**	**-**	**(195)**	**(22,212)**
Write-off	**-**	**-**	**-**	**-**	**-**
Foreign exchange differences	**168**	**12,933**	**-**	**-**	**13,101**
Balance at end of year	**P300,158**	**P2,457,526**	**P14,733**	**P4,622,362**	**P7,394,779**

**Includes allowance for impairment loss on investment in associate (see Note 12) and other assets (see Note 15)*

	December 31, 2015				
	AFS Securities (Note 9)	Loans and Receivables (Note 10)	Property and Equipment (Note 13)	Other Assets* (Notes 12 and 15)	Total
Balance at beginning of year	P300,036	P2,745,206	P14,733	P4,879,571	P7,939,546
Provisions (reversals) taken up to profit or loss	-	(97,969)	-	42,345	(55,624)
Reclassifications	-	23,186	-	(23,186)	-
Recoveries	-	(23,103)	-	(40,025)	(63,128)
Write-off (Note 36)	-	(317,910)	-	-	(317,910)
Foreign exchange differences	(46)	9,091	-	-	9,045
Balance at end of year	P299,990	P2,338,501	P14,733	P4,858,705	P7,511,929

**Includes allowance for impairment loss on investment in associate (see Note 12) and other assets (see Note 15)*

A reconciliation of the allowance for credit losses for loans and receivables follows:

	Note	Term Loans	Direct Advances	Agri-agra Loans	Bills Purchased, Import Bills, and Trust Receipts	Housing loans	Auto loans	Others*	Total
		December 31, 2016							
Balance at beginning of year		**P1,051,895,363**	**P56,562,192**	**P6,935,179**	**P90,591,352**	**P35,939,770**	**P44,823,213**	**P1,051,753,890**	**P2,338,500,959**
Provisions (reversals) taken up to profit or loss		**(58,831,766)**	**69,569,078**	**1,268,613**	**(12,636,398)**	**(7,430,934)**	**70,916,621**	**65,253,606**	**128,108,820**
Reclassifications		-	-	-	-	-	-	-	-
Recoveries		**(19,737,504)**	-	-	-	-	-	**(2,279,466)**	**(22,016,970)**
Wrie-off		-	-	-	-	-	-		
Foreign exchange differences		**8,097,913**	-	-	-	-	-	**4,835,641**	**12,933,554**
Balance at end of year		**P981,424,006**	**P126,131,270**	**P8,203,792**	**P77,954,954**	**P28,508,836**	**P115,739,834**	**P1,119,563,671**	**P2,457,526,363**
Total Impairment Allowance	*10*								
Individual impairment									**P1,976,227,774**
Collective impairment									**481,298,589**
									P2,457,526,363
Gross amount of loans and receivables, individually determined to be impaired									**P3,481,564,099**

**Includes other receivable from customers, i.e. credit cards and salary or personal loans, accounts receivable, sales contract receivable, accrued interest receivable and unquoted debt securities*

	Note	Term Loans	Direct Advances	Agri-agra Loans	Bills Purchased, Import Bills, and Trust Receipts	Housing loans	Auto loans	Others*	Total
		December 31, 2015							
Balance at beginning of year		P1,104,216,566	P55,134,941	P15,877,138	P95,309,816	P63,496,810	P32,246,697	P1,378,924,332	P2,745,206,300
Provisions (reversals) taken up to profit or loss		(58,029,598)	43,889	(8,960,930)	(6,843,991)	(27,782,783)	12,576,516	(8,972,514)	(97,969,411)
Reclassifications		22,822,120	1,473,294	20,204	2,263,706	240,418	-	(3,633,322)	23,186,420
Recoveries		(22,364,688)	(89,932)	(1,233)	(138,179)	(14,675)	-	(493,985)	(23,102,692)
Write-off (Note 36)		-	-	-	-	-	-	(317,910,483)	(317,910,483)
Foreign exchange differences		5,250,963	-	-	-	-	-	3,839,862	9,090,825
Balance at end of year		P1,051,895,363	P56,562,192	P6,935,179	P90,591,352	P35,939,770	P44,823,213	P1,051,753,890	P2,338,500,959
Total Impairment Allowance	*10*								
Individual impairment									P1,893,322,276
Collective impairment									445,178,683
									P2,338,500,959
Gross amount of loans and receivables, individually determined to be impaired									P3,996,926,996

**Includes other receivable from customers, i.e. credit cards and salary or personal loans, accounts receivable, sales contract receivable, accrued interest receivable and unquoted debt securities*

Movement of the individual and collective allowance for credit and impairment losses on loans and receivables:

	December 31, 2016			December 31, 2015		
	Individual Impairment	**Collective Impairment**	**Total**	Individual Impairment	Collective Impairment	Total
Balance at beginning of year	**P1,893,322,276**	**P445,178,683**	**P2,338,500,959**	P2,228,836,695	P516,369,605	P2,745,206,300
Provisions (reversals) taken up to profit or loss	**72,251,410**	**55,857,410**	**128,108,820**	(46,176,177)	(51,793,234)	(97,969,411)
Reclassifications	**-**	**-**	**-**	21,510,190	1,676,230	23,186,420
Recoveries	**(2,279,466)**	**(19,737,504)**	**(22,016,970)**	(2,028,774)	(21,073,918)	(23,102,692)
Write-off (Note 36)	**-**	**-**	**-**	(317,910,483)	-	(317,910,483)
Foreign exchange differences	**12,933,554**	**-**	**12,933,554**	9,090,825	-	9,090,825
Balance at end of year	**P1,976,227,774**	**P481,298,589**	**P2,457,526,363**	P1,893,322,276	P445,178,683	P2,338,500,959

17. Deposit Liabilities

On March 29, 2012, the BSP issued Circular No. 753, which contains the rules and regulations for the unification of the statutory and liquidity reserve requirements effective on the reserve week starting on April 6, 2012. Circular No. 753 provides, among others, the following:

- Unification of the statutory and liquidity reserve requirements, from 11.0% and 10.0%, respectively, to 18.0%;
- Required reserves shall be kept in the form of deposits placed in banks' Demand Deposit Accounts (DDAs) with the BSP;
- Exclusion of cash in vault and demand deposits as eligible form of reserve requirement compliance;
- GS which are used as compliance with the regular and/or liquidity reserve requirements shall continue to be eligible until they mature;
- Discontinuance of Reserve Deposit Account facility beginning April 6, 2012; and
- Deposits maintained with the BSP in compliance with the reserve requirement no longer bear interest.

On March 27, 2014, the BSP issued Circular No. 832, which amends the reserve requirements from 18.0% to 20.0% effective on the reserve week starting on May 30, 2014. As at December 31, 2016 and 2015, the Bank is in compliance with such reserve requirements.

Due from BSP-DDA amounting to P21.2 billion and P20.7 billion as at December 31, 2016 and 2015, respectively, is available for meeting these reserve requirements as reported to the BSP.

In 2016 and 2015, interest rates earned on Due from BSP-Special Deposit Accounts and Overnight Deposit Accounts averaged 2.5%. In 2016, Due from BSP-Term Deposit Accounts earned interest rates ranging from 2.9% to 3.5%.

Interest expense on deposit liabilities follows:

	2016	2015
Demand	**P848**	P45,674
Savings	**670,100,219**	611,896,982
Time	**192,527,826**	234,550,040
	P862,628,893	P846,492,696

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 4.5% and from 0.3% to 5.0% in 2016 and 2015, respectively. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 1.9% in 2016 and from 0.1% to 1.8% in 2015.

18. Bills Payable

This account consists of borrowings from rediscounting facility availed by TRB from Social Security System, which was assumed by the Bank in connection with the PSA entered into by the Bank with TRB in 2002. This was collateralized by certain receivables from customers amounting to P1.6 million.

Interest expense on bills payable amounted to P0.6 million and P0.7 million in 2016 and 2015, respectively.

Peso-denominated bills payable are subject to annual interest rates ranging from 5% to 12% in 2016 and 2015.

19. Accrued Interest, Taxes and Other Expenses

This account consists of:

	Note	**2016**	2015
Accrued interest payable:			
Deposit liabilities	*17*	**P159,732,239**	P134,403,865
Bills payable	*18*	**5,170**	6,232
		159,737,409	134,410,097
Accrued taxes payable		**178,506,796**	254,512,195
Accrued employee and other benefits		**172,463,403**	142,243,710
Accrued insurance		**112,159,680**	110,762,254
Accrued penalties		**87,705,991**	65,386,445
Accrued lease liability		**81,966,906**	83,576,177
Accrued utilities expense		**5,342,102**	14,701,725
Other accrued expenses		**144,061,563**	102,275,662
		P941,943,850	P907,868,265

Other accrued expenses include accruals for equipment-related expenses, security services, janitorial, messengerial and various expenses attributable to the Bank's operations.

20. Other Liabilities

This account consists of:

	Note	**2016**	2015
Accounts payable		**P551,859,236**	P821,355,683
Due to preferred shareholders	*22*	**263,575,455**	260,893,252
Retirement liability	*27*	**84,036,498**	135,385,940
Withholding tax payable		**52,586,188**	62,535,185
Due to Treasurer of the Philippines		**28,677,661**	33,231,770
Miscellaneous	*10*	**1,245,098,745**	849,627,797
		P2,225,833,783	P2,163,029,627

Accounts payable mainly pertains to advance payments from customers, inward and outward remittances received by the Bank pending payment or application to designated accounts.

Miscellaneous liabilities mainly consists of the reciprocal account of bills purchased classified as loans arising from customer trades and accommodations amounting to P1.1 billion and P0.7 billion granted by the Bank to its depositors as at December 31, 2016 and 2015, respectively (see Notes 10 and 33).

21. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (in thousands):

		2016			2015		
	Note	**Within 12 Months**	**Over 12 Months**	**Total**	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		**P1,635,565**	**P -**	**P1,635,565**	P2,253,631	P -	P2,253,631
Due from BSP	*17*	**31,232,967**	**-**	**31,232,967**	49,802,020	-	49,802,020
Due from other banks		**3,839,466**	**-**	**3,839,466**	3,287,775	-	3,287,775
Interbank loans receivable and SPURA	*7*	**18,076,096**	**-**	**18,076,096**	5,383,606	-	5,383,606
Financial assets at FVPL:	*8*						
Government securities held-for-trading		**68,346**	**-**	**68,346**	1,677,625	-	1,677,625
Derivative assets		**-**	**24,860**	**24,860**	-	23,530	23,530
Private debt securities		**-**	**305**	**305**	-	317	317
AFS securities - gross:	*9*						
Quoted government securities		**4,992,023**	**14,107,593**	**19,099,616**	149,681	17,914,027	18,063,708
Quoted other debt securities		**42,406**	**4,042,221**	**4,084,627**	250,373	4,203,170	4,453,543
Unquoted debt securities		**-**	**-**	**-**	-	790,896	790,896
Quoted equity securities		**-**	**106,606**	**106,606**	-	106,606	106,606
Unquoted equity securities		**-**	**335,089**	**335,089**	-	334,887	334,887
Loans and receivables - gross:	*10*						
Receivable from customers:							
Term loans		**16,255,869**	**22,951,721**	**39,207,590**	9,420,545	24,832,484	34,253,029
Housing loans		**9,854**	**3,759,952**	**3,769,806**	5,700	2,776,232	2,781,932
Auto loans		**77,756**	**2,581,682**	**2,659,438**	46,371	1,807,849	1,854,220
Bills purchased, import bills and trust receipts		**1,250,494**	**-**	**1,250,494**	953,932	-	953,932
Agri-agra loans		**831,185**	**164,094**	**995,279**	409,244	23,000	432,244
Direct Advances		**855,519**	**22,773**	**878,292**	882,127	20,525	902,652
Others		**543,134**	**487,798**	**1,030,932**	406,384	475,270	881,654
Sales contracts receivable		**79,456**	**615,305**	**694,761**	229,046	637,139	866,185
Unquoted debt securities		**-**	**1,064,715**	**1,064,715**	-	291,578	291,578
Accrued interest receivable		**839,247**	**-**	**839,247**	713,024	-	713,024
Accounts receivable		**862,303**	**-**	**862,303**	876,749	-	876,749
RCOCI		**9,057**	**-**	**9,057**	1,220	-	1,220
		81,500,743	**50,264,714**	**131,765,457**	76,749,053	54,237,510	130,986,563
Non-financial Assets - gross							
Non-current assets held for sale	*11*	**53,667**	**-**	**P53,667**	69,247	-	69,247
Investment in associate	*12*	**-**	**75,395**	**75,395**	-	75,395	75,395
Property and equipment	*13*	**-**	**3,368,712**	**3,368,712**	-	3,973,110	3,973,110
Investment properties	*14*	**-**	**6,213,588**	**6,213,588**	-	5,401,420	5,401,420
Deferred tax assets - net	*30*	**-**	**168,489**	**168,489**	-	212,946	212,946
Other assets	*15*	**848,139**	**6,046,340**	**6,894,479**	654,948	5,952,499	6,607,447
		901,806	**15,872,524**	**16,774,330**	724,195	15,615,370	16,339,565
		P82,402,549	**P66,137,238**	**148,539,787**	P77,473,248	P69,852,880	147,326,128
Less:							
Allowance for credit and impairment losses	*16*			**7,394,779**			7,511,929
Accumulated equity in net loss				**21,204**			20,298
Accumulated depreciation and amortization	*13, 15*			**2,423,876**			2,291,956
Unearned interest	*10*			**14,146**			28,159
Total				**P138,685,782**			P137,473,786

		2016			2015		
		Within	Over 12		Within	Over 12	
	Note	12 Months	Months	Total	12 Months	Months	Total
Financial Liabilities							
Deposit liabilities	17						
Demand		**P24,422,978**	**P -**	**P24,422,978**	P24,045,718	P -	P24,045,718
Savings		**68,709,645**	**-**	**68,709,645**	79,478,817	-	79,478,817
Time		**23,061,522**	**1,301,870**	**24,363,392**	12,093,496	1,554,111	13,647,607
Bills payable	18	**-**	**484**	**484**	-	689	689
Manager's checks		**716,060**	**-**	**716,060**	500,112	-	500,112
Accrued interest and other expenses	19	**509,007**	**-**	**509,007**	427,536	-	427,536
Other liabilities	20	**1,909,673**	**263,575**	**2,173,248**	1,839,602	260,893	2,100,495
		119,328,885	**1,565,929**	**120,894,814**	118,385,281	1,815,693	120,200,974
Non-financial Liabilities							
Accrued taxes and other expense payable	19	**432,937**	**-**	**432,937**	480,332	-	480,332
Other liabilities	20	**52,586**	**-**	**52,586**	62,535	-	62,535
		485,523	**-**	**485,523**	542,867	-	542,867
		P119,814,408	**P1,565,929**	**P121,380,337**	P118,928,148	P1,815,693	P120,743,841

22. Capital

As at December 31, 2016 and 2015, the Bank has 112,241,112 common shares issued and subscribed with a par value of P100 and has no outstanding preferred shares. However, the Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P263.6 million and P260.9 million as at December 31, 2016 and 2015, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 20 to the financial statements. As at December 31, 2016 and 2015, the related sinking fund which is recorded as "Miscellaneous assets" account amounting to P263.6 million and P260.9 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 15).

On April 8, 2010, the SEC approved the Bank's application for increase in authorized capital stock from P6.0 billion divided into 52.5 million common shares; 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into P212.5 million common shares; 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion, was approved by the BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) amounting to 2,800,000 shares and 1,972,735 shares, respectively; and

- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In this connection, the Bank secured the approval of the MB of the BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in the BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board has also agreed that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of the BSP approved the sale of shares of Valiant.

In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

Equity Restructuring
On May 31, 2016, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P3,154,450,041 as at December 31, 2015 through the use of the Bank's Paid-in surplus.

On August 6, 2016, the Bank received from the BSP a "No Objection" response to the Bank's application for equity restructuring with the SEC subject to the (1) Bank's compliance with the SEC's other requirements; and (2) condition that the Bank shall provide the BSP a certified true copy of SEC's approval of the equity restructuring within 5 days from Bank receipt thereof.

On December 22, 2016, the Bank, through a letter dated December 14, 2016, filed an application with the SEC through the Company Registration and Monitoring Department (CRMD) requesting approval of the Equity Restructuring Plan. Upon filing with the CRMD, the Bank was advised to forward the Application to the Market and Securities Regulation Department (MSRD) for endorsement. In its letter dated December 23, 2016, the MSRD interposed no objection to the Application provided that the Bank submits a certification that it is still in compliance with certain reportorial conditions after the SEC's approval of the Application. On February 8, 2017, the Application was reverted to the CRMD (see Note 37).

Capital Management
The Bank's capital base, comprised of capital stock, paid-in surplus, surplus reserves and revaluation increment on property, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

On October 29, 2014, BSP issued Circular 854 amending Subsection X111.1 of the MORB regarding the minimum capitalization requirement applicable for the Bank (commercial banks with more than 100 branches) from P2.4 billion to P15.0 billion effective November 13, 2014. Banks which comply with the new capital levels shall submit to the BSP a certification to this effect within 30 calendar days from the date of the effectivity of the circular while banks which are not meeting the required minimum capital must submit to the BSP an acceptable capital build-up program within 1 year from the date of effectivity of the circular.

The issuance of BSP Circular No. 639 covering the ICAAP in 2009 supplements the BSP's risk-based capital adequacy framework under Circular No. 538. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. Pursuant to MB Resolution No. 84 dated January 14, 2015, the deadline for submission of ICAAP documents was amended from January 31 of each year to March 31 effective 2015 (BSP Circular No. 869 dated January 30, 2015).

As at December 31, 2016 and 2015, the reported unimpaired capital of P15.7 billion and P15.5 billion, respectively, exceeded the required minimum regulatory capital of P15.0 billion for commercial banks with more than 100 branches.

The Bank's overall strategy on capital management remains unchanged since prior financial year.

Regulatory Qualifying Capital

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" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRSs in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538 which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effectively July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under BSP Circular 538, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

On January 15, 2013, the BSP issued Circular 781 which contains the revised risk-based capital adequacy framework for the Philippine Banking system in accordance with the Basel III standards. The said Circular took effect on January 1, 2014. The following are the revised minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-'going concern' [CET1 plus Additional Tier 1(ATI)] and Tier 2 -'gone concern.' A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress. The restrictions on distribution that a bank must meet at various levels of CET1 capital ratios are established, as shown in below table. Restrictions will be imposed if a bank has no positive earnings, has CET1 of not more than 8.5% (CET Ratio of 6.0% plus conservation buffer of 2.5%) and has not complied with the minimum 10% CAR.

Level of CET 1 capital	Restriction on Distributions
<6.0	No distribution
6.0%-7.25%	No distribution until more than 7.25% CET1 capital is met
>7.25%-8.5%	50% of earnings may be distributed
>8.5%	No restriction on the distribution

On June 9, 2015, MB issued BSP Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio* Framework, which approved the guidelines for the implementation of the Basel III Leverage Ratio in the Philippines and designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

On March 10, 2016, MB approved the liquidity standards and issued BSP Circular No. 905, *Implementation of BASEL III Framework on Liquidity Standards-Liquidity Coverage Ratio (LCR) and Disclosure Standards,* The LCR is the ratio of HQLAs to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement will commence on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and shall rise to the minimum level of 100% on January 01, 2019.

This applies to U/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

As at December 31, 2016 and 2015, based on the CAR reports submitted to BSP, the Bank’s CAR of 20.0% and 21.9%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision (“BIS rules/ratios”), based on the Basel III framework.

The breakdown of the Bank’s risk-weighted assets as at December 31, 2016 and 2015 as reported to the BSP follows (amounts in thousands):

	2016	2015
Credit risk-weighted assets	**P67,625,191**	P58,920,646
Market-risk weighted assets	**292,117**	1,186,315
Operational risk-weighted assets	**6,761,263**	6,592,280
	P74,678,571	P66,699,241

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2016 and 2015 (in millions) which was complied as per below:

	2016	2015
Tier 1 capital	**P14,439**	P14,247
Tier 2 capital	**482**	328
Total qualifying capital	**P14,921**	P14,575
Risk-weighted assets	**P74,679**	P66,699
Tier 1 capital ratio	**19.3%**	21.4%
Total capital ratio	**20.0%**	21.9%

Certain adjustments are made to PFRSs results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRSs:

a) calculation of reserves for allowance for credit losses on loans and receivables;
b) nonperforming assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning through offset of net yield earned from the financial assistance;
c) deferral of losses on sold NPLs to SPV Company; and
d) accounting for investment properties.

For items a, b and d, the recognition of the Bank is based on the accounting treatment approved by BSP (see Notes 10, 15, 16 and 34). For item c, the accounting treatment is based on the provisions of the SPV law.

Financial Performance
The following basic ratios measure the financial performance of the Bank:

	2016	2015
Return on average equity	**3.5%**	1.9%
Return on average assets	**0.5%**	0.3%
Net interest margin on average earning assets	**3.6%**	2.8%

23. Surplus Reserves

	2016	2015
Reserve for trust business	**P92,581,050**	P86,692,129
Reserve for self-insurance	**60,000,000**	60,000,000
	P152,581,050	P146,692,129

In compliance with existing BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties.

24. Interest Income on Debt Securities

This account consists of:

	Note	**2016**	2015
Financial assets at FVPL:			
Government securities held for trading		**P29,696,887**	P92,366,983
Quoted other debt securities		**23,250**	45,737
AFS securities:			
Quoted government securities		**575,949,001**	630,908,009
Quoted other debt securities		**224,907,965**	225,054,652
Unquoted debt securities	*9, 36*	**51,873,619**	104,977,647
		P882,450,722	P1,053,353,028

Foreign currency-denominated financial assets at FVPL bear EIRs ranging from 2.8% to 9.9% in 2016 and from 2.0% to 9.9% in 2015. Peso-denominated financial assets at FVPL bear EIRs ranging from 3.6% to 8.1% in 2016 and 2015.

Foreign currency-denominated AFS securities bear EIRs ranging from 0.3% to 12.8% in 2016 and from 1.9% to 12.5% in 2015. Peso-denominated AFS securities bear EIRs ranging from 2.3% to 4.6% in 2016 and from 2.2% to 12.4% in 2015.

25. Service Charges, Fees and Commissions

This account consists of:

	2016	2015
Service charges	**P145,330,699**	P147,698,434
Trust income	**68,586,939**	58,876,143
Credit card fees	**37,021,664**	-
Penalty charges	**14,093,204**	34,217,894
Letters of credit fees	**11,353,977**	9,815,845
Telegraphic transfer fees	**8,177,396**	4,128,706
Acceptance fees	**483,826**	560,003
Commitment and other loan-related charges	**-**	57,033,168
Others	**39,156,055**	49,971,980
	P324,203,760	P362,302,173

Service charges include charges on loans and deposit taking-related activities.

26. Trading and Investment Securities Gains - net

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	**2016**	2015
Financial assets and liabilities at FVPL:	*8*		
Debt securities			
Realized		**(P97,155,416)**	(P69,255,917)
Unrealized		**86,897,122**	(72,505,565)
AFS securities	*9, 36*	**352,685,478**	508,129,617
		P342,427,184	P366,368,135

27. Employee Benefits

Retirement Plan
The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law."

The retirement fund is being managed and administered by the Bank's Trust Services Division which is covered by an Investment Management Account (IMA) Agreement (agency relationship).

The date of the last actuarial valuation is December 9, 2016. Valuations are performed on an annual basis.

As at December 31, 2016 and 2015, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2016	2015
Average working life	**13.0**	13.0
Discount rate	**5.6%**	5.0%
Future salary increases	**6.6%**	6.6%

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability and its components (in thousands).

	Defined Benefits Obligation		Fair Value of Plan Assets		Net Retirement Benefit Liability	
	2016	2015	**2016**	2015	**2016**	2015
Balance at January 1	**P790,969**	P747,827	**(P655,583)**	(P569,688)	**P135,386**	P178,139
Included in profit or loss						
Current service cost	**89,906**	94,548	**-**	-	**89,906**	94,548
Interest expense (income)	**39,548**	35,896	**(32,779)**	(27,345)	**6,769**	8,551
Settlement cost due to wage rationalization program	**-**	11,902	**-**	-	**-**	11,902
	129,454	142,346	**(32,779)**	(27,345)	**96,675**	115,001
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	**(56,941)**	(18,457)	**-**	-	**(56,941)**	(18,457)
Experience adjustment	**(17,444)**	(16,740)	**-**	-	**(17,444)**	(16,740)
Return on plan assets excluding interest income	**-**	-	**6,923**	11,951	**6,923**	11,951
	(74,385)	(35,197)	**6,923**	11,951	**(67,462)**	(23,246)
Others						
Contributions paid by the employer	**-**	-	**(80,563)**	(134,508)	**(80,563)**	(134,508)
Benefits paid	**(62,972)**	(64,007)	**62,972**	64,007	**-**	-
	(62,972)	(64,007)	**(17,591)**	(70,501)	**(80,563)**	(134,508)
Balance at December 31	**P783,066**	P790,969	**(P699,030)**	(P655,583)	**P84,036**	P135,386

The actual return on plan assets amounted to P25.9 million and P15.4 million in 2016 and 2015, respectively.

The Bank expects to contribute P107.8 million to its defined benefits retirement plan in 2017.

The major categories of plan assets, at carrying values as at December 31, 2016 and 2015 follow (see Note 33):

	2016	2015
AFS securities:		
Government and other debt securities	**P241,443,053**	P254,954,901
Quoted equity securities	**179,039,844**	134,886,626
Unquoted equity securities	**10,001,411**	9,696,722
Deposits with the Bank	**71,338,714**	99,135,968
Receivables	**170,810,286**	149,536,809
Total Plan Assets	**P672,633,308**	P648,211,026

Sensitivity Analysis

Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown below:

	December 31, 2016			
	Discount Rate		**Salary Increase Rate**	
	+0.50%	**-0.50%**	**+0.50%**	**-0.50%**
Present value of the defined benefit obligation	**P739,871,912**	**P830,102,053**	**P826,997,096**	**P742,245,936**
Fair value of plan assets	**699,029,696**	**699,029,696**	**699,029,696**	**699,029,696**
Net retirement liability	**P40,842,216**	**P131,072,357**	**P127,967,400**	**P43,216,240**

	December 31, 2015			
	Discount Rate		Salary Increase Rate	
	+0.50%	-0.50%	+0.50%	-0.50%
Present value of the defined benefit obligation	P747,592,541	P838,386,829	P834,309,040	P750,836,820
Fair value of plan assets	655,583,170	655,583,170	655,583,170	655,583,170
Net retirement liability	P92,009,371	P182,803,659	P178,725,870	P95,253,650

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with the BSP requirements.

The weighted average duration of the defined benefit obligations is equal to the expected average remaining working lives as at December 31, 2016 and 2015.

Compensation and Fringe Benefits

The details of the following accounts for the year ended December 31 follow:

	2016	2015
Salaries and allowances	**P740,030,450**	P749,875,301
Employee benefits	**240,234,771**	309,751,812
Bonuses	**214,815,934**	223,135,840
Provision for estimated employee-related expenses	**160,391,226**	132,152,994
Overtime	**26,130,931**	24,270,854
	P1,381,603,312	P1,439,186,801

28. Lease Contracts

Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 25 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 3.0% to 15.0%. Rent expense charged against current operations (included under "Rent and utilities" account in the statements of income) amounted to P302.8 million and P313.9 million in 2016 and 2015, respectively.

There are no contingent rentals and restrictions imposed by lease arrangements as at December 31, 2016 and 2015.

Future minimum rentals payable under non-cancellable operating leases follows (amounts in millions):

	2016	2015
Within one year	**P193.4**	P200.6
After one year but not more than 5 years	**362.9**	465.5
After 5 years	**108.9**	135.6

Bank as Lessor

The Bank entered into commercial property leases for office space. These non-cancellable leases have remaining lease terms ranging from 2 to 3 years. As at December 31, 2016 and 2015, there is no contingent rental income. Rent income of the Bank related to these property leases amounting to P5.5 million and P8.6 million in 2016 and 2015, respectively, are shown under "Miscellaneous" of "Other income" account in the statements of income.

Future minimum rentals receivable under non-cancellable operating leases follows (amounts in millions):

	2016	2015
Within one year	**P5.8**	P5.7
After one year but not more than 5 years	**5.1**	10.9

29. Miscellaneous Expenses

	Note	**2016**	2015
Bank charges		**P68,060,128**	P57,880,253
Messengerial services		**65,731,229**	53,809,572
Litigation and acquired assets - related expenses	*14*	**56,602,376**	65,040,339
Communications		**40,846,678**	42,040,598
Marketing		**38,577,817**	46,359,197
Supervision and examination fee		**34,029,438**	34,459,278
Forms and supplies		**25,500,493**	26,484,408
Transportation and travel		**12,228,075**	13,424,667
Others		**5,641,868**	85,607,213
		P347,218,102	P425,105,525

Others include management fee on deposits, subscription fee and membership dues.

30. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit
Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented under "Taxes and licenses" account in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income taxes include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from GS and other deposit substitutes.

The corporate income tax rate is 30.0%. Interest allowed as a deductible expense is reduced by an amount equivalent to 33.0% of interest income subjected to final tax. It also provides for the change in GRT rate from 5.0% to 7.0%.

The regulations also provide for MCIT of 2.0% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Bank's income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In addition, Revenue Regulations (RR) No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue. Nondeductible EAR expenses amounted to P114.6 million in 2016 and P114.5 million in 2015. EAR expense is included under "Entertainment, amusement and recreation" account in the statements of income.

In 2011, the BIR issued RR 4-2011 which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU's taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation.

Foreign Currency Deposit Unit
RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by the BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.

- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to a final tax at a rate of 10.0%; and

- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 7.5% final tax.

Income tax expense consists of:

	2016	2015
Current:		
Final	**P230,233,339**	P263,118,374
MCIT	**45,683,810**	40,305,455
RCIT	**5,212,289**	1,849,246
	281,129,438	305,273,075
Deferred	**26,150,618**	161,111,293
	P307,280,056	P466,384,368

The amount of deferred tax income relates to the origination and reversal of temporary differences.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2016	2015
Income before income tax	**P917,678,052**	P796,177,671
Income tax at statutory rate	**P275,303,416**	P238,853,301
Additions to (reductions in) income taxes resulting from the tax effects of:		
Nondeductible expenses	**223,896,092**	346,966,811
Tax paid income	**(109,530,913)**	(130,236,161)
Changes in unrecognized deferred tax assets	**(93,019,929)**	17,896,705
FCDU income	**(53,108,642)**	(62,590,495)
Nontaxable income	**(44,069,445)**	(67,383,906)
Others	**107,809,477**	122,878,113
Effective income tax	**P307,280,056**	P466,384,368

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	2016		2015	
	Tax Base	**Deferred Tax Asset (Liability)**	Tax Base	Deferred Tax Asset (Liability)
Deferred tax asset recognized in profit or loss:				
Allowance for credit and impairment losses	**P3,334,005,599**	**P1,000,201,680**	P2,656,793,825	P797,038,148
Unrealized loss on foreclosed properties	**152,183,638**	**45,655,091**	170,232,405	51,069,722
Accrued rent expense	**72,060,888**	**21,618,266**	71,187,146	21,356,144
NOLCO	**-**	**-**	359,761,397	107,928,419
MCIT	**-**	**-**	82,198,540	82,198,540
Other accrued expenses	**305,617,359**	**91,385,208**	236,446,949	70,934,085
	3,862,867,484	**1,158,860,245**	3,576,620,262	1,130,525,058
Deferred tax liability recognized in profit or loss and OCI:				
Unrealized gain on foreclosed properties	**(2,379,775,271)**	**(713,932,581)**	(2,204,718,356)	(661,415,508)
Revaluation increment on property and equipment and investment properties	**(638,788,196)**	**(191,636,459)**	(577,766,811)	(173,330,043)
Gain on investment properties sold under installments	**(126,184,642)**	**(37,855,393)**	(137,714,887)	(41,314,466)
Retirement benefits	**(80,192,272)**	**(24,057,682)**	(70,466,665)	(21,140,000)
Unrealized foreign exchange gain	**(75,128,148)**	**(22,538,444)**	(67,929,487)	(20,378,846)
Valuation gain on derivatives and financial assets carried at FVPL	**(1,168,415)**	**(350,525)**	-	-
	(3,301,236,944)	**(990,371,084)**	(3,058,596,206)	(917,578,863)
Net deferred tax assets	**561,630,540**	**168,489,161**	518,024,056	212,946,195
Less amount recognized in OCI:				
Revaluation increment on property and equipment and investment properties	**(638,788,196)**	**(191,636,459)**	(577,766,811)	(173,330,043)
Amount recognized in profit or loss	**P1,200,418,736**	**P360,125,620**	P1,095,790,867	P386,276,238

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences and carry forward benefits of NOLCO and MCIT:

	2016		2015	
	Deductible Temporary Differences	**Deferred Tax Asset**	Deductible Temporary Differences	Deferred Tax Asset
Allowance for credit and impairment losses	**P1,898,049,096**	**P569,414,729**	P2,698,896,887	P809,669,066
NOLCO	**575,877,406**	**172,763,222**	198,213,009	59,463,903
Remeasurement losses on defined benefit liability	**164,228,770**	**49,268,631**	231,690,806	69,507,242
MCIT	**127,882,350**	**127,882,350**	40,255,825	40,255,825
Unrealized loss on AFS securities	**25,373,530**	**7,612,059**	45,675,776	13,702,733
Unrealized loss on financial assets at FVPL	**-**	**-**	75,233,485	22,570,045
Others	**149,467,057**	**44,840,117**	253,205,028	75,961,508
	P2,940,878,209	**P971,781,108**	P3,543,170,816	P1,091,130,322

Details of the Bank's RBU NOLCO and MCIT as at December 31, 2016 follow:

NOLCO

Inception Year	Amount	Expired	Balance	Expiry Year
2014	P359,761,397	P -	P359,761,397	2017
2015	198,213,009	-	198,213,009	2018
2016	17,903,000	-	17,903,000	2019
	P575,877,406	P -	P575,877,406	

MCIT

Inception Year	Amount	Expired	Balance	Expiry Year
2013	P40,255,825	(P40,255,825)	P -	2016
2014	41,893,085	-	41,893,085	2017
2015	40,305,455	-	40,305,455	2018
2016	45,683,810	-	45,683,810	2019
	P168,138,175	(P40,255,825)	P127,882,350	

31. Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2016 and 2015:

	2016	2015
Contingent assets:		
Future/spot exchange bought	**P299,407,128**	P145,817,222
Outward bills for collection	**1,040,840**	2,390,829
Fixed income securities purchased	**-**	48,778,980
	P300,447,968	P196,987,031

		2016	2015
Commitments and contingent liabilities:			
Trust department accounts	*32*	**P23,669,966,366**	P24,200,318,651
Committed credit line	*33*	**4,601,667,315**	8,074,946,237
Outstanding guarantees		**1,582,713,394**	2,525,855,196
Credit card lines		**933,430,502**	641,308,596
Future/spot exchange sold		**647,421,250**	804,076,572
Unused commercial letters of credit		**297,050,492**	204,346,104
Late deposits/payments received		**159,765,207**	299,051,883
Items held for safekeeping/securities held as collateral		**385,986**	68,657
Fixed income securities sold		**-**	48,778,981
		P31,892,400,512	P36,798,750,877

The Bank has several loan-related suits and claims that remain unsettled. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

As at December 31, 2016 and 2015, no asset is being pledged by the Bank to secure outstanding liabilities.

32. Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank (see Note 31). Total assets held by the Bank's Trust Services Division amounted to P23.7 billion and P24.2 billion as at December 31, 2016 (unaudited) and 2015, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, GS with a face value of P272.0 million and P249.0 million, which have been included under "AFS securities" (see Note 9), are deposited with BSP in 2016 and 2015, respectively.

33. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities.

In the ordinary course of business, the Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, the amount of individual loans to DOSRI, of which 70.0% must be secured, should not exceed the amount of their respective unencumbered deposits and book value of their respective investments in the Bank. In the aggregate, loans to DOSRI generally should not exceed the lower of the Bank's total regulatory capital or 15.0% of the total loan portfolio. On March 15, 2004, the BSP issued Circular No. 423 which provides for the amended definition of DOSRI accounts.

The following table shows information relating to DOSRI loans:

	2016	2015
Total outstanding DOSRI loans	**P3,826,247**	P4,681,512
Percent of DOSRI loans to total loans	**0.01%**	0.01%
Percent of unsecured DOSRI loans to total DOSRI loans	**Nil**	Nil
Percent of past due DOSRI loans to total DOSRI loans	**Nil**	Nil
Percent of nonperforming DOSRI loans to total DOSRI loans	**Nil**	Nil

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said circular, the total outstanding exposures to each of the bank's affiliates shall not exceed 10.0% of bank's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank. BSP Circular 560 took effect on February 15, 2007.

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	Note	**December 31, 2016** Amount/ Volume	**December 31, 2016** Outstanding Balance	December 31, 2015 Amount/ Volume	December 31, 2015 Outstanding Balance	Nature, Terms and Conditions
Affiliates and other related parties						
Investments in unquoted AFS securities	*9*		**P16,362**		P16,328	8.57% equity interest in BANGE
Investments in quoted AFS securities	*9*		**2,951,251**		2,975,618	Short-term and long-term bonds with interest rates ranging from 4.0% to 6.6% with maturity years ranging from 2017 to 2025
Investment in associate	*12*		**48,265**		49,171	24.25% equity interests in BIC which a stockholder of the Bank
Receivable from customers	*10*		**22,228,933**		22,199,206	Term loans with interest rates ranging from 2.5% to 8.8% and with maturity of less than 1 year to 12 years; Collateral includes unregistered chattel mortgage, assignment of contract and concession agreement, mortgage trust indenture and pledge agreement on shares
Availments		**P43,430,535**		P40,910,020		
Settlements		**43,500,558**		39,650,615		
Accrued interest and other receivables	*10*	**1,207,448**	**213,650**	1,438,059	277,950	Interest income and accrued interest receivables; Other receivables include unsecured, non-interest bearing accounts receivables and DOSRI loans with annual interest of 6.3% and term of more than one year
Deposit liabilities	*17*		**22,752,220**		26,610,962	
Deposits		**4,530,150,856**		3,863,844,101		Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Withdrawals		**3,301,859,783**		2,843,660,498		
Accrued interest, other expenses payable and other liabilities	*19, 20*	**254,387**	**13,997**	208,617	18,028	Interest expense and accrued interest payable; Other expenses payable and other liabilities include accruals for rent and utilities; On demand, unsecured and non-interest bearing.
Gain on sale of foreclosed assets	*15*	**-**		36,000		Gain from sale of foreclosed assets
Service fees, commissions and other miscellaneous income	*25*	**10,981**		76,485		Loan and investment-related fees and commissions; Other miscellaneous income pertains to dividend received from BANGE
Share in net loss of associate	*12*	**1,410**		2,087		Share in net loss of BIC
Commitments and contingent liabilities	*31*		**6,355,986**		10,564,943	Undrawn committed credit line, bank guarantees in favor of related party and outstanding sight import letters of credit

As at December 31, 2016 and 2015, outstanding bills purchased of related parties with contra account in “Miscellaneous liabilities” amounted to P0.9 billion and P0.7 billion, respectively (see Notes 10 and 20).

An affiliate is a company linked directly or indirectly to the Bank through one or more intermediaries, is controlled by, or is under common control with the Bank or its affiliates.

The related party transactions shall be settled in cash. The outstanding balances of related party transactions, except for investment in associate (see Note 12), are not impaired as at December 31, 2016 and 2015.

Transactions with Retirement Plans

The Bank’s retirement plan is managed and administered by the Bank’s Trust Services Division which is covered by an IMA Agreement (agency relationship). The carrying values of the plan per the Trustee Financial Statements amounted to P672.6 million and P648.2 million as at December 31, 2016 and 2015, respectively. The fair values of the plan per the Independent Actuarial Report amounted to P699.0 million and P655.6 million as at December 31, 2016 and 2015, respectively (see Note 27).

Related information on assets/liabilities and income/expense of the funds as at and for the years ended December 31, 2016 and 2015 follow (based on unaudited balances):

	2016	2015
AFS securities:		
Government and other debt securities	**P241,443,053**	P254,954,901
Quoted equity securities	**179,039,844**	134,886,626
Unquoted equity securities	**10,001,411**	9,696,722
Deposits with the Bank	**71,338,714**	99,135,968
Receivables	**170,810,286**	149,536,809
Total Plan Assets	**P672,633,308**	P648,211,026
Trust fee payable	**P799,354**	P1,172,349
Other liabilities	**1,800**	-
Total Plan Liabilities	**P801,154**	P1,172,349
Plan Income	**2016**	2015
Interest income	**P16,761,279**	P16,384,738
Dividend income and others	**10,475,853**	4,844,223
	P27,237,132	P21,228,961
Plan Expense		
Trust fees	**P1,627,774**	P1,532,968
(Reversal) provisions for probable losses on equity securities	**(434,959)**	1,468,357
Other expenses	**158,110**	1,731
	P1,350,925	P3,003,056

As at December 31, 2016 and 2015, the retirement plan of the Bank includes 73,067 shares of the Bank classified under AFS equity securities. The allowance for probable losses on the retirement plan’s shares of the Bank amounted to P12.0 million and P12.3 million as at December 31, 2016 and 2015, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

As at December 31, 2015, receivables include accrued interest on deposit with the Bank amounting to P361,231. Interest income on deposit with the Bank amounted to P68,139 and P752,017 as at December 31, 2016 and 2015, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the fund.

As at December 31, 2016 and 2015, the Bank's contribution to its defined benefits retirement plan amounted to P80.6 million and P134.5 million, respectively. Benefits paid out of the Bank's plan assets amounted to P63.0 million and P64.0 million in 2016 and 2015, respectively (see Note 27).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management included in the "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2016 and 2015 follows:

	2016	2015
Short-term employee benefits	**P447,324,581**	P438,150,478
Post-employment benefits	**31,726,162**	34,500,406
	P479,050,743	P472,650,884

34. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of one year, (b) relocation of branches shall be allowed within one year from the date of the BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.

c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB below).

d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB
Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from the BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.

b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by the BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.

c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by the BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with the BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a "White Knight" by agreeing to the terms and conditions of the PSA with TRB, follows:

a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year GS with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year GS (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB's unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by the BSP to be booked as "Miscellaneous assets". Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2016 and 2015 were charged in full in the period incurred (see Note 15).

   On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP's pertinent regulations on minimum capital requirement.

c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC's written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.

d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

   On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

   - To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB's unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB's total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;

   - Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year GS to be purchased to replace the maturing GS in March 2022 and likewise to be pledged to PDIC; and

- Income resulting from the difference between the dacion price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by the BSP, which required different treatment under PFRSs. These transactions and their effects are described below:

Assumption of NPAs of TRB
In addition to the provisions of FAA and subsequent to the approval by the BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with the BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities. As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by the BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, the BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by the BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.5 billion (see Note 15). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2016 and 2015 were charged in full in the period incurred (see Note 15).

For its separate prudential reporting to the BSP, the Bank continues to recognize the P4.4 billion impairment losses on a staggered basis as provided under MB No. 1950 (see Note 15).

35. Notes to Statements of Cash Flows

The following is a summary of noncash activities of the Bank:

	2016	2015
Noncash investing activities:		
Additions to investment properties in settlement of loans	**P391,061,994**	P356,937,110
Increase in sales contracts receivable from sale of investment properties and non-current assets held for sale	**140,757,060**	90,083,500

36. Structured Notes

Structured notes pertain to the host contracts of debt securities issued by foreign counterparty banks, included under “AFS securities - net” account (see Notes 9 and 26) and “Loans and receivables - net” account (see Note 10) and derivative contracts of debt securities issued by foreign counterparty banks, included under “Financial assets and liabilities at FVPL” account (see Note 8), which contain features such as leveraged interest, prepayments options and credit linkage. These notes have various maturities with the farthest note maturing in 2042. These structured notes (credit linked note, leveraged credit linked note and collateralized debt obligation) have payoffs that are linked to the changes in the credit quality of specific reference assets most of which are Republic of the Philippines (ROP) bonds. Thus, when a credit event happens, these notes are terminated and the Bank either obtains the underlying reference asset or receives cash settlement equal to the fair value of underlying asset at the time of settlement adjusted for unwinding costs. The Bank, therefore, may lose all or substantially all of the principal invested.

PFRSs require that assets received shall be measured at fair values at date of exchange. Further, PFRSs provide that costs such as breakage costs which do not qualify as transaction costs be expensed as incurred.

On January 30, 2015, the BOD approved the write-off of certain structured notes with total face value of $10.0 million (equivalent to P447.2 million) which are deemed worthless and have no possibility of collection. The said structured notes are fully covered with allowance for credit losses at the time of write-off (see Note 16).

37. Events After the Reporting Date

Update on Withholding Tax on PEACe Bonds
In a Notice of Resolution dated January 17, 2017, the decision of the SC to the BTr to immediately release to and pay the banks the 20% FWT on the PEACe bonds plus legal interest at 6.0% per annum from October 19, 2011 until full payment has attained finality. The Bank has accrued interest income on PEACe bonds amounting to P181.2 million included under “Interest income on loans and receivables” in the statement of income as at December 31, 2016 (see Notes 10 and 15).

Update on Bank’s Application for Equity Restructuring
On February 13, 2017, the SEC, through the CRMD, formally approved the equity restructuring to wipe-out the deficit as at December 31, 2015 amounting to P3.15 billion against Paid-in surplus of P8.75 billion subject to the conditions that the remaining Paid-in surplus of P5.59 billion shall not be used to wipe-out future losses without further approval from SEC (see Note 22).

38. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

The Bureau of Internal Revenue (BIR) has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to financial statements. The Bank reported and/or paid the following types of taxes for the year:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and Licenses' account in the Bank's statement of income.

Details of taxes and licenses for the year consist of the following:

Documentary stamp tax	**P229,966,612**
Gross receipts tax	**194,229,923**
Real estate taxes	**26,186,879**
License and permit fees	**21,762,992**
Capital gains tax	**7,538,043**
Transfer taxes	**851,930**
Others	**191,439**
	P480,727,818

B. Withholding Tax Remittances to BIR

As withholding agent, the Bank remitted the following withheld taxes during the year:

Tax on compensation and benefits	**P221,378,864**
Final withholding taxes	**182,630,729**
Expanded withholding taxes	**54,626,010**
	P458,635,603

C. Deficiency Tax Assessments

Period Covered	**Amount***
2003	**P3,095,735**

**Amount of deficiency tax assessments, whether protested or not.*

Management, in consultation with its legal counsels, believes that the deficiency tax assessment above is without legal basis. Accordingly, the Bank has filed abatement on January 27, 2006 for the closure of the case. The said abatement is pending decision by the BIR.

D. Tax Cases

As at December 31, 2016, the Bank has no outstanding tax cases and assessments.

SENIOR OFFICERS

Roberto C. Benares
President & CEO
Office of the President / CEO

EXECUTIVE VICE PRESIDENTS

Emmanuel G. Herbosa
Group Head
Branch Banking Group

Felipe Martin F. Timbol
Group Head
Treasury Management Group

Edel Mary D. Vegamora
CFO & Controller
Finance & Controllership Group

SENIOR VICE PRESIDENTS

Edwin T. Amahan
Division Head
BBG-Branch Operations Division

Rafael C. Bueno, Jr.
Group Head
Corporate Banking Group

Phebe F. Cabildo
Division Head
BBG-North Division

Anna Marie A. Cruz
Division Head
Product Development,
Marketing & Credit Cards Division

Joseph C. Justiniano
Group Head
Consumer Group

Reginald C. Nery
Chief Audit Executive
Internal Audit Division

Paul John T. Reyes
Division Head & Chief Dealer
TMG-Foreign Exchange
Trading Division

Violeta M. Tirol
Division Head
BBG-South Division

Jay S. Velasco
Group Head
Operations Group

Edward Dennis J. Zshornack
Group Head
Executive Support Group

FIRST VICE PRESIDENTS

Numeriano Manuel V. Amparo
Division Head
CBG-Cash Management Division

Bernadette C. Basobas
Area Head
BBG-ND-Quezon City
Central Area

Alfredo J. Bautista
Division Head
ESG-Business Systems & General
Services Division concurrent
Corporate Planning Division

Danielyn P. Casaul
Division Head
CBG-Corporate Banking II Division

Ma. Eleanor Christina S. Castañeda
Division Head
CoG-Consumer Loans Division

Antonio Basilio C. De Guzman
Division Head
TMG-Product Engineering
Structures & Investments Division

Monette G. De Leon
Division Head
TMG-Liquidity & Asset Liability
Management Division concurrent
Financial Institution Division

Marie Antoinette L. Dela Cruz
Division Head
OG-Treasury Operations Division

Louella P. Ira
Division Head
Legal Services Division

Chona C. Lacson
Area Head
BBG-SD-Metro Manila East Area

Jovencio R. Navarro Jr.
Division Head
BBG-VisMin Division

Marieta Bernadette A. Sevilla
Division Head
CBG-Corporate Banking IV Division

Juan Angel L. Tinio
Chief Information Officer
ESG-Information
Technology Services Division

Ma. Teresa L. Zamora
Division Head
TMG-Treasury Marketing &
Sales Division

VICE PRESIDENTS

Morena V. Abadilla
Division Head
OG-International Operations Division

Georgina M. Borcelis
Area Head
BBG-ND-Metro Manila North Area

Andrew D. Cajucom
Department Head
PDMCC-Credit Card
Marketing Department

Maria Ana P. Dela Paz
Group Head
Credit Group

Annalyn D. Delos Santos
Area Head
BBG-SD-Makati Area

Jacqueline A. Domingo
Division Head
BBG-BOD-Branch
Operations Control Center

Noel R. Godoy
Division Head
CoG-Consumer Credit Division

Marlene P. Ignacio
Division Head
CBG-Corporate Banking III Division

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Department Head
LSD-Operations Department

Ma. Isabel D. Lipana
Area Head
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Corazon T. Llagas
Chief Compliance Officer
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Special Assistant to the President /
Officer in Charge
Office of the President/CEO /
CBG-Corporate Banking I Division

Marie Kristin G. Mayo
Division Head
Human Resource
Management & Development Division

Arturo Gerard T. Medrano III
Division Head
ESG-Asset Management &
Recovery Division

Helen D. Paciencia
Department Head/Project Manager
ESG-ITSD-Applications Interface &
Support Department

Lucibar T. Perocho
Area Head
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Jeremy H. Reyes
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Ma. Theresa G. Soriano
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Ma. Consuelo M. Tan
Area Head
BBG-VMD-MiA

Girlie Isabel D. Umali-Requizo
Department Head
ESG-AMRD-Remedial Management
Department

Aiveth D. Yuseco
Department Head
CBG-CMD-Cash Management
Products Department

Jose Mari M. Zerna
Chief Risk Officer
Risk Management Division

ASSISTANT VICE PRESIDENTS

Medallon R. Abrena
Department Head
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Standards Department

Ma. Clariza M. Ang
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BBG-SD-MA-Ayala Branch

Cristina T. Ang Dy Pay
Branch Head
BBG-ND-QCCA-Del Monte Branch

Sheilah R. Apostol
Division Head
FCG-General Accounting &
Financial Systems Control Division

Lourdes V. Arriola
Branch Head
BBG-ND-MMNA-Malabon I Branch

Joie Zendel A. Bacar
Branch Head
BBG-SD-MMEA-Main Office
(San Miguel) Branch

Liberty A. Balgemino
Branch Head
BBG-SD-MMEA-Main Office
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Trust Services Decision

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OG-Loans Operations Division

Rowel H. Bijasa
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OG-Centralized Operations Support
Division

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Dev't. and Maintenance Manager
ESG-ITSD-Applications
Development & Maintenance
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Chief Security Officer
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Lolita B. Carlos
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Peter M. Co
Branch Head
BBG-SD-MA-Pasong Tamo Ext. Branch

George E. Consul
Area Head
BBG-SD-South Luzon Area

Leah Antoinette C. Cruz
Department Head
HRMDD-Learning & Development,
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CoG-CCD-Housing Loans Credit
Evaluation Section

Renato B. De Leon
Department Head
CPD-MIS/Budget Department

Joanne A. Del Rosario
Department Head
OG-LOD-Corporate/ Branch
Loans Department

Aurora R. Del Rosario
Branch Head
BBG-ND-QCCA-West Triangle Branch

Joseph Alfred R. Estiva
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TMG-FITD-Domestic Fixed Income
Department

Lena R. Galang
Section Head / Department Head
CG-CERD-Financial Institution Section
concurrent CERD-Credit Evaluation
Department

Francisco Raymund P. Gonzales
Department Head
PDMCC-Product Development
Department

Rosanne D. Ignacio
Department Head
PDMCC-Marketing Services
Department

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Division Head
FCG-Financial Accounting & Control
Division

Manolo B. Kimpo Jr.
Department Head
TMG-LALM-Domestic Fund
Management Department

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CBG-Corporate Banking V
Division-Visayas / Mindanao

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BBG-ND-MMNA-Malabon II Branch

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IAD-IT Audit Department

Augustus Caesar B. Lopez
Section Head
CoG-CCD-Auto Loans Credit
Evaluation Section

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BBG-ND-North Luzon Area

Paul V. Manlongat
Branch Head
BBG-SD-SLA-Batangas II P.Burgos
Branch

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BBG-BOD-BOCC-VisMin II

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& Communications Services Manager
ESG-ITSD-Network Management
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BBG-VMD-Western Visayas Area

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ESG-AMRD-AAMD-Sales & Marketing
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TMG-Fixed Income Trading Division

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Branch Head
BBG-ND-MCA-Soler Branch

Cecilia A. Rentoy
Division Head / Quality Assurance
Officer
BBG-BOD concurrent BOQC-VisMin

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PDMCC-Alternative Channels
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BBG-SD-SLA-Calapan Branch

Arlyn C. Valero
Division Head
ESG-Business Systems & General
Services Division

Baldwin V. Villena
Department Head
HRMDD-Compensation & Benefits
Administration Department

(as of December 31, 2016)

BRANCH / ATM DIRECTORY

METRO MANILA	ATMS	BRANCHES
Caloocan	5	2
Las Piñas City	4	1
Makati City	12	11
Malabon	3	2
Mandaluyong City	5	2
Manila	21	12
Marikina	5	3
Muntinlupa	4	1
Parañaque	4	3
Pasay City	7	4
Pasig City	10	2
Quezon City	31	15
San Juan	1	1
Taguig	5	2
Valenzuela	3	1
LUZON		
Albay	2	1
Baguio	3	1
Bataan	3	1
Batangas	7	4
Bulacan	3	2
Cagayan	2	3
Camarines Sur	1	1
Cavite	4	2
Ilocos Norte	1	1
Ilocos Sur	4	2
La Union	4	1
Laguna	12	3
Nueva Ecija	1	1
Oriental Mindoro	1	1
Palawan	1	1
Pampanga	12	4
Pangasinan	7	3
Quezon	1	1
Rizal	5	1
Tarlac	1	1
Zambales	6	3
VISAYAS		
Aklan	3	1
Bohol	1	1
Capiz	1	1
Cebu	17	7
Iloilo	6	4
Leyte	1	2
Negros Occidental	7	4
Negros Oriental	1	1
MINDANAO		
Agusan Del Norte	4	1
Bukidnon	2	1
Davao	4	3
Davao Del Norte	1	1
General Santos	1	1
Misamis Oriental	4	2
Zamboanga City	3	2
GRAND TOTAL	262	132

METRO MANILA

₱ ATM — ATM AVAILABLE

MAKATI AREA

AYALA ₱ ATM
G/F IAcademy Bldg.,
6764 Ayala Ave., Makati City
891-3814 / 810-0651 /
219-0255 (Fax)

BEL-AIR PETRON ₱ ATM
Bel-Air Petron Square,
363 Sen. Gil Puyat Ave.,
Brgy. Bel-Air, Makati City
898-2309 / 219-0279 /
896-7085 (Fax)

BONIFACIO GLOBAL CITY ₱ ATM
G/F Kensington Place,
Burgos Circle,
Fort Bonifacio, Taguig City
856-1707 / 856-1707 /
856-1696 (Fax)

BONIFACIO HIGH STREET ₱ ATM
G/F Active Fun Bldg.,
9th Ave. cor. 28th St.,
Fort Bonifacio, Taguig City
779-8023 / 779-8024 (Fax)

DELA COSTA-ALFARO ₱ ATM
G/F Don Chua Lamko Bldg.,
Dela Costa cor. Leviste St.,
Salcedo Village, Makati City
840-2789 / 261-0762 /
840-2719 (Fax)

DELA ROSA ₱ ATM
G/F 2129 King's Court II Building
Dela Rosa St. cor.
Chino Roces Ave., Makati City
831-7156 / 831-7155 (Fax)

JUPITER ₱ ATM
64/66 Jupiter St., Brgy.
Bel-Air, Makati City
828-4397 / 869-8812 /
219-0258 (Fax)

MAGALLANES ₱ ATM
G/F Tritan Plaza Bldg.,
Paseo de Magallanes,
Makati City
851-1424 / 219-0153 /
854-9611 (Fax)

PASAY ROAD ₱ ATM
Cedar Executive Bldg.,
1006 A. Arnaiz Ave. (Pasay
Road), San Lorenzo Village,
Makati City
840-5612 / 840-5640/
576-5035 / 840-5640 (Fax)

PASONG TAMO EXTENSION ₱ ATM
OPVI Centre,
2295 Pasong Tamo Extension,
Makati City
892-9700 / 219-0271 /
817-9300 (Fax)

ROCKWELL
P1 Concourse Level,
The Power Plant Mall, Rockwell
Center, Makati City
898-1523 / 219-0114 /
898-1522 (Fax)

SALCEDO ₱ ATM
G/F Aguirre Bldg.,
Tordesillas cor.
H.V. dela Costa Sts.,
Salcedo Village, Makati City
813-2220 / 813-2734 (Fax)

ZUELLIG
Unit 2, G/F Zuellig Bldg. Makati Ave. cor. Paseo de Roxas and Sta. Potenciana Sts., Makati City
961-7628 / 219-0127 /
961-8364 (Fax)

METRO MANILA NORTH AREA

BALIUAG
Victoria Bldg., Poblacion, Baliuag, Bulacan
(044) 766-7701 /
(044) 766-2811 (Fax)

BANAWE
28-B. WAS Bldg., Banawe St., Quezon City
711-9454 / 711-9456 / 711-9428

CALOOCAN - A. MABINI
102 A. Mabini St., Maypajo, Caloocan City
287-2344 / 287-4709 (Fax)

GRACE PARK
G/F HGL Bldg., 554 EDSA cor. Biglang-Awa St., Caloocan City
361-1832 / 219-0126 /
361-0931 (Fax)

FAIRVIEW PETRON
Petron Fairview, Commonwealth Ave., Fairview, Quezon City
376-1023 / 219-0252 /
376-1025 (Fax)

MALABON
29 Gov. Pascual Acacia Ave., Malabon City, Metro Manila
291-0254 / 446-7385 /
288-7571 (Fax)

MALABON - GEN. LUNA
55 Gen. Luna St., San Agustin, Malabon City
441-0977 / 332-5392 /
219-0235

MALOLOS
Paseo del Congreso, Malolos, Bulacan
(044) 791-0342 /
(044) 791-2452 (Fax)

VALENZUELA
Unit 12 & 13 PureGold Price Club, Brgy. Dalandanan, McArthur Highway, Valenzuela City
794-6058 / 794-6063 /
322-2260

METRO MANILA SOUTH AREA

ALABANG
Unit 6 El Molito II Bldg., Madrigal Ave., Alabang, Muntinlupa City
850-8718 / 219-0121 /
850-1574 (Fax)

B.F. HOMES
33 President's Ave., Brgy. BF Homes, Paranaque City
403-8941 / 219-0149 (Fax)

BICUTAN
35 Doña Soledad Ave., Better Living Subd., Paranaque City
(02) 219-0129 / 776-4146 /
823-2321 (Fax)

DASMARIÑAS, CAVITE
Veluz-Frances Plaza Bldg., Aguinaldo Highway, Dasmarinas, Cavite
Manila line: (02) 529-8129 (Fax)
Cavite line: (046) 416-2335

LAS PIÑAS
Elena Bldg., Real St., Alabang-Zapote Road, Pamplona, Las Pinas City
556-1507 / 556-1501 /
556-1500

NAIA
NAIA Arrival Area Terminal 1, Pasay City
877-1109 local 3782 /
853-0712 / 833-0713 (Fax)

NAIA 3
Stall 14, Arrival Lobby, NAIA Terminal 3 Complex, Pasay City
833-7295 / 833-7293 (Fax)

RESORTS WORLD
G/F Resorts World Complex, Newport City, Pasay City
239-5860 / 239-5848 /
551-3520 to 21 / 521-9134 (Fax)

ROSARIO
General Trias Drive, Brgy Poblacion, Rosario, Cavite
(046) 402-2062 /
(046) 438-8451 /
(046) 512-3218 (Fax)

ROXAS BLVD.
Kanlaon Towers, Roxas Blvd., Pasay City
851-2680 / 219-0185 /
854-4071 (Fax)

SUCAT
Fortuna II Bldg., 8338 Dr. A. Santos Ave., Sucat, Paranaque City
826-8415 / 219-0169 /
820-7747 (Fax)

MANILA PROPER AREA

ADUANA
G/F FEMII (Main) Bldg., A. Soriano St., Aduana, Intramuros, Manila
527-2893 / 526-8959 /
219-0180 / 527-2947 (Fax)

ERMITA
1312 A. Mabini St., Ermita, Manila
254-7549 / 254-7545 to 46 /
219-0178

DASMARIÑAS - BINONDO
STP Bldg., Dasmariñas St. cor. Marquina St., Binondo, Manila
247-1472 / 247-1473

JUAN LUNA
465 Juan Luna St., Binondo, Manila
241-0234 / 241-0407 (Fax)

PORT AREA
G/F Mary Bachrach cor. 25th & A.C. Delgado St., Port Area, Manila
527-7989 / 527-7987 to 88

QUIAPO
609 Sales St., Quiapo, Manila
733-9326 / 733-9366 (Fax)

SOLER
1004 Reina Regente cor. Soler St., Binondo, Manila
244-7003 / 219-0120 /
244-7001 (Fax)

STO. CRISTO
Kim Siu Ching Foundation Bldg., 471-483 Sto. Cristo cor. Jaboneros St., Binondo, Manila
241-4151 / 242-0842 (Fax)

TAFT AVE.
G/F, Endriga Bldg., 2270 Taft Ave., Malate, Manila
523-2297 / 219-0194 / 521-9130

TAFT - PGH
G/F Mirasol Bldg., 854 Apacible St. cor. Taft Ave., Ermita, Manila
536-4959 / 526-6049 (Fax)

TUTUBAN
Units M2-60 21 and 22 Ground Center Mall, CM Recto Ave., Manila
353-0086/ 254-0586 (Fax)

UNITED NATIONS
429 Victoria Building, United Nations Avenue, Ermita, Manila
526-0590 / 219-0226 /
524-9935 (Fax)

METRO MANILA EAST AREA

CAINTA
40 Felix Ave., San Isidro, Cainta, Rizal
682-8524 / 219-0214 /
682-6243 (Fax)

CONCEPCION
A.M. PACLEB Bldg., #52 Bayan-Bayanan Ave., Concepcion, Markina City
941-0714 / 219-0125 /
942-0429 (Fax)

EASTWOOD - PETRON
188 E. Rodriguez Jr. Avenue (C-5), Bagumbayan, Quezon City
654-0084 / 211-9543 /
655-1204 (Fax)

GREENHILLS
Eisenhower Tower, No. 7 Eisenhower St., Greenhills, San Juan
723-5380 / 219-0207 /
727-4936 to 39 / 721-0990

MAIN OFFICE - SAN MIGUEL
Unit A, G/F San Miguel Properties Center, No.7 Saint Francis St., Mandaluyong City
635-5517 / 219-0213 /
0917-8351876 / 738-1984 /
738-1985 (Fax)

MARCOS HIGHWAY (CAINTA)
Unit 10, Thaddeus Arcade, Pitpitan cor. Gil Fernando Ave., San Roque, Marikina City
641-7172 / 219-2723 /
647-7165 (Fax)

MARIKINA
J.P. Rizal St., Sta. Elena, Marikina City
646-1808 / 219-3453 /
646-1802 (Fax)

PASIG
Renaissance 2000 Tower, Meralco Ave., Pasig City
635-0392 / 219-0229 /
635-3661 / 631-3769 (Fax)

PASIG BOULEVARD
152 Pasig Blvd., Brgy. Bagong Ilog, Pasig City
650-6560 / 650-6561 (Fax)

WACK-WACK PETRON
553 Shaw Blvd., Brgy. Wack-Wack, Mandaluyong City
738-1984 / 219-0242 / 738-1984 /
738-1985 (Fax) / 633-2430 (Fax)

QUEZON CITY AREA

BROADCAST CITY
Broadcast City Compound,
Capitol Hills, Quezon City
932-4628 /219-0188 /
932-4969 (Fax)

COMMONWEALTH
Upper G/F DEMA Bldg.,
Lot 1, Block 1, Capitol State-II,
Commonwealth Ave.,
Quezon City
952-7990 / 216-7636 /
952-7989 (Fax)

CUBAO
Unit 1, G/F Harvester Corporate
Center, P. Tuazon cor. 7th
& 8th Ave., Brgy. Socorro,
Cubao, Quezon City
911-2486 / 219-0202 /
911-2485 (Fax)

E. RODRIGUEZ
E. Rodriguez Sr. Ave. cor. 84
Hemady St., Brgy. Mariana,
New Manila, Quezon City
705-1943 / 722-2197 /
722-2379

DEL MONTE
Bank of Commerce Bldg.,
Del Monte Ave. cor.
D. Tuazon St., Quezon City
410-8025 / 219-3786 /
743-2541 (Fax)

DILIMAN
Commonwealth Ave. cor.
Masaya St., Diliman,
Quezon City
927-6074 / 219-7093 /
920-2324 (Fax)

KAMUNING
Tomas Morato Ave., cor.
Dr. Lascano St., Kamuning,
Quezon City
922-7981 / 922-7982 /
922-7998 (Fax)

KATIPUNAN - PETRON
Petron Katipunan Complex,
Katipunan Ave. cor. Mangyan
Road, La Vista, Quezon City
921-4020 / 219-0174 /
921-4042 (Fax)

QUEZON AVE.
Sto. Domingo Church
Compound, #8 Biak na Bato St.
cor. Quezon Ave., Quezon City
732-8360 / 712-2560 /
712-2534

VISAYAS AVENUE
43 Visayas Ave., Brgy. Vasra,
Project 6, Quezon City
426-4854 / 219-0155 /
426-4732 (Fax)

WEST AVENUE
11 West Ave. cor. Zamboanga
St., Quezon City
374-5544 / 219-0168 /
374-5548 (Fax)

WEST TRIANGLE
1451 Quezon Ave. cor.
Examiner St., Quezon City
925-1209 / 219-0160 /
927-4063 (Fax)

LUZON

NORTH LUZON AREA

BAGUIO
G/F YMCA Baguio Bldg.,
Post Office Loop (Upper
Session Road), Baguio City
(074) 619-0072 /
(074) 619-0073 (Fax)

CABANATUAN
VP Bldg., Maharlika Highway,
Brgy. H. Concepcion,
Cabanatuan City, Nueva Ecija
(044) 940-1254 /
(044) 940-1263 (Fax)

CANDON
National Highway,
Brgy. San Jose,
Candon City, Ilocos Sur
(077) 674-0623 /
(077) 644-0288 (Fax)

CARMEN
McArthur Highway,
Carmen Rosales, Pangasinan
(075) 582-7365 /
(075) 582-7370 (Fax)

CAUAYAN CITY, ISABELA
G/F Majesty Commercial Bldg.,
National Highway, Brgy. San
Fermin, Cauayan City, Isabela
(078) 652-2339

DAGUPAN
Eastgate Plaza Bldg.,
A.B. Fernandez East,
Dagupan City, Pangasinan
(075) 522-8691 /
(075) 522-8693 (Fax)

LAOAG
N. Corpuz Bldg.,
JP Rizal cor. Gen Hizon St.,
Laoag City
(077) 677-2572 /
(077) 617-1603 (Fax)

SAN FERNANDO - LA UNION
Northway Plaza,
National Highway,
Brgy. Sevilla, San Fernando
City, La Union
(072) 700-1618 /
(072) 242-5683 (Fax)

SANTIAGO CITY, ISABELA
G/F Oryza Hotel, Maharlika
Highway, Brgy. Villasis,
Santiago City, Isabela
(078) 305-5360

TUGUEGARAO (ILIGAN)
27 Bonifacio cor. Washington
Sts., Tuguegarao City, Cagayan
(078) 844-8041 /
(078) 844-8044 (Fax)

URDANETA
The Pentagon Bldg.,
McArthur Highway,
Nancayasan, Urdaneta City,
Pangasinan
(075) 656-1017 /
(075) 656-1018 (Fax)

VIGAN
Plaza Maestro Commercial
Complex, Jacinto cor.
Florentino Sts., Vigan City,
Ilocos Sur
(077) 722-2119 /
(077) 632-0802 (Fax)

CENTRAL LUZON AREA

ANGELES
McArthur Highway cor. B.
Aquino St., Lourdes Sur East,
Angeles City
(045) 626-2010 (Fax) /
(045) 323-4130 (Fax)

ANGELES NEPOMART
G/F Entec Bldg., Teresa Ave.,
NepoMart Complex, Brgy.
Cutcut, Angeles City
(045) 497-0551

BALANGA
Paterno St., Poblacion,
Balanga City, Bataan
(047) 237-7622 /
(047) 252-1857 /
(047) 237-2366 (Fax)

BALIBAGO
Mc Arthur Highway cor. Victor
St., Balibago, Angeles City
(045) 892-0875 /
(045) 331-3389 /
(045) 625-5586 (Fax)

IBA, ZAMBALES
TRB Bldg.,
Ramon Magsaysay Ave.,
Iba, Zambales
(047) 602-1866 /
(047) 811-1025 (Fax)

SAN FERNANDO
Insular Life Bldg.,
McArthur Highway,
San Fernando, Pampanga
(045) 961-1624 /
(045) 961-1680 (Fax)

STA. CRUZ, ZAMBALES
National Road cor. Misola St.,
Poblacion South,
Sta. Cruz, Zambales
(047) 831-1803 /
(047) 831-1113 (Fax)

SUBIC
The Venue Annex Bldg.,
Unit A, 101 Rizal Highway,
Subic Freeport Zone
(047) 252-1851 /
(047) 252-1854 /
(047) 252-1863 (Fax)

TARLAC
G/F Rising Sun Bldg.,
McArthur Highway,
San Nicolas, Tarlac City
(045) 982-5401 /
(045) 982-5365 (Fax)

SOUTH LUZON AREA

BATANGAS - CAEDO
Caedo Commercial Complex,
Calicanto, Batangas City
(043) 723-1410 /
(043) 402-0231 /
(043) 723-6773 (Fax)

BATANGAS - P. BURGOS
No. 27 P. Burgos St.,
Batangas City
(043) 723-0275 /
(043) 723-0279 /
(043) 723-0909 (Fax)

CALAMBA
Unit 6&7, New Parian Business
Center cor. Lawa Road,
National Highway, Parian,
Calamba City
(049) 502-7922 /
(049) 502-8508 (Fax)

CALAPAN
Leona Yap Ong Bldg.,
J.P. Rizal St., Calapan City,
Oriental Mindoro
(043) 288-4496 /
(043) 288-4031 (Fax)

LEGAZPI CITY
G/F Diabetes One-Stop Center,
LANDCO Business Park,
Legazpi City
(052) 742-0691 /
(052) 480-6054

LIPA
#7 Bank of Commerce Bldg.,
C.M. Recto Ave.,
Brgy. 9, Lipa City
(043) 756-4214 /
(043) 756-2558 (Fax)

LUCENA
Quezon Ave. cor. Lakandula
St., Barangay IX, Lucena City
(042) 710-9692 /
(042) 710-9693 /
(042) 710-9694

NAGA CITY
Romar-I Bldg.,
Elias Angeles St., Naga City
Manila Line: (02) 250-8093
(Fax) / (054) 473-4080 /
(054) 811-8931

PUERTO PRINCESA
WD Building, J. Rizal Ave.,
Brgy. Manggahan,
Puerto Princesa City, Palawan
(048) 434-2171 /
(048) 434-2172 /
(048) 434-2170 (Fax)

SAN PEDRO
Pacita Commercial Complex,
San Pedro, Laguna
808-2026 / 808-2002 /
808-3909 (Fax)

STA. ROSA
Shop I-A, G/F Paseo 3,
Paseo de Sta. Rosa,
Sta. Rosa City, Laguna
(049) 541-1546 /
(049) 541- 1795 (Fax)

TANAUAN
Corachea Building,
J.P. Laurel Hi-way cor. Molave
St., Tanauan City, Batangas
(043) 784-6907 /
(043) 784-6994 /
(043) 784-6990 (Fax)

VISAYAS

EASTERN VISAYAS AREA

CEBU - AYALA 8990
Negros St.,
Cebu Business Park, Cebu City
(032) 415-5164 /
(032) 316-9913 /
(032) 239-0674 (Fax)

CEBU - BANILAD
G/F University of Cebu Bldg.,
Gov. Cuenco Ave. (Banilad
Rd.), Cebu City
(032) 231-6704 /
(032) 316-9921 /
(032) 231-6706 (Fax)

CEBU - MAIN
B.Rodriguez cor. Osmeña
Blvd., Cebu City
(032) 253-1951 /
(032) 316-9912 /
(032) 255-4223 (Fax)

CEBU - MANDAUE NRA
G/F City Time Square Phase II,
Mantawe Ave., Brgy. Tipolo,
North Reclamation Area,
Mandaue City
(032) 268-4693 /
(032) 316-9926 /
(032) 564-3249 (Fax)

CEBU STO. NIÑO MAGALLANES
G/F Unit-2, Martina Sugbo
Bldg., P. Burgos cor.
Magallanes St.,
Brgy. Sto. Niño, Cebu City
(032) 254-1825 /
(032) 316-9925 /
(032) 253-3999 /
(032) 253-7708 (Fax)

LAPU LAPU
Unit 3-5 AJS Bldg.,
Pusok, Lapu-Lapu City
(032) 341-3854 /
(032) 316-9927 /
(032) 341-3855 (Fax)

MANDAUE
Entienza Bldg.,
National Hi-way,
Mandaue City, Cebu
(032) 346-6901 /
(032) 316-9262 /
(032) 346-6902 (Fax)

ORMOC
H. Serafica Bldg.,
Real St., Ormoc City
(053) 561-8523 /
(053) 255-4366 (Fax)

TACLOBAN
Door 12-13 RUL Bldg., Brgy.
15, Justice Romualdez St.,
Tacloban City
(053) 832-2866

TAGBILARAN
G/F CAP Bldg.,
CPG North Avenue,
Tagbilaran City
(038) 411-5400 /
(038) 411-3773 (Fax)

WESTERN VISAYAS AREA

BACOLOD - ARANETA (LUZURRIAGA)
Yusay Arcade, Araneta St.,
Bacolod City
(034) 433-4667 /
(034) 433-2267 (Fax)

BACOLOD - CAPITOL
GR4 & GR5, 888 Chinatown
Premier Mall, Gatuslao St.,
Brgy. 8, Bacolod City
(034) 432-3287

BACOLOD - LACSON
12th St. cor. Lacson St.,
Bacolod City
(034) 433-4238 /
(034) 433-1139 (Fax)

DUMAGUETE
CAP Bldg., Rizal Ave.
Poblacion, Dumaguete City
(035) 225-7668 /
(035) 422-6896 (Fax)

ESTANCIA
Clement St., Estancia, Iloilo
(033) 397-0222 /
(033) 397-0220 (Fax)

ILOILO - ATRIA
F & B 2 UPMB Bldg.,
Atria Park District,
Mandurriao, Iloilo City
(033) 501-6013 /
(033) 517-0684

ILOILO - IZNART
TCT Bldg., Iznart St.,
Iloilo City
(033) 335-0710 /
(033) 335-0712

ILOILO - J.M. BASA
G/F TTW Building J.M. Basa &
Mapa Sts., Iloilo City
(033) 337-8721 /
(033) 335-1020 (Fax)

KABANKALAN
Guanzon St., Kabankalan City,
Negros Occidental
(034) 471-2853 /
(034) 471-2253 (Fax)

KALIBO
1280 Garcia Bldg. C. Laserna
St. Kalibo, Aklan
(036) 262-5294 /
(036) 268-9032 (Fax)

ROXAS CITY
Gaisano Arcade, Arnaldo Blvd.,
Roxas City, Capiz
(036) 621-0845 /
(036) 621-1760 (Fax)

MINDANAO

MINDANAO AREA

BUTUAN
G/F, Cesia Bldg., Montilla Blvd.,
Butuan City, Agusan del Norte
(085) 342-9320 /
(085) 342-9321 /
(085) 342-9321 /
(085) 342-6248 (Fax)

CAGAYAN DE ORO - LAPASAN
Suites 6 & 7, Gateway Tower 1,
Limketkai Center,
Cagayan de Oro City
(088) 856-3991 /
(088) 856-3977 (Fax)

CAGAYAN DE ORO - VELEZ
Don A. Velez-Akut Sts.,
Cagayan de Oro City
(088) 856-4371 (Fax)

DAVAO - CITY HALL
Valgoson's Realty Bldg.,
City Hall Drive, Davao City
(082) 226-4074 /
(082) 226-4075 (Fax)

DAVAO - LANANG
Consuelo Bldg., KM. 07, Brgy.
San Antonio Agdao District,
Lanang, Davao City
(082) 234-1042 /
(082) 234-1042 /
(082) 226-2859 (Fax)

DAVAO - RIZAL
CAP Dev't Center Bldg.,
Rizal St., Davao City
(082) 226-2223 /
(082) 222-0904 (Fax)

GENERAL SANTOS
G/F, Sunshine Hardware Bldg.,
Santiago Blvd.,
General Santos City
(083) 552-9375 /
(083) 552-5236 (Fax)

MARAMAG
TRB Bldg., Sayre Highway,
Poblacion Maramag, Bukidnon
(088) 238-5253 /
(088) 238-5252 (Fax)

TAGUM CITY
Units 105-105 PLJ Bldg.,
Apokon Road, Magugpo
Poblacion, Tagum City
(084) 216-5364 /
(084) 225-4490

ZAMBOANGA - M. JALDON
Grand Astoria HotelBldg.,
Mayor Jaldon St.,
Zamboanga City
(062) 991-0720 /
(062) 991-2321 (Fax)

ZAMBOANGA - VETERANS
Veterans Ave. cor.
Camanchile St.,
Zamboanga City
(062) 991-2381 /
(062) 991-2980

SAN MIGUEL PROPERTIES CENTRE
NO. 7 ST. FRANCIS ST., MANDALUYONG CITY

For inquiries, call Bank of Commerce Customer Care Hotline: (02) 632-2265, Domestic Toll-Free numbers: (PLDT) 1800-10-982-6000 and (Globe Lines) 1800-8-982-6000, or send us an email at customerservice@bankcom.com.ph

Bank of Commerce is supervised by the Bangko Sentral ng Pilipinas with telephone number (02) 708-7087 and e-mail address: consumeraffairs@bsp.gov.ph