



**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
HELD ON MAY 28, 2013 AT THE GRAND BALLROOM
UPPER LOBBY, CENTURY PARK HOTEL
599 PABLO OCAMPO SR., MALATE MANILA**

I. CALL TO ORDER

The meeting commenced with the singing of the National Anthem and the delivery of the Invocation by Senior Vice President Socorro D. Corpus. First Senior Vice President Zacarias E. Gallardo, Jr. acted as Master of Ceremonies.

Chairman Florencia G. Tarriela then welcomed the stockholders and called the meeting to order at 8:05 a.m.

Corporate Secretary Doris S. Te 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 the requirements of the Securities Regulation Code and New Disclosure Rules of the Securities and Exchange Commission, written notice of the meeting was sent to all shareholders of record at least fifteen (15) business days prior to the date of the meeting based on a Certification to this effect executed by the bank's Stock and Transfer Agent. She added that, in accordance with Section 4.4, Article IV of the bank's Amended By-Laws, the notice was likewise published alternately in the "Philippine Daily Inquirer", "Philippine Star" and "Pilipino Star Ngayon" for one week, from May 08 to 14, 2013.

The Chairman, thereafter, requested the Corporate Secretary to certify to the existence of a quorum. The Corporate Secretary stated that based on the attendance record and the proxies and powers of attorney on hand, there were present in person and represented by proxy a total of 843,641,227 shares or 77.668% of the bank's total outstanding issued shares, hence there was a quorum for the valid transaction for business.

III. APPROVAL OF THE MINUTES OF THE 2012 ANNUAL STOCKHOLDERS' MEETING HELD ON MAY 29, 2012

The next item in the Agenda was the Approval of the Minutes of the 2012 Annual Stockholders' Meeting held on May 29, 2012. Copies of the Minutes of said meeting were made available at the registration table for all stockholders desiring to inspect the same.

Mr. Ronald Allan Abarquez, a stockholder, moved that the reading of the Minutes of the 2012 Annual Stockholders' Meeting held on May 29, 2012 be dispensed with and that the same as appearing in the books of the Corporate Secretary be approved. Ms. Myra Anna Salvador, another stockholder, seconded the motion.

There being no comments/objections, the minutes of the 2012 Annual Stockholders' Meeting held on May 29, 2012 were duly approved.

IV. REPORT OF THE PRESIDENT ON THE RESULTS OF OPERATIONS FOR THE YEAR 2012 AND UPDATE ON THE MERGER OF PNB WITH ALLIED BANKING CORPORATION

The Chairman called on the President and CEO, Mr. Omar Byron T. Mier, to present his report on the results of operations for the year 2012 and update on the merger of PNB with Allied Banking Corporation.

The President proceeded to render his report which is herein reproduced in full as follows:

Chairman Flor Tarriela, Dr. Lucio C. Tan, members of the Board of Directors of Philippine National Bank, fellow stockholders, Philnabankers, ladies and gentlemen; good morning. On behalf of the PNB Board of Directors, officers and staff, I welcome all of you to our 2013 Annual Stockholders' Meeting.

When I joined the Bank in 2002 as chief credit officer, PNB had ₱45 billion in non-performing loans, ₱28 billion in acquired assets or ROPAs, and a deficit of ₱2 billion in its retained earnings. At that time, the Lucio Tan group and the Government owned 45% each of the Bank, and the 10% was owned by the public. A five-year rehabilitation plan was signed that year, under which the Bank was expected to start making profits on the fifth year. By the end of the second year, PNB already generated ₱52 million in net income. And by the end of 2007, PNB registered ₱1.5 billion in net income, for an ROE of 5.5%. That same year, the Bank became fully privatized with the complete divestment of the Government's remaining 12% equity stake, and the prepayment of the ₱6.1 billion loan to PDIC.

Last year, Philippine National Bank posted a net income of ₱5.03 billion, up to 6% over last year's ₱4.76 billion, and almost ninety seven times more than the ₱52 million income we registered in 2003. PNB's return on equity last year was at 13.5% vs. 02% in 2003 and 3.8% five years ago.

Our net interest income of ₱7.0 billion accounted for 40% of total operating income which grew to ₱17.6 billion in 2012. Lending was challenged by a squeeze in margins. We balanced this off by growing our loan portfolio across all customer segments more aggressively.

Fee-based and other income which comprised 60% of the Bank's total operating income were generated mostly from net gains from trading, investment securities and foreign exchange which surged by 37%. PNB is now regarded as one of the leading distributors of Treasury-related financial products in the secondary market.

On the expense side, operating expenses remained flat year-on-year. Our cost efficiency ratio which excludes provisions for impairment and credit losses was at 60.9%, much improved from 76% five years ago, and significantly better than the 116% registered back in 2002.

Our cost of funds was reduced to 1.3% in 2012, coming from 1.7% a year ago. Interest expense on deposit liabilities went down by 23% even as total deposits grew from ₱238 billion to ₱241 billion over the year. We deliberately let go of high-cost borrowed funds, resulting in a reduction of term placements by 13%. We were, however, successful in keeping most of the funds within the Bank through alternative investment offerings - one of which is through our Trust Banking Group which experienced a surge in individual accounts by 56% or the equivalent of ₱ 7.7 billion.

Total loans and receivables grew by 15% to ₱144.7 billion in 2012. Our large corporate loan portfolio grew faster by 28% year-on-year. We participated in various financial deals with the country's top corporations such as San Miguel, Filinvest, Puregold, National Grid Power Corporation, and MTD Manila Expressways. We facilitated the first ever structured aircraft financing by a local bank for AWAS - an aircraft leasing company. We also syndicated the second Public-Private-Partnership (PPP) project under implementation of the present administration. This was a ₱1.7 billion loan to finance the construction of 7,149 school rooms in the Central Luzon and Calabarzon areas.

We achieved considerable success in turning around our consumer loans business to be recognized as a major market player in the industry. Consumer loan bookings grew from ₱105 million per month in 2010, to an average of ₱316 million per month in 2011, and ₱473 million per month in 2012. For the first quarter of 2013, our average monthly booking of consumer loans was at ₱614 million. As a result, consumer loan portfolio jumped to ₱12.4 billion by year-end 2012, up by 41% from previous year's level. In spite of the aggressive growth in our consumer loan portfolio, our past due levels were at 4.1% only, lower than the 5.5% consumer industry past due levels.

At the retail branch level, we enhanced our broad-based customer acquisition strategy to grow both big and small retail clients. Corporate accounts were pursued using cash management solutions. We also launched the "PNB Pinnacle Club" which provided exclusive perks and wealth management services to high net worth individuals. Even our ATM Safe and PNB Credit Cards helped strengthen our value proposition to our clients. Our ATM Safe program was widely accepted, with over 500,000 over-the-counter enrollees to date. Last year, we launched the PNB Visa Credit Card which gave a 1% rebate on revolving interest - a milestone in the credit card industry. Our flagship card products -- PNB Mabuhay Miles World, Platinum, and Essentials Mastercard -- offer a low point-to-mile conversion of one mile for every ₱33 spent, the lowest conversion factor in the industry, thus allowing for faster redemption of free flights.

We continued to hold on to an 18% market share in remittances. Our global banking business focused on client loyalty and acquisition through product innovations, promotions, and delivery channel expansion. PNB-RCI in the U.S. launched the "Phone-in Remittance" service. We expanded our remittance outlets in Hong Kong by partnering with convenience stores like 7-11, Vanguard, VanGo, and Circle-K outlets. Our remittance beneficiaries generated a daily average deposit balance of ₱19.8 billion with PNB.

Trust banking leveraged on the strength of its fiduciary service offerings. We opened 53 new accounts covering collateral trusteeship, Term Loan Facility agency, and escrow arrangements. Total fiduciary assets ended the year at ₱14.4 billion. Retirement funds under management grew 41% to ₱2.1 billion. Our Trust Banking Group ended the year with ₱56 billion in assets under management.

We have been successful in significantly reducing our non-performing loans (NPL) in the shortest time possible -- from a high of ₱45 billion in 2002, down to ₱10 billion five years ago in 2007, and to a lower of ₱6.5 billion by the end of 2012. Consequently, our NPL ratio dropped to 2.4% against 3.1% the previous year. Our gross ROPA was likewise down to ₱20 billion by year-end 2012, from a high of ₱28 billion in 2012. We expect to reduce this further this year.

At the end of 2012, total resources totaled ₱331 billion, a 6% or ₱19 billion increase from the previous year's ₱312 billion. Our equity stood at ₱39.7 billion, up by ₱4.7 billion due mainly to the ₱5 billion net income in 2012. With our strong capital position, we were able to comfortably write down in August the full remaining unamortized SPV losses totaling ₱4.2 billion against the Bank's retained earnings. With the elimination of these deferred charges on SPV losses, PNB will now receive an unqualified opinion from our external auditors for our 2012 year-end audited financial statements. PNB's Capital Adequacy Ratio (CAR) remained firmly solid at 18.1%, well above the minimum 10% required by the BSP. Tier 1 capital ratio was at 11.9% versus the BSP minimum core ratio of 6%.

The appreciation of PNB's share price over the year is an affirmation of the market's vote of confidence in the Bank's overall performance. From ₱56.40 per share at the end of 2011, PNB shares closed at ₱91.00 by the end of the year, reflecting a gain of 61%. As of December 2012, the price-to-book value ratio of PNB was at 1.5 times.

We are humbled by the recognition our industry partners bestowed on us in 2012. We were given the Silver Award for Good Corporate Governance from the Institute of Corporate Directors (ICD) for two consecutive years (2011-2012). In the same year, the Bangko Sentral ng Pilipinas awarded PNB as the Top Commercial Bank in Generating Remittances from Overseas Filipinos. We were already elevated in the past by the BSP as Hall of Fame Awardee for Best Commercial Bank Respondent on Overseas Filipino Remittances for having won the award for three straight years.

Last February 9, 2013, PNB marked another milestone with its merger with Allied Banking Corporation. To date, this merger created the 4th largest private commercial bank with more than ₱500 billion in total resources; 653 domestic branches; 857 ATMs; and the largest overseas network among domestic banks with 87 overseas branches, offices, and subsidiaries spanning Asia, Europe, Middle East, and North America.

The full integration of the two banks will be completed in two years at an integration cost of about ₱1.5 billion. Even with this inevitable cost, and with the revenue enhancements arising from the merger synergies and the recently crafted five-year strategic plan for the merged bank, we look forward to strengthening further our profitability position, translating into an ROE in the vicinity of 13-15% in the next three years. Consequently, we are expecting an eventual re-rating of PNB's stock price to a higher price-to-book ratio of around 1.8 to 2:1. We should start considering dividend declarations by fiscal year-end 2015.

All of us in the Board of Directors extend our heartfelt appreciation to our stockholders, customers, and employees for their unwavering trust and loyalty in PNB. We look forward in the next three years to a bigger, better and stronger Philippine National Bank.

I thank you for being with us here today. Have a pleasant day ahead, and God Bless!

Maraming Salamat po.

After the President's Report, the Chairman invited comments and questions from the floor.

Mr. Stephen Soliven, a stockholder, took the floor and noted that based on the Annual Report, there was a substantial increase in the Other Liabilities of the bank. The increase in the Other Liabilities came from the Insurance Contract Liabilities. He asked what the nature of this account is.

Mr. Zacarias Gallardo, Jr., the bank's Chief Financial Officer, explained that the audited financial statements presented were consolidated and included the books of PNB General Insurers Co., Inc., a subsidiary of PNB. Insurance Contract Liabilities pertains to the insurance premiums of PNB General Insurers Co., Inc.

Ms. Eugenia Socorro Gomez, a stockholder and former employee, took the floor and expressed her gratitude to the Board of Directors, all senior officers, her former colleagues and friends in the bank. She asked the Board and Management to look into the retirement program of the bank for all its employees.

Mr. Mariano Soria, a stockholder and employee of the bank, took the floor and thanked the Board and the Management for the successful bargaining of the CBA last June 2012. He stated that there was, however, one item that was still pending which was the retirement program for the employees. He said that due to the merger, the discussion on the said provision has been postponed. The proposal for early retirement was that it should be at least 10 years because at present, the minimum years of service for early retirement is 17 years. He said that in spite of this, the collective bargaining agent of the bank has still been very cooperative especially at the time of the merger.

Chairman Tarriela acknowledged the support and the cooperation of the collective bargaining agent of the bank. She said that the unfinished provision in the CBA is something that Management should look at and focus on before the next annual stockholders' meeting of the bank.

President Mier commented that the issue on the retirement program of the employees has been brought to Management's attention. He said that before, the requirement was at least 20 years then it dropped to 17 years but the employees have been asking for further improvement. He said that he would ask the new Human Resources Group Head to look at it again before the next CBA.

Mr. Soria informed the Board that a lot of employees are also asking about the transfer of the Head Office to Makati.

Mr. Mier explained that there was a presentation in the Integration Task Force on the eventual transfer of the PNB Pasay office to PNB Makati. The reason for this is that the PNB Head Office in Pasay is huge and inefficient, resulting in hefty electric power expenses. The transfer has to be done properly and Management wants to make sure that there is enough space in PNB Makati. He said that they will make sure that everybody is properly relocated and informed. They will give announcements on the schedule of the relocation. He reiterated that the transfer will definitely happen. He said that right now, the PNB building has about P9.0B to P10.0B cost in the books of the bank with a market value of P15B. He pointed out that by doing something with the building, the bank can earn a profit.

Mr. Soria assured the Board that the employees will be supportive of the plans of the bank. President Mier expressed his gratitude to the Union and all the rank and file employees for their continuous support to the bank.

Mr. Noel Zapanta, a stockholder, took the floor and asked if the Board has considered or discussed any specific plan regarding the 100th year anniversary of the bank. He also said that he was not able to receive his notice of the meeting.

Chairman Tarriela instructed the Corporate Secretary to make sure that all notices of the meeting are received by the stockholders on time. Atty. Doris Te, the Corporate Secretary, said that she would have one of the staff approach Mr. Zapanta to update his mailing address.

President Mier was thankful that Mr. Zapanta was able to attend the meeting despite not receiving his notice on time. He said that the bank will definitely have a celebration for its 100th year anniversary.

Mr. Jose Lis Leagogo, a stockholder, took the floor and congratulated the Board and the employees as well as those who are responsible for the successful merger of the bank despite the insurmountable obstacle cited during the last stockholders' meeting which was the reason for the delay of the merger. He noted that based on the President's report, dividends will come by 2015. He expressed his confidence and optimism that dividends will be declared by 2015.

The Chairman expressed her gratitude to the Board of Directors, the President, Management, officers and staff and all the employees of the bank for their respective contributions to the positive performance of the bank for the year 2012. She thanked the stockholders for their invaluable support and understanding.

Thereafter, the President's Report and the foregoing exchanges were duly noted by those present at the meeting.

V. APPROVAL OF THE 2012 ANNUAL REPORT

The Chairman then proceeded to the next item in the Agenda which was the approval of the Annual Report containing the audited financial statements of the bank for the year 2012. She said that the body had just heard the report of the President explaining the results of operations as reflected in the bank's audited financial statements. She also noted that the President gave an update on the merger of PNB with Allied Banking Corporation. The Chairman said that she would entertain further queries from the floor.

Since there were none, Ms. Zorayda Mia Wacnang, a stockholder, took the floor and moved that the audited financial statements of PNB as contained in the 2012 Annual Report be duly noted and approved. Ms. Judy Anne Vera, another stockholder, duly seconded the motion. There being no objection, the stockholders unanimously approved thus:

STOCKHOLDERS RESOLUTION NO. 01-13

RESOLVED, that the stockholders hereby confirm and ratify PNB's 2012 Annual Report together with the Audited Financial Statements for the year ended December 31, 2012.

VI. A. APPROVAL OF THE INCREASE IN AUTHORIZED CAPITAL STOCK

The next item in the Agenda was the proposal to increase the authorized capital stock of the bank from ₱50,000,000,040.00 divided into 1,250,000,001 common shares with a par value of forty pesos (₱40.00) per share to ₱70,000,000,040.00 divided into 1,750,000,001 common shares with a par value of forty pesos (₱40.00) per share.

Ms. Esperanza, a stockholder, took the floor and moved that the authorized capital stock of the bank be increased from ₱50,000,000,040.00 divided into 1,250,000,001 common shares with a par value of forty pesos (₱40.00) per share to ₱70,000,000,040.00 divided into 1,750,000,001 common shares with a par value of forty pesos (₱40.00) per share. Upon motion and seconded by another stockholder, Ms. Karen L. Dialino, the stockholders unanimously approved the following resolution:

STOCKHOLDERS RESOLUTION NO. 02-13

RESOLVED, to approve the increase in authorized capital stock of the bank from ₱50,000,000,040.00 divided into 1,250,000,001 common shares with a par value of forty pesos (₱40.00) per share to **₱70,000,000,040.00 divided into 1,750,000,001 common shares with a par value of forty pesos (₱40.00) per share.**

B. APPROVAL OF THE AMENDMENT OF ARTICLE VII OF THE ARTICLES OF INCORPORATION TO REFLECT THE AFOREMENTIONED INCREASE IN THE AUTHORIZED CAPITAL STOCK OF THE BANK

The next item in the Agenda was the approval of the amendment of the Articles of Incorporation of the bank to reflect the aforementioned increase in the authorized capital stock.

After due discussion, Ms. Maila Katrina Ilarde, a stockholder, took the floor and moved that the amendment of Article VII of the Articles of Incorporation of the bank be amended to reflect the aforementioned increase in the authorized capital stock of the corporation. Mr. Alejandro Tupas III, another stockholder, duly seconded the motion. The stockholders approved thus:

STOCKHOLDERS RESOLUTION NO. 03-13

RESOLVED, to approve the amendment of Article VII of the Articles of Incorporation of the bank to reflect the aforementioned increase in the authorized capital stock.

VII. RATIFICATION OF ALL ACTS, RESOLUTIONS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS SINCE THE 2012 ANNUAL STOCKHOLDERS' MEETING

The next item in the Agenda was the ratification of all acts, resolutions and proceedings of the Board of Directors and corporate officers since the 2012 Annual Stockholders' Meeting. The Chairman 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 shareholder.

Mr. Salvador Ortega, Jr., a stockholder, took the floor and moved that all the acts, resolutions and proceedings of the Board of Directors and the Corporate Officers of the bank since the 2012 Annual Stockholders' Meeting as reflected in the Minutes of the Meetings of the Board and the corresponding Board Committees be approved, confirmed and ratified. Mr. McDonald G. Abalos, another stockholder, seconded the motion.

There being no objection, the Chairman declared the motion approved and all the acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2012 Annual Stockholders' Meeting were thereby considered duly approved, confirmed and ratified. The stockholders approved the following resolution:

STOCKHOLDERS RESOLUTION NO. 04-13

RESOLVED, as it is hereby resolved, to ratify and confirm all acts, decisions and proceedings of the Board of Directors and of the Management during the year 2012.

VIII. ELECTION OF DIRECTORS

The Chairman proceeded to the next item in the Agenda which was the election of the bank's Board of Directors. With the approval of the increase in the number of directors from eleven (11) to fifteen (15) and its implementation due to the merger of PNB and Allied Bank effective February 09, 2013, the Nomination Committee has received and considered nominations for fifteen (15) seats in the Board of Directors. She asked the Corporate Secretary to read out the names of the nominees for the Board of Directors as approved by the Corporate Governance Committee acting as the bank's Nomination Committee.

The undersigned Corporate Secretary informed the shareholders that the Corporate Governance Committee, acting as the Nomination Committee of the bank under its Manual on Corporate Governance, had approved the nomination of the following for election as members of the Board of Directors for the year 2013-2014:

1. Ms. Florencia G. Tarriela
2. Mr. Omar Byron T. Mier
3. Mr. Felix Enrico R. Alfiler
4. Mr. Florido P. Casuela
5. Mr. Anthony Q. Chua
6. Mr. Reynaldo A. Maclang
7. Mr. Estelito P. Mendoza
8. Mr. Christopher J. Nelson
9. Mr. Washington Z. SyCip
10. Mr. Harry C. Tan
11. Mr. Lucio C. Tan
12. Mr. Lucio K. Tan, Jr.
13. Mr. Michael G. Tan
14. Mr. Deogracias N. Vistan
15. Mr. Leonilo G. Coronel

The Corporate Secretary stated that Ms. Florencia G. Tarriela, Mr. Felix Enrico R. Alfiler and Mr. Deogracias N. Vistan were nominated for re-election as Independent Directors. Mr. Florido P. Casuela and Mr. Christopher J. Nelson were also nominated as Independent Directors, subject to regulatory approval.

Mr. Mcdonald G. Abalos, a stockholder, moved that since there were only fifteen (15) available seats in the Board of Directors, the Corporate Secretary be instructed to cast all votes equally among them and that the fifteen (15) nominees be proclaimed as duly elected directors of the bank, to serve as such until the election and qualifications of their successors. The motion having been made was properly seconded by Ms. Christine R. Santos.

There being no objection, the Chairman instructed the Corporate Secretary to cast due votes in favor of the nominated directors and declare them as duly elected directors of the bank, to serve immediately as such until the election and qualification of their successors.

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

IX. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman then proceeded to the next item in the Agenda which was the appointment of the bank's External Auditor. The bank's Board Audit and Compliance Committee had duly recommended and endorsed SGV's appointment as External Auditor for the approval of the Board and ratification by the stockholders. The Chairman said that the partner-in-charge of the bank's account is Ms. Vicky B. Lee-Salas who will replace former partner-in-charge, Ms. Janeth T. Nuñez, in compliance with the term limit of auditing partner-in-charge under BSP Circular No. 660 and Rule 68 of the Securities Regulation Code which requires the change of the external auditor or rotation of the lead and concurring partner every five years or earlier.

Mr. Joseph B. Pelaez, a stockholder, moved that the auditing firm of SGV & Co. be nominated as the External Auditor of the bank for the ensuing year.

Ms. Karen L. Dialino then moved that the nomination be closed, after which Ms. Maila Katrina Ilarde seconded the motion.

There being no objection to the motion, the Chair declared the approval of the appointment of SGV & Co. as the External Auditor of the bank for the ensuing year. The stockholders approved thus:

STOCKHOLDERS RESOLUTION NO. 05-13

RESOLVED, to approve the appointment of SyCip Gorres Velayo and Company as the External Auditor of the bank for the fiscal year 2013 to 2014.

X. ADJOURNMENT


After witnessing the various discussions and exchanges from the floor, Ms. Christine R. Santos moved that the Annual Meeting of the Stockholders be adjourned, which motion was duly seconded by Mr. Alejandro M. Tupas, III.

There being no objections, the Chair thanked everyone and adjourned the Annual Stockholders' Meeting for the year 2013 at 9:10 a.m.

CERTIFIED CORRECT:


DORIS S. TE
Corporate Secretary

ATTESTED BY:


FLORENCIA G. TARRIELA
Chairman of the Board


OMAR BYRON T. MIER
President & CEO