

PNB GENERAL INSURERS CO., INC.
MINUTES OF THE 2016 ANNUAL STOCKHOLDERS' MEETING

PNB MANCOM Room, 10th Floor, PNB Financial Center
Pres. Diosdado Macapagal Blvd., Pasay City
August 09, 2016, 1:00 P.M.

PRESENT:

<u>STOCKHOLDERS</u>	<u>NO. OF SHARES</u>
PNB HOLDINGS CORPORATION <i>(Represented by Ms. Florencia G. Tarriela as proxy holder)</i>	3,125,994
PHILIPPINE NATIONAL BANK <i>(Represented by Ms. Florencia G. Tarriela as proxy holder)</i>	6,000,000
MR. FELIX ENRICO R. ALFILER	1
MR. JOSEPH T. CHUA	1
MR. FRANCISCO P. RAMOS	1

	9,125,997
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OTHER ATTENDEES:

- | | | |
|-----------------------------------|---|--|
| 1. Ms. Teresita S. Cruz | - | Head, PNB Subsidiaries & Affiliates Div. |
| 2. Atty. Janette Q. Adamos | - | Corporate Secretary |
| 3. Atty. Richard David C. Funk II | - | Compliance Officer & Head, Legal & Recovery Division |
| 4. Mr. Ferdinand F. Cotoco | - | Chief Finance Officer |
| 5. Ms. Leila U. Patag | - | Comptroller |

I. CALL TO ORDER

Pursuant to the provisions of the By-laws of PNBGen, Chairman Felix Enrico R. Alfiler presided over the meeting. He called the meeting to order at around 1:40 P.M.

Corporate Secretary Janette Q. Adamos acted as secretary of the meeting.

II. SECRETARY'S PROOF OF NOTICE AND QUORUM

The Chairman asked the Corporate Secretary to show proof that the required notice of the meeting was duly sent to all the stockholders. The Corporate Secretary stated that, in accordance with PNBGen's By-laws, written notice of the meeting was sent to all the stockholders of record at least ten (10) days prior to the date of the meeting.

The Chairman then asked the Corporate Secretary to certify to the existence of a quorum. The Corporate Secretary certified that based on the attendance record and the proxy at hand, there was a quorum for the valid transaction of business in the meeting, there being present in person and represented by proxy, a total of 9,125,997 shares equivalent to 99.99% of the total outstanding and issued shares of the capital stock of the company.

III. REPORT OF THE PRESIDENT ON THE RESULTS OF OPERATIONS FOR THE YEAR 2015

The Chairman called on the President, Mr. Francisco P. Ramos, to present his report on the results of operations for the year 2015.

Mr. Ramos respectfully presented to the stockholders a report on the results of PNBGen's financial operations as of December 31, 2015, to wit:

- Gross Premiums Written (GPW) reached Php2.581 Billion as of December 31, 2015, behind budget by 16.22% but surpassed last year's actual of Php2.169 Billion by Php411.38 Million or 18.96%. All sources of business recorded negative variances versus budget except for Brokers which exceeded budget by Php135.80 Million or 11.89%. The shortfall from PAL Aviation was Php375 Million due to over-budgeting. In general, the deficits recorded in other sources were due to stiff competition and the company's decision to move away from a number of big agents and non-renewal of less desirable accounts.
- In terms of line of business, Fire and Engineering combined for Php1.576 Billion or 61.09% of total production while Marine and Aviation contributed Php471.05 Million or 18.25% and Motor Car generated Php225.07 Million or 8.72%. Personal accident, Casualty and Surety lines combined for Php308.01 Million or 11.94% of the whole production. Bulk of the business came from the Brokers Group amounting to Php1.278 Billion representing 49.51% of the entire portfolio and PNB and Affiliates, PAL and LTG accounts adding up Php778.84 Million or 30.17%.
- Losses Incurred amounted to Php401.89 Million which exceeded budget of Php231.28 Million and last year's Php111.14 Million mainly due to provisions set up for Loss Participation Clause and increase in IBNR totaling Php134 Million.
- Net Commission Expense was Php86.72 Million versus budget of Php92.06 Million and previous year's Php69.28 Million. This resulted to net commission expense ratio of 17.80% which was higher than the 15.60% budget but lower than the 22.9% registered in 2014.
- General and Administrative Expenses amounted to Php381.62 Million which exceeded budget of Php250.0 Million by 50.15% as a result of the Php60.99 Million bad debts provision for claims receivable and Php89.06 Million bad debts provision for premiums receivable. Expense ratio was 73.37% compared to budget of 42.45% and previous year's 86.41%. Combined ratio was 173.87% versus budget of 97.36% and last year's 148.04%.
- Investment Income of Php39.02 Million was slightly behind budget of Php40.0 Million due to lower interest rates.

- The 2015 net loss of Php490.50 Million was short of budget of Php55.55 Million due to the non-recurring expenses broken down as follows:

Provisions	Booked As *	Amount
LPC	Claims Incurred	Php63.15 M
ACR (Additional XoL Premium)	XoL Premium	24.00 M
Best Re	General Administrative Expense	46.29 M
Korean Re	Claims Incurred	2.31 M
Bad Debts Direct/RI/Others	General Administrative Expense	89.06 M
Ever Gotesco XoL	XoL Premium	20.18 M
Prior Year's XoL	XoL Premium	45.58 M
IBNR	Claims Incurred	71.00 M
NOLCO	General Administrative Expense	144.75 M
Phil. Fire	General Administrative Expense	14.70 M
Innogarant	General Administrative Expense	16.97 M
Taxes	General Administrative Expense	7.94 M
Total		Php545.93 M

- Without the above non-recurring expenses, the relevant ratios after XoL would have been as follows:

After Excess of Loss	Before Other Provisions *		After Other Provisions	
	Actual	Budget	Actual	Budget
Retention Ratio	23.87%	26.92%	20.39%	26.92%
Loss Ratio	46.09%	39.27%	82.66%	39.27%
Commission Ratio	15.06%	15.63%	17.80%	15.60%
Expense Ratio	35.88%	42.45%	73.37%	42.45%
Combined Ratio	97.03%	97.36%	173.87%	97.36%

Balance Sheet

- Total Assets went down by 12.32% to Php7.05 Billion from Php8.04 Billion as of 31 December 2014. Total Stockholders' Equity also decreased to Php556.50 Million from Php1.08 Billion as of 31 December 2014.

In reply to the query of Chairman Alfiler on the discrepancy of combined ratio vs. budget, President Ramos explained that they have reported that without those bad debts provision, the combined ratio was actually 97.03%, still lower than budget of 97.36%.

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Ms. Florencia Tarriela recalled that PNBGen had cleaned its books in terms of provisions and the company started from a clean slate. This means that if PNBGen was able to collect from any of those accounts then the provisions should be reversed as income. She then asked if there were any reversals from these provisions after the clean-up. President Ramos said that they have no collections yet from any of the accounts which they have provided for. They are continuously making follow-ups especially with the top three (3) accounts which owe PNBGen close to P90.0M. The latest update on this is that these companies requested for additional information for the claims and Management had provided them thru their reinsurance broker. President Ramos further stated that they are hoping to get offer from them within this year. However, the advice that they are getting was that it will be fortunate if PNBGen can get even 50% of the total provision, since according to the broker the norm on compromise is usually 25%-30% for certain cases.

On a query of Chairman Alfiler, President Ramos reported that the process of clearing up still continues. There were still changes, provisions being set-up, reversal, etc. and they are confident that they can resolve claims under the company's current operation.

Thereafter, the President's Report on the results of PNBGen's financial operations as of December 31, 2015 was duly noted by the stockholders.

IV. APPROVAL OF THE 2015 ANNUAL REPORT

Chairman Alfiler then proceeded to the next item in the Agenda which was the approval of the 2015 Annual Report.

President Francisco Ramos presented the Annual Report that contains the audited financial statements of PNBGen for the year 2015. Chairman Alfiler asked if there are any questions thereon. There being none, on motion made which was duly seconded, the stockholders resolved as follows:

STOCKHOLDERS RESOLUTION NO. 01/08-09-16

RESOLVED, AS IT IS HEREBY RESOLVED, to confirm and ratify the 2015 Annual Report together with the Audited Financial Statements of PNBGen for the year ended December 31, 2015.

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V. RATIFICATION OF ALL LEGAL ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS SINCE THE 2015 ANNUAL STOCKHOLDERS' MEETING

The next item in the Agenda was the ratification of all legal acts, resolutions and proceedings of the Board of Directors and corporate officers since the 2015 Annual Stockholders' Meeting. Chairman Alfiler stated that the minutes of all Board meetings

were on file with the office of the Corporate Secretary and were available for inspection upon the request of any stockholder.

Mr. Joseph Chua moved that all the legal acts, resolutions and proceedings of the Board of Directors and of the corporate officers since the 2015 Annual Stockholders' Meeting on August 11, 2015, as reflected in the minutes of the meetings of the Board and the corresponding Board Committees, be approved, confirmed and ratified. President Ramos seconded the motion.

There being no objection, the Chairman declared the motion approved and all the legal acts, resolutions and proceedings of the Board of Directors and corporate officers since the 2015 Annual Stockholders' Meeting were thereby considered approved, confirmed and ratified. The stockholders approved the following resolution:

STOCKHOLDERS RESOLUTION NO. 02/08-09-16

RESOLVED, AS IT IS HEREBY RESOLVED, to confirm and ratify all the legal acts, resolutions and proceedings of the Board of Directors and Management/ corporate officers during the year 2015-2016.

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VI. ELECTION OF DIRECTORS

Chairman Alfiler proceeded to the next item in the Agenda which was the election of the company's Board of Directors for the year 2016-2017. He instructed the Corporate Secretary to read out the names of the nominees for the Board of Directors as approved by the Corporate Governance Committee.

The Corporate Secretary informed the stockholders that in accordance with PNBGen's Corporate Governance Manual, the Corporate Governance Committee, acting as nominations committee, had approved the nomination of the following for election as members of the Board of Directors for the year 2016-2017:

1. Mr. Felix Enrico R. Alfiler (Independent Director)
2. Mr. Reynaldo P. Palmiery (Independent Director)
3. Mr. Herminio Angel E. Disini, Jr. (Independent Director)
4. Mr. Francisco P. Ramos
5. Mr. Joseph T. Chua
6. Ms. Cielo M. Salgado
7. (Vacant)

Thereafter, upon motion of Ms. Florencia G. Tarriela in her capacity as proxy holder of the 99.99% of the shares entitled to vote, which motion was duly seconded, the stockholders resolved as follows:

STOCKHOLDERS RESOLUTION NO. 03/08-09-16

RESOLVED, AS IT IS HEREBY RESOLVED, to approve and confirm the election of the following as members of the Board of Directors of PNB General

Insurers Company, Inc. for the year 2016 - 2017, who shall serve as such until their successors shall have been duly elected and qualified, viz:

1. Mr. Felix Enrico R. Alfiler (*Independent Director*)
2. Mr. Reynaldo P. Palmiery (*Independent Director*)
3. Mr. Herminio Angel E. Disini, Jr. (*Independent Director*)
4. Mr. Francisco P. Ramos
5. Mr. Joseph T. Chua
6. Ms. Cielo M. Salgado
7. (Vacant)

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VII. APPOINTMENT OF EXTERNAL AUDITOR FOR THE YEAR 2016

Chairman Alfiler then proceeded to the next item in the Agenda which was the appointment of the company's external auditor for the year 2016-2017.

Ms. Tarriela moved for the nomination of *Sycip Gorres & Velayo Co. (SGV)* as PNBGen's External Auditor for the ensuing year. SGV, the leading audit firm in the country, has been the external auditor of PNBGen for the last several years and it continues to deliver competent and satisfactory services. It is the same audit firm engaged by the parent Bank, PNB. Mr. Chua duly seconded the motion.

There being no objection to the motion, the Chairman declared the approval of the appointment of SGV as the External Auditor of PNBGen for the ensuing year. The stockholders adopted the following resolution:

STOCKHOLDERS RESOLUTION NO. 04/08-09-16

RESOLVED, AS IT IS HEREBY RESOLVED, to approve and confirm the appointment of *Sycip Gorres & Velayo Co. (SGV)* as the company's External Auditor for the fiscal year 2016 to 2017.

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VIII. AMENDMENT OF THE DATE OF ANNUAL STOCKHOLDERS' MEETING

The Corporate Secretary presented to the Stockholders for approval/ratification the amendment of the date of the Annual Stockholders' Meeting of PNBGen from second Tuesday of August to second Tuesday of May. Said amendment was approved by the Board of Directors of PNBGen on July 26, 2016, subject to the approval/ratification thereof by the stockholders of PNBGen.

Upon motion of Ms. Florencia G. Tarriela, in her capacity as proxy holder of the 99.99% of the shares entitled to vote, which motion was duly seconded, the following Resolution was unanimously adopted:

STOCKHOLDERS RESOLUTION NO. 05/08-09-16
(Amendment of the Date of Annual Stockholders' Meeting)

WHEREAS, there is a need to amend the date of the annual stockholders' meeting of PNBGen which should be close to that of the parent company, Philippine National Bank (PNB), to facilitate implementation of any changes in the composition of the board of directors and/or corporate officers of PNBGen;

WHEREAS, the date of the annual stockholders' meeting of PNB was changed to last Tuesday of April and hence, the Board of Directors of PNBGen approved on July 26, 2016 the amendment of the date of the annual stockholders' meeting of PNBGen to second Tuesday of May, subject to the approval/ratification thereof by the company's stockholders;

BE IT THEREFORE RESOLVED, AS IT IS HEREBY RESOLVED, to approve and ratify the amendment of Section 4, Article V of the Amended By-Laws of PNBGen to change the date of the annual meeting of the stockholders from the second Tuesday of August to the **second Tuesday of May** in each calendar year, as approved by the Board of Directors on July 26, 2016.

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IX. ADJOURNMENT

There being no other matters to be discussed, on motion of Ms. Tarriela which was duly seconded by President Ramos, and there being no objection, Chairman Alfiler thanked everyone and adjourned the Annual Stockholders' Meeting for the year 2016 at 2:10 P.M.

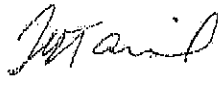
Certified Correct:


ATTY. JANETTE Q. ADAMOS
Corporate Secretary

ATTESTED BY:


FELIX ENRICO R. ALFILER
Chairman of the Board


FRANCISCO P. RAMOS
President


FLORENCIA G. TARRIELA
Proxy Holder for Philippine National Bank /
Proxy Holder for PNB Holdings Corporation