

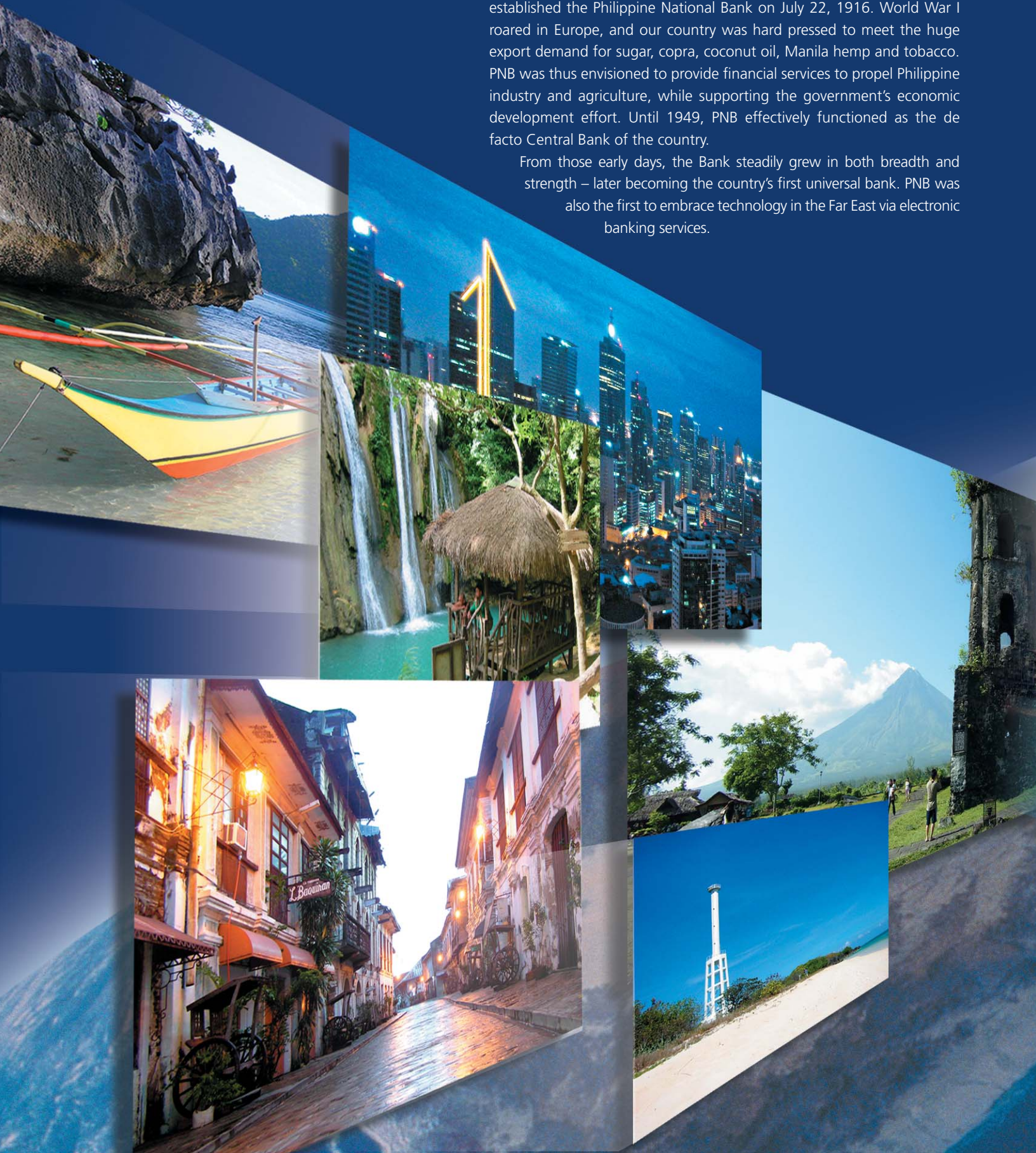
Making a Global Imprint



Making a Global Imprint

The world was a vastly different one when the Philippine Government established the Philippine National Bank on July 22, 1916. World War I roared in Europe, and our country was hard pressed to meet the huge export demand for sugar, copra, coconut oil, Manila hemp and tobacco. PNB was thus envisioned to provide financial services to propel Philippine industry and agriculture, while supporting the government's economic development effort. Until 1949, PNB effectively functioned as the de facto Central Bank of the country.

From those early days, the Bank steadily grew in both breadth and strength – later becoming the country's first universal bank. PNB was also the first to embrace technology in the Far East via electronic banking services.



Even through local and international difficulties, the Bank has remained steadfast and strong – offering an ever expanding portfolio of responsive services and products from the biggest foreign cities to the smallest far-flung towns in the country.

And with even gait and strategy, your Bank has gradually widened its overseas reach to serve the global Filipinos and their families in the Motherland. Never before has PNB touched more lives in more locations around the world.

Wherever the Filipino chooses to set his feet, the Philippine National Bank is ever there to enable him to continue realizing dreams and aspirations together with his family and loved ones at home.





● Table of Contents

Consolidated Financial Highlights	01
Report to the Shareholders	02
Operational Highlights	06
Corporate Social Responsibility	12
Financial Statements	15
Risk Management	74
Corporate Governance	75
Board of Directors	76
Board of Advisors	80
Senior Management	82
The Bank's Congenerics	88
Products and Services	89
Mission Vision	91
Core Values	91

Consolidated Financial Highlights

In Thousand Pesos, Except Per Share Amounts

December 31

Operating Results

	2005	2004 (As Restated)
Gross Earnings	17,529,476	15,907,187
Total Expenses	16,901,938	15,548,651
Net Income	627,538	358,536

Financial Condition

Total Resources	223,119,024	219,741,024
Loans and Receivables - net	79,730,962	-
Receivables from Customers - net	-	56,151,608
Deposit Liabilities	167,826,777	161,009,053
Capital Funds	22,910,801	25,573,638

Per Share

Earnings Per Share		
Basic	1.08	0.61
Diluted	1.08	0.61
Book Value Per Share		
With Revaluation Increment on Land and Buildings	39.97	44.61
Without Revaluation Increment on Land and Buildings	37.38	42.10

Report to the Shareholders

A third straight year of gains in 2005

We are happy to report that the Philippine National Bank achieved its financial and operational goals in 2005 – the third straight year it has done so – despite political and economic uncertainties confronting the country's business sector.

PNB's success owes much to the business model that management has adopted – an approach that gives priority to three main objectives: the reduction of the Bank's non-performing assets, the strengthening of its core business, and the improvement of its profitability.

Your Bank's 2005 results yielded positive results in all these three areas.

Improving asset profile

The Bank's asset quality improved significantly with a 38-percent reduction in non-performing loans (NPL) from P45.2 billion in 2003, to P27.9 billion by the end of 2005. Furthermore, NPL cover increased from 40 percent in 2003 to 61.3 percent in 2005. As a result, the NPL ratio was also brought down from 47 percent in 2003 to 28 percent by the end of 2005.

Meanwhile, Real and Other Properties Owned or Acquired Assets (ROPOA) were maintained at manageable levels through aggressive sales, despite additional foreclosures. As a result, the ratio of ROPOA to total assets declined steadily from 12.6 percent in 2003 to 12 percent in 2005.

Robust numbers

The Bank's strong performance was also evident in its growing deposit base, increasing from P134.6 billion in 2002 to P167.8 billion in 2005 – posting an annual average growth rate of 8.2 percent. Notwithstanding the increase in deposits, PNB's cost of funds were reduced considerably from 6.2 percent in 2001 to 2.9 percent in 2005 due to improved deposit mix as the Bank focused on generating more low-cost deposits.

Your Bank's efforts to improve asset quality and funding profile resulted in a three-fold rise in the Bank's net interest income from P1.9 billion in 2003 to P5.2 billion in 2005. Likewise, the proportion of the interest income to the Bank's total revenues continued to increase, reflecting a more stable source of revenue streams.

It is important to note that PNB's average annual growth in business revenue of 11 percent from P14.2 billion in 2003 to P17.5 billion in 2005 was not matched by a corresponding proportionate increase in operating expenses. Operating costs grew by an average of only 4.9 percent per annum from 2003 to 2005. Consequently, the Bank's cost-to-income ratio improved from 87 percent in 2003 to 75 percent as of year-end 2005.

As a result of these enhancements in revenue and control of costs, the Bank's net income soared from P52 million in 2003 to P628 million in 2005, reflecting an average annual growth of 266.4 percent during the period – far exceeding income targets set under the Bank's rehabilitation plan.

PNB was expected to show profits only in 2005, but your Bank swiftly climbed out of the red back in 2003. All told, we have overtaken the profitability expectations under the Bank's rehabilitation plan by three years.

And these significant gains were attained despite the setting up of aggregate valuation reserves and provisions of P3 billion from 2003 to 2005. Without these provisions, the Bank's accumulated net income in the last three years would have been higher at P4 billion. In 2005 alone, without the provisions of P1.7 billion, PNB should have made a net profit of around P2.3 billion.

Consequently, the Bank's Return on Equity and Return on Assets have been on the upswing since 2003, reflecting the increased profitability of your Bank. By end-2005, ROE and ROA stood at 2.59 and 0.28 percent, respectively.

A landmark year of privatization and NPL reduction

Last year was a milestone year for your Bank for two main reasons. Firstly, we saw the culmination of our privatization efforts in the joint sale of the 67 percent shares of the Government and the Lucio Tan Group in PNB as provided in the Memorandum of Agreement entered into by both parties in 2002.

Following a bidding held last August 12, the Lucio Tan Group exercised its right to match the share bid offered by a competitor, and purchased the shares owned by the Government.

As a result, the Lucio Tan Group now owns 77.4 percent of the Bank, with the Philippine Government retaining 12.5 percent



Florencia G. Tarriela
Chairman

Omar Byron T. Mier
President, CEO, & Vice Chairman

We seek opportunities to be innovative and creative to keep our company abreast with fast-changing technology and be able to deliver superior products and services to our clients.

stake. Thus, PNB is now a truly private bank that nonetheless remains to be a government depository until 2007.

Secondly, we successfully reduced the Bank's non-performing loans by P9.8 billion – selling P4.7 billion through a Special Purpose vehicle, and successfully restructuring and converting to performing status various accounts totaling P5.1 billion.

Additionally, the Bank disposed of 1,580 ROPOAs with a combined book value of P1.26 billion, earning us a gross profit margin of 23 percent. About 60 percent of the properties sold were ROPOAs in the Bank's possession for more than five years.

Strengthening products, services, and presence

We have also made great strides in the Bank's other areas of operation.

PNB's deposit products remained popular and enjoyed wide patronage in 2005. For instance, our Executive Checking Account posted an incremental average daily balance of P1.2 billion in just a year after its launch in September 2004.

On the other hand, the Budget Checking Account introduced in February had about 25,000 accounts by yearend 2005. This product won the Philippine Marketing Excellence Award as the country's Most Outstanding Checking Account.

In addition, we are pleased to inform you that your Bank was recognized for the third straight year in Reader's Digest consumer survey awards. An independent company, the prestigious Nielsen's Media Research, surveyed Filipinos both here and abroad who confirmed that PNB continues to be a trusted Philippine brand.

PNB's lending activities continued to improve in 2005, highlighted by double-digit growth rates in loans to specific target markets such as SMEs, government, and consumer finance.

With regard to the Bank's treasury operations, gains from trading and investment securities more than doubled from P418 million in 2004 to P940 million in 2005, as we expanded our domestic and foreign securities portfolio.

The Bank generated P202 million in gross revenues from its trust business, reflecting a 20-percent climb from last year's level due to the Bank's competitive edge in special government escrow transactions, trusteeship of bond flotation of local government units, and increase in Unit Trust Investment Funds.

We further strengthened our already extensive overseas presence by opening seven new offices in the US, Netherlands, Singapore, and Saudi Arabia. To date, PNB has more than 100 offices, the biggest among Philippine banks. We also obtained a license from the Financial Monetary Authority of Austria for the establishment of a remittance company there.

To beef up our far-reaching global distribution network, PNB forged additional remittance arrangements with institutions in regions with a large number of overseas workers.

In August, PNB's Hong Kong branch and Hong Kong Shanghai Banking Corporation (HSBC) signed a remittance partnership that allows Filipino HSBC account holders in Hong Kong to remit funds to the PNB accounts of their beneficiaries in the Philippines. The partnership is considered the first between two global financial institutions operating in Hong Kong.

In Singapore, we signed a remittance tie-up with Travelex Remittance that allows PNB Singapore Branch and its Jurong remittance office to accept remittances bound for Malaysia, Indonesia, and Thailand.

Here in the Philippines, we launched our Remittance Pay-Out Agents Service that enables beneficiaries to get their remittance proceeds from PNB pay-out agents such as rural banks. We entered into an agreement with One Network Bank, the country's largest rural bank, as our pay-out agent in Mindanao. With this arrangement, PNB is able to expand its rural reach through the more than 60 branches of One Network Bank.

In our continuing desire to provide our remitters with greater convenience and flexibility in managing their remittances, we recently launched three new products and services.

The PNB Global Filipino Money Card is a re-loadable, pre-paid ATM card which enables non-account holder's remittance beneficiaries to claim proceeds through Megalink, Bancnet, and Expressnet ATMs.

The Advise and Pay Anywhere service allows beneficiaries to receive remittance proceeds at any PNB domestic branch.

Lastly, our Remittance Bill Payment Service lets OFWs send payment for SSS, PhilHealth, real estate amortizations, and other payables.

Responsive to the evolving needs of the OFWs and their beneficiaries, the Bank also expanded its product offering to include lending facilities.

In March 2005, we launched the Pangarap Business Loan facility that provides start-up capital for small businesses to be

put up by Global Filipinos working in Hong Kong. As of end-2005, accounts had an aggregate loan grant of HK\$3.0 million.

Still the choice remitting agent

With all these initiatives and strong global network, the Bank sustained its leadership in remittance business despite fierce competition.

In 2005, OFWs remitted \$2.4 billion through PNB's overseas offices and subsidiaries, accounting for a hefty 22 percent of total remittances coursed through the banking system.

In recognition of our various efforts in the remittance business, PNB received an award at the Bangko Sentral ng Pilipinas Stakeholders Awards 2005 – named Commercial Bank of the Year for the Highest Reported OFW Remittances. While it affirms our industry leadership, the BSP accolade also testifies to the fact that we remain the bank of choice among Global Filipinos.

These awards have both validated our efforts, and encouraged us to surpass our achievements not only in the OFW remittance and retail banking business but in all aspects of commercial banking service.

Into a promising future

Even as PNB has made significant gains in its performance and asset profile, we expect to sustain this momentum with the following developments.

Dr. Lucio Tan, your Bank's majority stockholder, has decided that PNB should continue to be run by the same set of professional managers, with a few notable positive changes, that have further strengthened the PNB senior management team. Dr. Tan has also decided to basically keep the same set of directors.

With these policy decisions, there will be a continuation of the same corporate policies and corporate governance practices that have kept your Bank professionally managed, and were responsible for the successful turnaround of the Bank in the past three years.

Our focus in the near term will be to reduce significantly, through the use of the SPAV law, our non-performing loans and our ROPOAs to within industry levels.

With the reduction in non-performing assets, PNB can now focus on its core business: increasing further share of the remittance business, growing and expanding deposit base,

developing small and middle market corporate lending activities, enhancing the consumer lending portfolio, and increasing our treasury operations.

All of these will be achieved by taking advantage of our wide domestic and international distribution network. With this renewed focus on our core business, PNB should be able to generate the revenues and attain the levels of profitability commensurate to our size as among the top five private banks in the country. PNB should be able to attain by the year 2010 a return on stockholders equity of at least 16 to 18 percent, equal to that of its peers. By then, PNB's stockholders should benefit from the rise in stock prices that accompanies an ROE of 18 percent.

We have put in place the necessary foundations for the Bank's further growth and stability. PNB is primed to become a stronger bank to attain its vision to be one of the top three premier banks in the next five years. With the continued dedication and loyalty of the PNB officers and staff, and with the full support and trust of the PNB Board, our stockholders and the banking public, we are certain that this will be achieved.

To our shareholders and the banking public, our sincere appreciation for your continued trust and confidence.



Florencia G. Tarriela
Chairman



Omar Byron T. Mier
*President, CEO, &
Vice Chairman*

● Operational Highlights



Philippine National Bank



The Philippine National Bank continued to build upon the gains achieved through 2004's "Good-Bank" operation, which enabled the company to access additional funds, manage costs, and enhance service reach to customers.

Retail Banking

PNB current and savings account deposits grew by P4.9 billion or 7.5 percent from P65.4 billion in 2004 to P70.3 billion in 2005, with cost of funds improving by 2.5 percent from year-ago level to 2.42 percent in 2005 due mainly to enhancement in deposit mix from 51:49 CASA-High Cost ratio in 2004 to 54:46 at year-end 2005.

The sustained CASA generation has had significant impact on the Bank's cost of funds, which steadily declined from a high of 6.32 percent in 2001 to a low of 2.92 percent in 2005.

Your Bank displayed adroitness, responding to the changing demands of an ever-evolving market, and asserted its strength with the relocation of nine branches to more strategic locations, and the renovation of 17 others.

We also worked to improve access, reach and convenience for our customers by installing new automated teller machines in 26 new sites, while replacing old ones in 20 locations. Total number of ATMs grew by nine percent from 289 to 315, even as our cardholder base increased by 18.5 percent or 1.53 million. By about the same percentage rate, our ATM transactions grew by 8.91 million.

Innovation helped fuel retail banking growth in 2005. Our Budget Checking Account product, which made the conveniences of a checking account available to more people, was well received since its February launch. By year's end, close to 25,000 accounts had been opened.

Also in the forefront is our Executive Checking Account product, an interest-bearing deposit bundled with check-writing software that also monitors and reconciles payables. Executive Checking garnered a robust P1.2 billion average daily balance in 2005.

Focus on cash management initiatives also yielded improved returns for 2005. E-collect, PNB's collection and bills payment facility, saw an 80 percent increase in income, spurred by growth in the number of transactions by 16.8 percent and an expansion of accredited merchants by 18 establishments. Paywise, the

Philippine National Bank has always capitalized on its competitive advantage of an international presence second to none.

Bank's payroll facility, saw a similar increase in profitability, more than doubling its profit brought about by an increase in the YTD ADB of tagged accounts by 119.5 percent.

International Banking

PNB has always capitalized on its competitive advantage of an international presence second to none. But while the sector has been a traditional source of strength, the Bank in 2005 continued to pursue increased share and relevance in this market.

We provided continued product management and development support for remittance business products, while extending our reach to manning agencies and associations to strengthen the support to these remittance services.

Innovation gave birth to a number of cutting-edge products and services for our overseas Filipino and their loved ones at home.

In July 2005, your Bank launched in a big way, via an aggressive marketing campaign, the PNB Global Filipino Money Card, a re-loadable prepaid card that allows remittance beneficiaries to claim remittance proceeds through PNB SuperTeller ATM, MegaLink, BancNet, ExpressNet. This product affords even non-PNB depositors the benefits of instant remittance.

The Advise and Pay Anywhere Service lets beneficiaries receive their remittance proceeds at any PNB domestic branch.

The Remittance Bill Payment Service enables global Filipinos to send payment for house and lot amortization and for utilities like water, telephone and electricity.

These new products complemented existing ones such as the Pangarap Business Loan facility, which provides start-up

capital for small business to be put up by Filipinos working in Hong Kong. By the end of 2005, there were more than a hundred accounts with an aggregate loan grant of HK\$3.0 million. The Remittance Pay-out Agents Service allows beneficiaries to get their remittance through PNB pay-out agents such as rural banks. The Remittance Text Alert Service alerts remittance beneficiaries through SMS or text message when a remittance is sent to them from any PNB overseas office.

To better serve markets overseas, organization structures were amended in our RCI, Hong Kong, Singapore, Japan, and Spain offices, even as the Bank deployed operations and accounting officers in PNB Europe/London, the Netherlands, Singapore, Guam, and Saipan. We also updated our operating

guidelines for overseas branches in order to serve our valued overseas customers better.

To facilitate and encourage PNB preference in the market, we opened four new offices: two in the US; one in Rotterdam, the Netherlands; and one in Jurong, Singapore. PNB through its tie-up with Arab National Bank opened three additional desk offices in Saudi Arabia. Additionally, the Financial Monetary Authority of Austria has granted PNB a license to establish a remittance subsidiary in the country. All told, we have boosted our total overseas presence more than 100.

To continue taking PNB forward to a future of leadership, an integrated remittance system was put into place in 2005, linking the Bank's overseas offices.



To provide greater access and convenience to our clients, we forged new remittance tie-ups with HSBC in Hong Kong and Travelex Remittance in Singapore, while renegotiating and renewing tie-ups with Citibank-HK, 7-Eleven and Circle K convenience stores in Hong Kong.

Throughout our myriad of activities abroad, PNB was a steadfast, dependable friend to the global Filipino by contributing and participating in various overseas activities staged by Filipino organizations and other groups abroad.

Your Bank's status as choice remitting agent was highlighted with a victory at the Bangko Sentral ng Pilipinas Stakeholders Award 2005 as Commercial Bank of the Year for highest reported OFW remittances. Overseas remitters coursed a total of US\$2.36 billion through PNB overseas offices, its subsidiaries, and correspondent banks.

Corporate Banking

In 2005, this sector focused on top-tier corporations, national government agencies, local government units, and middle-market and small businesses to expand its loan portfolio.

Corollary to the effort, Corporate Banking improved performance of offices handling the documentation, implementation and booking of accounts.

These measures greatly factored in the growth of our loan portfolio, which reached P35.25 billion at the end of 2005, increasing by P11.32 billion from P22.74 billion in 2004. Past due loans decreased by P0.78 billion from year-ago levels, reaching P1.19 billion from P1.97 billion.

Meanwhile, we rationalized the implementation and processing of loan transactions through the transfer of Metro Manila corporate accounts and local government unit accounts to Head Office Loans Implementation and Servicing Division.

Consumer Finance

A year since your Bank's re-entry in the consumer finance market, we continue to be heartened by the market's patronage and response. Our cardholder base grew by 21 percent by year's end. Credit card receivables grew significantly to breach the P1 billion mark.

In consumer lending, total loan portfolio increased by 21 percent. The growth came from new business generated from

The Consumer Finance Sector is committed to further expand its growing business via corporate tie-ups and business synergies with the Retail Banking Sector.

consumer loan products, that is, Sure Home (housing loan), Sure Wheels (auto loans) and Sure Fund (salary loans). New loans booked increased in both number and amount.

To sustain business growth and keep up with competition, several initiatives were adopted, namely, a credit scoring system to facilitate pre-approvals, shortened turn-around processing time, streamlined approval process, and cross-selling/ bundling of consumer products. Likewise, the entry of the Bank into the Contract to Sell Financing (CTS) scheme with major real estate developers resulted in 26 percent growth in housing loan portfolio in 2005.

Additionally, the Bank completed the rollout of 18 regional loans and credit operations centers (RLCOs) – four in Metro Manila and 14 in the provinces – to provide backroom support for branches and business centers.

Going forward, the Consumer Finance Sector is committed to further expand its growing business via corporate tie-ups and business synergies with the Retail Banking Sector with major focus on global Filipinos.

Treasury

Your Bank's growth in this area came from trading operations. Both foreign exchange and fixed-income trading income grew substantially from previous year's performance.

Gains from trading and investment securities more than doubled to P940 million as we expanded our domestic and foreign securities portfolio.

PNB's renewed strength in Treasury and Marketing was also a result of the hiring of experienced officers to head the Foreign Exchanges and Derivatives and Treasury Marketing Divisions.

Trust Banking

Your Bank's Trust business revenue grew by 20 percent from P168.5 million in 2004 to P202.2 million in 2005. Total Trust Assets at the end of 2005 amounted to P14.94 billion consisting of P8.5 billion of Trust & Other Fiduciary Accounts, P3.27 billion of Investment Management Accounts and P3.13 billion of Common Trust Funds/Unit Investment Trust Funds.

This sector's robust growth in profitability and business volume is attributed to a number of factors. First, PNB was able to

assert its competitive edge relative to special government escrow transactions. Second was the trusteeship of bond flotations of local government units. Lastly, we experienced heartening growth in the Unit Investment Trust Funds (UITF) patronage.

In line with the objective of improving operational efficiency in the management and administration of various trust products, your Bank acquired in March 2005, the Total Accounting and Portfolio Management System (TAPS) from Sungard Asia Pacific, one of the global leaders in providing integrated software and processing solutions for trust business in the Region. The implementation activities of the project commenced in April.

TAPS is an integrated solution which is comprised of three key modules namely client registry, unit pricing and asset



management and an eReporting suite which provides flexible means to meet the reporting requirements of clients and management. The use of SunGard's TAPS solution will enable the Trust Banking Group to provide its customers with new and wider range of investment opportunities, including the new peso-and-dollar-denominated unit investment trust funds. With a total solution to support trust operations, your Bank will be able to remain competitive in the trust banking business and gain edge to become a leader in the industry.

Remedial Management

Your Bank continued to make inroads in the "Bad Bank" strategy, realizing significant improvements in past due level – decreasing by P11.64 billion or 34.7 percent from P33.57 billion in 2004 to P21.93 billion this year.

We structured other accounts totaling P6.11 billion and sold to SMV-APC amounting to P4.53 billion.

To fast-track and more efficiently resolve accounts recommended for remedial measures, PNB created a Non-Performing Asset Committee.

Asset Management

We furthered the efforts of last year's ROPOA portfolio management and liquidation of assets. PNB sold 1,580 items last year, including 944 ROPOA items which have been in the Bank's possession for over five years. We realized some P381.94 million in gross profit.

Forty-eight auctions were held with an aggregate implemented sale of over P560 million from a total book value of P380 million.

Other on-going projects include the redirection and rationalization of the Integrated Asset Management System to consider and incorporate user requirements not originally included in the system specifications that will allow for a comprehensive, centralized, integrated, and reliable data and processing management system. The automation of processes was also taken into account for better control, improved efficiency, and effective monitoring and follow-through.

In line with the development of the system, Project ROPOA Information was implemented to determine the status of each

Trust's robust growth in profitability and business volume is attributed to a number of factors.

property and collate all the necessary documents for bank-wide ROPOA comprising of over 14,700 properties with a book value of P28.6 million. Data retrieved from the branches were immediately converted to a unified database system.

Onward to the Future

As part of the Bank's sound corporate governance and commitment to further develop its personnel into a corps of competent and dedicated professionals, more than half of the Bank's manpower participated in in-house seminars. Also, more than a hundred officers and staff attended external seminars to upgrade and update competencies. Foremost among these seminars and training programs were the Anti-Money Laundering Act (AMLA) seminars, Service Mileage Seminars, Quality Service Management Seminars and Leadership Development. Complementing these efforts were organizational changes and manpower audits initiated and conducted by the Human Resource Group to support the Bank's current thrusts and directions on rightsizing.

Industrial peace and high employee morale were prevalent in the organization as the Bank implemented improved benefits and introduced a new performance appraisal system that links rewards and recognition to productivity.

● Corporate Social Responsibility



Throughout almost nine decades of history, the Philippine National Bank has been privileged to enjoy the support of an ever-widening base of customers and friends. Our success has been a function of the public trust we meticulously and patiently worked to earn.

Even in the direst of days, PNB has relied and counted on the support of its stakeholders, customers, and partners.

But our commitment to being a good corporate citizen is spurred not only by humble gratitude to the communities that have so warmly welcomed and helped us over the years. The organization recognizes the fact that to whom much is given, much is expected.

In 2005, PNB lived up to its cherished legacy of corporate social responsibility by actively pursuing high-impact programs to help the disadvantaged members of society.

Responding swiftly to national calamity

Toward the end of 2004, four successive typhoons devastated Southern and Eastern Luzon, killing thousands and displacing millions. This tragedy dampened the spirits of our nation reveling in the yuletide season, yet served to rekindle the innate compassion and selflessness in many.

The PNB organization, then in the thick of preparations for its annual Christmas party, reacted quickly. Senior management and the board of directors immediately decided to forego the merry-making and redirect, instead, the Christmas Party fund to the more urgent need of helping the victims.

President Gloria Macapagal-Arroyo herself received from PNB EVP Carmen Huang, advisor Jose Ngaw, and FVP Ana Belen Castro the Bank's P500,000 check donation coursed through the National Disaster Coordinating Council.

Aside from the management-level financial assistance, various other departments and branches across the organization chose to donate their respective Christmas party allowances to our affected countrymen. The Bank also tapped its network of 324 branches nationwide to solicit donations, even as overseas offices also pitched in.

A meaningful 89th

In celebration of the Bank's 89th year, PNB donated canned goods, previously-owned books, clothes, and toys to the wards

In 2005, PNB lived up to its cherished legacy of corporate social responsibility by actively pursuing high-impact programs to help the disadvantaged members of society.

of Pangarap Foundation, a non-government organization that serves as a temporary shelter for boys ages 10 to 17 who are either abandoned or who have run away from their homes.

Giving cheer to kids

The sales and service personnel of PNB GMA treated 55 wards of Haven for Children in Alabang to a Christmas celebration – with gifts of food, school supplies, art materials, old clothes, shoes, and toys.

Meanwhile, officers and staff of PNB's Batangas branch and business center organized a Christmas party for the wards of SOS Children's Village, Lipa City. A number of children, aged three to six years, came to the branch – accompanied by their surrogate mothers – where they were treated to a program complete with singing, dancing, games, and distribution of prizes.

Adopting kids for a day

PNB Chairman Flor Tarriela and President and CEO Omar Byron Mier led bank officials and employees in "adopting" 55 orphans and street children from Asilo de San Vicente de Paul and Our Lady of Sorrows Parish for one day in the 2005 staging of the Bank's Annual Adopt-A-Child-for-A-Day Project on December 14.

The Bank provided toys, food, and grooming kits for the young ones, and an afternoon program was highlighted by a magic show, games, and gift-giving from the foster parents.

Gifts of health and food

Led by Chairman Rey Jongco and Vice Chairman Rico Masagca, officers and staff of the PNB Multi-Purpose Cooperative delivered their advance Christmas gifts to the residents of Puroc Amor and Maligaya, Barangay Burgos, Moncada, Tarlac on December 4. Volunteer doctors and dentists gave check-ups and performed treatments on the residents – who are underserved by practitioners. Supporting the outreach was town Mayor Lita Aquino, also president of the Mayors League of the Philippines.

On the other hand, the PNB Catholic Charismatic Community brought gifts of rice and groceries on December 11 to an underprivileged community of 100 families in Bulihan, Silang, Cavite at its Pamaskong Handog sa Pamilya 2005.

Reaching out to the sick

Business managers and relationship officers of the GMA 5 branch conducted an outreach program on December 2 for the 88 sick children of the Missionary of Charity House of Joy in Tayuman, Tondo, Manila. The mission house is managed by the sisters of the Congregation of Mother Teresa of Calcutta.

Participants assisted in feeding the babies and physically-incapacitated children, after which they distributed toys. The GMA 5 people also gave away canned goods, rice, clothes, and an electric fan. Bank clients eagerly participated in the effort, donating cash and items.





Financial Statements ●

Statement of Management's Responsibility

Report of Independent Auditors

Statement of Condition

Statements of Income

Statements of Changes in Capital Funds

Statements of Cash Flows

Notes to Financial Statements

Risk Management

PNB has adopted the principle of “going beyond compliance” in its risk management process. Its underlying principle is not to constrict its risk-taking activities but to face risks with mitigating controls to meet its goals. As in the previous years, approval of the risk management process, framework, policies, risk appetite and infrastructure is vested in the Risk Management Committee (RMC), a board-level committee in charge of the oversight of risk. The Risk Management Group (RMG) supports the RMC in performing its task.

Credit Risk Management

The Bank has institutionalized its risk management process at various levels (i.e. portfolio, product and stand-alone) via the following initiatives:

- Focused remedial management and stringent credit risk management resulting in an improved NPL ratio. The Bank also provided sufficient reserves for delinquent loans.
- Stricter credit evaluation and approval process via strict adherence to the approved Risk Asset Acceptance Criteria (RAAC).
- Continuous training of account officers to strengthen credit screening ability.
- Continuing review of credit policies, systems, procedures and established internal and regulatory limits. Actual exposure against credit limits are monitored daily through the Central Liability System.
- Internal Credit Rating System for corporate accounts with asset size of more than P15 million and credit scoring for retail lending to gauge the quality of prospective and existing individual credit exposures. This system is an initial step toward model formulation to determine the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) of the Bank’s loan portfolio.
- Regular pro-active portfolio review primarily focused on credit risk concentration on large exposures, per industry, unsecured loans, geographical region, per product, per currency, DOSRI loans, LGUs, SBL, contingent exposure, etc.

Concentration risks with potential impact on capital are immediately brought to the attention of Management for appropriate action.

- Conduct of stress tests as the need arises to test the effect of economic downturns and market events on the Bank’s loan portfolio and Capital Adequacy Ratio (CAR). Risk-based CAR covering credit risks as of December 31, 2005 stood at 12.3% (solo) and 17.2% (consolidated).

Market Risk Management

With regard to market, balance sheet and liquidity risks, these are managed using a framework of risk management policies, control procedures and limits. The limits are reviewed annually by RMG and approved by the Bank’s Assets & Liabilities Committee (ALCO), the RMC and the Board of Directors. Following are the regular monitors:

- **Balance Sheet Risk** - the Bank assesses the impact of changes in interest rates over a one year period in the banking book using Earnings-At-Risk (EAR), which arrays assets and liabilities according to their repricing profile.
- **Liquidity Risk** - this is monitored and controlled primarily via a gap analysis of maturities of relevant assets and liabilities reflected in the MCO report, as well as an analysis of liquid assets. These measures provide an indication of the Bank’s ability to generate sufficient liquidity. Further, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.
- **Market Risk** - this is dimensioned and controlled in both the trading book and in the balance sheet. In the trading book, market risk is controlled by a daily analysis of the Value-At-Risk (VAR) of trading instruments under normal market conditions. The volatilities used for this regular analysis are those for a rolling one-year period, updated quarterly. The risk amounts computed are for a 99% confidence level.

The Bank also uses back testing to verify the results of the daily VAR calculation. Likewise, the Bank performs stress tests wherein the trading portfolios are valued under extreme market scenarios not covered by the confidence interval of the Bank’s VAR model. Stress tests determine the effects of potentially extreme market developments on the value of our market risk sensitive exposures.

Complementary to the use of the VAR approach to control maximum exposure, the Bank also employs dealer and loss control limits.

For regulatory purposes, the Bank uses the standardized approach in the computation of the risk-based CAR covering credit and market risks which stood at 11.50% (solo) and 15.80% (consolidated) as of December 31, 2005.

Operational Risk

The Bank adopted a thorough and comprehensive framework to improve operating efficiency - one that features an annual risk assessment process, review/update/test of the business continuity plan, product manual preparation and product implementation monitoring. Likewise, the Bank has started the establishment of a database of losses and findings of BSP and internal auditors as initial input in the determination of capital charge for operational risk in preparation for the implementation of Basel 2.

Corporate Governance

The Bank adheres to the principles of good governance as culled from leading best practices internationally and on a national level. It subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business, fair dealing with its clients, investors, staff, stockholders and its various publics, professionalism in managing the company and its subsidiaries, and respect for the laws and regulations of the countries where it conducts business. Internally, it follows a philosophy of rational checks and balances as well as a structured approach to its operating processes.

To this end, the Bank has promulgated a Revised Manual on Corporate Governance and appointed a senior officer to ensure compliance with the provisions of the Manual. The Directors, Advisors and Executive Officers of the Bank have taken a course on Corporate Governance to be able to understand and implement the principles thereof in a consistent and satisfactory manner.

Measures to fully comply with Corporate Governance

Under the Manual, compliance with the principles of good corporate governance principally starts with the Board of Directors. It is the Board's responsibility to foster the long-term success of the corporation and secure its sustained competitiveness in accordance with its fiduciary responsibility. In order to have a central focus for the Bank's activities, the Board has appropriately established the company's Mission and Vision Statements.

To have a structure for compliance, the Manual established and defined the responsibilities and functions of the Board and the various Committees necessary for good governance, i.e., the Corporate Governance Committee, the Audit and Compliance Committee, the Risk Management Committee and the roles of the External and Internal Auditors and the Corporate Secretary.

The Manual also established an evaluation system by which the Directors and the Executive Officers can rate the Bank periodically against certain leading practices and principles on good corporate governance. Last but not the least, the Manual made provisions for the protection of Investors' Rights including Minority Interests.

Evaluation System

The evaluation system which was provided to measure or determine the extent of compliance with the Manual of Corporate Governance consists of a Self-Assessment Questionnaire which is filled up by the various functional groups indicating the compliance rating of certain institutional units/processes/activities which include the Board of Directors, Management, Organizational and Procedural Controls, the Nomination Process, Independent Audit Mechanisms and Disclosure and Transparency among others. The evaluation process includes a self-assessment scorecard which is filled up by the Members of the Board. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the corporate governance mechanism to the SEC. The Manual provides for a set of graduated penalties for non-compliance with/violation of its provisions.

No material deviations

Because of the heightened sense of accountability among the staff and an enhanced culture of compliance within the whole bank, there have been no material deviations noted by the Compliance Officer.

Plans to improve Corporate Governance

The Manual was updated on March 5, 2004, January 28, 2005 and April 8, 2006. Apart from these, there are no other plans to change the Manual for the moment.

● Board of Directors



Florencia G. Tarriela
Chairman

- BS in Business Administration, major in Economics, University of the Philippines
- Masters in Economics, University of California at Los Angeles; topped the Masters Comprehensive Exams
- Chairman: Corporate Governance Committee, PNB Capital and Investment Corporation, and PNB Italy SpA
- Trustee, Finex Foundation
- Director: Tulay sa Pagunlad, Inc. (TSPI); Kilosbayan; Philippine Bible Society; Makati Garden Club; Summer Institute of Linguistics
- Former Vice President, Deputy Country Corporate Officer at Citibank NA
- Former Undersecretary, Department of Finance
- Columnist, Manila Bulletin
- Co-author, "Coincidence or Miracle?" and "Oops – Don't Throw Those Weeds Away"



Omar Byron T. Mier
Vice Chairman, President and CEO

- BS in Business Administration, major in Accounting and BA in Economics, University of the Philippines
- Masters in Economics, University of the Philippines
- Certified Public Accountant
- Chairman, Victorias Milling Co., Inc. and Japan-PNB Leasing and Finance Corporation
- Chairman and President, PNB Holdings Corporation
- Director: PNB International Investment Corporation; PNB Remittance Center, Inc.; PNB Remittance Center, Ltd.; PNB Europe Plc.; PNB General Insurers Company, Inc.; PNB Capital and Investment Corporation; PNB Forex, Inc.; PNB Securities, Inc. and Beneficial-PNB Life Insurance Company, Inc.
- Past Country Risk Manager/Senior Credit Officer, Citibank Malaysia
- Former Senior Credit Officer, World Corporate Banking Head, Risk Management Group Head, Citibank Manila
- 34 years in banking and finance



Virgilio R. Angelo
Director

- BS in Business Administration, major in Economics (magna cum laude), University of the East
- Masters in Business Administration course, Ateneo Graduate School of Business
- Chairman: Non-Performing Assets Committee and Trust Committee; PNB Forex, Inc.
- Director: PNB International Finance, Ltd.; PNB Remittance Center, Inc.; and PNB General Insurers Company, Inc.
- Vice Chairman, President, and Chief Executive Officer, Trade and Investment Development Corporation of the Philippines, also known as the Philippine Export-Import Credit Agency (PhilEXIM)
- Past President, CEO, and Director, Philippine Postal Savings Bank (PPSB)
- Former Administrator and Vice Chairman of the Board, Overseas Workers Welfare Administration (OWWA)
- Past General Manager and Vice Chairman of the Board of the Philippine Charity Sweepstakes Office (PCSO)



Domingo Tee Chua

Director

- BS in Chemical Engineering, Mapua Institute of Technology
- Chairman: PNB Securities, Inc.; PNB Remittance Center, Inc. (USA); Dynamic Holdings Ltd. (Hong Kong); and Air Philippines Corporation
- Director: PNB Corporation, Guam.; PNB General Insurers Company Inc.; PNB Investments, Ltd. PNB Remittance Center, Ltd.; and PNB (Europe) PLC
- President of Manufacturing Services, Allied Leasing & Finance Corporation and Lucky Travel Corporation
- General Manager, Himmel Industries, Inc.
- Director: Asia Brewery, Inc.; Maranao Hotel & Resort Corporation; Oceanic Bank (San Francisco, USA); Allied Commercial Bank (China); Allied Bank Corporation (Hong Kong), Ltd.; Allied Bankers Insurance Corporation; Foremost Farms, Inc.; Grandspan Development Corporation; Dominican Realty & Development Corporation and Eurotiles Industrial Corporation.

Feliciano L. Miranda Jr.

Director

- BS in Commerce, major in Accounting, Far Eastern University
- Finished all curricular requirements and comprehensive examinations for MA degree in Economics from Georgetown University in Washington, DC
- Past President and CEO of PNB
- Chairman, Allied Savings Bank
- Chairman: PNB International Finance, Ltd. and Bulawan Mining Corporation
- Director: PNB Capital & Investment Corporation; Japan-PNB Leasing & Finance Corporation; PNB Holdings Corporation; PNB Remittance Center, Ltd.; PNB Italy SpA; Beneficial-PNB Life Insurance Company; PNB RCI Holding Co., Ltd.; Sun Life of Canada-Bond Equity Fund and Sun Life of Canada-Money Market Fund
- Former deputy governor, Supervision and Examination Sector of the Bangko Sentral ng Pilipinas (BSP). Worked for the BSP for 41 years.
- Past consultant: Monetary Board, various domestic banks and local units of foreign banks namely: Asiatrust Bank; Bank of Commerce; Deutsche Bank; International Commercial Bank of China; ISLA Bank; Prudential Bank; Rizal Commercial Banking Corporation; State Investment Trust, Inc.; World Bank; and the Asian Development Bank
- Former director: Bank of Commerce, Sumigin Investment Co. and LBP Leasing Corporation.

Vincent S. Perez

Director

- Bachelor's degree in Business Economics, University of the Philippines
- Masters in Business Administration, Wharton Business School of the University of the Philippines
- Chairman: PNB Executive Committee and PNB International Investment Corporation; Chairman of Chikka Holdings, Kadluan Management Corporation, Malampaya Foundation, Merritt Partners, and Veritas Mobile Solutions and SM Investments Corporation.
- Director: PNB Capital and Investment Corporation, PNB Forex, Inc., PNB Remittance Center, Ltd., and Bulawan Mining Corporation.
- Experience in credit analysis, international banking, debt trading, investment banking, private equity investing and being cabinet minister. Seventeen years of experience of in debt restructuring, capital markets and private equity in emerging markets.
- Youngest and longest-serving Philippine Energy Secretary from June 2001 to March 2005
- Former Undersecretary for Industry and Investments at the Department of Trade and Industry
- Interned with Far East Bank, New Jersey National Bank and Citibank; worked in Mellon Bank in Pittsburgh, Lazard Brothers debt trading team in London, Lazard Freres & Co. in New York, Lazard Asia in Singapore

● Board of Directors



Eric O. Recto
Director

- BS in Industrial Engineering, University of the Philippines
- Masters in Business Administration, Cornell University, Johnson Graduate School of Management in Ithaca, New York
- Chairman: Risk Management Committee and PNB Europe PLC
- President: Philweb Corporation and ISM Communications Corporation
- President and CEO: Eastern Telecommunication Philippines, Inc.; Connectivity Unlimited Resource Enterprise, Inc.
- Director: PNB International Finance Ltd.; PNB Holdings Corporation; PNB Securities, Inc. and Bulawan Mining Corporation
- Past Undersecretary, Department of Finance, International Finance and for Privatization
- Former Senior Vice President and Chief Financial Officer of Alaska Milk and Belle Corporation

Washington Z. Sycip
Director

- BS in Commerce, University of Sto. Tomas
- Master of Science in Commerce, Columbia University
- Chairman: MacroAsia Corporation; Lufthansa Technik Philippines, Inc.; Cityland Development Corporation and STEAG State Power, Inc.
- Director: Manila Electric Company (Meralco); First Philippine Holdings Corp.; Highlands Prime, Inc.; Philippine American Life and General Insurance Company; Belle Corporation
- Founder, The SGV Group

Lucio C. Tan
Director

- BS in Chemical Engineering, Far Eastern University
- Doctor of Philosophy, major in Commerce, University of Sto. Tomas
- Founder and former chairman, Allied Bank
- Chairman and CEO of Philippine Airlines, Inc.; Asia Brewery, Inc.; Basic Holdings, Corp.; Himmel Industries, Inc.
- Chairman, Fortune Tobacco Corporation
- Chairman and President, Tanduay Distillers, Inc.
- Founder, Chairman, and President: Tan Yan Kee Foundation, Inc.
- Chairman Emeritus: Federation of Filipino-Chinese Chamber of Commerce and Industry, Inc.
- President: San Lorenzo Ruiz Mission Foundation, Inc; founder and Vice Chairman of Foundation for Upgrading the Standard of Education, Inc.
- Awarded here and abroad for Outstanding Achievements and Leadership
- Ambassador at Large, Guam, USA
- Conferred numerous honoris causa doctorate degrees
- Dr. Jose P. Rizal Awards for Excellence Lifetime Achievement Awardee
- Conferee: Diploma of Merit by the Socialist Republic of Vietnam, one of the highest honors conferred by the Vietnamese Government on foreign nationals
- Honorary Mayor and adopted son of Bacolod City



Ricardo M. Tan
Director

- BS in Economics (Money and Banking), University of San Francisco, California
- Master of Science in Economics (Money and Banking/ Central Banking in Developing Countries), London School of Economics and Political Science, University of London
- President, CEO, and Vice Chairman of the Board of Philippine Deposit Insurance Corporation
- Past Deputy Director, Programs Department (Region West) of Asian Development Bank
- Former Vice President, Trust Department and concurrently Vice President and Treasurer, Treasury Department and subsequently Vice President of the Credit, Loans and Discounts Department of Rizal Commercial Banking Corporation
- Past Central Bank Financial Attache at the Embassy of the Philippines in London.
- Former Presidential Staff Assistant, In-Charge of Office of Economic Affairs, Office of the President of the Philippines, Malacañang
- Senior economist, Economic Research Department, Central Bank of the Philippines

Macario U. Te
Director

- BS in Commerce, Far Eastern University
- Director: PNB General Insurers Company, Inc.; PNB Capital and Investment Corporation; Bulawan Mining Corporation; PNB Securities, Inc.; PNB Holdings Corporation; PNB Remittance Center, Ltd.; PNB Italy SpA and PNB International Finance Ltd.
- Chairman, MT Holdings
- Director: Beneficial-PNB Life and Insurance Co., Inc., Baguio Gold Holdings, Balabac Resources and Holdings, Nissan North EDSA and Oriental Petroleum and Minerals Corporation
- Former Director: Traders Royal Bank, Traders Hotel, Pacific Rim Oil Resources Corporation, Link World Construction Development Corporation, Suricon Resources Corporation, and Palawan Consolidated Mining Corporation
- Past Chairman, Autobus Industries Corporation, from 1984 to 1995

Renato J. Fernandez
Corporate Secretary

- BS in Literature and Bachelor of Laws, Ateneo de Manila University
- Member, Philippine Bar
- Assistant Corporate Secretary: PNB International Finance Ltd. PNB Remittance Center Ltd. and PNB Italy SpA
- Formerly connected with the Law Firm of Sen. Estanislao A. Fernandez and the Caparas, Ilagan and Masakayan Law Offices
- Past Country Personnel and Industrial Relations Manager of Firestone Tire and Rubber Co. of the Philippines
- Former Personnel Director, Citibank NA, Manila
- Past Vice President and Group Head of Human Resource Management (seconded), CityTrust Banking Corporation
- Internal Legal Counsel Citibank, NA, Manila
- Past Corporate Secretary and General Counsel: the Philippine Banking Corporation and Global Business Bank
- Past Director and President: Personnel Management Association of the Philippines, Society of Fellows in Personnel Management, Legal Management Council of the Philippines and the Association of Bank Lawyers of the Philippines

● Board of Advisors



Jose A. R. Melo
Chairman

- Bachelor of Laws, Manuel L. Quezon University
- Master of Laws, University of Sto. Tomas
- Member, Philippine Bar
- Director: PNB Remittance Center, Inc.
- Chairman: PNOG Exploration Corporation, Fontana Development Corporation, and Fontana Golf and Country Club
- Adviser to the Board, of PNB General Insurers Co., Inc.
- Past Associate Justice, Supreme Court former Associate Justice of the Court of Appeals
- Various positions in government

Santiago S. Cua Jr.
Advisor

- BS in Management Engineering, Ateneo de Manila University
- Chairman, PNB Remittance Center, Ltd.
- Director: PNB International Investment Corporation; PNB Corporation Guam; PNB Europe PLC; Philippine Racing Club, Inc.; Central Vegetable Oil Manufacturing Co., Inc.; and Trans-Visayan Marketing, Inc., Iloilo
- Corporate Secretary, International School Manila
- Worked in Germany, Philippines, and in Taiwan for European Asian Bank
- Worked in Hamburg for Deutsche Bank Asia AG
- Past Senior Executive Vice President, Westmont Bank
- More than 20 years in banking and finance

Jose Ngaw
Advisor

- BS in Commerce, major in Management (1st Honors-Gold Medalist), Letran College
- Bachelor of Laws, (dean's list), San Beda Law School
- Master in Business Administration (candidate), Ateneo Graduate School of Business
- Director: PNB Securities, Inc., PNB Remittance Company (Canada), Bacnotan Steel Industries, Inc.
- Assistant to the Chairman, Lucio Tan Group of Companies
- Board Advisor, Philippine Airlines, Inc.
- Board Member, University of the East, UERM, Air Philippines
- Board Secretary, Century Park Hotel
- Secretary General/Corporate Secretary, Federation of Filipino-Chinese Chamber of Commerce and Industry, Inc.



Alejandro R. Roces

Advisor

- Bachelor of Fine Arts, University of Arizona
- Master of Arts, Far Eastern University
- Doctorate in Literature, Toyo University, Japan
- Chairman Emeritus: College Assurance Plan Philippines, Inc.; CAP Pension; CAP College; CAP Health Maintenance, Inc.
- Chairman: St. Louis University, Baguio; St. Mary's University, Bayombong, Nueva Vizcaya and Colegio de San Agustin, Dasmariñas Village, Makati
- Former chairman, of the Movie and Television Review and Classification Board
- Proclaimed National Artist for Literature in 2003

Cielo M. Salgado

Advisor

- BS, major in Management, Assumption College
- Masters in Economics, Ateneo de Manila University
- Doctorate in Economics, University of Sto. Tomas
- Chairperson: PNB General Insurers Company, Inc. and PNB Remittance Company (Canada)
- Director, Allied Savings Bank
- Past Chairperson: National Service Corporation, PNB Investment Limited and PNB International Investment Corporation
- Elected as Pampanga Vice Governor for two terms
- Recipient of various awards from Technical Education & Skills Development Authority, Philippine National Red Cross, Soroptimists International, the Girl Scouts of the Philippines, and from Philippine Government
- 2004 Most Outstanding Kapampangan Awardee – Government Service Category

Senior Management Team



Anthony Q. Chua

*Executive Vice President and
Global Operations Head*

- BA and BS in Accounting (cum laude), De La Salle University
- Master in Business Administration and Ph.D. in Finance, Michigan State University
- Certified Public Accountant
- Past Project Consultant, SGV Manila
- Former Partner, Business Consulting Group and Risk Consulting Group, SGV Manila
- Past President, Philippine Bank of Communications
- Held various management positions in Citibank NA
- 25 years in banking and finance

Asterio L. Favis Jr.

*Executive Vice President and
Treasury Group Head*

- BS in Management Engineering (cum laude), Ateneo de Manila University
- Stockholder and Director; Favis Management and Development Corporation; Aspirations International, Inc. and Carnivorous Delights, Inc.
- Former Vice President for Foreign Exchange and Treasury, Philippine Commercial and International Bank
- Past Senior Vice President and Director Asian Bank Corporation and AB Capital and Investment Corporation
- Former President, Foreign Exchange Association of the Phils. (now ACI, Philippines) and Money Market Association of the Philippines (MART)
- 29 years in banking and finance

Carmen G. Huang

*Executive Vice President, Chief Financial Officer,
and Chief of Staff to the President*

- AB in Mathematics and BS in Commerce, major in Accounting (cum laude), St. Scholastica's College
- Completed academic requirements for MBA at Ateneo de Manila University
- Certified Public Accountant
- Past Senior Vice President and Chief of Staff to the President, Equitable PCI Bank
- Former Executive Vice President and Chief Financial Officer, Crown Equities
- Past Executive Vice President, UBIX Corporation
- Former Senior Vice President, Land Bank of the Philippines
- 31 years in banking and finance



Cris S. Cabalatungan

First Senior Vice President and Chief Audit Executive

- BS in Commerce, major in Accounting (cum laude), De La Salle College-Bacolod
- Certified Public Accountant
- Held various positions in Citibank/Citigroup, including a three-year posting in the Singapore Regional Office
- Past Vice President and Risk Management Division Head, Consumer Bank's Credit Cycle Group, Citibank
- Past Group Head and First Vice President, Internal Audit Group, Global Bank and Philippine Savings Bank
- 26 years in banking and finance

Renato A. Castillo

First Senior Vice President, Chief Credit Officer and Bank Remedial Management Head

- BS in Commerce, major in Accounting, De La Salle University
- Held various management positions at Bank of America including Vice President and Country Credit Officer
- Vice President and Country Credit Officer, JP Morgan Chase Bank
- Senior Vice President, Development Bank of the Philippines

Sylvia Chan-Lim

First Senior Vice President, Treasurer, and Budget and Corporate Disbursing Office Head

- BS in Biochemistry, University of Santo Tomas
- Director PNB Remittance Center, Inc.; PNB Forex, Inc.; and Baguio Gold Holdings SpA Corporation
- Former head of Treasury Group, Philippine National Bank
- Held executive positions in Allied Banking Corporation
- Former director, Allied Savings Bank and Allied Forex Corporation
- 29 years in banking and finance

Senior Management Team



Pacita P. Henson

First Senior Vice President on Global Marketing for Remittance & Overseas Lending and Card Marketing Sector Head

- BA, major in International Relations, (cum laude), Mount Holyoke College, South Hadley, Massachusetts
- Master in Business Administration, University of the Philippines
- Former, Country Marketing Director, American Express Bank Philippines
- Past Marketing Manager, Western Union Philippines
- AVP for Marketing, Citibank NA
- Worked with PCI Bank and Philippine Exporters Foundation



Cynthia V. Javier

First Senior Vice President and Information Technology Group Head

- BS in Mathematics, University of Sto. Tomas
- Past Vice President, Cash Management Division, Citibank, Latin America Regional Technology
- Former Vice President, Global Finance Technology, Citibank, Tokyo
- Past Vice President, Software Development Division, Bank of the Philippine Islands
- 32 years in banking and finance



Michael O. De Jesus

First Senior Vice President and Corporate Banking Sector Head

- BA in Economics, Union College, Schenectady, New York
- MBA, major in Finance, The Wharton School of the University of Pennsylvania
- Past FVP and head of Corporate Banking Group, United Coconut Planters Bank
- Director: UCPB Leasing and Finance Corporation and UCPB Savings Bank
- Held Senior Executive positions in credit and corporate banking at Citibank Manila, Citibank New York, Credit Lyonnais New York and The Dai-Ichi Kangyo Bank New York
- 24 years in banking and finance



Ramon L. Lim

First Senior Vice President and Head of International Banking and Overseas Remittance Sector for Asia and the Middle East

- BS in Commerce, major in Accounting (magna cum laude), University of San Carlos
- MBA graduate as full scholar, Asian Institute of Management
- Certified public accountant
- Former Business Manager and Trust Officer, Trust and Investment Group, Union Bank of the Philippines
- Former Bank Treasurer, Union Bank of the Philippines
- Held various senior management positions at Citibank Hong Kong, Taipei and New York
- 35 years in banking and finance



Isabelita T. Manalastas-Watanabe

First Senior Vice President and Sector Head of International Banking and Overseas Remittance for Europe

- BS in Business Economics, University of the Philippines
- Master in Economics, Tsukuba University Japan
- Executive Program for Leaders in Development, Harvard University
- Diploma in Japanese Language, Osaka University of Foreign Studies
- Former deputy director, Asean-Japan Center, Tokyo
- Past Finance Attache, Philippine Embassy in Tokyo
- International consultant, Southeast Asia Workers, Asian Development Bank
- Women of Distinction Awardee, awarded by Soroptimist International
- 18 years in banking and finance



Edgardo T. Nallas

First Senior Vice President and Human Resource Group Head

- AB in Economics (accelerated), De La Salle University
- Units in Master in Business Administration, De La Salle University
- Senior Vice President of Human Resources Group, Philippine Bank of Communications.
- Worked at Philippine Banking Corporation, Solidbank Corporation, BA Savings Bank
- Member, Personnel Management Association of the Philippines
- Member, Bankers Council for People Management (BCPM)
- Former Director and Vice President of BCPM; handled chairmanship of the various committees of the Council

● Senior Management Team



Ma. Elena S. Sarmiento

First Senior Vice President, Trust Officer, and Trust Banking Group Head

- BS in Commerce, major in Accounting (magna cum laude), College of the Holy Spirit
- Master in Business Administration (candidate), La Salle Business School
- Certified Public Accountant
- American Bankers Association Trust Course at National Trust School of Northwestern University, Illinois
- Most Outstanding Graduate, Trust Operations/ Investment Management Course, Philippine Trust Institute
- Senior positions held/past Trust Officer: United Coconut Planters Bank, All Asia Capital, Pryce Securities, Union Bank, Bancom Development Corporation
- Director/Treasurer, past President: Trust Officers Association of the Philippines, Board of Trustees/Vice President: Trust Institute Foundation of the Philippines

Christian Jerome O. Dobles

Senior Vice President and Asset Management Sector Head

- BS in Management Engineering, Ateneo de Manila University
- Master in Business Management, Asian Institute of Management
- Oversees activities of the Asset Management Sector, including Sales, Marketing, Leasing, Channel Management, Property Management, Legal Management, IAMS, Marketing Support, Corporate Finance and Strategic Planning and Credit Management and Support Services
- Former COO and CFO, JAD Group of Companies
- Past CFO: Cavell Group of Companies and Vintage Television
- Special projects officer, International Container Terminal Services, Inc.
- Financial/operational analyst, Dole Philippines-Stanfco
- General Manager, Sto. Niño Farms

Alvin C. Go

Senior Vice President and Chief Legal Counsel

- BA in Political Science, Immaculate Conception College
- Bachelor of Laws, Mizamis University
- Professional Managers Program, Ateneo de Manila University
- Member, Philippine Bar
- Former Associate Attorney: Salonga, Ordóñez, Yap, Corpuz, Padlan and Associates Law Offices
- Past Prosecution Attorney and State Prosecutor, Department of Justice
- Senior Partner: Go, Cojuangco, Mendoza, Ligon and Castro Law Offices; Go and Castro Law Offices
- Presidential Awardee, Misamis University, for Outstanding Achievement



Rafael Z. Sison, Jr.

*Senior Vice President, Retail Banking Sector Head
and Consumer Finance Sector Officer-in-Charge*

- BS in Business Administration, major in Management, Ateneo de Davao University
- Former First Vice President for Sales and Distribution, Chinatrust (Phils.) Commercial Bank Corporation
- Started his career in banking with Bank of the Philippine Islands
- Worked in Solidbank, United Overseas Bank, Rizal Commercial Banking Corporation, and Citytrust Banking Corporation

Rommel R. Garcia

*Sector Head, North American Region
including Hawaii*

- BS in Business Administration, major in Management, De La Salle College
- President and CEO: PNB Remittance Centers, Inc.; PNBRCI Holdings Company; PNB Remittance Company, Canada
- Past Vice President, Century Bank
- Former Senior Manager: PNB Hong Kong Branch and PNB International Finance Limited
- Assistant Bank Representative, PNB Jakarta

The Bank's Congenerics

JAPAN-PNB LEASING AND FINANCE CORPORATION

Japan-PNB Leasing and Finance Corporation is a joint venture between PNB and Japan's well-established financial institution, IBI Leasing Co. Ltd. Its major activities are financial leasing, secured direct lending and receivables discounting.

PNB CAPITAL AND INVESTMENT CORPORATION

The PNB Capital and Investment Corporation (PNB Capital) is the investment house subsidiary of PNB. PNB Capital provides investment banking services such as loan syndication, underwriting of equity/debt issues, and financial advisory services.

PNB CORPORATION, GUAM

The PNB Corporation, Guam (PCG) is a wholly-owned subsidiary incorporated in the Territory of Guam. Its principal office is located in Guam and its main business activity is foreign exchange remittance services. PCG has a branch in Saipan.

PNB (EUROPE) PLC

PNB (Europe) PLC is a wholly-owned subsidiary incorporated in the United Kingdom. It is engaged in full-service banking which includes, among others, deposit services, loans, fund transfers, FX trading and documentary credits. It has an extension office at Nottinghill Gate to primarily handle remittances.

PNB FOREX, INC.

PNB Forex, Inc. operates as a trading company engaged in the buying and selling of foreign currencies.

PNB HOLDINGS CORPORATION

PNB Holdings Corporation is the parent company of PNB General Insurers Co., Inc., a non-life insurance company that offers fire, marine, motor car, surety, casualty, engineering and accident insurance.

PNB INTERNATIONAL FINANCE, LTD.

The PNB International Finance, Ltd. (PNB IFL) is PNB's wholly-owned subsidiary in Hong Kong principally engaged in granting retail loans to Filipino overseas workers and professionals.

PNB INTERNATIONAL INVESTMENTS CORPORATION

PNB International Investments Corporation (PNB IIC) is a non-bank holding subsidiary of PNB and is the parent company of PNB Remittance Centers, Incorporated (PNB RCI). PNB RCI has a network of 40 money transfer offices in 11 states of the United States of America.

PNB RCI also owns PNBRCI Holding Company Ltd., established to be the holding company of PNB Remittance Company (Canada) [PNBRCC]. PNBRCC has nine offices serving the remittance requirements of Filipinos in Canada.

PNB ITALY SpA

PNB Italy SpA is a wholly-owned subsidiary incorporated in Italy. Presently, its principal business is to service the remittance requirements of overseas Filipino workers in Italy. It has offices in Rome, Milan and Florence. It owns PNB Netherlands B.V., a remittance company operating in the Netherlands.

PNB REMITTANCE CENTER, LTD.

The PNB Remittance Center, Ltd. (PNB RCL) is PNB's wholly-owned remittance subsidiary based in Hong Kong. It has nine branches providing money remittance service for overseas Filipino workers in Hong Kong. The company also services the remittance requirements of Indonesian overseas workers in Hong Kong through a remittance tie-up with Bank Mandiri.

PNB SECURITIES, INC.

The PNB Securities, Inc. (PNBSI) is the wholly-owned stock brokerage subsidiary of PNB that deals in the trading of shares of stocks listed at the stock exchange.

Products and Services

DEPOSITS AND RELATED SERVICES

Peso Accounts

- Regular Passbook Savings Account
- Superteller Savings Account
- First Access Savings Account
- PNB Prime Savings Account
- Regular Checking Account
- Budget Checking Account
- PNBig Check Account
- Priority One Checking Account
- eXecutive Checking Account
- COMBO Account
- Regular Time Deposit
- PNBig Savings Account
- Wealth Multiplier

Foreign Currency Accounts

- Dollar Accounts
 - U.S. Dollar Savings Account
 - Greencheck (Interest-bearing U.S. Dollar Checking Account)
 - Greenmarket (U.S. Dollar Time Deposit)
 - PNB \$ M.I.N.T. Account
- Euro Accounts
 - Euro Savings Account
 - Euro Time Deposit Account

Other Services

- Cash Mover (Deposit Pick-up Services)
- Paywise (Payroll Services)
- e-Collect (Collection System)
- PNB e-Tax Payment Facility
- Safety Deposit Boxes
- ATM Related Services
 - Debit Bills Payment Facility
 - PayLink (Point-of-Sale System)
 - International ATM Acquirer Service (PLUS)

BANCASSURANCE

Life Insurance

- PNB Pangarap Series Pangkabuhayan Package
- PNB Pangarap Series Education Package
- PNB Pangarap Series Dollar Max

Non-Life Insurance

- Auto Protector Plan
- House Protector Plan
- 6-in-1 Family Protector Plan
- House Protector Max

FUND TRANSFER SERVICES

Money Transfers (Foreign and Domestic)

Remittance via

- Rapid Remit
- Electronic Remittance Processing System (ERPS)
- Integrated Remittance System (IRS)
- Payroll Remittance Interface System (PRIS)
- PNB 3D (Door-to-Door Delivery) Remittance Service
- Check 3D Remittance Service
- Cash 3D Remittance Service
- Door-To-Bank (DTB) Remittance Service
- US\$ 3D Remittance Service
- Bills Payment Delivery Service
- PNB Global Filipino Money Card (GFMC)
- Remittance Bills Payment Service
- Advise & Pay Anywhere Service
 - Domestic Branches
 - Pay-out Agents
- Telegraphic/Telex Transfers
- S.W.I.F.T. Transfers
- Philippine Domestic Dollar Transfer System (PDDTS)
- Gross Settlement Real Time (GSRT)
- Real Time Gross Settlement (RTGS - Inward) - Peso
- End of Day Netting (PCHC) - Dollar
- End of Day Netting (EPCS) - Peso
- Demand Drafts (Local/Foreign)
- Cashier's/Manager's Checks

Travel Funds

- FX Currency Notes
- PNB Mabuhay Peso Travelers Cheque
- Other Foreign Travelers Cheque

Regular Collections (Foreign and Domestic)

Final Credit Service (Special U.S. Dollar Check Collection)

- PNB Direct Deposit Program
- PNB Mabuhay Peso Gift Cheque

TREASURY PRODUCTS AND SERVICES

Foreign Currency

- Foreign Exchange (Spot, Forward, Swap)
- Foreign Currency Money Market Transactions
- Bonds Dealership
 - Euro-Notes/Bonds
 - Brady Bonds
 - Convertible Bonds
 - R.P. Sovereign Bonds (ROP, BSP)
 - U.S. Treasury Bonds

Local Currency

- Money Market Transactions
- Securities Dealership
 - Government Securities
 - Treasury Bills
 - Fixed Rate Treasury Notes/Bonds
 - Dollar Linked Philippine Peso Notes
 - Retail Treasury Bonds
 - Zero-Coupon Bonds
 - Local Government Unit Bonds
- Commercial Papers

EXPORT / IMPORT SERVICES

Export Services

- Advising of Letters of Credit
- Confirmation of Letters of Credit
- Export Negotiation
 - Drawings under Letters of Credit, Documents against Payment (DP) and Documents against Acceptance (DA)
 - Payment of Exports under Prepayment and Open Account (OA) Arrangements

Import Services

- Issuance and negotiation of Letters of Credit (Foreign/Domestic)
- Issuance of Shipment Bonds
- Servicing of Importations under DA/OA and DP Arrangements
- Servicing of Collection of Final Customs Duties on No-Dollar / Self-Funded / Consignment Imports

Special Financing Services

- Issuance of Bank Guarantees in the form of Standby Letters of Credit which serve the purpose of:
 - Loan Repayment Guarantee
 - Advance Payment Bonds
 - Bid Bonds
 - Performance Bonds
 - Other Bonds
- Issuance of Standby Letters of Credit under PNB's "Own a Philippine Home Loan Program"
- Issuance and Servicing of Deferred Letters of Credit as mode of payment for:
 - Importation or Local Purchase of Capital Goods
 - Services Rendered (e.g., Construction Projects, etc.)

LENDING SERVICES

Commercial and Industrial Loans

- Credit Lines
 - Revolving Credit Line (RCL)
 - Non-revolving Credit Line
 - Omnibus Line
 - Peso/FX Convertible Credit Line
 - Contract to Sell Financing
 - Suppliers Credit Financing
- Export Financing Facilities
 - Export Advance Loan
 - Export Advance Line
 - Exporters' Express Financing
 - Small and Medium Exporters' Financing Program
- Bills Purchased Lines
 - Domestic Bills Purchased Line
 - Export Bills/Drafts Purchased Line
 - Discounting Line
- Import-Related Loans
 - LC Line
 - LC/TR Line
- Term Loans
 - Medium-and Long-Term Loan
 - Short-Term Loan
- Standby Letters of Credit
- Loans Against Deposit Hold Out
- Time Loans
 - Agricultural
 - Commercial
- Structured Trade Finance
 - Export Credit Agency Lines
 - US-EXIM Guarantee Program
- Specialized Lending Programs
 - DBP Wholesale Lending Facilities
 - LBP Wholesale Lending Facilities
 - SSS Wholesale Lending Facilities
- Sugar Financing Program
 - Agricultural Sugar Crop Loan (ASCL)
 - Sugar Mill Operation Loan
 - Sugar Quedan Financing
- Small Business Loans for SMEs
 - Short-Term Credit Line
 - Term Loan

Local Guarantee Facilities

- PhilEXIM Guarantee
- SB Corp. Guarantee Program

Loans to Local Government Units (LGUs)

- Term Loans
- Import LC Facility against Loan or Cash
- Standby Letters of Credit
- Loans Against Deposit Hold Out
- LGU Contractor Financing

LGU Bond Flotation (thru PNB Capital and Investment Corp.)

Loans to Government-Owned and Controlled Corporations/National Government Agencies

- Term Loans
- Credit Lines
- Export Financing Facilities
- Bills Purchased Lines
- Import Letters of Credit/Trust Receipts Line
- Standby Letters of Credit
- Structured Trade Finance
 - Export Credit Agency Lines
 - Guarantee Program

Consumer Loans

- Sure Fund (Salary Loan)
- Sure Wheels (Motor Vehicle Loan)
- Sure Home (Housing Loan)
- Contract to Sell Financing
- Own a Philippine Home
- Own an Overseas Home Loan
- Loans Against Deposit Hold Out
- Peso Loan vs. Peso/FX Deposits

Credit Card Services

- PNB VISA Card
- ASTRA Secured Kredit (ASK) Card

TRUST PRODUCTS AND SERVICES

Unit Investment Trust Funds (UITF)

- PNB Mabuhay Plus UITF
- PNB Mabuhay Prime UITF
- PNB Mabuhay Prestige UITF
- PNB Dollar Profit UITF
- PNB Dollar Punla UITF
- PNB Peso Punla UITF
- PNB PHISIX UITF

Personal Trust Services

- Estate Planning
- Living Trust Accounts
- Investment Management Accounts
- Insurance Trust
- Educational Trust
- Guardianship
- Custodianship

Corporate Trust Services

- Trusteeship
- Securitization
- Investment Portfolio Management
- Administration of Employee Benefit, Pension and Retirement Plans
- Trust Indenture

Global Custodial Services
Custodianship Services for Local Corporations

Agency

- Escrow
- Bond Registrar
- Collecting and Paying Agency
- Stock Transfer
- Receiving Bank

CONGENERICS

Banking

PNB (Europe) PLC

Foreign Exchange Trading

PNB Forex, Inc.

Holding Company

PNB Holdings Corporation
PNB International Investments Corporation
PNBRCI Holding Company, Ltd.

General Insurance

PNB General Insurers Co., Inc.

Investment Banking

PNB Capital and Investment Corporation

Leasing and Financing

Japan-PNB Leasing and Finance Corporation

Lending (Hong Kong)

PNB International Finance, Ltd.

Remittance

PNB Remittance Centers, Inc.
PNB Remittance Company (Canada)
PNB Remittance Center, Ltd. (Hong Kong)
PNB Italy SpA
PNB Netherlands B.V.
PNB Corporation, Guam

Stock Brokerage

PNB Securities, Inc.

Mission Statement

We are a leading, dynamic Filipino financial services group with a global presence committed to delivering a whole range of quality products and services that will create value and enrich the lives of our customers, employees, shareholders and the communities we serve.

Vision 2010 and Beyond

To be the most admired financial services organization in the country in terms of:

- **Financial Performance**—rank #1 or #2 in its businesses in terms of return on equity.
- **Innovativeness**—in products, services, distribution and the use of cutting-edge technology.
- **Customer Perception.**
 - √ The preferred financial-services provider.
 - √ Customer-centered organization with a passion for service excellence.
- **Social Responsibility**—the employer of choice, a good corporate citizen and partner in nation-building.
- **Long-term Vision**—developing competitive advantage on a sustained basis by anticipating changes in customer's preferences and in the manner of doing its business.

Core Values

Passion for Excellence

The commitment to consistently deliver the highest levels of performance-exceeding the expectations of our customers, employees, shareholders and the communities we serve.

Integrity

The commitment to uphold professional integrity as manifested by the following:

- Honesty
- Professionalism
- Loyalty
- Fairness
- Trustworthiness
- Business ethics
- Respect for the law

Customer-Centeredness

The commitment to satisfy customers' needs in the best manner consistently in every unit of the organization

Innovativeness

The commitment to introduce new products, services and processes to gain competitive advantage and create value for all stakeholders

Meritocracy

The commitment to do business strictly on the basis of merit

Teamwork

The commitment to work harmoniously and effectively towards a common goal

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