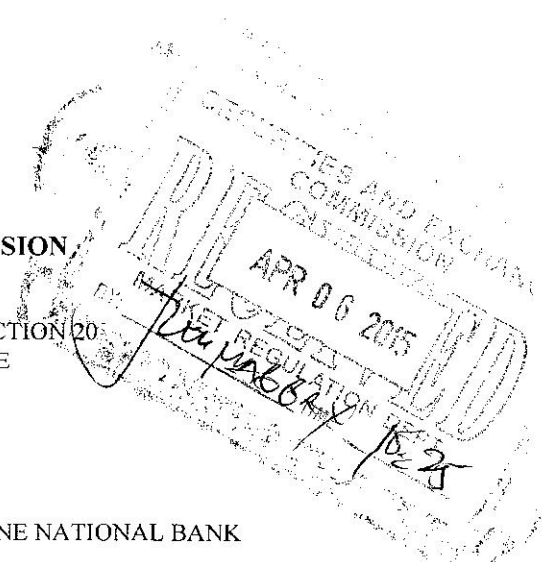




**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS**

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter : PHILIPPINE NATIONAL BANK
3. Province, country or other jurisdiction of incorporation or organization : Metro Manila, Philippines
4. SEC Identification Number : AS096-005555
5. BIR Tax Identification Number : 000-188-209-000
6. Address of principal office : PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City, Metro Manila, 1300
7. Registrant's telephone number, including area code : (632) 834-0780
(Office of the Corporate Secretary)
8. Date of meeting : May 26, 2015
 Time of meeting : 8:00 a.m.
 Place of meeting : Grand Ballroom, Upper Lobby
 Century Park Hotel
 599 Pablo Ocampo, Sr. St.
 Malate, City of Manila
9. Approximate date on which the Information Statement is first to be sent or given to security holders : May 5, 2015
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrant):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
COMMON SHARES	1,249,139,678 ^{1/}

11. Are any or all Registrant's securities listed in a Stock Exchange?
 Yes No
- If yes, disclose the name of such Stock Exchange and the class of securities listed therein : **PHILIPPINE STOCK EXCHANGE/
COMMON STOCK**

^{1/} This includes the 423,962,500 common shares issued to the stockholders of Allied Banking Corporation (ABC) relative to the merger of PNB and ABC as approved by the Securities and Exchange Commission (SEC) on January 17, 2013. The shares are the subject of the Registration Statement filed with the SEC and for listing with the Philippine Stock Exchange. This also includes the 162,931,262 common shares issued relative to the Bank's Stock Rights Offering in 2014.



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Meeting of Stockholders of the Philippine National Bank (the Bank) will be held on May 26, 2015 at 8:00 a.m. at the Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, City of Manila.

The Agenda for the Meeting is as follows:

1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2014 Annual Stockholders' Meeting held on May 27, 2014
4. Report of the President on the Results of Operations for the Year 2014
5. Approval of the 2014 Annual Report
6. Ratification of All Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2014 Annual Stockholders' Meeting
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Minutes of the 2014 Annual Stockholders' Meeting as well as the resolutions of the Board of Directors from the last stockholders' meeting held on May 27, 2014 up to the present are available for examination during office hours at the Office of the Corporate Secretary located at the 9th Floor, PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila.

Only stockholders of record as of April 27, 2015 will be entitled to notice of and to vote at the meeting. Registration will begin at 6:00 a.m. on May 26, 2015.

If you cannot personally attend the meeting, you may designate your authorized representative by submitting a PROXY of your choice not later than 5:00 p.m. on May 21, 2015 to the Office of the Corporate Secretary at PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila. All proxies received will be validated by the Bank's Corporate Secretary on May 22, 2015 at 2:30 p.m. at the office of the stock transfer agent, PNB Trust Banking Group, 3rd Floor, PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila.

Pasay City, April 1, 2015.


DORIS S. TE
Corporate Secretary



SEC FORM 20-IS

**DEFINITIVE INFORMATION STATEMENT
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE**

A. GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

- (a) The Annual Stockholders' Meeting of the Philippine National Bank (hereafter PNB or the "Bank") will be held on May 26, 2015 at 8:00 a.m. at the Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, Manila, Philippines. The Bank's complete address is PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.
- (b) The Definitive Information Statement, together with the Notice of Meeting, will be sent to qualified stockholders not later than May 5, 2015.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT BEING REQUESTED TO SEND US A PROXY AT THIS TIME.

Item 2. DISSENTER'S RIGHT OF APPRAISAL

- (a) Title X – Section 81 of the Corporation Code of the Philippines allows a stockholder to exercise his right to dissent and demand payment of the fair value of his shares in certain instances, to wit: (1) in case an amendment to the Articles of Incorporation will change or restrict the rights of such stockholder or otherwise extend or shorten the term of the company; (2) in case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the company's properties; or (3) in cases of merger or consolidation.

Under Section 42 of the Corporation Code, a stockholder is likewise given an appraisal right in cases where a corporation decides to invest its funds in another corporation or business. The stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.

- (b) None of the proposed corporate actions to be submitted to the stockholders for approval constitutes a ground for the exercise of the stockholder's appraisal right.

Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

- (a) No person who has been a director of the Bank from the beginning of fiscal year 2014, or any associate of the foregoing, has any interest in any matter to be acted upon in the meeting other than election to office.
- (b) The Bank has not received any information from a director that he/she intends to oppose any matter to be acted upon in the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) The total number of common shares outstanding as of February 28, 2015 is 1,249,139,678^{1/} with a par value of ₱40.00 per share. Total foreign equity ownership is 105,909,676 common shares or 08.48%.

Pursuant to Article IV, Section 4.9 of the Bank’s By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock in his name in the books of the Bank as of April 27, 2015 (the “Record Date”).

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected, or he may distribute them on the same principle among as many candidates as he shall see fit, provided the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

- (b) Stockholders of record of the Bank as of the Record Date shall be entitled to notice of, and to vote at, the Annual Stockholders’ Meeting.
- (c) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of any class of voting securities as of February 28, 2015)

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
All Seasons Realty Corp. - Makati City - 8,191,895 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino	747,326,928	59.8273308551
Allmark Holdings Corporation - Quezon City – 16,967,394 shares Shareholder		Filipino		
Caravan Holdings Corporation - Marikina City - 67,148,224 shares Shareholder		Filipino		

^{1/} This includes the 423,962,500 common shares issued to the stockholders of Allied Banking Corporation (ABC) relative to the merger of PNB and ABC as approved by the SEC on January 17, 2013. The Shares are the subject of the Registration Statement filed with the SEC and for listing with the Philippine Stock Exchange.

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Donfar Management Limited - Makati City - 25,173,588 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Dunmore Development Corporation (X-496) - Pasig City - 12,395,850 shares Shareholder		Filipino		
Dynaworld Holdings, Incorporated - Pasig City - 9,323,108 shares Shareholder		Filipino		
Fast Return Enterprises, Limited - Makati City - 14,865,453 shares Shareholder		Filipino		
Fil-Care Holdings, Incorporated - Quezon City - 20,836,937 shares Shareholder		Filipino		
Fragile Touch Investment Limited - Makati City - 18,581,537 shares Shareholder		Filipino		
Ivory Holdings, Inc. - Makati City - 16,997,821 shares Shareholder		Filipino		
Kenrock Holdings Corporation - Quezon City - 21,301,405 shares Shareholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Kentwood Development Corp. - Quezon City - 14,112,105 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Key Landmark Investments, Limited - British Virgin Islands - 109,115,864 shares Shareholder		Filipino		
La Vida Development Corporation - Quezon City - 16,052,705 shares Shareholder		Filipino		
Leadway Holdings, Incorporated - Quezon City - 53,470,262 shares Shareholder		Filipino		
Mavelstone International Limited - Makati City - 24,213,463 shares Shareholder		Filipino		
Merit Holdings and Equities Corp. - Quezon City - 14,233,686 shares Shareholder		Filipino		
Multiple Star Holdings Corp. - Quezon City - 25,214,730 shares Shareholder		Filipino		
Pioneer Holdings Equities, Inc. - Pasig City - 28,044,239 shares Shareholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Profound Holdings, Inc. - Marikina City - 14,935,099 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Purple Crystal Holdings, Inc. - Manila City - 19,980,373 shares Shareholder		Filipino		
Safeway Holdings & Equities, Inc. - Quezon City - 9,864,499 shares Shareholder		Filipino		
Society Holdings Corporation - Quezon City - 14,162,708 shares Shareholder		Filipino		
Solar Holdings Corp. - Pasig City - 67,148,224 shares Shareholder		Filipino		
Total Holdings Corp. - Quezon City - 13,095,263 shares Shareholder		Filipino		
True Success Profits, Limited - British Virgin Islands - 67,148,224 shares Shareholder		Filipino		
Uttermost Success, Limited - Makati City – 24,752,272 shares Shareholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Domingo T. Chua - Quezon City - 210,220 shares Shareholder	The records in the possession of the Bank show that the beneficial ownership of these companies/ individuals belongs to the shareholders of record of said companies or to the individual himself, as the case may be. ^{2/} The Bank has not been advised otherwise.	Filipino	224,181,238	17.9468510967
Dreyfuss Mutual Investments, Inc. - Pasay City - 7,833,794 shares Shareholder		Filipino		
Fairlink Holdings Corporation - Makati City - 20,637,854 shares Shareholder		Filipino		
Infinity Equities, Incorporated - Quezon City - 50,361,168 shares Shareholder		Filipino		
Integrion Investments, Inc. - Pasay City - 7,833,794 shares Shareholder		Filipino		
Iris Holdings and Development Corporation - Makati City - 7,671,517 shares Shareholder		Filipino		
Jewel Holdings, Inc. - Marikina City - 11,512,247 shares Shareholder		Filipino		

^{2/} The companies issue proxies/special powers of attorney (SPAs) to Mr. Lucio C. Tan as their authorized proxy/attorney-in-fact to vote their shares during stockholders' meetings. Said proxies/SPAs are issued by the foregoing shareholders on a year-to-year basis. Other than the proxies/SPAs mentioned above, the Bank is not aware of any other relationship between Mr. Tan and the above-stated companies. Mr. Lucio K. Tan, Jr. and Domingo T. Chua are the son and brother-in-law, respectively, of Mr. Lucio C. Tan

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Kentron Holdings and Equities Corporation - Pasig City - 19,944,760 shares Shareholder	The records in the possession of the Bank show that the beneficial ownership of these companies/ individuals belongs to the shareholders of record of said companies or to the individual himself, as the case may be. The Bank has not been advised otherwise.	Filipino		
Local Trade and Development Corp. - Makati City - 6,711,575 shares Shareholder		Filipino		
Lucio K. Tan, Jr. - Quezon City- 2,300 shares Shareholder/Director		Filipino		
Luys Securities Co., Inc. - Makati City - 17,898 shares Shareholder		Filipino		
Mandarin Securities Corporation - Makati City - 13,281 shares Shareholder		Filipino		
Opulent Land-Owners, Inc. - Quezon City - 5,921,109 shares Shareholder		Filipino		
Power Realty & Development Corp. - Quezon City - 1,852,727 shares Shareholder		Filipino		
Prima Equities and Investments Corp. - Quezon City - 58,754,696 shares Shareholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
Virgo Holdings and Development Corporation - Makati City - 8,520,677 shares Shareholder	The records in the possession of the Bank show that the beneficial ownership of these companies/ individuals belongs to the shareholders of record of said companies or to the individual himself, as the case may be. The Bank has not been advised otherwise.	Filipino		
Witter Webber & Schwab Investment, Inc. - Pasay City - 7,833,795 shares Shareholder		Filipino		
Zebra Holdings, Inc. - Marikina City - 8,547,826 shares Shareholder		Filipino		

(2) Security Ownership of Management (Individual Directors and Executive Officers as of February 28, 2015)

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Florencia G. Tarriela Chairperson Independent Director	2 shares ₱80.00 (R)	Filipino	0.0000001601
Felix Enrico R. Alfiler Vice Chairman Independent Director	115 shares ₱4,600.00 (R)	Filipino	0.0000092063
Florido P. Casuela Director	133 shares ₱5,320.00 (R)	Filipino	0.0000106473
Joseph T. Chua Director	11,315 shares ₱452,600.00 (R)	Filipino	0.0009058234
Leonilo G. Coronel Director	1 share ₱40.00 (R)	Filipino	0.0000000801

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Reynaldo A. Maclang Director	155 shares ₱6,200.00 (R)	Filipino	0.0000124085
Estelito P. Mendoza Director	1,150 shares ₱46,000.00 (R)	Filipino	0.0000920634
Federico C. Pascual Independent Director	39 shares ₱1,560.00 (R)	Filipino	0.0000031221
Cecilio K. Pedro Independent Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0004002755
Washington Z. SyCip Director	39,111 shares ₱1,564,440.00 (R)	Filipino-American	0.0031310350
Harry C. Tan Director	230 shares ₱9,200.00 (R)	Filipino	0.0000184127
Lucio C. Tan Director	14,843,119 shares ₱593,724,760.00 (R)	Filipino	1.1882673540
Lucio K. Tan, Jr. Director	2,300 shares ₱92,000.00 (R)	Filipino	0.0001841267
Michael G. Tan Director	250 shares ₱10,000.00 (R)	Filipino	0.0000200138
Deogracias N. Vistan Independent Director	100 shares ₱4,000.00 (R)	Filipino	0.0000080055
Subtotal	14,903,020 shares ₱596,120,800.00 (R)		1.1930627345
All Executive Officers & Directors as a Group	14,961,777 shares ₱598,471,080.00 (R)		1.1977665319

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more of the Bank's shares.

(4) Changes in Control

There has been no change in control of the Bank in the fiscal year 2014.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

On May 27, 2014, the Bank reported to the BSP the election of fifteen (15) members of the Board of Directors in the 2014 Annual Stockholders' Meeting. Ms. Florencia G. Tarriela, Mr. Felix Enrico R. Alfiler, Mr. Cecilio K. Pedro and Mr. Deogracias N. Vistan were re-elected as independent directors. Mr. Federico C. Pascual was also elected as an independent director.

As defined in Section 38 of the Securities Regulation Code (SRC), an independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in any covered company.

The re-election of the following directors of PNB for ensuing year 2014-2015 was exempted from confirmation by the Monetary Board (MB) of the Bangko Sentral ng Pilipinas as provided in Subsection X141.4 of the Manual of Regulations for Banks and pursuant to BSP Circular No. 758 dated May 11, 2012.

Florencia G. Tarriela	Harry C. Tan
Felix Enrico R. Alfiler	Lucio C. Tan
Florido P. Casuela	Lucio K. Tan, Jr.
Reynaldo A. Maclang	Michael G. Tan
Estelito P. Mendoza	Deogracias N. Vistan
Washington Z. Sycip	

The election of Messrs. Coronel, Pedro, Chua and Pascual were confirmed by the MB on the dates opposite their names:

<u>Name of Director</u>	<u>Position</u>	<u>Date of MB Approval</u>
Cecilio K. Pedro	Independent Director	September 18, 2014
Joseph T. Chua	Director	October 2, 2014
Federico C. Pascual	Independent Director	October 2, 2014
Leonilo G. Coronel	Director	January 8, 2015

During its meeting held on March 17, 2015, the Bank's Corporate Governance Committee (acting as the Bank's Nomination Committee) received and considered the shortlist of the candidates nominated to sit as members of the Board of Directors according to prescribed qualifications and disqualifications. A total of fifteen (15) nominees were considered. In compliance with Subsection X141.2 of the MORB of the BSP on the qualifications of a director and in accordance with the procedures for the nomination and election of independent directors set forth in Rule 38 of the SRC which was incorporated in the PNB By-Laws, the Bank's Corporate Governance Committee approved the nomination of the following individuals for election to the Board of Directors for the year 2015 – 2016:

1. Florencia G. Tarriela
2. Felix Enrico R. Alfiler
3. Florido P. Casuela
4. Leonilo G. Coronel
5. Reynaldo A. Maclang
6. Estelito P. Mendoza
7. Christopher J. Nelson
8. Federico C. Pascual
9. Cecilio K. Pedro
10. Washington Z. Sycip

11. Harry C. Tan
12. Lucio C. Tan
13. Lucio K. Tan, Jr.
14. Michael G. Tan
15. Deogracias N. Vistan

(Please refer to pages 13 to 18 of this Information Statement for the profiles of the nominees).

Mr. Felix Enrico R. Alfiler, Mr. Federico C. Pascual, Mr. Cecilio K. Pedro, Ms. Florencia G. Tarruela and Mr. Deogracias N. Vistan were nominated as independent directors. After due evaluation of the Corporate Governance Committee, it certified that said nominees are duly qualified in accordance with Subsection X141.2 of the MORB and Rule 38 of the SRC. All of the nominees for independent director were nominated by Mr. Reynaldo A. Maclang to comply with the requirement on independent directors. Said nominees are not related to Mr. Maclang.

All nominations are compliant with SEC Memorandum Circular No. 9, Series of 2011, on the term limits of independent directors. The Certificate of Qualification of the independent directors pursuant to the SEC Notice to All Independent Directors on the Certificate of Qualification dated October 20, 2006 will be submitted by the Bank within 30 days after the election of the independent directors.

Profile of Directors and Executive Officers together with their Business Experience covering at least the Past Five (5) Years

The following are the Directors and the nominees of the Bank:

FLORENCIA G. TARRIELA, 68, Filipino, has been serving as Chairman of the Board of the Bank since May 24, 2005, and as an Independent Director since May 30, 2006. She also serves as Chairman/Independent Director of PNB Capital and Investment Corporation and Independent Director of PNB Life Insurance, Inc., PNB International Investments Corporation, and LT Group, Inc. She obtained her Bachelor of Science in Business Administration degree, Major in Economics, from the University of the Philippines and her Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination. Ms. Tarruela is currently a columnist for “Business Options” of the Manila Bulletin and “FINEX Folio” of Business World. She is a Life Sustaining Member of the Bankers Institute of the Philippines and FINEX, where she is also a Director, and a Trustee of TSPI Development Corporation. Ms. Tarruela was formerly an Undersecretary of Finance, and an alternate Board Member of the Monetary Board of the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation. She was formerly Deputy Country Head, Managing Partner and the first Filipino female Vice President of Citibank N. A. Ms. Tarruela is a co-author of several inspirational books - “Coincidence or Miracle? Books I, II, III (“Blessings in Disguise”), and IV (“Against All Odds”), and gardening books - “Oops-Don’t Throw Those Weeds Away!” and “The Secret is in the Soil”. She is an environmentalist and practices natural ways of gardening.

FELIX ENRICO R. ALFILER, 65, Filipino, was elected as Vice Chairman/Independent Director of the Bank effective on January 1, 2012. He completed his undergraduate and graduate studies in Statistics at the University of the Philippines in 1973 and 1976, respectively. He undertook various continuing education programs, including financial analysis and policy, at the IMF Institute of Washington, D.C. in 1981 and on the restructured electricity industry of the UK in London in 1996. He has published articles relating to, among others, the globalization of the Philippine financial market, policy responses to surges in capital inflows and the Philippine debt crisis of 1985. He is currently the Chairman/Independent Director of PNB RCI Holdings Co., Ltd. and an Independent Director of PNB-IBJL Leasing and Finance Corporation (formerly Japan-PNB Leasing and Finance Corporation), PNB Savings Bank and PNB International Investments Corp. He previously held various distinguished positions, namely: Philippine Representative to the World Bank Group Executive Board in Washington, D.C., Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization, Director of the Bangko Sentral ng Pilipinas, Assistant to the Governor of the Central Bank of the Philippines, Advisor to the Executive Director at the International Monetary Fund, Associate Director at the Central Bank and Head of the Technical Group of the CB Open Market Committee. Mr. Alfiler was also the Monetary Policy Expert in the

Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts. In the private sector, Mr. Alfiler was an Advisor at Lazaro Tiu and Associates, Inc., President of Pilgrims (Asia Pacific) Advisors, Ltd., President of the Cement Manufacturers Association of the Philippines (CeMAP), Board Member of the Federation of Philippine Industries (FPI), and Vice President of the Philippine Product Safety and Quality Foundation, Inc. and Convenor for Fair Trade Alliance.

FLORIDO P. CASUELA, 73, Filipino, has been serving as a Director of the Bank since May 30, 2006. A Certified Public Accountant, he obtained his degree in Bachelor of Science in Business Administration, Major in Accounting, and his Masters in Business Administration from the University of the Philippines. He took the Advanced Management Program for Overseas Bankers conducted by the Philadelphia National Bank in conjunction with the Wharton School of the University of Pennsylvania. Mr. Casuela was one of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration. He is currently the Chairman of PNB Securities, Inc. He is also a Director of PNB Savings Bank, PNB International Investments Corporation, PNB RCI Holdings Co., Ltd. and Surigao Micro Credit Corporation. He is a Senior Consultant of the Bank of Makati, Inc. and a Director of Sagittarius Mines, Inc. as well as its subsidiaries, namely: Hillcrest, Inc., where he is also the President, and Pacificrim Land Realty Corporation, where he is the Chairman. He is a Trustee of the LBP Countryside Development Foundation, Inc. He was formerly the President of Maybank Philippines, Inc., Land Bank of the Philippines, and Surigao Micro Credit Corporation. He was also a Senior Executive Vice President of United Overseas Bank (Westmont Bank), Executive Vice President of PDCP (First Bank), Senior Vice President of Philippine National Bank, First Vice President of Bank of Commerce and Vice President of Metropolitan Bank & Trust Co. Mr. Casuela worked as a Special Assistant to the Chairman of the National Power Corporation and an Audit Staff of Joaquin Cunanán, CPAs. He also held various positions and was a Senior Adviser in the Bangko Sentral ng Pilipinas.

JOSEPH T. CHUA, 58, was elected as Director of the Bank on May 27, 2014. He obtained his degrees in Bachelor of Arts in Economics and Bachelor of Science in Business Management from De La Salle University and his Masters in International Finance from the University of Southern California. He is presently the Chairman of the Board of Watery Business Solutions, Inc., Cavite Business Resources, Inc. and J.F. Rubber Philippines. He is the President of Goodwind Development Corporation, MacroAsia Mining Corporation and MacroAsia Corporation, where he is also the CEO. He is a Director of PNB General Insurers Co., Inc., Bulawan Mining Corporation, PNB Management & Development Corp., Philippine Airlines and Eton Properties Philippines, Inc., where he also serves as the Officer-in-Charge. Previous to these, he was the Chairman of MacroAsia Mining Corporation, a Director/Chief Operating Officer of MacroAsia Corporation, and a Managing Director of Goodwind Development Corporation. He is a member of the Management Association of the Philippines, Philippine Chamber of Commerce and Industry, Chamber of Mines of the Philippines, German Philippine Chamber of Commerce and Rubber Association of the Philippines.

LEONILO G. CORONEL, 68, Filipino, was elected as a Director of the Bank on May 28, 2013. He obtained his Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University and finished the Advance Management Program of the University of Hawaii. He became a Fellow of the Australian Institute of Company Directors in 2002. Presently, he is the Chairman of PNB-IBJL Leasing and Finance Corporation and PNB-IBJL Equipment Rentals Corporation (formerly Japan-PNB Equipment Rentals Corporation). He is an Independent Director of DBP-Daiwa Capital Markets Phil., Megawide Construction Corporation and Electronic Network of Cash Tellers. He is also a Director of Software Ventures International. Prior to his present positions, Mr. Coronel was Executive Director of the Bankers Association of the Philippines and RBB Micro Finance Foundation. He also previously served as a Director/Treasurer of Philippine Depository and Trust Corporation, a Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Capital Markets Development Council, a Managing Director of BAP-Credit Bureau and the President of Cebu Bankers Association. He was a Consultant of Land Bank of the Philippines, Arthur Young, U.S. Aid, Bankers Association of the Philippines and Economic Development Corporation. He also worked with Citibank, Manila for twenty (20) years, occupying various positions.

REYNALDO A. MACLANG, 76, Filipino, was appointed as the Bank's President on May 27, 2014 after serving as a Director of the Bank since February 9, 2013. He holds a Bachelor of Laws degree from the Ateneo de Manila University. He is currently the Chairman of PNB (Europe) Plc and a member of the Board of Directors of Allied Leasing & Finance Corporation, PNB Savings Bank, PNB Global Remittance and Financial Co., HK, Ltd., Bulawan Mining Corporation, PNB Management & Development Corporation and PNB Forex, Inc. He was previously a Director of Allied Banking Corporation (ABC), PNB Life Insurance, Inc., PNB Italy SpA and Eton Properties Philippines, Inc. He has been with ABC since 1977 and was formerly the President of Allied Savings Bank from 1986 to 2001. He then became the President of ABC from 2001 up to 2009. Previous to that, he was connected with other commercial banks and practiced law.

ESTELITO P. MENDOZA, 85, Filipino, was elected as a Director of the Bank on January 1, 2009. He obtained his Bachelor of Laws degree (cum laude) from the University of the Philippines and Master of Laws degree from the Harvard Law School. A practicing lawyer for more than sixty years, he has been consistently listed for several years as a "Leading Individual in Dispute Resolution" among lawyers in the Philippines in international/regional directories of lawyers. He has also been a Professional Lecturer of law at the University of the Philippines, and served as Undersecretary of Justice, Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He currently serves as a member of the Board of Directors of Philippine Airlines, Inc., San Miguel Corporation, and Petron Corporation. He has been awarded a Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University, University of Manila, Angeles University Foundation and the University of the East, and a Doctor of Humane Letters degree by the Misamis University. He is a recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and the University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award".

FEDERICO C. PASCUAL, 72, Filipino, was elected as Independent Director of the Bank on May 27, 2014. He obtained his Bachelor of Laws degree from the University of the Philippines. He took his Masters of Laws, Corporate and Labor Laws in Columbia University. Presently, he is the Chairman/Independent Director of PNB General Insurers Co., Inc. and Independent Director of PNB International Investments Corporation and PNB Holdings Corporation. He is the President/Director of Tala Properties, Woldingham Realty, Inc. and Nineveh Development Corporation. He is also a Director of Global Energy Growth System and Apo Reef World Resort, the proprietor of Green Grower Farm, and a Partner of the University of Nueva Caceres in Bataan. Mr. Pascual was previously the President and General Manager of Government Service Insurance System and the President and CEO of ABC. He worked with Philippine National Bank for twelve (12) years in various capacities, including as Acting President, CEO and Vice Chairman. Mr. Pascual previously served as the President and Director of Philippine Chamber of Commerce and Industry, Chairman of National Reinsurance Corporation and PNOC-AFC, co-Chairman of the Industry Development Council of the Department of Trade and Industry, and Treasurer of BAP-Credit Guarantee. He was also a Director of San Miguel Corporation, Philippine Stock Exchange, Manila Hotel Corporation, Cultural Center of the Philippines, CITEM, Bankers Association of the Philippines, Philippine National Construction Corporation, Allied Cap Resources HK, Oceanic Bank SF, USA, AIDSISA Sugar Mill, PDCP Bank, Equitable PCIB, Bankard, Philippine International Trading Corporation, Philippine National Oil Corporation and Certified Data Centre Professional. He is active in various professional and social organizations.

CECILIO K. PEDRO, 61, Filipino, was elected as Independent Director of the Bank on February 28, 2014. He obtained his Bachelor of Science degree in Business Management from the Ateneo de Manila University in 1975 and Honorary Doctorate of Philosophy in Technological Management from the Technological University of the Philippines in March 2006. He is the Chief Executive Officer (CEO)/President of Lamoiyan Corporation. He is also the Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc., and a Director of CATS Motors and Philippine Business for Social Progress. He is an Independent Director of PNB Savings Bank. He was formerly the CEO/President of Aluminum Container, Inc. and a Director of DBS Philippines, Inc. (formerly Bank of Southeast Asia, Inc.). Mr. Pedro has received various distinguished awards, namely, the Ten Outstanding Young Men in the field of Business Entrepreneurship, Aurelio Periquet Award on

Business Leadership, Ateneo Sports Hall of Fame, CEO Excel Award, Ozanam Award for Service, Entrepreneur of the Year for Social Responsibility, Ten Outstanding Manileños, and PLDT SME Nation and Go Negosyo's Grand MVP Bossing Award. He was also recognized by the House of Representative for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012. He is currently involved in various socio-civic organizations. He is the Chairman of the Deaf Evangelistic Alliance Foundation, Inc., Asian Theological Seminary, and Legazpi Hope Christian School and the Vice Chairman of the Ateneo Scholarship Foundation. He is also the Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. and an Elder of the United Evangelical Churches of the Philippines. He is a board member of the Philippine Secondary School Basketball Championship, Ten Outstanding Young Men Foundation, Manila Doctors Hospital, Asian Marketing Federation and Commanderie de Bordeaux (Philippine Chapter).

WASHINGTON Z. SYCIP, 93, Filipino-American, has been serving as a Director of the Bank since December 8, 1999. He is the founder of SGV Group. He is also one of the founders and Chairman Emeritus of the Asian Institute of Management; a member of the Board of Overseers of the Graduate School of Business at Columbia University; the Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France; and a Honorary Life Trustee of The Asia Society. He is a member of the Board of Directors of a number of other major corporations in the Philippines and other parts of the world. Mr. SyCip has served as President of the International Federation of Accountants, a member of the International Advisory Board of the Council on Foreign Relations, Vice Chairman of the Board of Trustees of The Conference Board, and Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange. He also served in the international boards of the American International Group, AT&T, Australia & New Zealand Bank, Caterpillar, Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others. He was a member of the Board of Trustees of the Ramon Magsaysay Award Foundation and Eisenhower Exchange Fellowship. Among his awards are the Order of Lakandula, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011; Lifetime Achievement Award given by Columbia Business School and Asia Society; Ramon Magsaysay Award for International Understanding; the Management Man of the Year given by the Management Association of the Philippines; the Officer's Cross of the Order of Merit given by the Federal Republic of Germany; Star of the Order of Merit Conferred by the Republic of Australia; and the Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden.

HARRY C. TAN, 69, Filipino, was appointed as a Director of the Bank on February 9, 2013 after serving as a Director of ABC since November 1999. He holds a Bachelor of Science degree in Chemical Engineering from Mapua Institute of Technology. Mr. Tan is currently the Chairman of Bulawan Mining Corporation and a Director of PNB Management Development Corporation, PNB Savings Bank, Allied Commercial Bank and PNB Global Remittance and Financial Company (HK) Limited. He is also the Chairman of the Air Philippines Corporation and the President of Century Park Hotel and Landcom Realty Corporation. He is the Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Tanduay Distillers, Inc., Belton Communities, Inc., and Eton City Inc. He is also the Vice Chairman and Treasurer of LT Group, Inc. He is the Managing Director/Vice Chairman of The Charter House Inc. and is a member of the Board of Directors of various private firms which include Asia Brewery, Inc., Dominion Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Tobacco Recyclers Corporation, Basic Holdings Corporation, Pan Asia Securities Inc., Absolut Distillers, Inc., Alliedbankers Insurance Corporation, Asian Alcohol Corporation, REM Development Corporation, Tanduay Brands International Inc., Foremost Farms, Inc., Grandspan Development Corporation, Manufacturing Services and Trade Corporation, PAL Holdings, Inc., and Philip Morris Fortune Tobacco Corporation, Inc. He is also the Chairman for the Tobacco Board of Fortune Tobacco International Corporation.

LUCIO C. TAN, 80, Filipino, has been serving as a Director of the Bank since December 8, 1999. He studied at Far Eastern University and later earned his Chemical Engineering degree from the University of Sto. Tomas (UST). In 2003, he earned the degree of Doctor of Philosophy, Major in Commerce, from UST. From humble origins, Dr. Tan became the Chairman of ABC. He is presently the Chairman and CEO of LT Group, Inc., Philippine Airlines, Inc., Lucky Travel Corporation, Eton Properties Philippines, Inc., Alliedbankers Insurance Corporation, Tanduay Distillers, Inc. and PAL Holdings, Inc. He is the Chairman of Asia Brewery, Inc., Basic Holdings Corporation, Himmel

Industries, Inc., Fortune Tobacco Corporation, Grandspan Development Corporation, PNB Life Insurance, Inc., Allied Leasing and Finance Corporation, Allied Commercial Bank, PNB Savings Bank and Allied Banking Corporation (HK) Ltd. Dr. Tan is also the Chairman/President of Tangent Holdings Corporation. Despite Dr. Tan's various business pursuits, he continues to share his time and resources with the community. In 1986, he founded the Tan Yan Kee Foundation, Inc., of which he is Chairman and President. He is likewise Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. He is the founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. Dr. Tan received various honorary degrees for his outstanding achievements and leadership in the Philippines and other parts of the world.

LUCIO K. TAN, JR., 48, Filipino, has been serving as a Director of the Bank since September 28, 2007. He obtained his Bachelor of Science degree in Civil Engineering (Minors in classical Chinese Mandarin and Mathematics) from the University of California Davis in 1991. He completed the academic requirements for his Executive Masters in Business Administration (EMBA) at the Hong Kong University of Science and Technology (Business School) and J.L. Kellogg School of Management of Northwestern University in 2006. He also attended courses in Basic and Intermediate Japanese Language. Mr. Tan is currently the President and COO of Tanduay Distillers, Inc. He is a member of the Board of Directors of Bulawan Mining Corporation, PNB Capital and Investment Corporation, PNB Forex, Inc., PNB Management and Development Corporation, Allied Commercial Bank, Phillip Morris Fortune Tobacco Corporation, Inc., Philippine Airlines, Inc., PAL Holdings, Inc., Air Philippines Corporation, MacroAsia Corporation, LT Group, Inc., Alliedbankers Insurance Corporation, Foremost Farms, Inc., Basic Holdings Corporation, PNB Savings Bank, Allied Leasing and Finance Corporation, Victorias Milling Company, PNB Global Remittance and Financial Company (HK) Ltd. and Eton Properties Phils., Inc., where he is also the Officer-in-Charge. He is an Executive Director of Dynamic Holdings Limited, and Executive Vice President (EVP) and Director of Fortune Tobacco Corporation.

MICHAEL G. TAN, 49, Filipino, was elected as a Director of the Bank on February 9, 2013. He is the President/Director of LT Group, Inc., the holding firm of the Lucio Tan Group of Companies. He also served as a Director of ABC from January 30, 2008 until the ABC's merger with PNB on February 9, 2013. He is the Chairman of PNB Holdings Corporation and PNB Management and Development Corporation. He is also a Director of PNB Forex, Inc., Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd., and Alliedbankers Insurance Corp. He is a Director and the Chief Operating Officer of Asia Brewery, Inc. and a member of the Board of Directors of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., PAL Holdings, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Victorias Milling Company. He holds a Bachelor of Applied Science degree in Civil Engineering from the University of British Columbia, Canada.

DEOGRACIAS N. VISTAN, 70, Filipino, was elected as an Independent Director of the Bank on August 1, 2011. He obtained his Bachelor of Arts and Bachelor of Science degrees in Business Administration from the De La Salle University and earned his Masters in Business Administration from Wharton Graduate School. Mr. Vistan's extensive banking experience includes being Chairman of United Coconut Planters Bank (2003-2004), Vice Chairman of Metropolitan Bank and Trust Company (2000-2001), and President of Equitable-PCI Bank (2001-2002), Solidbank Corporation (1992-2000) and Land Bank of the Philippines (1986-1992). He also served as President of FNCB Finance (1979-1980). Mr. Vistan held various management positions in Citibank Manila, Cebu and New York (1968-1986). He is a former Presidential Consultant on Housing (2002-2003) and President of the Bankers Association of the Philippines (1997-1999). He is an Independent Director of PNB Capital and Investment Corporation and PNB International Investments Corporation. He is also a member of the Board of Directors of Lorenzo Shipping Corporation and U-Bix Corporation. He is the Chairman of Creamline Daily Corporation and Pinoy Micro Enterprise Foundation. He is currently a member of the Board of Trustees of the Ramon Magsaysay Award Foundation and Landbank Countryside Development Foundation, Inc.

CHRISTOPHER J. NELSON, 55, British, was appointed as Board Advisor of the Bank on May 27, 2014 after serving as Director since March 21, 2013. He holds Bachelor of Arts and Masters of Arts

degrees in History from Emmanuel College, Cambridge University, U.K., and a Diploma in Marketing from the Institute of Marketing, Cranfield, U.K. He is currently a member of the Board of PNB Holdings Corporation and Chairman of Lux et Sal, the operating company of Domuschula International School, a duly certified International Baccalaureate (IB) World School. Prior to joining the Bank, he was President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years. He has an extensive 31 years of experience in the tobacco business, 25 years of which were with Philip Morris International, holding various management positions including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa. Mr. Nelson is actively involved in various business and non-profit organizations that work for the social and economic upliftment of communities. He is a member of the Board of Trustees of the American Chamber Foundation Philippines, Inc., British Chamber of Commerce of the Philippines, Philippine Band of Mercy and the Federation of Philippine Industries. He was also a former Trustee of Tan Yan Kee Foundation and Director of the American Chamber of Commerce of the Philippines, Inc. Mr. Nelson is a member of the Society of Fellows of the Institute of Corporate Directors.

DORIS S. TE, 34, Filipino, was appointed as Corporate Secretary of the Bank on January 20, 2012. She obtained her degree in Bachelor of Science in Business Management in 2001 and earned her Juris Doctor in 2005 from the Ateneo de Manila University. She began her law career as a Junior Associate in Zambrano & Gruba Law Offices and in Quiason Makalintal Barot Torres Ibarra & Sison Law Office. She joined the Bank in 2009. Prior to her appointment as Corporate Secretary, she was Assistant Corporate Secretary and later Acting Corporate Secretary of the Bank. Presently, she also serves as a Director and Corporate Secretary of Valuehub, Inc., a family-owned distribution company.

Board of Advisors:

MANUEL T. GONZALES, 77, Filipino was appointed as Board Advisor of the Bank on October 1, 2013. At present, Mr. Gonzales is a Director of Allied Leasing and Finance Corporation and Alliedbankers Insurance Corporation. Previous to this, he was a Director of ABC from March 26, 1986 until the PNB-ABC merger on February 9, 2013. He was with ABC since 1977 where he served as Senior Executive Vice President from 1997 to 2009 and as Executive Vice President from 1981 to 1997. Mr. Gonzales is a graduate of De La Salle University and holds a Bachelor of Science degree in Commerce. He continued his postgraduate studies on Masters of Arts in Economics at the Ateneo De Manila University.

WILLIAM T. LIM, 74, Filipino, was appointed as Board Advisor of the Bank on January 25, 2013. Previous to that, he served as a Consultant of ABC on credit matters since 1995. He obtained his Bachelor of Science degree in Chemistry from Adamson University. From 1985 to 1994, he was a Director of Corporate Apparel, Inc., Concept Clothing, and Freeman Management and Development Corporation, and President of Jas Lordan, Inc. He also worked with Equitable Banking Corporation for 28 years, rising from the ranks to become a Vice President of the Foreign Department.

CHRISTOPHER J. NELSON

(Please refer to page 17 of this Information Statement for the profile of Mr. Nelson.)

The following constitute the Bank’s Corporate Governance Committee for the year 2014-2015:

- | | | |
|--------------------------|---|----------|
| Felix Enrico R. Alfiler* | - | Chairman |
| Reynaldo A. Maclang | - | Member |
| Federico C. Pascual* | - | Member |
| Lucio K. Tan, Jr. | - | Member |
| Michael G. Tan | - | Member |
| Florencia G. Tarriela* | - | Member |
| Deogracias N. Vistan* | - | Member |

* *Independent Director*

The following constitute the Bank's Board Audit and Compliance Committee for the year 2014-2015:

Deogracias N. Vistan*	-	Chairman
Felix Enrico R. Alfiler*	-	Member
Florido P. Casuela	-	Member
Federico C. Pascual*	-	Member
Harry C. Tan	-	Member

* *Independent Director*

The following are the Executive Officers of the Bank:

REYNALDO A. MACLANG

(Please refer to page 15 of this Information Statement for the profile of Mr. Maclang.)

CENON C. AUDENCIAL, JR., 56, Filipino, Executive Vice President, is the Head of the Institutional Banking Group. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as a Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group, and was a Relationship Manager in Citytrust Banking Corporation. Before his 20-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University.

HORACIO E. CEBRERO III, 53, Filipino, Executive Vice President, is the Head of the Treasury Group. He obtained his Bachelor of Science degree in Commerce, Major in Marketing, from the De La Salle University. Prior to joining PNB, he was an Executive Vice President and the Treasurer of EastWest Banking Corporation. He also held the post of Senior Vice President and Deputy Treasurer of Rizal Commercial Banking Corporation, Vice President/Head of the Foreign Exchange Desk of Citibank Manila and Vice President/Chief Dealer of the Treasury Group of Asian Bank Corporation. He brings with him 32 years of experience in the banking industry starting from Loans and Credit, Branch Banking, Fixed Income Sales, Trust Banking, Foreign Exchange and Fixed Income Trading, Portfolio Management and other Treasury-related activities.

CHRISTOPHER C. DOBLES, 71, Filipino, Executive Vice President, is the Head of the Corporate Security Group and designated as the Bank's Chief Security Officer. He serves as the Chairman of the Administrative and Investigation Committee, the Committee on Decorum and Investigation and Member of the Labor Management Committee, PNB Regular Retirement Board and Promotions Committee A and B. He was also the former Head of ABC Credit Investigation and Appraisal Department and was appointed as the Internal Affairs Officer of the Anti Fraud Committee. He was a member of ABC's Senior Management Committee and the Promotions Committee. He holds a Bachelor of Arts degree from the University of Sto. Tomas and took up units in Masters in Business from the Ateneo Graduate School. He was a commissioned officer with the rank of Major in the Philippine Constabulary Reserve Force. Prior to becoming the Bank Chief Security Officer, he held key positions in ABC, where he started as an Assistant Manager of the Corporate Affairs and Security Department in 1977 and later became Head of Corporate Affairs. He was formerly a President of the Bank Security Management Association (BSMA) and has been consistently elected as a member of the association's Board of Directors up to the present.

JOVENCIO B. HERNANDEZ, 62, Filipino, Executive Vice President, is the Head of the Retail Banking Group. A Certified Public Accountant, he obtained his Bachelor of Science degree in Commerce, Major in Accounting, from the De La Salle College. Prior to joining PNB, he was a Senior Vice President and Head of the Consumer Banking Group of Security Bank. He was also a Senior Vice President for Retail Banking of Union Bank of the Philippines in 2004, Commercial Director of Colgate Palmolive in 1996, and Group Product Manager of CFC Corporation and Unilever in 1982 and 1980, respectively. He was formerly the President of Security Finance in 2004 and First Union Plans in 2003. He was also a Director of SB Forex and Security-Phil Am. He served as Treasurer, Director and Executive Committee Member of Bancnet from 2004 to 2006. He is presently a Director of Bancnet.

NELSON C. REYES, 51, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as the Chief Financial Officer. Prior to joining the Bank, he was the Chief Financial Officer of the Hongkong and Shanghai Banking Corporation (HSBC), Ltd., Philippine Branch, a position he held since 2004. He was also a Director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned 28 years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia, Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

YOLANDA M. ALBANO, 64, Filipino, First Senior Vice President, is the Head of the Bank's Commercial Banking Group. She was previously the First Senior Vice President and Head of ABC Institutional Banking Group, comprised of the Account Management Division and the Merchant Banking Division. She joined ABC in 1977, starting off as an Account Officer at the Business Development Division and moving on as the Head of the Credit and Research Department, concurrent Head of the Corporate Affairs Department, Head of the Account Management Division, and ultimately, Head of the Institutional Banking Group. At present, she is a member of the Financial Executives Institute of the Philippines (FINEX). She is a past President of the Bank Marketing Association of the Philippines (BMAP) and the Credit Management Association of the Philippines (CMAP). She is also a past President of the College of the Holy Spirit Alumnae Foundation. Ms. Albano completed her Bachelor of Arts degree in Economics in three (3) years with a Dean's Award for Academic Excellence from the University of the Philippines.

ALICE Z. CORDERO, 58, Filipino, First Senior Vice President, was appointed the Chief Compliance Officer of the Bank on June 16, 2010 with oversight on the Bank, including all subsidiaries, affiliates and foreign branches. She is concurrently the Corporate Governance Executive of the Bank. She obtained Bachelor of Science degree in Business Economics from the University of the Philippines. She has earned units in Masters in Business Administration at the Ateneo Graduate School of Business. Prior to joining the Bank, she was the Chief Compliance Officer of ABC (2007-2010). She worked with Citibank N.A - Manila Branch (1988-2007) for nineteen (19) years and held various senior positions in the Consumer Banking Group, including Compliance and Control Director (1999-2005) and concurrent Regional Compliance and Control Director for Philippines and Guam (2004). Her 35 years of banking experience include working for ABC (1979-1983; 2007-2010), First National Bank of Chicago - Manila Branch (1983-1986), Far East Bank and Trust Company (1986-1988) and Citibank N.A. - Manila Branch (1988-2007), where she held department head positions in Credit Policy, Credit & Research Management, Financial Control, Corporate Regulatory Reporting, Asset Strategy, Business Development, Risk Management and Compliance.

SOCORRO D. CORPUS, 63, Filipino, First Senior Vice President, is the Head of the Human Resource Group. She is a graduate of Assumption College with a Bachelor of Arts degree, Major in Psychology, and an Associate in Commercial Science degree. She has been an HR practitioner for over 35 years. She started her career with China Banking Corporation in 1973 as an HR specialist prior to joining the ABC in 1977 as an Assistant Manager. Her professional affiliations include the following: founding member and a board member of the Organization Development Professional Network (ODPN), past President and member of the Bankers' Council for People Management, member of the Personnel Management Association of the Philippines, and the regular bank representative to the Banking Industry Tripartite Council.

MIGUEL ANGEL G. GONZALEZ, 56, Filipino, First Senior Vice President, is the Chief Credit Officer and Head of the Credit Management Group. He entered the Bank in March 2010 as Senior Vice President for Commercial Banking Group. He obtained his Bachelor of Science degree in Industrial Engineering from the University of the Philippines and Masters in Business Management degree from Asian Institute of Management. He started his banking career with Citibank NA in 1984. He later headed the Branch Banking Group of Land Bank of the Philippines in 1989 then joined Union Bank of the Philippines in 1994 where he was Senior Vice President and head of Credit and Market Risk Group. In 2007, he became the Country Manager for Genpact Services LLC.

RAMON L. LIM, 63, Filipino, is the President and CEO of PNB Securities, Inc., a wholly-owned subsidiary of the Bank. A Certified Public Accountant, he obtained his Bachelor of Science degree in

Commerce, Major in Accounting (Magna Cum Laude), from the University of San Carlos in April 1971. He completed his Masters in Business Management at the Asian Institute of Management (AIM) in 1980 as a full scholar under the Post-Graduate Scholarship Program of Citibank Manila where he worked from 1975 to 1993. He began his overseas postings at Citibank's Head Office in New York in 1984; then, at its Taipei Branch as Vice President and Deputy Treasurer; and finally, at its Hong Kong Regional Office as Senior Trader and Currency Fund Manager. He then moved to become the Managing Director of Solid Pacific Finance Ltd., Hong Kong from 1993 to 1995, and Investment Manager of MHK Properties and Investment Ltd, HK from 1996 to 1997. He was the Treasurer, then Business Manager of the Trust Group of Union Bank of the Philippines from 1997 to 2002. He joined the Bank in November 2002 as Deputy Head of the Treasury Group. He was designated as Head of International and Branch Offices Sector from September 2004 to September 2006. He was re-assigned back to the Treasury Group as its Head in October 2006 until July 2010. He was designated as the Chief of Staff of the PNB President from May 2010 until July 2011, in concurrent capacity as President and CEO of PNB Securities, Inc. He has been a Fellow of the Institute of Corporate Directors since May 2011.

JOHN HOWARD D. MEDINA, 45, Filipino, First Senior Vice President, has been the Head of the Global Operations Group since 2009. The group manages the Bank's operations and back-office support units in the Philippines and overseas branches in the United States, Asia-Pacific and Europe. He is also the Integration Director who coordinates all efforts to complete the operational merger of PNB with ABC. Mr. Medina has a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and Masters in Business Administration from the Shidler College of Business at the University of Hawai'i at Manoa. He was an East-West Center Degree Fellow and the recipient of a full scholarship while at the University of Hawai'i. He also attended the Handelshøjskolen I Århus (the Aarhus School of Business), Pacific Asian Management Institute and the European Summer School for Advanced Management for additional graduate studies. Prior to joining PNB in 2004, he was a pioneer in the process and technology banking practice in the nineties when he helped transform the Asian operations of one of the largest multinational banks. He subsequently established a private consulting practice in the United States, helping set up operations and technology initiatives of large financial institutions. Mr. Medina also worked with Union Bank of the Philippines where he conceptualized and implemented electronic banking products and services.

EDGARDO T. NALLAS, 57, Filipino, is the President and CEO of PNB-IBJL Leasing and Finance Corporation and its subsidiary, PNB-IBJL Equipment Rentals Corporation. He has 35 years of experience in various areas of banking, particularly in human resources management, account management and branch banking. He was formerly the Head of PNB Human Resources Group with the rank of First Senior Vice President. He obtained his Bachelor of Arts degree in Economics (Accelerated) from the De La Salle University in 1977 and has earned units in Masters in Business Administration from said school. He started his career in Human Resource in 1977 with PhilBanking Corporation. Prior to PNB, he held various HR positions at SolidBank Corporation (1992-1995), BA Savings Bank (1997) and Philippine Bank of Communications (1998-2005).

BENJAMIN S. OLIVA, 62, Filipino, First Senior Vice President, is the Head of the Global Filipino Banking Group (GFBG) which manages PNB's overseas network of branches and remittance subsidiaries in Asia, Europe, the Middle East, and North America, and a Director of PNB (Europe) Plc. Mr. Oliva obtained his Bachelor of Science degree in Commerce, Major in Accounting (Cum Laude), from the De La Salle University. He started his career with FNCB Finance, Inc. where he held various junior managerial positions from 1973-1978. He moved to Jardine Manila Finance in 1978 as Vice President of the Metro Manila Auto Finance. In 1980, Mr. Oliva started his career as a banker at the State Investment Bank where he was Head of Corporate Sales Lending Division. In 1981, he moved to PCI Bank when he handled Corporate Banking. He joined Citibank, NA in 1988, where he exhibited his expertise in sales and headed different sales divisions (Loans, Cards and Citiphone Banking). He became a Director for various divisions such as Country Asset Sales, Credit Cards Business, Business Development and Personal Loans from November 1999 to January 2006. In January 2006, he was hired by Citibank Savings, Inc. as the Director for Personal Loans and moved back to Citibank, NA as Business Development Director in February 2007. He was rehired by Citibank Savings, Inc. as its President in December 2007. From June 2009 to July 2011, he held concurrent positions as Commercial Banking Director of Citibank NA and board member of Citibank

Savings, Inc. In September 2011, he has been a designate Consultant for Consumer Banking of United Coconut Planters Bank. Mr. Oliva joined PNB on September 10, 2012.

AIDA M. PADILLA, 65, Filipino, is First Senior Vice President and the Head of the Remedial Management Division. She is the chief strategist for problem and distressed accounts. A seasoned professional, she rose from the branch banking ranks at the Philippine Banking Corporation to become Vice President for Marketing of its Corporate Banking Group. She obtained her Bachelor of Science degree in Commerce, Major in Accounting, from St. Theresa's College.

CARMELA A. PAMA, 58, Filipino, First Senior Vice President, is the Bank's Chief Risk Officer. A Certified Public Accountant, she obtained her Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines and Masters in Business Administration degree from the Stern School of Business, New York University. She started her banking career with Citibank N.A. (Phils.) where she held various positions in the areas of Treasury Trading and Marketing, and Operations and Quality Development. She left Citibank with the rank of Vice President and moved to Banco Santander to open its operations in the Philippines. She moved back to Citibank, N.A. (Phils.) in 1996 to head various operation units. Prior to joining PNB on October 9, 2006, she was a Consulting Services Practice Manager at Oracle Corporation (Phils.) from 1999 to 2005. Her stint as CRO of the Bank since October 2006 has developed her proficiency in all facets of banking operations and has rounded off her skills in enterprise risk management. In 2010, she co-led the implementation of the Bank's ICAAP (Internal Capital Adequacy Assessment Process) and has successfully institutionalized the process. She has worked closely with the Bank's board level Risk Oversight Committee in the effective oversight of the various risks faced by the Bank. She has also been closely involved in the merger/integration activities for PNB and Allied Bank. Her 30 years of corporate experience has provided her with a well-rounded expertise in the operations, technology and risk management areas of the Bank.

EMMANUEL GERMAN V. PLAN II, 62, Filipino, First Senior Vice President, is the Head of the Special Assets Management Group. He holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of Santo Tomas and took up masteral studies at the Letran College. Prior to joining the Bank, he was Senior Vice President of the Special Assets Group of ABC. He concurrently held the position of Senior Vice President of State Investment Trust and State Properties Corporation. He also acted as Managing Director of Bear Stearns State Asia and Northeast Land Development Corporation. He has exposure in investment banking, account management, and credit and collection. He has been involved in acquired assets management and in real estate development since 1997. Mr. Plan is also into social, religious and charitable undertakings through his active involvement in different educational and religious foundations like Sambayan Educational Foundation, Inc., LSQC Scholarship Foundation, UST-EHSGAA and Magis Deo, to name a few.

EMELINE C. CENTENO, 56, Filipino, Senior Vice President, is the Head of the Corporate Planning and Research Division. She obtained her Bachelor of Science degree in Statistics (Dean's Lister) and completed the coursework in Masters of Arts in Economics (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division and the Corporate Planning Division before assuming her present position as Head of the merged Corporate Planning and Research Division. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

DIOSCORO TEODORICO L. LIM, 60, Filipino, Senior Vice President, is the Chief Audit Executive (CAE) of the Bank. A Certified Public Accountant, he holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of San Carlos-Cebu. He started his career in 1976 with SGV as a Staff Auditor and, after a year, was Field in Charge until 1978. He joined ABC in 1979 as a Junior Auditor. He rose from the ranks to become an Audit Officer in 1986, and was designated as Head of the Internal Audit Division in 2000, until his appointment as CAE of PNB on February 9, 2013. He also served as Compliance Officer of Allied Savings Bank (seconded officer) from August 2001 to August 2006. He served as a member of the Board of Directors of Rosehills Memorial Management (Philippines), Inc. in 2011 and 2013. He is a member of the Institute of Internal Auditors Philippines, Association of Certified Fraud Examiners-Philippines and Philippine Institute of Certified Public Accountants.

MARIA PAZ D. LIM, 54, Filipino, Senior Vice President, is the Corporate Treasurer. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

NORMAN MARTIN C. REYES, 49, Filipino, Senior Vice President, is the Bank's Chief Marketing Officer and Head of the Marketing Group. He obtained his Bachelor of Arts degree, Major in Economics at the University of the Philippines and Masters in Business Management at the Asian Institute of Management. He has over 20 years of management experience in the field of product development, sales and marketing and process management, and has directly managed an extensive list of corporate and consumer services. He started his banking career in 1993, holding various positions at Citibank, Union Bank and Royal Bank of Scotland. Prior to joining PNB, he was Senior Vice President at United Coconut Planters Bank.

MANUEL C. BAHENA, JR., 53, Filipino, First Vice President, is the Chief Legal Counsel of the Bank. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are the Corporate Partnership for Management in Business, Inc.; Orioxy Investment Corporation; Philippine Islands Corporation for Tourism and Development; Cencorp (Trade, Travel and Tours), Inc.; and Central Bancorporation General Merchants, Inc. He obtained his Bachelor of Science degree in Business Administration from Lyceum of the Philippines in 1981 and his Bachelor of Laws degree from Arellano University in 1987.

ROBERTO S. VERGARA, 63, Filipino, First Vice President, is the Chief Trust Officer and Head of the Trust Banking Group. He obtained his Bachelor of Arts degree, Major in Economics from Ateneo de Manila University. He began his career in 1973 and held various positions in trust, treasury, investment banking and global banking/overseas remittances. Prior to joining PNB, he was the Trust Officer of Hongkong and Shanghai Banking Corporation and then became the Trust Officer, Treasury Group Head and Global Banking/Overseas Remittance Group Head of the Land Bank of the Philippines. He is also a holder of Government Civil Service Career Executive Service Officer and Career Service Executive eligibility.

MODETTE INES V. CARIÑO, 44, Filipino, First Vice President, is the Acting Head of the Consumer Finance Group. She obtained her Bachelor of Science degree in Commerce, Major in Accounting, from the De La Salle University. She started her career as a Marketing Assistant for Consumer Loans in 1994 and has joined several financial institutions such as Bank of Southeast Asia, International Exchange Bank and Union Bank. She was connected with Security Bank as Auto Loans Head to establish the consumer loans business of the bank prior to joining PNB. She was hired by the Bank as Product Manager for Motor Vehicle Loans and was eventually appointed as Head of the 14 Regional Consumer Finance Centers prior to her present position.

CONSTANTINO T. YAP, 51, Filipino, Vice President, is the Head of the Information Technology Group. He was hired by ABC on October 1, 2007 as Assistant Vice President for the Special Projects Section of the IT Division. Prior to joining ABC, he was the Dean of the College of Engineering and College of Computer Studies and Systems at the University of the East (Manila campus) from May 2005 to May 2007, and was the Assistant Dean of the College of Computer Studies at Lyceum of the Philippines from May 2004 to May 2005. He worked as an IT Consultant for various call centers and business-to-business firms from August 2002 to May 2004. He was the Technical Consultant for the horse racing totalizator project of Manila Jockey Club and a Vice President for Betting Operations of the Philippine Racing Club from 1996 to 2000. From 1994 to 1996, he helped manage his family's construction business. While living in the US from 1988 to 1994, he was a computer telephony programmer and systems analyst that provided promotions and marketing services running on interactive voice response systems (IVRS) for Phoneworks, Inc., American Network Exchange Inc., and Interactive Telephone Inc. He obtained his Bachelor of Engineering degree in Electrical from Pratt Institute in Brooklyn, New York, USA, in 1984 and earned his Master of Science in Electrical Engineering at Purdue University in West Lafayette, Indiana, USA, in 1986.

(b) Identify Significant Employees

While all employees of the Bank are valued for their contribution to the business, no person who is not an executive officer is expected to make a significant contribution to the business.

(c) Family Relationships

Directors Harry C. Tan and Lucio C. Tan are brothers. Directors Lucio K. Tan, Jr. and Michael G. Tan are sons of Director Lucio C. Tan.

(d) Involvement in Certain Legal Proceedings

None of the Directors nor any of the executive officers have, for a period covering the past five (5) years, reported:

- i. any petition for bankruptcy filed by or against a business with which they are related as a general partner or executive officer;
- ii. any criminal conviction by final judgment or being subject to a pending criminal proceeding, domestic or foreign, other than cases which arose out of the ordinary course of business in which they may have been impleaded in their official capacity;
- iii. being subject to any order, judgment, or decree of a competent court, domestic or foreign, permanently or temporarily enjoining, barring, suspending or limiting their involvement in any type of business, securities, commodities or banking activities; or
- iv. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(e) Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as those of other individuals and businesses of comparable risk. Of the amount of direct credit accommodation to each of the Bank's DOSRI, 70% must be secured and should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In aggregate, DOSRI loans generally should not exceed the Bank's net worth or 15% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2012, December 31, 2013 and December 31, 2014, PNB is in compliance with the aforementioned BSP regulations.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which include three (3) independent directors and 2 non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the committee is an independent director and appointed by the Board.

Information related to transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) is shown under Note 32 of the Audited Financial Statements of the Bank and Subsidiaries and Exhibit IV of the Supplementary Schedules Required by SRC Rule 68 Annex E.

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Executive Compensation

1) General

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Directors, on the other hand, are entitled to a reasonable per diem for each Board or board committee meeting attended. The total per diem given to the Board of Directors of the Bank for the years 2013 and 2014 amounted to ₱17.815 million and ₱44.325 million, respectively. The variance was due to an increase in the number of directors brought about by the merger and an increase in the number of board committees from eight (8) to ten (10) pursuant to regulatory requirements, as well as an adjustment of the per diems of the directors.

Other than the abovestated, there are no other arrangements concerning compensation for services rendered by Directors or executive officers to the Bank and its subsidiaries.

2) Summary Compensation Table

Name and Principal Position	Annual Compensation (In Pesos)				
	Year	Salary	Bonus	Others	Total
Omar Byron T. Mier ^{1/} President & Chief Executive Officer (CEO) Reynaldo A. Maclang ^{2/} President & Chief Executive Officer Four most highly compensated executive officers other than the CEO 1. Cenon C. Audencial, Jr. Executive Vice President 2. Horacio E. Cebrero III Executive Vice President 3. Christopher C. Dobles Executive Vice President 4. Jovencio B. Hernandez Executive Vice President					
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2013	30,364,256	7,705,872	-	38,070,128
	Actual 2014	50,690,483	12,041,581	-	62,732,064
	Projected 2015	60,800,000	14,500,000	-	75,300,000
All other officers and directors (as a group unnamed)	Actual 2013	1,573,877,191	516,977,906	-	2,090,855,097
	Actual 2014	2,606,668,197	843,788,872	-	3,450,457,069
	Projected 2015	3,128,000,000	1,012,500,000	-	4,140,500,000

^{1/} Retired on May 26, 2014

^{2/} Appointed as President on May 27, 2014

3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

All executive officers are covered by the Bank's standard employment contract which guarantees annual compensation on a 16-month schedule of payment. In accordance with the Bank's Amended By-Laws, Article VI, Sec. 6.1, all officers with the rank of Vice President and up hold office and serve at the pleasure of the Board of Directors.

4) Warrants and Options Outstanding

No warrants or options on the Bank's shares of stock have been issued or given to the Directors or executive officers as a form of compensation for services rendered.

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

SyCip Gorres Velayo & Co., (SGV) is the current external auditor of the Bank and its domestic subsidiaries for the calendar year 2014. Representatives of SGV are expected to be present at the stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions. Ms. Vicky Lee Salas is the engagement partner of the Bank for the year 2014.

The Bank intends to retain SGV as its external auditor for the year 2015. This requires the endorsement of the Board Audit and Compliance Committee with the approval of the Board of Directors and ratification by the stockholders during the Annual Stockholders' Meeting of the Bank.

OTHER MATTERS

Item 8. ACTION WITH RESPECT TO REPORTS

The following matters will be submitted to a vote at the Annual Stockholders' Meeting, viz:

1. Approval of the Minutes of the 2014 Annual Stockholders' Meeting held on May 27, 2014

Among others, the salient matters approved at the meeting of the stockholders in 2014 are as follows:

- a. Amendment of Article II of the Articles of Incorporation, in compliance with SEC Memorandum Circular No. 6, Series of 2014, to state the specific address of the principal office of the Bank
 - b. Amendments of the By-Laws, as follows:
 - 1) Section 1.1, Article I, in compliance with SEC Memorandum Circular No. 6, Series of 2014, to state the specific address of the principal office of the Bank; and
 - 2) Section 4.2, Article IV, to clarify that the annual meeting of the stockholders shall be held at the principal office of the Bank, if practicable, or anywhere in Metro Manila on the last Tuesday of May of each year
 - c. Election of Directors
 - d. Appointment of External Auditor
2. Approval of the 2014 Annual Report

A copy of the 2014 Annual Report will be made available at the venue of the Annual Stockholders' Meeting.

3. Ratification of all legal acts and proceedings of the Board of Directors and corporate officers since the 2014 Annual Stockholders' Meeting

A list of all legal acts, resolutions and proceedings taken by the Directors and corporate officers will be too voluminous to be included in this report. Most relate to regular banking transactions and credit matters which the Board of Directors, either by law or by regulations issued by the BSP, is required to act upon. These actions are subjected to the annual review of the BSP and the Bank's external auditor.

Copies of the Minutes of the Meetings of the Board of Directors may be examined by the stockholders of record as of April 27, 2015 at the Office of the Corporate Secretary during business hours.

Item 9. OTHER ACTIONS

(a) Election of Directors

Fifteen (15) directors will be elected for the year 2015.

(b) Appointment of External Auditor

The Bank intends to retain SGV as its external auditor for the year 2015. This requires the endorsement of the Board Audit and Compliance Committee with the approval of the Board of Directors and ratification by the stockholders during the Annual Stockholders' Meeting of the Bank.

SGV has the advantage of having historical knowledge of the business of the Bank and its subsidiaries and affiliates, having been the appointed external auditor of the Bank in 2014 and prior years.

Ms. Vicky B. Lee-Salas, SGV's Leader for Market Group 5 and one of the experienced audit partners in the banking industry, will be retained as audit partner-in-charge. In accordance with the amended SRC Rule 68(3)(b)(ix), there is no need at this time to change the audit partner for the Bank.

Item 10. VOTING PROCEDURES

The affirmative vote of the stockholders present in person or by proxy representing at least a majority of the stockholders present at the meeting shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting, except for Item 7 of the Agenda, on the election of directors.

For the election of directors, the fifteen (15) nominees garnering the highest number of votes from the stockholders present or represented by proxy shall be elected directors for the ensuing year.

The manner of voting and counting of votes will be as follows:

- a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his name on record as of the close of business hours on April 27, 2015. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before May 21, 2015 for inspection and recording, shall be honored for purposes of voting.
- b) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute those votes under the same principle among as many nominees as he shall see fit. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.
- c) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and may be done by show of hands.
- d) The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

Item 11. CORPORATE GOVERNANCE

The Bank adheres to the highest principles of good corporate governance as embodied in its By-Laws and Articles of Incorporation, Code of Conduct and Corporate Governance Manual. It subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business dealing fairly with its clients, investors, stockholders, the communities affected by the Bank's various activities. The Bank

espouses professionalism among the members of its Board of Directors, executives and employees in managing the Bank, its subsidiaries and affiliates; and respect for laws and regulations. The Bank practices a philosophy of rational checks and balances and adopts a structured approach to its operating processes.

The Bank's operations are managed through an established organizational structure with adequate policies and procedures embodied in its manuals approved by management, board committees and the Board itself. These manuals are subjected to periodic review and updated accordingly to be consistent with the new laws and regulations and generally conform with international standards and best practices. The Bank has adopted the Revised Corporate Governance Manual aligned with recently issued regulatory guidelines and new reportorial disclosures for entities within the group structure and significant transactions among related parties with particular focus on the Related Party Transaction (RPT) Policy.

The Bank was a recipient of the Silver Award for good corporate governance from the Institute of Corporate Directors (ICD) for two consecutive years (2011-2012), in recognition of the institution's existing organization composed of dedicated corporate directors and senior management committed to the professional practice of corporate directorship in line with global principles of modern corporate governance.

Board of Directors

PNB is led by its Board of Directors composed of fifteen members, including five (5) independent directors which include the Chairman. They are elected annually by the stockholders and primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance and corporate values.

The Board represents a combination of highly qualified business professionals, former bank presidents, and former senior officials affiliated with regulatory bodies and international organizations such as the IMF and the World Bank; individuals with distinct finance, audit and legal competencies. They collectively hold a broad range of expertise and related banking experience that provide value to the strengthening and upholding of good corporate governance practices in the Bank.

The Board of Directors, the key officers of the Bank and its subsidiaries undergo continuing training in corporate governance. The most recent seminar was conducted by the ICD in November 2014. There are two Directors inducted "fellow" by the Philippine Institute of Corporate Directors and one Director certified as a "fellow" by the Institute of Corporate Directors of Australia, in recognition of their distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility.

Independent Directors

In carrying out their responsibilities, the directors must act prudently and exercise independent judgment while encouraging transparency and accountability. The Bank has five (5) independent directors representing 33% of the members of the Board, beyond the 20% requirement of the SEC. The appointment of the 5 independent directors composed of the Board Chairman Florencia G. Tarriela, and Messrs. Felix Enrico R. Alfiler, Deogracias N. Vistan, Cecilio K. Pedro and Federico C. Pascual were approved and confirmed by the appropriate regulatory bodies.

The independent directors act as Chairs of the Board, Board Credit & Policy Committee, Corporate Governance/Nomination/Remuneration Committee, Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries, Board Audit and Compliance Committee, and Board Oversight Related Party Transaction (RPT) Committee. The independent directors are also members of four other board committees, namely, the Board ICAAP Steering Committee, Trust Committee, Board IT Governance Committee and Risk Oversight Committee (ROC). The ROC Chairman is a non-executive director and a former president of a government bank with universal banking license.

Chairman of the Board

The Chairman of the Board is Florencia G. Tarriela who has been serving in this role since 2005. Ms. Florencia G. Tarriela has an extensive background and experience in the banking industry and an active member of numerous banking and non-profit institutions. Currently, she is a Life Sustaining Member of

BAIPHIL, and a Trustee of Finex and TSPI Development Corporation. Her prior positions include Undersecretary of Finance; alternate board member of the Monetary Board of Bangko Sentral ng Pilipinas, Land Bank of the Philippines and Philippine Deposit Insurance Corporation; and Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N.A., Philippines. As an Independent Director, Ms. Tarruela sits as member of the six (6) board committees.

The Chairman of the Board and the President and Chief Executive Officer are complimentary. This relationship provides appropriate balance of power, increased accountability, independent decision-making by the Board and the management responsibility to execute strategic plans of the Bank.

Board Committees

The ten (10) board committees have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates. They are the Board Credit and Policy Committee, Board Credit Committee, Board Audit and Compliance Committee, Risk Oversight Committee, Board ICAAP Steering Committee, Trust Committee, Corporate Governance/Nomination/Remuneration Committee, Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries, Board IT Governance Committee and Board Oversight RPT Committee.

The frequency of the board committee meetings are stated in their respective charters. Except for the Board Credit Committee (Board CreditCom) and Board Credit and Policy Committee (Board CPC) which meet weekly, meetings are generally held on a monthly basis and special board committee meetings are called as often as necessary. The board committee secretariats are responsible for ensuring that the regular agenda of the meetings are communicated prior to meetings and that the attendance of members and resource persons and the discussions are properly recorded and endorsed to the Board for approval.

In 2014, the board committees focused more on the strengthening and enhancement of the following:

- The adopted BSP guidelines in assessing the quality of the framework of the Corporate Governance such as Governance Landscape, Risk Governance, Fitness and Propriety of Board and Management, and Controls and Independent Oversight.
- The Board Overseas Offices Oversight Committee, which was expanded to include and cover domestic subsidiaries and renamed as “Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries” (BOC) to provide oversight function to both domestic and foreign offices/subsidiaries to ensure their profitable operations and long-term viability consistent with the Bank’s strategic goals.
- The Bank’s Corebanking System Project, for which PNB hired a seasoned banker as Project Director with extensive banking experience in bank operations and technology with foreign banks and management of migration systems with other local banks. The Corebanking Project Director has instituted enhancements to the Project Plan to ensure seamless execution per the project timeline in the areas of expanding the Project Table of Organization. A series of focused discussions on project timeliness and priorities are ongoing for full production live date of the new Corebanking System by February 2017.
- Strengthened and embedded RPT policies and procedures in the Operations Manuals of the respective business units of the Bank for guidance, ensuring transparency to eliminate potential conflicts of interest of management, the Board and shareholders.

Board Oversight RPT Committee (BORC)

The Board Oversight RPT Committee (BORC) was created in 2013 to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders. The BORC’s authority is to oversee the evaluation of related party transactions (RPT) that present the risk of potential abuse, ensure that processes and approvals are conducted at arm’s length basis, exercise sound and objective judgment for the best interest of the bank, and review/endorse RPT to the Board for approval.

The BORC is composed of five (5) members, of which three (3) are independent directors, including the Chairman, and two (2) are non-voting members (the Chief Audit Executive Officer and the Chief Compliance Officer).

The RPT policy has been formulated and adopted in accordance with the provisions of the SEC Code of Corporate Governance and BSP Circular No. 749, as amended, including the Code of Conduct and Business Ethics, from which the Bank consistently adopts the policies and procedures of the following:

- Code of Conduct – It prescribes the moral code for the Bank employees which instills discipline among them and yield higher productivity at the workplace, and enhances and safeguards the corporate image of the Bank. Its overall intent is more of prevention of infractions rather than the administration of disciplinary measures. It also defines and provides the standards of conduct expected of all employees and enumerates the actions or omissions prejudicial to the interest of the Bank.
- Whistleblower Policy – This policy encourages the Bank employees to report internally any suspected or actual commission of theft/fraud, violation of ethical standard, law, rule or regulation and/or any misconduct by its directors, officers or staff in accordance with the Whistleblower Policy. It protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation.
- Policy on Soliciting and/or Receiving Gifts - All employees are expected to observe discretion and prudence in receiving gifts or donations whether in cash or in kind and other form of hospitality. Soliciting gifts/donations/sponsorship from clients, suppliers, and other business related parties is strictly prohibited. However, employees may be allowed to receive gifts/donations/sponsorship/ financial assistance from clients, suppliers, and other business-related parties, provided that gifts/donations/sponsorships worth P2,000 and above must be reported to the Human Resource Group (HRG), declaring the value, the giver and action taken, e.g., kept for personal use or donated to charity.

On the other hand, gifts with estimated value of more than P5,000 shall be reported and turned over to HRG for donation to any legitimate charitable institution preferred by the concerned employee.

- Personal Investment Policy – Sets forth prudent standards of behavior for all employees when conducting their personal investment transactions. It provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. The employees may make investments for their personal accounts as long as these transactions are consistent with laws and regulations, and the personal investment policy of the Bank. These investments should not appear to involve a conflict of interest with the activities of the Bank or its customers. Employee investment decisions must be based solely on publicly available information, and should be oriented toward long-term investment rather than short-term speculation. As a general policy, all employees are prohibited from purchasing or selling any PNB securities if they possess material non-public information about PNB that, if known by the public, might influence the price of PNB securities. Employees may not purchase or sell PNB options or execute a short sale of PNB securities unless the transaction is effected as a bona-fide hedge.

The Corporate Governance and RPT frameworks are integral in the Bank's Compliance Awareness Training Program conducted regularly by the Global Compliance Group to sustain awareness of all bank personnel on good corporate governance and RPT compliance.

Operations Management

The responsibility of managing the day-to-day operations of the Bank and implementing the major business plans rests with the President and Chief Executive Officer. Critical issues, policies and guidelines are deliberated in the pertinent management committees: Senior Management Committee, Operations Committee, Asset and Liability Committee, Senior Management Credit Committee, IT Evaluation Committee, Acquired Assets Disposal Committee, Non-Performing Assets Committee, Promotions Committee, Product Committee, Bids and Awards Committee, Senior Management ICAAP Steering Committee, AML Review Committee, Administrative Investigation Committee, Branch Site Selection Committee, Selection Committee for Expatriate Personnel, Accreditation of Overseas Remittance Agent, and Committee on Decorum and Investigation. Committee meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.

The business plans, significant issues and their resolutions are escalated to the level of the Board as part of a strong culture of accountability and transparency embedded in the entire organization. Most of the management committees have the President as the Chairman, with the members composed of senior

management of the Bank and key officers of the various business segments, including the Risk Management Group, Office of the Chief Legal Counsel, Internal Audit Group and Global Compliance Group. The composition and appointment of senior officers in the different management committees are assessed periodically and reorganized as necessary, in line with the business priorities.

Compliance System

The Bank actively promotes the safety and soundness of its operations through a compliance system that fully adheres to banking laws, rules and regulations and to maintain an environment that is governed by high standards and best practices of good corporate governance. This is achieved primarily through the formulation of policies and procedures, an organizational structure and an effective compliance program that will support the Bank's compliance system.

The Chief Compliance Officer (CCO) and Head of the Global Compliance Group reports directly to the Board Audit and Compliance Committee. The CCO has direct responsibility for the effective implementation and management of the enterprise compliance system covering the Bank, its subsidiaries and affiliates. The CCO is also primarily responsible for promoting compliance with the laws and regulations of the different jurisdictions, corporate policies and procedures and international standards and best practices. The Board of Directors appointed the Chief Compliance Officer as the Corporate Governance Executive tasked to assist the Board and the Corporate Governance/Nomination/Remuneration Committee in the discharge of their corporate governance oversight functions.

Global Compliance Group continues to evolve the Bank's compliance system with a complement of five (5) major divisions, namely, Global AML Compliance Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division, Compliance Testing Review Division and Corporate Governance Monitoring Division that provides support to the Corporate Governance/Nomination/Remuneration Committee and the Board Oversight Related Party Transaction Committee.

The Bank's existing Compliance Program defines the seven (7) key elements of an effective compliance framework, with proactive Board and executive level oversight, effective compliance organizational structure, standardized policies and procedures across all businesses, periodic monitoring and assessment, robust MIS and compliance reporting, comprehensive compliance and AML awareness training and independent compliance testing reviews. The Compliance Program incorporates these new policies, laws and regulations and enhancements to the corporate standards of which PNB and its local and foreign subsidiaries and affiliates are required to be fully aware. The Compliance Program has been implemented consistently in the Bank.

The Bank's AML/CFT Policy Guidelines and Money Laundering and Terrorist Financing Prevention Manuals with FATCA compliance guidelines are two major manuals approved by the Board. The Bank is fully committed to adhering to existing and new AML/CFT and FATCA laws, rules, regulations, and implementing guidelines issued by both Philippine and foreign regulators.

The Bank has updated its policies and procedures embracing the compliance framework, the corporate governance guidelines and the AML Risk Rating System issued by the BSP and foreign regulators on AML/CFT as well as FATCA laws and regulations.

With the creation of the BORC, the Bank is committed to align with the principles of ASEAN Corporate Governance Scorecard (ACGS) and Basel III guidelines in terms of good corporate governance in dealing fairly with its clients, investors and shareholders, with the philosophy of integrity, accountability and transparency.

With a comprehensive compliance system effectively implemented enterprise-wide, there has been no material deviation noted by the Chief Compliance Officer.

UNDERTAKING TO PROVIDE ANNUAL REPORT

The Registrant undertakes to provide without charge to each stockholder a copy of the Bank's Annual Report or SEC Form 17-A upon written request to the Bank addressed to:

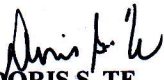
**The Corporate Secretary
Philippine National Bank
9/F, PNB Financial Center
President Diosdado Macapagal Blvd.
Pasay City**

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasay on April 1, 2015.

PHILIPPINE NATIONAL BANK

by:


DORIS S. TE
Corporate Secretary



MANAGEMENT REPORT

Item 1. Business

A. Business Development

The Philippine National Bank (hereinafter PNB or the “Bank”), the country’s first universal bank, is the fourth largest private local commercial bank in terms of assets as of December 31, 2014. The Bank was established as a government-owned banking institution on July 22, 1916. As an instrument of economic development, the Bank led the industry through the years with its agricultural modernization program and trade finance support for the country’s agricultural exports, pioneering efforts in the Overseas Filipino Workers (OFW) remittance business, as well as the introduction of many innovations such as Bank on Wheels, computerized banking, ATM banking, mobile money changing, domestic traveler’s checks, and electronic filing and payment system for large taxpayers. PNB has the widest overseas office network and one of the largest domestic branch networks among local banks.

On February 9, 2013, the Bank concluded its planned merger with Allied Banking Corporation (ABC) as approved and confirmed by the Board of Directors of the Bank and of ABC on January 22 and January 23, 2013, respectively. The respective shareholders of the Bank and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on March 6, 2012. The original Plan of Merger was approved on June 24, 2008 by the affirmative vote of ABC and the Bank’s respective shareholders, representing at least two-thirds of the outstanding capital stock of both banks.

Last February 2014, the Bank successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of P40.00 per share at a price of P71.00 each. The Rights Shares were offered to all eligible shareholders of the Bank at the proportion of fifteen (15) Rights Shares for every one hundred (100) common shares as of the record date on January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Bank while the remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Bank. The Offer was oversubscribed and raised gross proceeds amounting to P11.6 billion. The Offer strengthened the Bank’s capital position under the Basel III standards, which took effect on January 1, 2014.

The Bank also undertook long-term fund generating initiatives to support its growth and expansion plans. PNB redeemed its high cost long-term negotiable certificates of time deposits (LTNCDs) and replaced these funds through the issuance of lower cost LTNCDs. In March 2014, PNB redeemed P3.25 billion worth of LTNCDs priced at 6.5%. Likewise in October 2014, the Bank redeemed P3.5 billion worth of LTNCDs priced at 7% issued by ABC. In order to replace these funds, the Bank successfully raised P7.0 billion worth of LTNCDs priced at 4.125% which will mature in June 2020.

Effective August 1, 2014, PNB’s thrift bank subsidiary took over the management of PNB’s consumer loans to further fortify PNB’s bid to be a strong player in the consumer finance business, particularly in the housing and motor vehicle market segments. In November 2014, Allied Savings Bank formally changed its name to PNB Savings Bank to give credence to PNB’s expansion and status as a major player in the consumer finance industry as well as to align the image of the savings bank with its mother bank and to capitalize on the brand equity of PNB in the banking industry.

Recognizing the importance of its branches as the Bank’s primary platform for sales and service, PNB, through its consumer banking subsidiary PNB Savings Bank (formerly Allied Savings Bank), continues to expand its branch network and improve delivery of services. PNB Savings Bank secured 28 approved licenses in 2014 and was able to open a branch in Batangas last November 10, 2014.

PNB remains at the forefront of the debt capital market as the Bank led 12 corporate finance deals worth more than ₱115 billion in the power, infrastructure, telecommunications and real estate industries. PNB continues to originate and deliver structured solutions to large corporates as the Bank participated in five big ticket deals to raise an aggregate ₱102 billion in funds. To manifest the Bank's commitment to nation-building, PNB was also actively involved in the ₱23.3 billion loan syndication for the Mactan-Cebu International Airport, a public-private partnership project that was rolled out in 2014.

PNB further strengthened its distinct franchise over the Global Filipino market segment. It maintains the widest network of overseas branches and offices serving as primary contact points for overseas Filipinos. The Bank expanded its reach even further into non-traditional contact channels in the form of partner agent agreements and distribution through convenience stores and other similar retail outlets. It continued to innovate its remittance products and services with the launch of Phone Remit in 2012, a 24/7 toll free phone remittance platform servicing the Europe and US markets. The Bank also launched the PNB Web Remit in the last quarter of 2013, a channel that enables customers to conduct online remittance transactions anywhere and anytime. The Bank continues to make headway in deepening its relationship with its Global Filipino customers by offering other products and services such as personal, home and auto loans, including credit cards. PNB has a strong affinity with the Global Filipino market and continues to enrich the lives of Filipinos worldwide. In order to further strengthen its foothold in the overseas market, the Bank partnered with Wells Fargo & Company to provide Filipinos in the US a new way of sending remittances to the Philippines. OFWs can now send money to their families and friends in the Philippines using Wells Fargo's extensive network of more than 9,000 stores and 12,500 ATMs across 39 states in the US.

In affirmation of the Bank's well-managed operations, PNB received awards from the Institute of Corporate Directors (ICD) and the Bangko Sentral ng Pilipinas (BSP). In 2011 and 2012, PNB was given the Silver Award for Good Corporate Governance by the ICD in recognition of its professional practice of corporate directorship in line with global principles of good governance. In 2012 and 2013, the BSP awarded PNB as the Top Commercial Bank in Generating Remittances from Overseas Filipinos for two years in a row. PNB was also elevated by the BSP as Hall of Fame Awardee for Best Commercial Bank Respondent on Overseas Filipino Remittances for having won the award for four straight years (2005-2008). In the 2014 BSP Stakeholders' Ceremony, the Bank was recognized as the Outstanding PhilPass REMIT Participant. In recognition of PNB's innovative products, the Bank, together with PNB Life, was also accorded the Excellence in Business Model Innovation Award during the 2014 Retail Banker International Asian Trailblazer Awards for its Healthy Ka Pinoy Emergency Card which was launched in 2013 in the market.

Acknowledging PNB's improving performance, Standard & Poor's Ratings Services hiked its outlook on PNB from "stable" to "positive" last March 2014, citing the gradual improvement in its asset quality following the merger with ABC. The positive outlook on PNB also reflects expectations that the Bank's asset quality can keep improving, given the efforts to enhance its underwriting standards. In addition, Moody's Investors Service also raised the Bank's credit rating outlook from "stable" to "positive" last May 2014. Moody's likewise affirmed PNB's Ba2/NP local and foreign currency deposit ratings which reflect ongoing improvements in the credit profile of the Bank. Moreover, the ratings agency raised PNB's financial strength rating (BFSR)/ baseline credit assessment (BCA) to D-/ba3 from E+/b1, reflecting the improvement in the Bank's financial profile, following its merger with ABC in 2013.

B. Business Description

1. Product and Services

PNB, through its Head Office and 657 domestic branches/offices and 77 overseas branches, representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to large corporate, middle-market, small and medium enterprises (SMEs) and retail customers, including OFWs, as well as to the Philippine National Government, national government agencies (NGAs), local government units (LGUs) and government owned and controlled corporations (GOCCs) in the Philippines. PNB's principal commercial banking activities include deposit-taking, lending, trade financing, foreign exchange (FX) dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services.

Its banking activities are undertaken through the following groups within the Bank, namely:

Institutional Banking Group

The Bank's Institutional Banking Group (IBG) is responsible for credit relationships with large corporate, middle-market and SMEs, as well as with the government, government-related agencies, GOCCs and financial institutions.

Retail Banking Group

The Retail Banking Group (RBG) principally focuses on retail deposit products (i.e., current accounts, savings accounts, time deposits and other accounts) and services. While the focal point is the generation of lower cost of funding for the Bank's operations, the RBG also concentrates on the cross-selling of other bank products and services to its customers by transforming its domestic branch distribution channels into a sales-focused organization.

Consumer Finance Group

The Consumer Finance Group (CFG) provides multi-purpose personal loans, home mortgage loans, motor vehicle financing and credit card services to the Bank's retail clients.

Effective August 1, 2014, PNB's thrift bank subsidiary took over the management of PNB's consumer loans.

Global Filipino Banking Group

The Global Filipino Banking Group (GFBG) covers the Bank's overseas offices which essentially provide convenient and safe remittance services to numerous OFWs abroad, as well as full banking services and housing loans to OFWs in selected jurisdictions. PNB has the largest overseas network among Philippine banks with 77 branches, representative offices, remittance centers and subsidiaries in the United States of America (USA), Canada, Europe, the Middle East and Asia. PNB also maintains correspondent relationships with 1,012 foreign banks and financial institutions worldwide.

Treasury Group

The Treasury Group (TG) is principally responsible for managing the Bank's funding and liquidity requirements as well as its investment and trading portfolio. The Bank engages in interbank borrowing and lending activities, fixed income securities trading and foreign exchange spot and swap dealing. It also oversees the Bank's long-term funding requirements and enters into derivative transactions for hedging purposes.

Trust Banking Group

The Bank, through its Trust Banking Group (TBG), provides a wide range of personal and corporate trust and fiduciary banking services and products. Personal trust products and services include living trust accounts, educational trust, estate planning, guardianship, insurance trust, and investment portfolio management. Corporate trust products and services include trusteeship, securitization, investment portfolio management, administration of employee benefits, pension and retirement plans, and trust indenture services for local corporations. Trust agency services include acting as bond registrar, collecting and paying agent, loan facility agent, escrow agent, share transfer agent, and receiving bank.

Credit Management Group

The Credit Management Group (CMG) is primarily responsible for providing credit management services in the form of credit rating and scoring, financial evaluation and credit risk assessment, credit policy formulation, credit investigation and appraisal and risk asset acceptance criteria development. It focuses on sound credit underwriting and monitoring guidelines and practices to ensure a healthy loan portfolio for the Bank.

Remedial Management Group

The Remedial Management Group (RMG) is primarily responsible for managing problem accounts and reducing the nonperforming loans of the Bank. It determines and formulates the appropriate settlement plan for the immediate resolution of each work-out account.

Special Assets Management Group

The Special Assets Management Group (SAMG) is responsible for the overall supervision of the Bank's foreclosed assets (ROPA).

2. Competition

In the Philippines, the Bank faces stiff competition in all its principal areas of business, from both Philippine (private and government-owned) and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry by the National Government in 1994 which allowed the entry of more foreign banks and the recent mergers and consolidations in the banking industry. As of December 31, 2014, there are 36 universal and commercial banks, of which 17 are private domestic banks, 3 are government banks and 16 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks also offer a wider range of commercial banking services and products, have larger lending limits and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers a diverse range of products and services, invests in technology, leverages on the synergies within the LT Group, Inc. and with its government customers, as well as builds on relationships with the Bank's other key customers.

The Bank also faces competition in its operations overseas. In particular, the Bank's stronghold in the remittance business in 16 countries in North America, Europe, the Middle East and Asia is being challenged by competitor banks and non-banks constantly.

As of December 31, 2014, the Bank has a distribution network of 657 branches and offices and 878 ATMs nationwide. The Bank is the fourth largest local private commercial bank in the Philippines in terms of local branches and the fourth largest in terms of consolidated total assets, net loans and receivables, capital and deposits. In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

The Bank and its subsidiaries offer a wide range of financial services in the Philippines. In addition, the Bank provides remittance services in the USA, Canada, Asia, the Middle East and Europe. The following shows the percentage distribution of the consolidated revenues for the three (3) years:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Philippines	93%	93%	91%
Asia (excluding the Philippines)/ Middle East	4%	3%	4%
Canada and USA	2%	3%	4%
United Kingdom & Other European Union Countries	1%	1%	1%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Please refer to Note 6 of the Audited Financial Statements.

4. New Products and Services

The Bank launched the following products and services in 2014:

- Electronic Remittance of Sickness, Maternity & Employees Compensation Benefit

PNB took the lead in the electronic remittance of employee benefits through the employer for further credit to the employee. This replaced the current disbursement method through check issuance. The new system involves the automated generation and transmission of report, with auto reversal of unsuccessful transactions.

- **BIR Interactive Form System (PNB i-Tax)**
In partnership with the BIR, individuals and non-large taxpayers who are account holders of the Bank are provided with the electronic channel to pay taxes due to the BIR through the PNB Internet Banking System.
- **Enhanced Internet Banking System**
The PNB Internet Banking System (IBS) now allows clients to avail of the “ATMSafe”, a product which offers insurance protection against ATM robbery and theft. Clients who also wish to view the details of their loan accounts in real time may now enroll their loan accounts in the IBS. An enhanced security feature was also introduced for the online enrollment of third party accounts by using the One-Time-Password (OTP) sent through the client’s registered mobile number every time a client accesses his account online.
- **Third Currency Savings and Time Deposit Accounts**
PNB now accepts foreign currencies such as Chinese yuan/renminbi, Japanese yen and euro for both savings and time deposit accounts. The service is now being offered in Metro Manila, Southern Luzon and Metro Cebu areas and will soon be implemented in all domestic branches.

5. Related Party Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank’s policy, these loans and other transactions are made substantially on the same terms as those of other individuals and businesses of comparable risk. Under BSP Circular 423, of the amount of direct credit accommodations to each of the Bank’s DOSRI, 70% must be secured and should not exceed the amount of their respective deposits and book value of their respective investments in the Bank. In the aggregate, DOSRI loans generally should not exceed the Bank’s net worth or 15% of the Bank’s total loan portfolio, whichever is lower. As of December 31, 2012, December 31, 2013 and December 31, 2014, PNB is in compliance with the aforementioned BSP regulations.

Information related to transactions with related parties and with certain DOSRI are shown under Note 31 of the December 31, 2012 Audited Financial Statements and December 31, 2013 Audited Financial Statements of the Bank and Subsidiaries.

The Board Oversight Related Party Transactions (RPT) Committee (BORC) was created to assist the Board in performing its oversight functions in monitoring and ensuring transparency to eliminate potential conflicts of interest of management, members of the Board and shareholders.

The BORC is composed of at least five (5) regular members which include three (3) independent directors and 2 non-voting members (the Chief Audit Executive and the Chief Compliance Officer), and Secretariat. The Chairman of the Committee is an Independent Director and appointed by the Board.

6. Patents, Trademarks, Licenses, Franchises, Concessions and Royalty Agreements

The Bank’s operations are not dependent on any patents, trademarks, copyrights, franchises, concessions and royalty agreements.

7. Government Approval of Principal Products or Services

Generally, e-banking products and services require BSP approval. New deposit products require notification to the BSP. The Bank has complied with the aforementioned BSP requirements.

8. Estimate of Amount Spent for Research and Development Activities

The Bank provides adequate budget for the development of new products and services which includes hardware and system development, continuous education and market research. The estimated amounts spent for 2014, 2013 and 2012 totaled ₱373.4 million, ₱363.0 million and ₱219.2 million, respectively.

9. Number of Employees

The total employees of the Bank as of December 31, 2014 are 8,585, wherein 3,692 are classified as bank officers and 4,893 as rank-and-file employees, broken down as follows:

Officers:	Total
Vice President and up	148
Senior Assistant Vice President to Assistant Manager	3,544
Rank-and-File	4,893
Total	8,585

The Bank shall continue to pursue selective and purposive hiring strictly based on business requirements in connection with industry standards. The Bank anticipates a gradual reduction in the number of employees in the support groups based on identified milestones and improved processes.

With regard to the Collective Bargaining Agreement (CBA), the Bank's regular rank-and-file employees are represented by two (2) existing unions under the merged bank, namely, PNB Employees Union (PNBEU) and Philnabank Employees Association (PEMA).

The Bank has not suffered any strikes, and the Management of the Bank considers its relations with its employees and the unions as harmonious and mutually beneficial.

10. Risk Management

The year 2014 marks the first full year of the merged PNB. The activities involved the areas of bank policies, processes and systems together with the merged organizational structure. The risk management function was the first among many that were fully integrated for the merged bank and, accordingly, elements of the risk management process applied on a uniform basis. Data sourcing remains to be a challenge but the increased knowledge of the data structure for the two core banking systems have provided for ease of complete data collection, albeit still on a manual basis for some areas. The Bank also submitted its ICAAP (Internal Capital Adequacy Assessment Process) document in January 2014, just 6 months after it submitted the previous one in August 2013.

Under the Bank's Enterprise Risk Management (ERM) framework, all the risk-taking business units of the Bank, including its subsidiaries and affiliates, shall perform comprehensive assessments of all material risks.

In line with the integration of the ICAAP and risk management processes, PNB currently monitors 13 Material Risks (three for Pillar 1 and ten for Pillar 2). These material risks are as follows:

Pillar 1 Risks:

- Credit Risk (includes Counterparty and Country Risks)
- Market Risk
- Operational Risk

Pillar 2 Risks:

- Credit Concentration Risk
- Interest Rate Risk in Banking Book (IRRBB)
- Liquidity Risk
- Reputational/ Customer Franchise Risk

- Strategic Business Risk
- Information Technology Risk (includes Information Security Risk and Core Banking Implementation Risk)
- New Regulations Risk
- Litigations Risk
- Process Management Risk
- Natural Events Risk

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 538 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks:

Credit Risk

Credit risk is the risk to earnings or capital that arises from an obligor's, customer's or counterparty's failure to perform and meet the terms of its contract. It arises any time bank funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet (*BSP Circular No. 510, dated February 03, 2006*).

Counterparty Risk is the potential exposure a party will bear if the other party to any financial contract will be unable to fulfill its obligations under the contract's specifications. Counterparty risk can be divided into two types: pre-settlement risk (PSR) and settlement risk (SR).

Country Risk refers to uncertainties arising from economic, social and political conditions of a country which may cause obligors in that country to be unable or unwilling to fulfill their external obligations.

1. **Credit Policies and Procedures**

All credit risk policies issued by the regulatory bodies (i.e., BSP, Securities and Exchange Commission (SEC), Philippine Deposit Insurance Corporation (PDIC), Bureau of Internal Revenue (BIR), etc.) automatically form part of the Bank's board-approved risk policies. These risk policies reflect the Bank's lending profile and focus on:

- the risk tolerance and/or risk appetite
- the required return on asset that the Bank expects to achieve
- the adequacy of capital for credit risk

2. **Credit Risk Functional Organization**

The credit risk functional organization of the Bank conforms to BSP regulations. This ensures that the risk management function is independent of the business line. In order to maintain a system of "checks and balances", the Bank observes three (3) primary functions involved in the credit risk management process:

- risk-taking personnel
- risk management function
- the compliance function

The risk-taking personnel are governed by a code of conduct for account officers and related stakeholders set to ensure maintenance of the integrity of the Bank's credit risk management culture.

The approving authorities are clearly defined in the Board-approved Manual of Signing Authority (MSA).

3. **Credit Limit Structure**

The Bank adopts a credit limit structure (regulatory and internal limits) as a quantitative measure of the risk tolerance duly approved by the Board. Breaches in the limits are monitored via the monthly credit dashboard reported to the Risk Oversight Committee.

4. Stringent Credit Evaluation
The repayment capacity of prospective borrowers is evaluated using an effective internal risk rating model for corporate and commercial accounts with asset size of over ₱15 million and appropriate credit scoring program for small accounts with asset size of ₱15 million and below and consumer loans. These models are validated to determine their predictive ability.
5. Reporting System
An effective management information system (MIS) is in place and, at a minimum, has the capacity to capture accurate credit risk exposure/position of the Bank in real time. A monthly credit dashboard is used as the reporting tool for appropriate and timely risk management processes.
6. Remedial Management System
A work-out system for managing problem credits is in place. Among others, these are renewals, extension of payment, restructuring, take-out of loans by other banks, and regular review of the sufficiency of valuation reserves.
7. Event-Driven Stress Testing
Techniques are used to determine the payment capacity of affected borrowers' accounts. A Rapid Portfolio Review Program is in place to quickly identify possible problem credits on account of evolving events, both domestic and global. Results of the stress testing show minimum impact and have no material effect on the Bank's NPL ratio and capital adequacy ratio (CAR).

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on and off balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position-taking in the interest rate, foreign exchange, equity, and commodities markets (*BSP Circular No. 544, Series of 2006*).

1. Price Risk in the Trading Portfolio
The Bank's trading positions are sensitive to changes in the market prices and rates. PNB is subject to trading market risk in its position-taking activities for fixed income, foreign exchange and equity markets. To calculate the risks in the trading portfolio, the Bank employs the Value-at-Risk (VAR) methodology with 99% confidence level and a one (1) day holding period (equities and FX VAR) to a ten (10) day holding period for fixed income VAR. Nonetheless, a one-day VAR is computed for each portfolio.

VAR limits have been established annually and exposures against the VAR limits are monitored on a daily basis. The VAR figures are back-tested against actual (interest rates) and hypothetical profit and loss figures (FX and equities) to validate the robustness of the VAR model.

The Bank also employs the stop-loss monitoring tools to monitor the exposure in the price risks. Stop-loss limits are set up to prevent actual losses resulting from mark-to-market bookings. To complement the VAR measure, the Bank performs stress testing and scenario analysis wherein the trading portfolios are valued under several market scenarios.

2. Structural Market Risk
Structural interest rate risk arises from mismatches in the interest profile of the Bank's assets and liabilities. To monitor the structural interest rate risk, the Bank uses a re-pricing gap report wherein the re-pricing characteristics of its balance sheet positions are analyzed to come up with a re-pricing gap per tenor bucket. The total re-pricing gap covering the one-year period is multiplied by the assumed change in interest rates based on observed volatility at 99% confidence level to obtain an approximation of the change in net interest earnings. Limits have been set on the tolerable level of earnings-at-risk (EAR). Compliance with the limits is monitored regularly. The Bank also monitors its long-term exposure in interest rates which outlines the long-term assets and long-term liabilities according to the next re-pricing date.

3. Liquidity and Funding Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the parent company's inability to meet its obligations when they fall due. Liquidity obligations arise from withdrawal of deposits, extension of credit, working capital requirements and repayment of other obligations. The Bank seeks to manage its liquidity through the active management of its liabilities, regular analysis of the availability of liquid asset portfolios as well as regular testing of the availability of money market lines and repurchase facilities aimed to address any unexpected liquidity situations. The tools used for monitoring liquidity include gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of sufficiency of liquid assets over deposit liabilities and regular monitoring of concentration risks in deposits by tracking accounts with large balances. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the Bank.

Operational Risk

1. People Risk

In most reference books and articles, it is mentioned that the most dynamic of all sources of operational risk factors is the people risk factor. Internal controls are often blamed for operational breakdowns, whereas the true cause of many operational losses can be traced to people failures. Every Chief Executive Officer has argued that people are the most important resource, yet the difficulty in measuring and modeling people risk has often led management to shy away from the problem when it comes to evaluating this aspect of operational risk.

In PNB, operational losses may be attributed to human error which can be brought about by inadequate training and management. This issue is being addressed through formal means (continuously conducting trainings) or informal means (monthly meetings and discussing issues at hand). These trainings also address the issue of relying on key performers instead of cross-training each team member.

Further, there is the risk of "non-fit" personnel being "forced" to occupy positions they are not qualified for. Annual evaluation and the implementation of balanced scorecards are used to ensure that ill-fitted personnel are re-trained, re-tooled or re-skilled to equip them better.

2. Process Risk

In financial institutions, most processes are designed with audited fail-safe features and checking procedures. Since the processes interact with other risky variables such as, but not limited to, the external environment, business strategy and people, it is difficult to sound the all-clear. However, these processes can make the institution vulnerable in many ways. To address this risk, the Bank has documented policies and procedures duly approved by the Board. The Internal Audit Group, as well as the various officers tasked with the review function, regularly monitors the implementation of these documented policies and procedures.

3. Business Strategy Risk

Strategic risk can arise when the direction/strategy of a bank can lead to non-achievement of business targets. This results from a new focus of a business sector that is not consolidated with the Bank's overall business plan and strategy. At PNB, strategy risk is managed through each business sector performing "actual versus targets" sessions with and reporting to the Board of Directors through regular management profitability reporting sessions. In addition, coordination between business sectors is done through regular meetings by the Senior Management Team to ensure that overall business targets are continually revisited.

4. Business Environment Risk

Banks tend to have the least control over this source of operational risk yet it still needs to be managed. Business environment risk can arise from unanticipated legislative changes such as consumer affairs, physical threats such as bank robberies, terrorists' attacks, natural disasters and regulatory required financial report change, new or otherwise.

New competitive threats such as faster delivery channels, new products, new entrants and the ever-increasing rationalization of the banking industry are driving banks to become much more nimble-

footed. The flexibility required to remain in the industry leads some banks to take shortcuts that eventually expose them to some new source of operational risk.

PNB has become fully involved and engaged in the Product Management Business Framework where old and new products alike are monitored by assigned product managers who coordinate with the various business sector heads in achieving the Bank's business plan. Furthermore, a Product Committee composed of senior management has been created and meets regularly to ensure that the business environment is closely monitored as to competition and delivery channels and that overall service standards are kept at acceptable levels.

5. Business Continuity Risk/Natural Events and Man-Made Risk

The Bank recognizes that risks relating to natural, function-specific and man-made threats like terrorist activities are possible. Business continuity risk is defined as any event that has a negative impact on the Bank's operations which could result in operational interruption, loss of or damage to critical infrastructure and the like.

The Bank has formulated the Business Continuity Plan (BCP) on both an enterprise-wide level as well as business unit level with the objective to define the critical procedures to be followed to recover critical functions on an acceptable limited basis in the event of abnormal or emergency conditions and other crisis. This means that the plan should provide provisions to:

- Ensure the safety and security of all personnel, customers and vital Bank records;
- Ensure that there will be minimal disruption in operations;
- Minimize financial loss through lost business opportunities or assets deterioration; and
- Ensure a timely resumption to normal operation.

The Bank's BCP is tested at least on an annual basis with the following activities involved:

- i. Business Impact Analysis
- ii. Risk Assessment of Threats to Business
- iii. Call Tree Test
- iv. Table Top Test
- v. Alternate Site Test

6. Information Technology (IT)/Information Security (IS)Risk

The Bank recognizes the risk on IT/IS, including the core banking implementation risk with the merger of PNB and ABC. It is in this regard that constant monitoring is observed through the creation of the Project Management Office (PMO). Progress reports are submitted to and discussed with senior management and the Board monthly, to provide updates and reasonable assurance that risks identified are mitigated if not fully controlled. Tools being used to conduct the assessment are as follows:

- IT Project Risk Assessment
- Project Health Check

With the implementation of policies under the Information Security Management System, the Bank provides assurance to its stakeholders that the preservation of its information assets are observed to ensure the delivery of information to appropriate entity/person with confidentiality, integrity and required availability.

7. New Regulations Risk

New regulations risk is the current and prospective risk to earnings or capital arising from highly regulated jurisdiction and when rules and regulations are constantly changing. It is an important qualitative risk which must be monitored and managed, as regulatory sanctions from non-compliance, especially in extreme cases, may involve not just mere loss of reputation or financial penalties, but in extreme cases, a revocation of the banking charter or franchise (BAP Risk Manual, P103). At PNB, compliance with new circulars and memorandums from the BSP is approached through an enterprise-wide engagement framework. Task forces are constituted to discuss the gaps between current practices/process against the required deliverables. Further, overseas business units are also subject to host country regulations for which compliance must also be a priority.

8. Litigations Risk

Litigation risk is the likelihood or possibility that the Bank will suffer a financial loss due to payment of damages or other form of financial sanction as a result of losing a case, whether in a litigious or non-litigious setting. Litigation risk centers on the completeness and timeliness of filing of various pleadings before appropriate courts and other administrative or adjudicatory bodies in connection with cases or actions filed for and against the Bank.

The Bank has a framework to identify, assess, control and monitor litigation risk and legal risk in general that it may encounter in the course of its operations. The legal review process framework encompasses the validation of the existence, propriety and enforceability of documents, and review of the Bank forms. It also includes obtaining legal opinions on tax and regulatory compliance for new products and transactions, and ensuring that contracting entities have legal capacity or are duly empowered to enter into a contract.

Regulatory Capital Requirements under BASEL II – Pillar 1

The Bank's total regulatory requirements as of December 31, 2014 are as follows:

Consolidated(Amounts in ₱0.000 million)	Weighted Exposures
Total Credit Risk-Weighted Assets	367,568.872
Total Market Risk-Weighted Assets	4,532.456
Total Operational Risk-Weighted Assets	38,234.751
Total Risk-Weighted Asset	410,336.079
Common Equity Tier 1 Ratio	17.427%
Capital Conservation Buffer	11.427%
Tier 1 Capital Ratio	17.427%
Total Capital Adequacy Ratio	20.605%

Credit Risk-Weighted Assets

The Bank adopts the standardized approach in quantifying the risk-weighted assets. Credit risk exposures are risk weighted based on third party credit assessments of Fitch, Moody's, Standard & Poor's and PhilRatings agencies. The ratings of these agencies are mapped in accordance with the BSP regulations. The following are the consolidated credit exposures of the Bank and the corresponding risk weights:

	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	15,019		15,019	14,590	429				
Due from BSP	105,799		105,799	105,799					
Due from Other Banks	17,662		17,662		3,960	2,719		10,983	
Financial Asset at FVPL									
Available for Sale	57,105	3,993	53,112	17,876	3,253	12,623		19,360	
Held to Maturity (HTM)	22,185	12,641	9,544	6,899		2,355		290	
Unquoted Debt Securities	4,179		4,179					4,129	50
Loans & Receivables	302,870	24,240	278,630		12,100	13,419	19,043	231,323	2,745
Sales Contracts Receivable	3,052		3,052					2,080	972
Real & Other Properties Acquired	15,143		15,143						15,143
Other Assets	29,562		29,562					29,562	
Total On-Balance Sheet Asset	572,576	40,874	531,702	145,164	19,742	31,116	19,043	297,727	18,910
Risk Weighted Asset - On-Balance Sheet			359,882	-	3,948	15,558	14,282	297,727	28,367
Total Risk Weighted Off-Balance Sheet Asset			5,914	-	64	1,672	442	3,736	-

Counterparty Risk Weighted Asset in Banking Book			1,497	-	71	1,111	-	315	-
Counterparty Risk Weighted Asset in Trading Book			276		2	27		247	

*Credit Risk Mitigants used are cash, guarantees and warrants.

Market Risk -Weighted Assets as of December 31, 2014

The Bank's regulatory capital requirements for market risks of the trading portfolio are determined using the standardized approach ("TSA"). Under this approach, interest rate exposures are charged both for specific risks and general market risk. The *general market risk* charge for trading portfolio is calculated based on the instrument's coupon and remaining maturity with risk weights ranging from 0% for items with very low market risk (i.e., tenor of less than 30 days) to a high of 12.5% for high-risk items (i.e., tenor greater than 20 years) while capital requirements for *specific risk* are also calculated for exposures with risk weights ranging from 0% to 8%, depending on the issuer's credit rating. On the other hand, equities portfolio are charged 8% for both specific and general market risk while FX exposures are charged 8% for general market risks only.

Capital Requirements by Market Risk Type under Standardized Approach

(Amounts in ₱0.000Million)	Capital Charge	Adjusted Capital Charge	Market Risk Weighted Exposures
Interest Rate Exposures	279.978	349.972	3,499.724
Foreign Exchange Exposures	47.786	59.710	597.100
Equity Exposures	34.851	43.563	435.632
Total	362.615	453.245	4,352.456

Interest Rate Exposures Specific Risk

Specific risk from the Held-for-trading (HFT) portfolio is P38.769M. Peso government securities represent 72% of the portfolio with zero risk weight while dollar-denominated securities issued by the the Republic of the Philippines (ROP) compose 24% of the portfolio with risk weight ranging from 1.0% and 1.6%. On the other hand, the Bank's holdings of all other debt securities/derivatives that are below BBB- is around 3% and attracts 8.00% risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱0.000 million)	Positions	Risk Weight					
		0.00%	0.25%	1.0%	1.60%	8.00%	Total
PHP-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	4,657.997					
	Short	63.378					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		203.251	34.763	1,366.169		
	Short						
Debt securities/derivatives with credit rating of AAA to BBB- issued by other entities	Long				30.988		
	Short				1.080		
All other debt securities/derivatives that are below BBB- and unrated	Long					194.267	
	Short					-	
Subtotal	Long	4,657.997	203.251	34.763	1,397.157	194.267	
	Short	63.378	-	-	1.080	-	
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	0.508	0.348	22.372	15.541	38.769
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		-	0.508	0.348	22.372	15.541	38.769

General Market Risk – Peso

The Bank's general market risk of its peso debt securities and interest rate derivative exposure is P156.259M. In terms of weighted position, the Bank's capital charge is highest in the "Over 5 years to 7 years" bucket at P44.746M (net) or 29% with risk weight at 3.25%. The Bank's portfolio under the "Over 20 years" time band attracts 6% risk weight or ₱ 23.3983M (net), representing 15% of the total peso general market risk.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)							
Zone	Times Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Total Individual Positions			Long	Short
			Long	Short			
1	1 month or less	1 month or less	2,456.600	2,456.600	0.00%	-	-
	Over 1 month to 3 months	Over 1 month to 3 months	13.683	13.683	0.20%	0.312	0.027
	Over 3 months to 6 months	Over 3 months to 6 months	675.075	675.075	0.40%	0.003	2.700
	Over 6 months to 12 months	Over 6 months to 12 months	-	-	0.70%	0.763	-
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	-	-	1.25%	0.462	-
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	-	-	1.75%	2.663	-
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	-	-	2.25%	3.098	-
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	-	-	2.75%	42.638	-
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	1.080	1.080	3.25%	44.781	0.035
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	51.055	51.055	3.75%	17.683	1.915
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	-	-	4.50%	6.557	-
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	-	-	5.25%	15.513	-
	Over 20 years	Over 10.6 years to 12 years	12.335	12.335	6.00%	24.138	0.740
		Over 12 years to 20 years	-	-	8.00%	-	-
	Over 20 years	-	-	12.50%	0.066	-	
Total			1,477.455	3,209.828		158.675	5.417
Overall Net Open Position							153.258
Vertical Disallowance							0.272
Horizontal Disallowance							2.729
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							156.259

General Market Risk – US Dollar

The Bank's exposure on general market risk of the dollar-denominated HFT portfolio is P82.908M. In terms of weighted position, the Bank's capital charge is concentrated in the "Over 5 to 7 years" and "Over 10 to 15 years" buckets at P20.539M (net) and P24.459M, respectively, with risk weight ranging from 3.25% to 4.50%. The Bank's portfolio in the "Over 20 years" time band attracts 6% risk weight or ₱ 16.033M, representing 23% of the total risk weighted position.

Currency: USD							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)							
Zone	Times Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives		Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Total Individual Positions			Long	Short
			Long	Short			
1	1 month or less	1 month or less	5,868.670	7,156.000	0.00%	-	-
	Over 1 month to 3 months	Over 1 month to 3 months	2,837.067	2,795.212	0.20%	5.674	5.590
	Over 3 months to 6 months	Over 3 months to 6 months	1,326.877	28.309	0.40%	5.308	0.113
	Over 6 months to 12 months	Over 6 months to 12 months	-	-	0.70%	-	-
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	34.763	-	1.25%	0.435	-
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	49.315	-	1.75%	0.863	-
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	-	-	2.25%	-	-
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	1,379.009	1,340.069	2.75%	37.923	36.852
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	3,297.225	2,665.247	3.25%	107.160	86.621
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	11.038	-	3.75%	0.414	-
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	543.523	-	4.50%	24.459	-
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	17.104	-	5.25%	0.898	-
	Over 20 years	Over 10.6 years to 12 years	267.224	-	6.00%	16.033	-
		Over 12 years to 20 years	-	-	8.00%	-	-
	Over 20 years	-	-	12.50%	-	-	
Total				15,631.815	13,984.837	199.166	129.176
Overall Net Open Position							69.990
Vertical Disallowance							12.918
Horizontal Disallowance							-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							82.908

General Market Risk – Third currencies

The Bank is exposed to interest rate of third currencies arising from its forward contracts. Shown below are the general market risks on third currencies (interest component):

PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)											
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives			Risk Weight	Weighted Positions		Overall Net Open Position	Vertical Disallowance	Horizontal Disallowance Within	Total General Market Risk Capital Charge
		Long	Short			Long	Short				
JPY	1 month or less	-	158.817	0.00%	-	-	-	.005	-	.005	
	Over 1 months to 3 months	26.082	26.082	0.20%	0.052	0.052					
GBP	1 month or less	54.434	257.166	0.00%	-	-	-	-	-	-	
EUR	1 month or less	10.641	158.027	0.00%	-	-	-	0.012	-	0.012	
	Over 1 months to 3 months	5.545	5.545	0.20%	0.011	0.011					
	Over 3 months to 6 months	27.208	27.208	0.40%	0.109	0.109					
CAD	1 month or less	44.743	67.095	0.00%	-	-	-	-	-	-	
AUD	1 month or less	7.251	29.006	0.00%	-	-	-	-	-	-	
HKD	1 month or less	1,465.369	0.00%	-	-	1,465.369	2.05	-	-	2.025	
	Over 1 months to 3 months	160.846	0.20%	-	0.322	160.846					
	Over 3 months to 6 months	425.852	0.40%	-	1.703	425.852					

Equity Exposures

The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange (PSE), with 8% risk weight both for specific and general market risk. The Bank's capital charge exposure to equity risk attracts adjusted capital charge of P43.563M or risk weighted equity exposures of P435.632M. (as of December 31, 2014).

Item	Nature of Item	Positions	Stock Markets
			Philippines
A.1	Common Stocks	Long	217.816
		Short	5.656
A.10	TOTAL	Long	217.816
		Short	5.656
B.	Gross (long plus short) positions (A.10)		223.472
C.	Risk weights		8%
D.	Specific risk capital (B. times C.)		17.878
E.	Net long or short positions		212.160
F.	Risk weights		8%
G.	General market risk capital charges (E. times F.)		16.973
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		34.851
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		43.563
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		435.632

Foreign Exchange Exposures

The Bank's exposure to FX risk carries a capital charge of P47.768M or risk weighted FX exposures of ₱597.10M based on 8% risk weight. Majority of the exposure comes from FX assets and FX liabilities in USD/PHP. The Bank also holds third currencies in Japanese yen (JPY), Swiss franc (CHF), Great Britain pound (GBP), European Monetary Union euro (EUR), Canadian dollar (CAD), Australian dollar (AUD), Singapore dollar (SGD) and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES (as of Dec 31, 2014)							
					Closing Rate USD/PHP:	44.740	
Item	Nature of Item	Currency	In Million USD Equivalent			In Million Pesos	
			Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
			Banks	Subsidiaries /Affiliates			
			1	2	3	4=1+2+3	5
A.10	Sum of net long positions	Various				597.100	
A.11	Sum of net short positions	Various				(6.085)	
B.	Overall net open positions					597.100	
C.	Risk Weight					8%	
D.	Total Capital Charge For Foreign Exchange Exposures (B. times C.)					47.768	
E.	Adjusted Capital Charge For Foreign Exchange Exposures (D. times 125%)					59.710	
F.	Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)					597.100	
G.	Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (Part IV.3a, Item F)					--	
H.	Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)					597.100	

Note: Overall net open position shall be the greater of the absolute value of the sum of the net long position or the sum of net short position.

Operational Risk – Weighted Assets

The Bank adopts the Basic Indicator Approach in quantifying the risk-weighted assets for operational risk. Under the Basic Indicator Approach, the Bank is required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (15% for this approach) of positive annual gross income (figures with respect to any year in which the annual gross income was negative or zero are excluded).

(amounts in P0.000 Million) Consolidated as of Dec 31, 2014	Gross Income	Capital Requirement (15% x Gross Income)
2011 (Year 3)	19,969.805	2,995.471
2012 (Year 2)	23,033.734	3,455.060
2013 (last year)	18,172.063	2,725.809
Average for 3 years		3,058.780
Adjusted Capital Charge	Average x 125%	3,823.475
Total Operational Risk weighted Asset		38,234.751

C. Business Development/Description of Significant Subsidiaries

PNB, through its subsidiaries, engages in a number of diversified financial and related businesses such as remittance servicing, life and non-life insurance, investment banking, stock brokerage, leasing, and other related services.

The following represent the Bank's significant subsidiaries:

Domestic Subsidiaries:

PNB Capital and Investment Corporation ("PNB Capital"), a wholly-owned subsidiary of the Philippine National Bank, is a non-quasi bank investment house. It was incorporated on June 30, 1997 and commenced operations on October 8, 1997.

As of December 31, 2014, PNB Capital had an authorized capital of ₱350.00 million consisting of 3,500,000 shares at ₱100.00 par value. Its principal business is to provide investment banking services which include debt and equity underwriting, private placement, loan arrangement, loan syndication, project financing and general financial advisory, among others. The company is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government.

PNB Capital distributes its structured and packaged debt and equity securities by tapping banks, trust companies, insurance companies, retail investors, brokerage houses, funds, and other entities that invest in such securities. It is licensed to operate as an investment house by the SEC with Certificate of Registration No. 01-2008-00234. It renewed its license on November 24, 2014.

Investment banking is a highly regulated industry. Regulatory agencies overseeing the company include the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR), as well as several affiliates, support units and regulatory commissions of such entities.

The primary risks of the company include underwriting, reputational and liability risks. First, underwriting risk pertains to the risk of market's unacceptance of securities being offered and underwritten by PNB Capital. In such scenario, the company would have to purchase the offered securities for its own account. Second, reputational risk arises from the possibility that the company may not be able to close mandated deals as committed. Third, liability risk refers to the risk of being held liable for any losses incurred by the client due to non-performance of committed duties or gross negligence by the company. These primary risks are addressed by:

- Ensuring that the staff is well-trained and capable, at the functional and technical level, to provide the offered services;
- Understanding the clients' specific needs and goals;
- Clarifying and documenting all goals, methodologies, deliverables, timetables and fees before commencing on a project or engagement, and including several indemnity clauses to protect PNB Capital from being held liable for actions and situations beyond its control. These indemnity clauses are revised and improved upon after each engagement, as and when new protection clauses are identified; and
- All transactions are properly documented and approved by the company's Investment Committee and/or Board of Directors.

PNB Forex, Inc. (PFI), a wholly-owned subsidiary of the Bank which was incorporated on October 13, 1994 as a trading company, was engaged in the buying and selling of foreign currencies in the spot market for its own account and on behalf of others. The company ceased its operations in foreign currency trading as of January 1, 2006. It derives 100% of its revenues from interest income earned from the cash/funds held by the corporation. On December 16, 2013, PFI's Board of Directors approved the dissolution of the company. Last March 17, 2014, the Office of the City Treasurer of Pasay City approved the company's application for retirement of business. The company is now applying for tax clearance with the Bureau of Internal Revenue.

As of December 31, 2014, total assets and total capital of PFI were ₱91.4 million and ₱91.2 million, respectively. For the year ended December 31, 2014, net income was ₱1.1 million.

PNB Holdings Corporation (PHC), a wholly-owned subsidiary of the Bank, was established on May 20, 1920 as Philippine Exchange Co., Inc. The SEC approved the extension of the corporate life of PNB Holdings for another fifty (50) years effective May 20, 1970. In 1991, it was converted into a holding company and was used as a vehicle for the Bank to go into the insurance business.

As of December 31, 2014, PHC had an authorized capital of ₱500.0 million or 5,000,000 shares at ₱100 par value per share. As of December 31, 2014, the total paid-up capital of PHC was ₱255.1 million and additional paid-in capital was ₱3.6 million, while total assets and total capital were ₱332.9 million and ₱332.3 million, respectively, and net loss was ₱0.4 million (based on unaudited financial statements).

PNB General Insurers Co., Inc. (PNBGen) is a subsidiary of the Bank established in 1991. It is a non-life insurance company that offers fire and allied perils, marine, motor car, aviation, surety, engineering, accident insurance and other specialized lines. PNBGen is a dynamic company providing and continuously developing a complete range of highly innovative products that will provide total protection to its customers at competitive terms. It started operations with an initial paid-up capital of ₱13 million. To date, PNB Gen's paid-up capital is ₱912.6 million, one of the highest in the industry. As of December 31, 2014, the total assets and total capital of PNBGen were at ₱8.0 billion and ₱1.1 billion, respectively.

For the period ended December 31, 2014, PNBGen posted a net income of P5.3 million, a complete turnaround from the ₱868.4 million net loss incurred in 2013. The net loss in 2013 was due primarily to claims losses because of typhoons Maring , Santi and Yolanda as well as the earthquake in Bohol.

PNBGen's compliance risk involves the risk of legal and regulatory sanctions, financial loss, and damage to the reputation of the company as a result of failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice. PNBGen developed its own compliance program in recognition of its duty to adhere to relevant regulations based on a culture of accountability and transparency. PNBGen is committed to put in place the appropriate processes to ensure a common understanding of and compliance with insurance laws and existing rules and regulations, through a continuing training and education program, and enhanced monitoring and enforcement.

PNB Securities, Inc. (PNBSec), a wholly-owned subsidiary of the Bank which was incorporated on January 18, 1991, is engaged in buying and selling of all kinds of securities for its own account and in behalf of others.

As of December 31, 2014, its total paid-up capital was at ₱100.0 million. PNBSec is engaged in the stockbrokerage business that deals in the trading of shares of stocks listed at the stock exchange. As of December 31, 2014, total assets and total capital were ₱238.3 million and ₱170.8 million, respectively. Net loss for the year ended December 31, 2014 was ₱1.8 million.

Inherent to all engaged in the stockbrokerage business, PNBSec is exposed to risks like operational risk, position risk, counterparty risk and large exposure risk. To address, identify, assess and manage the risks involved, PNBSec submits monthly to the SEC the required Risk Based Capital Adequacy (RBCA) Report which essentially measures the broker's net liquid capital, considering said risks.

PNB-IBJL Leasing and Finance Corporation (formerly Japan-PNB Leasing and Finance Corporation), was incorporated on April 24, 1996 under the auspices of the Provident Fund of the Bank as PF Leasing and Finance Corporation,. It was largely inactive until it was used as the vehicle for the joint venture between the Bank (60%), IBJ Leasing Co Ltd., Tokyo (35%), and Industrial Bank of Japan, now called Mizuho Corporate Bank (5%). The corporate name was changed to Japan-PNB Leasing and Finance Corporation and the joint venture company commenced operations as such in February 1998.

On January 31, 2011, PNB increased its equity interest in JPNB Leasing from 60% to 90%. The Bank's additional holdings were acquired from minority partners, IBJ Leasing Co., Ltd. (IBJL) and Mizuho Corporate Bank, which divested their 25% and 5% equity interests, respectively. IBJL remains as an active joint venture partner with a 10% equity interest.

On November 28, 2014, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buy back by IBJL from PNB of 15% equity ownership in Japan-PNB Leasing with a closing date of January 30, 2015.

PNB-IBJL Leasing and Finance Corporation operates as a financing company under Republic Act No. 8556 (the amended Finance Company Act). Its major activities are financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, PNB-IBJL Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and Floor Stock Financing (short-term loan against assignment of inventories, e.g., motor vehicles).

Majority of the principal products or services are in peso leases and loans. Foreign currency (US dollar and Japanese yen) leases and loans are mostly funded by IBJL.

As of December 31, 2014, PNB-IBJL Leasing and Finance Corporation had an authorized capital of ₱150.0 million, represented by 1,500,000 shares with a par value of ₱100 per share, which are fully subscribed and paid up. On April 3, 2014, its Board and stockholders approved the increase of the company's authorized capital to P1.0 billion, representing 10,000,000 shares, in preparation for the declaration of stock dividends. On June 27, 2014, PNB-IBJL Leasing and Finance Corporation's Board approved the declaration of 2 shares to 1 share stock dividends to stockholders of record as of June 30, 2014.

As of December 31, 2014, PNB-IBJL Leasing and Finance Corporation's total assets and total equity stood at ₱5.7 billion and ₱660.8 million, respectively. Its unaudited net income for the year ended December 2014 was ₱128.0 million.

On January 13, 2015, the Securities and Exchange Commission approved the increase in its authorized capital stock from ₱150.0 million (1.5 million shares) to ₱1.0 billion (10.0 million shares). Subsequently, the stock dividends declaration was implemented with the issuance of 300,000 new shares on January 23, 2015.

On January 30, 2015, the buyback of the 15% equity of Japan-PNB Leasing by IBJL from PNB was consummated, resulting to an equity ownership as follows: PNB - 75% and IBJL - 25%.

On March 27, 2015, the Securities and Exchange Commission approved the change of name of Japan-PNB Leasing and Finance Corporation to PNB-IBJL Leasing and Finance Corporation.

PNB-IBJL Equipment Rentals Corporation (formerly Japan-PNB Equipment Rentals Corporation) is a wholly-owned subsidiary of PNB-IBJL Leasing and Finance Corporation. It was incorporated in the Philippines on July 3, 2008 as a rental company and started commercial operations on the same date. It is engaged in the business of renting all kinds of real and personal properties.

As of December 31, 2014, it had a paid-up capital of ₱27.5 million and total capital of ₱48.1 million. Its total assets and unaudited net income for the year ended December 31, 2014 were ₱253.5 million and ₱9.8 million, respectively.

On March 11, 2015, the Securities and Exchange Commission approved the change of name from Japan-PNB Equipment Rentals Corporation to PNB-IBJL Equipment Rentals Corporation.

Bulawan Mining Corporation, a wholly-owned subsidiary of the Bank, was incorporated in the Philippines on March 12, 1985. It is authorized to explore and develop land for mining claims and sell and dispose such mining claims.

PNB Management and Development Corporation, a wholly-owned subsidiary of the Bank, was incorporated in the Philippines on February 6, 1989 primarily to own, acquire, hold, purchase, receive, sell, lease, exchange, mortgage, dispose of, manage, develop, improve, subdivide, or otherwise deal in real estate property of any type and/or kind or an interest therein, as well as build, erect, construct, alter, maintain, or operate any subdivisions, buildings and/or improvements. It is also authorized to explore and develop land mining claims and to sell/dispose such mining claims.

PNB Savings Bank (formerly Allied Savings Bank), traces its roots from First Malayan Development Bank which ABC bought in 1986 to reinforce its presence in the countryside. In January 17, 1996, it was renamed First Allied Savings Bank following the grant of license to operate as a savings bank. It was in the

same year that the Monetary Board of the BSP granted a foreign currency deposit license to ASB. Another name change to Allied Savings Bank followed in 1998 to further establish its association with ABC.

Before the end of 2013, the business plan to transform Allied Savings Bank (ASB) into a strong consumer bank arm of PNB was put in place. The recommendation for the infusion of additional capital/equity of ₱10 billion in ASB was approved by both PNB and ASB Board of Directors last December 2013. On November 25, 2014, the SEC approved the increase in the authorized capital stock of ASB to ₱15 billion and the change of its name to PNB Savings Bank. The financial plan for the savings bank is for it to reach ₱40 billion in loans and ₱20 billion in deposits, and expand to 100 branches in the next 3 years.

In the first two months of 2014, PNB Savings Bank had fully implemented the purchase of ₱6 billion worth of consumer loan receivables from PNB in line with the overall conversion/transformation plan. This purchase increased PNB Savings Bank's earning assets and improved accrual income which is needed to temper the effect of the potential increase in operating expenses upon the transfer of the present consumer organization of PNB to the savings bank. Likewise, it helped support the planned expansion of its branches and network.

As of December 31, 2013, it had an authorized and paid-up capital of ₱500.0 million. As of December 31, 2013 and June 30, 2014, the total assets of PNB Savings Bank were ₱11.0 billion and ₱15.2 billion, respectively, while total capital was ₱1.0 billion for both periods. For the periods ended December 31, 2013 and June 30, 2014, its net income was ₱29.7 million and ₱29.5million, respectively.

Allied Leasing and Finance Corporation ("ALFC") became a majority-owned (57%) subsidiary of PNB by virtue of the merger between PNB and ABC in February 2013. It was incorporated on December 29, 1978. The company is authorized by the SEC to operate as a financing company in accordance with the provisions of Republic Act No. 5980, as amended by R.A. 8856, otherwise known as the Financing Company Act. It started operations on June 25, 1980. On October 16, 1996, the authorized capital was increased to ₱500 million divided into 5 million shares with ₱100.00 par value per share. As of December 31, 2014, ALFC's paid-up capital amounted to ₱152.50 million.

PNB Life Insurance Inc. (PNB Life), traces its roots to New York Life Insurance Philippines, Inc. (NYLIP), the Philippine subsidiary of US-based New York Life International, LLC. NYLIP commenced operations in the Philippines in August 2001. In May 2008, NYLIP changed its corporate name to PNB Life to reflect the change in ownership and in anticipation of the merger of ABC and PNB. This change in branding demonstrates the new owners' commitment to the Philippine life insurance market and its dynamism and growth prospects.

The merger of ABC and PNB further strengthened the bancassurance partnership with PNB Life which benefited from the resulting synergy and increased operational efficiency. This positive development set the stage for the introduction to the Bank clients competitive investment-linked insurance products designed to meet changing client needs for complete financial solutions.

To widen the reach of PNB Life to Filipino families in all regions of the country, PNB Life opened Regional Business Centers (RBCs) in San Fernando City, La Union to cover Northern Luzon; San Fernando City, Pampanga to serve Central Luzon; Naga City to serve Southern Luzon; Zamboanga City to serve Northern Mindanao; and Iloilo City to serve Western Visayas. These new RBCs improved market penetration in every region. Existing offices in Chinatown (Binondo), Cebu City and Davao City were refurbished and rebranded.

Ranked among the top 10 life insurance companies in the Philippines, PNB Life is a leading provider of variable life products, complemented by its full line of individual and group life protection offerings. All its products and services are designed to meet the lifetime financial planning, wealth accumulation, and protection needs of every Filipino. PNB Life is truly "Providing New Beginnings in Your Life" as it vigorously aims to be the dominant provider of financial security to Filipinos worldwide.

PNB Life today is a 100% Filipino owned and managed company with Dr. Lucio Tan as Chairman and Esther Tan as President and Vice-Chairman.

As of December 31, 2014, the total assets and total capital of PNB Life were ₱19.6 billion and ₱1.95 billion, respectively. For the 12-month period ended December 31, 2014, PNB Life's net income was ₱255.4 million.

Foreign Subsidiaries:

PNB International Investments Corporation (PNB IIC), formerly Century Bank Holding Corporation, a wholly-owned subsidiary of the Bank, is a U.S. non-bank holding company incorporated in California on December 21, 1979. It changed its name to PNB International Investment Corporation on December 1, 1999.

PNB IIC owns **PNB Remittance Centers, Inc. (PNB RCI)** which was incorporated in California on October 19, 1990. PNB RCI is a company engaged in the business of transmitting money to the Philippines. As of December 31, 2014, PNB RCI had 20 branches in 6 states. PNB RCI owns **PNB RCI Holding Company, Ltd.** which was incorporated in California on August 18, 1999 and **PNB Remittance Company, Nevada (PNB RCN)** which was incorporated in Nevada on June 12, 2009. PNB RCN is engaged in the business of transmitting money to the Philippines. PNB RCI Holding Company, Ltd. is the holding company for **PNB Remittance Company Canada (PNB RCC)**. PNB RCC is also a money transfer company incorporated in Canada on April 26, 2000. PNB RCC has 7 branches in Canada as of year-end 2014.

PNB RCI is regulated by the U.S. Internal Revenue Service and the Department of Financial Institutions of the State of California and other state regulators of financial institutions while PNBRCN is regulated by the Nevada Department of Business and Industry – Division of Financial Institutions. PNB RCC is regulated by the Office of the Superintendent of Financial Institutions of Canada and Financial Transactions and Reports Analysis Centre of Canada.

PNB IIC does not actively compete for business, being only a holding company. PNB RCI, PNB RCN and PNB RCC have numerous competitors, including local U.S. banks and Philippine bank affiliates doing business in North America, as well as other money transfer companies such as Western Union, Money Gram, Lucky Money and LBC.

PNB (Europe) Plc (PNBE) was originally set up as a PNB London Branch in 1976. In 1997, it was converted into PNB (Europe) Plc, as a wholly-owned subsidiary of the Bank incorporated in the United Kingdom with a full banking license. It is also authorized to provide cross-border services to 18 member states of the European Economic Area (EEA). In 2007, PNBE opened its branch in Paris, France, where it is engaged in remittance services. PNB Europe Plc is regulated by the Financial Conduct Authority and authorized and regulated by the Prudential Regulation Authority. PNBE Paris branch is governed by the Banque de France.

The major competitors of PNBE are Metro Remittance UK Ltd., Bank of the Philippine Islands (Europe) Plc, BDO, Peso Express (RCBC), Philrem, I-Remit, CBN and Money Gram. Competition in Paris consists of BPI (tie-up with Banque D'Épargne), Money Gram and RIA.

In April of 2014, PNBE was merged with Allied Bank Phils. (UK) Plc.

PNB Global Remittance & Financial Co. (HK) Limited (PNB Global), a wholly-owned subsidiary of the Bank, is registered with the Registrar of Companies in Hong Kong. On July 1, 2010, PNB Global took the remittance business of PNB Remittance Center, Ltd. with the former as the surviving entity. It now operates as a money lender and remittance company. As of December 31, 2013, PNB Global maintains six (6) offices in Hong Kong. Its remittance business is regulated by the Customs and Excise Department.

Effective August 2012, PNB Global launched its tie-up arrangement with Western Union, strengthening its cash pick-up services throughout the Philippines.

Allied Commercial Bank (ACB) became a majority-owned commercial bank subsidiary of PNB by virtue of the merger between PNB and ABC in February 2013.

ACB is the former Xiamen Commercial Bank, the name change having been effected in August 2001. It obtained its commercial banking license in July 1993 and opened for business in October 1993.

ACB maintains its head office in Xiamen, in Fujian Province, a southeastern commercial City of China. In 2003, ACB opened a branch in Chongqing, a southwestern industrial city in the province of Sichuan.

The commercial banking license granted to ACB allows it to offer full banking services in foreign currency to resident and non-resident foreign enterprises, non-resident natural persons including compatriots from Hong Kong, Macau and Taiwan. It also allows ACB to service foreign trade and loan requirements of enterprises owned by local residents.

Allied Banking Corporation (Hong Kong) Limited (ABCHKL), became a majority-owned (51%) commercial bank subsidiary of PNB by virtue of the merger between PNB and ABC in February 2013. ABCHKL, a private limited company incorporated in Hong Kong in 1978, is licensed as a restricted license bank under the Hong Kong Banking Ordinance. ABCHKL was ABC's first majority-owned overseas subsidiary. Due to the merger, PNB now owns 51% of ABCHKL. It provides a full range of commercial banking services predominantly in Hong Kong, which include lending and trade financing, documentary credits, participation in loans syndications and other risks, deposit taking, money market and foreign exchange operations, money exchange, investment and corporate services. ABCHKL's core revenues primarily comprise of interest income from its lending activities complemented with fees and commissions from other fee-based services. ABCHKL has a wholly owned subsidiary, ACR Nominees Limited, a private limited company incorporated in Hong Kong which provides management and corporate services to its customers. It also holds and operates one branch office in Tsimshatsui, Kowloon. In addition to its normal banking services, ABCHKL acts and is licensed as an insurance agent. Its main businesses are property mortgage loans, trade finance, deposits (not less than HK\$500,000), remittances, foreign exchange and secretarial and nominee services.

Item 2. Directors and Executive Officers

Please refer to pages 13 to 24 of the Information Statement.

Item 3. Audited Consolidated Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries (the Group), which comprise the Statements of Financial Position as of December 31, 2014 and 2013, and January 1, 2013 and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for each of the three (3) years in the period ended December 31, 2014 and a Summary of Significant Accounting Policies and other explanatory information, Notes to Financial Statements, Independent Auditors' Report and the Statement of Management's Responsibility are filed as part of this Management Report.

Item 4. Information on Independent Accountant, Changes in Accounting Principles and Other Related Matters

A. Audit and Other Related Fees

The following are the engagement fees billed and paid for each of the last two fiscal years for the professional services rendered by the Bank's external auditor, SyCip Gorres Velayo and Co.:

2014

Audit

- ₱12.802 million engagement fee for the audit of the Bank's Financial Statements as of December 31, 2014 (inclusive of out-of-pocket expenses (OPE) but excluding Value Added Tax (VAT).
- ₱6.350 million engagement fee for the review of the Bank's Financial Statements as of June 30, 2014 and engagement fee for the issuance of Comfort Letter related to the offering of PNB Long Term Negotiable Certificates of Time Deposit (LTNCD) in June 2014.

2013

Audit

- ₱5.992 million engagement fee for the audit of the Bank's Financial Statement as of December 31, 2013 (inclusive of out-of-pocket expenses [OPE] but excluding Value Added Tax [VAT]).

Other related fees

- ₱13.305 million engagement fee for the review of Financial Statements as of March 31, 2013 and June 30, 2013 and issuance of comfort letter relative to the issuance of ₱5.0 billion LTNCD in July 2013 and ₱5.0 billion LTNCD in October 2013.
- ₱6.160 million engagement fee for the review of Financial Statements as of March 31, 2013 and 2012 relative to the Purchase Price Allocation.
- ₱10.500 million engagement fee for the review of the Financial Statements and issuance of comfort letter relative to the Stock Rights Offering of PNB.
- ₱1.232 million engagement fee for the review of Financial Statements of the Trust Banking Group for the year 2013.

B. Tax Fees

There are no fees billed for the last two (2) years for tax accounting performed by the Bank's external auditor.

The approval of audit engagement fees is based on the Bank's existing Manual of Signing Authority.

C. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except the following new amendments and improvements to PFRS which became effective as of January 1, 2013. The cChanges in the accounting policies, which did not have any significant impact on the financial position or performance of the Bank and are as follows:

New and Revised Standards and Interpretations

- PFRS 11, *Joint Arrangements*
- PAS 27, *Separate Financial Statements* (as revised in 2011)
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

Improvements to PFRSs (2009-2011 cycle)

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

Standards that have been adopted and are deemed to have an impact on the financial statements or performance of the PNB and its subsidiaries (Group) are described below:

PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized

financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether or not they are set off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Group's financial position or performance. The additional disclosures required by the amendments are presented in Note 34 to the financial statements.

PFRS 10, Consolidated Financial Statements

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC) No. 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by PFRS 10 requires management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements in PAS 27. Refer to Note 3 for the significant judgment made by management in identifying entities for consolidation.

Deconsolidation of Investment in SPV - Opal Portfolio Investments (SPV-AMC), Inc. (OPII)

Before the effectivity of PFRS 10, OPII is consolidated by PNB based on the provisions of SIC 12. Under SIC 12, control over an SPE may exist even in cases where an entity owns little or none of the SPE's equity, such as when an entity retains majority of the residual risks related to the SPE in order to obtain benefits from its activities. Beginning January 1, 2013, the Group adopted PFRS 10 which supersedes SIC 12. PFRS 10 establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

Based on management's assessment, the Bank should no longer consolidate OPII since it failed to demonstrate control over OPII following the control model under PFRS 10.

PFRS 12, Disclosure of Interests with Other Entities

PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The Group has no significant interests in joint arrangements, associates and structured entities that require disclosures. Refer to Basis of Consolidation and Notes 3 and 11 for disclosures related to subsidiaries and associates.

PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value

measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Refer to Note 5 for the additional disclosures required by this standard.

PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments) The Group applied amendments to PAS 1 and changed the grouping of items presented in OCI as follows:

- Items that can be reclassified (or “recycled”) to profit or loss at a future point in time (for example, upon derecognition or settlement). These include ‘Accumulated Translation Adjustment’, ‘Net Unrealized Gain (Loss) on AFS Investments’ and ‘Equity in Net Unrealized Gain on AFS Investment of an Associate’.
- Items that will never be recycled to profit or loss. These include ‘Remeasurement (Losses) Gains on Retirement Plan’ and ‘Revaluation Increment on Land and Building’.

The amendments affect presentation only and have no impact on the Group’s financial position or performance.

PAS 19, Employee Benefits (Revised)

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

The adoption of PAS 19 (Revised) which required restrospective application, resulted in the restatement of previously reported retirement obligation/asset of the Group. The adjustment amounts were determined by the Group with the assistance of an external actuary. The Bank and certain subsidiaries had chosen to close under “Surplus” the net effect of all transition adjustments as at January 1, 2011 (the transition date) upon retrospective application of PAS 19 (revised). The Group will retain the remeasurements recognized in other comprehensive income and will not transfer these to other items in equity.

The effects of retrospective application of PAS 19 (Revised), PFRS 10 and reclassifications are discussed under Note 2 of the AFS.

D. Disagreements with Accountants

The Bank and its subsidiaries had no disagreement with its auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope procedure.

In compliance with SEC Rule 68, as amended, and BSP Circular No. 660, Series of 2009, there is no need at this time to change the audit partner for the Bank. Ms. Vicky B. Lee-Salas, SGV’s Leader for Market Group 5 and one of the more experienced audit partners in the banking industry, was the audit partner-in-charge for the year 2014.

Item 5. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Financial Condition

2014 vs. 2013

The Bank’s consolidated assets reached ₱625.4 billion as of December 31, 2014, higher by ₱7.3 billion compared to ₱618.1 billion total assets reported by the Bank as of December 31, 2013. Changes (more than 5%) in assets were registered in the following accounts:

- Interbank Loans Receivable was at ₱7.7 billion as of December 31, 2014, a decrease of ₱733.9 billion from ₱8.4 billion as of December 31, 2013, due mainly to the maturing interbank lending transactions to various banks.
- Available for Sale Investments went down to ₱63.0 billion as of December 31, 2014, ₱17.3 billion lower than the ₱80.3 billion level as of December 31, 2013 attributable mainly to the reclassification of ₱18.3 billion investment securities to Held to Maturity Investments, approximately two years after the sale of a significant amount of Held to Maturity Securities in October 2011. Held to Maturity Investments now stood at ₱23.0 billion.
- Loans and Receivables (L&R) expanded to ₱316.6 billion in December 2014, ₱42.3 billion or 15.4% higher as compared to its December 2013 level of ₱274.3 billion mainly due to loan releases implemented in the current year to various corporate borrowers.
- Financial Assets at Fair Value Through Profit or Loss at ₱17.4 billion grew by 48.7% or ₱5.7 billion from ₱11.7 billion last year, attributable mainly due to the purchases of various investment securities and increase in segregated fund assets.
- Due from Bangko Sentral ng Pilipinas decreased by ₱47.4 billion from ₱153.2 billion to ₱105.8 billion accounted for by Special Deposit Accounts which dropped by ₱51.5 billion, which funded various loan releases. Cash and Other Cash Items increased by ₱3.0 billion from ₱11.8 billion to ₱14.8 billion.
- Intangible assets decreased to ₱2.3 billion in view of the amortization of merger-related core deposits and customer relations intangibles.
- Other Assets and Deferred Tax Assets increased slightly higher by ₱1.9 billion from ₱3.4 billion to ₱5.3 billion and by ₱956.2 million from ₱253.9 million to ₱1.8 billion, respectively.

Consolidated liabilities decreased by ₱7.5 billion from ₱534.2 billion as of December 31, 2013 to ₱526.7 billion as of December 31, 2014. Major changes in liability accounts were as follows:

- Deposit Liabilities was lower by ₱14.8 billion from ₱462.4 billion to ₱447.6 billion. Demand deposits declined by ₱23.8 billion. ₱3.5 billion LTNCD was redeemed in October 2014. The decline in deposits was due to a shift of funds by depositors to the stock rights offer of the Bank in the 1st quarter of this year.
- Financial liabilities at Fair value through profit or loss was higher at ₱10.8 billion from last year's ₱8.1 billion attributed to the increase in segregated fund liabilities of PNB Life.
- Bills and Acceptances Payable increased by ₱5.9 billion from ₱13.2 billion to ₱19.1 billion accounted for by interbank borrowings under repurchase agreement with foreign banks.

Total equity accounts stood at ₱98.8 billion as of December 31, 2014, up by ₱14.9 billion from ₱83.9 billion as of December 31, 2013. The increase in capital accounts was accounted for by the following:

- ₱11.3 billion proceeds from the issuance of 162.9 million common shares in line with the stock rights offering in February 2014;
- ₱5.3 billion net income for the twelve months period ended December 31, 2014;
- ₱1.3 billion increase in net unrealized gain(loss) on AFS;
- ₱0.5 billion decrease in surplus account due to adjustment in revaluation increment in 2013; and
- Offset by the ₱2.2 billion decrease in revaluation increment on land and building and ₱0.3 billion decline in translation adjustments

2013 vs. 2012

- As of end of the first year of PNB-ABC merger, the Bank's consolidated assets expanded to ₱618.1 billion as of December 31, 2013, ₱287.9 billion or 87.2% higher compared to ₱330.2 billion of PNB alone as of December 31, 2012. The increase is inclusive of some ₱198.2 billion assets of ABC at fair values as of February 9, 2013, the effective date of the merger.

Changes (more than 5%) in assets were registered in the following accounts:

- Cash, Due from BSP and Due from Banks totaled ₱179.9 billion, 284.4% or ₱133.1 billion higher compared to the December 31, 2012 level of ₱46.8 billion. The increase came from Deposits with the BSP which grew by ₱116.0 billion while the increases in Cash and Other Cash Items and Due from Banks accounts of ₱6.2 billion and ₱10.8 billion, respectively, pertain mainly to ABC accounts which were brought in to the Bank.
- Interbank Loans Receivable was at ₱8.4 billion as of December 31, 2013 or a decrease of 27.0% compared to the December 31, 2012 level of ₱11.5 billion, due mainly to interbank lending transactions with various banks in December 2012.
- Securities Held Under Agreements to Resell as of December 31, 2012 of ₱18.3 billion represents lending transactions of the Bank with the BSP.
- Financial Assets at Fair Value Through Profit (FVPL) or Loss at ₱11.7 billion grew by ₱7.7 billion from ₱4.0 billion, accounted for by the ₱7.1 billion Segregated Fund Assets designated as financial asset at FVPL. This account refers to the considerations from unit-linked insurance contracts received by PNB Life in designated funds. Segregated fund assets and the corresponding segregated fund liabilities are designated as financial assets and liabilities at FVPL and are evaluated at fair value basis in accordance with a documented risk management or investment strategy.
- Available for Sale Investments went up to ₱80.3 billion as of December 31, 2013, ₱13.3 billion or 19.9% higher than the ₱67.0 billion level as of December 31, 2012 considering net acquisition of various securities as well as AFS securities holdings from ABC.
- Loans and Receivables now stood at ₱274.3 billion, from ₱144.2 billion as of December 31, 2012, attributable mainly to the ₱92.3 billion total loans brought in by ABC to the merged Bank, of which more than 80% are corporate accounts. New loan releases to various corporate borrowers also contributed to the increase in Loans and Receivables.
- Investment Properties was at ₱21.5 billion, up by ₱6.0 billion from the ₱15.5 billion reported as of December 31, 2012. This came from the ₱5.7 billion ROPA accounts of ABC.
- Property and Equipment (PPE) amounted to ₱22.6 billion as of December 31, 2013, an increase of ₱6.1 billion from the December 31, 2012 level of ₱16.5 billion on account of the merged PPE accounts of former ABC.
- Investment in Associate had a zero balance as of December 31, 2013 compared to the ₱2.4 billion as of December 31, 2012, primarily due to the increase in ownership of PNB in ACB from 39% to 90% after the merger. Since ACB is now a subsidiary, the investment of PNB in ACB is now consolidated line-by-line in the financial statements. Moreover, the ₱5.0 million remaining investment in an associate as of December 31, 2013 was included under Other Assets.
- The ₱13.4 billion Goodwill as of December 31, 2013 represents the difference between the fair value of the identified ABC net assets and liabilities at the time of the merger and the market value of the 423.962 million PNB shares issued in line with the merger.
- Of the ₱2.4 billion Intangible Assets, ₱2.0 billion represents customer relationship and core deposits acquired by the Bank through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets

reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Bank.

- Other Assets and Deferred Tax Assets amounted to ₱3.4 billion and ₱0.3 billion as of December 31, 2013 compared to ₱1.8 billion and ₱1.8 billion as of December 31, 2012, respectively, with the increase mainly coming from the other asset accounts of the former ABC.
- The total consolidated liabilities of the Bank increased by ₱242.5 billion, from ₱291.7 billion as of December 31, 2012 to ₱534.2 billion as of December 31, 2013. Major changes in liability accounts were as follows:
 - Deposit Liabilities, representing 87% of total liabilities of the Bank stood at ₱462.4 billion, growing by ₱221.5 billion compared to the December 2012 level of ₱240.9 billion, attributed to ABC deposit balances. Demand, Savings and Time Deposits increased by ₱97.2 billion, ₱92.7 billion and ₱31.6 billion, respectively.
 - Financial Liabilities at FVPL increased by ₱1.6 billion to ₱8.1 billion as of December 31, 2013, from ₱6.5 billion as of December 31, 2012. The increase was primarily due to the ₱7.3 billion segregated fund liabilities from ABC subsidiary PNB Life partly offset by the redemption of the ₱6.0 billion subordinated notes issued on June 19, 2009. The subordinated note and segregated fund liabilities are part of a group of financial instruments that are managed on a fair value basis, in accordance with the Bank's documented risk management and investment strategy.
 - Accrued Expenses Payable and Other Liabilities also increased from ₱3.9 billion and ₱17.3 billion to ₱5.5 billion and ₱35.0 billion, respectively, as of December 31, 2013. Increase in Other Liabilities of ₱17.7 billion came mainly from the other liabilities of ABC.
- The consolidated equity now stands at ₱83.9 billion as of December 31, 2013, an increase by ₱45.4 billion from ₱38.5 billion as of December 31, 2012. The increase in capital accounts was accounted for by the following:
 - ₱41.4 billion market value of 423,962,500 PNB common shares issued in line with the PNB-ABC merger
 - ₱5.2 billion net income for the year ended December 31, 2013
 - ₱1.3 billion increase in the accumulated translation adjustment account.
 - ₱3.0 billion increase in non-controlling interest

and partly offset by:

- ₱4.6 billion mark-to-market loss on AFS
- ₱0.5 billion additional actuarial losses taken up in compliance with PAS 19.
- ₱0.3 billion revaluation loss on Land and Building.

2012 vs. 2011

- The Bank's consolidated assets expanded to ₱330.2 billion as of December 31, 2012, ₱18.6 billion or 6.0% higher compared to ₱311.6 billion as of December 31, 2011. Significant changes (more than 5%) in assets were registered in the following accounts:
 - Loans and Receivables grew by 14.8% or ₱18.1 billion, from ₱125.6 billion to ₱144.2 billion, attributable mainly to new loan releases during the period.
 - Available for Sale Investments increased by ₱14.7 billion, from ₱52.3 billion to ₱67.0 billion, attributed mainly to purchases of government securities.
 - Investment Properties decreased from ₱18.5 billion to ₱15.5 billion, primarily due to sale of foreclosed properties and provision for loss on a certain property which was destroyed by fire.
 - Due from Other Banks decreased by ₱2.4 billion, from ₱6.4 billion to ₱4.0 billion.

- Financial Assets at Fair Value Through Profit or Loss was lower by ₱2.9 billion, from ₱6.9 billion to ₱4.0 billion, attributed mainly to the sale of various investment securities.
- Interbank Loans Receivable decreased by ₱5.6 billion, from ₱17.1 billion to ₱11.5 billion, in view of lower interbank lending.
- Other Assets declined by ₱0.5 billion, from ₱1.6 billion to ₱2.1 billion
- The consolidated liabilities increased by ₱14.0 billion, from ₱277.7 billion as of December 31, 2011 to ₱291.7 billion as of December 31, 2012. Major changes in liability accounts were as follows:
 - Deposit Liabilities increased by ₱3.3 billion, from ₱237.5 billion to ₱240.8 billion, attributed mainly to the ₱8.1 billion increase in savings deposits partly offset by the ₱1.7 billion and ₱3.1 billion reductions in demand and time deposits.
 - Bills and Acceptances Payable increased by ₱4.6 billion, from ₱8.5 billion to ₱13.1 billion, mainly accounted for by BSP rediscounting and various borrowings from other banks.
 - Subordinated Debt increased by ₱3.5 billion, from ₱6.4 billion to ₱9.9 billion. On May 9, 2012, the Bank issued ₱3.5 billion of Unsecured Subordinated Notes to finance asset growth and strengthen the Bank's capital base.
 - Other liabilities increased by ₱2.6 billion, from ₱14.7 billion to ₱17.3 billion, mainly due to the accrual of provision for loss on certain court cases, additional insurance liability of the Bank's subsidiary, PNB General Insurers Co., Inc., and increment in accounts payable on certain collection arrangements.
- The consolidated equity stood at ₱38.5 billion as of December 31, 2012, up by ₱4.7 billion from ₱33.8 billion as of December 31, 2011. The increase in capital accounts was accounted for mainly by the ₱4.7 billion net income for the year ended December 31, 2012. As mentioned in item 1 above, Surplus as of December 31, 2012 and December 31, 2011 are already net of SPV losses previously being deferred in accordance with the SPV Law.

Results of Operations

2014 vs. 2013

- The Bank's net income reached ₱5.4 billion for the twelve months ended December 31, 2014, slightly similar with the net income reported for the same period last year.
- Net interest income for the current year was reported at ₱17.1 billion, up by ₱3.4 billion compared to ₱13.7 billion in 2013 as interest income posted an increase of ₱2.1 billion at ₱20.7 billion vs ₱18.5 billion and interest expense which amounted to ₱4.7 billion last year dropped by ₱1.1 billion to ₱3.6 billion.

The improvement in interest income was primarily accounted for by interest on loans and receivables which increased by ₱2.0 billion, driven by the growth in Average Daily Balance (ADB) of current loans. Interest on deposits with banks likewise posted an increase of ₱0.3 billion as ADB of special deposit accounts grew during the current period. Interest income on trading and investment securities recorded a reduction of ₱0.2 billion due to decline in ADB.

The lower interest expense was attributable to the decrease in the average cost rates of deposits. Furthermore, interest on borrowings decreased as a result of the redemption of unsecured subordinated debts totaling ₱10.5 billion in 2013 (₱4.5 billion, 7.13% redeemed in March 2013 and ₱6.0 billion, 8.5% redeemed in June 2013).

- Fee-based and other income decreased by ₱0.5 billion to ₱7.9 billion from ₱8.4 billion for the same period last year. The decrease was attributed to lower gains from Trading and Investment Securities

which declined by ₱3.5 billion, partly offset by the ₱0.1 billion and ₱2.9 billion increases in Foreign Exchange Gains and Miscellaneous Income, respectively.

- Administrative and other operating expenses amounted to ₱20.8 billion for the year ended December 31, 2014, ₱2.6 billion more than last year's ₱18.2 billion. Increases were registered in Compensation and Fringe Benefits by ₱1.6 billion partly due to implementation of the 2014 Collective Bargaining Agreement effective July 2014, Taxes and Licenses by ₱0.1 billion. Provision for impairment and credit losses also increased by ₱1.3 billion to ₱2.2 billion from ₱0.8 billion last year. Partly offset by the decline in miscellaneous expenses by ₱0.4 billion.

Total Comprehensive Income for the twelve months period ended December 31, 2014 amounted to ₱3.5 billion, ₱1.3 billion higher compared to the ₱2.2 billion for the same period last year.

2013 vs. 2012

- For the year 2013, the net income of the Bank reached ₱5.2 billion, ₱0.5 billion higher than the ₱4.7 billion reported by PNB in 2012. The figure would have been much higher if not for the ₱865.5 million accrual on casualty losses (e.g., for typhoon Yolanda/Santi and for the Bohol earthquake) taken up in the later part of 2013.
- Net interest income amounted to ₱13.7 billion for the year ended December 31, 2013, almost double the ₱7.0 billion net interest income of PNB for the same period last year. Interest income was up by ₱7.1 billion, from ₱11.4 billion to ₱18.5 billion. Interest expense, however, was also higher, at ₱4.7 billion, or by ₱0.3 billion from ₱4.4 billion for the same period last year.
- Fee-based and other income is higher by ₱0.6 billion at ₱8.4 billion for the year ended December 31, 2013, from ₱7.8 billion for the same period last year. Increases were registered in Net Gain on Sale of exchange of Assets, Foreign Exchange Gains and Miscellaneous by ₱159 million, ₱62 million and ₱1.2 billion, respectively, while Trading and Investment Securities Gains declined by ₱746 million.
- Administrative and other operating expenses of the Bank amounted to a total of ₱18.2 billion in 2013, ₱7.2 billion more than last year's ₱11.0 billion. Increases were registered in Compensation and Fringe Benefits by ₱2.3 billion, Taxes and Licenses by ₱0.6 billion, Occupancy and Equipment-related Costs by ₱0.5 billion, Depreciation and Amortization by ₱0.8 billion and Other Miscellaneous Expenses by ₱2.9 billion, respectively.
- Provision for Income Tax was at ₱1.2 billion and ₱0.9 billion for the years ended December 31, 2013 and 2012, respectively, with the increase primarily due to higher taxable revenues during the current period.
- Total Comprehensive Income for the year ended December 31, 2013 amounted to ₱1.2 billion, ₱3.5 billion lower compared to the ₱4.7 billion total comprehensive income reported for the period ending December 31, 2012. The current year's comprehensive income came mainly from the net income totaling ₱5.2 billion and accumulated translation adjustments related to foreign operations which contributed ₱1.2 billion, reduced by the ₱4.42 billion decline in market value of Available-for-Sale securities and the ₱0.5 billion re-measurement losses on retirement plan taken up in the current year.

2012 vs. 2011

- The Bank posted a ₱4.7 billion consolidated net income for the year ended December 31, 2012, higher than the ₱4.6 billion net income for the same period last year.
- Net interest income stood at ₱7.0 billion in 2012, slightly lower by ₱0.2 billion compared to the net interest income for the same period last year. Interest income declined by ₱1.1 billion, from ₱12.5 billion to ₱11.4 billion. Interest expense decreased by ₱0.9 billion from ₱5.3 billion to ₱4.4 billion.
- Net service fees and commission income was slightly lower at ₱1.9 billion in 2012 compared to ₱2.1 billion reported for the same period the previous year.

- Fee-based and other income increased by ₱0.5 billion for the year ended December 31, 2012 to ₱7.8 billion, from ₱7.3 billion for the same period last year. The increase came from gains on Trading and Investment Securities which expanded by ₱1.8 billion from ₱3.6 billion to ₱5.4 billion, mainly attributed to gain on sale/redemption of Available-for-Sale securities.
- Administrative and other operating expenses was lower by ₱0.2 billion, from ₱11.2 billion to ₱11.0 billion.
- Provision for income tax was maintained at ₱0.9 billion and ₱0.8 billion for the years ended December 31, 2012 and 2011, respectively.

Key Performance Indicators

- Capital Adequacy

Capital Management

The primary objectives of the Bank's capital management are to ensure that it complies with externally imposed capital requirements and to maintain strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous periods.

The Bank and its individual regulatory operations have complied with all externally imposed capital requirements throughout the period.

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) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP.

The BSP approved the booking of additional appraisal increment of ₱431.8 million in 2002 on properties and recognition of the same in determining the capital adequacy ratio, and booking of translation adjustment of ₱1.6 billion in 2002 representing the increase in peso value of the investment in foreign subsidiaries for purposes of the quasi-reorganization and rehabilitation of the Bank, provided that the same shall be excluded for dividend purposes.

The regulatory qualifying capital of the Bank consists of Tier 1 (Core) and Tier 2 (Supplementary) capital. Core Tier 1 capital consists of paid-up common stock, additional paid in capital, retained earnings (including current year's profit) and cumulative foreign currency translation adjustments less required deductions such as unsecured credit accommodations to DOSRI and deferred income tax. For Tier 2 capital, upper tier 2 include appraisal increment reserves on bank premises and general loan loss provision while lower tier 2 includes the unsecured subordinated debt to the extent of 50% of Tier 1 capital.

Under BSP Circular No. 360, which took effect on July 1, 2003, the capital-to-risk assets ratio (CAR) is to be inclusive of a market risk charge. In August 2006, the BSP issued Circular No. 538 which contains the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations. Under the revised framework, capital requirements for operational risk, credit derivatives and securitization exposures are to be included in the calculation of the Bank's capital adequacy. The revised framework also prescribes a more granular mapping of external credit ratings to the capital requirements and recognizes more types of financial collateral and guarantees as credit risk mitigants. Changes in the credit risk weights of various assets, such as foreign currency denominated exposures to the Philippine National Government, non-performing exposures and ROPA, were also made. Exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit assessment institutions. Credit risk-weights range from 0.00% to 150.00%, depending on the type of exposure and/or credit assessment of the obligor. The new guidelines took effect last July 1, 2007.

The Bank's consolidated capital adequacy ratios for combined credit, market and operational risks computed based on BSP Circular No. 538 were 19.7%, 18.1% and 21.7% as of December 31, 2013, 2012 and 2011, respectively, improving and well above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as of December 31, 2013, 2012 and 2011 (amounts in billions):

Philippine National Bank
As of Dates Indicated
Amount in MM

	Consolidated			Solo		
	2014	2013	2012	2014	2013	2012
Tier 1 (core) Capital / CET1 under BASEL III	93,899.128	81,927.249	29,950.780	90,782.607	79,100.512	30,744.150
Common stock	49,965.587	43,448.337	26,489.837	49,965.587	43,448.337	26,489.837
Additional Paid In Capital	31,331.251	26,499.909	2,037.272	31,331.251	26,499.909	2,037.272
Retained Earnings	13,368.528	9,568.295	2,278.793	12,689.560	9,002.417	2,278.793
Other comprehensive income	(3,469.641)	-	-	(3,203.791)	-	-
Cumulative Foreign Currency Translation	-	(209.578)	(909.161)	-	149.849	(61.752)
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,703.403	2,620.286	54.039	-	-	-
Deductions from Tier 1 Capital / CET1 under BASEL III	22,391.624	19,715.452	3,442.213	45,931.470	19,385.053	3,345.648
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1.906	54.051	87.181	1.906	54.051	87.181
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	1,575.000	-	-	1,575.000	-	-
Deferred income tax	3,810.979	3,896.944	3,355.032	3,567.215	3,566.545	3,258.467
Goodwill	13,515.765	15,764.457	-	13,515.765	15,764.457	-
Other intangible assets	2,033.313	-	-	1,938.996	-	-
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	-	-	24,066.287	-	-
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	1,452.612	-	-	1,264.252	-	-
Other equity investments in non-financial allied undertakings and non-allied undertakings	1.933	-	-	1.933	-	-
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	0.116	-	-	0.116	-	-
Gross Tier 1 Capital / CET1 Capital under BASEL III	71,507.504	62,211.797	26,508.567	44,851.137	59,715.459	27,398.502
Additional Tier 1 Capital (AT1) under BASEL III	-	-	-	-	-	-
TOTAL TIER 1 CAPITAL	71,507.504	62,211.797	26,508.567	44,851.137	59,715.459	27,398.502
Upper Tier 2 Capital (BASEL II)	-	2,903.298	1,452.880	-	2,792.410	1,442.058
Appraisal Increment Reserve, Bank Premises auth. By MB	291.725	291.725	291.725	291.725	291.725	291.725
General loan loss provision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)	2,778.459	2,611.573	1,161.155	2,571.878	2,500.685	1,150.333
Lower Tier 2 Capital (limited to 50% of Tier 1 Capital) (BASEL II)	-	9,953.651	13,254.284	-	9,953.651	13,699.251
Unsecured Subordinated Debt	9,970.136	9,953.651	16,134.886	9,969.498	9,953.651	16,134.886
Total Tier 2 Capital	13,040.320	12,856.949	14,707.164	12,833.101	12,746.061	15,141.309
Deductions from Qualifying Capital (BASEL II)	-	623.123	3,122.668	-	14,735.834	9,472.213
Gross Tier 2 Capital (limited to 100% of Tier 1 Capital) under BASEL II / TOTAL TIER 2 CAPITAL Under BASEL III	13,040.320	12,856.949	14,707.164	12,833.101	12,746.061	15,141.309
TOTAL QUALIFYING CAPITAL	84,547.824	74,445.623	38,093.063	57,684.238	57,725.686	33,067.598
The risk-weighted assets of the Group and Parent Company as of December 31, 2014, 2013 and 2012 are as follows:						
Risk-weighted on:						
Balance sheet assets:	359,881.507	319,474.854	180,263.416	329,029.139	292,664.636	172,427.340
20%	3,948.319	3,365.582	3,346.152	3,845.662	2,438.801	3,316.012
50%	15,558.027	13,963.631	3,874.130	13,799.102	12,821.113	3,853.812
75%	14,282.083	15,492.672	3,509.684	13,705.209	15,028.768	3,509.684
100%	297,726.532	249,165.915	140,892.358	270,610.938	225,933.829	133,209.840
150%	28,366.547	37,487.054	28,641.092	27,068.228	36,442.125	28,537.992
Off-Balance sheet assets:	5,914.306	7,835.140	2,462.837	5,750.879	7,224.489	2,013.627
20%	64.024	34.381	74.208	64.024	34.381	74.208
50%	1,671.841	2,331.258	1,782.022	1,671.841	2,331.258	1,782.022
75%	442.532	519.572	-	442.532	519.572	-
100%	3,735.909	4,949.929	606.607	3,572.482	4,339.278	157.397
150%	-	-	-	-	-	-
Total Counterparty Risk-Weighted Assets in the Banking Book	1,497.381	599.806	673.881	1,497.381	599.806	673.881
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	275.678	9.914	198.574	254.248	-	198.574
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	-	-	-	-	-	-
Total Credit Risk Weighted Assets	367,568.872	327,919.714	183,598.708	336,531.647	300,488.931	175,313.422
Market Risk Weighted Assets	4,532.456	9,337.189	3,255.293	4,233.579	3,828.952	3,241.655
Operational Risk-Weighted Assets	38,234.751	40,938.779	23,385.190	34,261.055	36,178.156	20,306.580
Total Risk Weighted Assets	410,336.079	378,195.681	210,239.191	375,026.281	340,496.038	198,861.657
Capital Ratios						
CET1 Capital (BASEL III)	17.427%			11.959%		
Capital Conversion Buffer (BASEL III)	11.427%			5.959%		
Tier 1 capital ratio	17.427%	16.367%	11.866%	11.959%	15.374%	11.396%
Tier 2 capital ratio (not disclosed under BASEL III)		3.317%	6.253%		1.580%	5.232%
CAR	20.605%	19.684%	18.119%	15.381%	16.953%	16.628%

- Asset Quality

The Bank's non-performing loans (NPL) (gross of allowance) decreased to ₱9.9 billion as of 31 December 2014 compared to ₱10.7 billion as of 31 December 2013. NPL ratios based on BSP guidelines are now 0.92% (net of valuation reserves) and 3.42% (at gross), from 1.39% and 4.26%, respectively, in December 2013.

- Profitability

	Year Ended	
	12/31/14	12/31/13
Return on equity (ROE) ^{1/}	5.6%	8.5%
Return on assets(ROA) ^{2/}	0.9%	1.1%
Net interest margin(NIM) ^{3/}	3.2%	3.4%

^{1/} Annualized net income divided by average total equity for the period indicated

^{2/} Annualized net income divided by average total assets for the period indicated

^{3/} Annualized net interest income divided by average interest-earning assets for the period indicated.

ROE for the period ending 31 December 2014 is at 5.6%, or 33.9% lower compared to the ratios last year. The reduction was traced to higher average capital of the Bank in the previous year.

ROA is at 0.9%, or 22.1% lower compared to last year. The decline was traced to increased equity of the Bank in 2014 in view of the February stock rights offering.

The NIM ratio of the Bank for December 2014 is at 3.2% based on net interest margin of ₱17.0 billion and total average interest-earning assets of ₱534.9 billion, 0.2 percentage point lower compared to the 3.4% NIM ratio of the same period last year.

- Liquidity

The ratio of liquid assets to total assets as of 31 December 2014 was 34.0% compared to 44.0% as of 31 December 2013. Ratio of current assets to current liabilities was at 63.9% as of 31 December 2014 compared to 67.0% as of 31 December 2013. The Bank is in compliance with the regulatory required liquidity floor on government deposits and legal reserve requirements for deposit liabilities.

- Cost Efficiency

The ratio of total operating expenses (excluding provision) to total operating income resulted to 68.8% for the year ended December 2014 compared to 70.6% for the same period last year.

Known trends, demands, commitments, events and uncertainties

The Bank presently has more than adequate liquid assets to meet known funding requirements and there are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity.

Events that will trigger direct or contingent financial obligation

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements, including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such disclosures would prejudice the Bank's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Bank and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Material off-balance sheet transactions, arrangement or obligation

The following is a summary of various commitments and contingent liabilities of the Bank as of December 31, 2014 and 2013 at their equivalent peso contractual amounts:

	12/31/2014	12/31/2013
	(In Thousand Pesos)	
Trust department accounts	₱ 65,817,031	₱ 56,334,549
Deficiency claims receivable	21,292,747	11,722,138
Credit Card Lines	13,996,427	11,239,863
Inward bills for collection	676,610	660,197
Outstanding guarantees issued	32,732	1,481,927
Outward bills for collection	430,230	477,220
Unused commercial letters of credit	44,280	66,664
Other contingent accounts	326,693	504,525
Confirmed export letters of credit	490,015	82,513
Items held as collateral	51	64

Capital Expenditures

The Bank has committed on investing in the upgrade plan of its Systematics core banking system running on the IBM z-series mainframe, as well as on a new branch banking system. This is a top priority enterprise-wide project that will require major capital expenditures within the next three (3) years. For this project and other medium scale projects requiring information technology solutions, expected sources of funds will be the sale of acquired assets and funds generated from the Bank's operations.

Significant Elements of Income or Loss

Significant elements of net income of the Bank came from its continuing operations.

Seasonal Aspects

There was no seasonal aspect that had material effect on the Bank's financial condition or results of operations.

Item 6. Market Price, Holders and Dividends

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders

1. Market Price

All PNB common shares are listed and traded at the Philippine Stock Exchange, Inc. The high and low sales prices of PNB shares for each quarter for the last two (2) fiscal years and the first quarter of 2015 are:

	2013		2014		2015	
	High	Low	High	Low	High	Low
Jan – Mar	107.60	87.40	87.20	75.57	87.50	76.70
Apr – Jun	117.00	75.95	94.95	81.50		
Jul – Sep	91.00	65.00	91.50	85.95		
Oct - Dec	99.00	77.60	88.30	76.50		

The trading price of each PNB common share as of March 31, 2015 was ₱77.50.

2. Holders

The Bank has 30,137 shareholders as of February 28, 2015. Total foreign equity ownership is 105,909,676 common shares. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

No.	Stockholders	Common Shares ^{1/}	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Filipino)	111,355,458	8.9145721620
2	Key Landmark Investments, Limited	109,115,864	8.7358212437
3	PCD Nominee Corporation (Non-Filipino)	105,653,011	8.4580622056
4	Solar Holdings Corporation	67,148,224	5.3755576884
5	Caravan Holdings Corporation	67,148,224	5.3755576884
6	True Success Profits Limited	67,148,224	5.3755576884
7	Prima Equities & Investments Corporation	58,754,696	4.7036129774
8	Leadway Holdings, Incorporated	53,470,262	4.2805670928
9	Infinity Equities, Incorporated	50,361,168	4.0316682663
10	Pioneer Holdings Equities, Inc.	28,044,239	2.2450843163
11	Multiple Star Holdings Corporation	25,214,730	2.0185676946
12	Donfar Management Limited	25,173,588	2.0152740677
13	Uttermost Success, Limited	24,752,272	1.9815455738
14	Mavelstone International Limited	24,213,463	1.9384111662
15	Kenrock Holdings Corporation	21,301,405	1.7052860761
16	Fil-Care Holdings, Incorporated	20,836,937	1.6681030446
17	Fairlink Holdings Corporation	20,637,854	1.6521654354
18	Purple Crystal Holdings, Inc.	19,980,373	1.5995307292
19	Kentron Holdings & Equities Corporation	19,944,760	1.5966797270
20	Fragile Touch Investment, Limited	18,581,537	1.4875467754

^{1/} This includes the 423,962,500 common shares issued to the stockholders of ABC relative to the merger of PNB and ABC as approved by the SEC on January 17, 2013. The shares are the subject of the Registration Statement filed with the SEC last May 6, 2014 and for listing with the Philippine Stock Exchange.

3. Dividends

PNB is authorized under Philippine Law to declare dividends, subject to certain requirements. The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of restricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the Bangko Sentral ng Pilipinas (BSP) as provided under the Manual of Regulations for Banks (MORB) and subject to compliance with certain regulatory requirements as may be applicable to the Bank at the time of such declaration.

PNB has adopted the following dividend policy:

Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank..

As of date, the Bank has not declared any cash dividends for the fiscal years 2013 and 2014.

4. Computation of Public Ownership

As of December 31, 2014, PNB's public ownership level is 21.03% which is above the minimum percentage of ten percent (10%) for listed companies, in compliance with the public ownership requirement of the Philippine Stock Exchange (PSE).

B. Description of PNB's Securities

- As of February 28, 2015, PNB's authorized capital stock amounted to ₱70,000,000,040.00 divided into 1,750,000,001 common shares having a par value of ₱40.00 per share.
- The total number of common shares outstanding as of February 28, 2015 is 1,249,139,678. This includes the 423,962,500 common shares issued relative to the merger of PNB and ABC subject of the Registration Statement filed with SEC and for listing with the Philippine Stock Exchange.
- As of February 28, 2015, a total of 1,143,230,002 common shares (or 91.52139%) are held by Filipino-Private Stockholders while the remaining 105,909,676 common shares (or 8.47861%) are held by Foreign-Private Stockholders. PNB has a total of ₱ 49,965,587,120.00 outstanding capital.
- The Bank's stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bank's unissued capital stock or in support of an increase in capital (*Article Seven of PNB's Amended Articles of Incorporation*).
- At each meeting of the stockholders, every stockholder entitled to vote on a particular question involved shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors (Section 4.9 of PNB's Amended By-Laws).

Item 7. Discussion on Compliance with Leading Practices on Corporate Governance

Please refer to pages 28 to 31 of the Information Statement

Item 8. Undertaking

The Bank shall, on written request and without charge, provide stockholders a copy of the Annual Report on SEC Form 17-A. Such requests should be directed to the Office of the Corporate Secretary, Philippine National Bank, 9/F PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City, Metro Manila, Philippines.

The Bank likewise undertakes to provide without charge a copy of SEC Form 17-Q during the Annual Stockholders' Meeting.