

RISK DISCLOSURE STATEMENT – for GOVERNMENT SECURITIES

Before making an investment in any product through PNB, it is necessary that you are informed of the nature of the risks of the product/s that you intend to invest in because investment carries different degrees of risk. Before you invest in any product, you should

- (1) completely read this Risk Disclosure Statement;*
- (2) fully understood the nature of the investment and the extent of your exposure to risks including any and all legal, regulatory, tax and accounting implications thereof; and*
- (3) independently determined that the investment is appropriate for you. In the light of your circumstances, experience, financial position and operational resources and, if you deem necessary, consult with your financial, tax or legal advisor.*

When you invest in any product offered by PNB – Treasury Sales & Distribution Division, please be advised that the returns of such investments are not guaranteed and its value may be subject to fluctuation. Your principal and earnings from the investments can be lost in whole or in part when market conditions are not favorable. Your investments may expose you to certain of risks as explained further below :

1. **Interest Rate Risk** - An investor may experience losses due to changes in interest rates. When marked-to-market, the value of an instrument may rise or fall depending on the prevailing interest rate. In general, rising interest rates have a negative impact and sinking rates have a positive effect on the bond's market values. The past performance of the reference rate is not a guarantee of its future performance.
2. **Market / Price Risk** - An investor may experience losses due to changes in market prices of securities (e.g. bonds and equities). The value of an investment may fluctuate dramatically due to different market factors, including the price or level of any underlying reference asset, level of interest rates, credit quality of the issuer, foreign exchange rates, volatility, liquidity, and tenor remaining on the financial instrument (if relevant). As a result, the value of an investment may depreciate as quickly as it may appreciate and it can also become valueless.
3. **Liquidity Risk** - An investor may experience losses due to the inability to sell or convert assets into cash immediately or in instances where conversion to cash is possible but at a loss. These may be caused by different reasons such as trading in securities with small or few outstanding issues, absence of buyers in the market, limited buy/sell activity or underdeveloped capital market. Liquidity risk occurs when certain securities may be difficult or impossible to sell at a particular time and which may delay or prevent the liquidation of the investment until it can be converted to cash.
4. **Credit Risk / Default Risk** - An investor may experience losses due to an issuer's failure to pay principal and/or interest in a timely manner on financial instruments like bonds. The inability of the borrower to fulfill on its financial obligations may have resulted from adverse changed in its financial condition thus lowering credit quality of the security and consequently lowering the price (market / price risk) which contributes to the difficulty in selling such security. It also includes risk on counterparty (a party the investor trades with) defaulting on a contract to deliver its obligation either in cash or securities. This is the risk of losing value in the investment in the event the borrower defaults on his obligation or in case a counterparty fails to deliver on the agreed trade. This decline in value happens because the default or failure would make the price of the security go down and may make the security difficult to sell. As these happen, your investment will be affected by a decline in value.
5. **Re-investment Risk** - This risk is associated with the possibility of having lower returns or earnings when maturing funds or the interest earnings of funds are reinvested.
6. **Foreign Exchange Risk** - An investor may experience losses due to fluctuations in foreign exchange rates. The exchange rates depend upon a variety of global and local factors such as interest rates, economic performance and political developments. Where an investment in financial instrument is denominated in a foreign currency or in a currency which is different from the currency in which you carry on your ordinary business or keep your accounts ("local currency"), there is a risk that any exchange rate fluctuations may affect the applicable exchange rate and result in you receiving reduced coupons, cash settlement amounts, and/or incurring a loss of principal when converted into your local currency or make it impossible or impracticable for the issuer to pay you in the original settlement currency.

7. **Country Risk** - An investor may experience losses arising from investments or securities issued by/ in foreign countries due to the political, economic and social structures of such countries. There are risks in foreign investments due to the possible internal and external conflicts, currency devaluations, foreign ownership limitations and tax increases of the foreign country involved which are difficult to predict but must be taken into account in making such investments.
8. **Early Redemption** – An investor must usually hold an investment instrument until maturity or within a minimum holding period to receive the repayment of principal from the issuer free from any early redemption fees or charges. In the event a client will liquidate his or her investment in the secondary market prior to its maturity, the price / proceeds thereof may be lesser in value from the initial purchase price or the principal amount. Brokerage commissions and other fees may also be higher in case of early redemption of foreign securities. The procedures and rules governing foreign transactions and custody of securities may also involve delays in payment, delivery or recovery of investments.
9. **Other Risks** - Your account may be further exposed to the risk of any actual or potential conflict of interest in the handling of in-house or related party transactions by the obligations; purchase of assets from or sales to own institution, directors, officers, subsidiaries, affiliates or other related interests/parties; or purchase or sales between fiduciary/managed accounts

THIS STATEMENT DOES NOT PURPORT TO DISCLOSE ALL OF THE RISKS OR RELEVANT CONSIDERATIONS IN ENTERING INTO TREASURY TRANSACTIONS. YOU SHOULD NOT CONSTRUE THE RISK DISCLOSURE STATEMENT AS BUSINESS, LEGAL, TAX OR ACCOUNTING ADVICE OR AS MODIFYING APPLICABLE LAW. YOU SHOULD REFRAIN FROM ENTERING INTO ANY SUCH ACTIVITY UNLESS YOU FULLY UNDERSTAND ALL SUCH RISKS AND HAVE INDEPENDENTLY DETERMINED THAT THE ACTIVITY IS SUITABLE FOR YOU.

Philippine National Bank is regulated by the Bangko Sentral ng Pilipinas. For inquiries / complaints, you may contact PNB Customer Care Hotline 573-8888 within office hours of 8:00am to 5:00pm. You may also contact the BSP Financial Consumer Protection Department at Tel No. 708-7087.

By signing here, I / WE hereby confirm that I / we have completely read and understood the **Risk Disclosure Statement** herein as explained to us by the Branch Manager and / or the Treasury Sales & Distribution Officer.

Conforme:

Signature of the Accountholder over Printed Name / Date



Signature of the Accountholder over Printed Name / Date



Signature of the Accountholder over Printed Name / Date



Reviewed and Discussed by:

Signature of Treasury Sales Officer over Printed Name
Date : _____

Signature Verified & Authenticated by:

Signature of the Branch Officer over Printed Name
Date : _____