

PNB GENERAL INSURERS CO., INC.
MINUTES OF THE 2017 ANNUAL STOCKHOLDERS' MEETING

Café in the Park – Taipan Function Room
Century Park Hotel, O. Ocampo Street, Malate, Manila
August 08, 2017, 3:00 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. HERMINIO ANGEL E. DISINI, JR.	1
MR. REYNALDO P. PALMIERY	1
MR. FRANCISCO P. RAMOS	1
MS. CIELO M. SALGADO	1

	9,126,000
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OTHER ATTENDEES:

- | | | |
|------------------------------|---|---|
| 1. Ms. Ma. Gemma G. Subiate | - | OIC, PNB Subsidiaries & Affiliates Division |
| 2. Atty. Janette Q. Adamos | - | Corporate Secretary |
| 3. Mr. Ferdinand F. Cotoco | - | Chief Finance Officer |
| 4. Ms. Leila U. Patag | - | Comptroller |
| 5. Atty. Clarito E. de Alday | - | Head, Legal & Recovery Division |
| 6. Mr. Ludwig L. Lopez | - | Corporate Planning Office |

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 3:00 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 9,126,000 shares equivalent to 100% of the total outstanding and issued shares of the capital stock of the company.

III. APPROVAL OF MINUTES OF PREVIOUS STOCKHOLDERS' MEETING

The next item in the Agenda was the approval of the Minutes of the 2016 Annual Stockholders' meeting held on August 09, 2016.

Chairman Alfiler asked if there are any comments or objections on the said Minutes.

There being none, the stockholders, on motion made and duly seconded, approved the Minutes of the 2016 Annual Stockholders' meeting held on August 09, 2016.

IV. REPORT OF THE PRESIDENT ON THE RESULTS OF OPERATIONS FOR THE YEAR 2016

The Chairman called on the President, Mr. Francisco P. Ramos, to present his report on the results of operations for the year 2016.

Mr. Ramos respectfully presented to the stockholders a report on the results of PNBGen's financial operations as of December 31, 2016, to wit:

- PNBGen performed exceedingly well in 2016, delivering industry leading results particularly in Combined Ratio of 90.56% and Return on Equity (RoE) of 18.10%. Its Net Income rose to Php110 Million surpassing target by 19% despite our shortfall in Gross Premium Written (GPW) amounting to Php400 Million following its decision to lapse certain accounts.
- Total Gross Premiums Written (GPW) reached Php2.22 Billion as of December 31, 2016, lower than what was produced in 2015 by 14%. Despite the drop in GPW, the Net Premiums Written (NPW) grew slightly to Php1.08 Billion compared to budget of Php1.0 Billion. As a result, PNBGen ranked 10th in the industry in terms of GPW.
- The strong showing was primarily due to target marketing – selecting specific accounts and appropriate distribution channels to gain access and generate revenues, and increased work efficiencies by controlling both acquisition costs and general expenses.

- In terms of Business Source, 48% of PNB Gen's GPW came from LTG/PNB Group which included Philippine Airlines. The remaining 52% came from open-market segment including the 7% inward facultative reinsurance business. Broker-referred business accounted for 37% of total GPW.

Source of Business (Amount in Php millions)	GPW	
	Amount	% Share
LTG/PNB Group	1,072.08	48%
Brokers	813.20	37%
Agency	183.65	8%
Inward Reinsurance	151.46	7%
TOTAL	2,220.39	100%

- With respect to Lines of Business, Fire and Engineering premiums amounted to 50% of total GPW, Marine and Aviation reached 21% largely due to Philippine Airlines, Personal Accident exceeded 12% whereas Motor Car amounted to over 11%. Other lines of business accounted for the balance of 6% of total GPW.

Line of Business (Amount in Php millions)	GPW	
	Amount	% Share
Fire & Engineering	1,103.06	50%
Marine & Aviation	470.85	21%
Personal Accident	268.10	12%
Motor Car	246.17	11%
Casualty	112.55	5%
Surety	19.66	1%
TOTAL	2,220.39	100.00%

- Commission Paid and Other Underwriting Expenses reached Php248 Million better than budget of Php399 Million by Php151 Million. This resulted to net Commission Expense Ratio of 13% which was lower than the budget of 20% and better than last year's 18%.
- Claims incurred amounted to Php256 Million which was better than budget of Php287 Million by Php31 Million or 11%. Also, this was better than last year's Php402 Million by 36%. This was attributed to favorable weather conditions and low claims incidents. The Loss Ratio however was 41%, higher than 37% budget due to lower net premiums earned but better than last year's 83%.
- General and Administrative Expenses (GAE) totaled Php231 Million with savings of Php50 Million versus budget of Php281 Million. GAE also decreased from last year's Php382 Million by 40%.
- Investment and Other Income went up to Php57.58 Million that included Gain on Sale of Investment of Php14 Million.
- Again, the overall Combined Ratio was an excellent 90.56% as PNBGen outperformed the competition in 2016.

BALANCE SHEET

- Total Assets decreased to Php6.88 Billion as of 31 December 2016 from Php7.05 Billion year end 2015. The 2% decline was attributed to the decreases in the following accounts:

Premiums Receivable – Direct	Php 82.17Million
Reinsurance Recoverable on Paid Losses	Php 68.04Million

- Total Net Worth increased by 20% to Php665 Million as of 31 December 2016 from Php556 Million as of 31 December 2015.

RBC AND NET WORTH COMPLIANCE:

- PNBGen's Net Worth (based on Regulatory Compliance) as of 31 December 2016 was Php361 Million before the Php200 Million Contingency Surplus which was credited to the account of PNBGen in January 2017. The computation was under the 24th Method of computing Earned Premiums which has been enforced since the beginning of the current year. Minimum Net Worth is required at Php550 Million.
- RBC Ratio was computed at 72% as of 31 December 2016. But as of 30 June 2017, the ratio was computed at 109% with Available Capital of Php855 Million over RBC Requirement amounted to Php788 Million, the computation was based on the Amended RBC2 Framework which took effect also on January 1, 2017 in accordance with the IC Circular Letter (CL) No. 2016-68 dated 28 December 2017 resulting to a much lower level of sufficiency requirement and favorable RBC Ratio. Minimum RBC Ratio is required at 100%.

(In millions)	As of December 31, 2016		As of June 30, 2017
	60/40 method (RAP)	24 th method (GAAP)	24 th method (GAAP)
NET WORTH	₱ 428	₱ 361	₱ 573
Minimum Net Worth Requirement	₱ 550	₱ 550	₱ 550
RBC RATIO			
RBC2 FRAMEWORK (min 100%)		72.00%	109.00%
RBC REQUIREMENT		₱ 855	₱ 788
Total Available Capital		₱ 616	₱ 855

Thereafter, the President's Report on the results of PNBGen's financial operations as of December 31, 2016 was duly noted by the stockholders.

V. APPROVAL OF THE 2016 ANNUAL REPORT

Chairman Alfiler then proceeded to the next item in the Agenda which was the approval of the 2016 Annual Report.

President Ramos presented the Annual Report that contains the audited financial statements of PNBGen for the year 2016. 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. 01/08-08-17

RESOLVED, AS IT IS HEREBY RESOLVED, to confirm and ratify the 2016 Annual Report together with the Audited Financial Statements of PNB General Insurers Co., Inc. for the year ended December 31, 2016.

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VI. RATIFICATION OF ALL LEGAL ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS SINCE THE 2016 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 2016 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. Reynaldo Palmieri moved that all the legal acts, resolutions and proceedings of the Board of Directors and of the corporate officers since the 2016 Annual Stockholders' Meeting on August 09, 2016, 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 2016 Annual Stockholders' Meeting were thereby considered approved, confirmed and ratified. The stockholders approved the following resolution:

STOCKHOLDERS RESOLUTION NO. 02/08-08-17

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 2016-2017.

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VII. 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 2017-2018. 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 2017-2018:

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. 03/08-08-17

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 2017 - 2018, 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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The Chairman, thereafter, warmly congratulated the newly-elected Board of Directors.

VIII. APPOINTMENT OF EXTERNAL AUDITOR

Chairman Alfiler then proceeded to the next item in the Agenda which was the appointment of the company's External Auditor.

The company's Board Audit and Compliance Committee has duly endorsed, and the Board of Directors has duly approved for ratification by the stockholders, the appointment of *Sycip Gorres Velayo & Co. (SGV)* as External Auditor of the company. SGV, the leading audit firm in the country, has been the external auditor of PNBGen for

the last several years and it has consistently delivered satisfactory services. It is the same audit firm engaged by the parent bank, Philippine National Bank.

Ms. Florencia Tarriela moved that the auditing firm of SGV be nominated as the External Auditor of the company for the ensuing year. Ms. Cielo Salgado seconded the motion.

There being no objection to the motion, Chairman Alfiler 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. 04/08-08-17


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 2017 to 2018.

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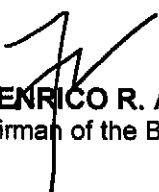
IX. ADJOURNMENT


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 2017 at around 3:15 P.M.

Certified Correct:


ATTY. JANETTE Q. ADAMOS
Corporate Secretary

ATTESTED BY:


FELIX ENRICO R. ALFILER
Chairman of the Board


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