PNB

THE SHAPE OF THINGS TO COME

ANNUAL REPORT 2013

PNB

The Philippine National Bank is at the crossro
establish itself as a major industry player to its ag
excellence, the bank is geared towards answeri
expediency and targeted accuracy.

At PNB, we are pursuing a strategy inspired by
experience and achieved through creative pro
These give us a glimpse of a reenergized bank
shapes of things to come.

oads of change. From its successful merger to
gressive thrust in product innovation and service
ng the diverse banking needs of its clients with

y a rich banking legacy, borne out of vision and
ocesses and a genuine empathy for our clients.
and a promise of a greater PNB; these are the

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(In Thousand Pesos, Except Per Share Amounts)	December 31 2013	2012 (As Restated)
RESULTS OF OPERATIONS		
Gross Income	30,203,050	21,242,627
Total Expenses	24,980,989	16,524,236
Net Income	5,222,061	4,718,391
FINANCIAL CONDITION		
Total Assets	618,065,516	330,190,751
Loans and Receivables	274,276,083	144,230,665
Total Liabilities	534,167,888	291,698,506
Deposit Liabilities	462,365,448	240,854,377
Total Equity	83,897,628	38,492,245
PER SHARE [1/]		
Basic/Diluted Earnings Per Share	4.88	7.11
Book Value Per Share	74.41	56.30

[1/] *attributable to equity holders of the Parent Company*

WE STAY WITHIN REACH, NO MATTER WHERE YOU ARE IN THE WORLD.

PNB INTERNET BANKING

With PNB Internet Banking, we took advantage of the recent developments in technology and produced state-of-the-art product and service innovations to enhance your overall customer experience.

WE KEEP PERFECT PACE WITH YOU WHEN YOU'RE ON THE MOVE.

PNB P

We pro

with PN

WE WORK HARD TO GIVE YOU THE BEST ALL THE TIME.

PNB CUSTOMER CARE

We zealously invest in our relationship with YOU, our valued customers. With PNB Customer Care, all your queries and concerns will be effectively addressed by our dedicated team of highly-skilled customer care representatives.

WE HELP YOU REALIZE YOUR DREAMS FOR A BETTER FUTURE.

The previous year marked a pivotal chapter in the long and notable history of the Philippine National Bank. On February 9, 2013, PNB with 98 years of banking leadership, merged with an equally prestigious Allied Banking Corporation (ABC) to further enhance the longstanding formidability of your Bank. With this merger, the bigger, better and stronger PNB now offers an even more enhanced banking that features over 130 combined years of resources, a solid base of loyal stakeholders, a joint roster of competent and experienced professionals, and an unwavering reputation as a beacon of integrity, reliability and consumer trust.

Moving forward, your Bank fully assures you that with the transition of the merged Bank already ongoing, we are primed and fortified to tackle the challenges of a highly-competitive banking industry amidst global, domestic and even natural forces that drive countries, economies and businesses like ours to unexpected turns of growth or slowdown.

With the merger of two financial pillars providing a solid backdrop for success and a commitment to develop customer-centered solutions for a wider range of discerning clients, your PNB is poised to move forward in the Philippine banking industry to becoming a more dynamic, innovative and service-focused bank.

One of Asia's Rising Tigers

2013 was a year of sustained domestic growth with the Philippine economy posting a full year Gross Domestic Product (GDP) growth of 7.2%. The country's robust growth was largely driven by the strong performance of the services sector. The primary drivers were remittances from overseas Filipinos, developments in the business process outsourcing (BPO) industry, and the operational adjustments in the BSP's Special Deposit Account (SDA) facility. The Philippines, seen by many as a rising tiger of Asia, remains as one of the best performing economies in the Asian region at the end of 2013, second only to China, which grew by 7.7%. The National Economic Development Authority (NEDA) reported that this is a remarkable turnout because the economy grew better than the government target of 6.0% to 7.0% for 2013 despite the uncertainties and difficulties the government and private sectors faced after a series of natural disasters struck Central and Southern Philippines in the fourth quarter. Indeed, a stronger Philippine economy was able to withstand the negative effects of natural and man-made calamities such as the Bohol earthquake, the Zamboanga siege and Typhoon Yolanda of 2013.

Along with the country's economy was the financial sector which came stronger with a growth of 12.4% for the year. Economists say that the stable business environment, a manageable inflation rate of 3.0% – leaning towards the low end of the target range – and low interest rates, as well as aid from other countries for those affected by Typhoon Yolanda, have somehow induced an increase in financial activity across the country.

A Bullish Banking Industry

Meanwhile, the Philippine banking system also maintained a strong performance due to the country's solid macroeconomic fundamentals, a boost in customer confidence in the system, network expansion of banks and improved services. The banks' core balance sheets were marked by a steady growth in assets and deposit liability accounts. Asset quality continued to improve and solvency ratios remained in line with international standards.

The operating networks of the banks increased to 9,935 in the fourth quarter from 9,410 during the same period last year, due mainly to the increase in the branches/ agencies of both universal/commercial and thrift banks.

The banking system's total deposits as of end-December 2013 amounted to ₱6.1 trillion, a hefty 36.2% higher than the year-ago level of ₱4.4 trillion while demand deposits expanded y-o-y by 34.1% and time deposits increased by 44.2% from the level posted a year ago.

Likewise, outstanding loans of commercial banks, inclusive of Reverse Repurchase (RRP), expanded by 16.4% compared to year-ago level. Commercial banks' loans continued to grow steadily at double-digit growth rates in the last three years. The continued broad-based growth in bank lending supports the sustained expansion of the productive sectors of the economy as seen from the steady expansion in the agriculture, construction, manufacturing and retail businesses across the country. However, the growth in consumer loans eased slightly to 8.3%, reflecting the slowdown of credit in auto and other loans.

The Philippine banking system's gross non-performing loans (GNPL) ratio sustained its downward path, easing to 2.8% as of end-December 2013 from 3.4% in end-December 2012. Net NPL ratio was also kept low at 0.6% of TLP from 0.7% during the same period. Banks' initiatives to improve asset quality along with prudent lending regulations helped bring the NPL ratios to below its pre-Asian crisis level of around 3.5%.

The Merged Bank as a Stronger Bank

For the year 2013, the Philippine National Bank emerged as the 4th largest bank in the country with consolidated assets expanding to ₱618.1 billion as of December 31, 2013, ₱287.9 billion or 87.2% higher compared to ₱330.2 billion of PNB as of December 31, 2012. The increase is inclusive of some ₱198.2 billion assets of the former ABC at fair values of February 9, 2013, the effective date of the merger. With the increase in its consolidated total assets, net loans and receivables, capital and deposits, PNB's merged entity became the fourth largest local private commercial bank in the Philippines.

Loans and Receivables of the merged Bank increased by 90% at ₱274.3 billion from ₱144.2 billion in 2012 attributable mainly to the ₱92.3 billion total loans brought in by the former ABC to the merged Bank, of which 80% are corporate accounts. Likewise, the Deposit Liabilities of the merged Bank which comprises 87% of total liabilities have increased to ₱462.4 billion attributed to ABC deposit balances compared to ₱240.9 billion in December, 2012. Demand, Savings and Time deposits increased by ₱97.2 billion, ₱92.7 billion and ₱31.6 billion, respectively.

PNB generated a net income of ₱5.2 billion in 2013 showing an increase of 9.6% versus 2012 at ₱4.7 billion. More noteworthy, your Bank earned a net interest income of ₱13.7 billion reaching almost double the ₱7.0 billion accumulated in 2012. Interest income was also up by 62% from ₱11.4 billion in 2012 to ₱18.5

₱5.2B
Net Income

87.2%
Total Assets

PNB is poised to move forward in the Philippine banking industry to becoming a more dynamic, innovative and service-focused bank.

MS. FLORENCIA G. TARRIELA, Chairman with
MR. OMAR BYRON T. MIER, President & CEO

billion in 2013. On the other hand, our cost efficiency ratio was at 70.6%. It should be noted, however, that PNB's accrual reaching ₱865.5 million on casualty losses due to Typhoons Yolanda and Santi and the Bohol earthquake greatly affected the Bank's net income.

Fee-based and other income was higher by ₱0.6 billion at ₱8.4 billion for the year ended December 31, 2013. 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. However, we experience decline of ₱746 million in Trading and Investment Securities Gains due to a heightened degree of volatility in the financial markets brought about primarily by external factors.

The Bank's consolidated capital adequacy ratio (CAR) for combined credit, market and operational risks computed based on the Bangko Sentral ng Pilipinas (BSP) Circular No. 538 improved at 19.7% for 2013 versus 18.1% in 2012 exhibiting better improvement and stability well above the minimum 10% requirement of the BSP.

Return on equity (ROE) was at 8.5% while return on assets (ROA) was at 1.1%. Net interest margin (NIM) ratio of the merged bank for December 2013 is at 3.4% based on net interest margin of ₱13.7 billion and total average interest-earning assets of ₱403.4 billion, 0.8% point higher compared to the 2.6% NIM ratio of the previous year.

PNB's non-performing loans (NPL) increased to ₱10.7 billion as of December 31, 2013 compared to ₱6.5 billion as of December 31, 2012, mainly attributed to ABC balances transferred in line with the merger. NPL ratio of the merged bank (based on new BSP guidelines) is 1.39% (net of valuation reserves) and 4.26% (at gross).

We continue to be in compliance with the liquidity and legal reserve requirements of BSP for deposit liabilities with the ratio of liquid assets to total assets at 45.3% as of December 31, 2013 which was higher as of same date in 2012 at 44.7% but lower in 2011 at 46.4%. The ratios of total operating expenses (excluding provision for impairment and credit losses) to total operating income were 70.6%, 61.0%, and 60.9% for 2013, 2012 and 2011, respectively.

First Year of Merged Operations

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 by the affirmative vote of ABC and the Bank's respective shareholders on June 24, 2008, representing at least two-thirds of the outstanding capital stock of both banks.

On our first year as a merged bank, we undertook long-term fund generating initiatives to support our growth and expansion plans. We redeemed our high cost subordinated notes and replaced these funds through the issuance of lower cost, long-term term negotiable certificates of time deposits (LTNCDs). On March 6, 2013, we exercised our call option and redeemed ₱4.5 billion (7.13%) Subordinated Notes due in 2018 issued by ABC. Likewise on June 30, 2013, we exercised our call option on our ₱6.0 billion (8.5%) Unsecured Subordinated Notes due on June 2018. Subsequently, we successfully undertook two tranches of five-year peso denominated LTNCD offerings, viz: (1) a ₱5 billion LTNCDs at 3% which will mature on February 5, 2019 issued at the lowest yield in its asset class; and (2) another ₱4 billion LTNCDs at 3.25% which will mature on April 22, 2019 issued at the lower end of yields of its asset class. Both issuances were successfully accepted by the investing public, a testament to the long term credit acceptability of the Bank.

After the merger, we improved the delivery of our services by relocating selected PNB and former ABC branches to more strategic and accessible locations based on market potential and growth and renovating ABC branches using the new branch design. With the network of the former ABC and the new branches, your Bank now operates a total of 626 branches and four extension offices. We have also deployed additional 38 ATMs nationwide in strategic, mostly off-site, locations with high pedestrian traffic bringing the total to 833 ATMs nationwide.

We remained a strong player in the consumer finance as PNB's consumer loan portfolio grew to ₱19.4 billion, up 18% from ₱10.3 billion in 2013, registering a cumulative annual growth rate of 43% over the last three years. Moreover, PNB's new business acquisitions registered a 37% growth to ₱7.8 billion in total loan bookings from ₱5.7 billion in 2012. The impressive rapid expansion in consumer finance was due to increased sales productivity with the introduction of newly modified housing loan programs, improved relationships with partner developers now reaching a total of 72 and a host of marketing promotions which continue to attract new and existing customers. The substantial growth was also due the participation in the cross selling activities of the expanded branch network that the Bank has. The conscious effort in tapping the branches as a distribution network of the customer lending business that was put in place demonstrated to be one of the success factors in achieving the consumer lending loan level. Meanwhile, our internal referral incentive program which ran for the third straight year proved to be an effective campaign in encouraging employees to cross-sell consumer products in conjunction with the other products and services of the Bank.

Your Bank also stayed at the forefront of debt capital markets as the Bank led seven corporate finance deals worth more than ₱75 billion in the power, infrastructure and real estate industries. PNB also was involved in 13 big ticket deals with large corporate institutions which generated a total booking amount of ₱140 billion. And as a testament to the Bank's commitment to nation building, we were also actively involved in Public-Private Partnership Projects (PPPs) like the ₱6.7 billion syndication for the Public School Infrastructure Projects in CALABARZON and the ₱7.5 billion syndication for the NAIA Expressway Project.

Your Bank displayed utmost diligence and steadfast resourcefulness in the face of industry challenges in 2013. Among these challenges was the BSP limitation on PNB's Special Deposit Account (BSP-SDA) facility. To minimize the impact of the Bank's phase-out of the investment management account (IMA-SDA) facility due to aforementioned BSP mandate, PNB ingeniously converted these accounts into Money Market Unit Investment Trust Funds (UITFs). As a result of this initiative, PNB's Money Market funds impressively grew from ₱82.45 million in 2012 to ₱8.93 billion; thus attesting to your Bank's innate ability to adapt to any uncertainty.

Service Innovation

Your Bank continues to introduce innovative technological advances to further expand our extensive portfolio of products and services. And, as the previous year is indeed an indication of the shape of things to come, you can be assured that practicality and convenience will remain at the forefront of PNB's priorities.

Our Global Filipino Business, which has the widest overseas footprint of any Philippine banking institution, further displayed its commitment to service innovation by providing unique remittance channels like the PNB Phone Remit and PNB Web Remit services for US-based clients. The Bank continued 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. Your Bank has always had a strong affinity with the Global Filipino market and we will perpetually enrich the lives of Filipinos worldwide in the years to come.

To further enhance the credit process and improve processing and approval turnaround times for consumer loans, your Bank also invested in a Loan Organization and Collection System. This automated loan system is supported by various credit scoring models and analytics.

PNB focused on being customer-centered as it continues to offer "tailor-fit" banking products and services to the Bank's high-net worth clients through the Pinnacle Club. By year end, the Pinnacle Club generated a total outstanding volume of 41% year-on-year from ₱11.05 billion in 2012.

During the last quarter of the year, in partnership with PNB Life, we introduced the Healthy Ka Pinoy (HKP) Emergency Card, the only low-cost insurance product in the country that provides emergency room treatment and accidental death and disability benefits. For an annual premium of only ₱750, cardholders are covered for up to ₱140,000 per year and can seek emergency treatment at any of the 890 accredited hospitals and clinics nationwide.

A Tradition of Business Excellence

In affirmation of the Bank's well-managed operations, the Bureau of Treasury (BTr) of the Republic of the Philippines recognized your Bank as one of the top ten (10) Best Performing Government Securities Eligible Dealers. For the second year in a row, PNB was bestowed the Top Commercial Bank in Generating Remittances from Overseas Filipinos by the BSP in recognition of the strong remittance business across the globe. Furthermore, two of the products and services of the Bank's Retail Banking Group garnered accolades from industry peers in 2013. Healthy Ka Pinoy (HKP) Emergency Card won the award for Excellence in Business Model Innovation in the 2013 Asian Trailblazer Awards of Retail Banker International while ATMSafe won the Best in Innovation Award in the 2013 Philippine Insurers and Reinsurance Association, Inc. (PIRA) Awards.

As a testament to the Bank's zealous observance to existing and new AML laws, rules, regulations, and implementing guidelines issued by both Philippine and foreign regulators, PNB's Board of Directors approved the AML/CFT Policy Guidelines and Money Laundering and Terrorist Financing Prevention Manuals last December 2013.

Shape of Things to Come

In 2013, we ensured that your bank adopted a stronger policy on corporate social responsibility shared by each officer and employee as it embraces a corporate culture that begins with the exercise of sound and fair corporate practices in serving the community. In partnership with its volunteer employees, the Bank engaged in empowering the youth through education and promotion of financial literacy, protecting the environment through tree planting activities and conducting social and philanthropic activities to uplift the lives of the Filipino people, especially in the aftermath of series of calamities.

And as a good corporate citizen, PNB aspires to live up to the trust and regard it has been bestowed upon by the Filipino people. For almost 100 years, PNB has been a solid partner in nation building and a trailblazer in providing the most innovative and technology-driven products and services to millions of clients here and beyond.

In the coming years, you can be assured that your Bank will always try to be ahead in providing excellent products and innovative solutions to the diverse banking needs of both clientele and community it is committed to serve.

To our stakeholders, thank you for your continued trust and patronage. To our employees, our heartfelt gratitude for staying loyal and committed to our organization. To our Board of Directors, our deep appreciation for your guidance and support over the years.

Florencia G. Tarriela
Chairman

Omar Byron T. Mier
President & CEO

CONVENIENT BANKING FOR EVERY FILIPINO

PNB has been unwavering in its delivery of customer service excellence to its highly diverse clientele comprised of individual depositors, small and medium enterprise, domestic and international corporations, government institutions and overseas Filipinos. In 2013, the Bank expanded operations and continued to develop tailor-fit solutions in order to further cultivate its relationship with clients. With practicality and expediency at the forefront of the Bank's thrust, PNB introduced innovative technological advances to further augment its already extensive portfolio of products and services.


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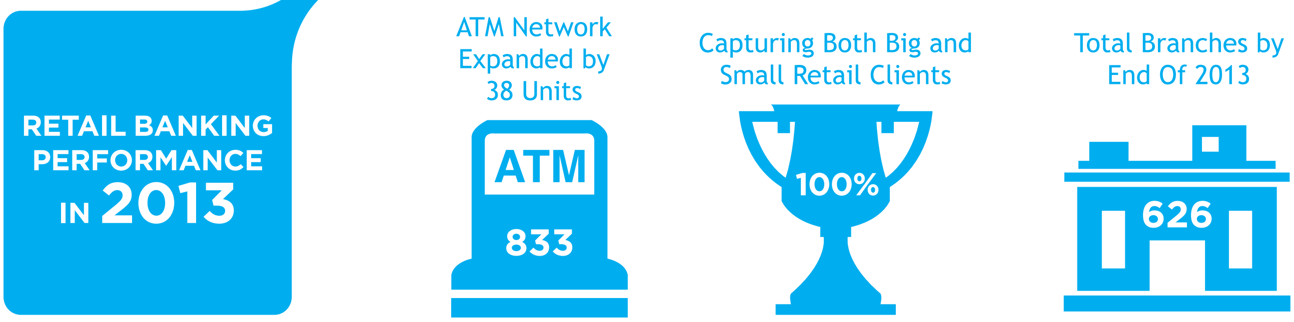
Investor Relations
E-Banking Services
PNB Online Quick Tools
Local ATM & Branch Locator
Need to Withdraw or Deposit?

RETAIL BANKING GROUP

The Retail Banking Group embarked on three major thrusts for the year: expansion of market reach, intensified account acquisition and enhancement of the overall customer experience.

The Group expanded the Bank's reach by opening three new branches during the year: Navotas – Fish Port, Ubay, Bohol and Uratex- East Service Road; thus bringing the Bank's already extensive branch network to 626 branches and 4 extension offices by the year's end. Meanwhile, 288 former Allied Bank branches were rebranded to feature PNB's progressive look and feel while 24 branches were renovated and 25 were strategically relocated to cater to a wider range of clients. The Group also further ensured the accessibility of PNB's ATM network by installing 38 more units, bringing its total to 833 ATMs nationwide.

The consistent adherence to sales discipline was also stressed to branch front-liners in order to provide the Bank's highly diverse clientele with a top-notch customer service experience.



To further boost its deposits business, the Group implemented a broad-based acquisition strategy aimed at acquiring both small and big retail clients to complement the simultaneous processing of big ticket deposit accounts. On the other hand, the Group utilized cash management solutions to secure commitments for corporate accounts. Cross selling was also undertaken by the Group to improve account profitability. With such a strong focus on sales, the Bank enjoyed another banner year in terms of funds generation for Tier 2 Tranche 1 and 2 as branches persistently delivered in 2013.

The consistent adherence to sales discipline was also stressed to branch front-liners in order to provide the Bank's highly-diverse clientele with a top-notch customer service experience. This was successfully achieved through training interventions, mystery shopping and the perpetual fine-tuning of branch processes. These improvements have definitely transformed PNB branches into comfortable banking hubs where transactions are promptly and efficiently done.

Two of the Retail Banking Group's products and services garnered accolades from industry peers in 2013, thus attesting to their status as sources of customer satisfaction. ATMSafe won the Best in Innovation Award in the 2013 Philippine Insurers and Reinsurance Association, Inc. (PIRA) Awards. Meanwhile, PNB's Healthy Ka Pinoy (HKP) Card won the award for Excellence in Business Model Innovation in the 2013 Asian Trailblazer Awards of Retail Banker International.

CONSUMER FINANCE GROUP

PNB's consumer loans portfolio – which is mainly comprised of housing loans (76%) and motor vehicle loans (22%) – experienced an impressive growth in 2013 due to rapid business expansion supplemented by increased sales productivity, improved relationships with partner developers and dealers, various marketing campaigns and efficiency in operations,. The portfolio likewise expanded with the consolidation of the consumer loans business of PNB and Allied Bank following the merger of the two banking titans in February 2013.

The Consumer Finance Group further strengthened its hold on the developer market by accrediting 27 of the industry's top property developers during the previous year, thus bringing PNB's total developer network to 72. This partnership has consistently produced favourable returns with 44% of the Bank's home loan acquisitions coming from referrals from

PNB's consumer loans portfolio – which is mainly comprised of housing loans (76%) and motor vehicle loans (22%) experienced an impressive growth in 2013 due to rapid business expansion supplemented by increased sales productivity, improved relationships with partner developers and dealers, various marketing campaigns and efficiency in operations.

CONSUMER FINANCE GROUP PERFORMANCE IN 2013

Consumer Loans Portfolio

18%
increase from
₱19.48 Billion in 2012

New Business Acquisitions

₱7.8 B
loan bookings

PNB's partner developers. Such an acquisition channel also served as a fitting complement to the Bank's extensive branch network. Branches were responsible for 43% of the Bank's total home loans, while generating a notable 83% in total motor vehicle loans. To further propel consumer loans growth, the Group also opened up its dealer-generated channel for motor vehicle loans to select dealers.

The Group developed and modified two programs that emphasize practicality and convenience in 2013. The Home Flexi Loan Program, a variant of PNB Home Loan designed to finance asset acquisition and personal-related expenditures, was launched offering competitive rate schemes and flexible loan terms. The Group's 2nd Hand Car Financing Program was also enhanced to expand its market base and improve product mix and yields.

A number of marketing campaigns aimed at generating business and increasing product awareness were successfully promoted the Bank's consumer loans business and reinforced PNB's status as a major player in the consumer finance market. Among them were: the Home Flexi Promo; Home Blockbuster Deal; Amazing Cool (Home Loan) Rates; the 2nd Hand Car Financing Roadshow; and Party on Us, an incentive promotion for partner developers and dealers. Moreover, the Book-A-Loan, Bag-A-Gift referral program ran on its 3rd straight year to continually tap into the cross-selling potential of consumer loans in conjunction with the other products and services of the Bank.

The Bank also invested in a Loan Origination and Collection System to further expedite the credit process and improve processing and approval turnaround times. This automated loan system is supported by various credit scoring models and analytics.

INSTITUTIONAL BANKING GROUP

The Group played major roles in 13 landmark deals which comprise a total deal size in excess of ₱140 Billion. Aside from expanding long-standing and multi-level relationships with top Philippine conglomerates, the Group established partnerships with multinational companies through the Bank's participation in numerous fund raising activities. The Group also successfully diversified its portfolio by incorporating other high-growth industries and pursuing various Public-Private Partnership (PPP) projects. Meanwhile, the Group's government banking segment undertook a fast-tracked implementation of the existing facility portfolio in excess of ₱13 Billion.

Given the squeeze in spreads brought by the prolonged low-interest rate environment, the Group embarked on a more proactive approach in building corporate relationships. In order to acquire more businesses and new customers, the Group implemented a "total solutions" approach in addressing all the potential requirements and stipulations of a corporate customer, particularly within the spectrum of supply chain management. This transformation of Bank services resulted in an increase of take-up in the Bank's pool of cash management products: collections, disbursement and account management solution.

This was the first time that a debt instrument was issued at the lowest yield in its asset class and at the fastest pace to be sold out in the market.

TREASURY GROUP PERFORMANCE IN 2013

Issuance Of Long Term Certificate Of Deposits

₱9.0 Billion

Testament of Trust and Confidence

TREASURY GROUP

Treasury Group was able to take advantage of the bullishness in the market place at the start of the year as it realized trading gains from the bank's investment portfolio. In the 2nd half of the year, similar to other market players, the bank threaded cautiously in its trading activities due to the increase in uncertainty in the capital markets imported from the developments in the USA.

With the level of its activities, the Domestic Trading Desk was again given recognition as one of the top ten eligible government securities dealer. This was achieved with the support of the Treasury Marketing Group that is continuing to gain headway in the distribution of the fixed income securities in the secondary market. They expanded their sales reach and offered other products to corporate, institutional and retail clients.

Another milestone for the bank was the issuance of a ₱5.0 B Long Term Negotiable Certificate of Deposits (LTNCD) in August with a coupon rate of 3.00% p.a. This was the first time that a debt instrument was issued at the lowest yield in its asset class and at the fastest pace to be sold out in the market. With the guidance of Treasury Marketing Dealers, the Branch Sales force, which sold most of the LTNCDs to their investors, has proven once again their strong relationship with their clients. Further, this was a testament to the trust and confidence given by the client investors to the long term credit standing of PNB as an issuer of a 5 year debt instrument. This LTNCD was followed by another ₱4.0 B LTNCD issuance in October with a coupon rate of 3.25% p.a., still at the lowest range of the interest rates paid in the same asset class.

TRUST BANKING GROUP

The Trust Banking Group exercised utmost diligence and steadfast ingenuity to overcome industry challenges in 2013. Among them was the Bangko Sentral ng Pilipinas (BSP) limitation on its Special Deposit Account (BSP-SDA) facility. To minimize the effect of the Bank's phase-out of the investment management account (IMA-SDA) facility due to BSP's mandate, the Group continuously worked with the Bank's branches to convert these accounts into Money Market Unit Investment Trust Funds (UITFs). As a result of this initiative, PNB's Money Market funds impressively grew from ₱82.45 Million in 2012 to ₱8.93 Billion; thus attesting to the Group's successful handling of the situation.

The Group supplemented these efforts by launching the country's first comprehensive UITF Online facility in June. The facility offered clients the convenience of investing in and redeeming

PNB's total UITF volume leaped by 806% to ₱12.45 Billion from only ₱1.73 Billion in 2012. The UITF facility alone generated ₱81.66 Million in volume with corresponding revenues of ₱1 Million from more than a thousand enrolled clients since its launch on June 2013 to December 2013.

TRUST BANKING GROUP PERFORMANCE IN 2013

from their UITFs, as well as managing and monitoring their investments, via the internet. As a result of this pioneering innovation, PNB's total UITF volume leaped by 806% to ₱12.45 Billion from only ₱1.73 Billion in 2012. The UITF facility alone generated ₱81.66 Million in volume with corresponding revenues of ₱1 Million from more than a thousand enrolled clients since its launch on June 2013 to December 2013.

Similarly, the full implementation of the Bank's e-Collect cash management facility at the beginning of the year resulted in a remarkable 5700% increase in actual collections amounting from ₱878 thousand in 2012 to ₱51.5 Million in 2013. Meanwhile, PNB's Fiduciary Services business grew to ₱14.58 Billion, riding on a robust 38% growth of the Bank's escrow volume to ₱5.4 Billion. And on another note, the Group opened 6 Corporate Notes Facilities accounts in the capacity of agent for a total amount of over ₱53 Billion.

Now on its second year, the Pinnacle Club has definitely proven to be a winning formula for both PNB and Pinnacle Club members. The Pinnacle, which offers first-class financial services and privileges to PNB's high-net worth clientele, ended the year with 276 new members – 214 of which were former Allied Bank clients – bringing its total client list to 849. As a testament to the growing confidence and satisfaction of its members, the Pinnacle generated a total outstanding volume of ₱15.57 Billion excluding treasury figures, an impressive 41% growth from ₱11.05 Billion in 2012. In addition, placements of members from former Allied Bank branches amounted to ₱3.06 Billion. Meanwhile, a second Pinnacle Hub was inaugurated at West Avenue, Quezon Avenue to complement the Ayala Branch Hub and cater to more Pinnacle members.

SPECIAL ASSETS

The Special Assets Management Group continuously ensures the dynamic management of the Bank's diverse acquired asset portfolio. The Group successfully disposed an average of ₱2.49 Billion in sales of the Bank's Real and Other Properties Acquired (ROPA) – which yield a weighted average of 28% premiums to book value – each year for the past three years. A total income of ₱1.12 billion was likewise generated during this three-year span.

To complement the traditional sales channels of negotiated sales & property auctions, the Group developed marketing initiatives for small and medium ROPAs and conducted public sealed biddings in various towns and provinces across the country. The Group also enhanced its broker and referrer relations to expedite sales.

In 2013, the Group directed its efforts on scrubbing its asset inventory in preparation for the eventual portfolio sale of the Bank's ROPA.

HUMAN RESOURCE

The Human Resource Group facilitated merger integration and effectively developed a business environment wherein both existing PNB and formerly Allied Bank personnel are able to effectively respond to the twin challenges of fortifying institutional strengths while responding to the call of new and diverse opportunities.

The Group's training teams conducted 227 training sessions featuring various technical, behavioral, sales, management and

The Group's total collections amounted to ₱1.8 Billion while the income generated from its total portfolio amounted to ₱1.2 Billion.

CREDIT & REMEDIAL GROUP PERFORMANCE IN 2013

Conducted Trainings on Personnel

Total Portfolio

leadership topics. With a total training attendance of 7,267, this meant that more than half of the merged Bank's employees attended at least one training program that enhanced their knowledge and expertise in 2013. The innovative Coaching for Performance program, which combined training and on-the-job monitoring, was also launched within the year. And on another note, employees who joined the Bank's fast-tracked Officer's Training Program (OTP) increased from 53 in 2012 to 349 in 2013.

The Bank remained committed to recognize exemplary conduct and reward outstanding contributions to the Bank through recognition programs such as the Service Excellence Awards, the Heroes Program and the Mystery Shopper Program. Meanwhile, the Pulong Ng Bayan, the Bank's quarterly townhall meeting, continued to serve as a fitting venue for Management to share important updates and announcements to the rest of the PNB community. The Bank has also sustained its harmonious working relationship with representatives of its labor force and has perpetually enjoyed industrial peace.

CREDIT & REMEDIAL

The Credit Management Group remained steadfast in its role as guardian of credit quality and partner in business growth. The Group streamlined its policies and processes to address business challenges and regulatory matters. To further enhance processes and address volume requirements, extensive technical trainings for its personnel were given and third party service providers were contracted.

Meanwhile, the Remedial Management Group continued to utilize strategies that focus on efficiency during the year: implementation of realistic payment arrangements to avoid undertaking costly foreclosures, rehabilitation for profile-specific accounts, assignment of dedicated lawyers for the immediate handling of collection and documentary issues, and closer coordination with the various business and marketing groups for the early detection of problematic accounts requiring timely remedial actions. The Group's total collections amounted to ₱1.8 Billion while the income generated from its total portfolio amounted to ₱1.2 Billion.

GLOBAL FILIPINO BUSINESS

PNB further strengthened its distinct franchise over the Global Filipino market segment. For the second year in a row, the Banko Sentral ng Pilipinas (BSP) awarded PNB as the Top Commercial Bank in Generating Remittances from Overseas Filipinos.

To date, PNB has the widest footprint overseas with branches and offices still serving as primary contact point for overseas Filipinos. PNB has expanded its reach even further into non-traditional contact channels in the form of partner agent agreements, distribution thru convenience stores and other similar retail outlets. PNB continues to innovate its product and services with the launch of Phone Remit, a 24/7 toll free phone remittance platform servicing the Europe and US market. In addition, the launching of PNB Web Remit in the last quarter of 2013 allowed customers to conduct online remittance transactions anywhere and anytime. With these products, combined with our Global presence contributed significantly to the growth of beneficiaries deposit accounts in the Philippines.

The bank continued to make headway in deepening its relationship with its Global Filipino Customers by making personal, home and auto loans including credit cards available. PNB has a strong affinity with the OFW and continues to enrich the lives of Filipinos worldwide.

The Department gave away a total of 10 Million Mabuhay Miles to cardholders as part of the Travel the World promo in order to further increase marketing mileage for the Mabuhay Miles MasterCard, which remains to be one of the best rewards programs in the industry.

CREDIT CARD GROUP PERFORMANCE IN 2013

Best Rewards Program in the Industry

Various Promotions to Boost Usage

CREDIT CARDS

The Credit Card Department strategically utilized various promotions and media outlets like print, billboard, radio and digital to effectively market their first-class products. The Department gave away a total of 10 Million Mabuhay Miles to cardholders as part of the Travel the World promo in order to further increase marketing mileage for the Mabuhay Miles MasterCard, which remains to be one of the best rewards programs in the industry. Meanwhile, to introduce the new look of PNB MasterCard Credit Cards, the Department launched the Miles & More campaign which offers Mabuhay Miles and other rewards choices, as well as gifts, freebies and discounts. On another note, to boost credit card usage, the Swipe and Be Rewarded promo allowed cardholders to exchange credit card receipts for freebies and discounts from partner merchants.

The Department also launched two new products in 2013. The PNB–Jewelmer Joaillerie Platinum MasterCard is a credit card that features exclusive rewards and benefits like discounts, loyalty rewards and affordable installment payment offers from Jewelmer jewelry. Meanwhile, the PNB Pang-Bayani Card was introduced to specifically cater overseas Filipinos and their families in recognition of their hard work and sacrifices. The card offers affordable installment programs and insurance features like free credit shield, free travel insurance and free purchase protection insurance.

PNB continued to exercise its fervent corporate social responsibility (CSR) initiatives by building sustainable communities, improving lives of Filipinos, empowering the youth and protecting the environment. The Bank revisited its CSR policy with the end goal of imbuing various programs that contribute to the country's sustainable development and create value to all stakeholders.

Empowering the Filipino Youth

PNB focused on empowering the youth through educational programs that help prepare them for their roles as future leaders of the country. The Bank partnered with the Tan Yan Kee Foundation, the CSR arm of the Lucio Tan Group of Companies, and various other institutions in providing an abundance of scholastic opportunities for promising young students nationwide. The Bank continued its Global Filipino Scholar program, which benefitted the children of PNB clients who are Overseas Filipino via payment of actual tuition fees, allowance for books and school supplies, and monthly stipends. Under the program, PNB also extended cash assistance to scholars who study at any of the prestigious partner universities.

Another major CSR initiative was the Bank's participation in the 12th Voice of Our Youth (VOY) Impromptu Speaking Competition. In partnership with the Department of Education (DepEd), the 10 Rotary Districts, and the Rotary Club of Bagumbayan – Manila, the VOY competition sought to provide a forum for the Filipino youth to showcase effective spoken English and comprehensive public speaking skills.

PNB also continued its mission to bring inspiration and provide hope for a brighter future to students nationwide through the Books Across The Seas (BATS) Project, a program that aims to provide tools for learning through book donations to public schools and libraries.


Caring for the Environment

Committed to preserve and protect the environment, PNB embarked on tree planting activities under the Branches Grow Greener Program. More than 5,000 seedlings were planted by Philnabankers nationwide. This program also led to the inception of other Bank-wide projects that aim to conserve energy such as the Switch Off (power) and Go Paperless Campaigns.

Bringing Hope to the Nation

The Bank continued to instill the spirit of volunteerism among its employees through the Pagtutulungan Ng Bayan, a CSR-inspired initiative of PNB employees to raise funds and collect basic necessities for victims of calamities and other emergencies.

On November 8, 2013, Typhoon Yolanda hit hard on Visayas and left a trail of destruction, most severely in the cities of Samar and Leyte. PNB, through the concerted efforts of Philnabankers under the Pagtutulungan Ng Bayan program, reached out and heeded the call to help rebuild Visayas.

A personification of these efforts is PNB Guiuan's Branch Manager Jorge Agnes, Jr. As a testament to the strong bayanihan spirit exercised by all Philnabankers, Mr. Agnes and his team reopened the said branch three weeks after Yolanda despite likewise being devastated by the typhoon in order to earnestly attend to the banking needs of his compatriots. This noble undertaking was featured in no less than the Wall Street Journal, a well-known international daily newspaper.

PNB was also quick to respond and extend assistance to those who were affected by other disasters and calamities that brought destruction to several parts of the country in 2013 like the flooding in Compostela Valley, Typhoon Maring, the Habagat flooding, the Zamboanga siege and the Bohol earthquake. Through it all, the Pagtutulungan Ng Bayan was successful in delivering timely aid and relief to all the victims.

PNB as the Top Commercial Bank in Generating Remittances from Overseas Filipinos for 2013

PNB was cited by the Bangko Sentral ng Pilipinas (BSP) as the 2013 Top Commercial Bank in Generating Remittances from Overseas Filipinos. Having the largest overseas footprint among Philippine banks, PNB has built a very strong franchise in the remittance business to cater to the needs of Global Filipinos. In addition, PNB was also distinguished as one of the Hall of Fame Awardees, having been recognized as the Best Commercial Bank Respondent on Overseas Filipino Remittances.

Best in Innovation Award for the ATMSafe 911 in the Philippine Insurers and Reinsurance Association, Inc. (PIRA) Awards

PNB General Insurance Co., Inc. (PNB Gen) and Alliedbankers Insurance Corp. (ABIC) won the Best in Innovation Award for their entry, ATMSafe 911, in the 2013 Philippine Insurers and Reinsurance Association, Inc. (PIRA) Awards. With the theme, “Breaking New Ground”, the 2013 PIRA Awards recognized outstanding non-life insurance companies which implemented innovative solutions in their business operations.

ATMSafe 911 is the country’s first innovative card benefits program that ensures the safety and protection of PNB ATM cardholders. The program, in partnership with Global Benefits Group (GBG), replaces a percentage of the money stolen from a cardholder’s account during an ATM robbery committed in the Philippines or overseas, wherever PNB ATM cards are accepted. For only ₱12 per month, clients can also receive other benefits such as replacement of cash in the event of accidental death, hospital confinement or identity theft.

Excellence in Business Model Innovation for the Healthy Ka Pinoy Emergency Card in the Retail Banker International Asia Trailblazer Awards

PNB, in partnership with PNB Life Insurance, Inc. (PNB Life), won the Excellence in Business Model Innovation for their entry, the Healthy Ka Pinoy (HKP) Emergency Card, in the 2014 Retail Banker International Asia Trailblazer Awards in Singapore. The award giving body recognized Asian banking institutions and credit the outstanding financial institutions that have exhibited a high degree of innovation and enterprise in product development, service delivery and process improvement for the year 2013. The HKP Emergency Card is the only low-cost insurance product in the country that provides emergency room treatment and accidental death and disability benefits. For an annual premium of only ₱750, cardholders are covered for up to ₱140,000 per year and can seek emergency treatment at any of the 890 accredited hospitals and clinics of East West Healthcare, HKP’s hospital network and emergency service provider. PNB Life, PNB’s life insurance subsidiary, is HKP’s insurer.

PNB espouses the philosophy of integrity, accountability and transparency in the manner of doing business between its management, its board, its shareholders, including its stakeholders and various publics. The PNB Group, its subsidiaries and affiliates, regularly facilitate regular monitoring, putting in place full transparency and a degree of checks and balances to ensure a structured approach in the operating processes with effective corporate governance system.

Annually, the Bank reviews its Corporate Governance structure and practices to align with regulatory guidelines and new reportorial disclosures for entities within the group structure and significant transactions among related parties. In 2013, PNB Group adopted a Related Party Transaction (RPT) Policy in accordance with the Revised Code of Corporate Governance and Securities Regulation Code issued by SEC and BSP Circular No. 749.

The PNB Board comprised of 15 directors has had the responsibility to foster the long-term success of the PNB Group and to secure its sustained competitiveness and profitability in accordance with its fiduciary responsibility. The members are prominent businessmen belonging to a large conglomerate, former bank presidents, individuals with distinct finance, audit and legal competencies who are highly esteemed in their respective profession.

We have three directors inducted "fellow" by the Philippine Institute of Corporate Directors namely, Chairperson Florencia G. Tarriela, Directors Florido P. Casuela and Leonilo G. Coronel.

PNB Parent Bank recognizes the important role of independent directors in the Board and fully conforms to the law mandating at least 20% to be represented by them. We have three independent directors represented by Chairperson Florencia G. Tarriela and Directors Felix Enrico R. Alfiler and Deogracias N. Vistan. Notably, our Bank plans to include two more independent directors in the coming year.

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

PNB has nine Board Committees instrumental in setting the tone for the corporate governance practices namely: Corporate Governance/Nomination/ Remuneration Committee, Board Credit & Policy Committee, Board Credit Committee, Board Audit and Compliance Committee, Risk Oversight Committee, Board ICAAP Steering Committee, Board Overseas Offices Oversight Committee, Trust Committee and the a new Board Committee created in 2013, the Board Oversight Related Party Transaction Committee. The newly formed Committee was created to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members, and shareholders.

The management of the day-to-day banking operations rest on the President and Chief Executive Officer supported by fourteen management committees. Our management committees are focused on implementing the business plans working closely with the Board as part of a strong culture of accountability and transparency embedded in the entire organization.

We promote the safety and soundness of our operations through a compliance system managed by the Global Compliance Group. The group has five divisions and is headed by the Chief Compliance Officer. In 2013, the newly created Corporate Governance Monitoring Division provides support to the Corporate Governance/Nomination/Remuneration Committee and the Board Oversight Related Party Transaction Committee thru the Chief Compliance Officer as the designated Corporate Governance Executive.

The Corporate Governance / Nomination / Remuneration Committee exercises prudence in the selection of the Bank's senior management to ensure the judicious execution of the Bank's objectives, strategies, and policies approved by the Board, taking into account its risk tolerance and appetite, yet ensuring robust governance and financial stability of the bank.

The bank's organizational structure facilitates effective decision making, transparency, and good governance which is fully supported by various training programs that enhance performance of each employee towards achieving best practices in the light of emerging risks that are relevant to the challenges posed by changes in global corporate governance.

We believe that a strong corporate governance framework is crucial in achieving our goal of preserving the long-term viability of the franchise licenses of the PNB Group.

Florencia G. Tarriela
Chairman

The Bank adheres to the highest principles of good corporate governance as embodied in its Amended 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 activities and its various publics. The Bank espouses professionalism among its Board of Directors, executives and employees of the Bank in managing the company, 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 operations is managed through an established organizational structure with adequate policies and procedures embodied in manuals approved by management and board committees and the Board. These manuals are subjected to periodic review and update to be consistent with the new laws, regulations and generally conform to international 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. This is in accordance with the Revised Code of Corporate Governance and Securities Regulation Code issued by SEC.

The Bank is a recipient for two consecutive years (2011-2012) of the Silver Award for good corporate governance from the Institute of Corporate Directors (ICD), 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 consisting of fifteen directors. The Board is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance, and corporate values.

Compliance with the highest standards in corporate governance principally starts with the Board of Directors which has the responsibility to foster the long-term success of the Bank and secure its sustained competitiveness and profitability in accordance with its fiduciary responsibility. In the same manner, every employee of the entire organization is expected to embrace the same degree of commitment to the desired level of corporate standards.

The Board of Directors is elected annually by the stockholders and comprised of fifteen members including three Independent Directors. The Board represents a combination of highly qualified business professionals, former bank presidents, individuals with distinct finance, audit and legal competencies, with each director adding value and exercising independent judgment.

The Board of Directors undergo continuing training in corporate governance and 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. In the Board, three directors were inducted "fellow" by the Philippine Institute of Corporate Directors in recognition of their distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility.

Independent Director

In carrying out their responsibilities, the directors must act prudently and exercise independent judgment while encouraging transparency and accountability. The Bank conforms to the law mandating at least 20% of the Board to be represented by independent directors. Thus, in 2013, we had three Independent Directors. And moving forward to 2014, our Bank plans to include two more.

Recognizing the importance of the role of independent directors, the Board has elected the independent directors to act as Chairman of the Board, Board Credit & Policy Committee, Corporate Governance/Nomination/Remuneration Committee, Board ICAAP Steering Committee, Board Overseas Offices Oversight Committee, Board Audit and Compliance Committee, Trust Committee and Board Oversight Related Party Transaction Committee. The independent directors are also members of the Risk Oversight Committee wherein the Chairman is a non-executive director and former president of a government bank with universal banking license. In these Board Committees, the five independent directors play an active role in the formulation of the business strategies and priorities of the Bank as stipulated in the Board approved Five Year Strategic Business Plan of the Bank, its subsidiaries and affiliates. The Board and the Committees continue to review and strengthen the corporate governance policies to adopt consistency in the corporate governance framework in the Bank, its subsidiaries and affiliates.

Chairperson of the Board

Chairperson of the Board Florencia G. Tarriela assumed the position in 2005 and as Independent Director in 2006. As an Independent Director, she is also the Chairperson of the Board Committee on Corporate Governance/Nomination/Remuneration and the Board ICAAP Steering Committee; Vice-Chairperson of the Board Credit and Policy Committee and seats as a member of the Risk Oversight Committee, Board Audit and Compliance Committee, Board Overseas Oversight Committee and the Board Oversight Related Party Transaction (RPT) Committee.

The Chairperson of the Board and the President & 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 nine (9) Board Committees have been instrumental in setting the tone for the corporate governance practices of the bank. In 2013, a new Board Committee was established to provide focus on related party transactions.

- The Board Credit & Policy Committee was created to perform the functions and duties as the Board may confer upon it in accordance with law and the By-Laws of the bank.
- The Board Credit Committee was created to review, discuss, endorse and/or approve management recommendations, updates and report on credit matters and to provide flexibility to respond to time-sensitive matters as well as to facilitate the approval of certain corporate actions within the authority limits determined by the Board.
- The Board Oversight RPT Committee, was created in August 2013 to assist the Board in performing its oversight functions in monitoring and ensuring transparency to eliminate potential

conflicts of interest of management, board members and shareholders.

- The Board Audit and Compliance Committee has oversight responsibility relating to the integrity of the Bank's financial statements, internal controls and compliance with legal and regulatory requirements.
- The Board Overseas Offices Oversight Committee was created in provides oversight on the international operations and to preserve the long-term viability of the overseas franchise licenses.
- The Risk Oversight Committee has the primary task to assist the Board in the management of the risks the bank is exposed to and development of risk management strategies to prevent losses and minimize financial impact of losses.
- The Corporate Governance/Nomination/Remuneration Committee ensures the board's effectiveness and adherence to corporate governance principles and guidelines and the selection of members of the Board and senior executives of the bank, as well as the appointment in the respective Board committees.
- The Board ICAAP Steering Committee provides active oversight on the consistent adoption of the Bank's ICAAP Program and performs periodic evaluation and approval of the capital planning, risk assessment policies and procedures.
- The Trust Committee provides direction for the trust business and management of trust assets, fiduciary accounts, investments and trust services.

The Board Committee meetings are held generally on monthly basis or special board committee meetings are called as often as necessary. The Board Committee Secretariats are responsible to ensure regular agenda of the meetings, attendance of members and resource persons are communicated prior to meetings and ensure that discussions are properly recorded and endorsed to the Board for approval.

Operations Management

The responsibility of managing the day-to-day operations of the Bank and implementing the major business plans rest on the President and Chief Executive Officer. Critical issues, policies and guidelines are deliberated in the pertinent management committees: Senior Management Committee, Asset and Liability Committee, Senior Management Credit Committee, IT Management Committee, Non-Performing Assets Committee, Acquired Assets Disposal Committee, Promotions Committee, Operations Committee, Product Committee, Bids and Awards Committee, Information Technology Evaluation Committee, Senior Management ICAAP Steering Committee, AML Review Committee and the Integration Monitoring Committee. Committee meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.

The business plans, significant issues and its 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 comprised of senior management of the Bank and key officers of the various business segments, 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 Global Compliance Group which reports directly to the Board Audit and Compliance Committee is primarily responsible for promoting compliance with the laws and regulations of the different jurisdictions, corporate policies and procedures and international best practices.

The Chief Compliance Officer has direct responsibility for the effective implementation and management of the enterprise compliance system covering the Parent Bank, its subsidiaries and affiliates. To further strengthen good corporate governance, 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 the complement of five major divisions, namely: Global AML Compliance Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division, Global Compliance Testing Review Division and the newly upgraded Corporate Governance Division. The new division provides support to the Corporate Governance/Nomination/Remuneration Committee and the Board Related Party Transaction Committee thru the Chief Compliance Officer as the designated Corporate Governance Executive.

The Bank's existing Compliance Program defines the seven (7) key elements of an effective compliance framework. With a 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 also incorporates the new policies, laws and regulations and enhancements to corporate standards of which Philippine National Bank, as the Parent Bank, its local and foreign subsidiaries and affiliates are required to be fully aware of the Compliance Program has been implemented consistently in the various bank units, branches and business vehicle entities.

The Bank's AML/CFT Policy Guidelines and Money Laundering and Terrorist Financing Prevention Manuals are two major manuals approved by the Board in December 2013. The revised AML/CFT Manuals has incorporated FATCA compliance in preparation for the US regulatory reportorial requirements effective 2015. The bank is fully committed to adhere to existing and new AML laws, rules, regulations, and implementing guidelines issued by both Philippine and foreign regulators.

The bank has updated policies and procedures embracing the compliance framework, the corporate governance guidelines and the AML Risk Rating System issued by Bangko Sentral ng Pilipinas and foreign regulators on AML/CFT as well as FATCA laws and regulations. With a comprehensive compliance system effectively implemented enterprise-wide, there has been no material deviation noted by the Chief Compliance Officer.

MESSAGE FROM THE RISK OVERSIGHT COMMITTEE CHAIRMAN

At PNB, we place a high priority on risk management and are taking steps to continue to refine our framework for risk management, including the identification and control of the risks associated with our operational activities.

The Risk Oversight Committee, as mandated by the bank's Board of Directors, operates as the highest level of PNB's risk governance. The bank continues to implement risk governance via a structured hierarchy of committees both in the executive and the board level. The flow of information between the board level committees is constant and allows consistent evaluation of the risks inherent in the business, raise the alarms, if any and manage the business effectively with strong adherence to process management guidelines and control.

In 2013, Risk Oversight Committee is tasked to cover the primary risk areas of Credit, Market, Liquidity, Interest Rate in Banking Books, Technology and Information Security. The year also marks the harmonization of the risk management processes for the merged bank – of PNB and Allied Bank. The bank submitted its harmonized ICAAP reports in August 2013, and in January 2014 in compliance to BSP's merger incentives. There were also marked improvements in the increase coverage of risk management for Trust, Treasury and the overseas units. Scenario analysis and stress testing were also conducted thru Post Event Review to assess the impact of the major natural & man-made disasters that hit the nation, i.e. super typhoon Yolanda, earthquake in Cebu-Bohol and siege in Zamboanga. Results of the stress testing showed that there were only few borrowers affected and there were no significant impact on the Bank's NPL and Capital Adequacy ratios. The bank also formalized its Information Security Management System Program through the approval and implementation of the Tier 3 and Tier 4 policies for the enterprise information security management.

The bank's Enterprise Data Warehouse (EDW) and Business Intelligence (BI) System, in Production for more than two (2) years now, has been enhanced to provide more relevant reports and analytics to the various business units of the Bank. To date, there are more than 25 Dashboards and 500 reports/analytics available in the EDW-BI system covering the following major subject areas of: customer insights and views, customer information and data quality, deposit and loan information analytics, credit risk analytics, regulatory reports compliance and loss events

The bank's risk management functions is also regularly evaluated through a system of measurements to cover the areas of: organizational culture and support, risk management structure of the bank, where board and executive level involvement are measured, business unit commitment to a control governance framework is continually improved, as well as the bank's compliance to regulatory guidelines.

The year 2014 presents the challenges of completing the bank's harmonization and the implementation of our new core banking system. Risk Management is expected to be in the forefront of the bank's programs to support its ongoing 5-year mission and vision of optimal use of the bank's domestic and international footprint.

Florido P. Casuela
Director

Introduction

Among the primary objectives of risk management is to limit adverse gaps in earnings and equity though managing risk exposures and capital within agreed limits. This ensures attainment of the bank's growth plans in a controlled environment. Managing and controlling risk, minimizing undue concentrations of exposures and limiting potential losses from stress events are among the essential elements of the Bank's risk management and control framework. This framework ultimately ensures the protection of the Bank's reputation and is consistent with our objective of increasing shareholder value.

The merger of Allied Banking Corporation and Philippine National Bank was finalized in Feb 9, 2013, as approved by BSP (Bangko Sentral ng Pilipinas) and SEC (Securities and Exchange Commission). Harmonization activities commenced in 2008 when the respective Board of Directors of PNB and Allied Banking Corporation (ABC) passed resolutions approving the plan to merge the two banks. The activities involved the areas of bank policies, processes and systems together with the merged organizational structure. For the risk management function, the various risk management tools are now applied to the new bank with data sourcing as one of the bigger challenges to hurdle. Further the bank submitted its merged ICAAP (Internal Capital Adequacy Assessment Process) document in August 2013 in time to comply with the merger incentives set by the BSP.

At PNB, we place a high priority on risk management and are taking steps to continue to refine our framework for risk management, including the identification and control of the risks associated with our operational activities.

The Board and its Risk Oversight Committee operate as the highest level of PNB's risk governance. At management level, risk governance is undertaken by a structured hierarchy of committees each with specified accountabilities. The continues flow of information between the board and board-level committees and the corresponding management committees; allow for consistent evaluation of the risks inherent in the business, raise the alarms, if any, and manage the business effectively with strong adherence to process management guidelines and controls. Figure 1 below provides a list of the board level committees and management committees. Their corresponding functions, roles and responsibilities are highlighted in the Corporate Governance discussion in this annual report.

Board of Directors	President & CEO
• Credit & Policy Committee • Corporate Governance / Nomination Committee • Board Audit and Compliance Committee • Risk Oversight Committee • Board ICAAP Committee • Trust Committee • Board Overseas Oversight Committee • Board Oversight RPT Committee	• Senior Management Committee • Asset Liability Committee • Senior Management Credit Committee • Information Technology Governance Committee • Non-Performing Assets Committee • Acquired Assets Disposal Committee • Promotions Committee • Operations Committee • Product Committee • Bids and Awards Committee • Information Technology Evaluation Committee • Senior Management ICAAP Steering Committee • AML Review Committee • Integration Monitoring Committee • Accreditation of Overseas Remittance Agent Committee

Figure 1: Board & Management Committees

Enterprise Risk Management Framework

The Bank's philosophy is that responsibility for risk management resides at all levels within the Bank and therefore uses the three lines of defense model:

- The *first line of defense* rests with business units who are responsible for risk management. Assessment, evaluation and measurement of risk are ongoing processes and are integrated in the day to day activities of the business unit. The process includes the setting up of a proper system of internal control, identifying issues and taking remedial actions where required.
- The *second line of defense* comes from the risk management function of the Bank, which is independent of business operations. The risk management unit implements the risk management framework, provides independent oversight over specific board directives and is responsible for regular reporting to the Risk Oversight Committee
- The third *line of defense* is the internal audit function which provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and governance structures. The internal audit function reports directly to the Board Audit Committee & Compliance Committee.

The PNB Board Risk Oversight Committee is created by the PNB Board of Directors to assist the board to oversee the risk profile and approves the risk management framework of PNB and its related allied subsidiaries and affiliates. It is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond the approval discretion provided to management.

The risk management policy includes:

- a comprehensive risk management approach;
- a detailed structure of limits, guidelines and other parameters used to govern risk-taking;
- a clear delineation of lines of responsibilities for managing risk;
- an adequate system for measuring risk; and
- effective internal controls and a comprehensive risk-reporting process.

Risk Categories and Definitions

We broadly classify and define risks into the following categories, and manage the risks according to their characteristics. These are monitored accordingly under the enterprise ICAAP program:

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
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 or off balance sheet and contingent financial contracts. Market risk arises from market-making, dealing and position taking in interest rate, foreign exchange, equity, and commodities market.	▪ Value at Risk Utilization ▪ Results of Marking to Market ▪ Risks Sensitivity/Duration Report ▪ Exposure to Derivative/Structured Products	▪ VAR Limits ▪ Stop Loss Limits ▪ Potential Loss Alerts ▪ ROP Exposure Limit ▪ Limit to Structured Products ▪ 30-day AFS Holding Period ▪ Traders' Limit ▪ Exception Report on Rate Tolerance
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI's inability to meet its obligations when they come due.	▪ Funding Liquidity Plan ▪ Liquidity Ratios ▪ Large Fund Providers ▪ MCO ▪ Liquid Gap Analysis	▪ MCO Limits ▪ Liquid Assets Monitoring ▪ Stress testing ▪ Large Fund Provider Analysis ▪ Contingency Planning
Interest Rate Risk in the Banking Books (IRBB)	Interest rate risk is the current and prospective risk to earnings or capital arising from movements in interest rates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. (BSP Circ 510, dated 03 Feb 2006)	▪ Interest Rate Gap Analysis ▪ Earnings at Risk Measurement	▪ EAR Limits ▪ Stress Testing ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	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.	▪ Loan Portfolio Analysis ▪ Credit Dashboards	▪ Trend Analysis (Portfolio / Past Due and NPL Levels ▪ Regulatory and Internal Limits ▪ Stress Testing ▪ Rapid Portfolio Review ▪ CRR Migration ▪ Movement of Portfolio ▪ Concentrations and Demographics Review ▪ Large Exposure Report ▪ Counterparty Limits Monitoring ▪ Adequacy of Loan Loss Reserves Review

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Country Risks	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.	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk)	▪ Country Risk Limits against benchmarks ▪ Limits to Exposures to ROPs ▪ Limits to exposures on CLNs and Structured Products
Operational Risk	Operational risk is the current and prospective risk to earnings or capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage information. It encompasses: product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: **1.** Risk Identification – Risk Maps **2.** Risk Measurement and Analysis – ICAAP Risk Assessment Major Integration Factors considered: 1. Products 2. Technology 3. People 4. Policies and Processes ▪ Stakeholders (including customer and regulators	▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product Manuals ▪ Loss Events Report (LER) ▪ Risk and Control Self-Assessment (RCSA) ▪ Key Risk Indicators (KRI) ▪ Business Continuity Management (BCM) ▪ Statistical Analysis

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Included in the Operational Risks:			
Technology (including Information Security Risks)	Information Technology Risk is a business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank (ISACA Risk IT Framework). IT Risk results to Information Security Risk since the risk would somehow result to non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset (NIST IR 7298 Revision 2).	▪ Risk Identification ▪ Risk Measurement ▪ Risk Evaluation (i.e. Analysis of Risk) ▪ Risk Management (i.e. Monitor, Control or Mitigate Risk) Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: 1. Risk Identification – Risk Maps 2. Risk Measurement and Analysis – ICAAP Risk Assessment Major Integration Factors considered: 1. Products 2. Technology 3. People 4. Policies and Processes 5. Stakeholders (including customer and regulators)	▪ Risk Asset Register ▪ Incident Reporting Management ▪ Information Security Policy Formulation
Strategic Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.		▪ Management Profitability Reports ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting
Legal Risk	Legal risk is the current and prospective impact on earnings or capital arising from legal sanctions against the Bank. It includes the risk of exposure to litigation, arbitration, mediation and other non-litigious courses of action.		▪ Status of Legal Cases >Ph50MM at risk ▪ Review of pending tax assessment/s ▪ Adequate provisioning for probable losses ▪ Issuance of circulars, tax guidelines and procedures
Customer Franchise (including Reputational Risks)	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services.		▪ Account Closures Report ▪ Service Desk Customer Issues Report ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Review of Stock Price performance
Human Resources Risk	Human resource risk covers the Bank's risk of financial loss due to risks in human capital acquisition, losses due to inadequate training, inexperience or illegal activities of risk-taking and other personnel.		▪ Attrition Analysis ▪ Internal Fraud Analysis ▪ Training Needs Programs ▪ Recruitment Turnaround and Fit Analysis

Risk Category	Risk Definition	Risk Monitoring Process	Risk Management Tools
Merger Risk	Merger risk is the current and prospective negative impact on quantifiable and non-quantifiable benefits expected from the integration of the 2 banks – Allied Bank and PNB. These are: 1. Delays in the implementation of integration activities as planned which can be caused by foreseen and unforeseen events 2. Non-achievement in the planned / targeted cost synergies 3. Delays in the integration of products, processes, technology and non-technology systems 4. Attrition of key personnel which may result in delays or targets not achieved 5. Overruns in the planned integration costs		▪ Integration Progress Reporting ▪ Approvals for major policy changes ▪ Risk Assessment for new/ upgrade of information / automated systems ▪ Harmonization Timeline Tracking
Trust / Fiduciary Risks	Fiduciary risk is the measure of uncertainty that fiduciary requirements are actually met. PNB TBG has to contend with a variety of risks as it engages in investment management, rust and other fiduciary activities.	▪ Independent risk oversight, checks and balances, written procedures and ▪ controls founded on board-approved Trust Policies ▪ Identification and understanding of key risks	▪ Investment Studies ▪ Target Market ▪ Product Programs ▪ Setting of risk limits ▪ VaR & Stop Loss Limits ▪ Loss Alert Volume Limits ▪ Liquidity Limits ▪ Exposure Limits ▪ Exceptions / Breaches to Limits Reporting to ROC ▪ Stress testing
Compliance Risk	Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards.	▪ structured AML policies and procedures ▪ seven (7) elements of the board-approved Compliance Program ▪ Risk Assessment ▪ Monitors sub-risks as follows: o Client related o Employee conduct o Organizational conduct o Service conduct	▪ Circularization of new laws, regulatory agencies' circulars ▪ Compliance Training for employees, BOD & officers ▪ Compliance testing ▪ Enhanced quarterly certification ▪ Monitoring of Corrective Actions on Excepted items
Acquired Assets Disposal Risk	Acquired Assets Disposal Risk is the current and prospective negative impact to the bank because of the inability or delay in the disposal of the Bank's acquired assets.	Monitoring of Pillar II Risks fall under the purview of Operational Risk Management: 1. Risk Identification – Risk Maps 2. Risk Measurement and Analysis – ICAAP Risk Assessment	▪ utilizes the following marketing outlets to promote and advertise (publications, auctions, mailers, social media, etc. ▪ Performance Management Reports ▪ ROPA Risk Dashboard (monthly)

Risk Management Major Milestones for 2013:

MARKET RISK MANAGEMENT (includes Liquidity Risk and Interest Rate Risk in the Banking Books)

The Market Risk and ALM Division of the Risk Management Group supports the ALCO and Risk Oversight Committee with the independent assessment and reporting of the market risk profile as well as the liquidity profile of the Bank. The market risk framework comprises of market risk policies and practices embodied in the Market Risk Management Manual and the control structure with the appropriate delegation of authority through the risk limits. In addition, the Division is fully engaged in the new product program which ensures that identified risk issues are adequately addressed prior to the launch of Treasury products. Linkage between risk and capital is reviewed through the monthly validation of the computation of the market risk weighted exposures.

Market Risk

- Additional controls for the Available for Sale (AFS) portfolio were set up by implementing AFS Observation VaR limit. Further, the Group made use of additional tool for fixed income monitoring which is the Duration Sensitivity measure or the Present Value of a Basis Point ("PV01"), which measures the change in value of interest rate sensitive exposures resulting from one basis point increase across the entire yield curve. This was done considering that the main market risk exposure of the Group comes from interest rate risk.
- Stress testing program and scenario analysis for the trading portfolio were improved to identify the Bank's vulnerability to event risk.
- Full Involvement in the review and improvement of the risk management framework of derivatives risks particularly on interest rate swap and NDF to ensure that the risk identified are appropriately measured, controlled/mitigated and reported.

Liquidity Risk and Interest Rate Risk in the Banking Books

- Implementation of the merged behavioral assumption of the merged Bank core and volatile deposits in the Maximum Cumulative Outflow Report (MCO) using an improved statistical model and analysis.
- Establishment of the Long-Term Interest Gaps to supplement the Earnings at Risk (EAR) which covers the one-year exposure in interest rate risks.
- Support to the ALCO through the conduct of various simulations and computation of the Transfer Pool Rate of the Bank for presentation to the regular meeting of the Asset and Liability Committee (ALCO).
- Stress testing program and scenario analysis for liquidity were improved to identify the Bank's vulnerability to event risk.
- Creation of merged liquidity and interest rate risk dashboards of the Bank.

TRUST RISK MANAGEMENT

- Adapted the risk management process, as applicable, to incorporate the changing landscape of the Trust Banking Group operations. The fiduciary industry lost tax exemption privileges on its clients' long-term investments except for bank-issued investment assets, and as well had to ensure that investment securities that are still eligible to claim tax exemption must comply with the holding period requirement on an overlying and underlying basis. In addition, the industry's agency accounts lost its access to the BSP-issued Special Deposit Account facility. This comprised a significant portion (about 40%) of PNB-Trust Banking Group's Assets under Management. Further, risk reporting was done for the merged PNB entity as early as for the period covering March 2013.
- Enhanced the risk monitoring process for the bank's Trust Banking Group operations by increasing the granularity of the risk reports. Bank counterparty line availments were previously monitored on the basis of aggregate and long-term line limits. In line with the change in the landscape of the Trust Banking Group operations, bank counterparty line limits and availments were separated according to exposures that have impact on the overall bank's Single Borrower Limit and those that are exempt in accordance with the provisions of the Manual of Regulations for Banks (MORB) issued by the Bangko Sentral ng Pilipinas. Concentration monitoring of investments that previously monitored exposures by group, individual entities/ issuers, credit rating, liquidity, industry, asset class included currency level for additional information about potential foreign exchange risk exposure of its clients.
- Increased coverage of risk monitoring for the Trust Banking Group operations. Additional counterparty exposures were monitored versus limits. Exposure in equity investments were monitored for accounts that had specific special investment mandates as embodied in the investment policy statements. This may include restrictions of certain equity investments in the funds or a concentration limit with regard to a specific issuer.
- Coordinated with concerned Trust Banking Group divisions and assisted them in the preparation of RCSA, ICAAP and any other risk related matters.
- Active involvement in the review and enhancement of Trust Banking Group policies, as well as procedural and product manuals.
- Oriented newly hired employees and other training participants on Trust Risk Management framework for a better appreciation of the subject matter.

CREDIT RISK MANAGEMENT

- Immediately after the merger, harmonized the risk monitoring processes, dashboard reports, risk limits, credit risk ratings methodology and most of the credit risk policies and procedures. Reviewed the reports and data sources to ensure a better data integration.
- Incorporated additional "red flags" on the Credit Risk dashboard reports (e.g. country risk limits, SME limits, Agricultural and Agrarian Reform limits, Expanded Real Estate Exposure, Non-performing Sales Contracts Receivables, related party transactions, credit cards, and overseas past due loans).
- Focused on rapid response to information requirements of seniors and board of directors whenever there is a disaster or economic/financial event that could lead to the credit portfolio degradation.
- Scenario analysis and stress testing were conducted thru Post Even Review to assess the impact of the major destructions that hit the nation i.e. super typhoon Yolanda, earthquake in Cebu-Bohol and siege in Zamboanga. Results of the stress testing showed that there were only few borrowers affected and there were no significant impact on the Bank's NPL and Capital Adequacy ratios.
- Active involvement in the review and enhancement of credit policies, credit manuals, procedural manuals, credit scoring, credit risk ratings and proposed loan origination system to ensure that all credit risk issues were mitigated.
- Assisted the Subsidiaries and Overseas Branches in enhancing their risk review and monitoring process.
- Robust monitoring of large exposures of the merged bank and scenario stress testing to assess their impact to capital.
- Ensured that regulatory requirements for loan loss reserves and impairment were adhered

OPERATIONAL RISK MANAGEMENT

- Successful implementation of Operational Risks Tools to re-clustered Branch Banking, under the merged bank
- Continuous identification of High Risk Areas for efficient monitoring of critical risks across the organization
- Completion of Risk Education and Awareness Program (REAP) Roadshow to all Domestic Branches and Regional Centers
- Completion of Business Continuity Awareness Training to Domestic Branches Area Heads, Branch Managers, Sales & Services Heads and Sales & Service Officers and to Regional Centers personnel for cascading to their own teams as a Table Top Test in 1Q of 2014
- Completed product demonstration by several vendors for our Operational Risks Management solution
- Completed Procedural Manual of Operational Risks procedures/processes

INFORMATION TECHNOLOGY AND INFORMATION SECURITY RISK MANAGEMENT

The year 2013 saw the harmonization of the manuals, policies and procedures in the ongoing journey of IT/ IS Risk Assessment and Management.

RMG-Information Security & Technology Risk Division

- Issued the Enterprise Information Security Policy for the merged Bank and created sub-policies to supplement the Enterprise policy.
- Coordinated with IT to identify the gaps on IT policies / guidelines and procedures.
- Prepared the IT/IS risk register that was used in the preparation of ICAAP risk assessment, risk map, RCSA and other risk assessment activities / projects.
- Identified scenarios that will be used for stress testing in coordination with ITG personnel.
- Coordinated with concerned business units and assisted ITG in the preparation of RCSA, ICAAP and Risk Map.
- Active involvement in the review and enhancement of bank policies & procedures where IT/IS risk is involved.
- Performed the compliance checking / monitoring of BISOs, activities of privileged users and identification / implementation of security patches due to system vulnerabilities.
- Performed the bi-monthly classroom orientation for newly hired employees, email blasts/advisories, issuance of posters and website updates to educate employees and clients.
- Ensured that regulatory requirements (e.g., EMV, 3DES migration, etc.) are monitored and complied with.
- Engagement of third party to perform external Vulnerability Assessment and Penetration Testing (VAPT) for the merged Bank

ITG - Information Technology Security & Control Division

- Institutionalization of reporting of IT updates and risk issues to the IT governance Committee and the Risk Oversight Committee
- Availability of updated and approved IT Policies, Guidelines, Service Level Agreements & other IT documentations in alignment with business requirements, regulatory requirements, best practices and global standards. Alignment of bank policies with regulatory requirements to include overseas units host country regulators.
- Due diligence follow through on activities to resolve audit findings and compliance to regulatory requirements;
- Participation, quality assurance review of IT projects to ensure compliance to controls and policies; continuous review of outsourced service in compliance to IT Managed Outsourcing Services
- Continuous IT risk assessment and compliance checking to IT Security and Controls for, among others: Vulnerability Assessment; Review of Security Baseline for servers, database, network devices, desktops; logical and password administration, patch management, application security, and physical security
- Management and assurance of support and strict Implementation of Change Management Controls, Processed Change Request, Pre/Post Checking of Deliverables, Impact Assessment, Deployments to Development, User Acceptance Testing, Production and Business Recovery Center

BUSINESS INTELLIGENCE ANALYTICS AND ENTERPRISE DATA WAREHOUSE INITIATIVES

The Business Intelligence and Data Warehouse Division (BIDWD) under the Risk Management Group is tasked to manage the design and implementation of the EDW Programs (stream of concurrent projects) as defined in the BI roadmap.

The Enterprise Data Warehouse (EDW) and Business Intelligence (BI) System has been in Production for more than two (2) years now and is continually being enhanced to provide more relevant reports and analytics to the various business units of the Bank. To date, there are more than 25 Dashboards and 500 reports/analytics available in the EDW-BI system covering the following major subject areas:

- **Customer Insight/View:** The Bank users are able to view the total business relationship (e.g. total loans and deposits) at the conglomerate or group of companies with the ability to drill down to the details of the portfolio of the member companies. The Bangko Sentral ng Pilipinas (BSP) has mandated all Banks to monitor the total credit exposure at the conglomerate level.
- **Customer Information Data Quality Monitoring System:** The bank's Customer Information File (CIF) Data Quality/ Exceptions Monitoring system managed by the CIF unit under Global Operations Group, to monitor on a regular basis, data exceptions pertaining to CIF. With the system in place, data quality on customer information has significantly improved thru the regular reporting and monitoring of progress on data exceptions.
- **Deposit Information and Analytics:** Decision support analytics on deposit clients to enable Performance Monitoring by region, branch, product, etc.; Profiling of Customers, Branches, Products, Interest Rates; Monitor Deposit Levels and Movements/Changes (by Area, Region, Branch, Product Type, Product Class)
- **Loan Portfolio Reports and Analytics:** Decision support analytics on loan clients to provide information on loan levels and historical trends, performance monitoring by geographical location centers, product, industry, customer type and account status (particularly on past due and NPL accounts)
- **Credit Risk Rating and Migration Reports and Analytics:** Decision support analytics on Report on Rated Accounts by Industry, by Customer Type; Analysis of Account Migration including the Reasons for the Change; Analysis on the Effectiveness of the Credit Rating Model used by the Bank
- **Compliance to Regulatory Reporting Requirements:** enable the bank to provide quick information for regulatory and internal reports on Expanded Real Estate Exposure (EREE), Capital Adequacy Ratio (CAR), , Value at Risk (VaR) Calculations, Maximum Cumulative Output (MCO) Reports
- **Credit Facility/Loan Collateral Reports and Analysis:** Support for the monthly credit dashboard via Monitoring of Approved Facility vs. Loan Utilizations, Tracking maturity dates and renewals of each facility/line, Actionable Information (e.g. Excess Utilization, Due for Renewal, Un-renewed Facility, Track Collateral by Pool and Facility and Report Data Exceptions, Monitor Collateral Cover against Total Outstanding Portfolio

- **Loss Events Reporting (LER) for Operational Risk Management:** automation of the data entry and reports creation for LER (from collation of reports from the 500+ branches), with realized savings of around 15 to 18 man-days per month with the automation of the data entry and reports creation.

With the EDW & BI System in place for Loans, Deposits, GL, Treasury, Credit Facility, Collateral and other source systems, the following benefits continue to be gained: Single Source of Truth/Single Point of Access to Information; Improved Data Quality and Accuracy; Improved availability of Consistent Data; Empowered End-Users; Improved Productivity and Operational Efficiency; Timely Answers to Business Questions/New Insights; Improved Speed of Reports Delivery; Strengthened Portfolio Management & Performance Monitoring; More Informed and Strategic Decision Making; Facilitated Compliance to BSP Requirements and Audit Findings; Data Foundation for Decision Support Systems.

ICAAP IMPLEMENTATION AND COMPLIANCE

The Bank complies with the required annual submission of updated Internal Capital Adequacy Assessment Process (ICAAP) document under BSP Circular 639. Post-merger, the bank submitted the ICAAP Document covering 2013-2015 on August 2013. Further, in compliance with the above circular appointed timeline, the bank also submitted the ICAAP Document covering 2014-2016 on January 2014.

The Bank's Board-approved ICAAP Policy is the "backbone" of the ICAAP Document serving as the "guide map' of the Bank's various stakeholders. The Bank's ICAAP aims to provide stakeholders with a risk profile on an ongoing basis and ensures that the risks-taking business units are equally aware of the effects of these risks against the Bank's profitability and capital position.

The Board of Directors (BOD), Board ICAAP Steering Committee and Senior Management ICAAP Steering Committee have been responsible in reinforcing the need to integrate capital planning/management and regular risk assessment into the Group's overall management culture and approach. Further, the ICAAP oversight bodies mentioned above recognized that ICAAP is beyond compliance, i.e. it is about how to effectively run the Bank's operations by ensuring that the Bank maintains at all times an appropriate level and quality of capital to meet its business objective and commensurate to its risk profile. The ICAAP process highlights close integration of capital planning/strategic management with risk management. The Bank has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks.

The merged banks capital level is more than sufficient to meet the BSP minimum CAR requirement and cover for the 14 materials risks that the bank monitors.

Risk Management Group (RMG) plays a major role (in coordination with Corporate Planning Group and the Controllership Group) in the development, generation and deployment of the ICAAP program in the bank. In particular, RMG has created a special division – ICAAP & Basel Division – to channel the enterprise wide execution of the ICAAP activities of the PNB Group.

The major milestones for the August 2013 and January 2014 submissions are highlighted below:

I. *August 2013 Merged ICAAP Document*

- Conducted Merged ICAAP Workshop to ICAAP Coordinators and Risk Overseers as part of the roll-out of the ICAAP program on an enterprise wide basis.
- Coordinated the harmonization of Risk Maps for the Merged Bank 13 Material Risks
- Spearheaded the harmonization of the ICAAP risk assessment and aggregation process
- Coordinated the bank-wide ICAAP risk assessment and quantification process; provided feedback, comments and suggestions, including the individual stress tests for use by the Primary Risk Owners, ICAAP and Risk Coordinators of the 13 Material Risks
- Consolidated the risk assessment results, prepared write-ups and annexes for the 2013 Merged ICAAP Document
- Together with Corporate Planning Group and with the approval of the SM ICAAP Steering Committee and the Board ICAAP Steering Committee, finalized the Merged ICAAP Document for submission to BSP

II. *January 2014 ICAAP Document*

- Conceptualized, designed and prepared the Interview Questionnaire for the Subsidiaries' risk profiling for the 2014 ICAAP implementation
- Conducted Risk Assessment Workshops for Subsidiaries, Internal Audit Group and various Groups and Working Teams
- Enhanced the RCSA templates for Parent and Subsidiaries for the 2014 ICAAP roll-out
- Rolled-out the following 2014 ICAAP RCSAs on different levels and dates: (1) ICAAP RCSA for the Subsidiaries ;(2) Part 1 ICAAP RCSA for the Business and Support Units and (3) Part 2 ICAAP Quantification for the Primary Risk Owners

- Implemented down-the-line risk assessment to Business units and Subsidiaries
- Reviewed, evaluated and provided feedback on the following risk assessments:
    (a) Part 1 ICAAP RCSA from Business Units and Support Units; (b) ICAAP RCSA of Subsidiaries and; (3) Part 2 ICAAP Quantification from Primary Risk Owners
- Applied STATA (statistical analytics tool) for the consolidation of Part 1 Part 2 ICAAP RCSA results, and disseminated to the Primary Risk Owners for their respective ICAAP quantifications
- Consolidated the risk assessment results, prepared write-ups and annexes for the 2014 Merged ICAAP Document
- Facilitated submission of completed 2013 Merged ICAAP RCSAs and Risk Maps
- Finalized the January 2014 ICAAP Document for submission to BSP

III. *Other ICAAP/Basel-related items*

- Assisted PNB Europe PLC (PNBE) in their risk assessment relative to their ICAAP, ILA & RRP submission to FSA in compliance with host country regulations and requirements.

Regulatory Capital Requirements under BASEL II – Pillar 1
The Bank's total regulatory requirements as of December 31, 2013 are as follows:

Consolidated (Amounts in ₱0.000 million)	Weighted Exposures
Total Credit risk-weighted assets	327,919.714
Total Market risk-weighted assets	9,337.189
Total Operational risk-weighted assets	40,938.779
Total Risk-Weighted Assets	378,195.682
PNB's Risk-based Capital Adequacy Ratio	19.684%

Credit Risk –Weighted Assets

The Bank still 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 Phil rating agencies. The ratings of these agencies are mapped in accordance with the BSP. 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	10,940		10,940	10,539	401				
Due from BSP	153,271		153,271	153,271					
Due from Other Banks	17,143		17,143		6,377	3,337		7,429	
Financial Asset at FVPL	2		2					2	
Available for Sale	79,775	18,908	60,867	30,025	3,182	11,172		16,488	
Unquoted Debt Securities	9,308		9,308					4,120	5,188
Loans & Receivables	257,139	28,843	228,296		6,868	13,418	20,657	184,057	3,296
Sales Contracts Receivable	3,519		3,519					2,564	955
Real & Other Properties Acquired	15,552		15,552						15,552
Other Assets	34,507		34,507					34,507	
Total On-Balance Sheet Asset	581,156	47,751	533,405	193,835	16,828	27,927	20,657	249,167	24,991
Risk Weighted Asset - On-Balance Sheet			319,475	0	3,366	13,964	15,493	249,167	37,485
Total Off-Balance Sheet Asset			10,648	171	172	4,662	693	4,950	0
Total Risk Weighted Off-Balance Sheet Asset			7,835	0	34	2,331	520	4,950	0
Counterparty Risk Weighted Asset in Banking Book			600		2	428		170	
Counterparty Risk Weighted Asset in Trading Book			10					10	

Credit Risk Mitigants used are cash, guarantees and warrants.

Market Risk -Weighted Assets

For market risk, the Bank's regulatory capital requirements uses the standardized approach ("TSA") under which a 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). Further, 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.

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	200.627	250.784	2,507.836
Foreign Exchange Exposures	506.741	633.426	495.090
Equity Exposures	39.607	49.509	6,334.263
Total	746.975	933.719	9,337.189

The following are the Bank's exposure with assigned risk weights held for trading (HFT) portfolio:

Interest Rate Exposures

Specific Risk

Specific Risk from the held for trading (HFT) portfolio is P43.296M. ROPs compose 51% of the portfolio with risk weight ranging from 1.0% and 1.6%, 45% of the portfolio are peso government bonds with zero risk weight and 6% are unrated corporate bonds with attracts 8.00% risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱0.000 million)	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	1,441.747			-	-	1,441.747
FCY-denominated debt securities issued by the Philippine NG/BSP	-	9.997	210.155	1,445.776	-	1,665.928
Debt securities/derivatives with credit rating of AAA to BBB- issued by other entities	-	-		35.707	-	35.707
Subtotal	1,441.747	9.997	210.155	1,481.483	218.320	3,361.702
Specific Risk Capital Charge for Credit Default Swaps	-			-	-	-
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES	**-**	**0.025**	**2.102**	**23.704**	**17.466**	**43.296**

General Market Risk –Peso

The Bank's exposure to Peso General Market Risk is ₱60.182M, contributed mostly by debt securities with average remaining maturity ranging from 5 to 10 years with risk weight at 3.25% to 3.75%. The Bank's portfolio under the Over 20 years' time band attracts 6% risk weight or ₱ 18.643M representing 21% of the total Peso General Market Risk.

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)							
Zone	Times Bands		Individual Positions		Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Total				
			Long	Short		Long	short
1	1 month or less	1 month or less	1.538	-	0.00%	-	-
	Over 1 month to 3 months	Over 1 month to 3 months	-	-	.20%	-	-
	Over 3 months to 6 months	Over 3 months to 6 months	0.024	-	0.40%	-	-
	Over 6 months to 12 months	Over 6 months to 12 months	12.498	-	0.70%	0.087	-
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	25.631	-	1.25%	0.320	-
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	50.357	-	1.75%	0.881	-
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	22.778	-	2.25%	0.513	-

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)							
Zone	Times Bands		Individual Positions		Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Total				
			Long	Short		Long	short
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	9.434	-	2.75%	0.259	-
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	407.539	-	3.25%	13.245	-
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	434.965	-	3.75%	16.311	-
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	90.942	-	4.50%	4.092	-
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	111.032	-	5.25%	5.829	-
	Over 20 years	Over 10.6 years to 12 years	310.717	-	6.00%	18.643	-
		Over 12 years to 20 years	-	-	8.00%	-	-
		Over 20 years	-	-	12.50%	-	-
Total			1,477.455	-		60.182	-
Overall Net Open Position						60.182	-
Vertical Disallowance						-	-
Horizontal Disallowance						-	-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE						60.182	-

General Market Risk - USD

The Bank's exposure on General Market Risk of the dollar denominated HFT portfolio is P96.801M caused by debt securities, forward contracts and dollar-denominated interest rate swaps. Approximately 82% of dollar denominated debt securities have an average remaining maturity ranging from 5 years to over 20 years thus attracting a risk weight of 3.25% to 6%. On the other hand, the IRS attracts risk weight of 3.25% under the over 5 to 7 years bucket while the Bank's forward contracts have less than one year remaining maturity, thus, attracting a risk weight of less than 1%.

PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)											
Currency: USD											
Maturity Method 1/											
Zone	Times Bands		Individual Positions						Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Debt Securities & Debt Derivatives		Interest Rate Derivatives		Total				
			Long	Short	Long	Short	Long	Short		Long	Short
1	1 month or less	1 month or less	9.997	-	11,080.514	1,473.098	11,090.511	1,473.098	0.00%	-	-
	Over 1 month to 3 months	Over 1 month to 3 months	-	-	2,426.187	-	2,426.187	-	0.20%	4.852	
	Over 3 months to 6 months	Over 3 months to 6 months	-	-	1,876.845	-	1,876.845		0.40%	7.507	
	Over 6 months to 12 months	Over 6 months to 12 months	-	-	221.975	-	221.975	-	0.70%	1.554	
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	210.155	-	-	-	-	-	1.25%	2.627	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	94.013	-	-	-	-	-	1.75%	1.645	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	25.446	-	-	-	-	-	2.25%	0.573	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	-	-	-	-	-	-	2.75%	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	170.453	-	1,452.086	1,444.295	1,622.539	1,444.295	3.25%	52.733	46.940
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	417.258	-	-	-	417.258-	-	3.75%	15.647	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	224.347	-	-	-	224.347-	-	4.50%	10.096	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	285.461	-	-	-	285.461	-	5.25%	14.987	
	Over 20 years	Over 10.6 years to 12 years	447.118	-	-	-	447.118	-	6.00%	26.827	
		Over 12 years to 20 years	-	--	--	--	--	-	8.00%		
		Over 20 years	-	--	--	--	--	-	12.50%		
Total				-	17,057.607	2,917.393	18,941.855	2,917.393		139.047	46.940
Overall Net Open Position											92.107

PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)											
Currency: USD											
Maturity Method 1/											
Zone	Times Bands		Individual Positions						Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Debt Securities & Debt Derivatives		Interest Rate Derivatives		Total				
			Long	Short	Long	Short	Long	Short		Long	Short
Vertical Disallowance											4.694
Horizontal Disallowance											-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE											**96.801**

<u>General Market Risk - AUD</u>

The Bank's exposure on General Market Risk- AUD is at P0.261M representing forward contracts under the Over 1 months to 6 months category.

PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)											
Currency: AUD											
Maturity Method 1/											
Zone	Times Bands		Individual Positions						Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Debt Securities & Debt Derivatives		Interest Rate Derivatives		Total				
			Long	Short	Long	Short	Long	Short		Long	Short
1	1 month or less	1 month or less	-	-	886.850	11.000	886.850	11.000	0.00%	-	-
	Over 1 month to 3 months	Over 1 month to 3 months	-	-	43.359	-	43.539	-	0.20%	0.087	
	Over 3 months to 6 months	Over 3 months to 6 months	-	-	43.539	-	43.539	-	0.40%	0.174	
Total			-	-	973.928	11.000	973.928	11.000		0.261	
Overall Net Open Position										0.261	
Vertical Disallowance										-	
Horizontal Disallowance										-	
TOTAL GENERAL MARKET RISK CAPITAL CHARGE										**0.261**	

<u>General Market Risk – HKD</u>

The Bank's exposure on General Market Risk- HKD is minimally at P0.087M representing forward contracts under the 1 month to 3 months category.

PART IV. 1d GENERAL MARKET RISK (Amounts in P0.000 million)											
Currency: HKD											
Maturity Method 1/											
Zone	Times Bands		Individual Positions						Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Debt Securities & Debt Derivatives		Interest Rate Derivatives		Total				
			Long	Short	Long	Short	Long	Short		Long	Short
1	1 month or less	1 month or less	-	-	-	870.853	-	870.853	0.00%	-	-
	Over 1 month to 3 months	Over 1 month to 3 months	-	-	-	43.544	-	43.544	0.20%	-	0.087
Total			-	-	-	914.397	-	914.397	-	-	0.087
Overall Net Open Position										-	0.087
Vertical Disallowance										-	-
Horizontal Disallowance										-	-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE										**-**	**0.087**

Equity Exposures

The Bank's exposure to Equity Risk attracts adjusted capital charge of P49.509M or Risk weighted equity exposures of P495.09M. The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk.

PART 14.2. EQUITY EXPOSURES (Amounts in ₱0.000 million)				
Item	Nature of Item	Positions	Stock Markets Philippines	Total
A.1	Common Stocks	Long	247.545	247.545
		Short		
		Short		
A.10	TOTAL (SUM of A.1 to A.9)	Long	247.545	247.545
		Short		
B.	Gross (long plus short) positions (A.10)		247.545	247.545
C.	Risk Weights		8%	8%
D.	Specific risk capital (B. times C.)		19.804	19.804
E.	Net long or short positions		247.545	247.545
F.	Risk Weights		8%	8%
G.	General market risk capital charges (E. times F.)		19.804	19.804
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)			39.607
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)			49.509
J.	**TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)**			**495.090**

Foreign Exchange Exposures

The Bank's exposure to Foreign Exchange (FX) Risk carries an adjusted capital charge of P633.426M or Risk Weighted FX Exposures of 6.334B based on 8% risk weight. The exposure arises mostly from FX assets and FX liabilities in USD/PHP. The Bank also holds third currencies in JPY, CHF, GBP, EUR, CAD, AUD, SGD and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES							
					Closing Rate USD/ :		44.398
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						6,334.263
A.11	Sum of net short positions						(42.533)
B.	Overall net open positions						6,334.263
C.	Risk Weight						8%
D.	Total Capital Charge For Foreign Exchange Exposures (B. times C.)						506.741
E.	Adjusted Capital Charge For Foreign Exchange Exposures (D. times 125%)						633.426
F.	Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						6,334.263
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.)						6,334.263

Operational Risk – Weighted Assets

The Bank adopted the Basic Indicator Approach in quantifying the risk weighted asset 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 in respect of any year in which annual gross income was negative or zero are excluded).

(amounts in ₱0.000 Million)	Gross Income	Capital Requirement (15% x Gross Income)
2010	22,498.508	3,374.776
2011	19,969.805	2,995.471
2012 (last year)	23,033.734	3,455.060
Average for 3 years		3,275.102
Adjusted Capital Charge	Ave x 125%	4,093.878
Total Operational Risk weighted Asset		**40,938.779**

MESSAGE FROM THE CHAIRMAN OF AUDIT

Board Audit and Compliance Committee Report

The Board Audit and Compliance Committee (Committee) of the Philippine National Bank (PNB) is a standing Committee of the Board of Directors. The purpose of the Committee is to:

- Assist the Board of Directors in the performance of its oversight responsibility relating to financial reporting process, systems of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations;
- Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system.
- Review the quarterly, half-year and annual financial statements focusing particularly on: a) Any change/s in accounting policies and practices; b) Major judgmental areas; c) Significant adjustments resulting from the audit; d) Going concern assumptions; e) Compliance with accounting standards; and f) Compliance with tax, legal, regulatory and stock exchange requirements.
- Provide oversight over compliance functions and/or oversee the compliance program;
- The engagement of the External Auditors and the evaluation of the External Auditor's qualifications, independence and performance;

The Committee operates under a written Charter adopted by the Board of Directors. The Charter empowers the Committee to:

- Have explicit authority to investigate any matter within its terms and reference, full access to and cooperation by Management and full discretion to invite any Director or Executive Officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.
- Have the sole authority to select, evaluate, appoint, and replace the External Auditors (subject to stockholder ratification) and shall approve in advance all audit engagement fees and terms and all audit related, and tax compliance engagements with the External Auditors. It may recommend to the Board of Directors to grant the President authority to negotiate and finalize the terms and conditions of the audit engagement as well as the audit fees, and sign, execute and deliver the corresponding contract and all non-audit engagement with the External Auditors subject to the confirmation/approval of the Committee members.
- Have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Committee. The Bank shall provide funding, as determined by the Committee, for payment of compensation to the External Auditors and to any advisors employed by the Committee.

Deogracias N. Vistan
Director

- Form and delegate authority to subcommittees, comprised of one or more members of the Committee, as necessary or appropriate. Each subcommittee shall have the full power and authority of the Committee.
- Ensure that a review on the effectiveness of the institution's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.
- Establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action and subsequent resolution of complaints.

The Committee shall review and assess the adequacy of its Charter annually and recommend any proposed changes for approval of the Board of Directors.

The Committee is composed of seven (7) members consisting of five (5) Non-Executive Directors (NED) and two (2) Independent Directors (ID), including the Committee Chairman who are highly qualified business professionals with excellent educational credentials. Members of the Committee undergo continuing training and collectively hold a broad range of expertise and related banking experiences that provide value to the strengthening and upholding good governance practices in the bank.

Activities for the calendar year 2013

The Committee had 16 meetings during the year – twelve (12) regular monthly meetings and four (4) special meetings with an average attendance of 81.18%. Accomplishments and work-in progress are monitored to ensure the full discharge of all its functions. For the calendar year 2013, the Committee:

- Reviewed and discussed the unaudited consolidated quarterly financial statements and the audited consolidated annual financial statements of the Bank, including management's significant judgments and estimates. While the Committee has the responsibilities and powers as set forth in this Charter, it is not the duty of the Committee to determine that PNB's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of Management and the External Auditors;
- Assessed the independence and effectiveness of the external auditors, tax preparers and consulting companies, and endorsed them to the Board of Directors;
- Reviewed the scope of work and fees of the external auditors, tax preparers and consulting companies, assessed their independence and effectiveness, and endorsed them to the Board of Directors;
- Reviewed the performance of the Internal Audit Group and Global Compliance Group;
- Reviewed and approved the annual plans of the Internal Audit Group and Global Compliance Group for 2013, and the audit plan of the external auditors for the consolidated financial statements of the Bank for the period ending December 31, 2013;
- Reviewed the results of audits and recommendations of the internal and external auditors and their assessment of the Company's internal controls and the overall quality of the financial reporting process;
- Reviewed the applicable reports of the Internal Audit Group and Global Compliance Group, ensuring that management takes timely and appropriate corrective actions, including those involving internal control and compliance issues;
- Performed self-assessments and reviewed the overall effectiveness of the Committee as against its Charter, following the guidelines set by the Securities and Exchange Commission;
- Enhanced the Committee Charter by adopting leading good governance practices.

Based on the above responsibilities, authority and activities, the Board Audit and Compliance Committee recommended to the Board of Directors the approval of the Audited Consolidated Financial Statement of the Bank for the year ended December 31, 2013 and their consequent filing with the Securities and Exchange Commission and other regulatory bodies.

DUTIES AND RESPONSIBILITIES OF BOARD AUDIT AND COMPLIANCE COMMITTEE

The Board Audit and Compliance Committee shall have the following duties and responsibilities:

On Financial Statements

- Review the quarterly, semi-annual, annual and any periodic financial statement signed by the CEO and CFO prior to submission to the Board, with particular focus on the following:

  - Any change/s in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal, and stock exchange requirements
  - Oversight of the Bank's External Auditors:

- Review/approve the Audit Program of the External Auditors prior to any audit undertaking, the scope among which includes the nature, coverage, expenses of the audit, and ensure proper coordination if more than one audit firm and/or internal independent review/external examination is involved in the activity to secure proper coverage and minimize duplication of efforts.

- Evaluate and determine non-audit work/services by External Auditor and keep under review the non-audit fees paid to the External Auditor both in relation to their significance to the auditor and in relation of the Bank's total expenditure on consultancy and whether provision of non audit services is compatible with maintaining the External Auditor's independence. The non-audit work should be disclosed in the annual report.

- Ensure that the external auditor/auditing firm shall be changed or the lead or concurring partner shall be rotated every five years or earlier. The rotation of the lead and concurring partner shall have an interval of at least 2 years.

- Review and discuss with management and the External Auditors the annual audited financial statements and disclosures and matters such as, but not limited to, accounting policies and practices, management letter, significant disagreement with management.

Oversight of the Bank's Internal Auditor

- Responsible for the establishment of the Internal Audit Group and the appointment and replacement of the Chief Audit Executive (who will report directly to the BACC functionally) including annual performance review of the CAE, accepting the resignation and/or dismissal subject to due process.

- Review, evaluate and approve the Annual Audit Plan to include the audit scope, frequency and prioritization of high risk business units/entities as well as approve any significant change to the Annual Internal Audit Plan.

- Ensure that the Internal Audit Group has adequate resources in terms of manpower, budget and training to effectively fulfill its independent duties in the expedient implementation of the Annual Audit Plan.

- Review and approve audit reports to the extent that BACC Chairman may issue directives to Senior Management to develop and implement the necessary corrective actions in a timely manner and/or require submission of a Project Plan to address promptly any significant weaknesses in internal controls, non-compliance with corporate policies and standards, potential violations to laws and regulations and recommendations by Internal Audit Group to align the bank with global or industry best practices.

- Review and evaluate the adequacy of the work performed by the CAE and Internal Audit Group.

The Committee shall ensure that the internal auditors shall have free and full access to all the Bank's records, properties and personnel relevant to the internal audit activity and that the internal audit activity should be free from interference in determining the scope of internal auditing examinations, performing work, and communicating results.

Oversight of the Bank's Chief Compliance Officer

- Review and approve the Global Compliance Organizational Structure including the appointment of the Compliance Officers/Compliance Designates across all business units and recommend appointment of the designated Compliance Officers to the respective Board of the subsidiaries and affiliates.

- Evaluate and recommend to the Board the appointment of the Chief Compliance Officer who shall report directly to the Chairman of the Board through the BACC.

- Review and approve the Annual Compliance Program/Plan submitted by the Chief Compliance Officer and significant amendments to the Annual Compliance Plan including accomplishments vs. the approved Compliance Plan every January.

- Oversee the Board approved Compliance Programs across all businesses and ensure compliance recommendations are addressed by the President/ CEO and Senior Management and/or the respective Board of the bank subsidiaries/affiliates on a timely basis.

- Oversee the AML Compliance Framework through the Global Compliance Group to ensure effective senior management oversight, coordination, monitoring and escalation of significant weaknesses in AML policies and procedures and potential violations with AML implementing rules and regulations issued by the resident country regulators of the Parent Bank and its subsidiaries and affiliates.

- Review and approve AML Compliance Testing Review reports to the extent that the BACC Chairman may issue directives to the President/CEO, Senior Management and notify the respective Board of the subsidiaries and affiliates to implement corrective actions or provide Project Plans primarily to address significant weaknesses in AML Compliance by Parent Bank and its subsidiaries and affiliates.

OTHER DUTIES AND RESPONSIBILITIES

The Committee shall -

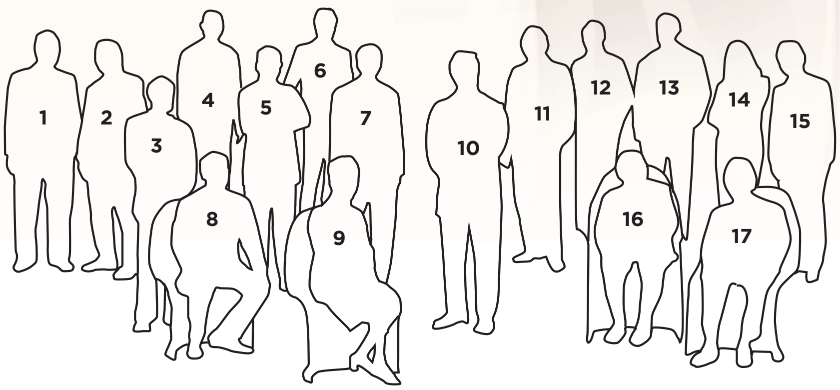
- Monitor and evaluate the adequacy and effectiveness of the Bank's internal control system including financial reporting control and information technology security.

- Receive and review reports of internal and external auditors, compliance and regulatory agencies, where applicable and ensure that Management is taking appropriate corrective actions, in a timely manner.

- Conduct self-assessment of the performance of the Parent Bank BACC as a whole as well as the individual performance of each committee member annually. The results of the self-assessment shall be validated by the Board Corporate Governance Committee and endorsed to the Board for approval. The entire assessment process should be documented and should form part of the records of the bank that may be examined by the regulators from time to time.

- Review and evaluate the self-assessment of the performance of the Compliance and Audit Committees of the bank subsidiaries and affiliates to ensure that the respective Compliance and Audit Committee policies and activities are aligned with Parent Bank.

- Review and assess the adequacy of this Charter annually and recommend any proposed changes for approval of the Board of Directors.



1 **MANUEL T. GONZALES** Board of Advisor
2 **LEONILO G. CORONEL** Director
3 **FLORIDO P. CASUELA** Director
4 **REYNALDO A. MACLANG** Director
5 **FELIX ENRICO R. ALFILER** Director
6 **REYNALDO A. MACLANG** Director

7 **DEOGRACIAS N. VISTAN** Director
8 **HARRY C. TAN** Director
9 **FLORENCIA G. TARRIELA** Chairman
10 **LUCIO C. TAN** Director
11 **OMAR BYRON T. MIER** President
12 **LUCIO K. TAN, JR.** Director
13 **CHRISTOPHER J. NELSON** Director
14 **ATTY. DORIS S. TE** Corporate Secretary
15 **WILLIAM T. LIM** Board of Advisor
16 **WASHINGTON Z. SYCIP** Director
17 **ESTELITO P. MENDOZA** Director

FLORENCIA G. TARRIELA

67, Filipino, first elected as a Director on May 29, 2001, has been serving as Chairman of the Board of the Bank since May 24, 2005, and as Independent Director since May 30, 2006. She also serves as an Independent Director of PNB Capital and Investment Corporation, PNB Life Insurance, Inc., PNB (Europe) Plc and LT Group, Inc. She is also a member of the Board of Advisors of PNB Remittance Centers, Inc. She obtained her Bachelor of Science in Business Administration degree, Major in Economics, from the University of the Philippines and her Masters degree in Economics, from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination. Ms. Tarriela is currently a columnist for "Business Options" of the Manila Bulletin. She is a Life Sustaining Member of the Bankers Institute of the Philippines (BAIPHIL), and Trustee of Finex and TSPI Development Corporation. She was formerly an Independent Director of the Philippine Depository and Trust Corporation, the Philippine Dealing and Exchange Corporation and the Philippine Dealing System Holding Corporation. Ms. Tarriela was also former Undersecretary of Finance, and an alternate Member of the Monetary Board of the BSP, Land Bank of the Philippines (LBP) and the Philippine Deposit Insurance Corporation (PDIC). She was formerly Deputy Country Head, Managing Partner and the first Filipino lady Vice President of Citibank N. A., Philippine Branch. Ms. Tarriela 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.

OMAR BYRON T. MIER

67, Filipino, was first appointed as the Bank's President and Chief Executive Officer on May 25, 2005 up to May 24, 2010. He was reappointed on February 9, 2013 after serving as Acting President since July 17, 2012. He has previously served as Chairman of the Executive Committee and has been a Director of the Bank since May 25, 2005. Mr. Mier, a Certified Public Accountant, obtained his degrees in Bachelor of Science in Business Administration, Major in Accounting, and Bachelor of Arts in Economics from the University of the Philippines. He is currently Chairman of PNB Capital and Investment Corporation, Japan-PNB Leasing and Finance Corporation, Japan-PNB Equipment Rentals Corporation, PNB (Europe) Plc. and PNB International Investments Corporation. He is also a Director of PNB Forex, Inc., PNB General Insurers Co., Inc., PNB Securities, Inc., PNB Management and Development Corporation, Bulawan Mining Corporation, PNB Global Remittance and Financial Co. (HK) Ltd., PNB RCI Holdings Co., Ltd., PNB Remittance Company (Canada) and LGU Guaranty Corporation. He was formerly the Chairman of Victorias Milling Company, Inc. and a Director of Citra Metro Manila Tollways Corporation and Credit Information Corporation. Prior to his election as a member of the Board of the Bank, he served as Executive Vice President and Chief Credit Officer from August 16, 2002 to April 10, 2005, then was appointed as Acting President on April 11, 2005. He worked with Citibank N.A. (Manila and Malaysia) for 24 years where he held the positions of Country Risk Manager/Senior Credit Officer and Head of the Risk Management Group and World Corporation Group. Before joining the Bank in 2002, he served as Deputy General Manager & Corporate Banking Department Head of Deutsche Bank, Manila from 1995 to 2001.

FELIX ENRICO R. ALFILER

64, Filipino, was elected as Independent Director of the Bank effective 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 an Independent Director of Japan-PNB Leasing and Finance Corporation, Allied Savings Bank, PNB International Investments Corporation and PNB Global Remittance & Financial Co. (HK) Ltd. where he also sits as Chairman. He is also a member of the Board of Advisors of PNB Remittance Company (Nevada) and PNB Remittance Centers, Inc. 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 BSP, 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 served as 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

72, 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. and an Independent Director of PNB Holdings Corporation. He is also a Director of Allied Savings Bank, PNB Global Remittance & Financial Co. (HK) Ltd., PNB RCI Holdings Co., Inc., PNB International Investments Corporation, PNB Remittance Company (Canada) 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, Tampakan Mineral Resources Corporation, PacificRim Land Realty Corporation and Hillcrest, Inc., where he is also the Chairman. He is a Trustee of the LBP Countryside Development Foundation, Inc. He was formerly the President of Maybank Philippines, Inc. from February 1992 to July 1993, Land Bank of the Philippines from July 1998 to August 2000, and Surigao Micro Credit Corporation from June 2001 to November 2004. He was formerly a BSP Consultant/Senior Adviser for the Philippine National Bank and the Chairman of the National Livelihood Support Fund, LBP Countryside Development Foundation, Inc., LBP Insurance Brokerage, Inc., LBP Leasing Corporation, LBP Realty Development Corporation, Masaganang Sakahan, Inc., LBP Financial Services SpA, and Republic Planters Bank Venture Capital. He served as Vice Chairman of the Land Bank of the Philippines, People's Credit Finance Corporation and Westmont Forex. Mr. Casuela was also a Member of the Board of Directors of the Cotton Development Authority, National Food Authority, Philippine Crop Insurance Corporation, Asean Finance Corporation, Ltd. (Singapore), Manila Electric Company, All Asia Capital and Trust Corporation, Petrochemical Corporation of Asia Pacific, Pacific Cement Corporation, EBECOM Holdings, and Westmont Securities, Inc.

LEONILO G. CORONEL

67, Filipino, was elected as a Director of the Bank on May 28, 2013. He obtained his Bachelor of Arts, Major in Economics degree from the Ateneo de Manila University in 1967 and finished the Advance Management Program of the University of Hawaii in 1977. He became a Fellow of the Australian Institute of Company Directors in 2002. Presently, he is an Independent Director of the following PNB subsidiaries: Japan-PNB Leasing and Finance Corporation, Japan-PNB Rentals Corporation, PNB General Insurers Co., Inc., and PNB Global Remittance and Financial Co. (HK) Ltd. He is an Independent Director of Megawide Construction Corporation, DBP-Daiwa Capital Markets Phil., and Electronic Network Cash Tellers. He is also a Director of Software Ventures International, the Executive Director of RBB Foundation and a Managing Director of the BAP-Credit Bureau, Inc. Prior to his present positions, Mr. Coronel was Executive Director of the BAP. He also previously served as the Treasurer of Philippine Depository & Trust Corporation, a Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Philippine Depository & Trust Corporation, a Trustee/Treasurer and member of the Capital Market Development Council Institute, a member of the Executive Committee of the Philippine Business for Social Progress and the President of Cebu Bankers Association. He previously worked with Citibank, Manila for twenty (20) years, occupying various positions.

REYNALDO A. MACLANG

75, Filipino, was elected as a Director of the Bank on February 9, 2013. He holds a Bachelor of Laws degree from the Ateneo de Manila University. He was previously a Director of Allied Banking Corporation (Allied Bank), PNB Life Insurance, Inc. and Eton Properties, Inc. He is currently a member of the Board of Directors of Allied Leasing and Finance Corporation, Allied Savings Bank, PNB Holdings Corporation, PNB Global Remittance and Financial Co. (HK) Ltd. and an Independent Director of PNB Securities, Inc. He has been with Allied Bank since 1977 and was formerly the President of Allied Savings Bank from 1986 to 2001. He then became the President of Allied Bank from 2001 up to 2009. Previous to that, he was connected with other commercial banks and practiced law.

ESTELITO P. MENDOZA

84, Filipino, was elected as a Director of the Bank effective January 1, 2009. He obtained his Bachelor of Laws degree 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 the following directories/journals: "The Asia Legal 500", "Chambers of Asia" and "Which Lawyer?" yearbooks. He was also a Professional Lecturer of law at the University of the Philippines and served as 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, Meralco, and Petron Corporation. He is a recipient of the Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns on June 28, 2010 and he was also awarded by the University of the Philippines Alumni Association (UPAA) its 2013 "Lifetime Distinguished Achievement Award."

CHRISTOPHER J. NELSON

54, British, was elected as a Director of the Bank on 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 PNB Global Remittance and Financial Co. (HK) Ltd. Prior to joining the Bank, he was President of Philip Morris Fortune Tobacco Corporation, Inc. (PMFTC, Inc.) for 2 years and concurrently Managing Director 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 American Chamber Foundation Phils., Inc., Philippine Band of Mercy and Tan Yan Kee Foundation. He is also a Director of the American Chamber of Commerce of the Philippines, Inc. and serves as Adviser to the Board of the Federation of Philippine Industries.

WASHINGTON Z. SYCIP

92, American, has been serving as a Director of the Bank since December 8, 1999. He is the founder of SGV Group, the Philippines' largest professional services firm. 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; Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France; and Honorary Life Trustee of The Asia Society. He is presently an Independent Director of Belle Corporation, Lopez Holdings, Commonwealth Foods, Inc., First Philippine Holdings Corp., Highlands Prime, Inc., Philippine Equity Management, Inc., Philippine Hotelier, Inc., Philamlife, Realty Investment, Inc., the PHINMA Group, Stateland, Inc. and Century Properties, Inc. He is the Chairman of Cityland Development Corporation, Lufthansa Technik Philippines, Inc., MacroAsia Corporation, STEAG State Power, Inc. and State Properties Corporation. 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 (1982-1985), a member of the International Advisory Board of the Council on Foreign Relations (1995-

2010), Vice Chairman of the Board of Trustees of The Conference Board (2000-2004), and Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange (1997-2004). He also served on 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 Ramon Magsaysay Award Foundation (2005-2008) and Eisenhower Exchange Fellowship (1999-2010). 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 in 2010 and Asia Society in 2012; Ramon Magsaysay Award for International Understanding in 1992; the Management Man of the Year given by the Management Association of the Philippines in 1967; the Officer's Cross of the Order of Merit given by the Federal Republic of Germany in 2006; Star of the Order of Merit Conferred by the Republic of Australia in 1976; and the Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden in 1987.

HARRY C. TAN

68, Filipino, was appointed as a Director of the Bank on February 9, 2013 after serving as a Director of Allied Banking Corporation 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 Director of Bulawan Mining Corporation and a Director of PNB Management Development Corporation, Allied Savings Bank, Allied Commercial Bank and Allied Banking Corporation (HK) Ltd. He is also the President of Century Park Hotel and Landcom Realty Corporation. He is the Vice Chair of Lucky Travel Corp., and Vice Chairman/Director of Eton Properties Philippines, Inc., Eton City Inc., and Belton Communities, Inc. He is also the Vice Chairman/ Director/Treasurer of LT Group, Inc. (formerly Tanduay Holdings, Inc.). He is the Managing Director/Vice Chair of The Charter House Inc. and is a member of the Board of Directors of various private firms which include Asia Brewery, Inc., Dominium 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., Allied Bankers Insurance Corporation, Asian Alcohol Corp., REM Development Corporation, Tanduay Brands International Inc., Foremost Farms, Inc., Grandspan Development Corp., Manufacturing Services and Trade Corporation, Philippine Airlines, Inc., PAL Holdings, Inc., Philip Morris Fortune Tobacco Corporation, Inc. (PMFTC), and Tangent Holdings Corporation where he is also the Treasurer. He is also a Director/Chairman for the Tobacco Board of Fortune Tobacco 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 where he earned his degree in Chemical Engineering. In 2003, he earned the degree of Doctor of Philosophy, Major in Commerce, from the University of Santo Tomas. From humble origins, Dr. Tan became the Chairman of Allied Banking Corporation from 1977 to 1999. He is presently the Chairman and CEO of LT Group, Inc. (formerly Tanduay Holdings, Inc.), Philippine Airlines, Inc., and PAL Holdings, Inc. He is the Chairman of Asia Brewery, Inc., Basic Holdings Corporation, Himmel Industries, Inc., Eton Properties Philippines, Inc., Fortune Tobacco Corporation, Grandspan Development Corporation, Tanduay Distillers, Inc., PMFTC, Inc., PNB Life Insurance, Inc., Allied Leasing and Finance Corporation, Allied Commercial Bank and Allied Banking Corporation (Hong Kong) Ltd. Dr. Tan is also the Chairman/President of Tangent Holdings Corporation and Lucky Travel 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 the Chairman and President. He is likewise Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII). He is also the founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. (FUSE). He is the Adviser/Benefactor of the medical scholarship program of Asia Brewery, Inc. and Benefactor/Honorary Adviser of other professional and socio-civic groups. For his outstanding achievements and leadership, Dr. Tan received the following honorary degrees: Doctor of Humane Letters, University of Guam (Guam, USA); Doctor of Applied Agriculture, Central Luzon State University (Muñoz, Nueva Ecija); Doctor of Technology Management, Western Visayas College of Science and Technology (La Paz, Iloilo), Doctor of Science in International Business and Entrepreneurship, Cavite State University (Cavite); Doctor of Humanities, Western Mindanao State University (Zamboanga); Doctor of Business Management, St. Paul University Philippines (Tuguegarao, Cagayan); Doctor of Institutional Development and Management, Isabela State University (Cauayan, Isabela); Doctor of Humanities, University of Mindanao (Davao City); Doctor of Business and Industrial Management Engineering, Central Philippine University (Iloilo City); Doctor of Humanities in Business and Entrepreneurship, Lyceum-Northwestern University (Dagupan City, Pangasinan); and Doctor of Humanities, San Beda College (Manila). He was chosen as a Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence, adopted to the Ancient Order of the Chamorri and designated Ambassador-at-Large of the U.S. Island-territory of Guam, and conferred the Diploma of Merit by the Socialist Republic of Vietnam, one of the highest honors conferred by the Vietnamese Government on foreign nationals. Dr. Tan was named Outstanding Manilan for the year 2000 by the City Government of Manila and conferred the UST Medal of Excellence in 1999, the highest award given by the Pontifical and Royal University of Santo Tomas. Aside from being named Most Distinguished Bicolano Business Icon in 2005, Dr. Tan was also conferred the following awards: "2003 Most Outstanding Member Award" by the Philippine Chamber of Commerce and Industry (PCCI) in recognition of his altruism and philanthropy, business acumen, hard work and perseverance in his numerous business ventures; Award of Distinction by the Cebu Chamber of Commerce and Industry; Award for Exemplary Civilian Service of the Philippine Medical Association; Honorary Mayor and Adopted Son of Bacolod City; and Adopted Son of Cauayan City, Isabela. He was named Entrepreneurial Son of Zamboanga, awarded as distinguished fellow during the 25th Conference of the ASEAN Federation of Engineering Association, and conferred the 2008 achievement award for service to the chemistry profession during the 10th Eurasia Conference on Chemical Sciences. In recognition of his achievements, the City of San Francisco, U.S.A. declared May 11 of each year as Dr. Lucio Tan's Day in the Bay area. The island-territory of Guam also celebrates Lucio Tan Day on November 2 of every year.

LUCIO K. TAN, JR.

47, Filipino, has been serving as a Director of the Bank since September 28, 2007. He obtained his degree in Bachelor of Science 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 MBA at the J.L. Kellogg School of Management of Northwestern University and the School of Business and Management of the Hong Kong University of Science and Technology in 2006. He also attended courses in Basic and Intermediate Japanese Language. He works with MacroAsia Corporation where he held the rank of President and Chief Executive Officer for 7 years. Mr. Tan is currently the President 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 (PMFTC), Inc., Philippine Airlines, Inc., PAL Holdings, Inc., Air Philippines Corporation, MacroAsia Corporation, LT Group, Inc. (Tanduay Holdings, Inc.), Allied Bankers Insurance Corporation, Foremost Farms, Inc. and Eton Properties Phils., Inc., where he is also the OIC. He is an Executive Director of Dynamic Holdings Limited, and Executive Vice President (EVP) and Director of Fortune Tobacco Corporation.

MICHAEL G. TAN

47, 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 Allied Banking Corporation (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 a Director of PNB Forex, Inc., Allied Savings Bank and Allied Banking Corporation (HK) Ltd. He is also the Director/Chief Operating Officer of Asia Brewery, Inc. and a member of the Board of Directors of the following companies: Bulawan Mining Corporation, PNB Management and Development Corporation, Allied Commercial Bank, Abacus Distribution Systems Phils., Inc., Allied Bankers Insurance Corporation, Absolut Distillers, Inc., Air Philippines Corporation, Philippine Airlines, Inc., Philippine Airlines (PAL) Foundation, Inc., PAL Holdings, Inc., Lucky Travel Corporation, Eton Properties Philippines, Inc., Grandway Konstruct, Inc., Eton City, Inc., PMFTC Inc., Shareholdings, Inc., Tangent Holdings Corporation, and Victorias Milling Company, Inc. He holds a Bachelor of Applied Science in Civil Engineering degree from the University of British Columbia, Canada.

DEOGRACIAS N. VISTAN

69, Filipino, was elected as Independent Director of the Bank on August 1, 2011. He obtained his AB and BSBA degrees from the De La Salle University and earned his MBA from Wharton Graduate School, University of Pennsylvania. A seasoned banker, Mr. Vistan's extensive banking experience includes being Chair of United Coconut Planters Bank (2003-2004), Vice Chair 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 likewise 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 currently an Independent Director of PNB Capital and Investment Corporation, PNB (Europe) Plc, PNB International Investments Corporation, and Lorenzo Shipping Corporation. He is also a member of the Board of Directors of U-Bix Corporation and is a member of the Board of Advisors of PNB Remittance Centers, Inc. and PNB Remittance Company (Nevada). He is the Chairman of Creamline Dairy Corporation, Landbank Countryside Development Foundation, Inc. and Pinoy Micro Enterprise Foundation, Inc. He is currently a member of the Board of Trustees of the Ramon Magsaysay Award Foundation.

DORIS S. TE

33, 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, 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.

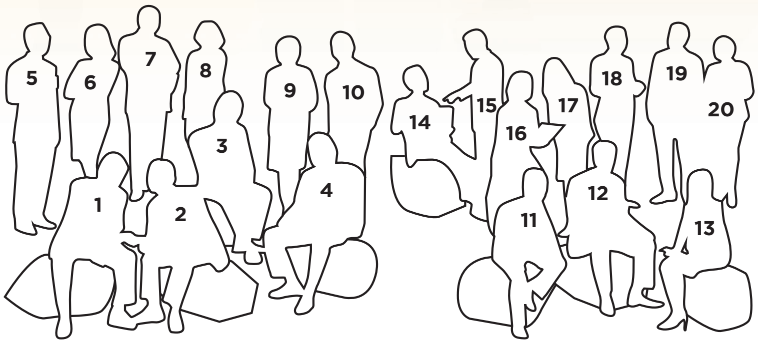
BOARD OF ADVISORS

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 Allied Bankers Insurance Corporation. Previous to this, he was a Director of Allied Banking Corporation from March 26, 1986 until the PNB-Allied Banking Corporation merger on February 9, 2013. He has been with Allied Banking Corporation 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 Master in Arts in Economics at the Ateneo De Manila University.

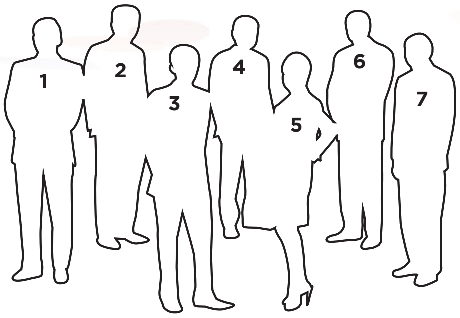
WILLIAM T. LIM

74, Filipino, was appointed as Board Advisor of the Bank on January 25, 2013. Previous to that, he served as a Consultant of Allied Banking Corporation on credit matters since 1995. He obtained his Bachelor of Science in Chemistry from the Adamson University. From 1985 to 1994, he was a Director of Corporate Apparel, Inc., Concept Clothing, and Freeman Management and Development Corporation, President of Jas Lordan, Inc. and an importer/distributor of Chinese, Australian and New Zealand apples. He also worked with Equitable Banking Corporation for 28 years, rising from the ranks to becoming a Vice President of the Foreign Department.



1 **OMAR BYRON T. MIER**
2 **EVP JOVENCIO D. HERNANDEZ**
3 **FSVP ZACARIAS E. GALLARDO JR.**
4 **EVP CHRISTOPHER C. DOBLES**
5 **FSVP EMMANUEL GERMAN V. PLAN II**

6 SVP AIDA M. PADILLA
7 SVP JOHN HOWARD D. MEDINA
8 SVP CARMELA LETICIA A. PAMA
9 SVP ALICE Z. CORDERO
10 FSVP BENJAMIN S. OLIVA
11 EVP HORACIO E. CEBRERO III
12 FSVP CENON C. AUDENCIAL JR.
13 SVP SOCORRO D. CORPUS
14 VP CONSTANTINO T. YAP
15 SVP DIOSCORO TEODORICO L. LIM
16 SVP EMELINE C. CENTENO
17 SVP MARIA PAZ D. LIM
18 FVP MANUEL C. BAHENA JR.
19 FSVP MIGUEL ANGEL G. GONZALEZ
20 FVP JOSEPHINE E. JOLEJOLE



1 **ALBERTO E. BIENVENIDA -** PNB Capital and Investment Corporation
2 **ELFREN ANTONIO S. SARTE -** Allied Savings Bank
3 **EDGARDO T. NALLAS -** PNB Leasing and Finance Corporation
4 **FREDDIE G. VILLADELGADO -** Allied Leasing and Finance Corporation
5 **ESTHER C. TAN -** PNB Life Insurance, Inc.
6 **FRANCISCO P. RAMOS -** PNB General Insurers Co. Inc.
7 **RAMON L. LIM -** PNB Securities, Inc.

ALLIED BANK PHILIPPINES (UK) PLC

Allied Bank Philippines (UK) PLC (ABUK) is a wholly-owned subsidiary of PNB by virtue of the merger of PNB with Allied Banking Corporation. It commenced operations in 1992 after functioning as ABC's representative office in the 1970s and as a branch in the mid-1980s. ABUK was the first Philippine private commercial bank in London to be granted the status of licensed deposit taker by the Bank of England under the Financial Services and Markets Act 2000. It provides remittance services, deposit taking, and lending and trade financing.

ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Allied Banking Corporation (Hong Kong) Limited (ABCHK) is a majority-owned (51%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation. ABCHK, a private limited company incorporated in Hong Kong in 1978, is the first majority-owned overseas subsidiary of ABC. It is a restricted license bank under the Hong Kong Banking Ordinance. ABCHK provides commercial banking services such as deposit taking, lending and trade financing, documentary credits, participation in loan syndications and other risks, money market and foreign exchange operations, money exchange, investment and corporate services. It is also licensed and acts as an insurance agent. ABCHK has a wholly-owned subsidiary, ACR Nominees Limited, a private limited company incorporated in Hong Kong, which provides management and corporate services. ABCHK has a branch office in Tsimshatsui, Kowloon.

ALLIED COMMERCIAL BANK

Allied Commercial Bank (ACB) is a majority-owned (90.41%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation. ACB was formerly known as Xiamen Commercial Bank. It obtained its commercial banking license and opened in 1993. ACB is authorized to provide full banking services in foreign currency such as deposit-taking, loans, remittances, fund transfers and collections, trade finance, foreign exchange and related services to resident and non-resident foreign enterprises and non-resident natural persons including compatriots from Hong Kong, Macau and Taiwan. ACB is also allowed to service the foreign trade and loan requirements of enterprises owned by local residents. ACB maintains its head office in Xiamen, Fujian, China. It has a branch in Chongqing which was established in 2003.

ALLIED LEASING AND FINANCE CORPORATION

Allied Leasing and Finance Corporation is a majority-owned (57.21%) subsidiary of PNB by virtue of the merger of PNB and Allied Banking Corporation. It offers receivables financing, direct loans, and financing and leasing of various types of equipment, machineries and vehicles.

ALLIED SAVINGS BANK

Allied Savings Bank (ASB) is a wholly-owned subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation. ASB traces its roots from First Malayan Development Bank which ABC bought in 1986 and renamed as First Allied Savings Bank in 1996 following the grant of license to operate as a savings bank. The latter was subsequently renamed as Allied Savings Bank in 1998. ASB offers deposit products, remittance service, loans and trade finance.

JAPAN-PNB LEASING AND FINANCE CORPORATION

Japan-PNB Leasing and Finance Corporation offers a full range of financial services but specializes in financial leasing of various equipment, term loans and receivable discounting. The company also arranges lease syndications for big-ticket transactions and provides operating lease services of universal-type equipment through its wholly-owned subsidiary, Japan-PNB Equipment Rentals Corporation.

PNB CAPITAL AND INVESTMENT CORPORATION

PNB Capital and Investment Corporation is the wholly-owned investment banking subsidiary of PNB. It provides a full range of corporate finance services such as financial advisory, project finance and private placements for corporate clients, debt and equity syndication and underwriting including assisting clients in pre-IPO re-organizations. PNB Capital and Investment Corporation also assists in structuring and packaging mergers and acquisitions, securitization transactions and mezzanine financing.

PNB (EUROPE) PLC

PNB (Europe) PLC is a wholly-owned subsidiary incorporated in the United Kingdom with a full banking license. It is also authorized to provide cross border services to member states of the European Economic Area. PNB (Europe) PLC operates a branch in Paris which is engaged only in remittance services.

PNB GLOBAL REMITTANCE AND FINANCIAL COMPANY (HK) LIMITED

PNB Global Remittance and Financial Company (HK) Limited is a wholly-owned subsidiary of PNB which provides remittance services and grants retail loans to Filipino overseas workers and professionals in Hong Kong. Its main office is located in Wan Chai District while its six branches are situated in Shatin, Yuen Long, Tsuen Wan, North Point and two in Worldwide House in Central Island.

PNB HOLDINGS CORPORATION

PNB Holdings Corporation is a wholly-owned holding subsidiary of PNB which owns 100% of PNB General Insurers Co., Inc., a non-life insurance company that offers fire, marine, motor car, surety, casualty, engineering and personal accident insurance.

PNB INTERNATIONAL INVESTMENTS CORPORATION

PNB International Investments Corporation is a non-bank holding subsidiary and is the parent company of PNB Remittance Centers, Incorporated (PNB RCI). PNB RCI has a network of 20 money transfer offices in 19 states of the United States of America.

PNB RCI also owns PNB Remittance Company, Nevada (PNBRCN) and PNBRCI Holding Company, Limited (PNBRCI Holding). PNBRCN provides money transfer service in the State of Nevada, while PNBRCI Holding was established to be the holding company of PNB Remittance Company (Canada) [PNBRCC]. PNBRCC has eight offices servicing the remittance requirements of Filipinos in Canada.

PNB ITALY SPA

PNB Italy SpA is a wholly-owned subsidiary incorporated in Italy. Its principal business is to service the remittance requirements of overseas Filipino workers in Italy. It has offices in Rome and Milan.

PNB LIFE INSURANCE, INC.

PNB Life Insurance, Inc. is a majority-owned (80%) subsidiary of PNB by virtue of the merger of PNB and Allied Banking Corporation. PNB Life Insurance, Inc. traces its roots from New York Life Insurance Philippines, Inc. (NYLIP) which became a majority-owned subsidiary of ABC in June 2007. NYLIP was renamed as PNB Life Insurance, Inc. in May 2008 to reflect the change in ownership and in anticipation of the merger of ABC and PNB. The company provides traditional insurance, investment, group insurance and other special products.

PNB SECURITIES, INC.

PNB Securities, Inc. is a wholly-owned stock brokerage subsidiary which deals in the trading of shares of stocks listed at the Philippine Stock Exchange.

1916

1916

1966

1968

1970

1916 On July 22, the Philippine National Bank formally opened its doors to the public. The event was hailed as "the beginning of a new financial life in the country." A year after PNB's inauguration day, the vision unfolds as the Bank's total resources amounted to P57 million, an amount which more than tripled in 1918 to P216 million. PNB then absorbed the First Agricultural Bank and began setting up branches and agencies in the provinces, funding sugar and coconut mills for export during World War I which created a boom for Philippine crop exports.

1917 PNB marked its entry in the field of international banking as it opened its New York Branch. The following year, the Bank established five more domestic branches and another overseas branch in Shanghai, China.

1948 The Central Bank was established in 1948, welcoming an era of a managed currency system in the Philippines. PNB continued to have a role in central banking through its membership in the Monetary Board which was charged with the responsibility of carrying the monetary policy decisions and the general supervision of Central Bank operations.

1950 PNB's chain of local branches and agencies allowed it to tap a rich source of capital which it channeled to productive investment. The Bank intensified its campaign for savings accounts even to the extent of paying interest on deposits as small as P50.

1966 On the commemoration of PNB's Golden Anniversary, the Bank took on great strides to expand its business operations to result in total gross earnings of P160 million translating to a high P17.7 million in net operating profit. It was also this year that PNB unveiled its modernized headquarters along Escolta, Manila. The first Online Electronic Data Processing System in the entire Far East was launched to automate the key functions of the Bank.

1968 PNB's global presence and performance grew further with the introduction of its Dollar Remittance Program which was designed to channel the earnings of Overseas Filipino Workers to the country's foreign exchange reserves.

1970 PNB makes history as it launches the Masagana 99 Financing Program. The program provided loan assistance to more than 260,000 farmers across the country.

1976 PNB organized the Bank on Wheels and Bank on Wings programs that feature Philnabankers journeying to the province on Toyota Land Rovers and helicopters in an effort to promptly and ingeniously service the Bank's client-farmers.

1980 PNB launched the first Automated Teller Machine in the country. This big leap to a brand new phase of banking confirms PNB's thrust in continuously developing innovative products and services. PNB also embarked on a marketing campaign that highlighted

1976

1980

1995

2010

2013

its pledge of being "the Bank that every Filipino can lean on". The tagline, "Sa PNB, Para Kang Nakasandal Sa Pader!", as reflected by the ad was used to deliver the message.

1989 PNB's privatization begins with the highly successful initial public offering of its stock in 1989. The listing of the PNB stock will always be remembered in history of the stock market as an issuer's dream.

1992 PNB became the first Philippine bank to have reached the P100 billion mark in total resources.

1999 Dr. Lucio C. Tan started buying PNB shares through the stock market in 1999. The agreement between the Lucio Tan Group and the government signed in May 2002 paved the way for PNB's rehabilitation.

2005 The Bangko Sentral ng Pilipinas (BSP) bestowed upon PNB the Commercial Bank of the Year for the Highest Reported OFW Remittances Award for the Bank's outstanding performance as a medium of foreign exchange remittances.

2006 PNB was awarded the highly-coveted Trusted Brand Award in the Gold Category by the Reader's Digest for three years in a row. The award affirms the public's recognition of PNB as a trusted brand in the Philippine banking industry.

2007 The complete divestment of the Government's remaining 12% stake in PNB ushered the Bank's transition into a fully private bank. PNB's growth performance in 2007 affirmed its objective of strengthening the Bank's core businesses and increasing its profitability.

2010 An integral part of PNB's transformation program in 2010 is its rebranding initiative. The Bank committed significant resources to upgrade its image and improve perceptions and overall customer experience. PNB's rejuvenated logo was introduced in new branch signages which sports a fresh color palette that retains the original blue corporate color side by side with the new colors: silver and aquamarine.

2011 PNB was given the Silver Award for Good Corporate Governance from the Institute of Corporate Directors (ICD). This is in recognition of the Bank's corporate directors and senior management who are very committed to the professional practice of corporate dictatorship in line with the global principles of modern corporate governance.

2013 PNB has forged a splendid mark in the banking history as it merges with Allied Banking Corporation on February 9, 2013. PNB became the fourth largest private domestic bank in terms of combined total resources. The merger of the two banking institutions further enhanced its domestic reach by having one of the biggest networks with 630 branches and 833 ATMs strategically located nationwide.

DEPOSITS AND RELATED SERVICES

Peso Accounts
- Current Accounts
  - Budget Checking Account
  - Regular Checking Account
  - PNBig Checking Account
  - Priority One Checking Account
  - Executive Checking Account
  - Combo Checking Account
  - Negotiable Order of Withdrawal (N.O.W.)
  - Advantage Account
- Savings Accounts
  - Regular Passbook Savings Account
  - Superteller ATM Account/Debit
  - MasterCard ATM Savings Account
  - TAP MasterCard Savings Account
  - OFW Savings Account
  - Direct Deposit Program
  - SSS Pensioners Account
  - GSIS Pensioners Account
  - Prime Savings Account
  - Cash Card
  - Star Kiddie Club
  - Top Saver
- Time Deposit Accounts
  - Regular Time Deposit Account
  - PNBig Savings Account
  - Wealth Multiplier Account
  - Treasury Nego
  - Market Savings Deposit Account
  - Top Provider Plus Time Deposit Account

Dollar Accounts
- Current Accounts
  - Greencheck Account
- Savings Accounts
  - OFW Dollar Savings Account
  - Dollar Savings Account
  - Direct Deposit Dollar Savings Account
  - Premium Dollar Deposit Account
- Time Deposit Accounts
  - Greenmarket
  - Dollar M.I.N.T. Account
  - Dollar Treasury Nego
  - Dollar Wealth Multiplier Account
  - Top Dollar Time Deposit Account

Other Foreign Currency Accounts
- Savings Accounts
  - Euro Savings Account
  - Renminbi Savings Account
- Time Deposit Accounts
  - Euro Time Deposit Account
  - Renminbi Time Deposit Account

Cash Management Solutions
- Account Management
- Liquidity Management
- Collections Management
  - *e*-Collect
  - Auto-Debit Arrangement (ADA)
  - PDC Warehousing
  - Deposit Pick-up Services
    - Cash Mover
    - Retail Cash Mover
- Payments Management
  - Electronic Funds Transfer
  - Corporate e-Pay
  - Auto-Pay
  - Executive Checking Account (ECA)
  - Executive Check Online
  - Cash Over-the-Counter
  - Payroll Services
    - Paywise
    - Paywise Plus
  - Government Payments
    - BIR *e*-Tax
    - SSS Net (via Bancnet)
    - Philhealth
- Electronic Banking Services
  - Internet Banking System (IBS)
  - Phone Banking
  - Mobile Banking (Proprietary)
  - BancNet POS
  - Automated Teller Machine

Other Services
- Conduit Clearing Arrangement
- Safety Deposit Boxes

BANCASSURANCE

Non-Life Insurance
- Auto Protector Plan
- House Protector Plan
- Family Accident Protector Plan
- PNBGen ATM Safe

Life Insurance
- Premier Life Peso
- Premier Life Dollar
- Peso Intensify!
- Milestone
- Bida!
- Hero
- Achievers
- Air Lite
- Yearly Renewable and Convertible Term Plan
- Vertex
- Opulence
- Optimal Power Peso
- Optimal Power Dollar
- Optimum Gold
- Optimum Green
- Diversify Peso
- Diversify Dollar
- Group Secure
- Group Shield
- Group Product
- Healthy Ka, Pinoy

REMITTANCE PRODUCTS AND SERVICES

Global Filipino Card (PHP, USD)
Overseas Bills Payment System
Credit to Other Banks (PHP, USD)
Door-to-Door Delivery
- Cash Delivery
- Check Delivery
- U.S. Dollar Delivery
- (selected Metro Manila Areas)

Cash Pick-Up
- Peso Pick-up (Domestic Branches and Authorized Payout Outlets)
- U.S. Dollar Pick-up (Metro Manila and selected Provincial Branches only)

Remittance Cards (7-Eleven in Hong Kong)
Remittance Channels
- Web Remittance
- Phone Remittance
- Mail-In Remittance
- Agent Remittance System

Other Services
- Remittance Tracker
- Remittance Text Alert

FUND TRANSFER AND RELATED SERVICES

S.W.I.F.T. Transfer – Incoming/Outgoing
FX Outward Telegraphic Transfer (FXOTT)
Gross Settlement Real Time (GSRT) – Incoming/Outgoing - USD
Real Time Gross Settlement (RTGS) – Incoming/Outgoing - PHP
Electronic Peso Clearing System (EPCS)
Philippine Domestic Dollar Transfer System (PDDTS)
Demand Drafts
Cashier's/Manager's Checks
Travel Funds
- FX Currency Notes

Purchase/Sale of FX Currency Notes
Domestic Telegraphic Transfer
Regular Collection Service (Foreign and Domestic)
- Wells Fargo Bank NA – USD Final Credit Service (FCS)
- Deutsche Bank NY – USD Preferred Collection Service (PCS)
- Allied Bank Philippines (UK) Plc – GBP
- Canadian Imperial Bank of Commerce – CAD
- National Australia Bank – AUD
- PNB Singapore – SGD
- PNB Hong Kong – HKD
- Union Bank of Switzerland – CHF
- Australia New Zealand Bank – AUD, NZD
- Deutsche Bank Frankfurt – EUR

Standard Collection Service
- Deutsche Bank NY – USD
- Wells Fargo Bank NA – USD Individual Collection
- PNB Singapore – USD
- Deutsche Bank AG – Other currencies

Cash Letter
- Deutsche Bank NY – USD
- Wells Fargo Bank NA – USD
- PNB Branches – Other Third Currencies for collection only

TREASURY PRODUCTS AND SERVICES

Foreign Exchange in the Spot Currency Market
- USD/PHP
- USD/JPY
- EUR/USD
- USD/Other Currencies

Financial Hedging Instruments
- Foreign Exchange Forward Contracts
  - USD/PHP
  - USD/JPY
  - EUR/USD
- Foreign Exchange Swap Contracts
  - USD/PHP
  - USD/JPY
  - EUR/USD
- Cross Currency Swaps
  - USD/PHP
- Philippine Peso Interest Rate Swaps
  - USD/PHP

Local (PHP) and Foreign Currency Denominated Fixed Income Securities
- Securities issued by the Republic of the Philippines
  - Treasury Bills
  - Treasury Bonds
  - Retail Treasury Bonds
  - USDollar denominated ROPs
  - EUR denominated ROPs
- Securities issued by Corporations and Financial Institutions in the Philippines
  - Corporate Bonds
  - Long Term Negotiable Certificates of Deposits
  - Unsecured Subordinated Debt
- Securities issued by the United States of America
  - Treasury Bills
  - Treasury Bonds

Local and Foreign Currency Denominated Short-term Money Market Instruments
- Certificates of Time Deposits

EXPORT / IMPORT SERVICES

Export Services
- Advising of Letters of Credit
- Confirmation of Letters of Credit
- Export Financing
  - Pre-Shipment Export Financing
  - Post Shipment Financing

Import Services
- Issuance and Negotiation of Letters of Credit (Foreign/Domestic)
- Issuance of Shipside Bonds/Shipping Guarantees
- Trust Receipt Financing
- Servicing of Importations and Sale of Foreign Exchange (FX) for Trade in USD and major third currencies including RMB/Chinese Yuan
  - Letters of Credit (LC)
  - Collection Documents – D/P, DA/OA
  - Direct Remittance (D/R)
  - Advance Payment
- Forward Contracts for Future Import Payment
- Servicing of Collection and Payment of Advance and Final Customs Duties for all ports in the Philippines covered under the E2M project of the Bureau of Customs
- Project Abstract Secure (PAS5)

Special Financing Services
- BSP *e*-Rediscounting Facility for Export and Import Transactions
- Issuance of Standby Letters of Credit to serve the following bank guarantee requirements:
  - 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/ Installation of Infrastructure Projects, etc.)

LENDING SERVICES

Corporate/ Institutional Loans
- Credit Lines
  - Revolving Credit Line (RCL)
  - Non-revolving Credit Line
  - Omnibus Line
- Export Financing Facilities
  - Export Advance Loan
  - Export Advance Line
- Bills Purchased Lines
  - Domestic Bills Purchased Line
  - Export Bills/Drafts Purchased Line
  - Discounting Line
- Import-Related Loans
- Letters of Credit Facility
- Trust Receipt Facility
- Standby Letters of Credit – Foreign/Domestic
- Deferred Letters of Credit – Foreign/Domestic
- Term Loans
  - Medium-and Long-Term Loan
  - Short-Term Loan
  - Project Financing
- 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
  - BSP Rediscounting Facility
- Sugar Financing Program
  - Sugar Crop Production Line (SCPL)
  - Sugar Quedan Financing Line (SQFL)
  - Time Loan Agricultural (TLA)
  - Operational Loan (OpL)
- Small Business Loans for SMEs
  - Domestic Bills Purchased 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
- Domestic Letters of Credit Against Loan or Cash
- Loans Against Deposit Hold Out

Credit Facilities to Government-Owned and Controlled Corporations/National Government Agencies/Public Utilities (GOCCs/NGAs/PUs)
- Project Financing
- Term Loans
- Credit Lines
- Export Financing Facilities
- Bills Purchased Lines
- Import Letters of Credit/Documents Against Acceptance/Documents Against Payment/ Trust Receipts Line
- Standby Letters of Credit
- Structured Trade Finance
  - Export Credit Agency Lines
  - Guarantee Program
- LGU Bond Flotation (thru PNB Capital and Investment Corp.)
- Loans Against Deposit Hold Out

Consumer Loans
- Sure Home Loan (Housing Loan)
- Sure Home Flexi Loan
- Sure Wheels Loan (Motor Vehicle Loan)
- Contract to Sell Financing
- Global Filipino Auto Loan (Overseas Auto Loan)

Credit Cards
- Essentials & Platinum MasterCard
- Essentials, Platinum, and World Mabuhay
- Miles MasterCard
- Classic & Gold Visa
- Platinum & Diamond UnionPay

TRUST PRODUCTS AND SERVICES

Unit Investment Trust Funds (UITF)
- Money Market Funds
  - PNB Prime Peso Money Market Fund
  - PNB Prime Dollar Money Market Fund
  - PNB Global Filipino Peso Money Market Fund
  - PNB Global Filipino Dollar Money Market Fund
- Intermediate-Term Bond Funds
  - PNB Plus Intermediate Term Bond Fund
  - PNB Profit Dollar Intermediate Term Bond Fund
  - PNB Dream Builder Intermediate Term Bond Fund
  - Allied Unit Performance GS Fund
  - Allied Unit Performance Dollar Fund
- Balanced Funds
  - PNB Prestige Balanced Fund
- Equity Funds
  - PNB Enhanced Phil-Index Reference Fund
  - PNB High Dividend Fund
  - Allied Unit Performance Equity Fund

Personal Trust Products
- Living Trust/ Personal Trust Account
- Investment Management Account (IMA)
- Life Insurance Trust
- Testamentary Trust
- Personal Escrow
- Custodianship/Safekeeping
- Guardianship
- Estate Planning

Corporate Trust Products
- Corporate Trust
- Employee Enrichment Solutions (EES)
- Corporate Investment Management Account (IMA)
- Corporate Escrow
- Corporate Custodianship
- Facility Agency
- Mortgage Trust Indenture
- LGU Bonds Trusteeship
- Securitization
- Stock Transfer/ Paying Agency

SUBSIDIARIES

Banking
- Allied Bank Philippines (UK) PLC
- Allied Banking Corporation (Hong Kong) Limited
  - ACR Nominees Limited
- Allied Commercial Bank
- Allied Savings Bank
- PNB (Europe) PLC

Holding Company
- PNB Holdings Corporation
- PNB International Investments Corporation

Investment Banking
- PNB Capital and Investment Corporation

Leasing and Financing
- Allied Leasing and Finance Corporation
- Japan-PNB Leasing and Finance Corporation
  - Japan-PNB Equipment Rentals Corporation

Lending
- PNB Global Remittance and Financial Company (HK) Limited

Life Insurance
- PNB Life Insurance, Inc.

Non-Life Insurance
- PNB General Insurers Co., Inc.

Remittance
- PNB Remittance Centers, Inc.
- PNB Remittance Company (Canada)
- PNB Remittance Company (Nevada)
- PNB Global Remittance and Financial Company (HK) Limited
- PNB Italy SpA[1]

Stock Brokerage
- PNB Securities, Inc.

[1] Closed effective January 31, 2014

FINANCIAL STATEMENTS

The management of Philippine National Bank is responsible for the preparation and fair presentation of the consolidated and parent company financial statements as of December 31, 2013 and 2012 and January 1, 2012 and for each of the years ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated and parent company financial statements and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated and parent company financial statements of the Philippine National Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

FLORENCIA G. TARRIELA
Chairman of the Board

OMAR BYRON T. MIER
President & Chief Executive Officer

ZACARIAS E. GALLARDO, JR.
First Senior Vice President & Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 1 4 2014 day of April 2014 affiants exhibiting to me their Passport Nos., as follows:

Names	Passport No.	Date of Issue	Place of Issue
Florencia G. Tarriela	EB6620757	October 23, 2012	DFA Manila
Omar Byron T. Mier	XX3773388	May 21, 2009	DFA Manila
Zacarias E. Gallardo, Jr.	EB1931075	February 16, 2011	DFA Manila

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Book No. I
Series of 2014.

ATTY. MARIA ROCELIZA T. RAMIREZ
Commission No. 14-06/01-08-14
Roll No. 45158
Notary Public for Pasay City until 12/31/15
9th Flr., PNB Financial Center
Pres. D. P. Macapagal Blvd., Pasay City
PTR No. 3676171/01-03-14/Pasay City
IBP No. 943769/12-02-13/RSM

The Stockholders and the Board of Directors
Philippine National Bank

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Philippine National Bank and Subsidiaries (the Group) and the parent company financial statements of Philippine National Bank (the Parent Company), which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2013 and 2012 and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine National Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

Vicky Lee Salas
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115 -AR-3 (Group A),
Febraury 14, 2013, valid until February 13, 2016
Tax Identification No. 129-434-735,
BIR Accreditation No. 08-001998-53-2012
April 11, 2012, valid until April 10, 2015
PTR No. 4225181, January 2, 2014, Makati City

February 28, 2014

(In Thousands)	Consolidated			Parent Company		
	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)	**December 31, 2013**	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
ASSETS						
Cash and Other Cash Items	**₱11,804,746**	₱5,599,088	₱5,404,110	**₱9,700,005**	₱5,548,325	₱5,303,112
Due from Bangko Sentral ng Pilipinas (Notes 17 and 35)	**153,169,330**	37,175,399	38,152,795	**146,079,249**	36,531,047	37,492,594
Due from Other Banks (Note 32)	**14,881,541**	4,042,769	6,423,981	**6,146,134**	3,293,782	4,906,698
Interbank Loans Receivable	**8,405,250**	11,498,756	17,097,648	**8,405,250**	11,498,756	17,097,648
Securities Held Under Agreements to Resell (Note 34)	–	18,300,000	18,300,000	–	18,300,000	18,300,000
Financial Assets at Fair Value Through Profit or Loss (Note 7)	**11,709,348**	4,023,065	6,875,665	**3,845,673**	3,965,098	6,873,208
Available-for-Sale Investments (Notes 8 and 16)	**80,304,149**	66,997,479	52,323,808	**72,719,422**	64,764,040	50,428,977
Loans and Receivables (Notes 9 and 32)	**274,276,083**	144,230,665	125,630,770	**255,435,530**	139,523,674	122,034,686
Property and Equipment (Note 10)						
At cost	**1,463,308**	937,075	866,012	**1,167,115**	757,364	676,405
At appraised value	**21,155,051**	15,566,650	15,698,514	**20,575,338**	15,566,650	15,698,514
Investments in Subsidiaries and an Associate (Note 11)	–	2,391,255	2,896,718	**13,479,418**	6,399,163	7,300,582
Investment Properties (Notes 12 and 33)	**21,452,962**	15,493,026	18,519,723	**21,224,934**	15,425,877	18,449,813
Deferred Tax Assets (Note 29)	**253,946**	1,780,682	1,775,789	–	1,673,718	1,696,698
Intangible Assets (Note 14)	**2,378,040**	377,022	410,357	**2,280,136**	371,505	403,055
Goodwill (Notes 13 and 14)	**13,375,407**	–	–	**13,515,765**	–	–
Other Assets (Note 15)	**3,436,355**	1,777,820	1,175,530	**2,810,178**	1,464,683	778,288
TOTAL ASSETS	**₱618,065,516**	₱330,190,751	₱311,551,420	**₱577,384,147**	₱325,083,682	₱307,440,278
LIABILITIES AND EQUITY						
LIABILITIES						
Deposit Liabilities (Notes 17 and 32)						
Demand	**₱125,359,053**	₱28,152,296	₱29,896,120	**₱118,010,984**	₱28,417,452	₱30,042,425
Savings	**285,542,213**	192,793,260	184,676,119	**282,722,724**	192,824,803	184,692,779
Time	**51,464,182**	19,908,821	22,961,698	**47,698,807**	20,164,420	23,726,483
	462,365,448	240,854,377	237,533,937	**448,432,515**	241,406,675	238,461,687
Financial Liabilities at Fair Value Through Profit or Loss (Note 18)	**8,074,895**	6,479,821	6,650,183	**163,084**	6,479,821	6,650,183
Bills and Acceptances Payable (Notes 19, 32 and 34)	**13,171,997**	13,076,901	8,458,425	**13,484,476**	12,718,811	7,318,358
Accrued Taxes, Interest and Other Expenses (Note 20)	**5,523,523**	3,914,290	3,739,049	**5,009,163**	3,720,769	3,562,131
Subordinated Debt (Note 21)	**9,953,651**	9,938,816	6,452,473	**9,953,651**	9,938,816	6,452,473
Income Tax Payable	**48,448**	149,050	242,169	**6,186**	147,911	220,803
Other Liabilities (Note 22)	**35,029,926**	17,285,251	14,668,239	**21,122,523**	13,398,883	12,144,595
TOTAL LIABILITIES	**534,167,888**	291,698,506	277,744,475	**498,171,598**	287,811,686	274,810,230
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY						
Capital Stock (Note 25)	**43,448,337**	26,489,837	26,489,837	**43,448,337**	26,489,837	26,489,837
Capital Paid in Excess of Par Value (Note 25)	**26,499,909**	2,037,272	2,037,272	**26,499,909**	2,037,272	2,037,272
Surplus Reserves (Notes 25 and 31)	**524,003**	569,887	560,216	**524,003**	569,887	560,216
Surplus (Note 25)	**12,432,838**	7,266,067	2,567,178	**10,688,812**	5,288,941	734,043
Revaluation Increment on Land and Buildings (Notes 10 and 25)	**2,489,722**	2,816,962	2,816,962	**2,489,722**	2,816,962	2,816,962
Remeasurement Losses on Retirement Plan (Note 27)	**(1,278,372)**	(781,900)	(1,004,057)	**(1,262,899)**	(773,837)	(1,000,543)
Accumulated Translation Adjustment (Note 25)	**291,371**	(992,620)	(451,708)	**225,594**	(61,752)	334,005
Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 8)	**(3,581,865)**	1,037,252	742,343	**(3,400,929)**	904,686	658,256
Equity in Net Unrealized Gain on Available-for-Sale Investment of an Associate (Note 11)	–	–	6,795	–	–	–
Parent Company Shares Held by a Subsidiary (Note 25)	–	(4,740)	(4,740)	–	–	–
	80,825,943	38,438,017	33,760,098	**79,212,549**	37,271,996	32,630,048
NON-CONTROLLING INTERESTS (Note 2)	**3,071,685**	54,228	46,847	–	–	–
TOTAL EQUITY	**83,897,628**	38,492,245	33,806,945	**79,212,549**	37,271,996	32,630,048
TOTAL LIABILITIES AND EQUITY	**₱618,065,516**	₱330,190,751	₱311,551,420	**₱577,384,147**	₱325,083,682	₱307,440,278

See accompanying Notes to Financial Statements.

(In Thousands Except Earnings Per Share)	Consolidated			Parent Company		
	Years Ended December 31					
	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)	**2013**	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 32)	**₱13,118,464**	₱7,451,352	₱7,537,006	**₱12,558,709**	₱7,313,933	₱7,402,800
Trading and investment securities (Notes 7 and 8)	**3,756,195**	3,235,754	4,260,736	**3,409,591**	3,140,385	4,174,992
Deposits with banks and others (Note 32)	**1,585,522**	659,295	659,210	**1,361,825**	633,710	637,112
Interbank loans receivable	**19,852**	14,207	30,685	**18,101**	14,207	30,684
	18,480,033	11,360,608	12,487,637	**17,348,226**	11,102,235	12,245,588
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 32)	**3,655,381**	3,099,782	4,011,455	**3,569,034**	3,112,516	4,010,841
Bills payable and other borrowings (Notes 19, 21 and 32)	**1,076,113**	1,285,120	1,257,249	**1,027,124**	1,227,690	1,215,128
	4,731,494	4,384,902	5,268,704	**4,596,158**	4,340,206	5,225,969
NET INTEREST INCOME	**13,748,539**	6,975,706	7,218,933	**12,752,068**	6,762,029	7,019,619
Service fees and commission income (Notes 26 and 32)	**3,341,136**	2,130,663	2,343,990	**2,548,182**	1,596,950	1,682,802
Service fees and commission expense (Note 32)	**906,719**	254,447	207,387	**380,154**	146,341	127,188
NET SERVICE FEES AND COMMISSION INCOME	**2,434,417**	1,876,216	2,136,603	**2,168,028**	1,450,609	1,555,614
OTHER INCOME						
Trading and investment securities gains - net (Notes 7 and 8)	**4,618,233**	5,364,809	3,590,993	**4,421,504**	5,273,217	3,561,370
Foreign exchange gains - net (Note 23)	**1,236,189**	1,173,823	1,198,393	**1,007,721**	978,554	892,784
Net gain on sale or exchange of assets (Note 26)	**518,604**	359,915	1,350,403	**496,864**	359,915	1,350,403
Miscellaneous (Note 26)	**2,008,855**	852,809	1,148,105	**1,047,963**	405,445	791,960
TOTAL OPERATING INCOME	**24,564,837**	16,603,278	16,643,430	**21,894,148**	15,229,769	15,171,750
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 32)	**5,988,167**	3,710,029	3,858,157	**5,144,506**	3,214,496	3,264,868
Taxes and licenses (Note 29)	**1,784,886**	1,134,272	1,319,115	**1,681,885**	1,098,754	1,280,586
Depreciation and amortization (Note 10)	**1,741,986**	868,070	818,570	**1,610,260**	794,196	752,468
Occupancy and equipment-related costs (Note 28)	**1,508,237**	1,004,321	1,015,429	**1,298,564**	801,106	769,420
Provision for impairment, credit and other losses (Note 16)	**833,584**	823,701	1,025,175	**953,821**	795,106	980,452
Miscellaneous (Note 26)	**6,314,776**	3,419,436	3,125,841	**4,827,552**	3,090,318	2,653,450
TOTAL OPERATING EXPENSES	**18,171,636**	10,959,829	11,162,287	**15,516,588**	9,793,976	9,701,244
INCOME BEFORE INCOME TAX	**6,393,201**	5,643,449	5,481,143	**6,377,560**	5,435,793	5,470,506
PROVISION FOR INCOME TAX (Note 29)	**1,171,140**	925,058	849,457	**1,023,573**	871,224	808,388
NET INCOME	**₱5,222,061**	₱4,718,391	₱4,631,686	**₱5,353,987**	₱4,564,569	₱4,662,118
ATTRIBUTABLE TO:						
Equity Holders of the Parent Company (Note 30)	**₱5,123,760**	₱4,708,560	₱4,623,230			
Non-controlling Interests	**98,301**	9,831	8,456			
	₱5,222,061	₱4,718,391	₱4,631,686			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 30)	**₱4.88**	₱7.11	₱6.98			

See accompanying Notes to Financial Statements.

(In Thousands)	Consolidated			Parent Company		
	Years Ended December 31					
	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)	**2013**	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)
NET INCOME	**₱5,222,061**	₱4,718,391	₱4,631,686	**₱5,353,987**	₱4,564,569	₱4,662,118
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Accumulated translation adjustment	**1,238,778**	(540,912)	20,267	**287,346**	(395,757)	33,329
Net unrealized gain (loss) on available-for-sale investments (AFS) (Note 8)	**(4,413,053)**	318,857	1,963,812	**(4,314,548)**	265,460	1,927,765
Share in equity adjustments of an associate (Note 11)	**–**	(6,795)	752	**–**	–	–
Income tax effect of net unrealized gain (loss) on AFS investment (Note 8)	**464**	(23,948)	(22,217)	**8,933**	(19,030)	(15,048)
	(3,173,811)	(252,798)	1,962,614	**(4,018,269)**	(149,327)	1,946,046
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurement gains (losses) on retirement plan (Note 27)	**(500,468)**	222,157	(1,004,057)	**(489,062)**	226,706	(1,000,543)
Revaluation increment on land and building	**(467,486)**	–	–	**(467,486)**	–	–
Income tax effect of remeasurement of land and building (Note 29)	**140,246**	–	–	**140,246**	–	–
	(827,708)	222,157	(1,004,057)	**(816,302)**	226,706	(1,000,543)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**(4,001,519)**	(30,641)	958,557	**(4,834,571)**	77,379	945,503
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱1,220,542**	₱4,687,750	₱5,590,243	**₱519,416**	₱4,641,948	₱5,607,621
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱964,922**	₱4,677,919	₱5,581,787			
Non-controlling Interests	**255,620**	9,831	8,456			
	₱1,220,542	₱4,687,750	₱5,590,243			

See accompanying Notes to Financial Statements.

(In Thousands)

	Consolidated												
	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 31)	Surplus (Deficit) (Note 25)	Revaluation Increment on Land and Buildings (Notes 10 and 25)	Accumulated Translation Adjustment (Note 25)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 8)	Equity in Net Unrealized Gain on AFS Investment of an Associate (Note 11)	Parent Company Shares Held by a Subsidiary (Note 25)	Remeasurement Losses on Retirement Plan	Total	Non-controlling Interest (Note 2)	Total Equity
Balance at January 1, 2013, as previously reported	**₱26,489,837**	**₱2,037,272**	**₱569,887**	**₱6,888,348**	**₱2,816,962**	**(₱992,620)**	**₱1,037,252**	**₱–**	**(₱4,740)**	**₱–**	**₱38,842,198**	**₱904,693**	**₱39,746,891**
Effect of retroactive application of PAS 19 (Revised) (Note 2)	–	–	–	**331,500**	–	–	–	–	–	**(781,900)**	**(450,400)**	**22**	**(450,378)**
Effect of retroactive application of PFRS 10 (Note 2)	–	–	–	**46,219**	–	–	–	–	–	–	**46,219**	**(850,487)**	**(804,268)**
Balance at January 1, 2013, as restated	**26,489,837**	**2,037,272**	**569,887**	**7,266,067**	**2,816,962**	**(992,620)**	**1,037,252**	–	**(4,740)**	**(781,900)**	**38,438,017**	**54,228**	**38,492,245**
Total comprehensive income (loss) for the year	–	–	–	**5,123,760**	**(327,240)**	**1,283,991**	**(4,619,117)**	–	–	**(496,472)**	**964,922**	**255,620**	**1,220,542**
Issuance of capital stock (Note 1)	**16,958,500**	**24,547,429**	–	–	–	–	–	–	–	–	**41,505,929**	–	**41,505,929**
Transaction costs on shares issuance	–	**(84,792)**	–	–	–	–	–	–	–	–	**(84,792)**	–	**(84,792)**
Declaration of dividends	–	–	–	**(2,873)**	–	–	–	–	–	–	**(2,873)**	–	**(2,873)**
Non-controlling interest arising on a business combination (Note 13)	–	–	–	–	–	–	–	–	–	–	–	**2,761,837**	**2,761,837**
Transfer to surplus reserves	–	–	**(45,884)**	**45,884**	–	–	–	–	–	–	–	–	–
Disposal of Parent Company shares held by a subsidiary	–	–	–	–	–	–	–	–	**4,740**	–	**4,740**	–	**4,740**
Balance at December 31, 2013	**₱43,448,337**	**₱26,499,909**	**₱524,003**	**₱12,432,838**	**₱2,489,722**	**₱291,371**	**(₱3,581,865)**	**₱–**	**₱–**	**(₱1,278,372)**	**₱80,825,943**	**₱3,071,685**	**₱83,897,628**
Balance at January 1, 2012, as previously reported	₱26,489,837	₱2,037,272	₱560,216	₱2,246,213	₱2,816,962	(₱451,708)	₱742,343	₱6,795	(₱4,740)	₱–	₱34,443,190	₱531,247	₱34,974,437
Effect of retroactive application of PAS 19 (Revised) (Note 2)	–	–	–	320,965	–	–	–	–	–	(1,004,057)	(683,092)	(39)	(683,131)
Effect of retroactive application of PFRS 10 (Note 2)	–	–	–	–	–	–	–	–	–	–	–	(484,361)	(484,361)
Balance at January 1, 2012, as restated	26,489,837	2,037,272	560,216	2,567,178	2,816,962	(451,708)	742,343	6,795	(4,740)	(1,004,057)	33,760,098	46,847	33,806,945
Total comprehensive income (loss) for the year	–	–	–	4,708,560	–	(540,912)	294,909	(6,795)	–	222,157	4,677,919	9,831	4,687,750
Declaration of dividends	–	–	–	–	–	–	–	–	–	–	–	(2,450)	(2,450)
Transfer to surplus reserves	–	–	9,671	(9,671)	–	–	–	–	–	–	–	–	–
Balance at December 31, 2012	₱26,489,837	₱2,037,272	₱569,887	₱7,266,067	₱2,816,962	(₱992,620)	₱1,037,252	₱–	(₱4,740)	(₱781,900)	₱38,438,017	₱54,228	₱38,492,245

(Forward)

(In Thousands)

Consolidated — Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 31)	Surplus (Deficit) (Note 25)	Revaluation Increment on Land and Buildings (Notes 10 and 25)	Accumulated Translation Adjustment (Note 25)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 8)	Equity in Net Unrealized Gain on AFS Investment of an Associate (Note 11)	Parent Company Shares Held by a Subsidiary (Note 25)	Remeasurement Losses on Retirement Plan	Total	Non-controlling Interest (Note 2)	Total Equity
Balance at January 1, 2011, as previously reported	₱26,489,837	₱2,037,272	₱551,947	(₱2,414,870)	₱2,816,962	(₱471,975)	(₱1,199,252)	₱6,043	(₱4,740)	₱–	₱27,811,224	₱560,362	₱28,371,586
Effect of retroactive application of PAS 19 (Revised) (Note 2)	–	–	–	367,087	–	–	–	–	–	–	367,087	(42)	367,045
Effect of retroactive application of PFRS 10 (Note 2)	–	–	–	–	–	–	–	–	–	–	–	(406,474)	(406,474)
Balance at January 1, 2011, as restated	26,489,837	2,037,272	551,947	(2,047,783)	2,816,962	(471,975)	(1,199,252)	6,043	(4,740)	–	28,178,311	153,846	28,332,157
Total comprehensive income (loss) for the year	–	–	–	4,623,230	–	20,267	1,941,595	752	–	(1,004,057)	5,581,787	8,456	5,590,243
Transfer to surplus reserves	–	–	8,269	(8,269)	–	–	–	–	–	–	–	–	–
Acquisition of non-controlling interest (Note 11)	–	–	–	–	–	–	–	–	–	–	–	(115,455)	(115,455)
Balance at December 31, 2011	₱26,489,837	₱2,037,272	₱560,216	₱2,567,178	₱2,816,962	(₱451,708)	₱742,343	₱6,795	(₱4,740)	(₱1,004,057)	₱33,760,098	₱46,847	₱33,806,945

Parent Company

(In Thousands)	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 31)	Surplus (Deficit) (Note 25)	Revaluation Increment on Land and Buildings (Notes 10 and 25)	Accumulated Translation Adjustment (Note 25)	Net Unrealized Gain (Loss) on AFS Investments (Note 8)	Remeasurement Losses on Retirement Plan (Note 27)	Total Equity
Balance at January 1, 2013, as previously reported	**₱26,489,837**	**₱2,037,272**	**₱569,887**	**₱4,951,651**	**₱2,816,962**	**(₱61,752)**	**₱904,686**	**₱–**	**₱37,708,543**
Effect of retroactive application of PAS 19 (Revised) (Note 2)	–	–	–	**337,290**	–	–	–	**(773,837)**	**(436,547)**
Balance at January 1, 2013, as restated	**26,489,837**	**2,037,272**	**569,887**	**5,288,941**	**2,816,962**	**(61,752)**	**904,686**	**(773,837)**	**37,271,996**
Total comprehensive income (loss) for the year	–	–	–	**5,353,987**	**(327,240)**	**287,346**	**(4,305,615)**	**(489,062)**	**519,416**
Issuance of capital stock (Note 1)	**16,958,500**	**24,547,429**	–	–	–	–	–	–	**41,505,929**
Transaction costs on shares issuance	–	**(84,792)**	–	–	–	–	–	–	**(84,792)**
Transfer to surplus reserves	–	–	**(45,884)**	**45,884**	–	–	–	–	–
Balance at December 31, 2013	**₱43,448,337**	**₱26,499,909**	**₱524,003**	**₱10,688,812**	**₱2,489,722**	**₱225,594**	**(₱3,400,929)**	**(₱1,262,899)**	**₱79,212,549**
Balance at January 1, 2012, as previously reported	₱26,489,837	₱2,037,272	₱560,216	₱406,474	₱2,816,962	₱334,005	₱658,256	₱–	₱33,303,022
Effect of retroactive application of PAS 19 (Revised) (Note 2)	–	–	–	327,569	–	–	–	(1,000,543)	(672,974)
Balance at January 1, 2012, as restated	26,489,837	2,037,272	560,216	734,043	2,816,962	334,005	658,256	(1,000,543)	32,630,048
Total comprehensive income (loss) for the year	–	–	–	4,564,569	–	(395,757)	246,430	226,706	4,641,948
Transfer to surplus reserves	–	–	9,671	(9,671)	–	–	–	–	–
Balance at December 31, 2012	₱26,489,837	₱2,037,272	₱569,887	₱5,288,941	₱2,816,962	(₱61,752)	₱904,686	(₱773,837)	₱37,271,996
Balance at January 1, 2011, as previously reported	₱26,489,837	₱2,037,272	₱551,947	(₱4,300,344)	₱2,816,962	₱300,676	(₱1,254,461)	₱–	₱26,641,889
Effect of retroactive application of PAS 19 (Revised) (Note 2)	–	–	–	380,538	–	–	–	–	380,538
Balance at January 1, 2011, as restated	26,489,837	2,037,272	551,947	(3,919,806)	2,816,962	300,676	(1,254,461)	–	27,022,427
Total comprehensive income (loss) for the year	–	–	–	4,662,118	–	33,329	1,912,717	(1,000,543)	5,607,621
Transfer to surplus reserves	–	–	8,269	(8,269)	–	–	–	–	–
Balance at December 31, 2011	₱26,489,837	₱2,037,272	₱560,216	₱734,043	₱2,816,962	₱334,005	₱658,256	(₱1,000,543)	₱32,630,048

See accompanying Notes to Financial Statements.

(In Thousands)	Consolidated			Parent Company		
	Years Ended December 31					
	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)	**2013**	2012 (As Restated - Note 2)	2011 (As Restated – Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱6,393,201**	₱5,643,449	₱5,481,143	**₱6,377,560**	₱5,435,793	₱5,470,506
Adjustments for:						
Realized trading gain on available-for-sale (AFS) investments (Note 8)	**(4,375,759)**	(4,287,934)	(3,596,089)	**(4,183,617)**	(4,205,426)	(3,566,589)
Provision for impairment, credit and other losses (Note 16)	**833,584**	823,701	1,025,175	**953,821**	795,106	980,452
Amortization of premium (discount)	**1,166,368**	(717,699)	47,419	**1,167,834**	(714,460)	59,323
Depreciation and amortization (Note 10)	**1,741,986**	868,070	818,570	**1,610,260**	794,196	752,468
Net gain on sale or exchange of assets (Note 26)	**(518,604)**	(359,915)	(1,350,403)	**(496,864)**	(359,915)	(1,350,403)
Loss (gain) on mark-to-market of financial assets and liabilities designated at fair value through profit or loss (FVPL) (Notes 8 and 18)	**184,465**	(314,340)	97,803	**179,878**	(314,340)	97,803
Loss (gain) on mark-to-market of derivatives (Notes 8 and 23)	**(28,829)**	(81,511)	34,338	**(28,829)**	(81,511)	34,338
Loss (gain) on mark-to-market of held for trading securities	**267,643**	(46,281)	(36,730)	**267,732**	(45,769)	(36,840)
Amortization of transaction costs (Notes 17 and 21)	**34,191**	21,733	32,561	**34,191**	21,733	32,561
Share in net income of an associate (Note 11 and 26)	**(4,975)**	(10,309)	(68,954)	**–**	–	–
Realized trading gain on sale of held-to-maturity (HTM) investments (Note 8)	**–**	–	(141,274)	**–**	–	(141,274)
Gain from step-up acquisition (Note 26)	**(63,605)**	–	–	**–**	–	–
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Financial assets at FVPL	**(1,382,294)**	3,124,369	9,085,160	**2,682,098**	3,179,367	9,031,531
Loans and receivables	**(40,657,456)**	(20,406,367)	(18,483,800)	**(35,798,270)**	(19,544,204)	(17,734,026)
Other assets	**64,881**	1,215,745	780,578	**(1,055,896)**	1,722,961	446,246
Increase (decrease) in amounts of:						
Financial liabilities at FVPL	**(2,504,889)**	–	–	**(6,671,815)**	–	–
Deposit liabilities	**80,313,458**	3,310,937	11,083,477	**76,373,073**	2,935,486	11,559,377
Accrued taxes, interest and other expenses	**(14,876)**	602,203	(840,128)	**(156,016)**	11,389	(1,122,582)
Other liabilities	**8,261,602**	1,386,506	746,558	**3,192,096**	794,646	1,736,128
Net cash generated from (used in) operations	**49,710,092**	(9,227,643)	4,715,404	**44,447,236**	(9,574,948)	6,249,019
Income taxes paid	**(1,183,440)**	(974,179)	(856,916)	**(1,033,856)**	(900,935)	(743,275)
Net cash provided by (used in) operating activities	**48,526,652**	(10,201,822)	3,858,488	**43,413,380**	(10,475,883)	5,505,744
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
AFS investments	**145,269,935**	244,636,344	185,507,498	**143,591,731**	239,720,793	185,348,678
Investment properties	**3,021,651**	2,669,604	3,909,976	**2,678,954**	2,727,503	3,505,960
Property and equipment (Note 10)	**155,831**	300,107	121,959	**185,970**	285,389	95,542
Proceeds from maturity of HTM investments	**–**	–	2,611,603	**–**	–	2,611,603
Proceeds from sale of HTM investments	**–**	–	2,586,113	**–**	–	2,586,113
Collection of receivables from SPV	**258,348**	575,000	–	**258,348**	575,000	–

(Forward)

(In Thousands)	Consolidated			Parent Company		
	Years Ended December 31					
	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)	**2013**	2012 (As Restated - Note 2)	2011 (As Restated – Note 2)
Proceeds from redemption of placements with the Bangko Sentral ng Pilipinas (BSP)	**₱–**	₱20,200,000	₱9,800,000	**₱–**	₱20,200,000	₱9,800,000
Placements with the BSP (Note 35)	**–**	–	(20,200,000)	**–**	–	(20,200,000)
Acquisition of:						
AFS investments	**(141,313,335)**	(254,009,801)	(164,299,207)	**(140,290,305)**	(248,911,324)	(164,006,652)
Net cash acquired from merger (Note 13)	**64,444,868**	–	–	**53,204,473**	–	–
Property and equipment (Note 10)	**(960,326)**	(704,327)	(512,048)	**(852,784)**	(636,651)	(413,451)
Software cost (Note 15)	**(118,236)**	(120,215)	(69,122)	**(82,808)**	(119,576)	(66,416)
Additional investments in subsidiaries/associate	**–**	–	–	**–**	–	(115,455)
Closure of subsidiaries	**–**	–	–	**(38,267)**	32,042	64,447
Net cash provided by investing activities	**70,758,736**	13,546,712	19,456,772	**58,655,312**	13,873,176	19,210,369
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills and acceptances payable	**65,997,725**	48,061,417	40,190,569	**64,736,812**	47,023,325	36,695,559
Proceeds from issuance of subordinated debt	**–**	3,474,112	6,447,754	**–**	3,474,112	6,447,754
Settlement of bills and acceptances payable	**(69,053,466)**	(43,442,941)	(43,736,282)	**(67,061,984)**	(41,622,872)	(42,233,862)
Transaction cost of issuance of shares arising from business combination	**(84,792)**	–	–	**(84,792)**	–	–
Redemption of subordinated debt (Note 21)	**(4,500,000)**	–	(5,500,000)	**(4,500,000)**	–	(5,500,000)
Acquisition of non-controlling interest	**–**	–	(115,455)	**–**	–	–
Net cash provided by (used in) financing activities	**(7,640,533)**	8,092,588	(2,713,414)	**(6,909,964)**	8,874,565	(4,590,549)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**111,644,855**	11,437,478	20,601,846	**95,158,728**	12,271,858	20,125,564
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**5,599,088**	5,404,110	5,457,186	**5,548,325**	5,303,112	5,309,611
Due from BSP	**37,175,399**	17,952,795	14,485,986	**36,531,047**	17,292,594	14,473,986
Due from other banks	**4,042,769**	6,423,981	5,141,549	**3,293,782**	4,906,698	3,945,632
Interbank loans receivable	**11,498,756**	17,097,648	12,691,967	**11,498,756**	17,097,648	12,245,259
Securities held under agreements to resell	**18,300,000**	18,300,000	6,800,000	**18,300,000**	18,300,000	6,800,000
	76,616,012	65,178,534	44,576,688	**75,171,910**	62,900,052	42,774,488
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**11,804,746**	5,599,088	5,404,110	**9,700,005**	5,548,325	5,303,112
Due from BSP (Note 35)	**153,169,330**	37,175,399	17,952,795	**146,079,249**	36,531,047	17,292,594
Due from other banks (Note 35)	**14,881,541**	4,042,769	6,423,981	**6,146,134**	3,293,782	4,906,698
Interbank loans receivable	**8,405,250**	11,498,756	17,097,648	**8,405,250**	11,498,756	17,097,648
Securities held under agreements to resell	**–**	18,300,000	18,300,000	**–**	18,300,000	18,300,000
	₱188,260,867	₱76,616,012	₱65,178,534	**₱170,330,638**	₱75,171,910	₱62,900,052
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱4,451,487**	₱4,381,425	₱5,416,185	**₱4,345,141**	₱4,332,906	₱5,373,255
Interest received	**16,245,262**	12,232,534	12,938,408	**15,261,646**	11,978,131	12,712,686
Dividends received	**3,399**	2,418	1,680	**81,562**	25,219	231,576

See accompanying Notes to Financial Statements.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

1. Corporate Information

Philippine National Bank (the Parent Company) was established in the Philippines in 1916 and started commercial operations that same year. On May 27, 1996, the Parent Company was registered with the Philippine Securities and Exchange Commission (SEC) with a corporate term of 50 years. Its principal place of business is at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City. As of December 31, 2013, the Lucio Tan Group Inc. (LTG) held indirect ownership of 56.48% of the Parent Company's shares through its various subsidiaries, while 20.22% of the Parent Company's shares are held by various companies associated with or who issue proxies/special powers of attorney in favor of Director Lucio C. Tan and the latter owns directly 1.19% of the Parent Company's shares. The remaining 22.11% of the Parent Company's shares are held by other stockholders. As of December 31, 2012, the companies and persons affiliated/associated to or who issue proxies/special powers of attorney in favor of Director Lucio C. Tan held a total of about 68.85% of the Parent Company while the remaining 31.15% was held by the public.

The Parent Company provides a full range of banking and other financial services to corporate, middle-market and retail customers, the National Government (NG), local government units (LGUs) and government-owned and controlled corporations (GOCCs) and various government agencies. The Parent Company's principal commercial banking activities include deposit-taking, lending, bills discounting, foreign exchange dealing, investment banking, fund transfers/remittance servicing and a full range of retail banking and trust services through its 655 and 338 domestic branches as of December 31, 2013 and December 31, 2012, respectively. The Parent Company has the largest overseas network among Philippine banks with 81 and 78 branches, representative offices, remittance centers and subsidiaries as of December 31, 2013 and December 31, 2012, respectively, in 16 locations in the United States, Canada, Europe, the Middle East and Asia.

The subsidiaries of the Parent Company are engaged in a number of diversified financial and related businesses such as remittance, life and non-life insurance, merchant banking, leasing, stock brokerage, foreign exchange trading and/or related services.

The Parent Company previously operated under a rehabilitation program pursuant to the memorandum of agreement signed by the Republic of the Philippines, the Philippine Deposit Insurance Corporation (PDIC) and the LTG on May 3, 2002. In May 2007, the Parent Company concluded its 5-year Rehabilitation Plan as approved by the Bangko Sentral ng Pilipinas (BSP).

Merger with Allied Banking Corporation

The respective shareholders of the Parent Company and Allied Banking Corporation (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 the merger which was effected via a share-for-share exchange was approved by the affirmative vote of ABC and the Parent Company's respective shareholders, representing at least two-thirds of the outstanding capital stock of both banks, on June 24, 2008. Under the approved amended terms, the Parent Company will be the surviving entity. It will issue to ABC shareholders 130 Parent Company common shares for every ABC common share and 22.763 Parent Company common shares for every ABC preferred share. Merger and business combination are terms used interchangeably within the accompanying financial statements and have the same meaning.

On March 26, 2012, the Parent Company submitted to the BSP and PDIC applications for consent to the merger. On April 12, 2012, the application for the merger was filed with the Philippine SEC. The PDIC, the Monetary Board (MB) of the BSP and the Philippine SEC gave consent and approved the merger on July 25, 2012, August 2, 2012 and January 17, 2013, respectively. In addition, with respect to ABC's overseas subsidiaries, the Parent Company has also filed notices in relation to the merger with various relevant foreign regulatory agencies; and as of February 9, 2013 had received all necessary approvals and complied with conditions to effectuate the merger.

On February 9, 2013, the Parent Company concluded its planned merger with ABC as approved and confirmed by the Board of Directors (BOD) of the Parent Company and of ABC on January 22 and 23, 2013, respectively. The purchase consideration as of February 9, 2013, the acquisition date, amounted to ₱41.5 billion which represents 423,962,500 common shares at the fair value of ₱97.90 per share in exchange for the 100.00% voting interest in ABC at the share swap ratio of 130 Parent Company common shares for one ABC share and 22.763 Parent Company common shares for one ABC preferred share. The fair value of the shares is the published price of the shares of the Parent Company as of February 9, 2013. There are no contingent considerations arrangements as part of the merger.

The merger of the Parent Company and ABC will enable the two banks to advance their long-term strategic business interests as they capitalized on their individual strengths and markets.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements of the Parent Company and its subsidiaries (the Group) have been prepared on a historical cost basis except for financial assets and liabilities at fair value through profit or loss (FVPL), and available-for-sale (AFS) investments, that are measured at fair value, and land and building that are measured at revalued amount. Amounts in the consolidated financial statements are presented to the nearest thousand pesos (₱000) unless otherwise stated.

The financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in these financial statements due to retrospective application of certain accounting policies as discussed in the 'Changes in Accounting Policies and Disclosures' section of this note.

The financial statements of the Parent Company and Allied Savings Bank (ASB) reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU).

The functional currency of RBU and FCDU is Philippine pesos (Php) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine pesos (see accounting policy on Foreign Currency Translation). The financial statements individually prepared for these units are combined and inter-unit accounts and transactions are eliminated.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under the 'Basis of Consolidation'.

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

Changes in Accounting Policies and Disclosures

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

New and Revised Standards and Interpretations
- PFRS 11, *Joint Arrangements*
- Philippine Accounting Standard (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 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 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 identifiying 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 Parent Company 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 associate.

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.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

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 Parent Company 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 detailed below:

	Consolidated				
	December 31, 2012				
	As previously Reported	Effect of retroactive application of PAS 19R	Effect of retroactive application of PFRS 10	Reclassifications	As Restated
Increase (Decrease)					
Statement of financial position					
Assets					
Loans and receivables - net	₱144,707,509	₱–	₱–	(₱476,844)	₱144,230,665
Investment in subsidiaries and an associate	2,905,294	–	–	(514,039)	2,391,255
Intangible assets	–	–	–	377,022	377,022
Investment properties	14,478,348	–	–	1,014,678	15,493,026
Other assets - net	2,994,425	429	(816,217)	(400,817)	1,777,820
Liabilities					
Other liabilities	16,846,393	450,807	(11,949)	–	17,285,251
Equity					
Remeasurement losses on retirement plan	–	(781,900)	–	–	(781,900)
Surplus	6,888,348	331,500	46,219	–	7,266,067
Non-controlling interests	904,693	22	(850,487)	–	54,228

	Consolidated January 1, 2012				
	As previously Reported	Effect of retroactive application of PAS 19R	Effect of retroactive application of PFRS 10	Reclassifications	As Restated
Increase (Decrease)					
Statement of financial position					
Assets					
Loans and receivables - net	₱126,249,035	₱–	₱–	(₱618,265)	₱125,630,770
Investment in subsidiaries and an associate	2,901,780	–	–	(5,062)	2,896,718
Intangible assets	–	–	–	410,357	410,357
Investment properties	16,100,113	–	–	2,419,610	18,519,723
Other assets - net	3,897,388	(1,216)	(514,002)	(2,206,640)	1,175,530
Liabilities					
Other liabilities	14,015,965	681,915	(29,641)	–	14,668,239
Equity					
Remeasurement losses on retirement plan	–	(1,004,057)	–		(1,004,057)
Surplus	2,246,213	320,965	–	–	2,567,178
Non-controlling interests	531,247	(39)	(484,361)	–	46,847

	Consolidated January 1, 2011				
	As previously Reported	Effect of retroactive application of PAS 19R	Effect of retroactive application of PFRS 10	Reclassifications	As Restated
Increase (Decrease)					
Statement of financial position					
Equity					
Surplus	(₱2,414,870)	₱367,087	₱–	₱–	(₱2,047,783)
Non-controlling interests	560,362	(42)	(406,474)	–	153,846

	Parent Company December 31, 2012			
	As previously Reported	Effect of retroactive application of PAS 19R	Reclassifications	As Restated
Increase (Decrease)				
Statement of financial position				
Assets				
Loans and receivables - net	₱140,136,848	₱–	(₱613,174)	₱139,523,674
Investment in subsidiaries and an associate	6,776,872	–	(377,709)	6,399,163
Intangible assets	–	–	371,505	371,505
Investment properties	14,411,199	–	1,014,678	15,425,877
Other assets - net	1,859,983	–	(395,300)	1,464,683
Liabilities				
Other liabilities	12,962,336	436,547	–	13,398,883
Equity				
Remeasurement losses on retirement plan	–	(773,837)	–	(773,837)
Surplus	4,951,651	337,290	–	5,288,941

	Parent Company January 1, 2012			
	As previously Reported	Effect of retroactive application of PAS 19R	Reclassifications	As Restated
Increase (Decrease)				
Statement of financial position				
Assets				
Loans and receivables - net	₱122,652,951	₱–	(₱618,265)	₱122,034,686
Investment in subsidiaries and an associate	7,305,644	–	(5,062)	7,300,582
Intangible assets	–	–	403,055	403,055
Investment properties	16,030,203	–	2,419,610	18,449,813
Other assets - net	2,977,626	–	(2,199,338)	778,288
Liabilities				
Other liabilities	11,471,621	672,974	–	12,144,595
Equity				
Remeasurement losses on retirement plan	–	(1,000,543)	–	(1,000,543)
Surplus	406,474	327,569	–	734,043

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Parent Company			
	January 1, 2011			
	As previously Reported	Effect of retroactive application of PAS 19R	Reclassifications	As Restated
Statement of financial position				
Surplus	(₱4,300,344)	₱380,538	₱–	(₱3,919,806)

As an effect of retrospective application of PFRS 10 to the Group, other income, other expenses, provision for income tax and income attributable to non-controlling interests decreased by ₱989.4 million, ₱623.3 million, ₱46.2 million, and ₱366.1 million in 2012 and ₱762.8 million, ₱651.9 million, ₱33.0 million and ₱77.9 million in 2011.

As an effect of retrospective application of PAS 19 (Revised) to the Group and Parent Company, operating expenses decreased by ₱10.9 million and ₱9.7 million, respectively, in 2012 and increased by ₱43.0 million and ₱53.0 million, respectively, in 2011. Provision for income tax of the Group increased by ₱0.3 million in 2012 and ₱3.1 million in 2011.

OCI of the Group and Parent Company increased by ₱222.2 million and ₱226.7 million, respectively, in 2012 and decreased by ₱1.0 billion in 2011.

As of and for the period ended December 31, 2013, the effect of the application of PAS 19 (Revised) resulted in increase in other liabilities and beginning surplus of the Group and the Parent Company by ₱1.7 billion and ₱331.5 million, respectively, and decrease in its OCI of ₱781.9 million.

Reclassification

In order to maintain comparability and consistency with the 2013 financial statements, the Group restated certain comparative balances as presented in the above table. The reclassifications were made to better present the nature of these transactions.

Also, starting 2013, market valuation gain or loss on currency forwards and spots is presented under 'Foreign exchange gain - net' to match the FX volatility arising from revaluation of foreign-currency denominated assets. Presentation of prior years financial statements were restated to conform and be comparable with the 2013 presentation. The market valuation loss on currency forwards and spots reclassified from 'Trading and investment and securities - gain' to 'Foreign exchange gains - net' in 2012 and 2011 amounted to ₱231.3 million and ₱17.9 million, respectively.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

As of December 31, 2013

Subsidiaries	Nature of Business	Country of Incorporation	Percentage of Ownership Direct	Percentage of Ownership Indirect	Functional Currency
ASB	Banking	Philippines	100.00	–	Php
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	100.00	–	Php
PNB Forex, Inc.	FX trading	- do -	100.00	–	Php
PNB Holdings Corporation (PNB Holdings)	Investment	- do -	100.00	–	Php
PNB General Insurers, Inc. (PNB Gen) [a]	Insurance	- do -	–	100.00	Php
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	100.00	–	Php
PNB Corporation – Guam	Remittance	USA	100.00	–	USD
PNB International Investments Corporation (PNB IIC)	Investment	- do -	100.00	–	USD
PNB Remittance Centers, Inc. (PNB RCC) [b]	Remittance	- do -	–	100.00	USD
PNB RCI Holding Co. Ltd. [b]	Holding Company of PNB RCC	- do -	–	100.00	USD
Allied Bank Philippines (UK) Plc (ABUK)*	Banking	United Kingdom	100.00	–	Great Britain Pound (GBP)
PNB Europe PLC	Banking	- do -	100.00	–	GBP
PNB Remittance Co. (Canada) [c]	Remittance	Canada	–	100.00	Canadian Dollar (CAD)
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	100.00	–	Hong Kong Dollar (HKD)
PNB Italy SpA (PISpA)	Remittance	Italy	100.00	–	Euro
Allied Commercial Bank (ACB)*	Banking	People's Republic of China	90.41	–	USD
Japan - PNB Leasing and Finance Corporation (Japan-PNB Leasing)	Leasing/Financing	Philippines	90.00	–	Php
Japan -PNB Equipment Rentals Corporation[d]	Rental	- do -	–	90.00	Php
PNB Life Insurance, Inc. (PNB LII) *	Insurance	- do -	80.00	–	Php
Allied Leasing and Finance Corporation (ALFC)	Rental	- do -	57.21	–	Php
ACR Nominees Limited [e] *	Banking	Hong Kong	–	51.00	HKD
Allied Banking Corporation (Hong Kong) Limited (ABCHKL) *	Banking	- do -	51.00	–	HKD
Oceanic Holding (BVI) Ltd. (OHBVI) *	Holding Company	British Virgin Islands	27.78	–	USD

** Subsidiaries acquired as a result of the merger with Allied Banking Corporation*

As of December 31, 2012

Subsidiaries	Nature of Business	Country of Incorporation	Percentage of Ownership Direct	Percentage of Ownership Indirect	Functional Currency
PNB Capital	Investment	Philippines	100.00	–	Php
PNB Forex, Inc.	FX trading	- do -	100.00	–	Php
PNB Holdings	Investment	- do -	100.00	–	Php
PNB Gen [a]	Insurance	- do -	–	100.00	Php
PNB Securities	Securities Brokerage	- do -	100.00	–	Php
PNB Corporation – Guam	Remittance	USA	100.00	–	USD
PNB IIC	Investment	- do -	100.00	–	USD
PNB RCI Holding Co. Ltd. [b]	Holding Company of PNB RCC	- do -	–	100.00	USD
PNB Remittance Co. (Canada) [c]	Remittance	Canada	–	100.00	CAD
PNB GRF	Remittance	Hong Kong	100.00	–	HKD
PNB Italy SpA	Remittance	Italy	100.00	–	Euro
PNB Europe PLC	Banking	United Kingdom	100.00	–	GBP
Japan-PNB Leasing	Leasing/Financing	Philippines	90.00	–	Php
Japan -PNB Equipment Rentals Corporation[d]	Rental	- do -	–	90.00	Php

[a] Owned through PNB Holdings
[b] Owned through PNB IIC
[c] Owned through PNB RCI Holding Co. Ltd.
[d] Owned through Japan - PNB Leasing
[e] Owned through ABCHKL

(Amounts In Thousands Pesos Except When Otherwise Indicated)

The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable return from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Group has power over the entity when it has existing rights that give it the current ability to direct the relevant activities (i.e., activities that significantly affect the entity's returns). Consolidation of subsidiaries ceases when control is transferred out of the Group or Parent Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income (OCI) to profit or loss or surplus, as appropriate

The Group accounts for its investments in OHBVI as a subsidiary although the Group holds less than 50.00% of OHBVI's issued share capital on the basis of the voting rights of 42.78% assigned by certain stockholders to the Parent Company. The Group has the ability to control the relevant activities and to affect its returns in OHBVI on the basis of the combined voting rights arising from its direct ownership and assigned voting rights of 70.56%.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Acquisitions of non-controlling interests are accounted for as equity transactions, whereby the difference between the consideration paid and the share in the net assets acquired is recognized in equity.

Significant Accounting Policies

Foreign Currency Translation

Transactions and balances

The books of accounts of the RBU are maintained in Php, while those of the FCDU are maintained in USD.

As at reporting date, foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year and for foreign currency-denominated income and expenses, at the exchange rates prevailing at transaction dates. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities of the RBU are credited to or charged against operations in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

FCDU and Overseas subsidiaries
As at the reporting date, the assets and liabilities of the FCDU and overseas subsidiaries are translated into the Parent Company's presentation currency (the Philippine peso) at the closing rate prevailing at the reporting date, and their income and expenses are translated at the average exchange rate for the year. Exchange differences arising on translation are taken directly to OCI under 'Accumulated translation adjustment'. On disposal of a foreign entity or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in OCI relating to the particular foreign operation is recognized in the consolidated statement of income.

Product Classification
Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being with or without discretionary participation features (DPF).

DPF is a contractual right to receive, as a supplement to guaranteed contracts, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the discretion of the issuer, and that are contractually based on the performance of a specified pool of contracts or a specified type of contract, realized and or unrealized investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company, fund or other entity that issues the contract.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign currency exchange rate, index of price or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Fair Value Measurement
The Group measures financial instruments such as financial assets at FVPL and AFS investments at fair value at each reporting date while land and building under Property and equipment are carried at revalued amounts. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Derivatives are recognized on trade date basis (i.e., the date that the Group commits to purchase or sell). Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, HTM investments, AFS investments, and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities at amortized cost.

As of December 31, 2013 and 2012, the Group has no HTM investments.

Reclassification of financial assets
The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading (HFT) category if the financial asset is no longer held for purposes of selling it in the near term and only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the HFT or AFS investments categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

The Group may also reclassify certain AFS investments to HTM investments when there is a change of intention and the Group has the ability to hold the financial instruments to maturity.

Reclassifications are made at fair value as of the reclassification date which then becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates (EIR) for financial assets reclassified to loans and receivables and HTM categories are determined at the reclassification date. Further increases in estimates of cash flows adjust the EIR prospectively.

Derivatives recorded at FVPL
The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps and warrants. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives are taken directly to the statement of income and are included in 'Trading and investment securities gains - net' except for currency forwards, where fair value changes are included under 'Foreign exchange gains - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives
The Group has certain derivatives that are embedded in host financial (such as structured notes, debt investments, and loans receivables) and non-financial (such as purchase orders and service agreements) contracts. These embedded derivatives include credit default swaps (which are linked either to a single reference entity or a basket of reference entities); conversion options in loans receivables; call options in certain long-term debt, and foreign-currency derivatives in debt instruments, purchase orders and service agreements. Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets at FVPL, when their economic risks and characteristics are not clearly and closely related to those of their respective host contracts, and when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows.

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Other financial assets or financial liabilities held-for-trading
Other financial assets or financial liabilities held for trading (classified as 'Financial assets at FVPL' or 'Financial liabilities at FVPL') are recorded in the statement of financial position at fair value. Changes in fair value relating to the held-for-trading positions are recognized in 'Trading and investment securities gains - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Miscellaneous income' when the right to receive payment has been established.

Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Designated financial assets or financial liabilities at FVPL
Financial assets or financial liabilities classified in this category are designated by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Designated financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Trading and investment securities gains - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Miscellaneous income' according to the terms of the contract, or when the right of payment has been established.

HTM investments
HTM investments are quoted, non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), the entire category would be tainted and reclassified as AFS investments. Once tainted, the Group is prohibited from classifying investments under HTM for three years starting from the date of tainting.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Gains and losses are recognized in the statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for impairment, credit and other losses'. The effects of revaluation on foreign currency-denominated HTM investments are recognized in the statement of income.

Loans and receivables
Significant accounts falling under this category are loans and receivables, amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell.

These are financial assets with fixed or determinable payments and fixed maturities and are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS investments.

Loans and receivables also include receivables arising from transactions on credit cards issued directly by the Parent Company. Furthermore, 'Loans and receivables' include the aggregate rental on finance lease transactions and notes receivables financed by Japan - PNB Leasing and ALFC. Unearned income on finance lease transactions is shown as a deduction from 'Loans and receivables' (included in 'Unearned and other deferred income').

After initial measurement, 'Loans and receivables', 'Due from BSP', 'Due from other banks', 'Interbank loans receivable' and 'Securities held under agreements to resell' are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment are recognized in 'Provision for impairment, credit and other losses' in the statement of income.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as 'Financial assets at FVPL', 'HTM investments' or 'Loans and receivables'. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include debt and equity instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported income and are reported as 'Net unrealized gain (loss) on AFS investments' in the statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as 'Trading and investment securities gains - net' in the statement of income. Interest earned on holding AFS debt investments are reported as 'Interest income' using the EIR. Dividends earned on holding AFS equity investments are recognized in the statement of income as 'Miscellaneous income' when the right of payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for impairment, credit and other losses' in the statement of income.

Other financial liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as deposit liabilities, bills and acceptances payable, subordinated debt and other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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After initial measurement, other financial liabilities not qualified as and not designated at FVPL are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred control over the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The Group is not permitted to sell or repledge the securities in the absence of default by the owner of the collateral. The corresponding cash paid, including accrued interest, is recognized on the consolidated statement of financial position as 'Securities held under agreements to resell', and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets at amortized cost
For financial assets carried at amortized costs such as loans and receivables, HTM investments, due from BSP and other banks, interbank loans receivable and securities held under agreements to resell, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has

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been realized. If subsequently, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the 'Provision for impairment, credit and other losses' account.

Restructured loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment, credit and other losses' in the statement of income.

AFS investments
For AFS investments, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost.

Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from equity and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Offsetting Financial Instruments
Financial instruments are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Residual Value of Leased Assets and Deposits on Finance Leases
The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Financial Guarantees
In the ordinary course of business, the Group gives financial guarantees consisting of letters of credit, letters of guarantees, and acceptances. Financial guarantees are initially recognized in the financial statements at fair value under 'Other liabilities'. Subsequent to initial recognition, the Group's liabilities under such guarantees are each measured at the higher of the initial fair value less, when appropriate, cumulative amortization calculated to recognize the fee in the statement of income in 'Service fees and commission income', over the term of the guarantee, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of income in 'Provision for impairment, credit and other losses'. Any financial guarantee liability remaining is recognized in the statement of income in 'Service fees and commission income', when the guarantee is discharged, cancelled or has expired.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for their brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized:

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as HFT and AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as income. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Service fees and commission income
The Group earns fee and commission income from diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

a) *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, commission income, credit-related fees, trust fees, portfolio and other management fees, and advisory fees.

However, loan commitment fees for loans that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

b) *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses - are recognized on completion of the underlying transaction.

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Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, remittance fees, brokerage fees, deposit-related and other credit-related fees. Loan syndication fees are recognized in the statement of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Interchange fee and awards revenue on credit cards
Discounts lodged under 'Interchange fees' are taken up as income (presented under 'Service fees and commission income') upon receipt from member establishments of charges arising from credit availments by the Group's cardholders. These discounts are computed based on certain agreed rates and are deducted from amounts remitted to the member establishments.

The Group operates a loyalty points program which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points can then be redeemed for free products subject to a minimum number of points being obtained. Consideration received is allocated between the discounts earned, interchange fee and the points earned, with the consideration allocated to the points equal to its fair value. The fair value is determined by applying statistical analysis. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed. The deferred balance is included under 'Other liabilities' in the statement of financial position.

Commissions earned on credit cards
Commissions earned are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments. Purchases by the credit cardholders, collectible on installment basis, are recorded at the cost of the items purchased plus certain percentage of cost. The excess over cost is credited to 'Unearned and other deferred income' account and is shown as a deduction from 'Loans and receivables' in the statement of financial position. The unearned and other deferred income is taken up to income over the installment terms and is computed using the effective interest method.

Commission earned on reinsurance
Reinsurance commissions are recognized as revenue over the period of the contracts. The portion of the commissions that relates to the unexpired periods of the policies at the end of the reporting period is accounted for as 'Other liabilities' in the statement of financial position.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Trading and investment securities gains - net
Trading and investment securities gains - net includes results arising from trading activities, all gains and losses from changes in fair value of financial assets and financial liabilities at FVPL and gains and losses from disposal of AFS investments.

Rental income
Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Miscellaneous income'.

Income on direct financing leases and receivables financed
Income of the Group on loans and receivables financed is recognized using the effective interest method.

Unearned discounts included under 'Unearned and other deferred income' which are amortized over the term of the note or lease using the effective interest method consist of:

- Transaction and finance fees on finance leases and loans and receivables financed with long-term maturities; and
- Excess of the aggregate lease rentals plus the estimated residual value of the leased equipment over its cost.

Premiums Revenue
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior periods. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at end of reporting period are accounted for as provision for unearned premiums and presented as part of 'Other liabilities' in the statement of financial position. The related reinsurance premiums ceded that pertain to the unexpired periods at the end of the reporting periods are accounted for as deferred reinsurance premiums shown as part of 'Other assets' in the statement of financial position. The net changes in these accounts between end of the reporting periods are credited to or charged against the statement of income for the period.

Other income
Income from sale of services is recognized upon rendition of the service. Income from sale of properties is recognized upon completion of the earning process and when the collectibility of the sales price is reasonably assured.

Expenses
Expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Group. Expenses are recognized when incurred.

Taxes and licenses
This includes all other taxes, local and national, including gross receipts taxes (GRT), documentary stamp taxes, real estate taxes, licenses and permit fees that are recognized when incurred.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items (COCI), amounts due from BSP and other banks, interbank loans receivable and securities held under agreements to resell that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to an insignificant risk of changes in fair value.

Investments in Subsidiaries and Associate
Investments in subsidiaries
Subsidiaries pertain to entities over which the Group has control. The existence and effect of potential voting rights that are currently exercisable or convertible and qualitative criteria are considered when assessing whether the Group controls another entity (see Basis of Consolidation).

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Investment in an associate
An associate pertains to an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20.00% and 50.00% of the voting rights. In the consolidated financial statements, investment in an associate is accounted for under the equity method of accounting.

Under the equity method, investment in an associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less impairment in value, if any. The Group's share of its associate's post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associate's equity reserves or other adjustments is recognized directly in equity. When the Group's share of losses in associates equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
In the Parent Company's separate financial statements, investments in subsidiaries and an associate are carried at cost, less any impairment in value.

Policy Loans
Policy loans included under loans and receivables are carried at their unpaid balances plus accrued interest and are fully secured by the policy values on which the loans are made.

Reinsurance
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is charged against the consolidated statement of income.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to ceding companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Deferred Acquisition Cost (DAC)
Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relates to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized using the 24th method except for marine cargo where the DAC pertains to the commissions for the last two months of the year. Amortization is charged to the consolidated statement of income. The unamortized acquisition costs are shown as 'Deferred acquisition costs' in the assets section of the consolidated statement of financial position.

An impairment review is performed at each end of the reporting period or more frequently when an indication of impairment arises. The carrying value is written down to the recoverable amount and the impairment loss is charged to the consolidated statement of income. The DAC is also considered in the liability adequacy test for each reporting period.

Property and Equipment

Depreciable properties such as leasehold improvements, and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

Land is stated at revalued amounts less any impairment in value while buildings are stated at revalued amount less accumulated depreciation and any impairment in value. The revalued amounts were determined by professionally qualified, independent appraisers. The revalued amounts take into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The revaluation increment resulting from revaluation is credited to the 'Revaluation increment on land and buildings' in the consolidated statement of comprehensive income, net of applicable deferred income tax.

The Group has elected to transfer the revaluation increment to Surplus, in full, upon disposal of the asset.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

The estimated useful lives follow:

	Years
Buildings	25 - 50
Furniture, fixtures and equipment	5
Leasehold improvements	3 - 10

The useful life and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the period the asset is derecognized.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. Any gain or loss on exchange is recognized in the statement of income under 'Net gain on sale or exchange of assets'. Foreclosed properties are classified under 'Investment properties' upon:

a. entry of judgment in case of judicial foreclosure;
b. execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
c. notarization of the Deed of Dacion in case of payment in kind (dacion en pago).

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and impairment in value.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the depreciable investment properties ranging from 25 to 50 years.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Net gain on sale or exchange of assets' in the period of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Other Properties Acquired

Other properties acquired include chattel mortgage properties acquired in settlement of loan receivables. These are carried at cost, which is the fair value at recognition date, less accumulated depreciation and any impairment in value.

The Group applies the cost model in accounting for other properties acquired. Depreciation is computed on a straight-line basis over the estimated useful life of five years. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Nonfinancial Assets).

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the respective useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Software costs

Software costs, included in ‘Other intangible assets’, are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over five years on a straight-line basis. The estimated useful life and the amortization method are reviewed periodically to ensure that the period and the method of amortization are consistent with the expected pattern of economic benefits from the software.

Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Customer relationship and core deposit intangibles

Customer relationship and core deposit are the intangible assets acquired by the Group 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 Group.

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Following initial recognition, customer relationship and core deposit are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the commercial loans business is amortized on a straight-line basis over its useful life of 3 years while core deposit is amortized on a straight-line basis over its useful life of 10 years.

<u>Business Combinations and Goodwill</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. The Parent Company, the Acquirer, has elected to measure the non-controlling interests in ABC, the Acquiree, at their proportionate share in ABC's net identifiable assets and liabilities. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in the consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the purchase method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the noncontrolling interest, shall be considered.

In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value consideration received, is also accounted for as an equity transaction.

Impairment of Nonfinancial Assets

Property and equipment, investment properties, intangible assets and other properties acquired

At each reporting date, the Group assesses whether there is any indication that its property and equipment, investment properties, intangibles and other properties acquired with finite useful lives may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged against operations in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount

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since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future period to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Investment in subsidiaries and an associate
The Parent Company assesses at each reporting date whether there is any indication that its investment in subsidiaries and an associate may be impaired. If any impairment indication exists, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated (or to the aggregate carrying amount of a group of cash-generating units to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill every fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Life Insurance Contract Liabilities
Life insurance liabilities
Life insurance liabilities refer to liabilities of the Group that are recognized due to the obligations arising from policy contracts issued by PNB LII. The reserves for life insurance contracts are calculated based on prudent statutory assumptions in accordance with generally accepted actuarial methods that are compliant with existing regulations.

Insurance contracts with fixed and guaranteed terms
The liability is determined as the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used. The liability is based on mortality, morbidity and investment income assumptions that are established at the time the contract is issued.

For unpaid claims and benefits, a provision is made for the estimated cost of all claims and dividends notified but not settled at the reporting date less reinsurance recoveries, using the information available at the time.

Provision is also made for the cost of claims incurred but not reported (IBNR) until after the reporting date based on PNB LII's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in the statement of income in later years. Policy and contract claims payable forms part of the liability section of the statement of financial position under 'Other liabilities - Insurance contract liabilities'.

Aggregate reserve for life policies represents the accumulated total liability for policies in force on the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. The reserves are calculated using actuarial methods and assumptions in accordance with statutory requirements and as approved by the Insurance Commission (IC), subject to the minimum liability adequacy test.

Unit-linked insurance contracts
PNB LII issues unit-linked insurance contracts. Considerations received from unit-linked insurance contracts, in excess of the portion that is placed under a withdrawable segregated account, are recognized as revenue.

PNB LII's revenue from unit-linked contracts consists of charges deducted from the policyholder's separate account, in accordance with the unit-linked policy contract. Since the segregated fund assets belong to the unit-linked policyholders, corresponding segregated fund liabilities are set-up equal to the segregated fund assets less redemptions outside the segregated funds. The segregated fund assets are valued at market price. Changes in the segregated fund assets due to investment earnings or market value fluctuations result in the same corresponding change in the segregated fund liabilities. Such changes in fund value have no effect in the statement of income. Collections received from unit-linked policies are separated to segregated fund assets from which PNB LII withdraws administrative and cost of insurance charges in accordance with the policy provisions of the unit-linked insurance contracts. After deduction of these charges, the remaining amounts in the segregated fund assets are equal to the surrender value of the unit-linked policyholders, and are withdrawable anytime.

The equity of each unit-linked policyholder in the fund is monitored through the designation of outstanding units for each policy. Hence, the equity of each unit-linked insurance contract in the fund is equal to the total number of outstanding units of the policyholder multiplied by the net asset value per unit (NAVPU). The NAVPU is the market value of the fund divided by the total number of outstanding units.

Nonlife Insurance Contract Liabilities
Provision for unearned premiums
The proportion of written premiums, gross of commissions payable to intermediaries, attributable to subsequent periods or to risks that have not yet expired is deferred as provision for unearned premiums. Premiums from short-duration insurance contracts are recognized as revenue over the period of the contracts using the 24th method except for marine cargo where the provision for unearned premiums pertains to the premiums for the last two months of the year. The portion of the premiums written that relate to the unexpired periods of the policies at the end of reporting period are accounted for as provision for unearned premiums and presented as part of 'Insurance contract liabilities' in the liabilities section of the consolidated statement of financial position. The change in the provision for unearned premiums is taken to the consolidated statement of income in the order that revenue is recognized over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

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Claims provision and IBNR losses
Outstanding claims provisions are based on the estimated ultimate cost to all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of which cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money and includes provision for IBNR. No provision for equalization or catastrophic reserves is recognized. The liability is derecognized when the contract has expired, is discharged or cancelled.

Liability Adequacy Test
Liability adequacy tests on life insurance contracts are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against profit or loss initially by establishing a provision for losses arising from the liability adequacy tests.

For nonlife insurance contracts, liability adequacy tests are performed at the end of each reporting date to ensure the adequacy of insurance contract liabilities, net of related DAC assets. The provision for unearned premiums is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed future premiums plus the current provision for unearned premiums.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Group as lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' account with the corresponding liability to the lessor included in 'Other liabilities' account. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as lessor
Finance leases, where the Group transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the consolidated statement of financial position under 'Loans and receivables' account. A lease receivable is recognized at an amount equivalent to the net investment (asset cost) in the lease. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the statement of income on a straight line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Retirement Benefits
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling, if any. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
(a) service cost;
(b) net interest on the net defined benefit liability or asset; and
(c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the consolidated statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax

Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and an associate. With respect to investments in foreign subsidiaries and associates, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in OCI are also recognized in OCI and not in the statement of income.

In the consolidated financial statements, deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Parent Company Shares Held by a Subsidiary
Own equity instruments which are acquired by subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to stock dividends declared and stock rights exercised during the period, if any.

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Diluted EPS is calculated by dividing the aggregate of net income attributable to common shareholders by the weighted average number of common shares outstanding during the period adjusted for the effects of any dilutive shares.

Dividends
Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD of the Parent Company and subsidiaries. Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the statement of financial position.

Borrowing Costs
Borrowing costs are recognized as expense in the year in which these costs are incurred. Borrowing costs consist of interest expense calculated using the effective interest method calculated in accordance with PAS 39 that the Group incurs in connection with borrowing of funds.

Events after the Reporting date
Any post-year-end event that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Refer to Note 6 for the detailed disclosure on segment information.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Capital paid-in excess of par value' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to 'Capital paid-in excess of par value' account. If the 'Capital paid-in excess of par value' is not sufficient, the excess is charged against the 'Surplus'.

'Surplus' represents accumulated earnings (losses) of the Group less dividends declared.

Equity Reserves
The reserves recorded in equity in the statement of financial position include:

'Revaluation increment on land and building' which comprises changes in fair value of land and building.

'Remeasurement losses on retirement plan' which pertains to remeasurement comprising actuarial losses on the present value of the retirement obligation, net of return on plan assets.

'Accumulated translation adjustment' which is used to record exchange differences arising from the translation of the FCDU accounts and foreign operations to Philippine peso.

'Net unrealized gain (loss) on available-for-sale investments' reserve which comprises changes in fair value of AFS investments.

Future Changes in Accounting Policies

The Group will adopt the Standards and Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective 2014
Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.

Philippine Interpretation IFRIC 21, *Levies*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

Effective 2015 onwards
PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be applied retrospectively. The Group does not expect that the Amendments to PAS 19 will have material financial impact on the financial statements.

PFRS 9, *Financial Instruments: Classification and Measurement*
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 retains but simplifies the mixed measurement model and establishes two measurement categories for financial assets: amortized cost and fair value. The classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. PFRS 9 introduces a new requirement in respect of financial liabilities designated under the fair value option to present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. The guidance of PAS 39 on classification and measurement of financial liabilities, impairment of financial assets and hedge accounting continues to apply.

The mandatory effective date of PFRS 9 is not specified but will be determined when the outstanding phases are finalized. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology.

An evaluation was conducted to determine the impact of early adoption of PFRS and the accounts affected are 'Available-for-sale investments' and 'Loans and receivables'. As at December 31, 2013, the Group opted not to early adopt PFRS 9.

Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an

evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32.

Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The Group does not expect that the Improvements to PAS 16 will have material financial impact on the financial statements.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the Standard.

The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

<u>Annual Improvements to PFRSs (2011-2013 cycle)</u>
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is applied prospectively.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
(a) *Leases*

Operating lease
Group as lessor
The Group has entered into commercial property leases on its investment properties and certain motor vehicles and items of machinery.

The Group has determined, based on an evaluation of the terms and conditions of the lease agreements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties and so accounts for these leases as operating leases.

Group as lessee
The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Finance leases
The Group has entered into lease arrangements on real estate, various machineries and other types of equipment. The Group has determined that it transfers all the significant risks and rewards of ownership of these properties and so accounts for these leases as finance lease.

(b) *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models (see Note 5). The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

(c) *Financial assets not quoted in an active market*
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

(d) *Embedded derivatives*
Where a hybrid instrument is not classified as financial assets at FVPL, the Group evaluates whether the embedded derivative should be bifurcated and accounted for separately. This includes assessing whether the embedded derivative has a close economic relationship to the host contract.

(e) *Contingencies*
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsels handling the Group's defense in these matters and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to the proceedings (see Note 33).

(f) *Functional currency*
PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity.

In making this judgment, the Group considers the following:

a) the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
b) the currency in which funds from financing activities are generated; and
c) the currency in which receipts from operating activities are usually retained.

(g) *Product classification*
The Group classified its unit-linked products as insurance contracts due to the significant insurance risk at issue. All of the Group's unit-linked products are classified and treated as insurance contracts.

(h) *Assessment of control over entities for consolidation*
Where the Parent Company does not have majority of the voting interest over an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. This may include a contractual arrangement with the other vote holders of the investee or rights arising from other contractual arrangements which gives power to the Parent Company over the investee to affect its returns.

The Parent Company determined that it controls OHBVI through its combined voting rights of 70.56% which arises from its direct ownership of 27.78% and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement.

On the other hand, the Parent Company assessed that there are no rights arising from its contractual arrangement with OPII that gives the Parent Company control over OPII. Accordingly, OPII is no longer consolidated in the Group's financial statements.

(i) *Assessment of significant influence over an associate*
The Parent Company concluded that it only has significant influence over ACB as of December 31, 2012 through its 39.41% voting interest in the latter. The Parent Company also concluded that it has no de facto control over ACB as another stockholder holds the majority interest in ACB.

Estimates

(a) *Credit losses on loans and receivables*
The Group reviews its impaired loans and receivables at each reporting date to assess whether additional provision for credit losses should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of required allowance.
Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance takes into consideration any deterioration in the loan or investment rating from the time the account was granted or amended, and such other factors as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows and underlying property prices, among others.

Refer to Notes 9 and 15 for the carrying values of loans and receivables and receivable from SPVs, respectively.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

(b) *Fair values of structured debt instruments and derivatives*
The fair values of structured debt instruments and derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

To the extent practicable, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Notes 5 and 23 for information on the fair values of these instruments.

(c) *Valuation of unquoted AFS equity investments*
The Group's investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. Refer to Note 8 for the carrying value of unquoted AFS securities.

(d) *Impairment of AFS debt investments*
The Group reviews its debt investments classified as AFS investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and receivables.

As of December 31, 2013 and 2012, no allowance for impairment losses was provided on AFS debt investments. Refer to Note 8 for the carrying value of AFS debt investments.

(e) *Impairment of AFS equity investments*
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.00% or more and 'prolonged' greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

As of December 31, 2013 and 2012, allowance for impairment losses on AFS equity investments amounted to ₱928.4 million for the Group and Parent Company. Refer to Note 8 for the information on the carrying amounts of these investments.

(f) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Group and Parent Company's estimates of future taxable income indicate that certain temporary differences will be realized in the future. The amounts of recognized and unrecognized deferred tax assets are disclosed in Note 29.

(g) *Fair valuation in business combination*
The Group determines the acquisition-date fair values of identifiable assets acquired and liabilities assumed from the acquiree without quoted market price based on the following:

- for assets and liabilities that are short term in nature, carrying values approximate fair values
- for financial assets and liabilities that are long term in nature, fair values are estimated through the discounted cash flow methodology, using the appropriate market rates (e.g., current lending rates)
- for nonfinancial assets such as property and equipment and investment properties, fair values are determined based an appraisal valuation which follows sales comparison approach and depreciated replacement cost approach
- for deferred tax assets and liabilities, fair values are based on the tax benefit arising from future taxable income from the enlarged operations of the Parent Company

Refer to Note 13 for the details of the fair values of the identifiable assets and liabilities assumed from business combination.

(h) *Present value of retirement obligation*
The cost of defined benefit pension plan and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The present value of retirement obligation and fair value of plan assets are disclosed in Note 27.

(i) *Revaluation of property and equipment*
The Group measures the land and buildings under property and equipment at revalued amounts with changes in fair value being recognized in the consolidated statement of comprehensive income. The Group engaged independent valuation specialists to determine the fair value of land and buildings as of December 31, 2013 and 2012. Refer to Note 10 for the carrying values of land and buildings.

(j) *Impairment of nonfinancial assets*
Property and equipment, investment in subsidiaries and an associate, investment properties, other properties acquired and intangibles
The Parent Company assesses impairment on its investments in subsidiaries and associate whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Among others, the factors that the Parent Company considers important which could trigger an impairment review on its investments in subsidiaries and associate include the following:

- deteriorating or poor financial condition;
- recurring net losses; and
- significant changes on the technological, market, economic, or legal environment which had an adverse effect on the subsidiary or associate during the period or in the near future, in which the subsidiary or associate operates.

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The Group also assesses impairment on its nonfinancial assets (e.g., investment properties, property and equipment, other acquired properties and intangibles) and considers the following impairment indicators:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties and land and building where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other nonfinancial assets is determined based on the asset's value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset or group of assets. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset or group of assets being assessed.

The carrying values of the Group's investments in subsidiaries and associate and other nonfinancial assets are disclosed in Notes 10, 11, 12, 14 and 15.

(k) *Impairment of goodwill*
The Group conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support their carrying value. The Group estimates the discount rate used for the computation of the net present value by reference to industry cost of capital. Future cash flows from the business are estimated based on the theoretical annual income of the relevant CGUs. Average growth rate is derived from the long-term Philippine growth rate. The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Key assumptions in value-in-use calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows.

The carrying values of the Group's goodwill and key assumptions used in determining value-in-use are disclosed in Notes 13 and 14.

(l) *Aggregate reserves for life insurance*
In determining the aggregate reserves for life policies, estimates are made as to the expected number of deaths, illness or injury for each of the years in which PNB LII is exposed to risk. These estimates are based on standard mortality and morbidity tables as required by the Insurance Code (IC or the Code). The estimated number of deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

In accordance with the provision of the Code, estimates for future deaths, illness or injury and investment returns are determined at the inception of the contract and are used to calculate the liability over the term of the contract. The interest rate used to discount future liabilities does not exceed 6.00% as required by the Code. Likewise, no lapse, surrender and expense assumptions are factored in the computation of the liability.

(m) *Valuation of insurance contracts*

Estimates have to be made both for the expected ultimate cost of claims reported at reporting date and for the expected ultimate cost of IBNR at the reporting date. It can take a significant period of time before the ultimate claim costs can be established with certainty.

Nonlife insurance contract liabilities are not discounted for the time value of money.

The main assumption underlying the estimation of the claims provision is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. Historical claims development is mainly analyzed by accident years as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development.

(n) *Estimated useful lives of property and equipment, investment properties, intangibles and other properties acquired*

The Group estimates the useful lives of its property and equipment, investment properties, intangibles, and other properties acquired.

This estimate is reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment, investment properties, intangibles, and other properties acquired.

Refer to Note 2 for the estimated useful lives of property and equipment, investment properties, intangibles, and other properties acquired.

Refer to Notes 10, 12, 14 and 15 for the carrying values of property and equipment, investment properties, intangibles, and other properties acquired, respectively.

4. Financial Risk Management Objectives and Policies

Introduction

The Group's activities are principally related to the development, delivery, servicing and use of financial instruments. Risk is inherent in these activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

The Group monitors its processes associated with the following overall risk categories:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Information Security and Technology Risk

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Further, the Group is also cognizant of the need to address various other risks through the primary divisions presented above. The following are also taken into consideration as part of the overall Enterprise Risk Management (ERM) Framework:

- Counterparty Risk
- Business Risk
- Strategic Risk
- Compliance Risk
- Legal Risk
- Reputational Risk
- Concentration Risk
- Country Risk
- Risks arising from the Group's shareholdings and equity interests

Managing the level of these risks as provided for by the Parent Company's ERM framework is critical to its continuing profitability. The Risk Oversight Committee (ROC) of the Parent Company's BOD determines the risk policy and approves the principles of risk management, establishment of limits for all relevant risks, and the risk control procedures. The ROC of the Parent Company is also responsible for the risk management of the Group.

The RMG provides the legwork for the ROC in its role of formulating the risk management strategy, the management of regulatory capital, the development and maintenance of the internal risk management framework, and the definition of the governing risk management principles. The mandate of the RMG involves:

- Implementing the risk management framework of identifying, measuring, controlling and monitoring the various risk taking activities of the Group, inherent in all financial institutions;
- Providing services to the risk-taking units and personnel in the implementation of risk mitigation strategies; and
- Establishing recommended limits based on the results of its analysis of exposures.

Credit Risk

Credit risk is the non-recovery of credit exposures (on-and-off balance sheet exposures). Managing credit risk also involves monitoring of migration risk, concentration risk, country risk and settlement risk. The Group manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual transaction).

The credit risk management of the entire loan portfolio is under the direct oversight of the ROC and Executive Committee. Credit risk assessment of individual borrower is performed by the business sector and remedial sector. Risk management is embedded in the entire credit process, i.e., from credit origination to remedial management (if needed).

Among the tools used by the Parent Company in identifying, assessing and managing credit risk include:

- Documented credit policies and procedures: sound credit granting process, risk asset acceptance criteria, target market and approving authorities;
- System for administration and monitoring of exposure;
- Pre-approval review of loan proposals;
- Post approval review of implemented loans;
- Work out system for managing problem credits;
- Regular review of the sufficiency of valuation reserves;

- Monitoring of the adequacy of capital for credit risk via the Capital Adequacy Ratio (CAR) report;
- Monitoring of breaches in regulatory and internal limits;
- Credit Risk Management Dashboard;
- Diversification;
- Internal Risk Rating System for corporate accounts;
- Credit Scoring for retail accounts; and
- Active loan portfolio management undertaken to determine the quality of the loan portfolio and identify the following:
  a. portfolio growth
  b. movement of loan portfolio (cash releases and cash collection for the month)
  c. loss rate
  d. recovery rate
  e. trend of nonperforming loans (NPLs)
  f. concentration risk (per classified account, per industry, clean exposure, large exposure, contingent exposure, currency, security, facility, demographic, etc)

The Parent Company has moved one step further by collecting data on risk rating of loan borrowers with an asset size of ₱15.0 million and above as initial requirement in the Parent Company's model for internal Probability of Default (PD) and Loss Given Default (LGD).

Credit-related commitments
The exposures represent guarantees, standby letters of credit (LCs) issued by the Parent Company and documentary/commercial LCs which are written undertakings by the Parent Company.

To mitigate this risk the Parent Company requires hard collaterals, as discussed under *Collateral and other credit enhancement*, for standby LCs lines while commercial LCs are collateralized by the underlying shipments of goods to which they relate.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Collateral and other credit enhancement
As a general rule, character is the single most important consideration in granting loans. However, collaterals are requested to mitigate risk. The loan value and type of collateral required depend on the assessment of the credit risk of the borrower or counterparty. The Group follows guidelines on the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate accounts - cash, guarantees, securities, physical collaterals (e.g., real estate, chattels, inventory, etc.); as a general rule, commercial, industrial and residential lots are preferred
- For retail lending - mortgages on residential properties and vehicles financed
- For securities lending and reverse repurchase transactions - cash or securities

The disposal of the foreclosed properties is handled by the Asset Management Sector which adheres to the general policy of disposing assets at the highest possible market value. Management regularly monitors the market value of the collateral and requests additional collateral in accordance with the underlying agreement. The existing market value of the

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collateral is considered during the review of the adequacy of the allowance for credit losses. Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements. The Group is not permitted to sell or repledge the collateral held over loans and advances to counterparty banks and BSP in the absence of default by the owner of the collateral.

The table below shows the maximum exposure for loans and receivable to credit risk (amounts in millions):

	Consolidated			
	December 31, 2013 Maximum Exposure		December 31, 2012 Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Securities Held Under Agreements to Resell (Note 34)	**₱–**	**₱–**	₱18,300	₱–
Loans and receivables:				
Receivable from customers*:				
Business loans	**187,155**	**132,026**	83,053	41,146
Consumers	**25,917**	**7,068**	11,197	4,794
GOCCs and National Government Agencies (NGAs)	**25,709**	**17,508**	24,411	27,753
LGUs	**8,511**	**7,275**	7,157	2,337
Fringe benefits	**585**	**159**	644	168
Unquoted debt securities	**7,296**	**4,746**	3,859	1,662
Other receivable	**18,698**	**785**	13,581	7,492
	₱273,871	**₱169,567**	₱162,202	₱85,352

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan

*Receivables from customers exclude residual value of the leased asset.

	Parent Company			
	December 31, 2013 Maximum Exposure		December 31, 2012 Maximum Exposure	
	Before Collateral	**After Financial Effect of Collateral or Credit Enhancement**	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Securities Held Under Agreements to Resell (Note 34)	**₱–**	**₱–**	₱18,300	₱–
Loans and receivables:				
Receivable from customers:				
Business loans	**177,551**	**127,762**	80,968	55,877
GOCCs and National Government Agencies (NGAs)	**25,709**	**17,508**	24,411	17,179
Consumers	**23,746**	**6,872**	11,102	4,751
LGUs	**8,511**	**7,275**	7,158	6,288
Fringe benefits	**571**	**149**	630	165
Unquoted debt securities	**6,913**	**4,746**	3,859	1,118
Other receivable	**12,435**	**785**	11,396	8,879
	₱255,436	**₱165,097**	₱157,824	₱94,257

The Group follows the BOD approved policy on the generic classification of loans based on the type of borrowers and the purpose of the loan

For the Group, fair values of collateral held for securities held under agreements to resell and loans and receivables amounted to nil and ₱267.8 billion, respectively, as of December 31, 2013 and ₱18.9 billion and ₱234.7 billion, respectively, as of December 31, 2012.

The maximum credit risk, without taking into account the fair value of any collateral and netting agreements, is limited to the amounts on the statement of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 33 to the financial statements.

Excessive risk concentration
Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits. Clear escalation process and override procedures are in place, whereby any excess in limits are covered by appropriate approving authority to regularize and monitor breaches in limits.

a. Limit per Client or Counterparty
For loans and receivables, the Parent Company sets an internal limit for group exposures which is equivalent to 100.00% of the single borrower's limit (SBL) for loan accounts with credit risk rating (CRR) 1 to CRR 5 or 50.00% of SBL if rated below CRR 5.

For trading and investment securities, the Group limits investments to government issues and securities issued by entities with high-quality investment ratings.

b. Geographic Concentration
The table below shows the credit risk exposures, before taking into account any collateral held or other credit enhancements, categorized by geographic location (in millions):

	Consolidated		Parent Company	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Philippines	**₱523,518**	₱275,640	**₱502,718**	₱269,568
Asia (excluding the Philippines)	**32,197**	6,616	**7,464**	5,712
USA and Canada	**6,810**	4,276	**3,450**	3,013
Other European Union Countries	**5,920**	3,706	**5,783**	3,676
United Kingdom	**1,439**	5,355	**150**	5,113
Middle East	**308**	2	**308**	2
	₱570,192	₱295,595	**₱519,873**	₱287,084

(Amounts In Thousands Pesos Except When Otherwise Indicated)

c. Concentration by Industry
The tables below show the industry sector analysis of the Group's and Parent Company's financial assets at amounts before taking into account the fair value of the loan collateral held or other credit enhancements (amounts in millions).

	Consolidated		Parent Company	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Loans and Receivables				
Receivable from customers*:				
Primary target industry:				
Wholesale and retail	**₱42,597**	₱20,682	**₱40,593**	₱20,378
Electricity, gas and water	**38,427**	18,104	**38,380**	18,104
Manufacturing	**30,629**	11,637	**27,615**	10,984
Public administration and defense	**24,090**	22,623	**23,734**	22,595
Financial intermediaries	**21,327**	10,172	**21,208**	10,158
Transport, storage and communication	**17,554**	16,335	**16,540**	16,034
Agriculture, hunting and forestry	**1,860**	2,774	**1,768**	2,580
Secondary target industry:				
Real estate, renting and business activities	**34,098**	9,568	**30,149**	9,859
Construction	**6,917**	2,345	**6,391**	2,145
Others**	**30,378**	12,222	**29,710**	11,432
Unquoted debt securities:				
Government	**7,150**	3,699	**6,801**	3,699
Financial intermediaries	–	–	–	–
Manufacturing	**146**	160	**112**	160
	7,296	3,859	**6,913**	3,859
Other receivables	**18,698**	13,581	**12,435**	11,396
	273,871	143,902	**255,436**	139,524
Trading and Investment Securities				
Government	**60,859**	57,865	**58,332**	56,159
Financial intermediaries	**14,754**	7,096	**6,233**	6,807
Others	**9,088**	2,351	**6,132**	2,175
Real estate, renting and business activities	**5,185**	1,225	**4,697**	1,118
Electricity, gas and water	**1,542**	2,461	**1,030**	2,451
Manufacturing	**585**	22	**141**	19
	92,013	71,020	**76,565**	68,729
(Forward)				
Other Financial Assets* **				
Financial intermediaries	**₱176,456**	₱71,017	**₱160,630**	₱69,624
Others	**27,852**	9,656	**27,242**	9,207
	204,308	80,673	**187,872**	78,831
	₱570,192	₱295,595	**₱519,873**	₱287,084

*Receivables from customers exclude residual value of the leased asset.
**Others include the following sectors - Other community, social and personal services, private household, hotel and restaurant, education, mining and quarrying, and health and social work.
***Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Receivable from SPV', 'Miscellaneous COCI' and 'Commitments'.

The internal limit of the Parent Company based on the Philippine Standard Industry Classification (PSIC) sub-industry is 12.00% for priority industry, 8.00% for regular industry and 30.00% for power industry, versus total loan portfolio.

Credit quality per class of financial assets
The credit quality of financial assets is assessed and managed using external and internal ratings. For receivable from customers classified as business loans, the credit quality is generally monitored using the 14-grade Credit Risk Rating (CRR) System which is integrated in the credit process particularly in loan pricing and allocation of valuation reserves. The model on risk ratings is assessed and updated regularly.

Validation of the individual internal risk rating is conducted by the Credit Management Division to maintain accurate and consistent risk ratings across the credit portfolio. The rating system has two parts, namely, the borrower's rating and the facility rating. It is supported by a variety of financial analytics, combined with an assessment of management and market information such as industry outlook and market competition to provide the main inputs for the measurement of credit or counterparty risk.

The CRRs of the Parent Company's Receivables from customers (applied to loans with asset size of ₱15.0 million and above) are defined below:

CRR 1 - Excellent
Loans receivables rated as excellent include borrowers which are significant in size, with long and successful history of operations, an industry leader, with ready access to all equity and debt markets and have proven its strong debt service capacity.

CRR 2 - Super Prime
Loans receivables rated as super prime include borrowers whose ability to service all debt and meet financial obligations remains unquestioned.

CRR 3 - Prime
Under normal economic conditions, borrowers in this rating have good access to public market to raise funds and face no major uncertainties which could impair repayment.

CRR 4 - Very Good
Loans receivables rated as very good include borrowers whose ability to service all debts and meet financial obligations remain unquestioned, but current adverse economic conditions or changing circumstances have minimal impact on payment of obligations.

CRR 5 - Good
Loans receivables rated as good include borrowers with good operating history and solid management, but payment capacity could be vulnerable to adverse business, financial or economic conditions.

CRR 6 - Satisfactory
These are loans receivables to borrowers whose ability to service all debt and meet financial obligations remains unquestioned, but with somewhat lesser capacity than in CRR 5 accounts.

CRR 7 - Average
These are loans receivables to borrowers having ability to repay the loan in the normal course of business activity, although may not be strong enough to sustain a major setback.

CRR 8 - Fair
These are loans receivables to borrowers possessing the characteristics of borrowers rated as CRR7 with slightly lesser quality in financial strength, earnings, performance and/or outlook.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

CRR 9 - Marginal
These are performing loans receivables from borrowers not qualified as CRRs 1-8. The borrower is able to withstand normal business cycles, although any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.

CRR 10 - Watchlist
This rating includes borrower where the credit exposure is not at risk of loss at the moment but the performance of the borrower has weakened and, unless present trends are reversed, could eventually lead to losses.

CRR 11 - Special Mention
These are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Parent Company.

CRR 12 - Substandard
These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Parent Company because of unfavorable record or unsatisfactory characteristics.

CRR 13 - Doubtful
These are loans or portions thereof which have the weaknesses inherent in those classified as CRR 12 with the added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

CRR 14 - Loss
These are loans or portions thereof which are considered uncollectible or worthless.

The Parent Company is using the Credit Scoring for evaluating borrowers with assets size below ₱15.0 million. Credit scoring details the financial capability of the borrower to pay for any future obligation.

GOCCs and LGUs are rated using the "means and purpose" test whereby borrowers have to pass the two major parameters, namely:

- "Means" test - the borrower must have resources or revenues of its own sufficient to service its debt obligations.
- "Purpose" test - the loan must be obtained for a purpose consistent with the borrower's general business.

LGU loans are backed-up by assignment of Internal Revenue Allotment. Consumer loans are covered by mortgages in residential properties and vehicles financed and guarantees from Home Guaranty Corporation. Fringe benefit loans are repaid through automatic salary deductions and exposure is secured by mortgage on house or vehicles financed.

The table below shows the Group's and Parent Company's receivable from customers, gross of allowance for credit losses and unearned and other deferred income, for each CRR as of December 31, 2013 and 2012 (in millions) but net of residual values of leased assets.
As of December 31, 2013 and 2012, residual value of leased assets of the Group amounted to ₱404.8 million and ₱329.2 million, respectively, while it is nil for the Parent Company.

	Consolidated		
	December 31, 2013		
	Neither Past Due nor Individually Impaired	**Past Due or Individually Impaired**	**Total**
Rated Receivable from Customers			
1 - Excellent	**₱2,632**	**₱–**	**₱2,632**
2 - Super Prime	**57,314**	–	**57,314**
3 - Prime	**33,358**	**14**	**33,372**
4 - Very Good	**4,364**	**38**	**4,402**
5 - Good	**19,464**	**7**	**19,471**
6 - Satisfactory	**24,373**	**139**	**24,512**
7 - Average	**29,590**	**213**	**29,803**
8 - Fair	**8,791**	**23**	**8,814**
9 - Marginal	**3,831**	**8**	**3,839**
10 - Watchlist	**12,907**	**16**	**12,923**
11 - Special Mention	**2,662**	**330**	**2,992**
12 - Substandard	**1,468**	**1,314**	**2,782**
13 - Doubtful	**5**	**2,429**	**2,434**
14 - Loss	–	**2,253**	**2,253**
	200,759	**6,784**	**207,543**
Unrated Receivable from Customers			
Consumers	**18,202**	**1,972**	**20,174**
Business Loans	**11,897**	**506**	**12,403**
LGUs	**7,925**	**688**	**8,613**
GOCCs and NGAs	**2,196**	**1,786**	**3,982**
Fringe Benefits	**511**	**105**	**616**
	40,731	**5,057**	**45,788**
	₱241,490	**₱11,841**	**₱253,331**

	Consolidated		
	December 31, 2012		
	Neither Past Due nor Individually Impaired	Past Due or Individually Impaired	Total
Rated Receivable from Customers			
1 - Excellent	₱10,948	₱–	₱10,948
2 - Super Prime	33,489	–	33,489
3 - Prime	11,261	–	11,261
4 - Very Good	6,418	–	6,418
5 - Good	16,464	2	16,466
6 - Satisfactory	4,897	–	4,897
7 - Average	6,728	19	6,747
8 - Fair	2,646	1	2,647
9 - Marginal	1,820	5	1,825
10 - Watchlist	4,353	6	4,359
11 - Special Mention	2,321	9	2,330
12 - Substandard	271	764	1,035
13 - Doubtful	–	2,449	2,449
14 - Loss	–	2,665	2,665
	101,616	5,920	107,536

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Consolidated		
	December 31, 2012		
	Neither Past Due nor Individually Impaired	Past Due or Individually Impaired	Total
Unrated Receivable from Customers			
Consumers	₱10,687	₱770	₱11,457
Business Loans	2,562	237	2,799
LGUs	6,868	419	7,287
GOCCs and NGAs	1,391	1,651	3,042
Fringe Benefits	622	37	659
	22,130	3,114	25,244
	₱123,746	₱9,034	₱132,780

	Parent Company		
	December 31, 2013		
	Neither Past Due nor Individually Impaired	**Past Due or Individually Impaired**	**Total**
Rated Receivable from Customers			
1 - Excellent	**₱2,632**	**₱–**	**₱2,632**
2 - Super Prime	**57,314**	**–**	**57,314**
3 - Prime	**33,292**	**–**	**33,292**
4 - Very Good	**4,335**	**–**	**4,335**
5 - Good	**19,447**	**5**	**19,452**
6 - Satisfactory	**18,097**	**69**	**18,166**
7 - Average	**26,213**	**211**	**26,424**
8 - Fair	**8,776**	**23**	**8,799**
9 - Marginal	**3,827**	**6**	**3,833**
10 - Watchlist	**12,815**	**16**	**12,831**
11 - Special Mention	**2,662**	**330**	**2,992**
12 - Substandard	**1,468**	**1,182**	**2,650**
13 - Doubtful	**5**	**2,429**	**2,434**
14 - Loss	**–**	**2,170**	**2,170**
	190,883	**6,441**	**197,324**
Unrated Receivable from Customers			
Consumers	**18,108**	**1,953**	**20,061**
Business Loans	**9,944**	**506**	**10,450**
LGUs	**7,925**	**688**	**8,613**
GOCCs and NGAs	**2,196**	**1,786**	**3,982**
Fringe Benefits	**497**	**105**	**602**
	38,670	**5,038**	**43,708**
	₱229,553	**₱11,479**	**₱241,032**

	Parent Company		
	December 31, 2012		
	Neither Past Due nor Individually Impaired	Past Due or Individually Impaired	Total
Rated Receivable from Customers			
1 - Excellent	₱10,948	₱–	₱10,948
2 - Super Prime	33,489	–	33,489
3 - Prime	11,261	–	11,261
4 - Very Good	6,418	–	6,418
5 - Good	16,464	2	16,466
6 - Satisfactory	5,461	–	5,461
7 - Average	4,250	19	4,269
8 - Fair	2,646	1	2,647
9 - Marginal	1,820	5	1,825
10 - Watchlist	4,353	6	4,359
11 - Special Mention	2,321	9	2,330
12 - Substandard	271	578	849
13 - Doubtful	–	2,449	2,449
14 - Loss	–	2,658	2,658
	99,702	5,727	105,429
Unrated Receivable from Customers			
Consumers	10,595	752	11,347
Business Loans	2,230	237	2,467
LGUs	6,868	419	7,287
GOCCs and NGAs	1,391	1,651	3,042
Fringe Benefits	608	37	645
	21,692	3,096	24,788
	₱121,394	₱8,823	₱130,217

Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due. The table below shows the aging analysis of past due but not impaired loans receivables per class (in millions).

	Consolidated				
	December 31, 2013				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱151**	**₱165**	**₱565**	**₱419**	**₱1,300**
Consumers	**148**	**142**	**105**	**125**	**520**
LGUs	**341**	**69**	**–**	**11**	**421**
GOCCs and NGAs	**–**	**–**	**44**	**–**	**44**
Fringe benefits	**1**	**1**	**1**	**6**	**9**
Total	**₱641**	**₱377**	**₱715**	**₱561**	**₱2,294**

	Consolidated				
	December 31, 2012				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱6	₱39	₱207	₱252	₱504
Consumers	53	57	21	191	322
LGUs	133	–	–	–	133
GOCCs and NGAs	–	–	–	–	–
Fringe benefits	1	1	–	11	13
Total	₱193	₱97	₱228	₱454	₱972

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Parent Company				
	December 31, 2013				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	**₱151**	**₱165**	**₱404**	**₱419**	**₱1,139**
Consumers	**145**	**142**	**104**	**125**	**516**
LGUs	**341**	**69**	**–**	**11**	**421**
GOCCs and NGAs	**–**	**–**	**44**	**–**	**44**
Fringe benefits	**1**	**1**	**1**	**6**	**9**
Total	**₱638**	**₱377**	**₱553**	**₱561**	**₱2,129**

	Parent Company				
	December 31, 2012				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱6	₱39	₱14	₱252	₱311
Consumers	51	57	21	191	320
LGUs	133	–	–	–	133
GOCCs and NGAs	–	–	–	–	–
Fringe benefits	1	1	–	11	13
Total	₱191	₱97	₱35	₱454	₱777

Below are the financial assets of the Group and the Parent Company, excluding receivable from customers, which are monitored using external ratings (in millions).

	Consolidated					
	December 31, 2013					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[6/]**	**Total**
Due from BSP[1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱153,169**	**₱153,169**
Due from other banks	**1,580**	**4,131**	**4,836**	**10,547**	**4,335**	**14,882**
Interbank loans receivables	**399**	**4,490**	**3,285**	**8,174**	**231**	**8,405**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**–**	**–**	**2,835**	**2,835**	**236**	**3,071**
Derivative assets[3/]	**7**	**30**	**20**	**57**	**201**	**258**
Equity securities	**–**	**–**	**–**	**–**	**250**	**250**
Private debt securities	**–**	**–**	**8**	**8**	**261**	**269**
Designated at FVPL:						
Segregated fund assets	**–**	**7,861**	**–**	**7,861**	**–**	**7,861**
Loans and receivables:						
Unquoted debt securities[4/]	**–**	**–**	**50**	**50**	**7,246**	**7,296**
Others[5/]	**1**	**–**	**196**	**197**	**18,501**	**18,698**
AFS investments[7/]:						
Government securities	**1,510**	**227**	**57,320**	**59,057**	**191**	**59,248**
Other debt securities	**898**	**1,044**	**5,098**	**7,040**	**12,177**	**19,217**
Quoted equity securities			**172**	**172**	**1,506**	**1,678**
Unquoted equity securities	**–**	**–**	**–**	**–**	**162**	**162**

	Consolidated					
	December 31, 2012					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[6/]	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱37,175	₱37,175
Due from other banks	899	1,316	973	3,188	855	4,043
Interbank loans receivables	2,143	6,730	1,847	10,720	779	11,499
Securities held under agreements to resell[2/]	–	–	–	–	18,300	18,300
Financial assets at FVPL:						
Held-for-trading:						
Government securities	–	–	907	907	1,064	1,971
Derivative assets[3/]	2	274	114	390	65	455
Equity securities	–	–	–	–	250	250
Private debt securities	–	–	–	–	99	99
Designated at FVPL:						
Private debt securities	–	–	–	–	1,248	1,248
Loans and receivables:						
Unquoted debt securities[4/]	–	–	31	31	3,828	3,859
Others[5/]	–	–	–	–	13,581	13,581
AFS investments[7/]:						
Government securities	748	–	44,771	45,519	10,039	55,558
Other debt securities	1,434	–	3,255	4,689	6,231	10,920
Quoted equity securities	13	–	134	147	293	440
Unquoted equity securities	–	–	–	–	79	79

1/ 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.
2/ Securities held under agreements to resell represent overnight lending to the BSP collateralized by securities. The interest rate applicable is fixed by the BSP through a memorandum.
3/ Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (see Note 23).
4/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market, net of allowances amounting to ₱3,958.7 million and ₱3,958.9 million in 2013 and 2012, respectively (see Note 9).
5/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables, net of allowances amounting to ₱3,865.5 million and ₱3,865.5 million in 2013 and 2012, respectively (see Note 9).
6/ As of December 31, 2013 and December 31, 2012, financial assets that are unrated are neither past due nor impaired.
7/ AFS investments is presented net of allowances (see Note 8).

	Parent Company					
	December 31, 2013					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[6/]**	**Total**
Due from BSP [1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱146,079**	**₱146,079**
Due from other banks	**827**	**2,657**	**1,094**	**4,578**	**1,568**	**6,146**
Interbank loans receivables	**400**	**4,489**	**3,285**	**8,174**	**231**	**8,405**
Securities held under agreements to resell[2/]	**–**	**–**	**–**	**–**	**–**	**–**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**–**	**–**	**2,835**	**2,835**	**236**	**3,071**
Derivative assets[3/]	**7**	**30**	**20**	**57**	**201**	**258**
Equity securities	**–**	**–**	**–**	**–**	**248**	**248**
Private debt securities	**–**	**–**	**8**	**8**	**261**	**269**
Designated at FVPL:						
Private debt securities	**–**	**–**	**–**	**–**	**–**	**–**
Loans and receivables:						
Unquoted debt securities[4/]	**–**	**–**	**50**	**50**	**6,863**	**6,913**
Others[5/]	**–**	**–**	**–**	**–**	**12,435**	**12,435**
AFS investments[7/]:						
Government securities	**1,079**	**5**	**53,900**	**54,984**	**191**	**55,175**
Other debt securities	**771**	**830**	**5,027**	**6,628**	**9,998**	**16,626**
Quoted equity securities	**–**	**–**	**–**	**–**	**756**	**756**
Unquoted equity securities	**–**	**–**	**–**	**–**	**162**	**162**

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Parent Company					
	December 31, 2012					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[6/]	Total
Due from BSP [1/]	₱–	₱–	₱–	₱–	₱36,531	₱36,531
Due from other banks	774	1,316	349	2,439	855	3,294
Interbank loans receivables	2,143	6,730	1,847	10,720	779	11,499
Securities held under agreements to resell[2/]	–	–	–	–	18,300	18,300
Financial assets at FVPL:						
Held-for-trading:						
Government securities	–	–	907	907	1,064	1,971
Derivative assets[3/]	2	274	114	390	65	455
Equity securities	–	–	–	–	192	192
Private debt securities	–	–	–	–	99	99
Designated at FVPL:						
Private debt securities	–	–	–	–	1,248	1,248
Loans and receivables:						
Unquoted debt securities[4/]	–	–	31	31	3,828	3,859
Others[5/]	–	–	–	–	11,396	11,396
AFS investments[7/]:						
Government securities	219	–	43,798	44,017	9,806	53,823
Other debt securities	1,087	–	3,245	4,332	6,220	10,552
Quoted equity securities	–	–	–	–	310	310
Unquoted equity securities	–	–	–	–	79	79

1/ 'Due from BSP' is composed of interest-earning short-term placements with the BSP and a demand deposit account to support the regular operations of the Parent Company.

2/ Securities held under agreements to resell represent overnight lending to the BSP collateralized by securities. The interest rate applicable is fixed by the BSP through a memorandum.

3/ Derivative assets represent the value of credit derivatives embedded in host contracts issued by financial intermediaries and the mark-to-market valuation of freestanding derivatives (see Note 23).

4/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market, net of allowances amounting to ₱3,958.7 million and ₱3,958.9 million in 2013 and 2012, respectively (see Note 9).

5/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables, net of allowances amounting to ₱3,594.4 million and ₱3,191.8 million in 2013 and 2012, respectively (see Note 9).

6/ As of December 31, 2013 and December 31, 2012, financial assets that are unrated are neither past due nor impaired.

7/ AFS investments is presented net of allowances (see Note 8).

Impairment assessment

The Group recognizes impairment or credit losses based on the results of specific (individual) and collective assessment of its credit exposures. A possible impairment has taken place when there are presence of known difficulties in the payment of obligation by counterparties, a significant credit rating downgrade takes place, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold (e.g., 90 days). These and other factors, either singly or in tandem with other factors, constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the Group in assessing and measuring impairment or credit losses include:

a. Specific (individual) assessment

   The Group assesses each individually significant credit exposure or advances for any objective evidence of impairment.

   Among the items and factors considered by the Group when assessing and measuring specific impairment/credit allowances are:

   - the going concern of the borrower's business;
   - the ability of the borrower to repay its obligations during financial crises;
   - the projected receipts or expected cash flows;
   - the availability of other sources of financial support;

- the existing realizable value of collateral; and
- the timing of the expected cash flows.

The impairment or credit allowances, if any, are evaluated every quarter or as the need arises in view of favorable or unfavorable developments.

b. Collective assessment
Loans and advances that are not individually significant (e.g., credit cards, housing loans, car loans, development incentives loans, fringe benefit loans) and individually significant loans and advances where there is no apparent evidence of individual impairment are collectively assessed for impairment. A particular portfolio is reviewed every quarter to determine its corresponding appropriate allowances.

Impairment losses are estimated by taking into consideration the following information:

- historical losses of the portfolio;
- current adverse economic conditions that have direct impact on the portfolio;
- losses which are likely to occur but has not yet occurred; and
- expected receipts and recoveries once impaired.

See Note 16 for more detailed information on the allowance for credit losses on loans and receivables and other financial assets.

<u>Liquidity Risk and Funding Management</u>
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 come due without incurring unacceptable losses or costs.

The Parent Company's liquidity management involves maintaining funding capacity to accommodate fluctuations in asset and liability levels due to changes in the Parent Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company seeks to ensure liquidity through a combination of active management of liabilities, a liquid asset portfolio composed substantially of deposits in primary and secondary reserves, and the securing of money market lines and the maintenance of repurchase facilities to address any unexpected liquidity situations.

Liquidity risk is monitored and controlled primarily by a gap analysis of maturities of relevant assets and liabilities reflected in the maximum cumulative outflow (MCO) report, as well as an analysis of available liquid assets. The MCO focuses on a 12-month period wherein the 12-month cumulative outflow is compared to the acceptable MCO limit set by the BOD. Furthermore, an internal liquidity ratio has been set to determine sufficiency of liquid assets over deposit liabilities.

Liquidity is monitored by the Parent Company on a daily basis through the Treasury Group. Likewise, the RMG monitors the static liquidity via the MCO under normal and stressed scenarios.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

The table below shows the financial assets and financial liabilities' liquidity information which includes coupon cash flows categorized based on the expected date on which the asset will be realized and the liability will be settled. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized (in millions).

	Consolidated					
	December 31, 2013					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets						
COCI	₱11,805	₱–	₱–	₱–	₱–	₱11,805
Due from BSP and other banks	165,656	1,853	5,478	208	215	173,410
Interbank loans receivable	8,378	150	–	–	–	8,528
Financial assets at FVPL:						
Held-for-trading:						
Government securities	36	16	36	78	4,418	4,584
Equity securities	250	–	–	–	–	250
Private debt securities	–	2	4	7	316	329
Derivative assets						
Pay	(4,250)	(850)	(1,141)	(216)	(31)	(6,488)
Receive	4,273	859	1,168	222	31	6,553
	23	9	27	6	–	65
Financial assets designated at FVPL	–	–	–	–	7,862	7,862
Loans receivables - gross	78,052	43,096	16,442	15,044	235,612	388,246
Unquoted debt securities - gross	90	2,823	11	94	8,921	11,939
Other receivables - gross	2,431	3,524	2,127	482	14,323	22,887
AFS investments	1,152	649	946	3,729	103,094	109,570
Total financial assets	₱267,873	₱52,122	₱25,071	₱19,648	₱374,761	₱739,475
Financial Liabilities						
Deposit liabilities:						
Demand	₱127,461	₱–	₱–	₱–	₱–	₱127,461
Savings	235,918	24,423	8,593	4,839	13,142	286,915
Time	13,290	13,360	4,439	6,939	20,387	58,415
Financial liability at FVPL	50	–	–	–	7,862	7,912
Derivative liabilities:						
Pay	9,771	1,995	694	–	1,391	13,851
Receive	(9,655)	(1,979)	(676)	–	(1,391)	(13,701)
	116	16	18	–	–	150
Bills and acceptances payable	6,231	2,360	1,077	438	3,083	13,189
Subordinated debt	–	147	147	294	13,039	13,627
Accrued interest payable and other liabilities	12,890	4,557	–	134	2,183	19,764
Total financial liabilities	₱395,956	₱44,863	₱14,274	₱12,644	₱59,696	₱527,433

	Consolidated					
	December 31, 2012					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets						
COCI	₱5,599	₱–	₱–	₱–	₱–	₱5,599
Due from BSP and other banks	39,692	435	–	1,101	–	41,228
Interbank loans receivable	11,129	251	119	–	–	11,499
Securities held under agreements to resell	18,304	–	–	–	–	18,304
Financial assets at FVPL:						
Held-for-trading:						
Government securities	1,978	14	19	36	677	2,724
Equity securities	251	–	–	–	–	251
Private debt securities	100	1	1	3	29	134
Derivative assets						
Pay	(6,056)	(716)	(22)	(67)	(52)	(6,913)
Receive	6,079	788	24	153	222	7,266
	23	72	2	86	170	353
Designated at FVPL:						
Private debt securities	4	8	1,255	–	–	1,267
Loans receivables – gross	24,188	13,517	5,862	2,125	125,258	170,950
Unquoted debt securities - gross	3,962	44	9	17	3,950	7,982
Other receivables – gross	18,934	–	–	–	–	18,934
AFS investments	557	2,643	2,773	1,487	100,702	108,162
Total financial assets	₱124,721	₱16,985	₱10,040	₱4,855	₱230,786	₱387,387
Financial Liabilities						
Deposit liabilities:						
Demand	₱28,164	₱–	₱–	₱–	₱–	₱28,164
Savings	151,002	17,838	7,979	4,892	12,636	194,347
Time	7,524	2,821	1,481	1,784	6,325	19,935
Financial liabilities at FVPL:						
Financial liability designated at FVPL	43	85	6,311	–	–	6,439
Derivative liabilities:						
Pay	9,798	1,162	476	608	213	12,257
Receive	(9,677)	(1,123)	(452)	(518)	(52)	(11,822)
	121	39	24	90	161	435
Bills and acceptances payable	7,753	4,182	806	40	309	13,090
Subordinated debt	–	147	147	294	13,635	14,223
Accrued interest payable and other liabilities	10,828	390	1	374	3,486	15,079
Total financial liabilities	₱205,435	₱25,502	₱16,749	₱7,474	₱36,552	₱291,712

	Parent Company					
	December 31, 2013					
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets						
COCI	**₱9,700**	**₱–**	**₱–**	**₱–**	**₱–**	**₱9,700**
Due from BSP and other banks	**152,252**	**–**	**–**	**–**	**–**	**152,252**
Interbank loans receivable	**8,378**	**150**	**–**	**–**	**–**	**8,528**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**36**	**16**	**36**	**78**	**4,418**	**4,584**
Equity securities	**248**	**–**	**–**	**–**	**–**	**248**
Private debt securities	**–**	**2**	**4**	**7**	**316**	**329**
Derivative assets						
Pay	**(2,953)**	**(850)**	**(1,141)**	**(216)**	**(31)**	**(5,191)**
Receive	**2,976**	**859**	**1,168**	**222**	**31**	**5,256**
	23	**9**	**27**	**6**	**–**	**65**

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Parent Company					
	December 31, 2013					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Loans receivables - gross	₱76,854	₱42,616	₱16,063	₱14,180	₱229,107	₱378,820
Unquoted debt securities - gross	3	2,823	11	94	8,626	11,557
Other receivables - gross	2,031	3,250	1,842	273	8,913	16,309
AFS investments	637	618	864	3,623	95,893	101,635
Total financial assets	₱250,162	₱49,484	₱18,847	₱18,261	₱347,273	₱684,027
Financial Liabilities						
Deposit liabilities:						
Demand	₱119,572	₱–	₱–	₱–	₱–	₱119,572
Savings	232,850	24,423	8,593	4,839	13,142	283,847
Time	11,483	10,402	2,461	6,465	20,387	51,198
Derivative liabilities:						
Pay	9,770	1,995	694	–	1,391	13,850
Receive	(9,655)	(1,979)	(676)	–	(1,391)	(13,701)
	115	16	18	–	–	149
Bills and acceptances payable	8,825	2,089	835	–	1,751	13,500
Subordinated debt	–	147	147	294	13,039	13,627
Accrued interest payable and other liabilities	11,294	2,200	–	134	2,067	15,695
Total financial liabilities	₱384,139	₱39,277	₱12,054	₱11,732	₱50,386	₱497,588

	Parent Company					
	December 31, 2012					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Assets						
COCI	₱5,548	₱–	₱–	₱–	₱–	₱5,548
Due from BSP and other banks	39,825	–	–	–	–	39,825
Interbank loans receivable	11,129	251	119	–	–	11,499
Securities held under agreements to resell	18,304	–	–	–	–	18,304
Financial assets at FVPL:						
Held-for-trading:						
Government securities	1,978	14	19	36	677	2,724
Equity securities	193	–	–	–	–	193
Private debt securities	100	1	1	3	29	134
Derivative assets						
Pay	(6,056)	(716)	(22)	(67)	(52)	(6,913)
Receive	6,079	788	24	153	222	7,266
	23	72	2	86	170	353
Designated at FVPL:						
Private debt securities	4	8	1,255	–	–	1,267
Loans receivables - gross	24,572	12,919	5,447	1,435	123,205	167,578
Unquoted debt securities - gross	3,962	44	9	17	3,950	7,982
Other receivables - gross	16,076	–	–	–	–	16,076
AFS investments	541	2,630	2,767	1,470	97,479	104,887
Total financial assets	₱122,255	₱15,939	₱9,619	₱3,047	₱225,510	₱376,370
Financial Liabilities						
Deposit liabilities:						
Demand	₱28,417	₱–	₱–	₱–	₱–	₱28,417
Savings	151,034	17,838	7,979	4,892	12,636	194,379
Time	7,779	2,821	1,481	1,784	6,325	20,190
Financial liability at FVPL	43	85	6,311	–	–	6,439
Derivative liabilities:						
Pay	9,798	1,162	476	608	213	12,257
Receive	(9,677)	(1,123)	(452)	(518)	(52)	(11,822)
	121	39	24	90	161	435
Bills and acceptances payable	7,725	4,176	805	24	2	12,732
Subordinated debt	–	147	147	294	13,635	14,223
Accrued interest payable and other liabilities	8,234	390	1	193	3,222	12,040
Total financial liabilities	₱203,353	₱25,496	₱16,748	₱7,277	₱35,981	₱288,855

Market Risk
Market Risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of instruments, products, and transactions in an institutions' overall portfolio. Market Risk arises from market making, dealing, and position taking in interest rate, foreign exchange and equity markets. The succeeding sections provide discussion on the impact of market risk on the Parent Company's trading and structural portfolios.

Trading market risk
Trading market risk exists in the Parent Company as the values of its trading positions are sensitive to changes in market rates such as interest rates, foreign exchange rates and equity prices. The Parent Company is exposed to trading market risk in the course of market making as well as from taking advantage of market opportunities. The Parent Company adopts the Parametric Value-at-Risk (VaR) methodology (with 99% confidence level, and one day holding period for FX and equity price risks VaR and ten day holding period for interest rate risk VaR) to measure the Parent Company's trading market risk. Volatilities are updated monthly and are based on historical data for a rolling 260-day period. The RMG reports the VaR utilization and breaches to limits to the risk taking personnel on a daily basis and to the ALCO and Risk Oversight Committee (ROC) on a monthly basis. All risk reports discussed in the ROC meeting are noted by the BOD. The VaR figures are backtested to validate the robustness of the VaR model.

Objectives and limitations of the VaR methodology
The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The use of VaR has limitations because it is based on historical volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be under estimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over- estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99.00% confidence level.

VaR assumptions/parameters
VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence at 99.00%. The use of a 99.00% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

VaR limits
Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established annually for all financial trading activities and exposures. Calculated VaR compared against the VaR limits are monitored. Limits are based on the tolerable risk appetite of the Parent Company. VaR is computed on an undiversified basis; hence, the Parent Company does not consider the correlation effects of the three trading portfolios.

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 31, 2013	**₱4.28**	**₱159.37**	**₱12.22**	**₱175.88**
Average Daily	**8.81**	**148.81**	**9.89**	**167.51**
Highest	**24.71**	**497.11**	**12.97**	**413.55**
Lowest	**0.65**	**30.24**	**6.69**	**70.60**

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 31, 2012	₱4.84	₱80.22	₱7.80	₱92.86
Average Daily	6.61	131.09	8.95	146.64
Highest	16.85	340.31	11.17	354.65
Lowest	0.40	60.87	6.00	77.86

* FX VaR is the bankwide foreign exchange risk
** The high and low for the total portfolio may not equal the sum of the individual components as the highs and lows of the individual trading portfolios may have occurred on different trading days

The table below shows the interest rate VaR for AFS investments (in millions):

	2013	2012
End of year	**₱2,283.45**	₱2,317.22
Average Daily	**1,963.52**	2,176.61
Highest	**2,909.73**	2,743.57
Lowest	**1,008.20**	1,522.48

Structural Market Risk

Non-trading Market Risk
Interest rate risk
The Parent Company seeks to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. Interest margins may increase as a result of such changes but may be reduced or may create losses in the event that unexpected movements arise.

Repricing mismatches will expose the Parent Company to interest rate risk. The Parent Company measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of a "repricing gap" analysis using the repricing characteristics of its financial instrument positions tempered with approved assumptions. To evaluate earnings exposure, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate assets to produce a "repricing gap" for that time band. The difference in the amount of assets and liabilities maturing or being repriced over a one year period would then give the Parent Company an indication of the extent to which it is exposed to the risk of potential changes in net interest income. A negative gap occurs when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Vice versa, positive gap occurs when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities.

During a period of rising interest rates, a company with a positive gap is better positioned because the company's assets are refinanced at increasingly higher interest rates increasing the net interest margin of the company over time. During a period of falling interest rates, a company with a positive gap would show assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

For risk management purposes, the repricing gap covering the one year period is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement. The Parent Company's BOD sets a limit on the level of earnings at risk (EaR) exposure tolerable to the Parent Company. Compliance to the EaR limit is monitored monthly by the RMG. This EaR computation is accomplished monthly, with a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company (in millions):

	Consolidated					
	December 31, 2013					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets*						
Due from BSP and other banks	**₱110,636**	**₱–**	**₱–**	**₱–**	**₱–**	**₱110,636**
Interbank loans receivable	**6,188**	**149**	**–**	**–**	**–**	**6,337**
Receivable from customers and other receivables - gross**	**83,078**	**41,796**	**8,611**	**9,077**	**42,987**	**185,549**
Total financial assets	**₱199,902**	**₱41,945**	**₱8,611**	**₱9,077**	**₱42,987**	**₱302,522**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱91,078**	**₱17,726**	**₱10,075**	**₱5,979**	**₱4,182**	**₱129,040**
Time	**14,999**	**8,913**	**4,237**	**2,154**	**5,747**	**36,050**
Bills and acceptances payable	**9,220**	**902**	**242**	**438**	**1,279**	**12,081**
Total financial liabilities	**₱115,297**	**₱27,541**	**₱14,554**	**₱8,571**	**₱11,208**	**₱177,171**
Repricing gap	**₱84,605**	**₱14,404**	**(₱5,943)**	**₱506**	**₱31,779**	**₱125,351**
Cumulative gap	**84,605**	**99,009**	**93,066**	**93,572**	**125,351**	**–**

*Financial instruments that are not subject to repricing/rollforward were excluded.
**Receivable from customers excludes residual value of leased assets.

	Consolidated					
	December 31, 2012					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 months	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱12,737	₱–	₱–	₱–	₱–	₱12,737
Interbank loans receivable	10,265	–	–	–	–	10,265
Securities held under agreements to resell	18,300	–	–	–	–	18,300
Receivable from customers and other receivables - gross**	52,554	21,205	7,058	6,174	16,504	103,495
Total financial assets	₱93,856	₱21,205	₱7,058	₱6,174	₱16,504	₱144,797
Financial Liabilities*						
Deposit liabilities:						
Savings	₱63,839	₱14,859	₱4,517	₱3,156	₱7,083	₱93,454
Time	8,289	3,807	851	866	26	13,839
Bills and acceptances payable	8,565	1,187	340	404	2,591	13,087
Total financial liabilities	₱80,693	₱19,853	₱5,708	₱4,426	₱9,700	₱120,380
Repricing gap	₱13,163	₱1,352	₱1,350	₱1,748	₱6,804	₱24,417
Cumulative gap	13,163	14,515	15,865	17,613	24,417	–

*Financial instruments that are not subject to repricing/rollforward were excluded.
**Receivable from customers excludes residual value of leased assets.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Parent Company					
	December 31, 2013					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 months	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱89,542	₱–	₱–	₱–	₱–	₱89,542
Interbank loans receivable	6,188	149	–	–	–	6,337
Receivable from customers and other receivables - gross**	82,844	41,312	8,495	8,895	42,265	183,811
Total financial assets	₱178,574	₱41,461	₱8,495	₱8,895	₱42,265	₱279,690
Financial Liabilities*						
Deposit liabilities:						
Savings	₱91,078	₱17,726	₱10,075	₱5,979	₱4,182	₱129,040
Time	13,271	5,892	2,254	1,677	5,747	28,841
Bills and acceptances payable	8,732	571	–	–	7	9,310
Total financial liabilities	₱113,081	₱24,189	₱12,329	₱7,656	₱9,936	₱167,191
Repricing gap	₱65,493	₱17,272	(₱3,834)	₱1,239	₱32,329	₱112,499
Cumulative gap	65,493	82,765	78,931	80,170	112,499	–

*Financial instruments that are not subject to repricing/rollforward were excluded.
**Receivable from customers excludes residual value of leased assets.

	Parent Company					
	December 31, 2012					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 months	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱9,821	₱–	₱–	₱–	₱–	₱9,821
Interbank loans receivable	10,265	–	–	–	–	10,265
Securities held under agreements to resell	18,300	–	–	–	–	18,300
Receivable from customers and other receivables - gross**	52,410	20,647	6,695	5,568	11,752	97,072
Total financial assets	₱90,796	₱20,647	₱6,695	₱5,568	₱11,752	₱135,458
Financial Liabilities*						
Deposit liabilities:						
Savings	₱63,839	₱14,859	₱4,517	₱3,156	₱7,083	₱93,454
Time	8,289	3,807	851	866	26	13,839
Bills and acceptances payable	8,481	1,038	109	23	1,649	11,300
Total financial liabilities	₱80,609	₱19,704	₱5,477	₱4,045	₱8,758	₱118,593
Repricing gap	₱10,187	₱943	₱1,218	₱1,523	₱2,994	₱16,865
Cumulative gap	10,187	11,130	12,348	13,871	16,865	–

*Financial instruments that are not subject to repricing/rollforward were excluded.
**Receivable from customers excludes residual value of leased assets.

The following table sets forth, for the year indicated, the impact of changes in interest rates on the Group's and the Parent Company's repricing gap for the years ended December 31, 2013 and 2012 (in millions):

	Consolidated			
	December 31, 2013		December 31, 2012	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱442**	**₱442**	₱57	₱57
-50bps	**(442)**	**(442)**	(57)	(57)
+100bps	**885**	**885**	114	114
-100bps	**(885)**	**(885)**	(114)	(114)

	Parent Company			
	December 31, 2013		December 31, 2012	
	Statement of Income	**Equity**	Statement of Income	Equity
+50bps	**₱370**	**₱370**	₱74	₱74
-50bps	**(370)**	**(370)**	(74)	(74)
+100bps	**741**	**741**	147	147
-100bps	**(741)**	**(741)**	(147)	(147)

As one of the long-term goals in the risk management process, the Parent Company has set the adoption of the economic value approach in measuring the interest rate risk in the banking books to complement the earnings approach currently used.

Foreign currency risk
Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financials and cash flows.

Foreign currency liabilities generally consist of foreign currency deposits in the Parent Company's FCDU books, accounts made in the Philippines or which are generated from remittances to the Philippines by Filipino expatriates and overseas Filipino workers who retain for their own benefit or for the benefit of a third party, foreign currency deposit accounts with the Parent Company and foreign currency-denominated borrowings appearing in the regular books of the Parent Company. Foreign currency deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held through FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held through FCDUs. Outside the FCDU, the Parent Company has additional foreign currency assets and liabilities in its foreign branch network.

The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for a financial institution engaged in the type of business in which the Group is involved.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

The table below summarizes the exposure to foreign exchange rate risk. Included in the table are the financial assets and liabilities at carrying amounts, categorized by currency (amounts in millions and in Philippine peso equivalent).

	Consolidated		
	December 31, 2013		
	USD	**Others**	**Total**
Assets			
COCI and due from BSP	**₱1,017**	**₱485**	**₱1,502**
Due from other banks	**9,719**	**3,589**	**13,308**
Interbank loans receivable and securities held under agreements to resell	**1,005**	**1,000**	**2,005**
Loans and receivables	**10,268**	**5,269**	**15,537**
AFS investments	**4,255**	**2,078**	**6,333**
Total assets	**26,264**	**12,421**	**38,685**
Liabilities			
Deposit Liabilities	**7,621**	**5,159**	**12,780**
Bills and acceptances payable	**6,437**	**141**	**6,578**
Accrued interest payable	**1,599**	**201**	**1,800**
Other liabilities	**4,677**	**493**	**5,170**
Total liabilities	**20,334**	**5,994**	**26,328**
Net Exposure	**₱5,930**	**₱6,427**	**₱12,357**

	Consolidated		
	December 31, 2012		
	USD	Others	Total
Assets			
COCI and due from BSP	₱644	₱176	₱820
Due from other banks	2,216	622	2,838
Interbank loans receivable and securities held under agreements to resell	1,338	–	1,338
Loans and receivables	5,269	150	5,419
AFS investments	3,315	1,205	4,520
Total assets	12,782	2,153	14,935
Liabilities			
Deposit Liabilities	2,702	1,583	4,285
Bills and acceptances payable	5,454	89	5,543
Accrued interest payable	1,561	1	1,562
Other liabilities	1,614	69	1,683
Total liabilities	11,331	1,742	13,073
Net Exposure	₱1,451	₱411	₱1,862

	Parent Company		
	December 31, 2013		
	USD	**Others**	**Total**
Assets			
COCI and due from BSP	**₱868**	**₱242**	**₱1,110**
Due from other banks	**1,762**	**2,257**	**4,019**
Interbank loans receivable and securities held under agreements to resell	**1,005**	**1,000**	**2,005**
Loans and receivables	**7,434**	**229**	**7,663**
AFS investments	**1,980**	**2,078**	**4,058**
Total assets	**13,049**	**5,806**	**18,855**

(Forward)

	Parent Company		
	December 31, 2013		
	USD	**Others**	**Total**
Liabilities			
Deposit Liabilities	**₱2,133**	**₱2,952**	**₱5,085**
Bills and acceptances payable	**6,477**	**100**	**6,577**
Accrued interest payable	**1,564**	**–**	**1,564**
Other liabilities	**580**	**197**	**777**
Total liabilities	**10,754**	**3,249**	**14,003**
Net Exposure	**₱2,295**	**₱2,557**	**₱4,852**

	Parent Company		
	December 31, 2012		
	USD	Others	Total
Assets			
COCI and due from BSP	₱644	₱176	₱820
Due from other banks	2,177	616	2,793
Interbank loans receivable and securities held under agreements to resell	1,338	–	1,338
Loans and receivables	4,673	61	4,734
AFS investments	3,315	1,205	4,520
Total assets	12,147	2,058	14,205
Liabilities			
Deposit Liabilities	2,702	1,583	4,285
Bills and acceptances payable	5,241	3	5,244
Accrued interest payable	1,560	1	1,561
Other liabilities	1,613	69	1,682
Total liabilities	11,116	1,656	12,772
Net Exposure	₱1,031	₱402	₱1,433

Information relating to the Parent Company's currency derivatives is contained in Note 23. The Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱1.8 billion (sold) and ₱1.9 billion (bought) as of December 31, 2013 and ₱2.1billion (sold) and ₱1.4 billion (bought) as of December 31, 2012.

Capital management and management of insurance and financial risks

Governance framework

The Group has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risks. It also supports the effective implementation of policies at the overall company and individual business unit levels. The Chief Financial Officer and Internal Audit Department perform procedures to identify various risks. The results of the procedures are reported to the BOD and necessary actions are taken to mitigate the risks identified.

The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategies to the corporate goals and specific reporting requirements.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Regulatory framework
Regulators are interested in protecting the rights of the policyholders and maintain close vigil to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The Group has an insurance business which is subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, fixed capitalization requirements, risk-based capital requirements).

Capital management
The Group maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect the policyholders.

To ensure compliance with these externally imposed capital requirements, it is the Group's policy to assess its position against set minimum capital requirements.

Under the requirements of the IC and the Code, the Group should meet the minimum levels set for the following capital requirements: Margin of Solvency (MOS), Minimum Statutory Net Worth and Paid-up Capital, and the Risk-Based Capital (RBC).

Since PNB LII is now 100.00% Filipino-owned, the capital requirements have been reduced significantly and PNB LII's current capital now well exceeds the minimum requirements.

The required investments in government bonds and securities of at least 25.00% of the Minimum Paid-up Capital, under the Section 203 of the Insurance Code, are free from liens and encumbrances.

The Group manages the capital of its subsidiaries in accordance with the capital requirements of the relevant regulatory agency, such as the IC, the SEC and PSE. The Group has fully complied with the relevant capital requirements for the year ended December 31, 2013 and December 31, 2012.

5. Fair Value Measurement

As of December 31, 2013 and 2012, except for the following financial instruments, the carrying value of the Group's and Parent Company's financial assets and liabilities as reflected in the consolidated statement of financial position and related notes approximate their respective fair values:

	Consolidated			
	December 31, 2013		December 31, 2012	
	Carrying Value	**Fair Market Value**	Carrying Value	Fair Market Value
Financial Assets				
Loans and Receivables:				
Receivables from customers:				
Business loans	**₱187,560,017**	**₱194,747,449**	₱83,382,445	₱84,566,445
GOCCs and NGAs	**25,709,132**	**25,746,571**	24,410,497	24,410,497
Consumers	**25,917,560**	**26,903,405**	11,196,835	11,483,394

(Forward)

	Consolidated			
	December 31, 2013		December 31, 2012	
	Carrying Value	**Fair Market Value**	Carrying Value	Fair Market Value
LGUs	**₱8,510,620**	**₱8,596,190**	₱7,157,470	₱7,215,785
Fringe benefits	**585,548**	**599,576**	643,608	648,299
Unquoted debt securities	**7,295,531**	**8,733,369**	3,859,268	5,131,586
Financial Liabilities				
Financial liabilities at amortized cost				
Deposit liabilities:				
Time	**51,464,182**	**51,350,907**	19,908,821	20,134,885
Subordinated debt	**9,953,651**	**10,584,755**	9,938,816	10,956,745

	Parent Company			
	December 31, 2013		December 31, 2012	
	Carrying Value	**Fair Market Value**	Carrying Value	Fair Market Value
Financial Assets				
Loans and Receivables				
Receivables from customers:				
Business loans	**₱177,550,499**	**₱184,608,235**	₱80,968,053	₱82,152,054
GOCCs and NGAs	**25,709,132**	**25,746,571**	24,410,497	24,410,497
Consumers	**23,746,276**	**24,732,121**	11,102,326	11,388,885
LGUs	**8,510,620**	**8,596,190**	7,157,470	7,215,785
Fringe benefits	**571,374**	**585,402**	629,871	634,560
Unquoted debt securities	**6,912,909**	**8,350,923**	3,859,268	5,131,586
Financial Liabilities				
Financial liabilities at amortized cost				
Deposit liabilities:				
Time	**47,698,807**	**47,585,532**	20,164,420	20,390,484
Bills and acceptances payable:				
Foreign banks	**1,992,874**	**1,997,099**	2,571,194	2,571,194
Subordinated debt	**9,953,651**	**10,584,755**	9,938,816	10,956,745

The methods and assumptions used by the Group in estimating the fair value of its financial instruments follow:

Cash equivalents - Carrying amounts approximate fair values due to the relatively short-term maturity of these investments.

Debt securities - Fair values are generally based upon quoted market prices. If the market prices are not readily available, fair values are obtained from independent parties offering pricing services, estimated using adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Equity securities - Fair values of quoted equity securities are based on quoted market prices. While unquoted equity securities are carried at their original cost less impairment if any, since the fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Loans and receivables - For loans with fixed interest rates, fair values are estimated by discounted cash flow methodology, using the Group's current market lending rates for similar types of loans. For loans with floating interest rates, with repricing frequencies on a quarterly basis, the Group assumes that the carrying amount approximates fair value. Where the repricing frequency is beyond three months, the fair value of floating rate loans is determined using the discounted cash flow methodology. The discount rate used in estimating the fair value of loans and receivables is 3.0% in 2013 and 0.3% to 9.3% in 2012 for peso-denominated receivables. For foreign currency-denominated receivables, discount rate used is 1.0% and 3.3% in 2013 and 2012, respectively.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Liabilities - Except for time deposit liabilities and subordinated debt, the carrying values approximate fair values due to either the presence of a demand feature or the relatively short-term maturities of these liabilities.

Derivative instruments - Fair values are estimated based on quoted market prices or acceptable valuation models.

Time deposit liabilities and subordinated debt including designated at FVPL - Fair value is determined using the discounted cash flow methodology. The discount rate used in estimating the fair values of the subordinated debt and time deposits ranges from 1.1% to 4.2% and from 1.4% to 3.6% as of December 31, 2013 and 2012, respectively.

Fair value hierarchy
The Group has assets and liabilities that are measured at fair value on a recurring basis in the statement of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the statement of financial position at the end of each reporting period. These include financial assets and liabilities at FVPL, AFS investments and land and buildings measured at revalued amount.

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group and the Parent Company held the following financial assets and liabilities measured at fair value and at cost but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	Consolidated			
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial Assets				
Financial assets at FVPL:				
Financial assets at FVPL:				
Held-for-trading:				
Government securities	**₱1,977,066**	**₱1,093,608**	**₱–**	**₱3,070,674**
Derivative assets	–	**92,834**	**165,863**	**258,697**
Private debt securities	**217,808**	**50,963**	–	**268,771**
Equity securities	**249,518**	–	–	**249,518**
Designated at FVPL:				
Segregated fund assets	**2,481,635**	–	**5,380,053**	**7,861,688**
	₱4,926,027	**₱1,237,405**	**₱5,545,916**	**₱11,709,348**

(Forward)

	Consolidated			
	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
AFS investments:				
Government securities	**₱33,571,430**	**₱25,676,335**	**₱–**	**₱59,247,765**
Other debt securities	**19,150,981**	**65,762**	**–**	**19,216,743**
Equity securities*	**1,678,007**	**–**	**–**	**1,678,007**
	₱54,400,418	**₱25,742,097**	**₱–**	**₱80,142,515**
Non-financial Assets				
Property and equipment				
Land	**₱–**	**₱–**	**₱14,957,751**	**₱14,957,751**
Buildings	**–**	**–**	**6,197,300**	**6,197,300**
	₱–	**₱–**	**₱21,155,051**	**₱21,155,051**
Liabilities measured at fair value:				
Financial Liabilities				
Financial Liabilities at FVPL:				
Designated at FVPL:				
Segregated fund liabilities**	**₱2,481,635**	**₱–**	**₱5,380,053**	**₱7,861,688**
Derivative liabilities	**–**	**163,101**	**–**	**163,101**
	₱2,481,635	**₱163,101**	**₱5,380,053**	**₱8,024,789**
Assets for which fair values are disclosed:				
Financial Assets				
Loans and Receivables				
Receivables from customers	**₱–**	**₱–**	**₱256,593,191**	**₱256,593,191**
Unquoted debt securities	**–**	**–**	**8,733,369**	**8,733,369**
	₱–	**₱–**	**₱265,326,560**	**₱265,326,560**
Non-financial Assets				
Investment property***				
Land	**₱–**	**₱–**	**₱24,176,727**	**₱24,176,727**
Buildings and improvements	**–**	**–**	**3,394,550**	**3,394,550**
	₱–	**₱–**	**₱27,571,277**	**₱27,571,277**
Liabilities for which fair values are disclosed:				
Financial Liabilities				
Financial liabilities at amortized cost				
Time deposits	**₱–**	**₱–**	**₱51,350,907**	**₱51,350,907**
Subordinated debt	**–**	**–**	**10,584,755**	**10,584,755**
	₱–	**₱–**	**₱61,935,662**	**₱61,935,662**

* *Excludes unquoted available-for-sale securities*
** *Excludes cash component*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost.*

	Consolidated			
	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVPL:				
Held-for-trading:				
Government securities	₱1,880,673	₱90,081	₱–	₱1,970,754
Derivative assets	–	395,457	59,044	454,501
Private debt securities	99,502	–	–	99,502
Equity securities	250,552	–	–	250,552
Designated at FVPL:				
Private debt securities	–	1,247,756	–	1,247,756
	₱2,230,727	₱1,733,294	₱59,044	₱4,023,065

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Consolidated			
	December 31, 2012			
	Level 1	Level 2	Level 3	Total
AFS investments:				
Government securities	₱53,610,841	₱1,947,686	₱–	₱55,558,527
Other debt securities	8,979,888	1,940,245	–	10,920,133
Equity securities	440,230	–	–	440,230
	₱63,030,959	₱3,887,931	₱–	₱66,918,890
Financial Liabilities				
Financial Liabilities at FVPL:				
Designated at FVPL	₱–	₱–	₱6,196,070	₱6,196,070
Derivative liabilities	–	283,751	–	283,751
	₱–	₱283,751	₱6,196,070	₱6,479,821

* *Excludes unquoted available-for-sale securities*

** *Excludes cash component*

*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost.*

	Parent Company			
	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value:				
Financial Assets				
Financial assets at FVPL:				
Held-for-trading:				
Government securities	**₱1,977,066**	**₱1,093,608**	**₱–**	**₱3,070,674**
Derivative assets	**–**	**92,750**	**165,863**	**258,613**
Private debt securities	**217,808**	**50,963**	**–**	**268,771**
Equity securities	**247,615**	**–**	**–**	**247,615**
	₱2,442,489	**₱1,237,321**	**₱165,863**	**₱3,845,673**
AFS investments:				
Government securities	**₱29,498,345**	**₱25,676,335**	**₱–**	**₱55,174,680**
Other debt securities	**16,560,227**	**65,762**	**–**	**16,625,989**
Equity securities*	**757,119**	**–**	**–**	**757,119**
	₱46,815,691	**₱25,742,097**	**₱–**	**₱72,557,788**
Non-financial Assets				
Property and equipment				
Land	**₱–**	**₱–**	**₱14,589,026**	**₱14,589,026**
Buildings	**–**	**–**	**5,986,312**	**5,986,312**
	₱–	**₱–**	**₱20,575,338**	**₱20,575,338**
Liabilities measured at fair value:				
Financial Liabilities				
Financial Liabilities at FVPL:				
Derivative liabilities	**–**	**163,084**	**–**	**163,084**
Assets for which fair values are disclosed:				
Financial Assets				
Loans and Receivables				
Receivables from customers	**₱–**	**₱–**	**₱244,268,519**	**₱244,268,519**
Unquoted debt securities	**–**	**–**	**8,350,923**	**8,350,923**
	₱–	**₱–**	**₱252,619,442**	**₱252,619,442**
Non-financial Assets				
Investment property***				
Land	**₱–**	**₱–**	**₱23,798,941**	**₱23,798,941**
Buildings and improvements	**–**	**–**	**3,163,809**	**3,163,809**
	₱–	**₱–**	**₱26,962,750**	**₱26,962,750**

(Forward)

	Parent Company			
	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities for which fair values are disclosed:				
Financial Liabilities				
Financial liabilities at amortized cost				
Time Deposits	**₱–**	**₱–**	**₱47,585,532**	**₱47,585,532**
Subordinated debt	–	–	**10,584,755**	**10,584,755**
	₱–	**₱–**	**₱58,170,287**	**₱58,170,287**

* *Excludes unquoted available-for-sale securities*
** *Excludes cash component*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost.*

	Parent Company			
	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at FVPL:				
Held-for-trading:				
Government securities	₱1,880,673	₱90,081	₱–	₱1,970,754
Derivative assets	–	395,457	59,044	454,501
Private debt securities	99,502	–	–	99,502
Equity securities	192,585	–	–	192,585
Designated at FVPL:				
Private debt securities	–	1,247,756	–	1,247,756
	₱2,172,760	₱1,733,294	₱59,044	₱3,965,098
AFS investments:				
Government securities	₱51,875,243	₱1,947,686	₱–	₱53,822,929
Other debt securities	8,611,469	1,940,245	–	10,551,714
Equity securities	310,808	–	–	310,808
	₱60,797,520	₱3,887,931	₱–	₱64,685,451
Financial Liabilities				
Financial Liabilities at FVPL:				
Designated at FVPL	₱–	₱–	₱6,196,070	₱6,196,070
Derivative liabilities	–	283,751	–	283,751
	₱–	₱283,751	₱6,196,070	₱6,479,821

* *Excludes unquoted available-for-sale securities*
** *Excludes cash component*
*** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost.*

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models.

Significant input used in determining fair values of financial instruments under Level 2 comprises of interpolated market rates of benchmark securities.

Instruments included in Level 3 include those for which there is currently no active market.
In applying the discounted cash flow analysis to determine the fair value of financial liabilities designated at FVPL, the Group and the Parent Company used discount rate ranging from 1.38% to 3.63% and from 1.20% to 4.99% as of December 31, 2013 and 2012, respectively.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

As of December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows a reconciliation of the beginning and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	Consolidated		**Parent Company**	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Financial assets				
Balance at beginning of year	**₱59,044**	₱91,719	**₱59,044**	₱91,719
Add acquisition arising from business combination	**2,616,316**	–	**–**	–
Add acquisition arising from purchase of investments	**2,692,915**	–	**20,738**	–
Add total gain (loss) recorded in profit or loss	**177,641**	(32,675)	**86,081**	(32,675)
Balance at end of year	**₱5,545,916**	₱59,044	**₱165,863**	₱59,044
Financial liabilities				
Balance at beginning of year	**₱6,196,070**	₱6,479,170	**₱6,196,070**	₱6,479,170
Add acquisition arising from business combination	**2,616,316**	–	**–**	–
Add acquisition arising from purchase of investments	**2,672,177**	–	**–**	–
Less total gain recorded in profit and loss	**(104,510)**	(283,100)	**(196,070)**	(283,100)
Redemption of unsecured subordinated notes	**(6,000,000)**	–	**(6,000,000)**	–
Balance at end of year	**₱5,380,053**	₱6,196,070	**₱–**	₱6,196,070

The table below sets forth, the potential effect of reasonably possible change in interest rates (alternative valuation assumption) on the Group’s valuation of Level 3 financial instruments:

December 31, 2013

Type of Financial Instrument	**Fair Values as of December 31, 2013**	**Valuation Technique**	**Significant Unobservable Input**	**Range of Estimates**	**Fair Value Measurement Sensitivity to Unobservable Input**
Equity and/or Credit-Linked Notes	₱5,380,053	Statistically-Based Simulation Technique	Credit Spread of the Counterparties	2% - 3%	Significant increase in credit spread would result in lower fair values. Significant reduction would result in higher fair values.
Subordinated Debt Instruments and Time Deposit	61,935,662	Discounted Cash Flow	Risk-adjusted Discount Rate	Spread of 1% above risk-free interest rate of 0.08% - 3.22%	A significant increase in the spread above the risk-free rate would result in lower fair values.

Equity and/or Credit-Linked Notes are shown as Segregated Fund Assets carried at FVPL.

	December 31, 2012	
	Statement of Income	Equity
Financial Liability		
Subordinated debt designated at FVPL		
+50bps	₱14	₱14
- 50bps	(14)	(14)
+100bps	90	90
-100bps	(90)	(90)

The fair values of warrants have been determined using price quotes received from a third-party broker without any pricing adjustments imputed by the Parent Company. The valuation model and inputs used in the valuation which were developed and determined by the third-party broker were not made available to the Parent Company. Under such instance, PFRS 13 no longer requires an entity to create quantitative information to comply with the related disclosure requirements.

The fair values of the Group and the Parent Company's land, building and investment properties have been determined by the appraisal method by independent external and in-house appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same areas as the land, building and investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group and Parent Company's land, building and investment properties are as follows:

Valuation Techniques

Market Data Approach	A process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.
Replacement Cost Approach	It is an estimate of the investment required to duplicate the property in its present condition. It is reached by estimating the value of the building "as if new" and then deducting the depreciated cost. Fundamental to the Cost Approach is the estimate of the improvement's Reproduction Cost New.

Significant Unobservable Inputs

Price per square meter	Ranges from ₱800 to ₱100,000
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Significant Unobservable Inputs

Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	"An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investors' perceptions of the market over time". In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.
Corner influence	Bounded by two (2) roads.

6. Segment Information

Business Segments
The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments follow:

Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;

Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers; and

Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of T-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

These segments are the bases on which the Group reports its primary segment information. Other operations of the Group comprise of the operations and financial control groups. Interest is credited to or charged against business segments based on a pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis.

Business segment information provided to the BOD, chief operating decision maker (CODM) is based on the Regulatory Accounting Principles (RAP) submitted to the BSP in compliance with the reportorial requirements under the Financial Reporting Package for banks, which differ from PFRS. Significant differences arose from the manner of provisioning for impairment and credit losses, measurement of investment properties and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	2013					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Interest income	₱3,426,769	₱10,085,504	₱4,215,017	₱544,203	₱208,540	₱18,480,033
Interest expense	(2,778,438)	(425,713)	(1,779,579)	(14,533)	266,769	(4,731,494)
Net interest margin	648,331	9,659,791	2,435,438	529,670	475,309	13,748,539
Other income	621,494	2,197,096	7,078,608	2,477,892	(657,048)	11,718,042
Other expenses	(5,277,205)	(4,575,313)	(443,992)	(4,030,561)	(220,943)	(14,548,014)
Segment result	(4,007,380)	7,281,574	9,070,054	(1,022,999)	(402,682)	10,918,567
Inter-segment						
Imputed income	3,654,832	–	–	–	3,654,832	–
Imputed cost	–	(2,860,774)	(794,058)	–	(3,654,832)	–
Segment result to third party	(₱352,548)	₱4,420,800	₱8,275,996	(₱1,022,999)	(₱402,682)	₱10,918,567
Unallocated expenses						4,530,341
Net income before share in net income of an associate and income tax						6,388,226
Share in net income of an associate						4,975
Net income before income tax						6,393,201
Income tax						(1,171,140)
Net income						₱5,222,061
Non-controlling interest						(98,301)
Net income for the year attributable to equity holders of the Parent Company						₱5,123,760
Other Segment Information						
Capital expenditures	₱904,371	₱20,728	₱723	₱313,597	₱–	₱1,239,419
Depreciation and amortization	₱182,520	₱206,627	₱7,352	₱741,997	₱367,138	₱1,505,634
Unallocated depreciation and amortization						236,352
Total depreciation and amortization						₱1,741,986
Provision for impairment, credit and other losses	₱294,772	₱156,417	₱–	₱71,811	₱310,584	₱833,584

** The eliminations and adjustments column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2013					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱323,066,129	₱210,159,287	₱266,730,411	₱139,624,331	(₱322,900,973)	₱616,679,185
Unallocated assets						1,386,331
Total assets						₱618,065,516
Segment liabilities	₱389,311,223	₱46,909,951	₱54,329,592	₱267,453,559	(₱311,648,370)	₱446,355,955
Unallocated liabilities						87,811,933
Total liabilities						₱534,167,888

** The eliminations and adjustments column mainly represent the RAP to PFRS adjustments*

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	2012 (As Restated - Note 2)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Interest income	₱1,230,721	₱6,590,457	₱3,231,110	₱197,948	₱110,372	₱11,360,608
Interest expense	(2,128,538)	(596,735)	(1,714,888)	(2,789)	58,048	(4,384,902)
Net interest margin	(897,817)	5,993,722	1,516,222	195,159	168,420	6,975,706
Other income	905,734	1,562,453	5,733,577	2,022,222	(352,277)	9,871,709
Other expenses	(3,086,619)	(3,120,771)	(603,858)	(1,714,097)	233,082	(8,292,263)
Segment result	(3,078,702)	4,435,404	6,645,941	503,284	49,225	8,555,152
Inter-segment						
Imputed income	4,511,306	–	–	–	(4,511,306)	–
Imputed cost	–	(2,096,482)	(2,414,824)		4,511,306	–
Segment result to third party	₱1,432,604	₱2,338,922	₱4,231,117	₱503,284	₱49,225	₱8,555,152
Unallocated expenses						(2,922,012)
Net income before share in net income of an associate and income tax						5,633,140
Share in net income of an associate						10,309
Net income before income tax						5,643,449
Income tax						(925,058)
Net income						₱4,718,391
Non-controlling interest						(9,831)
Net income income for the year attributable to equity holders of the Parent Company						₱4,708,560
Other Segment Information						
Capital expenditures	₱506,515	₱6,119	₱3,131	₱170,204	(₱284,710)	₱401,259
Depreciation and amortization	₱160,741	₱170,691	₱6,470	₱77,616	₱216,199	₱631,717
Unallocated depreciation and amortization						236,353
Total depreciation and amortization						₱868,070
Provision for (reversal of) impairment, credit and other losses	₱37,130	₱674,855	₱249,369	(₱149,367)	₱11,714	₱823,701

** The eliminations and adjustments column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2012 (As Restated - Note 2)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱50,745,189	₱95,365,478	₱147,433,116	₱ 38,395,849	(₱4,754,067)	₱327,185,565
Unallocated assets						3,005,186
Total assets						₱330,190,751
Segment liabilities	₱205,217,147	₱32,452,570	₱40,985,859	₱16,570,501	(₱6,489,036)	₱288,737,041
Unallocated liabilities						2,961,465
Total liabilities						₱291,698,506

	2011 (As Restated - Note 2)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Interest income	₱1,113,053	₱6,507,214	₱4,103,289	₱66,393	₱697,688	₱12,487,637
Interest expense	(1,179,459)	(1,984,296)	(2,155,485)	(4,251)	54,787	(5,268,704)
Net interest margin	(66,406)	4,522,918	1,947,804	62,142	752,475	7,218,933
Other income	1,017,801	1,550,080	4,501,903	2,378,784	114,362	9,562,930
Other expenses	(2,558,105)	(1,043,515)	(1,018,412)	(1,625,041)	268,761	(5,976,312)
Segment result	(1,606,710)	5,029,483	5,431,295	815,885	1,135,598	10,805,551
Inter-segment						
Imputed income	3,737,997	–	–	–	(3,737,997)	–
Imputed cost	–	(2,110,281)	(1,627,716)	–	3,737,997	–
Segment result to third party	₱2,131,287	₱2,919,202	₱3,803,579	₱815,885	₱1,135,598	₱10,805,551
Unallocated expenses						(5,393,362)
Net income before share in net income of an associate and income tax						5,412,189
Share in net income of an associate						68,954
Net income before income tax						5,481,143
Income tax						(849,457)
Net income						₱4,631,686
Non-controlling interest						(8,456)
Net income for the year attributable to equity holders of the Parent Company						₱4,623,230
Other Segment Information						
Capital expenditures	₱166,118	₱556	₱4,676	₱182,583	₱–	₱353,933
Depreciation and amortization	₱154,421	₱88,936	₱5,468	₱12,639	₱332,735	₱594,199
Unallocated depreciation and amortization						224,371
Total depreciation and amortization						₱818,570
Provision for (reversal of) impairment and credit losses	₱18,072	(₱248,993)	₱809,008	₱57,498	₱389,590	₱1,025,175

** The eliminations and adjustments column mainly represent the RAP to PFRS adjustments*

	As of January 1, 2012 (As Restated - Note 2)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱48,015,755	₱124,180,936	₱102,414,597	₱35,781,723	(₱2,356,960)	₱308,036,051
Unallocated assets						3,515,369
Total assets						₱311,551,420
Segment liabilities	₱187,646,586	₱32,584,614	₱44,265,932	₱10,478,857	(₱1,129,538)	₱273,846,451
Unallocated liabilities						3,898,024
Total liabilities						₱277,744,475

Geographical Segments

Although the Group's businesses are managed on a worldwide basis, the Group operates in five (5) principal geographical areas of the world. The distribution of assets, liabilities, credit commitments items and revenues by geographic region of the Group follows:

	Assets			Liabilities			Capital Expenditure	
	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)	**December 31, 2013**	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)	**December 31, 2013**	December 31, 2012
Philippines	**₱590,593,475**	₱319,698,926	₱300,293,908	**₱515,589,812**	₱284,122,475	₱269,832,296	**₱1,216,764**	₱399,026
Asia (excluding Philippines)	**21,978,224**	4,786,765	5,136,569	**16,266,046**	4,120,423	4,320,174	**16,056**	1,895
USA and Canada	**4,325,575**	5,156,870	5,279,980	**2,112,914**	3,150,382	3,069,855	**29**	338
United Kingdom	**1,109,611**	308,233	541,984	**10,160**	76,051	275,895	**6,570**	–
Other European Union Countries	**58,631**	239,957	298,979	**188,956**	229,175	246,255	**–**	–
	₱618,065,516	₱330,190,751	₱311,551,420	**₱534,167,888**	₱291,698,506	₱277,744,475	**₱1,239,419**	₱401,259

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Credit Commitments		Revenues		
	December 31, 2013	December 31, 2012	**2013**	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)
Philippines	**₱26,392,845**	₱8,541,332	**₱28,248,014**	₱19,737,194	₱20,404,920
Asia (excluding Philippines)	**1,754,756**	515,684	**1,245,354**	771,601	761,750
USA and Canada	**487**	37,606	**531,803**	605,993	632,123
United Kingdom	**–**	–	**148,592**	117,116	144,683
Other European Union Countries	**–**	–	**29,287**	10,723	176,045
	₱28,148,088	₱9,094,622	**₱30,203,050**	₱21,242,627	₱22,119,521

The Philippines is the home country of the Parent Company, which is also the main operating company. The Group offers a wide range of financial services as discussed in Note 1. Additionally, most of the remittance services are managed and conducted in Asia, Canada, USA and United Kingdom.

The areas of operations include all the primary business segments.

7. Financial Assets at Fair Value Through Profit or Loss

This account consists of:

	Consolidated		Parent Company	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
HFT:				
Government securities	**₱3,070,674**	₱1,970,754	**₱3,070,674**	₱1,970,754
Private debt securities	**268,771**	99,502	**268,771**	99,502
Derivative assets (Notes 23 and 34)	**258,697**	454,501	**258,613**	454,501
Equity securities	**249,518**	250,552	**247,615**	192,585
	3,847,660	2,775,309	**3,845,673**	2,717,342
Designated at FVPL:				
Segregated fund assets (Note 18)	**7,861,688**	–	**–**	–
Private debt securities	**–**	1,247,756	**–**	1,247,756
	₱11,709,348	₱4,023,065	**₱3,845,673**	₱3,965,098

As of December 31, 2013, 2012 and 2011, unrealized gain (loss) on government and private debt securities recognized by the Group and Parent Company amounted to (₱237.1) million, ₱50.1 million and ₱31.9 million, respectively.

The carrying amount of equity securities includes unrealized gain (loss) of (₱30.7) million, (₱3.9) million and ₱4.8 million as of December 31, 2013, 2012 and 2011,respectively, for the Group and unrealized gain (loss) of (₱30.6) million, (₱4.4) million and ₱4.9 million as of December 31, 2013, 2012 and 2011, respectively, for the Parent Company.

As of December 31, 2013, 2012, and 2011, the effective interest rates of government securities range from 0.88% to 5.48%, from 0.67% to 6.72%, and from 1.94% to 6.88%, respectively.

As of December 31, 2013, 2012, and 2011, the effective interest rates of private debt securities range from 2.38% to 7.38%, from 3.95% to 7.20%, and from 1.94% to 6.88%, respectively.

Segregated fund assets designated as financial asset at FVPL refer to the considerations received from unit-linked insurance contracts invested by PNB LII in designated funds.

On March 15, 2005 and June 17, 2005, the IC approved PNB LII's license to sell single-pay and regular-pay unit-linked insurance products, respectively.

Segregated fund assets and the corresponding segregated fund liabilities are designated as financial assets and liabilities at FVPL since they are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. The equity of each policyholder in the segregated fund assets is determined by assigning a number of units to each policyholder, corresponding to the net amount deposited in relation to the market value at the time of contribution. The value per unit may increase or decrease depending on the market value of the underlying assets of the corresponding segregated funds.

As of December 31, 2013, the segregated fund assets consist of ₱6.0 billion peso funds and ₱1.9 billion dollar funds. The segregated fund assets include the following equity-linked notes:

Equity-linked notes	Description
Asian Summit	A single-pay variable life insurance product which invests the single premium, net of premium charges, into a five (5)-Year PHP-Linked USD Participation Note which is linked to the performance of a basket of five Asian equity indices.
Summit Select	A single-pay variable life insurance product which invests the single premium, net of premium charges, into a five (5)-Year PHP-Linked USD Participation Note which is linked to the performance of ING Emerging Markets Consumption VT 10.00% Index.
Dollar Income Optimizer	A single-pay variable life insurance product which invests the single premium, net of premium charges, into UBS seven (7)-Year Structured Note which is linked to the performance of a basket of high quality global funds chosen to offer income and potential for capital appreciation.
Variable Unit-Linked Summit Peso and Dollar	A peso and dollar denominated single-pay five (5)-Year linked life insurance plan that provide the opportunity to participate in a risk-managed portfolio of six (6) equally-weighted exchange traded funds of ASEAN member countries via the ING ASEAN Equities VT 10% index

As of December 31, 2012, private debt securities designated at FVPL represent USD-denominated investments in CLN. The CLNs are part of a group of financial instruments that together are managed on a fair value basis in accordance with the documented risk management and investment strategy of the Parent Company. Unrealized loss from financial assets designated at FVPL amounted to ₱16.3 million as of December 31, 2012.

On March 22 and August 17, 2012, the Parent Company pre-terminated investments in CLN designated at financial assets at FVPL with a total face amount of USD47.5 million or ₱2.0 billion and USD15.0 million or ₱636.3 million, respectively, in which the Parent Company realized trading gain of USD0.2 million or equivalent to ₱8.3 million. The carrying amount of the preterminated securities as of pre-termination dates amounted to USD48.1 million or ₱2.1 billion and USD14.8 million or ₱628.2 million, respectively.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

On May 23, 2013, the remaining investments in CLN designated at FVPL with face value of USD30.0 milllion (₱1.29 billion) matured.

8. Available-for-Sale Investments

This account consists of:

	Consolidated		Parent Company	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
AFS investments:				
Government securities (Notes 19 and 31)	**₱59,247,765**	₱55,558,527	**₱55,174,681**	₱53,822,929
Other debt securities	**19,216,744**	10,920,133	**16,625,989**	10,551,713
Equity securities - net of allowance for impairment losses of ₱928.4 million (Note 16)	**1,839,640**	518,819	**918,752**	389,398
	₱80,304,149	₱66,997,479	**₱72,719,422**	₱64,764,040

As of December 31, 2013 and 2012, unquoted AFS equity securities of the Group and Parent Company amounted to ₱161.6 million and ₱78.6 million, respectively. No impairment loss has been recognized on these securities for the years ended December 31, 2013 and 2012.

Other debt securities consist of notes issued by private entities and in 2012 also included the host contracts on the CLN (see Note 23).

The movement in net unrealized gain (loss) on AFS investments, net of deferred tax, are as follows:

	Consolidated		Parent Company	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Balance at the beginning of the year	**₱1,037,252**	₱742,343	**₱904,686**	₱658,256
Realized gains	**(4,375,759)**	(4,287,934)	**(4,183,617)**	(4,205,426)
Unrealized gains recognized in equity	**(242,894)**	4,558,895	**(113,065)**	4,432,826
	(4,618,653)	270,961	**(4,296,682)**	227,400
Income tax effect (Note 29)	**(464)**	23,948	**(8,933)**	19,030
Balance at end of year	**(₱3,581,865)**	₱1,037,252	**(₱3,400,929)**	₱904,686

As of December 31, 2013 and 2012, the fair value of the AFS investments in the form of Fixed Rate Treasury Notes pledged to fulfill the Parent Company's collateral requirements for the peso rediscounting facility of BSP amounted to ₱2.4 billion and ₱2.8 billion, respectively (see Note 34). BSP has an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, BSP has the right to hold the securities and sell them as settlement of the rediscounting facility. There are no other significant terms and conditions associated with the pledged investments.

As of December 31, 2013 and 2012, the fair value of the AFS investments in the form of Republic of the Philippines bonds pledged to fulfill its collateral requirements with securities sold under repurchase agreements transactions with BSP amounted to ₱2.7 billion and ₱3.5 billion, respectively (see Note 34). BSP has an obligation to return the securities to the Parent Company once the obligations have been settled. In case of default, BSP has the right to hold the securities and sell them as settlement of the repurchase agreement. There are no other significant terms and conditions associated with the pledged investments.

Included in AFS investments are pledged securities for the Surety Bond amounting to ₱977.4 million issued by PNB Gen. As of December 31, 2013 and 2012, the carrying value of these pledged securities amounted to ₱928.3 million and ₱817.1 million, respectively.

Interest income on trading and investment securities
This account consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
AFS investments	**₱3,102,464**	₱2,627,530	₱1,776,577	**₱2,755,886**	₱2,532,161	₱1,691,357
Financial instruments designated at FVPL	**648,203**	608,224	728,014	**648,202**	608,224	728,014
Derivatives	**5,528**	–	–	**5,503**	–	–
HTM investments	–	–	1,756,145	–	–	1,755,621
	₱3,756,195	₱3,235,754	₱4,260,736	**₱3,409,591**	₱3,140,385	₱4,174,992

As of December 31, 2013, effective interest rates range from 1.62% to 8.15% and from 0.22% to 7.40% for peso-denominated and foreign currency-denominated AFS investments, respectively.

As of December 31, 2012, effective interest rates range from 2.35% to 8.15% and from 0.98% to 5.23% for peso-denominated and foreign currency-denominated AFS investments, respectively.

As of December 31, 2011, effective interest rates range from 2.49% to 8.15% and from 1.96% to 6.78% for peso-denominated and foreign currency-denominated AFS investments, respectively.

Trading and investment securities gains - net
This account consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Financial assets at FVPL:						
Designated at FVPL	**₱79,955**	₱31,240	(₱135,378)	**(₱16,192)**	₱31,240	(₱135,378)
Derivatives (Note 23)	**(35,663)**	425,529	96,760	**(35,663)**	425,529	96,760
Held-for-trading	**214,322**	449,744	(32,165)	**214,322**	440,660	(32,288)
AFS investments	**4,375,759**	4,287,934	3,596,089	**4,183,617**	4,205,426	3,566,589
HTM investments	–	–	141,274	–	–	141,274
Financial liabilities at FVPL:						
Derivatives (Note 23)	**(120,650)**	(112,738)	(113,162)	**(120,650)**	(112,738)	(113,162)
Designated at FVPL	**104,510**	283,100	37,575	**196,070**	283,100	37,575
	₱4,618,233	₱5,364,809	₱3,590,993	**₱4,421,504**	₱5,273,217	₱3,561,370

Reclassification of Financial Assets
On October 12, 2011, the Parent Company had identified a clear change of intent to exit or trade in the short term its HTM investments rather than to hold them until maturity, when it disposed of more than an insignificant amount of its HTM investments. This disposal necessitated the reclassification of the remaining HTM investments to AFS securities in accordance with PAS 39. As of the date of reclassification, the amortized cost of HTM investments reclassified to AFS investments amounted to ₱32.5 billion. Reclassified AFS investments are initially measured at its fair value amounting to ₱35.7 billion. Any difference between the amortized cost of HTM investments and its fair value at reclassification date is recognized in OCI.

As of December 31, 2013 and 2012, the carrying value of the securities reclassified out of HTM investments to AFS investments amounted to nil and ₱1.9 billion, respectively.

In 2013 and 2012, the net unrealized (loss) gain reclassified from equity to profit or loss due to sale of investments reclassified to AFS amounted to nil and ₱299.6 million, respectively.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Receivable from customers:				
Loans and discounts	**₱233,536,374**	₱124,072,963	**₱224,041,113**	₱123,118,335
Customers' liabilities on acceptances, letters of credit and trust receipts	**9,978,252**	4,150,208	**9,734,834**	4,150,208
Bills purchased (Note 22)	**3,781,305**	2,556,211	**3,387,627**	2,556,211
Credit card receivables	**3,763,087**	286,623	**3,763,087**	286,623
Lease contracts receivable (Note 28)	**2,677,235**	2,043,456	**105,209**	105,859
	253,736,253	133,109,461	**241,031,870**	130,217,236
Less unearned and other deferred income	**1,109,950**	910,617	**830,242**	676,591
	252,626,303	132,198,844	**240,201,628**	129,540,645
Unquoted debt securities	**11,254,187**	7,818,199	**10,871,565**	7,818,199
Other receivables:				
Accounts receivable	**10,186,605**	6,028,810	**3,924,203**	3,243,109
Accrued interest receivable	**7,229,913**	6,190,680	**7,040,322**	6,150,746
Sales contract receivables	**4,647,352**	4,633,079	**4,591,220**	4,633,079
Miscellaneous	**499,314**	593,434	**473,406**	561,034
	22,563,184	17,446,003	**16,029,151**	14,587,968
	286,443,674	157,463,046	**267,102,344**	151,946,812
Less allowance for credit losses (Note 16)	**12,167,591**	13,232,381	**11,666,814**	12,423,138
	₱274,276,083	₱144,230,665	**₱255,435,530**	₱139,523,674

The separate valuation allowance of acquired loans and receivables were not recognized by PNB on the effectivity date of the acquisition as these receivables were measured at fair value on acquisition date. Any uncertainties about future cash flows of these receivables were included in their fair value measurement (see Note 13).

Below is the reconciliation of loans and receivables as to classes:

	Consolidated							
	December 31, 2013							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱176,301,212	₱25,346,986	₱8,612,537	₱22,677,538	₱598,101	₱–	₱–	₱233,536,374
Customers' liabilities on acceptances, letters of credit and trust receipts	9,977,264	988	–	–	–	–	–	9,978,252
Bills purchased	3,343,718	437,587	–	–	–	–	–	3,781,305
Lease contracts receivable (Note 28)	2,676,136	–	–	1,099	–	–	–	2,677,235
Credit card accounts	42,391	–	–	3,702,336	18,360	–	–	3,763,087
	192,340,721	25,785,561	8,612,537	26,380,973	616,461	–	–	253,736,253
Less unearned and other deferred income	1,084,841	–	16,909	7,910	290	–	–	1,109,950
	191,255,880	25,785,561	8,595,628	26,373,063	616,171	–	–	252,626,303
Unquoted debt securities	–	–	–	–	–	11,254,187	–	11,254,187
Other receivables:								
Accounts receivable	–	–	–	–	–	–	10,186,605	10,186,605
Accrued interest receivable	–	–	–	–	–	–	7,229,913	7,229,913
Sales contract receivables	–	–	–	–	–	–	4,647,352	4,647,352
Miscellaneous	–	–	–	–	–	–	499,314	499,314
	191,255,880	25,785,561	8,595,628	26,373,063	616,171	11,254,187	22,563,184	286,443,674
Less allowance for credit losses (Note 16)	3,695,863	76,429	85,008	455,503	30,623	3,958,656	3,865,509	12,167,591
	₱187,560,017	₱25,709,132	₱8,510,620	₱25,917,560	₱585,548	₱7,295,531	₱18,697,675	₱274,276,083

	Consolidated							
	December 31, 2012							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱83,058,722	₱21,598,814	₱7,287,123	₱11,469,948	₱658,356	₱–	₱–	₱124,072,963
Customers' liabilities on acceptances, letters of credit and trust receipts	2,658,590	1,491,618	–	–	–	–	–	4,150,208
Bills purchased	1,165,415	1,390,796	–	–	–	–	–	2,556,211
Lease contracts receivable (Note 28)	2,041,954	–	–	1,502	–	–	–	2,043,456
Credit card accounts	–	–	–	286,623	–	–	–	286,623
	88,924,681	24,481,228	7,287,123	11,758,073	658,356	–	–	133,109,461
Less unearned and other deferred income	910,511	–	–	106	–	–	–	910,617
	88,014,170	24,481,228	7,287,123	11,757,967	658,356	–	–	132,198,844
Unquoted debt securities	–	–	–	–	–	7,818,199	–	7,818,199
Other receivables:								
Accounts receivable	–	–	–	–	–	–	6,028,810	6,028,810
Accrued interest receivable	–	–	–	–	–	–	6,190,680	6,190,680
Sales contract receivables	–	–	–	–	–	–	4,633,079	4,633,079
Miscellaneous	–	–	–	–	–	–	593,434	593,434
	88,014,170	24,481,228	7,287,123	11,757,967	658,356	7,818,199	17,446,003	157,463,046
Less allowance for credit losses (Note 16)	4,631,725	70,731	129,653	561,132	14,748	3,958,931	3,865,461	13,232,381
	₱83,382,445	₱24,410,497	₱7,157,470	₱11,196,835	₱643,608	₱3,859,268	₱13,580,542	₱144,230,665

	Parent Company							
	December 31, 2013							
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**	**Unquoted Debt Securities**	**Others**	**Total**
Receivable from customers:								
Loans and discounts	**₱169,021,890**	**₱25,346,986**	**₱8,612,537**	**₱20,475,776**	**₱583,924**	**₱–**	**₱–**	**₱224,041,113**
Customers' liabilities on acceptances, letters of credit and trust receipts	**9,733,846**	**988**	**–**	**–**	**–**	**–**	**–**	**9,734,834**
Bills purchased	**2,950,040**	**437,587**	**–**	**–**	**–**	**–**	**–**	**3,387,627**
Lease contract receivable (Note 28)	**105,209**	**–**	**–**	**–**	**–**	**–**	**–**	**105,209**
Credit card accounts	**42,391**	**–**	**–**	**3,702,336**	**18,360**	**–**	**–**	**3,763,087**
	181,853,376	**25,785,561**	**8,612,537**	**24,178,112**	**602,284**	**–**	**–**	**241,031,870**
Less unearned and other deferred income	**807,149**	**–**	**16,909**	**5,894**	**290**	**–**	**–**	**830,242**
	181,046,227	**25,785,561**	**8,595,628**	**24,172,218**	**601,994**	**–**	**–**	**240,201,628**
Unquoted debt securities	**–**	**–**	**–**	**–**	**–**	**10,871,565**	**–**	**10,871,565**
Other receivables:								
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**3,924,203**	**3,924,203**
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**7,040,322**	**7,040,322**
Sales contract receivables	**–**	**–**	**–**	**–**	**–**	**–**	**4,591,220**	**4,591,220**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**473,406**	**473,406**
	181,046,227	**25,785,561**	**8,595,628**	**24,172,218**	**601,994**	**10,871,565**	**16,029,151**	**267,102,344**
Less allowance for credit losses (Note 16)	**3,495,728**	**76,429**	**85,008**	**425,942**	**30,620**	**3,958,656**	**3,594,431**	**11,666,814**
	₱177,550,499	**₱25,709,132**	**₱8,510,620**	**₱23,746,276**	**₱571,374**	**₱6,912,909**	**₱12,434,720**	**₱255,435,530**

	Parent Company							
	December 31, 2012							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Receivable from customers:								
Loans and discounts	₱82,226,939	₱21,598,813	₱7,287,123	₱11,360,846	₱644,614	₱–	₱–	₱123,118,335
Customers' liabilities on acceptances, letters of credit and trust receipts	2,658,589	1,491,619	–	–	–	–	–	4,150,208
Bills purchased	1,165,415	1,390,796	–	–	–	–	–	2,556,211
Lease contract receivable (Note 28)	105,859	–	–	–	–	–	–	105,859
Credit card accounts	–	–	–	286,623	–	–	–	286,623
	86,156,802	24,481,228	7,287,123	11,647,469	644,614	–	–	130,217,236
Less unearned and other deferred income	676,591	–	–	–	–	–	–	676,591
	85,480,211	24,481,228	7,287,123	11,647,469	644,614	–	–	129,540,645
Unquoted debt securities	–	–	–	–	–	7,818,199	–	7,818,199

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Parent Company							
	December 31, 2012							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Other receivables:								
Accounts receivable	₱–	₱–	₱–	₱–	₱–	₱–	₱3,243,109	₱3,243,109
Accrued interest receivable	–	–	–	–	–	–	6,150,746	6,150,746
Sales contract receivables	–	–	–	–	–	–	4,633,079	4,633,079
Miscellaneous	–	–	–	–	–	–	561,034	561,034
	85,480,211	24,481,228	7,287,123	11,647,469	644,614	7,818,199	14,587,968	151,946,812
Less allowance for credit losses (Note 16)	4,512,158	70,731	129,653	545,143	14,743	3,958,931	3,191,779	12,423,138
	₱80,968,053	₱24,410,497	₱7,157,470	₱11,102,326	₱629,871	₱3,859,268	₱11,396,189	₱139,523,674

Loans amounting to ₱219.1 million and ₱2.0 billion as of December 31, 2013 and 2012, respectively, have been pledged to the BSP to secure the Parent Company's availments under the BSP rediscounting privileges which are included in Bills payable (see Notes 19 and 34). The pledged loans will be released when the underlying transaction is terminated. In the event of the Parent Company's default, BSP is entitled to apply the collateral in order to settle the rediscounted bills.

Unquoted debt instruments
Unquoted debt instruments include the zero-coupon notes received by the Parent Company from Special Purpose Vehicle (SPV) Companies on October 15, 2004, at the principal amount of ₱803.5 million (Tranche A Note) payable in five (5) years and at the principal amount of ₱3.4 billion (Tranche B Note) payable in eight (8) years in exchange for the outstanding loans receivable from National Steel Corporation (NSC) of ₱5.3 billion. The notes are secured by a first ranking mortgage and security interest over the NSC Plant Assets. As of December 31, 2013 and 2012, the notes are carried at their recoverable values. Management assessed that these loans are not fully recoverable as a result of the Partial Award granted by the Arbitration Panel to the SPV Companies. The consortium banks, including the Parent Company, has filed a Petition to set aside the Partial Award with the Singapore High Court on July 9, 2012. The Petition is pending as of the financial statement issuance date (see Note 33).

As of December 31, 2013 and 2012, unquoted debt instruments also include bonds issued by Philippine Sugar Corporation (PSC) amounting to ₱2.7 billion with accrued interest included under 'Accrued interest receivable' amounting to ₱2.3 billion. The full repayment of principal and accumulated interest to maturity is guaranteed by a sinking fund managed by the Parent Company's Trust Banking Group (TBG). As of December 31, 2013 and 2012, the sinking fund amounted to ₱5.3 billion and ₱5.2 billion, respectively, earning an average rate of return of 8.82% per annum. The bonds matured on February 15, 2014 and was settled through liquidation of the sinking fund.

Accounts Receivable
On November 27, 1997, Maybank Philippines, Inc. (Maybank) and the Parent Company signed a deed of assignment transferring to the Parent Company certain Maybank assets (included under 'Accounts receivable') and liabilities in connection with the sale of the Parent Company's 60.00% equity in Maybank. As of December 31, 2013 and 2012, the balance of these receivables amounted to ₱3.6 billion and ₱3.4 billion, respectively, and the transferred liabilities (included under 'Bills payable to BSP and local banks' - see Note 19 and 'Accrued interest payable') amounted to ₱3.3 billion and ₱3.1 billion, respectively. The excess of the transferred receivables over the transferred liabilities is fully covered by an allowance for credit losses amounting to ₱262.5 million as of December 31, 2013 and 2012. The remaining 40% equity ownership of the Parent Company in Maybank was sold in June 2000 (see Note 33).

Finance lease receivable
An analysis of the Group's finance lease receivables is presented as follows (amounts in thousands):

	2013	2012
Gross investment in finance lease receivables		
Due within one year	**₱1,010,881**	₱778,749
Due beyond one year but not over five years	**1,185,732**	849,664
Due beyond five years	**75,850**	85,800
	2,272,463	1,714,213
Residual value of leased equipment		
Due within one year	**135,310**	110,562
Due beyond one year but not over five years	**229,254**	218,681
Due beyond five years	**40,208**	–
	404,772	329,243
Net investment in finance lease receivables	**₱2,677,235**	₱2,043,456

Interest Income
Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Receivable from customers and sales contract receivables	**₱12,902,015**	₱7,372,918	₱7,261,307	**₱12,358,412**	₱7,235,499	₱7,127,101
Unquoted debt securities	**216,449**	78,434	275,699	**200,297**	78,434	275,699
	₱13,118,464	₱7,451,352	₱7,537,006	**₱12,558,709**	₱7,313,933	₱7,402,800

As of December 31, 2013 and 2012, 83.3% and 90.9%, respectively, of the total receivable from customers of the Group were subject to interest repricing. As of December 31, 2013 and 2012, 83.1% and 90.6%, respectively, of the total receivable from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 4.8% to 9.0% as of December 31, 2013, from 2.3% to 13.0% as of December 31, 2012 and from 2.6% to 9.0% as of December 31, 2011 for foreign currency-denominated receivables, and from 0.3% to 24.4% as of December 31, 2013, from 0.9% to 18.5% as of December 31, 2012 and from 5.6% to 15.0% as of December 31, 2011 for peso-denominated receivables.

Sales contract receivables bear fixed interest rate per annum ranging from 4.5% to 21.0% in 2013, from 1.8% to 15.0% and from 1.8% to 17.0% as of December 31, 2013, 2012 and 2011, respectively.

Interest income accrued on impaired loans and receivable of the Group and Parent Company amounted to ₱289.1 million in 2013, ₱302.8 million in 2012 and ₱373.3 million in 2011 (see Note 16).

(Amounts In Thousands Pesos Except When Otherwise Indicated)

An industry sector analysis of the Group's and Parent Company's receivable from customers before taking into account the allowance for credit losses (amounts in millions) is shown below.

	Consolidated				Parent Company			
	December 31, 2013		December 31, 2012		**December 31, 2013**		December 31, 2012	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Loans and Receivables								
Receivable from customers:								
Primary target industry:								
Wholesale and retail	**₱43,123**	**17.00**	₱21,496	16.15	**₱41,354**	**17.16**	₱21,192	16.27
Electricity, gas and water	**38,523**	**15.18**	18,180	13.66	**38,472**	**15.96**	18,180	13.96
Manufacturing	**31,992**	**12.61**	13,317	10.00	**28,865**	**11.97**	13,228	10.16
Public administration and defense	**23,867**	**9.41**	22,766	17.10	**23,868**	**9.90**	22,739	17.46
Financial intermediaries	**21,460**	**8.46**	10,207	7.67	**21,234**	**8.81**	10,193	7.83
Transport, storage and communication	**18,089**	**7.13**	17,051	12.81	**16,631**	**6.90**	16,186	12.43
Agriculture, hunting and forestry	**3,660**	**1.44**	2,899	2.18	**3,563**	**1.48**	2,705	2.08
Secondary target industry:								
Real estate, renting and business activities	**36,119**	**14.23**	11,434	8.59	**32,099**	**13.32**	11,395	8.75
Construction	**6,976**	**2.75**	2,349	1.77	**6,411**	**2.66**	2,148	1.65
Others	**29,927**	**11.79**	13,410	10.07	**28,535**	**11.84**	12,251	9.41
	₱253,736	**100.00**	₱133,109	100.00	**₱241,032**	**100.00**	₱130,217	100.00

The information (gross of unearned and other deferred income) relating to receivable from customers as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	December 31, 2013		December 31, 2012		**December 31, 2013**		December 31, 2012	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱59,124,844**	**23.30**	₱21,457,030	16.12	**₱52,102,346**	**21.62**	₱21,435,750	16.46
Chattel mortgage	**8,678,328**	**3.42**	4,336,447	3.26	**6,730,957**	**2.79**	3,200,301	2.46
Bank deposit hold-out	**3,572,618**	**1.41**	1,615,415	1.21	**3,486,259**	**1.45**	1,612,914	1.24
Shares of stocks	**–**	**–**	358,267	0.27	**–**	**–**	358,267	0.28
Others	**32,094,769**	**12.65**	21,660,562	16.27	**29,540,606**	**12.25**	19,445,870	14.93
	103,470,559	**40.78**	49,427,721	37.13	**91,860,168**	**38.11**	46,053,102	35.37
Unsecured	**150,265,694**	**59.22**	83,681,740	62.87	**149,171,702**	**61.89**	84,164,134	64.63
	₱253,736,253	**100.00**	₱133,109,461	100.00	**₱241,031,870**	**100.00**	₱130,217,236	100.00

<u>BSP Reporting</u>

The table below reflects the balances of loans and receivables as reported to the BSP.
For purposes of BSP reporting, the acquired loans and receivables were measured based on their original amortized cost as at acquisition date instead of their corresponding fair values.

Non-performing Loans (NPL) of the Parent Company as to secured and unsecured follows:

	December 31, 2013	December 31, 2012
Secured	**₱6,842,118**	₱3,801,846
Unsecured	**3,844,304**	2,662,759
	₱10,686,422	₱6,464,605

Generally, NPLs refer to loans whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered nonperforming.

In the case of loans that are payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three (3) or more installments are in arrears.

In the case of loans that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance thereof shall be considered nonperforming at the same time that they become past due in accordance with existing BSP regulations, i.e., the entire outstanding balance of the receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10.00%) of the total loan balance.

Loans are classified as nonperforming in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations, and future payments appear assured.

Loans which do not meet the requirements to be treated as performing loans shall also be considered as NPLs. Effective January 1, 2013, the exclusion of NPLs classified as loss but are fully covered by allowance was removed by the BSP through Circular No. 772. Previous banking regulations allow banks that have no unbooked valuation reserves and capital adjustments to exclude from nonperforming classification those loans classified as Loss in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued.

As of December 31, 2012, under previous banking regulations, NPLs of the Parent Company net of those which are fully provided with allowance for credit losses of ₱2.7 billion, amounted to ₱3.8 billion.

As of December 31, 2013, based on the revised definition of NPLs under Circular No. 772, NPLs of ₱10.7 billion which the Parent Company reported to the BSP are net of specific allowance amounting to ₱7.2 billion. Most of these loans are secured by real estate or chattel mortgages. As of December 31, 2013, gross and net NPL ratios of the Parent Company were 4.3% and 1.4%, respectively.

Restructured loans of the Group and the Parent Company as of December 31, 2013 amounted to ₱2.0 billion and ₱1.9 billion, respectively. Restructured loans of the Group and the Parent Company as of December 31, 2012 amounted to ₱2.6 billion and ₱2.5 billion, respectively.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

10. Property and Equipment

The composition of and movements in furniture, fixtures and equipment and leasehold improvements follow:

	Consolidated December 31, 2013		
	Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Total**
Cost			
Balance at beginning of year	**₱3,121,098**	**₱458,529**	**₱3,579,627**
Additions	**366,573**	**286,232**	**652,805**
Acquired from business combination (Note 13)	**119,458**	**467,156**	**586,614**
Disposals/others	**(136,297)**	**(217,789)**	**(354,086)**
Balance at end of year	**3,470,832**	**994,128**	**4,464,960**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**2,410,507**	**232,045**	**2,642,552**
Depreciation and amortization	**351,937**	**236,364**	**588,301**
Disposals/others	**(116,516)**	**(112,685)**	**(229,201)**
Balance at end of year	**2,645,928**	**355,724**	**3,001,652**
Net Book Value at End of Year	**₱824,904**	**₱638,404**	**₱1,463,308**

	Consolidated December 31, 2012		
	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost			
Balance at beginning of year	₱3,042,550	₱354,065	₱3,396,615
Additions	269,349	131,910	401,259
Disposals/others	(190,801)	(27,446)	(218,247)
Balance at end of year	3,121,098	458,529	3,579,627
Accumulated Depreciation and Amortization			
Balance at beginning of year	2,330,703	199,900	2,530,603
Depreciation and amortization	237,322	60,853	298,175
Disposals/others	(157,518)	(28,708)	(186,226)
Balance at end of year	2,410,507	232,045	2,642,552
Net Book Value at End of Year	₱710,591	₱226,484	₱937,075

	Parent Company December 31, 2013		
	Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Total**
Cost			
Balance at beginning of year	**₱2,746,617**	**₱373,207**	**₱3,119,824**
Additions	**272,069**	**273,444**	**545,513**
Acquired from business combination (Note 13)	**83,675**	**401,590**	**485,265**
Disposals/others	**(123,195)**	**(203,981)**	**(327,176)**
Balance at end of year	**2,979,166**	**844,260**	**3,823,426**

(Forward)

	Parent Company December 31, 2013		
	Furniture, Fixtures and Equipment	**Leasehold Improvements**	**Total**
Accumulated Depreciation and Amortization			
Balance at beginning of year	**₱2,192,579**	**₱169,881**	**₱2,362,460**
Depreciation and amortization	**281,381**	**202,809**	**484,190**
Disposals/others	**(107,502)**	**(82,837)**	**(190,339)**
Balance at end of year	**2,366,458**	**289,853**	**2,656,311**
Net Book Value at End of Year	**₱612,708**	**₱554,407**	**₱1,167,115**

	Parent Company December 31, 2012		
	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost			
Balance at beginning of year	₱2,638,258	₱251,243	₱2,889,501
Additions	207,446	126,137	333,583
Disposals/others	(99,087)	(4,173)	(103,260)
Balance at end of year	2,746,617	373,207	3,119,824
Accumulated Depreciation and Amortization			
Balance at beginning of year	2,089,542	123,554	2,213,096
Depreciation and amortization	186,206	49,209	235,415
Disposals/others	(83,169)	(2,882)	(86,051)
Balance at end of year	2,192,579	169,881	2,362,460
Net Book Value at End of Year	₱554,038	₱203,326	₱757,364

The composition of and movements in land and buildings of the Group carried at appraised value follow:

	Consolidated December 31, 2013		
	Land	**Buildings**	**Total**
Appraised Value			
Balance at beginning of year	**₱11,296,469**	**₱6,892,115**	**₱18,188,584**
Acquired from business combination (Note 13)	**3,782,017**	**2,088,435**	**5,870,452**
Appraisal increase (reversal)	**63,124**	**(277,678)**	**(214,554)**
Additions	**18**	**307,503**	**307,521**
Disposals/others	**(1)**	**(22,985)**	**(22,986)**
Balance at end of year	**15,141,627**	**8,987,390**	**24,129,017**
Accumulated Depreciation			
Balance at beginning of year	**–**	**2,383,948**	**2,383,948**
Depreciation	**–**	**336,882**	**336,882**
Disposals/others	**–**	**7,960**	**7,960**
Balance at end of year	**–**	**2,728,790**	**2,728,790**
Allowance for Impairment Losses (Note 16)	**(183,876)**	**(61,300)**	**(245,176)**
Net Book Value at End of Year	**₱14,957,751**	**₱6,197,300**	**₱21,155,051**

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Parent Company		
	December 31, 2013		
	Land	**Buildings**	**Total**
Appraised Value			
Balance at beginning of year	**₱11,296,469**	**₱6,892,115**	**₱18,188,584**
Acquired from business combination (Note 13)	**3,413,309**	**1,879,277**	**5,292,586**
Appraisal increase (reversal)	**63,124**	**(277,678)**	**(214,554)**
Additions	**–**	**307,271**	**307,271**
Disposals/others	**–**	**(49,292)**	**(49,292)**
Balance at end of year	**14,772,902**	**8,751,693**	**23,524,595**
Accumulated Depreciation			
Balance at beginning of year	**–**	**2,383,948**	**2,383,948**
Depreciation	**–**	**320,293**	**320,293**
Disposals/others	**–**	**(160)**	**(160)**
Balance at end of year	**–**	**2,704,081**	**2,704,081**
Allowance for Impairment Losses (Note 16)	**(183,876)**	**(61,300)**	**(245,176)**
Net Book Value at End of Year	**₱14,589,026**	**₱5,986,312**	**₱20,575,338**

	Consolidated and Parent Company		
	December 31, 2012		
	Land	Buildings	Total
Appraised Value			
Balance at beginning of year	₱11,295,469	₱6,870,616	₱18,166,085
Additions	1,000	302,068	303,068
Disposals/others	–	(280,569)	(280,569)
Balance at end of year	11,296,469	6,892,115	18,188,584
Accumulated Depreciation			
Balance at beginning of year	–	2,230,309	2,230,309
Depreciation	–	175,642	175,642
Disposals/others	–	(22,003)	(22,003)
Balance at end of year	–	2,383,948	2,383,948
Allowance for Impairment Losses (Note 16)	(191,450)	(46,536)	(237,986)
Net Book Value at End of Year	₱11,105,019	₱4,461,631	₱15,566,650

The revalued amount of land and building was determined by independent appraisers based on highest and best use of property being appraised. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made and comparability of similar properties sold with the property being valued.

Depreciation on the revaluation increment of the buildings amounted to ₱112.7 million in 2013, ₱69.5 million in 2012 and ₱74.8 million in 2011 for the Group and the Parent Company.

Had the land and buildings been carried at cost, the net book value of the land and buildings would have been ₱10.0 billion and ₱9.4 billion for the Group and Parent Company, respectively, as of December 31, 2013 and ₱4.7 billion for the Group and Parent Company as of December 31, 2012.

Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Depreciation - Property and equipment	**₱925,183**	₱473,817	₱429,130	**₱804,483**	₱411,057	₱389,816
Depreciation - Investment properties (Note 12)	**286,923**	227,802	200,820	**279,147**	225,768	198,765
Depreciation - Other foreclosed properties	**62,721**	12,901	26,454	**62,721**	6,245	5,359
Amortization - Intangibles (Note 14)	**467,159**	153,550	162,166	**463,909**	151,126	158,528
	₱1,741,986	₱868,070	₱818,570	**₱1,610,260**	₱794,196	₱752,468

As of December 31, 2013 and 2012, property and equipment of the Parent Company with gross carrying amounts of ₱866.4 billion and ₱736.7 million, respectively, is fully depreciated but is still being used.

Included in the 'Amortization – intangibles' in 2013 are the amortization of intangible assets acquired from the business combination which amounted to ₱286.6 million for the Group and Parent Company.

11. Investments in Subsidiaries

The details of this account follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Acquisition cost of subsidiaries:				
ACB	**₱–**	₱–	**₱5,485,747**	₱–
PNB IIC	**–**	–	**2,028,202**	2,028,202
PNB LII	**–**	–	**1,303,770**	–
PNB Europe PLC	**–**	–	**1,006,537**	887,109
ABCHKL	**–**	–	**947,586**	–
ASB	**–**	–	**935,041**	–
PNB GRF	**–**	–	**753,061**	753,061
PNB Holdings	**–**	–	**377,876**	377,876
PNB Capital	**–**	–	**350,000**	350,000
ABUK	**–**	–	**320,858**	–
OHBVI	**–**	–	**291,840**	–
Japan - PNB Leasing	**–**	–	**218,331**	218,331
PNB Italy – SpA	**–**	–	**204,377**	176,520
ALFC	**–**	–	**148,400**	–
PNB Securities	**–**	–	**62,351**	62,351
PNB Forex, Inc.	**–**	–	**50,000**	50,000
PNB Corporation – Guam	**–**	–	**7,672**	7,672
Omicron Asset Portfolio (SPV-AMC), Inc.	**–**	–	**–**	32,223
Tanzanite Investments (SPV-AMC), Inc.	**–**	–	**–**	32,223
Tau Portfolio Investments (SPV-AMC), Inc.	**–**	–	**–**	32,224
	–	–	**14,491,649**	5,007,792
Acquisition cost of associate:				
Balance at beginning of year - ACB	**2,763,903**	2,763,903	**2,763,903**	2,763,903
Disposal of previously held interest in an associate due to step-up acquisition of control over investee	**(2,763,903)**	–	**(2,763,903)**	–
	–	2,763,903	**–**	2,763,903
Accumulated equity in net earnings:				
Balance at beginning of year	**136,330**	132,816	**–**	–
Equity in net earnings for the year (Note 26)	**4,975**	10,309	**–**	–
Equity in net unrealized loss on AFS investments of an associate	**–**	(6,795)	**–**	–
Disposal of previously held interest in an associate due to step-up acquisition of control over investee	**(141,305)**	–		
	–	136,330	**–**	–

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Less allowance for impairment losses (Note 16)				
Balance at beginning of year	**₱508,978**	₱–	**₱1,372,532**	₱503,154
Provisions (reversals) during the year	**–**	–	**12,347**	496,730
Reclassifications and others	**(508,978)**	508,978	**(372,648)**	372,648
	–	508,978	**1,012,231**	1,372,532
	₱–	₱2,391,255	**₱13,479,418**	₱6,399,163

As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion. The SEC approval is subject to the following conditions: (a) remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of 'Capital paid in excess of par value' in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC; and (b) for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

As of December 31, 2013 and 2012, the acquisition cost of the investments in the Parent Company's separate financial statements includes the balance of ₱2.1 billion consisting of the translation adjustment and accumulated equity in net earnings, net of dividends subsequently received from the quasi-reorganization date, that were closed to deficit on restructuring date and is not available for dividend declaration.

In 2013, 2012 and 2011, the Parent Company's subsidiaries declared cash dividends amounting to ₱127.3 million, ₱231.6 million, and ₱216.8 million, respectively. These are included under 'Miscellaneous income - others' (see Note 26) in the Parent Company financial statements.

Acquisitions

Effective January 31, 2011, the Group acquired an additional 30.00% interest in the voting shares of Japan PNB Leasing, increasing its ownership interest to 90.00%. A cash consideration of ₱115.2 million was paid to the non-controlling interest shareholders. The carrying value of the net assets of Japan PNB Leasing at the acquisition date was ₱384.0 million, and the carrying value of the additional interest acquired was ₱115.5 million. The consideration approximates the carrying value of the interest acquired.

Material non-controlling interests

The financial information as of December 31, 2013 of subsidiaries which have a material NCI is provided below.

	PNB LII	ABHK	ACB
Proportion of ownership interests held by NCI	20%	49%	9.59%
Net income for the period attributed to NCI	₱38,749	₱44,152	₱4,882
Accumulated equity interest attributed to NCI	320,795	1,129,967	640,268
Statement of Financial Position			
Current assets	₱807,472	₱5,063,919	₱8,506,792
Non-current assets	13,842,678	4,477,620	840,814
Current liabilities	1,833,112	6,948,939	2,667,861
Non-current liabilities	11,539,108	159,380	3,333

	PNB LII	ABHK	ACB
Statement of Comprehensive Income			
Revenues	₱2,025,195	₱275,972	₱229,861
Expenses	1,785,212	179,787	162,016
Net income	209,540	90,105	50,906
Total comprehensive income	80,964	237,541	609,008
Statement of Cash Flows			
Net cash provided by (used in) operating activities	101,961	(73,518)	525,741
Net cash provided by (used in) investing activities	(8,030)	210,160	(61,458)
Net cash used in financing activities	–	(5,925)	–

The non-controlling interest in respect of ALFC, Japan PNB and OHBVI is not material to the Group.

Investment in SPVs

On November 12, 2009, the Articles of Incorporation of Omicron Asset Portfolio (SPV-AMC), Inc., Tanzanite Investments (SPV-AMC), Inc. and Tau Portfolio Investments (SPV-AMC), Inc. were amended to shorten the life of these SPVs until December 31, 2009. The application to shorten the life of these SPVs was approved by the SEC in 2013. Upon approval, these SPVs ceased to operate and the final financial statements were submitted to the SEC.

Investment in ACB

In August 2009, the Parent Company acquired 39.41% ownership in ACB in Xiamen China for a total consideration of Chinese Yuan (CNY) 394.1 million or USD 57.7 million (equivalent to ₱2.8 billion).

The following table illustrates the summarized financial information of ACB as of and for the year ended December 31, 2012 (in thousands):

	2012
Total assets	₱8,402,405
Total liabilities	2,290,586
Total revenues	346,727
Net income	25,614

With its business combination with ABC in 2013 (see Note 1), the Parent Company's equity interest in ACB increased from 39.41% to 90.41%. This resulted in change in accounting for such investment from an associate to a subsidiary. In accordance with PFRS 3, *Business Combination*, the step-up acquisition of investment in ACB is accounted for as a disposal of the equity investment in ACB and the line by line consolidation of ACB's assets and liabilities in the Group's financial statements. The fair value of consideration received from the step-up acquisition is equal to the carrying value of the disposed investment in ACB.

On November 22, 2013, the BOD of the Parent Company approved and confirmed the increase in equity investment of the Parent Company in ACB by way of purchase of the remaining equity holdings of natural person investors. The increase in equity investment in ACB is in relation to ACB's application of CNY license with the Chinese Banking Regulatory Commission (CBRC). The CBRC requires foreign banks applying for CNY license to be wholly owned by financial institutions. The Parent Company has yet to request for BSP's approval on the proposed increase in equity investment in ACB.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

On January 28, 2014, the BOD approved the use of book value of equity of ACB as of December 31, 2013 as the purchase price of the remaining equity holdings of natural person investors in ACB.

PNB Forex

On August 23, 2013, the Parent Company approved the dissolution of PNB Forex by shortening its corporate life to until December 31, 2013. PNB Forex has ceased its business operations in January 1, 2006.

Other Matters

The BOD of the Parent Company approved and confirmed the following:

December 20, 2013

(1) Infusion of additional equity to ASB amounting to ₱10.0 billion which will be used to build and refocus the Group's consumer lending business. The infusion of additional equity to ASB was approved by the BSP on February 28, 2014.
(2) Sale of consumer loans of the Parent Company with carrying value amounting to ₱6.0 billion to ASB on a without recourse basis.
(3) Closure of PISpA and shifting to an agent-arrangement to continue remittance business in Italy.

February 28, 2014

(1) Extension of operations of PISpA up to February 28, 2014 in order to completely turnover its remittance business.
(2) Subscription to the authorized capital stock of PNB Gen amounting to ₱600.0 million subject to the approval of BSP.

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the regulatory supervisory frameworks within which insurance and banking subsidiaries operate.

The BSP and IC regulations require banks and insurance companies to maintain certain level of regulatory capitals; among others. The total assets of banking subsidiaries amounted to ₱29.9 billion in 2013 (nil in 2012) and for insurance subsidiaries, total assets amounted to ₱23.1 billion in 2013 (₱4.8 billion in 2012).

12. Investment Properties

The composition of and movements in this account follow:

	Consolidated		
	December 31, 2013		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱17,032,456**	**₱4,025,748**	**₱21,058,204**
Additions	**1,238,051**	**1,133,569**	**2,371,620**
Acquired from business combination (Note 13)	**6,031,443**	**675,651**	**6,707,094**
Disposals/others	**(2,048,265)**	**(1,307,592)**	**(3,355,857)**
Balance at end of year	**22,253,685**	**4,527,376**	**26,781,061**
Accumulated Depreciation			
Balance at beginning of year	**–**	**2,112,673**	**2,112,673**
Depreciation (Note 10)	**–**	**286,923**	**286,923**
Disposals/others	**–**	**(290,488)**	**(290,488)**
Balance at end of year	**–**	**2,109,108**	**2,109,108**
Accumulated Impairment Losses (Note 16)			
Balance at beginning of year	**2,842,164**	**610,341**	**3,452,505**
Provision for impairment losses	**53,604**	**55,960**	**109,564**
Disposals/others	**(266,357)**	**(76,721)**	**(343,078)**
Balance at end of year	**2,629,411**	**589,580**	**3,218,991**
Net Book Value at End of Year	**₱19,624,274**	**₱1,828,688**	**₱21,452,962**

	Consolidated		
	December 31, 2012		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱19,739,485	₱5,429,337	₱25,168,822
Additions	608,996	197,270	806,266
Disposals/others	(3,316,025)	(1,600,859)	(4,916,884)
Balance at end of year	17,032,456	4,025,748	21,058,204
Accumulated Depreciation			
Balance at beginning of year	–	2,645,744	2,645,744
Depreciation (Note 10)	–	227,802	227,802
Disposals/others	–	(760,873)	(760,873)
Balance at end of year	–	2,112,673	2,112,673
Accumulated Impairment Losses (Note 16)			
Balance at beginning of year	2,798,435	1,204,920	4,003,355
Provision for (recovery from) impairment losses	(161,725)	11,742	(149,983)
Disposals/others	205,454	(606,321)	(400,867)
Balance at end of year	2,842,164	610,341	3,452,505
Net Book Value at End of Year	₱14,190,292	₱1,302,734	₱15,493,026

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Parent Company		
	December 31, 2013		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	**₱17,032,457**	**₱3,924,681**	**₱20,957,138**
Additions	**1,103,536**	**1,051,036**	**2,154,572**
Acquired from business combination (Note 13)	**5,766,042**	**649,032**	**6,415,074**
Disposals/others	**(1,925,254)**	**(1,289,046)**	**(3,214,300)**
Balance at end of year	**21,976,781**	**4,335,703**	**26,312,484**
Accumulated Depreciation			
Balance at beginning of year	**–**	**2,078,756**	**2,078,756**
Depreciation (Note 10)	**–**	**279,147**	**279,147**
Disposals/others	**–**	**(282,962)**	**(282,962)**
Balance at end of year	**–**	**2,074,941**	**2,074,941**
Accumulated Impairment Losses (Note 16)			
Balance at beginning of year	**2,842,164**	**610,341**	**3,452,505**
Provision for impairment losses	**53,604**	**55,109**	**108,713**
Disposals/others	**(424,293)**	**(124,316)**	**(548,609)**
Balance at end of year	**2,471,475**	**541,134**	**3,012,609**
Net Book Value at End of Year	**₱19,505,306**	**₱1,719,628**	**₱21,224,934**

	Parent Company		
	December 31, 2012		
	Land	Buildings and Improvements	Total
Cost			
Beginning balance	₱19,739,485	₱5,327,412	₱25,066,897
Additions	608,996	197,270	806,266
Disposals/others	(3,316,024)	(1,600,001)	(4,916,025)
Balance at end of year	17,032,457	3,924,681	20,957,138
Accumulated Depreciation			
Balance at beginning of year	–	2,613,729	2,613,729
Depreciation (Note 10)	–	225,768	225,768
Disposals/others	–	(760,741)	(760,741)
Balance at end of year	–	2,078,756	2,078,756
Accumulated Impairment Losses (Note 16)			
Balance at beginning of year	2,798,435	1,204,920	4,003,355
Provision for (recovery from) impairment losses	(161,725)	11,742	(149,983)
Disposals/others	205,454	(606,321)	(400,867)
Balance at end of year	2,842,164	610,341	3,452,505
Net Book Value at End of Year	₱14,190,293	₱1,235,584	₱15,425,877

Investment properties include real properties foreclosed or acquired in settlement of loans. Foreclosed investment properties of the Parent Company still subject to redemption period by the borrowers amounted to ₱449.5 million and ₱437.2 million, as of December 31, 2013 and 2012, respectively. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. The Group and the Parent Company are exerting continuing efforts to dispose these properties. As discussed in Note 33, as of December 31, 2012 investment properties with an aggregate fair value of ₱300.0 million were mortgaged in favor of BSP.

For the Group, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses - Others', amounted to ₱8.0 million, ₱44.5 million and ₱27.7 million in 2013, 2012, and 2011, respectively. While direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱180.8 million, ₱242.5 million and ₱292.0 million in 2013, 2012, and 2011, respectively.

For the Parent Company, direct operating expenses on investment properties that generated rental income during the year (other than depreciation and amortization), included under 'Miscellaneous expenses - Others', amounted to ₱7.0 million, ₱39.2 million and ₱27.7 million in 2013, 2012, and 2011, respectively. While direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱179.1 million, ₱242.5 million and ₱292.0 million in 2013, 2012, and 2011, respectively.

13. Business Combinations

As discussed in Note 1, on February 9, 2013, the Parent Company acquired 100.00% of voting common stock of ABC, a listed universal bank. The acquisition of ABC was made to strengthen the Parent Company's financial position and enlarge its operations.

The Parent Company accounted for the business combination with ABC under the acquisition method of PFRS 3. The Group has elected to measure the non-controlling interest in the acquiree at proportionate share of identifiable assets and liabilities.

Assets acquired and liabilities assumed
In accordance with PFRS 3, the Parent Company determined the assets acquired and liabilities assumed from the business combination and made an assessment of their fair values. The Parent Company used external and in-house appraisers to value ABC's real properties while a professional service organization was hired to value the intangible asset and equity values of the acquired subsidiaries. The fair values of the identifiable assets and liabilities of ABC and its subsidiaries as at the date of acquistion follow:

	Fair value of the net assets recognized on acquistion date	
	Consolidated	Parent Company
Assets		
Cash and other cash items	₱3,138,220	₱2,855,899
Due from Bangko Sentral ng Pilipinas	44,481,495	44,064,998
Due from other banks	12,514,442	3,417,949
Interbank loans receivable	4,310,711	2,865,627
Financial assets at fair value through profit or loss	6,502,108	2,664,734
Available-for-sale investments	18,691,568	12,546,639
Loans and receivables	92,267,493	82,716,610
Investment in subsidiaries	–	7,041,988
Property and equipment (Note 10)	6,457,066	5,777,851
Investment properties (Note 12)	6,707,094	6,415,074
Deferred tax assets	104,819	–
Intangibles	2,349,941	2,289,732
Other assets	731,583	655,859
Total assets	₱198,256,540	₱173,312,960

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Fair value of the net assets recognized on acquistion date	
	Consolidated	Parent Company
Liabilities		
Deposit liabilities		
Demand	₱52,128,995	₱50,621,429
Savings	61,959,070	59,568,536
Time	27,090,192	20,443,446
	141,178,257	130,633,411
Financial liabilities at fair value through profit or loss	4,180,728	38,358
Bills and acceptances payable	3,150,837	3,090,837
Accrued taxes, interest and other expenses	1,650,083	1,445,050
Subordinated debt*	4,498,919	4,498,919
Deferred tax liabilities	1,835,101	1,684,989
Other liabilities	8,392,085	3,931,234
Total liabilities	164,886,010	145,322,798
Fair values of identifiable assets and liabilities assumed	₱33,370,530	₱27,990,162

** On March 6, 2013 the Parent Company excercised the option to redeem the subordinated debt issued by ABC prior to its maturity on March 6, 2018. The subordinated debt was redeemed at its face value of ₱4.5 billion.*

The business combination resulted in recognition of goodwill which is determined as follows:

Purchase consideration transferred	₱41,505,927
Add: Proportionate share of the non-controlling interest in the net assets of ABC	2,761,837
Acquisition-date fair value of previously held interest in Subsidiaries	2,478,173
Less: Fair values of net identifiable assets and liabilities assumed	33,370,530
Goodwill	₱13,375,407

The goodwill attributable to the Parent Company amounted to ₱13.5 billion. The goodwill arising from acquisition consists largely of the synergies and economies of scale expected from combining the operations of PNB and ABC. None of the goodwill recognized is expected to be deductible for income tax purposes.

The resulting goodwill differs from those reported by the Parent Company in its published quarterly financials, which was determined based on provisional amounts. The difference primarily resulted from recognition of core deposit intangibles of ₱1.9 billion and customer relationship intangibles of ₱0.4 billion.

The proportionate share and measurement of the non-controlling interests and previously held interest in PNB LII, ACB, ALFC, ABCHK and OHBVI have been determined based on the equity values of these subsidiaries.

For the Group, the total gross contractual amount of receivables acquired as of February 9, 2013 was ₱97.5 billion, while the corresponding allowance for probable losses and unearned interest discount amounted to ₱5.1 billion and ₱0.2 billion, respectively. Deferred tax liability on fair value adjustments amounted to ₱1.5 billion and ₱0.2 billion was offset on a per entity basis against the deferred tax asset carried by PNB.

For the Parent Company, the total gross contractual amount of receivables acquired as of February 9, 2013 was ₱87.6 billion, while the corresponding allowance for probable losses and unearned interest discount amounted to ₱4.8 billion and ₱0.1 billion, respectively. Deferred tax liability on fair value adjustments amounted to ₱1.4 billion and ₱0.2 billion was offset on a per entity basis against the deferred tax asset carried by PNB.

The fair value of the 423,962,500 common shares issued as consideration for the net assets of ABC and its subsidiaries was determined on the basis of the closing market price of PNB common shares as of February 9, 2013.

From the date of acquisition, ABC and its subsidiaries have contributed ₱7.5 billion to the Group's revenue and a loss of ₱1.2 billion to the Group's income before income tax. If the combination had taken place at the beginning of the year, contribution to the Group revenue and the income before income tax would have been ₱10.2 billion and ₱40.5 million, respectively.

An analysis of cash flows arising from the business combination follows:

Net cash acquired arising from the business combination (under investing activities)	₱64,444,868
Less transaction costs attributable to issuance of shares (under financing activities)	84,792
Net cash in flow from the business combination	₱64,360,076

On April 26, 2013, the Group filed a request for a ruling from the Bureau of Internal Revenue (BIR) seeking confirmation that the statutory merger of PNB and ABC is a tax-free merger under Section 40(C)(2) of the National Internal Revenue Code of 1997 as amended (Tax Code). As of December 31, 2013, the ruling request is still pending with the Law Division of the BIR. The Group believes that the BIR will issue such confirmation on the basis of BIR Preliminary Ruling No. 01-2008 (dated September 28, 2008) whereby the BIR held that the statutory merger of PNB and ABC complies with Revenue Memorandum Ruling (RMR) No. 1-2001, subject to the submission of the merger documents and documents pertaining to the assets and liabilities transferred. RMR No. 1-2001 provides the fact pattern that should be present in order to secure BIR confirmation for a tax-free Section 40(C)(2) transaction.

As of December 31, 2013, the Group had submitted the required merger documents and other documents pertaining to the assets and liabilities transferred.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

14. Goodwill and Intangible Assets

As of December 31, 2013 and December 31, 2012, goodwill and intangible assets consist of:

	Consolidated					
	December 31, 2013					December 31, 2012
	Intangible Assets					
	Core Deposits	Customer Relationship	Others	Total	Goodwill	Others
Cost						
Balance at beginning of year	**₱–**	**₱–**	**₱692,739**	**₱692,739**	**₱–**	₱572,524
Acquired from business combination (Note 13)	**1,897,789**	**391,943**	**60,209**	**2,349,941**	**13,375,407**	–
Additions	**–**	**–**	**118,236**	**118,236**	**–**	120,215
Balance at end of year	**1,897,789**	**391,943**	**871,184**	**3,160,916**	**13,375,407**	692,739
Accumulated Amortization						
Balance at beginning of year	**–**	**–**	**315,717**	**315,717**	**–**	162,167
Amortization/(Reversals)	**169,747**	**116,857**	**180,555**	**467,159**	**–**	153,550
Balance at end of year	**169,747**	**116,857**	**496,272**	**782,876**	**–**	315,717
Net Book Value at End of Year	**₱1,728,042**	**₱275,086**	**₱374,912**	**₱2,378,040**	**₱13,375,407**	₱377,022

	Parent Company					
	December 31, 2013					December 31, 2012
	Intangible Assets					
	Core Deposits	Customer Relationship	Others	Total	Goodwill	Others
Cost						
Balance at beginning of year	**₱–**	**₱–**	**₱681,159**	**₱681,159**	**₱–**	₱561,583
Acquired from business combination (Note 13)	**1,897,789**	**391,943**	**–**	**2,289,732**	**13,515,765**	–
Additions	**–**	**–**	**82,808**	**82,808**	**–**	119,576
Balance at end of year	**1,897,789**	**391,943**	**763,967**	**3,053,699**	**13,515,765**	681,159
Accumulated Amortization						
Balance at beginning of year	**–**	**–**	**309,654**	**309,654**	**–**	158,528
Amortization/(Reversals)	**169,747**	**116,857**	**177,305**	**463,909**	**–**	151,126
Balance at end of year	**169,747**	**116,857**	**486,959**	**773,563**	**–**	309,654
Net Book Value at End of Year	**₱1,728,042**	**₱275,086**	**₱277,008**	**₱2,280,136**	**₱13,515,765**	₱371,505

Impairment testing of goodwill and intangible asset
Goodwill acquired through business combinations has been allocated to three CGUs which are also reportable segments namely: retail banking, corporate banking and treasury. Goodwill allocated to the CGUs amounted to ₱6.1 billion, ₱4.2 billion and ₱3.1 billion, respectively. CDI is allocated to retail banking while CRI is allocated to corporate banking.

Goodwill is reviewed for impairment annually in the fourth quarter of the reporting period, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. CDI and CRI, on the other hand, are assessed for impairment where indicator(s) of objective evidence of impairment has been identified. Impairment testing is done by comparing the recoverable amount of each CGU with its carrying amount. The carrying amount of a CGU is derived based on its net assets plus the amount allocated to the CGU. The recoverable amount is the higher of a CGUs' fair value less costs to sell and its value in use. The goodwill impairment test in 2013 did not result in an impairment loss of goodwill of the Group's primary CGUs as the recoverable amount for these CGUs was higher than their respective carrying amount.

Key assumptions used in value in use calculations
The recoverable amount of the CGUs have been determined on the basis of value in use calculation using the discounted cash flows (DCF) model. The DCF model uses earnings projections based on financial budgets approved by senior management covering a three-year period and are discounted to their present value. Estimating future earning involves judgment which takes into account past and actual performance and expected developments in the respective markets and in the overall macro-economic environment. The following rates are used by the Group:

	2013		
	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	14.98%	17.53%	11.69%
Projected growth rate	3.24%	3.24%	3.24%

The calculation of value in use for retail banking, corporate banking and treasury cash generating units is most sensitive to interest margin, discount rates, market share during the budget period, projected growth rates used to extrapolate cash flows beyond the budget period, and current local gross domestic product.

Discount rate
The discount rate applied have been determined based on cost of equity for retail and corporate banking segments and weighted average cost of capital for treasury segment. The cost of equity was derived using the capital asset pricing model which is comprised of a market risk premium, risk-free interest rate and the beta factor. The values for the risk-free interest rate, the market risk premium and the beta factors were obtained from external sources of information.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the units to exceed their recoverable amount.

15. Other Assets

This account consists of:

	Consolidated			**Parent Company**		
	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated- Note 2)	**December 31, 2013**	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Creditable withholding taxes	**₱1,960,480**	₱1,488,286	₱1,318,490	**₱1,899,613**	₱1,488,286	₱1,318,490
Prepaid expenses	**273,126**	85,629	116,981	**242,886**	85,629	69,339
Deferred reinsurance premiums	**245,157**	211,151	230,685	–	–	–
Documentary stamps on hand	**151,522**	28,284	78,908	**145,744**	28,284	78,908
Deferred charges	**121,156**	81,400	82,039	**121,156**	81,400	82,039
Chattel properties - net	**120,615**	116,159	69,339	**119,907**	116,159	116,981
Returned checks and other cash items	**180,550**	158,002	106,706	**180,336**	158,002	106,706
Stationeries and supplies	**104,120**	34,547	35,479	**98,174**	34,547	35,479
Security deposits	**85,961**	–	–	**59,260**	–	–

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Consolidated			Parent Company		
	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated- Note 2)	**December 31, 2013**	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Other investments	**₱25,167**	₱17,382	₱15,086	**₱17,128**	₱17,382	₱15,086
Retirement benefit asset (Note 27)	**5,532**	1,184	–	–	–	–
Revolving fund and petty cash fund	**978**	845	771	**902**	845	771
Miscellaneous COCI	**842**	808	5,220	**842**	808	5,220
Shortages	**815**	45	423	**815**	45	423
Receivable from SPV	**500**	258,848	833,848	**500**	258,848	833,848
Postage stamps on hand	**303**	110	128	**231**	110	128
Miscellaneous	**963,908**	154,728	361,727	**726,712**	48,482	167,508
	4,240,732	2,637,408	3,255,830	**3,614,206**	2,318,827	2,830,926
Less allowance for impairment losses (Note 16)	**804,377**	859,588	2,080,300	**804,028**	854,144	2,052,638
	₱3,436,355	₱1,777,820	₱1,175,530	**₱2,810,178**	₱1,464,683	₱778,288

Chattel Mortgage

As of December 31, 2013 and December 31, 2012, accumulated depreciation on chattel mortgage properties acquired by the Group and the Parent Company in settlement of loans amounted to ₱77.8 million and ₱56.6 million, respectively.

Receivable from SPV

The Group has receivable from SPV, OPII, which was deconsolidated upon adoption of PFRS 10 (see Note 2).

As of December 31, 2013 and 2012, receivable from SPV represents fully provisioned subordinated notes received by the Parent Company from Golden Dragon Star Equities and its assignee, OPII, relative to the sale of the first pool and second pool of its NPAs in December 2006 and March 2007, respectively. The asset sale and purchase agreements (ASPA) between the Parent Company, Golden Dragon Star Equities and OPII for the sale of the NPAs were executed on December 19, 2006. OPII was specifically organized to hold, manage, service and resolve the non-performing assets sold to Golden Dragon Star Equities. OPII has been financed through the issuance of equity securities and subordinated debt securities. No income was recognized from OPII in 2013.

The more significant terms of the sale are as follows:

a. Certain NPAs of the Parent Company were sold to the SPV and divided into two pools. The sale of the first pool of NPAs with an outstanding balance of ₱11.7 billion was made on December 29, 2006 for a total consideration of ₱11.7 billion.

b. The agreed purchase price of the first pool of NPAs shall be paid as follows:

    i. An initial amount of ₱1.1 billion, which was received in full and acknowledged by the Parent Company on February 14, 2007; and
    ii. The balance of ₱10.6 billion, through issuance of SPV Notes, shall be paid over five (5) years based on a cash flow waterfall arrangement and at an interest equivalent to the 3-month MART prevailing as of the end of the quarter prior to the payment date.

Under the ASPA, the sale of the second pool of NPAs amounting to ₱7.6 billion with allowance for credit losses of ₱5.5 billion became effective in March 2007. The agreed purchase price of this pool of NPAs were paid as follows:

a. An initial amount of ₱751.1 million, which was received in full and acknowledged by the Parent Company on April 26, 2007; and
b. The balance of ₱6.8 billion through issuance of SPV Notes, shall be paid over five (5) years based on a cash flow waterfall arrangement and at an interest equivalent to the 3-month MART prevailing as of the end of the quarter prior to the payment date. In case of insufficiency of funds for payment of the SPV Notes, the buyer of the NPAs, with the consent of the Parent Company, which consent shall not be unreasonably withheld, may write-off the SPV Notes, including all interest, fees and charges outstanding and payable.

As of December 31, 2013 and 2012, receivable from SPV and allowance amounted to ₱0.5 million and ₱258.8 million, respectively.

Miscellaneous
Miscellaneous assets of the Group include postages and refundable deposits.

As of December 31, 2013, miscellaneous assets of the Group include a security fund amounting to ₱0.15 million which is maintained by PNB LII in compliance with Sections 365 and 367 of the Insurance Code. The amount of such fund is determined by and deposited with the IC for the payment of benefit claims against insolvent companies.

16. Allowance for Impairment and Credit Losses

Movements in the allowance for impairment losses on non-financial assets follow:

	Consolidated			Parent Company		
	December 31, 2013	December31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)	**December 31, 2013**	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Balance at beginning of year:						
Property and equipment (Note 10)	**₱237,986**	₱237,624	₱209,142	**₱237,986**	₱237,624	₱209,142
Investments in subsidiaries and associates (Note 11)	**508,978**	–	–	**1,372,532**	503,154	432,644
Investment properties (Note 12)	**3,452,505**	4,003,355	5,334,805	**3,452,505**	4,003,355	5,334,805
Other assets (Note 15)	**859,588**	2,080,300	1,837,969	**854,144**	2,052,638	1,833,943
	5,059,057	6,321,279	7,381,916	**5,917,167**	6,796,771	7,810,534
Provisions (reversals) during the year	**106,431**	(561,791)	(167,685)	**304,732**	(566,471)	(268,376)
Disposals, transfers and others	**(896,944)**	(700,431)	(892,952)	**(1,147,855)**	(313,133)	(745,387)
Balance at end of year:						
Property and equipment (Note 10)	**245,176**	237,986	237,624	**245,176**	237,986	237,624
Investments in subsidiaries and an associates (Note 11)	**–**	508,978	–	**1,012,231**	1,372,532	503,154
Investment properties (Note 12)	**3,218,991**	3,452,505	4,003,355	**3,012,609**	3,452,505	4,003,355
Other assets (Note 15)	**804,377**	859,588	2,080,300	**804,028**	854,144	2,052,638
	₱4,268,544	₱5,059,057	₱6,321,279	**₱5,074,044**	₱5,917,167	₱6,796,771

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Movements in the allowance for impairment and credit losses on financial assets follow:

	Consolidated			Parent Company		
	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)	**December 31, 2013**	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Balance at beginning of year:						
Loans and receivables	**₱13,232,381**	₱12,841,116	₱12,536,390	**₱12,423,138**	₱12,374,367	₱12,201,048
AFS investments	**928,408**	927,488	697,052	**928,408**	927,488	677,619
	14,160,789	13,768,604	13,233,442	**13,351,546**	13,301,855	12,878,667
Provisions during the year	**727,153**	551,233	1,028,082	**649,089**	527,318	1,084,050
Accretion, accounts charged off, transfers and others	**(1,791,943)**	(159,048)	(492,920)	**(1,405,413)**	(477,627)	(660,862)
Balance at end of year:						
Loans and receivables (Note 9)	**12,167,591**	13,232,381	12,841,116	**11,666,814**	12,423,138	12,374,367
AFS investments (Note 8)	**928,408**	928,408	927,488	**928,408**	928,408	927,488
	₱13,095,999	₱14,160,789	₱13,768,604	**₱12,595,222**	₱13,351,546	₱13,301,855

Provision for impairment, credit and other losses consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Provision for impairment	**₱106,431**	(₱561,791)	(₱167,685)	**₱304,732**	(₱566,471)	(₱268,376)
Provision for credit losses*	**727,153**	551,233	1,028,082	**649,089**	527,318	1,084,050
Provision for other losses (Note 33)	**–**	834,259	164,778	**–**	834,259	164,778
	₱833,584	₱823,701	₱1,025,175	**₱953,821**	₱795,106	₱980,452

**This includes provision for impairment on AFS amounting to nil, ₱0.9 million and ₱249.9 million in 2013, 2012 and 2011, respectively.*

Below is the breakdown of provision for (reversal of) credit losses by type of loans and receivable.

	Consolidated					
	December 31, 2013			December 31, 2012		
	Individual Impairment	**Collective Impairment**	**Total**	Individual Impairment	Collective Impairment	Total
Receivable from customers	**₱461,088**	**₱217,486**	**₱678,574**	₱277,248	₱240,000	₱517,248
Unquoted debt securities	**–**	**–**	**–**	186,299	–	186,299
Other receivables	**46,186**	**2,393**	**48,579**	(153,234)	–	(153,234)
	₱507,274	**₱219,879**	**₱727,153**	₱310,313	₱240,000	₱550,313

	Parent Company					
	December 31, 2013			December 31, 2012		
	Individual Impairment	**Collective Impairment**	**Total**	Individual Impairment	Collective Impairment	Total
Receivable from customers	**₱453,028**	**₱160,375**	**₱613,403**	₱256,472	₱240,000	₱496,472
Unquoted debt securities	**–**	**–**	**–**	186,299	–	186,299
Other receivables	**35,543**	**143**	**35,686**	(156,373)	–	(156,373)
	₱488,571	**₱160,518**	**₱649,089**	₱286,398	₱240,000	₱526,398

The movements in allowance for credit losses for loans and receivables by class follow:

	Consolidated December 31, 2013							
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**	**Unquoted Debt Securities**	**Others**	**Total**
Balance at beginning of year	**₱4,631,725**	**₱70,731**	**₱129,653**	**₱561,132**	**₱14,748**	**₱3,958,931**	**₱3,865,461**	**₱13,232,381**
Provisions (reversals) during the year	**469,486**	**–**	**14,400**	**194,689**	**(1)**	**–**	**48,579**	**727,153**
Accretion on impaired loans (Note 9)	**(196,748)**	**(171)**	**(16,261)**	**(74,900)**	**(1,016)**	**–**	**–**	**(289,096)**
Accounts charged off, transfers and others	**(1,208,600)**	**5,869**	**(42,784)**	**(225,418)**	**16,892**	**(275)**	**(48,531)**	**(1,502,847)**
Balance at end of year	**₱3,695,863**	**₱76,429**	**₱85,008**	**₱455,503**	**₱30,623**	**₱3,958,656**	**₱3,865,509**	**₱12,167,591**

	Consolidated							
	December 31, 2012							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Balance at beginning of year	₱4,653,994	₱89,648	₱74,998	₱586,329	₱14,858	₱3,772,632	₱3,648,657	₱12,841,116
Provisions (reversals) during the year	424,835	(18,748)	78,800	31,413	948	186,299	(153,234)	550,313
Accretion on impaired loans (Note 9)	(261,780)	(169)	(24,145)	(15,731)	(953)	–	–	(302,778)
Accounts charged off, transfers and others	(185,324)	–	–	(40,879)	(105)	–	370,038	143,730
Balance at end of year	₱4,631,725	₱70,731	₱129,653	₱561,132	₱14,748	₱3,958,931	₱3,865,461	₱13,232,381

	Parent Company							
	December 31, 2013							
	Business Loans	**GOCCs and NGAs**	**LGUs**	**Consumers**	**Fringe Benefits**	**Unquoted Debt Securities**	**Others**	**Total**
Balance at beginning of year	**₱4,512,158**	**₱70,731**	**₱129,653**	**₱545,143**	**₱14,743**	**₱3,958,931**	**₱3,191,779**	**₱12,423,138**
Provisions (reversals) during the year	**404,436**	–	**14,400**	**194,567**	–	–	**35,686**	**649,089**
Accretion on impaired loans (Note 9)	**(196,748)**	**(171)**	**(16,261)**	**(74,900)**	**(1,016)**	–	–	**(289,096)**
Accounts charged off, transfers and others	**(1,224,118)**	**5,869**	**(42,784)**	**(238,868)**	**16,893**	**(275)**	**366,966**	**(1,116,317)**
Balance at end of year	**₱3,495,728**	**₱76,429**	**₱85,008**	**₱425,942**	**₱30,620**	**₱3,958,656**	**₱3,594,431**	**₱11,666,814**

	Parent Company							
	December 31, 2012							
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits	Unquoted Debt Securities	Others	Total
Balance at beginning of year	₱4,371,740	₱89,648	₱74,998	₱527,603	₱14,745	₱3,772,632	₱3,523,001	₱12,374,367
Provisions (reversals) during the year	402,197	(18,748)	78,800	33,271	952	186,299	(156,373)	526,398
Accretion on impaired loans (Note 9)	(261,779)	(169)	(24,145)	(15,731)	(954)	–	–	(302,778)
Accounts charged off, transfers and others	–	–	–	–	–	–	(174,849)	(174,849)
Balance at end of year	₱4,512,158	₱70,731	₱129,653	₱545,143	₱14,743	₱3,958,931	₱3,191,779	₱12,423,138

The movements in allowance for credit and impairment losses on AFS investments and receivable from SPV (included under 'Other Assets') for the Group and the Parent Company follow:

	Consolidated					
	December 31, 2013		December 31, 2012 (As Restated – Note 2)		January 1, 2012 (As Restated – Note 2)	
	AFS Investments-Equity Securities	**Receivable from SPV**	AFS Investments-Equity Securities	Receivable from SPV	AFS Investments-Equity Securities	Receivable from SPV
Balance at beginning of year	**₱928,408**	**₱258,848**	₱927,488	₱833,848	₱697,052	₱736,624
Provisions during the year	–	–	920	(575,000)	249,869	97,224
Disposals, transfers and others	–	**(258,348)**	–	–	(19,433)	–
Balance at end of year	**₱928,408**	**₱500**	₱928,408	₱258,848	₱927,488	₱833,848

	Parent Company					
	December 31, 2013		December 31, 2012 (As Restated – Note 2)		January 1, 2012 (As Restated – Note 2)	
	AFS Investments-Equity Securities	**Receivable from SPV**	AFS Investments-Equity Securities	Receivable from SPV	AFS Investments-Equity Securities	Receivable from SPV
Balance at beginning of year	**₱928,408**	**₱258,848**	₱927,488	₱833,848	₱677,619	₱736,624
Provisions during the year	–	–	920	(575,000)	249,869	97,224
Disposals, transfers and others	–	**(258,348)**	–	–	–	–
Balance at end of year	**₱928,408**	**₱500**	₱928,408	₱258,848	₱927,488	₱833,848

(Amounts In Thousands Pesos Except When Otherwise Indicated)

17. Deposit Liabilities

Of the total deposit liabilities of the Parent Company, ₱26.1 billion and ₱12.9 billion are noninterest-bearing as of December 31, 2013 and 2012, respectively. Remaining deposit liabilities generally earned annual fixed interest rates ranging from 0.02% to 2.53% in 2013, from 0.09% to 2.55% in 2012 and from 0.20% to 7.00% in 2011 for foreign currency-denominated deposit liabilities, and from 0.11% to 5.59% in 2013, from 0.25% to 4.32% in 2012 and from 0.50% to 10.00% in 2011 for peso-denominated deposit liabilities.

On March 29, 2012, BSP issued Circular No. 753 which provides for the unification of the statutory and liquidity reserve requirement, non-remuneration of the unified reserve requirement, exclusion of cash in vault and demand deposits as eligible forms of reserve requirement compliance, and reduction in the unified reserve requirement ratios.

Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company and ASB are subject to reserves equivalent to 18.00% and 6.00%, respectively. Available reserves follow:

	2013	2012
Due from BSP	**₱63,556,710**	₱36,531,047
AFS investments	**–**	6,965,950
Unquoted debt securities	**2,741,000**	3,092,529
	₱66,297,710	₱46,589,526

As of December 31, 2013 and 2012, the Parent Company and ASB were in compliance with such regulations.

<u>Long-term Negotiable Certificates of Time Deposits</u>
Time deposit includes the following Long-term Negotiable Certificates of Time Deposits (LTNCDs) issued by the Parent Company:

Issue Date	Maturity Date	Face Value	Carrying Value	Coupon Rate	Interest Repayment Terms
October 21, 2013	April 22, 2019	₱4,000,000	₱3,971,075	3.25%	Quarterly
August 5, 2013	February 5, 2019	₱5,000,000	₱4,968,004	3.00%	Quarterly
November 18, 2011	February 17, 2017	₱3,100,000	₱3,086,513	5.18%	Quarterly
October 22, 2009	October 23, 2014	₱3,500,000*	₱3,582,808	7.00%	Quarterly
March 25, 2009	March 31, 2014	₱3,250,000	₱3,248,369	6.50%	Quarterly

**Acquired from business combination*

Other significant terms and conditions of the above LTNCDs follow:

(1) Issue price at 100.00% of the face value of each LTNCD.

(2) The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be).

Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

(3) Unless earlier redeemed, the LTNCDs shall be redeemed by the Parent Company on maturity date at an amount equal to one hundred percent (100%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.

(4) The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of the Parent Company, enforceable according to these Terms and Conditions, and shall at all times rank paripassu and without any preference or priority among themselves and at least paripassu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

(5) Subject to the "Events of Default" in the Terms and Conditions, the LTNCDs cannot be pre-terminated at the instance of any CD Holder before Maturity Date. In the case of an event of default, none of the CD Holders may accelerate the CDs on behalf of other CD Holders, and a CD Holder may only collect from the Parent Company to the extent of his holdings in the CDs. However, the Parent Company may, subject to the General Banking Law of 2000, Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus interest accrued and unpaid up to but excluding the Early Redemption Date.

(6) The LTNCDs are insured by the PDIC up to a maximum amount of ₱500,000 subject to applicable laws, rules and regulations, as the same may be amended from time to time.

(7) Each Holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Savings	**₱2,596,914**	₱2,556,648	₱3,255,308	**₱2,563,616**	₱2,556,682	₱3,255,308
LTNCDs	**592,205**	380,515	236,251	**592,205**	380,515	236,251
Time	**337,243**	90,991	369,254	**296,579**	102,662	368,640
Demand	**129,019**	71,628	150,642	**116,634**	72,657	150,642
	₱3,655,381	₱3,099,782	₱4,011,455	**₱3,569,034**	₱3,112,516	₱4,010,841

In 2013, 2012 and 2011, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱19.4 million, ₱9.5 million and ₱14.6 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱81.8 million and ₱25.2 million as of December 31, 2013 and 2012, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

This account consists of :

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Designated at FVPL				
Segregated fund liabilities	**₱7,911,794**	₱–	**₱–**	₱–
Subordinated notes	–	6,196,070	–	6,196,070
Derivative liabilities (Notes 23 and 34)	**163,101**	283,751	**163,084**	283,751
	₱8,074,895	₱6,479,821	**₱163,084**	₱6,479,821

(Amounts In Thousands Pesos Except When Otherwise Indicated)

As of December 31, 2013, the balance of segregated fund liabilities consists of:

Segregated funds (Note 7)	₱7,861,688
Additional subscriptions	50,106
Segregated fund liabilities	₱7,911,794

As of December 31, 2012, financial liability designated at FVPL represents the ₱6.0 billion subordinated note due in 2018 which was issued by the Parent Company on June 19, 2008. The subordinated note is part of a group of financial instruments that together are managed on a fair value basis, in accordance with the Parent Company's documented risk management and investment strategy.

Among the significant terms and conditions of the issuance of such 2008 Notes are:

(1) Issue price at 100.00% of the principal amount;

(2) The 2008 Notes bear interest at the rate of 8.50% per annum from and including June 19, 2008 to but excluding June 19, 2013. Interest will be payable quarterly in arrears on the 19th of March, June, September and December of each year, commencing on September 19, 2008. Unless the 2008 Notes are previously redeemed, interest from and including June 19, 2013 to but excluding June 19, 2018 will be reset at the equivalent of the higher of (i) five-year PDST-F Fixed Rate Treasury Notes (FXTN) as of reset date multiplied by 80.00%, plus a step-up spread of 2.0123% per annum or (ii) difference of interest rate and five-year PDST-F FXTN as of issue date multiplied by 150% plus five-year PDST-F FXTN as of reset date, and such step-up interest rate shall be payable quarterly in arrears on 19th of March, June, September and December of each year, commencing on September 19, 2013. The 2008 Notes will mature on June 19, 2018, if not redeemed earlier;

(3) The 2008 Notes constitute direct, unconditional, unsecured and subordinated obligations of the Parent Company and at all times rank pari passu without preference among themselves and at least equally with all other present and future unsecured and subordinated obligations of the Parent Company;

(4) The Parent Company may redeem the 2008 Notes in whole but not in part at a redemption price equal to 100.00% of the principal amount together with accrued and unpaid interest on the day following the last day of the twentieth (20th) interest period from issue date, subject to the prior consent of the BSP and the compliance by the Parent Company with the prevailing requirements for the granting by the BSP of its consent thereof. The 2008 Notes may not be redeemed at the option of the noteholders; and

(5) Each noteholder, by accepting the 2008 Notes, irrevocably agrees and acknowledges that: (i) it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2008 Notes; and (ii) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

On June 18, 2013, the Parent Company exercised its option to redeem the 2008 Notes at its face value.

19. Bills and Acceptances Payable

This account consists of:

	Consolidated		Parent Company	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Bills payable to:				
BSP and local banks (Note 32)	**₱8,696,511**	₱6,998,633	**₱7,954,485**	₱6,940,295
Foreign banks	**1,598,370**	2,870,946	**1,992,874**	2,571,194
Others	**2,512,823**	3,173,463	**3,172,824**	3,173,463
	12,807,704	13,043,042	**13,120,183**	12,684,952
Acceptances outstanding	**364,293**	33,859	**364,293**	33,859
	₱13,171,997	₱13,076,901	**₱13,484,476**	₱12,718,811

As of December 31, 2013, the annual interest rates range from 0.12% to 0.99% for foreign currency-denominated borrowings, and from 1.09% to 3.50% for peso-denominated borrowings of the Group and of the Parent Company.

As of December 31, 2012, the annual interest rates range from 0.06% to 1.77% for foreign currency-denominated borrowings, and from 0.03% to 12.00% for peso-denominated borrowings of the Group and of the Parent Company.

As of December 31, 2011, the annual interest rates range from 0.06% to 1.75% for foreign currency-denominated borrowings, and from 1.87% to 12.00% for peso-denominated borrowings of the Group and of the Parent Company.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.7 billion and ₱1.6 billion as of December 31, 2013 and 2012, respectively (see Note 9).

Bills payable includes funding from the Social Security System under which the Parent Company acts as a conduit for certain financing programs of these institutions. Lending to such programs is shown under 'Loans and receivables'.

As of December 31, 2013 and 2012, bills payable with a carrying value of ₱2.2 billion and ₱3.0 billion is secured by a pledge of certain AFS investments with fair value of ₱2.5 billion and ₱2.8 billion, respectively. Refer to Note 8 for further details.

As of December 31, 2013, bills payable under the BSP rediscounting facility with a carrying value of ₱112.6 million is secured by a pledge of loans and certain AFS investments with fair values of ₱219.3 million and ₱2.4 billion, respectively. As of December 31, 2012, bills payable under the BSP rediscounting facility with a carrying value of ₱1.9 billion and ₱1.0 billion is secured by a pledge of loans amounting to ₱2.0 billion and certain AFS investments with face value of ₱2.6 billion, respectively. Refer to Notes 8 and 9 for further details.

Following are the significant terms and conditions of the repurchase agreements entered into by the Parent Company:

(1) Each party represents and warrants to the other that it is duly authorized to execute and deliver the Agreement, and to perform its obligations and has taken all the necessary action to authorize such execution, delivery and performance;
(2) The term or life of this borrowing is up to one year;
(3) Some borrowings bear a fixed interest rate while others have floating interest rate;

(Amounts In Thousands Pesos Except When Otherwise Indicated)

(4) The Parent Company has pledged its AFS investments, in the form of US Treasury Notes and ROP Global bonds, in order to fulfill its collateral requirement;
(5) Haircut from market value ranges from 20.00% to 30.00% depending on the tenor of the bond;
(6) Substitution of pledged securities is allowed if one party requested and the other one so agrees.

Interest expense on bills payable and other borrowings consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Subordinated debt* (Note 21)	**₱923,229**	₱1,091,512	₱1,102,495	**₱923,229**	₱1,091,512	₱1,102,495
Bills payable	**135,167**	188,603	149,104	**91,805**	132,306	107,999
Others	**17,717**	5,005	5,650	**12,090**	3,872	4,634
	₱1,076,113	₱1,285,120	₱1,257,249	**₱1,027,124**	₱1,227,690	₱1,215,128

* Consist of interest on subordinated debt at amortized cost and designated at FVPL

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Interest	**₱2,046,846**	₱1,987,231	**₱2,019,248**	₱1,988,623
Other benefits - monetary value of leave credits	**975,814**	508,719	**948,605**	496,807
Management, directors and other professional fees (Note 32)	**472,968**	52,583	**424,383**	48,794
PDIC insurance premiums	**446,717**	264,294	**437,717**	264,294
Employee benefits	**319,520**	373,638	**268,196**	333,277
Information technology-related expenses	**239,308**	175,901	**235,238**	174,670
Other taxes and licenses	**205,506**	170,797	**118,008**	99,756
Promotional expense	**185,457**	33,167	**166,934**	33,167
Rent and utilities expenses	**162,889**	38,206	**154,871**	38,206
Reinstatement premium	**152,734**	–	**–**	–
Other expenses	**315,764**	309,754	**235,963**	243,175
	₱5,523,523	₱3,914,290	**₱5,009,163**	₱3,720,769

‘Other expenses’ include janitorial, security, repairs and maintenance, representation and entertainment, communication and other operating expenses.

21. Subordinated Debt

5.88% ₱3.5 Billion Subordinated Notes
On May 9, 2012 , the Parent Company’s BOD approved the issuance of unsecured subordinated notes of ₱3.5 billion that qualify as Lower Tier 2 capital.

The 2012 Notes which bear nominal interest of 5.88% and due in 2022 was issued pursuant to the authority granted by the BSP to the Bank on May 27, 2011. EIR on this note is 6.04%.

Among the significant terms and conditions of the issuance of such 2012 Notes are:

(1) Issue price at 100.00% of the principal amount;

(2) The 2012 Notes bear interest at the rate of 5.88% per annum from and including May 09, 2012 to but excluding May 09, 2022. Interest will be payable quarterly in arrears on the 9th of August, November, February and June of each year, commencing on May 09, 2012, unless the 2012 Notes are previously redeemed at their principal amount on Maturity date or May 09, 2022. The stepped-up interest will be payable quarterly in arrears on 9th of August, November, February and May of each year, commencing on May 09, 2012;

(3) The 2012 Notes constitute direct, unconditional, unsecured and subordinated obligations of the Parent Company and at all times rank pari passu without preference among themselves and at least equally with all other present and future unsecured and subordinated obligations of the Parent Company;

(4) The Parent Company may redeem the 2012 Notes in whole but not in part at a redemption price equal to 100.00% of the principal amount together with accrued and unpaid interest on the day following the last day of the fifteenth (15th) interest period from issue date, subject to the prior consent of the BSP and the compliance by the Bank with the prevailing requirements for the granting by the BSP of its consent thereof. The 2012 Notes may not be redeemed at the option of the noteholders; and

(5) Each noteholder, by accepting the 2012 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2012 Notes.

<u>6.75% ₱6.5 Billion Subordinated Notes</u>
On May 15, 2011, the Parent Company's BOD approved the issuance of unsecured subordinated notes of ₱6.5 billion that qualify as Lower Tier 2 capital.

The 2011 Notes which bear nominal interest of 6.75% and due in 2021, pursuant to the authority granted by the BSP to the Bank on May 27, 2011. EIR on this note is 6.94%.

Among the significant terms and conditions of the issuance of such 2011 Notes are:

(1) Issue price at 100.00% of the principal amount;

(2) The 2011 Notes bear interest at the rate of 6.75% per annum from and including June 15, 2011 to but excluding June 15, 2021. Interest will be payable quarterly in arrears on the 15th of September, December, March and June of each year, commencing on June 15, 2011, unless the 2011 Notes are previously redeemed at their principal amount on Maturity date or June 15, 2021. Interest will be payable quarterly in arrears on 15th of September, December, March and June of each year, commencing on June 15, 2011;

(3) The 2011 Notes constitute direct, unconditional, unsecured and subordinated obligations of the Parent Company and at all times rank pari passu without preference among themselves and at least equally with all other present and future unsecured and subordinated obligations of the Parent Company;

(Amounts In Thousands Pesos Except When Otherwise Indicated)

(4) The Parent Company may redeem the 2011 Notes in whole but not in part at a redemption price equal to 100.00% of the principal amount together with accrued and unpaid interest on the day following the last day of the fifteenth (15th) interest period from issue date, subject to the prior consent of the BSP and the compliance by the Bank with the prevailing requirements for the granting by the BSP of its consent thereof. The 2011 Notes may not be redeemed at the option of the noteholders; and

(5) Each noteholder, by accepting the 2011 Notes, irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed by the Parent Company arising under or in connection with the 2011 Notes.

<u>7.13% ₱4.5 Billion Subordinated Notes</u>
On July 25, 2007, the BOD of the Parent Company approved and authorized the management to conduct capital raising activity by way of issuance of Lower Tier 2 capital up to the maximum amount of ₱5.0 billion through a public offering subject to the provisions of BSP Circular No. 280 and BSP Memorandum to all banks and financial institutions dated February 17, 2003.

The issuance of the foregoing subordinated debt was approved by the MB in its Resolution No. 98 dated January 24, 2008.

Relative to this, on March 6, 2008, the Parent Company issued ₱4.5 billion, 7.13% Subordinated Notes due on 2018, callable with step-up in 2013. Among the significant terms and conditions of the issuance of the subordinated notes are:

(1) Issue price is at 100.00% of the Principal amount.

The Subordinated Notes bear interest at 7.13% per annum, payable to the noteholder for the period from and including the issue date up to the maturity date if the call option is not exercised on the call option date. Interest shall be payable quarterly in arrears on March 6, June 6, September 6 and December 6 of each year, commencing June 6, 2008. The Subordinated Notes will mature on March 6, 2018, if not redeemed earlier.

(2) The Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Parent Company. The Subordinated Notes will, at all times, rank pari passu and without any preference among themselves, but in priority to the rights and claims of holders of all classes of equity securities of the Parent Company, including holders of preferences shares.

(3) The Parent Company may redeem the notes in whole, but not in part, at a redemption price equal to 100.00% of the principal amount of the Notes together with accrued and unpaid interest at first banking day after the 20th interest period from issue date subject to at least 30-day prior written notice to noteholders and prior approval of the BSP, subject to the following conditions: (i) the capital adequacy ratio of the Parent Company is at least equal to the required minimum ratio; and (ii) the Subordinated Note is simultaneously replaced with the issues of new capital which are neither smaller in size nor lower in quality than the Subordinated Notes.

(4) The Subordinated Note shall not be redeemable or terminable at the instance of any noteholder before maturity date.

On March 6, 2013, the 2018 Notes were redeemed by the Parent Company at its face value.

As of December 31, 2013 and 2012, the unamortized transaction cost of subordinated debt amounted to ₱46.3 million and ₱61.2 million, respectively.

In 2013, 2012 and 2011, amortization of transaction costs amounting to ₱14.8 million, ₱12.2 million and ₱18.0 million, respectively, were charged to 'Interest expense - bills payable and other borrowings' in the statements of income.

22. Other Liabilities

This account consists of:

	Consolidated			Parent Company		
	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)	**December 31, 2013**	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Insurance contract liabilities	**₱11,546,043**	₱2,623,901	₱1,612,946	**₱–**	₱–	₱–
Accounts payable	**8,665,432**	4,693,074	3,659,636	**8,127,279**	4,513,263	4,044,557
Bills purchased - contra (Note 9)	**3,417,082**	2,553,891	2,296,039	**3,403,791**	2,553,891	2,296,039
Retirement benefit liability (Note 27)	**3,388,863**	1,854,458	2,095,205	**3,323,955**	1,823,344	2,030,924
Provisions (Note 33)	**1,582,081**	1,575,433	874,950	**1,582,081**	1,575,433	874,950
Manager's checks and demand drafts outstanding	**1,028,301**	623,621	475,041	**1,021,982**	623,621	475,041
Reserve for unearned premiums	**576,889**	509,488	458,178	**–**	–	–
Deposits on lease contracts	**536,088**	487,770	429,487	**33,795**	–	–
Accounts payable - electronic money	**450,585**	379,981	396,162	**450,585**	–	–
Other dormant credits	**437,715**	252,218	275,030	**436,555**	252,218	275,030
Margin deposits and cash letters of credit	**393,006**	31,358	212,390	**347,253**	31,358	212,390
Deferred tax liabilities (Note 29)	**349,472**	3,873	20,873	**224,678**	–	–
Due to TOP	**311,387**	290,649	220,053	**311,363**	290,649	220,053
Withholding tax payable	**211,529**	127,123	137,215	**198,928**	119,687	137,215
Payment order payable	**194,628**	174,406	152,810	**194,628**	174,406	152,810
Commission payable	**128,984**	–	–	**–**	–	–
Due to BSP	**117,821**	102,616	102,965	**117,821**	102,616	102,965
Transmission liability	**90,005**	–	–	**–**	–	–
Sundry credits	**66,457**	26,535	180	**30,949**	–	180
Due to other banks	**58,288**	142,212	98,671	**157,825**	351,061	346,159
Advanced rentals on building, bank premises and equipment	**41,187**	1,652	1,503	**41,187**	–	–
Unapplied advances	**37,419**	–	–	**37,419**	–	–
Unearned income	**33,451**	–	–	**–**	–	–
SSS, Philhealth, Employer's Compensation Premiums and Pag-IBIG Contributions Payable	**30,014**	15,742	15,129	**24,647**	–	–
Deposit for keys on safety deposit boxes	**13,764**	4,941	4,917	**13,764**	–	–
Deferred credits	**12,238**	181,473	207,484	**12,238**	181,473	207,484
Overages	**3,549**	458	769	**3,490**	–	–
Miscellaneous	**1,307,648**	628,378	920,606	**1,026,310**	805,863	768,798
	₱35,029,926	₱17,285,251	₱14,668,239	**₱21,122,523**	₱13,398,883	12,144,595

Miscellaneous liabilities of the Group and the Parent Company include interoffice floats, contribution and payments for compensation premiums and remittance - related payable.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

23. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments entered into by the Group, recorded as derivative assets or derivative liabilities, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2013 and 2012 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated			
	December 31, 2013			
	Assets	Liabilities	Average Forward Rate	Notional Amount*
Freestanding derivatives:				
Currency forwards				
BUY:				
USD	₱61,867	₱1,198	₱43.36	126,462
JPY	98	113	0.01	15,000
EUR	76	673	1.36	989
SGD	23	-	35.02	1,200
GBP	-	26	1.64	102
CAD	-	4	1.07	1,065
SELL:				
USD	1,293	136,372	43.74	264,471
JPY	329	321	0.43	477,776
GBP	97	1,257	1.64	5,100
EUR	79	1,240	1.36	5,447
CAD	67	–	1.00	2,365
AUD	54	–	0.89	250
HKD	25	–	7.75	158,946
CHF	23	–	1.12	400
SGD	–	885	0.79	6,200
Interest rate swaps (Php)	28,803	21,012		62,680
Warrants	165,863	–	–	13,603
	₱258,697	₱163,101		

	Parent Company			
	December 31, 2013			
	Assets	Liabilities	Average Forward Rate	Notional Amount*
Freestanding derivatives:				
Currency forwards				
BUY:				
USD	₱61,867	₱1,198	₱43.36	126,462
JPY	73	113	0.01	15,000
EUR	76	673	1.36	989
SGD	23	-	35.02	1,200
GBP	-	26	1.64	102
CAD	-	4	1.07	1,065
SELL:				
USD	1,259	136,372	43.74	264,468
JPY	329	321	0.43	477,776
GBP	97	1,257	1.64	5,100
EUR	79	1,223	1.36	5,447
CAD	67	–	1.00	2,365
AUD	54	–	0.89	250
CHF	23	–	1.12	400
SGD	–	885	0.79	1,200
Interest rate swaps (Php)	28,803	21,012		62,680
Warrants	165,863	–	–	13,603
	₱258,613	₱163,084		

	Consolidated and Parent Company			
	December 31, 2012			
	Assets	Liabilities	Average Forward Rate	Notional Amount*
Freestanding derivatives:				
Currency forwards				
BUY:				
JPY	₱–	₱3,706	₱0.49	300,000
USD	20	185,391	42.01	165,043
EUR	–	2	54.48	63
SGD	74	–	33.65	1,958
SELL				
USD	25,214	10,400	41.11	285,064
EUR	–	43	54.18	800
SGD	–	73	33.65	1,958
AUD	430	–	43.15	700
JPY	983	573	0.48	540,000
CHF	10	24	45.05	1,050
GBP	133	23	66.11	1,790
CAD	208	–	41.39	510
HKD	–	2	5.30	200
SEK	–	4	6.32	300
Cross currency swaps (CCS)	201,970	–		86,000
Interest rate swaps (Php)	162,556	83,510		6,109,000
Warrants	59,044	–		262
Embedded derivatives:				
Credit default swaps (USD)	3,859	–		47,500
	₱454,501	₱283,751		

* The notional amounts pertain to the original currency except for the Embedded derivatives, which represent the equivalent USD amounts.

In May and June of 2008, the Parent Company entered into CCS agreements with various counterparty banks in which the proceeds from the 2008 Notes were swapped for USD. The aggregate notional amount of the CCS is USD185.0 million or ₱8.1 billion while its net positive fair value amounted to ₱37.4 million as of December 31, 2010. The Parent Company renewed some of these agreements with various counterparty banks in May and June of 2011 with terms to maturities of two years. The aggregate notional amount of these CCS is USD79.0 million or ₱3.4 billion while its positive fair value amounted to ₱190.3 million as of December 31, 2012.

On June 21, 2011, the Parent Company entered into a CCS agreement with a notional amount of USD7.0 million or ₱299.0 million and will mature on June 17, 2013. Proceeds of the 2011 Notes were swapped for USD. As of December 31, 2012, its positive fair value amounted to ₱11.7 million. In order to fulfill collateral requirements, the Parent Company has pledged its cash amounting to USD2.0 million or ₱85.4 million as of December 31, 2012.

As of December 31, 2013 and 2012, the Parent Company holds 306,405 shares of ROP Warrants Series B1 at their fair value of USD3.0 million and USD2.1 million, respectively.

Embedded derivatives that have been bifurcated are credit derivatives in structured notes presented under other debt securities under AFS investments with a notional reference of USD47.5 million and with positive fair value of ₱3.9 million as of December 31, 2012. The structured notes and the related credit default swap matured on May 1, 2013.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

The table below shows the rollforward analysis of net derivatives assets (liabilities) as of December 31, 2013 and 2012 (in millions):

	2013	2012
Balance at beginning of year	**₱171**	₱283
Changes in fair value	**29**	82
Settlements	**(104)**	(194)
	₱96	₱171

The changes in fair value of currency forwards amounted to a gain of ₱185.1 million in 2013 and loss of ₱231.3 million and ₱17.9 million in 2012 and 2011, respectively, are included in 'Foreign exchange gains - net' in the statements of income.

The changes in fair value of swaps and warrants amounted to a loss of ₱156.3 million in 2013, gain of ₱312.8 million in 2012 and a loss of ₱16.4 million are included in 'Trading and investment and securities - gain' in the statements of income.

24. Maturity Analysis of Assets and Liabilities

The following table shows an analysis of assets and liabilities of the Group and Parent Company analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	Consolidated		
	December 31, 2013		
	Less than Twelve Months	Over Twelve Months	Total
Financial Assets			
COCI	₱11,804,746	₱–	₱11,804,746
Due from BSP	153,169,330	–	153,169,330
Due from other banks	14,682,762	198,779	14,881,541
Interbank loans receivable	8,405,250	–	8,405,250
Financial assets at FVPL	11,709,348	–	11,709,348
AFS investments - gross (Note 8)	4,905,109	76,327,448	81,232,557
Receivable from customers - gross (Note 9)	96,740,733	156,590,749	253,331,482
Unquoted debt securities classified as loans (Note 9)	4,672,968	6,581,219	11,254,187
Other receivables - gross (Note 9)	22,068,922	494,262	22,563,184
	328,159,168	240,192,457	₱568,351,625
Nonfinancial Assets			
Property and equipment - net			
At cost	–	1,463,308	1,463,308
At revalued amount	–	21,155,051	21,155,051
Investment properties - net	–	21,452,962	21,452,962
Deferred tax assets	–	253,946	253,946
Goodwill (Note 14)	–	13,375,407	13,375,407
Intangible assets (Note 14)	–	2,378,040	2,378,040
Residual value of leased assets	–	404,771	404,771
Other assets - gross (Note 15)	–	4,240,732	4,240,732
	–	64,724,217	64,724,217
Less: Allowance for impairment and credit losses (Note 16)			13,900,376
Unearned and other deferred income (Note 9)			1,109,950
			15,010,326
	₱328,159,168	₱304,916,674	₱618,065,516

(Forward)

	Consolidated		
	December 31, 2013		
	Less than Twelve Months	**Over Twelve Months**	**Total**
Financial Liabilities			
Deposit liabilities	**₱451,006,590**	**₱11,358,858**	**₱462,365,448**
Financial liabilities at FVPL	**142,089**	**7,932,806**	**8,074,895**
Bills and acceptances payable	**11,423,153**	**1,748,844**	**13,171,997**
Subordinated debt	**–**	**9,953,651**	**9,953,651**
Accrued interest payable (Note 20)	**2,041,942**	**4,904**	**2,046,846**
Other liabilities (Note 22):			
Insurance contract liabilities	**6,587,131**	**4,958,912**	**11,546,043**
Accounts payable	**8,615,432**	**50,000**	**8,665,432**
Bills purchased - contra	**3,417,082**	**–**	**3,417,082**
Managers' checks and demand drafts outstanding	**1,028,301**	**–**	**1,028,301**
Deposit on lease contracts	**58,010**	**478,078**	**536,088**
Payment order payable	**194,628**	**–**	**194,628**
Margin deposits and cash letters of credit	**393,006**	**–**	**393,006**
Due to TOP	**–**	**311,387**	**311,387**
Due to other banks	**58,288**	**–**	**58,288**
Due to BSP	**117,821**	**–**	**117,821**
Other liabilities	**644,733**	**4,216,426**	**4,861,159**
	485,728,206	**41,013,866**	**526,742,072**
Nonfinancial Liabilities			
Accrued taxes and other expenses (Note 20)	**3,473,309**	**3,368**	**3,476,677**
Income tax payable	**48,448**	**–**	**48,448**
Other liabilities	**325,092**	**3,575,599**	**3,900,691**
	3,846,849	**3,578,967**	**7,425,816**
	₱489,575,055	**₱44,592,833**	**₱534,167,888**

	Consolidated		
	December 31, 2012		
	Less than Twelve Months	Over Twelve Months	Total
Financial Assets			
COCI	₱5,599,088	₱–	₱5,599,088
Due from BSP	37,175,399	–	37,175,399
Due from other banks	4,042,769	–	4,042,769
Interbank loans receivable	11,498,756	–	11,498,756
Securities held under agreements to resell	18,300,000	–	18,300,000
Financial assets at FVPL	4,023,065	–	4,023,065
AFS investments - gross (Note 8)	4,449,652	63,476,235	67,925,887
Receivable from customers - gross (Note 9)	45,314,788	87,465,430	132,780,218
Unquoted debt securities classified as loans (Note 9)	3,997,264	3,820,935	7,818,199
Other receivables - gross (Note 9)	17,446,003	–	17,446,003
	151,846,784	154,762,600	306,609,384
Nonfinancial Assets			
Property and equipment - net			
At cost	–	937,075	937,075
At revalued amount	–	15,566,650	15,566,650
Investments in a subsidiary and an associate - net	–	2,391,255	2,391,255
Investment properties - net	–	15,493,026	15,493,026
Deferred tax assets	–	1,780,682	1,780,682
Intangible assets (Note 14)	–	377,022	377,022
Residual value of leased asset	–	329,243	329,243
Other assets - gross (Note 15)	2,434,060	203,348	2,637,408
	2,434,060	37,078,301	39,512,361
Less: Allowance for impairment and credit losses (Note 16)			15,020,377
Unearned and other deferred income (Note 9)			910,617
			15,930,994
	₱154,280,844	₱191,840,901	₱330,190,751

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Consolidated		
	December 31, 2012		
	Less than Twelve Months	Over Twelve Months	Total
Financial Liabilities			
Deposit liabilities	₱223,150,780	₱17,703,597	₱240,854,377
Financial liabilities at FVPL	6,479,821	–	6,479,821
Bills and acceptances payable	12,768,365	308,536	13,076,901
Subordinated debt	–	9,938,816	9,938,816
Accrued interest payable (Note 20)	1,987,231	–	1,987,231
Other liabilities (Note 22):			
Accounts payable	4,693,074	–	4,693,074
Insurance contract liabilities	2,623,901	–	2,623,901
Bills purchased - contra	2,553,891	–	2,553,891
Managers' checks and demand drafts outstanding	623,621	–	623,621
Deposit on lease contracts	180,700	307,070	487,770
Due to TOP	–	290,649	290,649
Payment order payable	174,406	–	174,406
Due to other banks	142,212	–	142,212
Margin deposits and cash letters of credit	31,358	–	31,358
Due to BSP	102,616	–	102,616
Other liabilities	384,924	983,498	1,368,422
	255,896,900	29,532,166	285,429,066
Nonfinancial Liabilities			
Accrued taxes and other expenses (Note 20)	557,914	1,369,145	1,927,059
Income tax payable	149,050	–	149,050
Other liabilities	1,389,294	2,804,037	4,193,331
	2,096,258	4,173,182	6,269,440
	₱257,993,158	₱33,705,348	₱291,698,506

	Parent Company		
	December 31, 2013		
	Less than Twelve Months	**Over Twelve Months**	**Total**
Financial Assets			
COCI	**₱9,700,005**	**₱–**	**₱9,700,005**
Due from BSP	**146,079,249**	**–**	**146,079,249**
Due from other banks	**6,146,134**	**–**	**6,146,134**
Interbank loans receivable	**8,405,250**	**–**	**8,405,250**
Securities held under agreements to resell	**–**	**–**	**–**
Financial assets at FVPL	**3,845,673**	**–**	**3,845,673**
AFS investments - gross (Note 8)	**3,517,647**	**70,130,183**	**73,647,830**
Receivable from customers - gross (Note 9)	**90,374,926**	**150,656,944**	**241,031,870**
Unquoted debt securities classified as loans (Note 9)	**4,585,126**	**6,286,439**	**10,871,565**
Other receivables - gross (Note 9)	**15,718,823**	**310,328**	**16,029,151**
	288,372,833	**227,383,894**	**515,756,727**
Nonfinancial Assets			
Property and equipment - net			
At cost	**–**	**1,167,115**	**1,167,115**
At appraised value	**–**	**20,575,338**	**20,575,338**
Investments in subsidiaries and an associate - net	**–**	**13,479,418**	**13,479,418**
Investment properties - net	**–**	**21,224,934**	**21,224,934**
Deferred tax assets	**–**	**–**	**–**
Intangible assets (Note 14)	**–**	**2,280,136**	**2,280,136**
Goodwill (Note 14)	**–**	**13,515,765**	**13,515,765**
Other assets - gross (Note 15)	**–**	**3,614,206**	**3,614,206**
	–	**75,856,912**	**75,856,912**
Less: Allowance for impairment and credit losses (Note 16)			**13,399,250**
Unearned and other deferred income (Note 9)			**830,242**
			14,229,492
	₱288,372,833	**₱303,240,806**	**₱577,384,147**

(Forward)

	Parent Company		
	December 31, 2013		
	Less than Twelve Months	**Over Twelve Months**	**Total**
Financial Liabilities			
Deposit liabilities	**₱436,727,134**	**₱11,705,381**	**₱448,432,515**
Financial liabilities at FVPL	**142,072**	**21,012**	**163,084**
Bills and acceptances payable	**11,735,632**	**1,748,844**	**13,484,476**
Subordinated debt	**–**	**9,953,651**	**9,953,651**
Accrued interest payable (Note 20)	**384,448**	**1,634,800**	**2,019,248**
Other liabilities (Note 22):			
Accounts payable	**8,127,279**	**–**	**8,127,279**
Bills purchased - contra	**3,403,791**	**–**	**3,403,791**
Due to other banks	**157,825**	**–**	**157,825**
Managers' checks and demand drafts outstanding	**1,021,982**	**–**	**1,021,982**
Payment order payable	**194,628**	**–**	**194,628**
Due to TOP	**311,363**	**–**	**311,363**
Margin deposits and cash letters of credit	**347,253**	**–**	**347,253**
Due to BSP	**117,821**	**–**	**117,821**
Other liabilities	**646,687**	**3,150,818**	**3,797,505**
	463,317,915	**28,214,506**	**491,532,421**
Nonfinancial Liabilities			
Accrued taxes and other expenses (Note 20)	**2,986,549**	**3,366**	**2,989,915**
Income tax payable	**6,186**	**–**	**6,186**
Other liabilities	**94,443**	**3,548,633**	**3,643,076**
	3,087,178	**3,551,999**	**6,639,177**
	₱466,405,093	**₱31,766,505**	**₱498,171,598**

	Parent Company		
	December 31, 2012		
	Less than Twelve Months	Over Twelve Months	Total
Financial Assets			
COCI	₱5,548,325	₱–	₱5,548,325
Due from BSP	36,531,047	–	36,531,047
Due from other banks	3,293,782	–	3,293,782
Interbank loans receivable	11,498,756	–	11,498,756
Securities held under agreements to resell	18,300,000	–	18,300,000
Financial assets at FVPL	3,965,098	–	3,965,098
AFS investments - gross (Note 8)	4,423,628	61,268,820	65,692,448
Receivable from customers - gross (Note 9)	44,116,062	86,101,174	130,217,236
Unquoted debt securities classified as loans (Note 9)	3,997,264	3,820,935	7,818,199
Other receivables - gross (Note 9)	14,587,968	–	14,587,968
	146,261,930	151,190,929	297,452,859
Nonfinancial Assets			
Property and equipment - net			
At cost	–	757,364	757,364
At appraised value	–	15,566,650	15,566,650
Investments in subsidiaries and an associate - net	–	6,399,163	6,399,163
Investment properties - net	–	15,425,877	15,425,877
Intangible assets (Note 14)	–	371,505	371,505
Deferred tax assets	–	1,673,718	1,673,718
Other assets - gross (Note 15)	–	2,318,827	2,318,827
	–	42,513,104	42,513,104
Less: Allowance for impairment and credit losses (Note 16)			14,205,690
Unearned and other deferred income (Note 9)			676,591
			14,882,281
	₱146,261,930	₱193,704,033	₱325,083,682
Financial Liabilities			
Deposit liabilities	₱223,703,078	₱17,703,597	₱241,406,675
Financial liabilities at FVPL	283,751	6,196,070	6,479,821
Bills and acceptances payable	12,717,585	1,226	12,718,811
Subordinated debt	–	9,938,816	9,938,816
Accrued interest payable (Note 20)	1,988,623	–	1,988,623
Other liabilities (Note 22):			
Accounts payable	4,513,263	–	4,513,263
Bills purchased - contra	2,553,891	–	2,553,891

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	Parent Company		
	December 31, 2012		
	Less than Twelve Months	Over Twelve Months	Total
Due to other banks	₱351,061	₱–	₱351,061
Managers' checks and demand drafts outstanding	623,621	–	623,621
Payment order payable	174,406	–	174,406
Due to TOP	–	290,649	290,649
Margin deposits and cash letters of credit	31,358	–	31,358
Due to BSP	102,616	–	102,616
Other liabilities	427,540	983,498	1,411,038
	247,470,793	35,113,856	282,584,649
Nonfinancial Liabilities			
Accrued taxes and other expenses (Note 20)	590,100	1,142,046	1,732,146
Income tax liability	147,911	–	147,911
Other liabilities	858,908	2,488,072	3,346,980
	1,596,919	3,630,118	5,227,037
	₱249,067,712	₱38,743,974	₱287,811,686

25. Equity

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares		Amount	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Preferred - ₱40 par value				
Authorized	**–**	195,175,444		
Common - ₱40 par value				
Authorized	**1,250,000,001**	1,054,824,557		
Issued and Outstanding				
Balance at the beginning of the year	**662,245,916**	662,245,916	**₱26,489,837**	₱26,489,837
Issued during the year	**423,962,500**	–	**16,958,500**	–
	1,086,208,416	662,245,916	**43,448,337**	26,489,837
Parent Company Shares Held by a Subsidiary	**–**	(200,112)	**–**	(4,740)
	1,086,208,416	662,045,804	**₱43,448,337**	₱26,485,097

The Parent Company shares are listed in the PSE. As of December 31, 2013 and 2012, the Parent Company had 30,469 and 30,825 stockholders, respectively. As of December 31, 2013 and 2012, the Group has nil and 200,112 treasury shares, respectively.

Pursuant to the 1986 Revised Charter of the Parent Company, the Parent Company's authorized capital stock was ₱10 billion divided into 100,000,000 common shares with a par value of ₱100.00 per share. Its principal stockholder was the National Government (NG) which owned 25,000,000 common shares. On the other hand, private stockholders owned 8,977 common shares.

To foster a financial intermediation system that is both competitive and efficient, the partial privatization of the Parent Company was carried out through the following public offerings:

Date of Offering	Type of Offering	No. of Shares Offered	Par Value	Offer Price	Authorized Number of Shares	Issued and Outstanding Shares
June 1989	Initial Public Offering	10,800,000 common shares	₱100.00	₱100.00	250,000,000 common shares	36,011,569 common shares
April 1992	Second Public Offering	8,033,140 common shares	₱100.00	₱265.00	250,000,000 common shares	80,333,350 common shares
December 1995	Third Public Offering	7,200,000 common shares and 2,400,000 covered warrants	₱100.00	₱260.00	250,000,000 common shares	99,985,579 common shares

After the three (3) public offerings, the NG sold a total of 54.41% of its shareholdings to both the Philippine public and international investors.

On May 27, 1996, the privatization of the Parent Company was completed when the Parent Company's new Articles of Incorporation and By-Laws were approved by the SEC under SEC Registration No. ASO96-005555. As of May 27, 1996, the NG owned 45.59% of the outstanding shares of the Parent Company. The Parent Company's authorized capital stock was increased to ₱25 billion pesos divided into 250,000,000 common shares with a par value of ₱100.00 per share.

As part of the Parent Company's capital build-up program, the Parent Company also completed the following right offerings:

Date of Offering	Type of Offering	No. of Shares Offered	Basis of Subscription	Par Value	Offer Price	Authorized Number of Shares	Issued and Outstanding Shares
September 1999	Stock Rights Offering	68,740,086 common shares	One (1) Right Share for every two common shares	₱100.00	₱137.80	250,000,000 common shares	206,220,257 common shares
September 2000	Pre-emptive Rights Offering	71,850,215 common shares with 170,850,215 warrants	Five (5) Right Shares for every Six (6) common shares	₱100.00	₱60.00	833,333,334 common shares	206,220,257 common shares

On August 18, 2000, the SEC approved the decrease of the capital stock of the Parent Company from ₱25.0 billion divided into 250,000,000 common shares with a par value of ₱100.00 per share to ₱15.0 billion divided into 250,000,000 common shares with a par value of ₱60.00 per share. Subsequently on November 7, 2000, the SEC approved the increase of the capital stock of the Parent Company from ₱15.0 Billion divided into 250,000,000 common shares with a par value of ₱60.00 per share to ₱50,000,000,040 divided into 833,333,334 shares with a par value of ₱60.00 per share.

On July 23, 2002, the SEC approved the decrease of the capital stock of the Parent Company from ₱50,000,000,040.00 divided into 833,333,334 shares with a par value of ₱60.00 per share to ₱33,333,333,360.00 divided into 833,333,334 shares with a par value of ₱40.00 per share. On the same day, the SEC also approved the increase of the capital stock of the Parent Company from ₱33,333,333,360.00 divided into 833,333,334 shares with a par value of ₱40.00 per share to ₱50,000,000,040.00 divided into 1,054,824,557 common shares and 195,175,444 preferred shares both with a par value of ₱40.00 each.

In July 2007, the Parent Company made a primary and secondary offering of up to 160,811,091 common shares. The Offer consisted of: (i) primary offer by the Parent Company of up to 89,000,000 new shares from the Parent Company's authorized but unissued common share capital, and (ii) secondary offer of up to an aggregate of 71,811,091 existing shares, comprising (a) 17,453,340 shares offered by the NG, and (b) 54,357,751 shares which were owned by the PDIC in the form of convertible preferred shares. The Primary Offer Shares and Secondary Offer Shares were offered at the Offer Price of ₱59.00 per share.

On January 17, 2013, the SEC approved the conversion of the Parent Company's 195,175,444 authorized preferred shares into common shares, thereby increasing its authorized common shares to 1,250,000,001. The increase in authorized common shares is intended to accommodate the issuance of the Parent Company of common shares to ABC shareholders relative to the business combination.

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Prior to conversion to common shares, the preferred shares had the following features:

(a) Non-voting, non-cumulative, fully participating on dividends with the common shares;
(b) Convertible, at any time at the option of the holder who is qualified to own and hold common shares on a one (1) preferred share for one (1) common share basis;
(c) With mandatory and automatic conversion into common shares upon the sale of such preferred shares to any person other than the NG or any other government agency or GOCC's; and
(d) With rights to subscribe to additional new preferred shares with all of the features described above, in the event that the Bank shall offer new common shares for subscription, in such number corresponding to the number of shares being offered.

Surplus and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱9.8 billion as of December 31, 2013 and 2012 which represents the balances of accumulated translation adjustment, accumulated equity in net earnings and revaluation increment from land that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP.

Accumulated Translation Adjustment
As part of the Group's rehabilitation program in 2002, the SEC approved on November 7, 2002 the application of the accumulated translation adjustment of ₱1.6 billion to eliminate the Parent Company's remaining deficit of ₱1.3 billion as of December 31, 2001, after applying the total reduction in par value amounting to ₱7.6 billion. The SEC approval is subject to the following conditions: (a) remaining translation adjustment of ₱310.7 million as of December 31, 2001 (shown as part of Capital paid in excess of par value in the statement of financial position) will not be used to wipe out losses that may be incurred in the future without prior approval of SEC; and (b) for purposes of dividend declaration, any future surplus account of the Parent Company shall be restricted to the extent of the deficit wiped out by the translation adjustment.

Surplus Reserves
The surplus reserves consist of:

	December 31, 2013	December 31, 2012
Reserve for trust business (Note 31)	**₱444,003**	₱298,253
Reserve for contingencies and other accounts	–	191,634
Reserve for self-insurance	**80,000**	80,000
	₱524,003	₱569,887

Reserve for self-insurance, contingencies and other account represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties. In 2013, the Parent Company reversed ₱191.6 million worth of reserves for contingencies since the cases for which these reserves were set up for were already favorably resolved.

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

The Parent Company 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 Parent Company 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.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company'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 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 Parent Company, provided that the same shall be excluded for dividend purposes.

As of December 31, 2013 and 2012, CAR reported to the BSP, which considered combined credit, market and operational risk weighted asset (BSP Circular No. 538) are shown in the table below (amounts in millions).

	2013		2012	
Consolidated	**Actual**	**Required**	Actual	Required
Tier 1 capital	**₱62,211.8**		₱26,508.6	
Tier 2 capital	**12,856.9**		14,707.2	
Gross qualifying capital	**75,068.7**		41,215.8	
Less required deductions	**623.1**		3,122.7	
Total qualifying capital	**₱74,445.6**	**₱37,819.6**	₱38,093.1	₱21,023.9
Risk weighted assets	**₱378,195.7**		₱210,239.2	
Tier 1 capital ratio	**16.37%**		11.87%	
Total capital ratio	**19.68%**		18.12%	

	2013		2012	
Parent Company	**Actual**	**Required**	Actual	Required
Tier 1 capital	**₱59,715.4**		₱27,398.5	
Tier 2 capital	**12,746.1**		15,141.3	
Gross qualifying capital	**72,461.5**		42,539.8	
Less required deductions	**14,735.8**		9,472.2	
Total qualifying capital	**₱57,725.7**	**₱34,049.6**	₱33,067.6	₱19,886.2
Risk weighted assets	**₱340,496.0**		₱198,861.7	
Tier 1 capital ratio	**15.37%**		11.40%	
Total capital ratio	**16.95%**		16.63%	

(Amounts In Thousands Pesos Except When Otherwise Indicated)

The Group and its individually regulated subsidiaries/operations have complied with all externally imposed capital requirement throughout the year.

On January 15, 2013, the BSP issued Circular No. 781, Basel III Implementing Guidelines on Minimum Capital Requirements, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines. Surplus and Capital Paid in Excess of Par Value of the Parent Company amounting to P9.8 billion as of December 31, 2013 and 2012 which represents the balances of accumulated translation adjustment, accumulated equity in net earnings and revaluation increment from land that have been applied to eliminate the Parent Company's deficit through a quasi-reorganization in 2002 and 2000, are not available for dividend declaration without prior approval from the Philippine SEC and the BSP. Also, unrealized foreign exchange gains except those attributable to cash and cash equivalents, unrealized actuarial gains, fair value adjustment or the gains arising from mark-to-market valuation, deferred tax asset recognized that reduced the income tax expense and increased the net income and retained earnings, adjustment due to deviation from PFRS/GAAP and other unrealized gains or adjustments are excluded from the Bank's surplus available for dividend declaration.

Merger Incentives

In connection with the merger of the Parent Company with ABC, the BSP gave certain incentives and the more relevant incentives are:

(a) Recognition of the fair value adjustments under GAAP and RAP books;
(b) Full recognition of appraisal increment from the revaluation of premises, improvements and equipment in the computation of CAR.

The Parent Company and its individually regulated subsidiaries/operations have complied with all externally imposed capital requirement throughout the period.

Internal Capital Adequacy Assessment Process (ICAAP) Implementation

In compliance with BSP Circular 639, the Bank has adopted its live ICAAP Document for 2011 to 2013. However, the BOD and the Management recognized that ICAAP is beyond compliance, i.e. it is about how to effectively run the Bank's operations by ensuring that the Bank maintains at all times an appropriate level and quality of capital to meet its business objective and commensurate to its risk profile. In line with its ICAAP principles, the Bank shall maintain a capital level that will not only meet the BSP CAR requirement but will also cover all material risks that it may encounter in the course of its business. The ICAAP process highlights close integration of capital planning/strategic management with risk management. The Bank has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Bank complies with the required annual submission of updated ICAAP.

Financial Performance

The following basic ratios measure the financial performance of the Group and the Parent Company (amounts in millions):

	Consolidated			Parent Company		
	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)	**2013**	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)
Return on average equity (a/b)	**8.53%**	13.05%	14.90%	**9.19%**	13.06%	15.73%
a.) Net income	**₱5,222**	₱4,718	₱4,632	**₱5,354**	₱4,565	₱4,662
b.) Average total equity	**61,195**	36,150	31,089	**58,242**	34,951	29,636
Return on average assets (c/d)	**1.10%**	1.47%	1.52%	**1.19%**	1.44%	1.55%
c.) Net income	**₱5,222**	₱4,718	₱4,632	**₱5,354**	₱4,565	₱4,662
d.) Average total assets	**474,128**	320,871	304,336	**451,234**	316,262	300,261
Net interest margin on average earning assets (e/f)	**3.41%**	2.61%	2.91%	**3.37%**	2.59%	2.89%
e.) Net interest income	**₱13,749**	₱6,976	₱7,219	**₱12,752**	₱6,762	₱7,020
f.) Average interest earning assets	**403,390**	267,345	248,133	**378,216**	261,304	242,722

Note: Average balances were the sum of beginning and ending balances of the respective statement of financial position accounts as of the end of the year divided by two (2)

26. Income and Expenses

Service fees and commission income

This account consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Deposit-related	**₱993,632**	₱860,606	₱920,967	**₱968,126**	₱860,606	₱920,967
Remittance	**764,343**	743,291	806,552	**489,218**	420,901	442,721
Credit-related	**562,622**	89,436	144,803	**551,734**	89,435	144,803
Underwriting fees	**290,343**	94,872	132,289	**–**	–	–
Trust fees (Note 31)	**189,874**	134,690	136,848	**189,874**	134,690	136,848
Commissions	**92,992**	24,053	12,932	**–**	–	–
Miscellaneous	**447,330**	183,715	189,599	**349,230**	91,318	37,463
	₱3,341,136	₱2,130,663	₱2,343,990	**₱2,548,182**	₱1,596,950	₱1,682,802

In 2013, credit-related fees include interchange fees and awards revenue amounting to ₱278.6 million which the Parent Company earned from the credit card business it acquired through merger with ABC (see Note 13).

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Net gains on sale or exchange of assets

This account includes net gains from sale of investment properties in 2013, 2012, and 2011 amounting to ₱299.4 million, ₱332.6 million and ₱886.4 million, respectively, for the Group, and ₱296.2 million, ₱332.6 million, and ₱886.4 million, respectively, for the Parent Company.

Miscellaneous income

This account consists of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Premiums - net of reinsurance	**₱536,013**	₱–	₱–	**₱–**	₱–	₱–
Recoveries (Note 33)	**421,696**	112,084	254,200	**392,213**	112,084	254,200
Rental income	**284,853**	174,069	174,117	**274,804**	181,684	181,345
Gain from step up acquisition	**63,605**	–	–	**–**	–	–
Referral fees	**55,124**	–	–	**–**	–	–
Sale of BW resources shares	**28,373**	–	–	**28,373**	–	–
Sales deposit forfeiture	**12,254**	18,025	1,464	**12,254**	18,025	1,464
Penalty charges	**12,200**	9,286	16,846	**12,200**	9,286	16,846
Processing fees	**11,914**	14,286	15,149	**11,914**	14,286	15,149
Share in net income of an associate	**4,975**	10,309	68,954	**–**	–	–
Others	**577,848**	514,750	617,375	**316,205**	70,080	322,956
	₱2,008,855	₱852,809	₱1,148,105	**₱1,047,963**	₱405,445	₱791,960

The gain on step-up acquisition of ₱63.6 million arose from the step-up acquisition of investment in PNB LII which were accounted for as disposal of the Group's equity investment in PNB LII, previously recognized as AFS investment, in exchange for the equity interest in PNB LII's assets and liabilities.

Miscellaneous expenses

This account consist of:

	Consolidated			Parent Company		
	2013	2012	2011	**2013**	2012	2011
Secretarial, janitorial and messengerial	**₱931,281**	₱516,836	₱526,648	**₱898,765**	₱504,642	₱512,754
Insurance	**897,130**	592,239	512,069	**869,000**	579,664	496,522
Marketing expenses	**752,459**	397,119	324,323	**701,248**	361,744	304,354
Increase in aggregate reserve for life policies	**665,705**	–	–	**–**	–	–
Policyholder benefits and claim benefits	**367,247**	–	–	**–**	–	–
Information technology	**355,751**	191,982	197,477	**331,400**	147,398	124,050
Management and other professional fees	**330,036**	217,111	204,142	**264,109**	159,090	150,740
Litigation expenses	**267,614**	309,760	247,597	**264,768**	309,589	247,597
Travelling	**237,472**	191,799	173,423	**218,589**	171,110	160,680
Stationery and supplies	**233,938**	136,602	147,691	**208,822**	117,455	126,517
Entertainment and Representation	**214,900**	142,481	134,323	**174,091**	118,058	116,917
Postage, telephone and cable	**195,113**	116,611	131,869	**141,187**	78,214	87,650
Fuel and lubricants	**117,637**	21,140	20,780	**109,600**	20,431	19,769
Repairs and maintenance	**94,710**	110,954	79,521	**71,902**	77,271	50,815
Freight	**63,660**	31,206	58,272	**53,015**	31,206	37,477
Real property disposition	**28,438**	30,005	67,013	**28,436**	30,005	67,013
Trading fees	**14,800**	17,337	13,714	**14,800**	17,337	13,714
Miscellaneous	**546,885**	396,254	286,979	**477,820**	367,104	136,881
	₱6,314,776	₱3,419,436	₱3,125,841	**₱4,827,552**	₱3,090,318	₱2,653,450

Miscellaneous - others include membership dues and utilities expenses.

27. Retirement Plan

The Parent Company and certain subsidiaries of the Group, have separate funded, noncontributory defined benefit retirement plans covering substantially all its officers and regular employees. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements.

The amounts of net defined benefit asset (liability) in the statements of financial position follow:

	Consolidated			Parent Company		
	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)	**December 31, 2013**	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Net plan assets (included in 'Other assets')	**₱5,532**	₱1,184	₱–	**₱–**	₱–	₱–
Retirement liabilities (included in 'Other liabilities')	**3,388,863**	1,854,458	2,095,205	**3,323,955**	1,823,344	2,030,924
	₱3,383,331	₱1,853,274	₱2,095,205	**₱3,323,955**	₱1,823,344	₱2,030,924

The Parent Company's annual contribution to the retirement plan consists of a payment covering the current service cost, unfunded actuarial accrued liability and interest on such unfunded actuarial liability. As of December 31, 2013, the Parent Company has two separate retirement plans for the employees of PNB and ABC. The retirement plan provides each eligible employers with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

The latest actuarial valuation for these retirement plans were made on December 31, 2013. The following table shows the actuarial assumptions as of December 31, 2013 and 2012 and January 1, 2012 used in determining the retirement benefit obligation of the Parent Company:

	ABC Retirement Plan	**PNB Retirement Plan**		
		December 31		January 1,
	2013	**2013**	2012	2012
Discount rate	**4.53%**	**4.53%**	5.67%	6.39%
Salary rate increase	**5.00%**	**5.00%**	8.00%	8.00%
Estimated working lives	**11**	**12**	6	5

The amount of retirement liability recognized by the Parent Company in the Group and its separate statements of financial position (under 'Other liabilities') follows:

	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Present value of defined benefit obligation	**₱5,219,927**	₱3,141,154	₱2,828,807
Fair value of plan assets	**1,895,972**	1,317,810	797,883
Retirement liability	**₱3,323,955**	₱1,823,344	₱2,030,924

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Changes in the present value of the defined benefit obligation of the Parent Company are as follows:

	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Balance at beginning of year	**₱3,141,154**	₱2,828,807	₱1,827,591
Effect of business combinations (Note 13)	**1,589,861**	–	–
Current service cost	**374,408**	265,458	160,225
Interest cost	**251,983**	175,165	143,754
Benefits paid	**(467,949)**	(140,457)	(191,951)
Remeasurement losses (gains):			
Experience adjustments	**1,005,443**	(216,253)	(66,200)
Actuarial losses (gains) arising from changes in financial assumptions	**(674,973)**	228,434	955,388
Balance at end of year	**₱5,219,927**	₱3,141,154	₱2,828,807

There are no actuarial gains and losses arising from changes in demographic assumptions.

Changes in the fair value of the plan assets of the Parent Company are as follows:

	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Balance at beginning of year	**₱1,317,810**	₱797,883	₱973,864
Effect of business combination (Note 13)	**839,976**	–	–
Contributions	**254,962**	363,390	50,000
Interest income	**109,766**	58,107	77,325
Benefits paid	**(467,949)**	(140,457)	(191,951)
Return on assets excluding amount in net interest cost	**(158,593)**	238,887	(111,355)
Balance at end of year	**₱1,895,972**	₱1,317,810	₱797,883

The fair values of plan assets of the Parent Company by each class as at the end of the reporting periods are as follow:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents	**₱373,216**	₱306,412	₱16,004
Equity investments			
Financial institutions	**681,071**	712,875	441,826
Manufacturing	**17,338**	5,100	–
Others	**19,596**	–	–
Debt investment			
Government securities	**440,449**	92,486	156,280
Investment in mutual funds	**98,056**	97,077	78,150
	1,629,726	1,213,950	692,260

(Forward)

	December 31, 2013	December 31, 2012	January 1, 2012
Loans and receivables			
Financial institutions	**₱134,129**	₱58,000	₱43,000
Real estate	**72,312**	10,000	10,000
Power	**35,742**	33,611	34,650
Others	**19,936**	–	15,000
Interest and other receivables	**4,127**	2,249	2,973
	266,246	103,860	105,623
Fair value of plan assets	**₱1,895,972**	₱1,317,810	₱797,883

The major categories of plan assets as a percentage of the fair value of total plan assets follow:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents	**39%**	32%	5%
Parent Company's common shares	**36**	54	55
Government securities	**23**	7	20
Equity securities	**2**	–	–
Debt securities	**–**	7	20
	100%	100%	100%

The carrying values of the plan assets of the Parent Company amounted to ₱1.9 billion, ₱1.3 billion and ₱0.8 billion as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

All equity and debt investments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market, thus, their fair value is determined using the discounted cash flow methodology, using the Parent Company's current incremental lending rates for similar types of loans and receivables.

The fair value of the plan assets as of December 31, 2013, December 31, 2012 and January 1, 2012 includes investments in the Parent Company shares of stock with fair value amounting to ₱672.9 million, ₱712.9 million and ₱441.8 million, respectively.

The plan assets have diverse investments and do not have any concentration risk.

The amount of retirement expense incurred by the Parent Company that is included in the Group and its statements of income (under 'Compensation and fringe benefit expense') are as follows:

	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Current service cost	**₱374,408**	₱265,458	₱160,225
Net interest cost	**142,217**	117,058	66,429
	₱516,625	₱382,516	₱226,654

(Amounts In Thousands Pesos Except When Otherwise Indicated)

The amounts of defined benefit cost of the Parent Company which is included in the Group and its statements of other comprehensive income follow:

	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Actuarial loss on present value of retirement obligation	**(₱773,837)**	(₱1,000,543)	(₱889,188)
Return on plan assets	**(489,062)**	226,706	(111,355)
	(₱1,262,899)	(₱773,837)	(₱1,000,543)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	December 31, 2013	
	Possible fluctuations	Increase (decrease)
Discount rates	-1.00%	₱578,273
Future Salary Increase Rate	+1.00%	569,095
Improvement in Employee Turnover	10.00%	24,241

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1% increment in salary increase rate, 1% decrement in the discount rate and a 10% improvement in the employee turnover rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1% decrement in salary increase rate, 1% increment in the discount rate and a 10% increase in the employee turnover rate but with reverse impact.

The Parent Company employs asset-liability matching strategies to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement plan. Retirement plans are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The current plan asset of the Parent Company is allocated to cover benefit payments in the order of their proximity to the present time. Expected benefit payments are projected and classified into short-term or long-term liabilities. Investment instruments that would match the liabilities are identified. This strategy minimizes the possibility of the asset-liability match being distorted due to the Parent Company's failure to contribute in accordance with its general funding strategy.

The movements in the retirement liability of the Parent Company recognized under 'Other liabilities' in the Group and its statements of financial position follow:

	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Balance at beginning of year	**₱1,823,344**	₱2,030,924	₱853,727
Retirement liability assumed from business combination (Note 13)	**749,885**	–	–
Retirement expense	**516,625**	382,516	226,654
Actual contributions	**(254,962)**	(363,390)	(50,000)
Remeasurement losses (gains):			
Experience adjustments	**1,005,443**	(216,253)	(66,200)
Actuarial gains and losses arising from changes in financial assumptions	**(674,973)**	228,434	955,388
Return on assets excluding amount in net interest cost	**158,593**	(238,887)	111,355
Balance at end of year	**₱3,323,955**	₱1,823,344	₱2,030,924

The Parent Company expects to contribute ₱1.6 billion to its defined benefit pension plan in 2014. The average duration of the defined benefit obligation at the end of the reporting period is 18 years for the Parent Company. The defined benefit plan of the Parent Company provides lump sum benefit based on the final salary.

28. Leases

The Parent Company leases the premises occupied by majority of its branches (about 41.59% of the branch sites are Parent Company-owned). Some of its subsidiaries also lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from 1 to 25 years and are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10%.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱820.3 million in 2013, ₱387.2 million in 2012 and ₱388.7 million in 2011 for the Group, of which ₱672.3 million in 2013, ₱268.6 million in 2012 and ₱253.3 million in 2011 pertain to the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follow:

	Consolidated		**Parent Company**	
	2013	2012	**2013**	2012
Within one year	**₱562,255**	₱457,904	**₱428,693**	₱193,544
Beyond one year but not more than five years	**936,730**	819,177	**755,109**	383,661
More than five years	**34,368**	28,698	**30,860**	16,432
	₱1,533,353	₱1,305,779	**₱1,214,662**	₱593,637

(Amounts In Thousands Pesos Except When Otherwise Indicated)

The Parent Company has entered into commercial property leases on its investment properties. These non-cancelable leases have lease terms of one to five years. Some leases include escalation clauses (such as 5% per year). In 2013, 2012 and 2011, total rent income (included under 'Miscellaneous income') amounted to ₱269.5 million, ₱172.5 million and ₱172.5 million, respectively, for the Group and ₱273.1 million, ₱180.1 million and ₱179.7 million, respectively, for the Parent Company (see Note 26).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Within one year	**₱164,704**	₱56,233	**₱69,003**	₱4,153
Beyond one year but not more than five years	**121,707**	94,074	**56,979**	10,898
More than five years	**13,557**	15,406	**13,557**	15,406
	₱299,968	₱165,713	**₱139,539**	₱30,457

Leases where the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased asset are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the bank's net investment outstanding in respect of the finance lease (EIR method). Lease payments relating to the period are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

Future minimum lease receivables under finance leases are as follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Within one year	**₱1,146,191**	₱889,311	**₱2,809**	₱1,959
Beyond one year but not more than five years	**1,414,986**	1,068,345	**26,550**	18,100
More than five years	**116,058**	85,800	**75,850**	85,800
Total	**2,677,235**	2,043,456	**105,209**	105,859
Less amounts representing finance charges	**311,421**	253,544	**67,000**	60,655
Present value of minimum lease payments	**₱2,365,814**	₱1,789,912	**₱38,209**	₱45,204

29. Income and Other Taxes

Under Philippine tax laws, the Parent Company and certain subsidiaries are subject to percentage and other taxes (presented as Taxes and Licenses in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp tax.

Income taxes include the corporate income tax, discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from the FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Effective November 1, 2005, Republic Act (RA) No. 9337, an act amending the National Internal Revenue Code (NIRC of 1997), provides that the RCIT rate shall be 30.0% and interest allowed as a deductible expenses shall be reduced by 33.0% of interest income subjected to final tax.

MCIT of 2% on modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, the Parent Company and certain subsidiaries is allowed to deduct NOLCO from taxable income for the next three years from the period of incurrence.
FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10% income tax. In addition, interest income on deposit placement with other FCDUs and offshore banking units (OBUs) is taxed at 7.50%.
RA No. 9294 provides that the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of:

	Consolidated			Parent Company		
	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)	**2013**	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)
Current						
Regular	**₱699,534**	₱269,354	₱173,695	**₱593,342**	₱205,490	₱124,591
Final	**958,582**	637,167	697,035	**898,973**	621,892	656,960
	1,658,116	906,521	870,730	**1,492,315**	827,382	781,551
Deferred	**(486,976)**	18,537	(21,273)	**(468,742)**	43,842	26,837
	₱1,171,140	₱925,058	₱849,457	**₱1,023,573**	₱871,224	₱808,388

Net deferred tax asset/liability of the Group is included in the following accounts in the statements of financial position:

	December 31, 2013	December 31, 2012 (As Restated - Note 2)	January 1, 2012 (As Restated - Note 2)
Deferred tax assets	**₱253,946**	₱1,780,682	₱1,775,789
Deferred tax liabilities (Note 22)	**349,472**	3,873	20,873
	(₱95,526)	₱1,776,809	₱1,754,916

The components of net deferred tax assets follow:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Deferred tax asset on:				
Allowance for impairment, credit and other losses	**₱4,992,542**	₱4,325,272	**₱4,836,632**	₱4,279,273
Others	**670,118**	539,032	**440,629**	370,596
	5,662,660	4,864,304	**5,277,261**	4,649,869
Deferred tax liability on:				
Fair value adjustment on investment properties	**1,731,832**	1,363,914	**1,726,231**	1,364,592
Revaluation increment on land and buildings*	**2,125,761**	1,249,079	**2,125,761**	1,249,079
Unrealized trading gains on derivatives	**77,584**	141,835	**77,584**	141,835
Unrealized gain on AFS investments**	**11,514**	10,689	**11,127**	1,833
Fair value adjustments due to business combination	**1,473,904**	–	**1,351,766**	–
Others	**337,591**	321,978	**209,470**	218,812
	5,758,186	3,087,495	**5,501,939**	2,976,151
	(₱95,526)	₱1,776,809	**(₱224,678)**	₱1,673,718

**Balance includes DTL amounting to ₱736.4 million acquired from business combination*
***Balance includes DTL amounting to ₱0.4 million acquired from business combination*

(Amounts In Thousands Pesos Except When Otherwise Indicated)

Provision for deferred tax charged directly to OCI during the year follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Unrealized gain (loss) on AFS investments	**₱464**	(₱23,948)	**₱8,933**	(₱19,029)

Based on the three-year financial forecast prepared by management and duly approved by the Executive Committee of the BOD, the Parent Company's net deferred tax assets of ₱5.3 billion and ₱4.6 billion as of December 31, 2013 and 2012, respectively is expected to be realized from its taxable profits within the next three years.

Unrecognized Deferred Tax Assets

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following unused tax credit and losses and temporary differences since they believe that the related tax benefits will not be realized in the future:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Allowance for impairment and credit losses	**₱847,463**	₱773,803	**₱794,874**	₱773,803
Retirement liability	**997,186**	421,186	**997,187**	421,186
Accrued expenses	**277,271**	149,042	**276,835**	149,042
MCIT	**7,110**	361,071	**–**	348,561
Derivative liabilities	**48,925**	85,125	**48,925**	85,125
NOLCO	**206,860**	1,172	**–**	–
Others	**173,114**	70,737	**38,690**	68,411
	₱2,557,929	₱1,862,136	**₱2,156,511**	₱1,846,128

Details of the Group's NOLCO follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2010	₱118,553	₱118,553	₱–	2013
2011	85,165	–	85,165	2014
2012	117,362	1,842	115,520	2015
2013	942,021	–	942,021	2016
	₱1,263,101*	₱120,395	₱1,142,706	

**Balance includes NOLCO amounting to ₱277,952 acquired from business combination*

Unrecognized Deferred Tax Liabilities

As of December 31, 2013, there was a deferred tax liability of ₱363.5 million (₱349.8 million in 2012) for temporary differences of ₱1.2 billion (₱1.2 billion in 2012) related to investment in certain subsidiaries. However, this liability was not recognized because the Parent Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Details of the Group's MCIT follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2010	₱113,474	₱113,474	₱–	2013
2011	165,575	164,385	1,190	2014
2012	194,426	190,729	3,697	2015
2013	3,605	–	3,605	2016
	₱477,080	₱468,588	₱8,492	

**Balance includes MCIT amounting to ₱138,137 acquired from business combination*

Details of the Parent Company's applied MCIT follow:

Year Incurred	Amount	Used	Balance	Expiry Year
2010	₱75,036	₱75,036	₱–	2013
2011	124,591	124,591	–	2014
2012	134,175	134,175	–	2015
	₱333,802	₱333,802	₱–	

In 2013, the Parent Company applied all of the excess MCIT over RCIT above including those acquired through the merger with ABC amounting to ₱134.29 million to defray its 2013 income tax liability.

The reconciliation between the statutory income tax rate to effective income tax rate follows:

	Consolidated			Parent Company		
	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)	**2013**	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effects of:						
FCDU income before tax	**(5.19)**	(14.33)	(17.07)	**(5.20)**	(14.88)	(17.10)
Net non-deductible expenses	**7.48**	6.69	7.43	**7.19**	5.44	7.44
Optional standard deduction	**(0.27)**	(0.09)	–	**–**	–	–
Tax-exempt income	**(19.25)**	(7.64)	(4.83)	**(18.94)**	(6.40)	(4.83)
Tax-paid income	**(0.14)**	(0.24)	(3.88)	**0.24**	(0.59)	(3.53)
Net unrecognized deferred tax assets	**5.69**	2.00	3.85	**2.76**	2.45	2.79
Effective income tax rate	**18.32%**	16.39%	15.50%	**16.05%**	16.02%	14.77%

Current tax regulations define expenses to be classified as entertainment, amusement and recreation expenses (EARE) and set a limit for the amount that is deductible for tax purposes. EARE are limited to 1.00% of net revenues for sellers of services. EARE charged against current operations (included in 'Miscellaneous expense' in the statements of income) amounted to ₱214.9 in 2013, ₱142.5 million in 2012 and ₱134.3 million in 2011 for the Group, and ₱174.1 million in 2013, ₱118.1 million in 2012 and ₱116.9 million in 2011 for the Parent Company.

30. Earnings Per Share

The earnings per share of the Group, attributable to equity holders of the Parent Company, are calculated as follows:

	2013	2012 (As Restated - Note 2)	2011 (As Restated - Note 2)
a) Net income attributable to equity holders of the Parent Company	**₱5,123,760**	₱4,708,560	₱4,623,230
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,050,778**	662,046	662,046
c) Basic and diluted earnings per share (a/b)	**₱4.88**	₱7.11	₱6.98

(Amounts In Thousands Pesos Except When Otherwise Indicated)

31. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Parent Company. Such assets held in trust were carried at a value of ₱56.3 billion and ₱56.0 billion as of December 31, 2013 and 2012, respectively (see Note 33). In connection with the trust functions of the Parent Company, government securities amounting to ₱1.3 billion and ₱607.2 million (included under 'AFS investments') as of December 31, 2013 and 2012, respectively, are deposited with the BSP in compliance with trust regulations.

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱9.5 million, ₱9.7 million and ₱8.3 million in 2013, 2012 and 2011, respectively, which correspond to 10.00% of the net income realized in the preceding years from its trust, investment management and other fiduciary business until such related surplus reserve constitutes 20.00% of its regulatory capital. An additional ₱136.3 million was transferred by the Parent Company from surplus to surplus reserve which corresponds to reserves allotted to the trust business acquired from ABC.

32. Related Party Transactions

Regulatory Reporting

In the ordinary course of business, the Parent Company has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Parent Company's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Parent Company's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Parent Company.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2013 and 2012, the Group and Parent Company were in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	Consolidated		**Parent Company**	
	December 31 2013	December 31 2012	**December 31 2013**	December 31 2012
Total Outstanding DOSRI Accounts*	**₱3,557,857**	₱2,650,526	**₱3,557,857**	₱2,650,526
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**1.40%**	2.03%	**1.45%**	2.04%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**1.40%**	2.03%	**1.45%**	2.04%
Percent of DOSRI accounts to total loans	**1.40%**	2.03%	**1.45%**	2.04%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**1.52%**	3.29%	**1.52%**	3.29%

(Forward)

	Consolidated		Parent Company	
	December 31 2013	December 31 2012	**December 31 2013**	December 31 2012
Percent of past due DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%	**0.00%**	0.00%
Percent of nonaccruing DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%	**0.00%**	0.00%

**Includes outstanding unused credit accommodations of ₱178.6 million as of December 31, 2013 and ₱182.7 million as of December 31, 2012.*

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10% of a bank's net worth, the unsecured portion of which shall not exceed 5% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- significant investors
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Group's employees.

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control.

	December 31, 2013		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Subsidiaries			
Receivables from customers		**₱600,000**	Revolving credit lines with fixed annual interest rate of 4.25% and maturity of less than 90 days Unsecured - ₱600.0 million with no impairment.
Accounts receivable		**56,236**	Advances to finance deficit in pension liability, remittance cover and additional working capital Non-interest bearing, unsecured, payable on demand
Deposit liabilities		**4,675,993**	With annual rates ranging from 0.1% to 3.0% and maturity ranging from 30 days to one (1) year
Bills payable		**2,340,539**	Foreign currency-denominated bills payable with fixed annual interest rate of 1.03% and maturity term of 180 days; unsecured No collateral

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	December 31, 2013		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Accrued interest payable		₱11,421	Interest on deposit liabilities and bills payable
Due to banks		178,614	Clearing accounts for funding and settlement of remittances
Due from other banks		435,055	With annual fixed rates ranging from 0.01% to 4.5% including time with maturities of up to 90 days
Interest income	₱21,695		Interest income on receivable from customers
Interest expense	32,715		Interest expense on deposit liabilities and bills payable
Other income	19,485		Rental income from three-year lease agreement, with annual escalation rate of 10%
Other expense	2,188		Share in utilities expense
Securities transactions:			
Purchases	2,676,109		Outright purchase of securities
Sales	2,664,615		Outright sale of securities
Trading gains	169,021		Gain from sale of investment securities
Loan releases	4,038,000		Loan drawdowns
Loan collections	4,002,000		Settlement of loans and interest
Net deposits	4,123,696		Net deposits for the period
Affiliates			
Receivables from customers*		₱4,627,954	USD Term Loan with repricing interest rates ranging from 3.75% to 4.79% and maturity from three (3) to seven (7) years; Secured - ₱3.7 billion and unsecured - ₱1.3 billion with no impairment; Collaterals include bank deposits hold-out, government securities, real estates and chattel mortgages
Sales contract receivables		105,750	From sale of investment property Non-interest bearing loan payable within one year Unimpaired
Accrued interest receivables		10,193	Interest on receivables from customers
Bills payable		40,034	Foreign currency-denominated bills payable with fixed annual interest rate of 1.77% and maturity term of 181 days, no collateral
Deposit liabilities		4,926,422	With annual rates ranging from 0.38% to 1.73% and maturity ranging from 30 days to one (1) year
Accrued interest payable		1,417	Interest on deposit liabilities and bills payable
Due from other banks		148,864	With annual fixed interest rates ranging from 0.01 % to 4.50 % including time with maturities of up to 90 days and savings with interest rate of 13%
Interest income	₱186,041		Interest income on receivable from customers
Interest expense	27,153		Interest expense on deposit liabilities
Rental income	25,380		Rental income from 10-year agreement, with annual escalation rate of 5% starting on sixth year of the lease term
Rental expense	7,111		Monthly rent payments to related parties with term ranging from 24 to 240 months
Other income	33,104		Gain from sale of investment property
Other expense	2,784		Expense on professional fees on service agreement
Securities transactions:			
Purchases	11,959,458		Outright purchase of securities
Sales	1,748,599		Outright sale of securities
Trading gains	77,800		Gain from sale of investment securities
Loan releases	3,425,380		Loan drawdowns
Loan collections	7,273,098		Settlement of loans and interest
Net deposits	3,653,446		Net deposits for the period
Key Management Personnel			
Loans to officers		₱18,554	Housing loans to senior officers; Secured and unimpaired
Loan releases	₱4,880		Loan drawdowns
Loan collections	4,009		Settlement of loans and interest

(Forward)

	December 31, 2013		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other Related Parties			
Receivable from customers		₱372,437	Loans with interest rates ranging from 0.5% to 16.5% and maturity terms ranging from one (1) month to 25 years; Collateral includes bank deposit hold-out, real estate and chattel mortgages
Net loan collections	₱34,153		Net loan collections for the period

**Amount includes ₱2.51 billion receivable from customers booked in PNB-Makati (formerly ABC). Loan amount before any loan releases and collections during the year amounts to ₱5.78 billion.*

	December 31, 2012		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Receivables from customers		₱564,000	Revolving credit lines with fixed annual interest rate of 4.25% and maturity of less than 31 days Unsecured - ₱564.0 million with no impairment
Accounts receivable		106,458	Advances to finance deficit in pension liability, remittance cover and additional working capital Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		1,026	Interest on receivables from customers
Deposit liabilities		552,297	Deposit with annual rates ranging from 0.1% to 3.0% and maturity ranging from 30 days to one (1) year
Bills payable		863,579	Foreign currency-denominated bills payable with fixed annual interest rate of 1.03% and maturity of 180 days; unsecured
Accrued interest payable		3,473	Interest on deposit liabilities and bills payable
Due to banks		205,480	Clearing accounts for funding and settlement of remittances
Interest income	₱28,271		Interest income on receivable from customers
Interest expense	12,772		Interest expense on deposit liabilities and bills payable
Other income	7,615		Rental income on three-year lease and annual escalation rate of 10%
Other expense	2,004		Share in utilities expense
Loan releases	6,932,000		Loan drawdowns
Loan collections	6,968,000		Settlement of loans and interest
Net withdrawals	394,082		Net withdrawals for the period
Affiliates			
Receivable from customers		₱2,695,221	Loans with interest rates ranging from 0.5% to 16.5% and maturity ranging from one (1) month to 25 years. Secured - ₱2.6 billion and unsecured - ₱0.07 billion; with no impairment Collateral includes bank deposit hold-out, real estate and chattel mortgages
Sales contract receivables		105,750	Arising from sale of investment property Non-interest bearing loan payable within one year Unimpaired
Accrued interest receivables		1,647	Interest on receivables from customers
Bills payable		554,175	Foreign currency-denominated bills payable with fixed annual interest rate of 1.77% and maturity term of 181 days, no collateral
Deposit liabilities		1,272,976	With annual rates ranging from 0.38% to 1.73% and maturity ranging from 30 days to one (1) year
Due from other banks		196,977	Includes savings deposits with interest rate of 0.13%
Investment securities		270,212	52,443,860 shares of stock classified as AFS investments with allowance for impairment loss of ₱270.0 million.
Interest income	₱154,464		Interest income on receivable from customers
Profit from asset sold	39,095		Gain from sale of investment property
Interest expense	10,626		Interest expense on deposit liabilities
Other income	16,830		Rental income from 10-year lease, with annual escalation rate of 5% starting on the sixth year of the lease

(Forward)

(Amounts In Thousands Pesos Except When Otherwise Indicated)

	December 31, 2012		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Securities transactions:			
Purchases	₱16,431,445		Outright purchase of securities
Sales	11,884,060		Outright sale of securities
Trading gains	19,017		Gain from sale of investment securities
Loan releases	3,201,345		Loan drawdowns
Loan collections	5,184,248		Settlement of loans and interest
Net deposits	619,016		Net deposits for the period
Key Management Personnel			
Loans to officers		₱17,683	Housing loans to senior officers; Secured and unimpaired
Loan releases	₱4,116		Loan drawdowns
Loan collections	3,606		Settlement of loans and interest
Other Related Parties			
Receivable from customers		₱406,590	Loans with interest rates ranging from 0.5% to 16.5% and maturity terms ranging from one (1) month to 25 years; Collateral includes bank deposit hold-out, real estate and chattel mortgages
Net loan collections	₱1,895		Net loan collections for the period

	December 31, 2011		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Due from banks		₱223,548	Clearing accounts for funding and settlement of remittances
Receivables from customers		600,000	Revolving credit lines with fixed annual interest rates ranging from 4.90% to 5.15% and maturity of less than 31 days Unsecured - ₱600.0 million with no impairment Collateral includes bank deposit hold-out, real estate and chattel mortgages
Accounts receivable		28,364	Advances for working capital Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		1,255	Interest on receivables from customers
Deposit liabilities		946,379	With annual rates ranging from 0.38% to 1.73% and maturity ranging from 30 days to one (1) year
Accounts payable		235	Loan repayments received on behalf of subsidiary clients
Accrued interest payable		537	Interest on deposit liabilities
Due to Banks		250,360	Clearing accounts for funding and settlement of remittances
Interest income	₱17,860		Interest income on receivable from customers
Interest expense	18,576		Interest expense on deposit liabilities and bills payable
Other income	7,228		Rental income from three-year lease, annual escalation rate of 10%
Other expense	2,004		Share in utilities expense
Affiliates			
Receivable from customers		₱4,678,124	Loans with interest rates ranging from 1.0% to 15.0% and maturity ranging from six (6) months to 25 years Secured - ₱4.1 billion and unsecured - ₱0.6 billion; with no impairment Collateral includes bank deposit hold-out, real estate and chattel mortgages and collateral participation certificates
Accrued interest receivables		28,958	Interest on receivables from customers
Deposit liabilities		653,960	With annual rates ranging from 0.5% to 1.44% and maturity ranging from 30 days to one (1) year
Due from other banks		163,594	Includes savings deposit with interest rate of 0.13%
Investment securities		270,212	52,443,860 shares of stock classified as AFS Investments with allowance for impairment loss of ₱270.0 million.

(Forward)

	December 31, 2011		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Interest income	₱118,917		Interest income on receivable from customers
Interest expense	5,356		Interest expense on deposits and bills payable
Other expense	4,774		Marketing expense
Other income	16,830		Rental income from ten-year lease, with annual escalation rates of 5% starting on sixth year of the lease
Securities transactions:			
Purchases	12,718,836		Outright purchase of securities
Sales	11,049,302		Outright sale of securities
Trading losses	(125,414)		Loss from sale of investment securities
Loan releases	3,222,193		Loan drawdowns
Loan collections	545,419		Settlement of loans and interest
Key Management Personnel			
Loans to officers		₱17,173	Housing loans to senior officers; Secured and unimpaired
Other Related Parties			
Receivable from customers		₱408,485	Loans with interest rates ranging from 0.5% to 16.5% and maturity terms ranging from one (1) month to 25 years; Collateral includes bank deposit hold-out, real estate and chattel mortgages

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2013, 2012 and 2011 in relation to amounts due from related parties.

The Group accounts for its investments in OHBVI as a subsidiary although the Group holds less than 50.00% of OHBVI's issued share capital on the basis of the voting rights of 42.78% assigned by certain stockholders to the Parent Company under a voting trust agreement. There are no other transactions with OHBVI during the year.

The compensation of the key management personnel follows:

	Consolidated			**Parent Company**		
	2013	2012	2011	**2013**	2012	2011
Short-term employee benefits (Note 20)	**₱366,873**	₱135,347	₱152,623	**₱316,922**	₱118,187	₱88,996
Post-employment benefits	**47,381**	19,642	14,683	**47,381**	19,138	12,109
	₱414,254	₱154,989	₱167,306	**₱364,303**	₱137,325	₱101,105

Members of the BOD are entitled to a per diem of ₱0.05 million and ₱0.01 million for attendance at each meeting of the Board and of any committees, respectively and other non-cash benefit in the form of healthcare plans and insurance. In 2013 and 2012, total per diem given to the BOD amounted to ₱17.8 million and ₱4.3 million, respectively. Directors' remuneration covers all PNB Board activities and membership of committees and subsidiary companies.

The Parent Company and EPPI signed two Joint Venture Agreement (JVA) for the development of two real estate properties of the Parent Company included under 'Investment properties' and with carrying values of ₱1.2 billion. EPPI and the Group are under common control. These two projects are among the Bank's strategies in reducing its non-performing assets.

The Parent Company contributed the aforementioned properties into the Joint Venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Parent Company is prohibited to contribute funds for the development of the JV. Hence, there are no receivables from each party with respect to the JV. Income from the sale of the properties under the JV will be shared by the Parent Company and

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EPPI in accordance with the terms of the JVAs. These JVAs do not fall as joint venture arrangement under PFRS 11.

Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by the PNB Trust Banking Group (TBG). The fair values and carrying values of the funds of the Parent Company amounted to ₱1.9 billion and ₱1.3 billion as of December 31, 2013 and 2012, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets as of and for the year ended December 31, 2013 and 2012 follows:

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Investment securities:				
HFT	**₱675,665**	₱712,875	**₱675,665**	₱712,875
AFS	**613,517**	212,437	**589,009**	194,663
HTM	**–**	68,000	**–**	68,000
Deposits with other banks	**364,626**	263,830	**350,105**	255,621
Deposits with PNB	**23,126**	50,792	**23,110**	50,791
Loans and other receivables	**316,088**	37,807	**302,304**	36,614
Total Fund Assets	**₱1,993,022**	₱1,345,741	**₱1,940,193**	₱1,318,564
Accrued expense	**₱655**	₱–	**₱650**	₱–
Due to BIR	**560**	–	**76**	–
Trust fees payable	**–**	754	**–**	771
Total Fund Liabilities	**₱1,215**	₱754	**₱726**	₱771

	Consolidated		Parent Company	
	2013	2012	**2013**	2012
Interest income	**₱64,555**	₱20,738	**₱63,712**	₱20,213
Unrealized loss on HFT (PNB)	**(37,211)**	271,049	**(37,211)**	271,049
Dividend income	**1,698**	–	**1,671**	–
Trading gains	**1,193**	–	**1,193**	–
Gains on sale of investment securities	**–**	72	**–**	72
Fund Income	**₱30,235**	₱291,859	**₱29,365**	₱291,334
Trust fees	**₱3,217**	₱2,442	**₱3,141**	₱2,409
Taxes	**1,418**	–	**1,418**	–
Other expenses	**3,491**	270	**3,485**	227
Fund Expense	**₱8,126**	₱2,712	**₱8,044**	₱2,636

As of December 31, 2013 and 2012, the retirement fund of the Group and the Parent Company include 7,833,795 PNB shares classified under HFT. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

As of December 31, 2013 and 2012, AFS and HTM investments include government debt securities and various funds. Deposits with other banks pertain to Special Deposit Account (SDA) placements with BSP. Loans and other receivables include accrued interest amounting to ₱0.03 million and ₱0.04 million as of December 31, 2013 and 2012, respectively. Income earned and expense incurred by the retirement funds of the Group and Parent Company on PNB related transaction include interest income earned on deposits with PNB amounting to ₱1.6 million in

2013 and ₱1.0 million in 2012, unrealized gains (loss) on PNB shares of (₱37.2) million in 2013 and ₱271.0 million in 2012, and trust fee expense in 2013 of ₱3.2 million for the Group and ₱3.1 million for the Parent Company and ₱2.4 million in 2012 for the Group and Parent Company. Investments are approved by an authorized fund manager or officer of TBG.

Other fund managed by TBG
The TBG manages the sinking fund established by PSC to secure its borrowings with the Parent Company. As of December 31, 2013 and 2012, the sinking fund amounted to ₱5.3 billion and ₱5.2 billion, respectively (see Note 9). Trust fee income earned by TBG amounted to ₱0.6 million in 2013 and ₱3.0 million in 2012.

33. Provisions, Contingent Liabilities and Other Commitments

In the normal course of business, the Group 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 specific disclosures would prejudice the Group'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 Group 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.

Asset Pool 1
In November 1994, the BSP, Maybank and the Parent Company executed a Memorandum of Agreement (MA) providing for the settlement of Maybank's ₱3.0 billion liabilities to the BSP. Under this MA, the Parent Company is jointly and severally liable with Maybank for the full compliance and satisfaction of the terms and conditions therein. The MA provides for the creation of an escrow fund to be administered by the BSP where all collections from conveyed assets and certain annual guaranteed payments required under the MA are to be deposited.

Relative to the sale of the Parent Company's 60% interest in Maybank, the Parent Company has requested the BSP to consider the revision of the terms of the MA to, among others, (a) delete the provision on the annual guaranteed payments in consideration of an immediate payment by the Parent Company of an agreed amount, and (b) exclude Maybank as a party to the MA. On May 7, 1997, the BSP approved the Parent Company's request to amend the terms of the MA, subject to the following conditions among others:

a) The Parent Company shall remit ₱150.0 million to the escrow account out of the proceeds from sale;
b) The Parent Company shall remit to the escrow account an amount equivalent to 50% of any profit that may be realized by the Parent Company on account of the sale; and
c) If the amount in the escrow account has not reached the total of ₱3.0 billion by June 30, 2013, the difference shall be paid by the Parent Company by way of a debit to its regular account with the BSP.

On November 28, 1997, the Parent Company remitted ₱150.0 million in compliance with item (a).

The Parent Company's remaining investment in Maybank was sold on June 29, 2000. The sale was approved by the BSP on August 16, 2000.

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On August 17, 2007, the Parent Company and the BSP amended certain provisions of the MA as follows:

1. The Parent Company will no longer act as the collecting agent for the BSP on the conveyed assets (Asset Pool 1);
2. The Parent Company will no longer remit the amount collected from the Asset Pool 1 to the escrow account;
3. BSP will revert to the Parent Company all the Asset Pool 1 accounts categorized as sugar and sugar-related accounts; and
4. The Parent Company will submit to BSP acceptable collaterals with an appraised value of at least ₱300.0 million as substitute for the sugar-related loans under Asset Pool 1.

On the same date, the Parent Company executed a real estate mortgage over certain investment properties with an aggregate fair value of ₱300.0 million in favor of the BSP (see Note 12). As of December 31, 2012, the total trust assets of the escrow account maintained with the BSP amounted to ₱2.7 billion with an average yield of 5.49%.

On February 7, 2013, the BSP accepted the Parent Company's proposal to make an early payment to settle Maybank's ₱3.0 billion obligation to the BSP in exchange of the assets under the escrow fund. The real estate collaterals pledged to BSP were also released as a result of settlement of the obligation to BSP. Further, recoveries collected from Asset Pool 1 amounting to ₱306.1 million were recognized by the Parent Company as income in 2013 under 'Miscellaneous income' in the statements of income.

NSC Loan

As discussed in Note 9, in 2004, the Parent Company sold the outstanding loans receivable of ₱5.3 billion from National Steel Corporation (NSC) to SPV companies under the provisions of RA No. 9182. On October 10, 2008, simultaneous to the denial of their application in the Philippine courts for injunctive relief, the SPV companies filed a Notice of Arbitration with the Singapore International Arbitration Centre ("SIAC"). Mainly, the SPV companies claimed damages and a suspension of payments on the ground that the consortium of banks (the banks) and the Liquidator breached a duty to settle pre-closing real estate taxes (taxes due as of October 14, 2004) due on the NSC Plant Assets and to deliver to them titles to NSC's Plant Assets free from all liens and encumbrances. However, the banks and the Liquidator dispute the assertions that pre-closing taxes were in arrears, invoking under an installment agreement executed between the Liquidator and the City of Iligan. As part of the agreement to sell the plant assets to the SPV companies, the Liquidator assumed responsibility of settling and paying the Plant Assets' pre-closing real estate taxes, while the SPV companies assumed the responsibility of updating the post-closing taxes (taxes due after October 14, 2004). Consequently, all pre-closing real estate taxes due on the plant assets have been paid in accelerated basis on December 18, 2008.

On October 13, 2008, after the commencement of the arbitration but before the arbitral panel was constituted, the SPV companies filed, as a preservatory measure, a petition for injunctive relief against the NSC Liquidator, NSC Secured Creditors, and NSC Stockholders so that the arbitration proceedings under SIAC will not be rendered moot. On October 14, 2008, the Singapore High Court granted the petition and restrained the NSC Liquidator, the NSC Secured Creditors and the NSC Shareholders, jointly and severally, substantially from declaring the SPV companies in default and declaring all installments due until the arbitration proceeding at the SIAC is settled.

Thereafter, upon application by the Parent Company for a variation of the injunction and an order of the Singapore High Court, the SPV companies remitted ₱750.0 million cash in place of the Standby Letter of Credit which they undertook to provide under the Asset Purchase Agreement, subject to the condition that the amount shall not be subject to any set-off pending an award from the arbitration proceedings.

On January 26, 2009, the Parent Company applied for an Order to compel the SPV companies to issue another Standby Letter of Credit of ₱1.0 billion which they likewise undertook to provide under the Asset Purchase Agreement, but this application was denied on March 5, 2009 by the Singapore High Court. The denial of the second variation (the ₱1.0 billion Standby Letter of Credit) was elevated to the Court of Appeals of Singapore but the same was also denied on September 11, 2009, without prejudice, however, to resort to the same reliefs before the Arbitration Panel.

In April 2010, the Arbitral Panel was constituted. The Parent Company filed therein an application to discharge or vary the injunction. On July 7, 2010, the Arbitration Panel issued a ruling denying the Parent Company's application for a discharge of the injunction issued by the Singapore High Court, while no ruling was made on the application to vary the injunction order.

Consequently, the main issues for alleged breach of the Asset Purchase Agreement, damages and suspension of payments were heard before the Arbitration Panel. On May 9, 2012, the Arbitration Panel issued a Partial Award in favor of the SPV companies, including such reliefs as payment of a certain sum of money and transfer of clean titles on the plant assets under the name of NSC by the bank consortium and the NSC Liquidator in favor of the SPV companies. The Parent Company, one of the members of the consortium, holds a forty-one percent (41%) interest in the claim, and has already set aside the appropriate reserve provision for the same.

Meanwhile, on July 9, 2012, the bank consortium filed with the Singapore High Court a Petition to Set Aside the Partial Award rendered by the Arbitration Panel, which Petition is pending to date.

Movements of provisions for legal claims both for the Group and the Parent Company are as follows:

	December 31, 2013	December 31, 2012	December 31, 2011
Balance at beginning of the year	**₱1,575,433**	₱874,950	₱710,172
Acquired from business combination	**195,971**	–	–
Provisions	–	834,259	164,778
Reclassification and settlements	**(189,323)**	(133,776)	–
	₱1,582,081	₱1,575,433	₱874,950

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BSP Reporting

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	Consolidated		Parent Company	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Trust department accounts (Note 31)	**₱56,334,549**	₱55,976,479	**₱56,334,549**	₱55,976,479
Standby letters of credit	**13,165,263**	7,131,779	**13,097,044**	7,131,779
Deficiency claims receivable	**11,722,138**	6,309,340	**11,712,687**	6,309,340
Credit card lines	**11,239,863**	–	**11,239,863**	–
Shipping guarantees issued	**1,481,927**	628,422	**939,494**	179,212
Other credit commitments	**974,377**	974,377	**974,377**	974,377
Inward bills for collection	**660,197**	140,548	**657,007**	140,548
Other contingent accounts	**504,525**	41,317	**416,802**	41,311
Outward bills for collection	**477,220**	105,030	**195,893**	105,030
Confirmed export letters of credit	**82,513**	78,126	**82,513**	78,126
Unused commercial letters of credit	**66,664**	36,096	**66,664**	36,096
Items held as collateral	**64**	244	**50**	236

34. Offsetting of Financial Assets and Liabilities

The amendments to PFRS 7, which is effective January 1, 2013, require the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

December 31, 2013						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets (Notes 7 and 23)	**₱7,853,279**	**₱7,760,445**	**₱92,834**	**₱678**	**₱–**	**₱92,156**

December 31, 2012						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets (Note 7 and 23)	₱13,918,337	₱13,526,872	₱391,465	₱295,260	₱–	₱96,205
Securities held under agreements to resell (Note 4)	18,300,000	–	18,300,000	–	18,874,894	–
Total	₱32,218,337	₱13,526,872	₱18,691,465	₱295,260	₱18,874,894	₱96,205

Financial liabilities

December 31, 2013						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial liabilities recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities (Note 18)	**₱14,070,601**	**₱13,907,534**	**₱163,067**	**₱678**	**₱–**	**₱162,389**
Securities sold under agreements to repurchase (Notes 8 and 19)*	**2,246,319**	**–**	**2,246,319**	**–**	**2,739,206**	**–**
Bills payable (Notes 8 and 19)	**112,646**	**–**	**112,646**	**–**	**2,585,761**	**–**
Total	**₱16,429,566**	**₱13,907,534**	**₱2,522,032**	**₱678**	**₱5,324,967**	**₱162,389**

December 31, 2012						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Financial instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative liabilities (Note 18)	₱12,162,897	₱11,879,146	₱283,751	₱–	₱–	₱283,751
Securities sold under agreements to repurchase (Notes 8 and 19)*	2,971,471	–	2,971,471	21,141	3,509,709	–
Bills payable (Notes 8 and 19)	2,948,934	–	2,948,934	–	4,756,800	–
Total	₱18,083,302	₱11,879,146	₱6,204,156	₱21,141	₱8,266,509	₱283,751

** Included in bills and acceptances payable in the statements of financial position*

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. This includes amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

35. Notes to Statements of Cash Flows

As of December 31, 2011, amounts of due from BSP which have original maturities of more than three months amounted to ₱20.2 billion. As of December 31, 2013 and 2012, due from BSP did not include amounts with original maturities of more than three months.

36. Events After Reporting Date

Stock Rights Offering
The Parent Company has successfully completed its stock rights offering of common shares following the closure of the offer period on February 3, 2014. LTG fully subscribed to its entitlement of the Rights Offer. A total of 162,931,262 Rights Shares were issued to Eligible Shareholders at a proportion of fifteen Rights Share for every one hundred existing Common Shares held as of the Record Date at the Offer price of ₱71.00 per Right Share. Out of 162,931,262 Rights Shares, 33,218,348 common shares were listed on February 11, 2014 while the remaining shares would be reported for listing upon receipt of the BSP and SEC approval on the application for increase in authorized capital stock of the Parent Company.

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The Offer raised gross proceeds of ₱11.6 billion, out of this, LTG provided ₱9.2 billion. Part of the proceeds will be used as capital injection into ASB to build and refocus ASB's consumer lending business. The Offer also strengthens ASB's capital position under BASEL III standards, effective January 1, 2014.

The Parent Company believes that the Offer better positions it to fulfill its medium-term growth objectives and further capitalize on the benefits of its merger with ABC.

37. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the Parent Company's BOD on February 28, 2014.

38. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company remitted the following types of taxes for the tax period January to December 2013 (in absolute amounts).

1. Taxes and licenses

	Amount
Gross receipts tax	₱777,430,792
Documentary stamp taxes	511,775,609
Real estate tax	1,499,157
Local taxes	44,909,521
Others	216,488,043
	₱1,552,103,122

2. Withholdings taxes

	Amount
Expanded withholding taxes	₱648,194,365
Final income taxes withheld on interest on deposits and yield on deposit substitutes	459,915,467
Withholding taxes on compensation and benefits	134,495,535
VAT withholding taxes	3,123,268
Other final taxes	23,945,425
	₱1,269,674,060

Tax Cases and Assessments

As of December 31, 2013, the Parent Company has outstanding cases filed in courts for various claims for tax refund. Management is of the opinion that the ultimate outcome of these cases will not have a material impact on the financial statements of the Parent Company.

The Philippine National Bank, the country's first universal bank, is the fourth largest privately-owned Philippine commercial bank in terms of total assets as of December 30, 2013. The Bank was established by the Government of the Philippines in 1916. As an instrument of economic development, PNB 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 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.

The Bank's principal commercial banking activities include deposit-taking, lending, bills discounting, trade finance, foreign exchange dealings, fund transfers/remittance servicing, asset management, a full range of retail banking and trust services, and treasury operations. Through its subsidiaries, the Bank engages in thrift banking; full banking services in China; banking services in Hong Kong; deposit-taking activities in the United Kingdom; and a number of diversified financial and related businesses such as remittance servicing in the United States, Canada, Hong Kong, Italy, France, and the United Kingdom; investment banking; life and non-life insurance; stock brokerage; and leasing and financing services.

The Bank's customers include the corporate, public utilities (PUs), the middle-market, retail market, the Philippine Government, National Government agencies (NGAs), local government units (LGUs), and government-owned and controlled corporations (GOCCs).

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

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

New and Revised Standards and Interpretations
- PFRS 11, *Joint Arrangements*
- Philippine Accounting Standard (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 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 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 identifiying 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 Parent Company 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 associate.

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 Parent Company and certain subsidiaries had chosen to close under 'Surplus'. The net effect of all transition adjustments was 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.

Financial Condition

2013 vs. 2012

As of end of the first year of PNB-Allied Bank merger, the Group'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 as of December 31, 2012. The increase is inclusive of some ₱198.2 billion assets of the former Allied Bank (ABC) at fair values 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 of the merged Bank 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 merged 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 to 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 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 Insurance, Inc. (PNB LII) 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 the former 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 the former 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 ₱21.5 billion, up by ₱6.0 billion from the ₱15.5 billion reported as of December 31, 2012. This came from the ₱6.7 billion ROPA accounts of the former 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 Allied Commercial Bank (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 Group 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 Group.
- 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 merged bank increased by ₱242.5 billion from ₱291.7 billion as of December 31, 2012 to ₱534.2 billion of the merged Bank as of December 31, 2013. Major changes in liability accounts were as follows:

- Deposit Liabilities, representing 87% of total liabilities of the merged Bank stood at ₱462.4 billion, higher 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 P6.0 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 Group's documented risk management and investment strategy.
- Accrued Expenses Payable and Other Liabilities also increased from ₱3.9 billion and ₱17.3 billion respectively, 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 the former ABC.

• The consolidated equity now stood at ₱83.9 billion as of December 31, 2013, up by ₱45.4 billion from ₱38.5 billion as of December 31, 2012. The increase in capital accounts was accounted for by the following:

- ₱41.5 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

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 Group'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 increased by ₱0.6 billion, from ₱1.2 billion to ₱1.8 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 deposit 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 ₱14.7billion 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 Gen. Insurers, 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 mainly accounted for 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.

2011 vs. 2010

- The group's consolidated assets amounted to ₱311.6 billion as of December 31, 2011, ₱14.4 billion or 5.0% higher compared to ₱297.1 billion as of December 31, 2010. The growth in resources was funded by the increase in deposits and proceeds from the issuance of ₱6.5 billion unsecured subordinated notes eligible as Tier 2 Capital in June 2011. Significant changes (more than 5%) in assets were registered in the following accounts:
  - Loans and Receivables grew by 13.9% or ₱15.3 billion, from ₱110.3 billion to ₱125.6 billion, attributable mainly to new loan releases during the period to different industry sectors, e.g power, telecommunications, government, manufacturing and transportation.
  - Due from BSP increased by ₱13.9 billion, from ₱24.3 billion to ₱38.2 billion, accounted for by the increase in the reserve deposit account with BSP.
  - Securities Held Under Agreements to Resell went up by ₱11.5 billion, from ₱6.8 billion to ₱18.3 billion. Securities Held under Agreement to Resell includes government securities purchased under reverse repurchase transactions with BSP
  - Interbank Loans Receivable grew by ₱4.4 billion, from ₱12.7 billion to ₱17.1 billion, due to increase in lending to BSP.
  - Financial Assets at Fair Value Through Profit or Loss was lower by ₱9.1 billion, from ₱16.0 billion to ₱6.9 billion, attributed mainly to the sale of government and other investment securities.
  - On October 12, 2011, the Bank had identified a clear change of intent to exit or trade in the short term its HTM investments rather than to maturity. The Bank disposed of a more than insignificant amount of its HTM investments. The disposal necessitated the reclassification of the remaining HTM investments to AFS securities in accordance with PAS 39.
  - Available for Sale Securities was higher by ₱17.8 billion, from ₱34.5 billion to ₱52.3 billion, on account of purchases of government securities and the reclassification of the remaining HTM to AFS.
  - Due from Other Banks was higher by ₱1.3 billion, from ₱5.1 billion to ₱6.4 billion.
  - Investment Properties increased by ₱0.6 billion, from ₱17.9 billion to ₱18.5 billion, mainly due to sale of properties.
  - Other Assets was lower by ₱3.3 billion, from ₱4.5 billion to ₱1.2 billion.

- The consolidated liabilities increased by ₱9.0 billion from ₱268.7 billion as of December 31, 2010 to ₱277.7 billion as of December 31, 2011. Major changes in liability accounts were as follows:

  - Deposit Liabilities grew by ₱11.1 billion, from ₱226.4 billion to ₱237.5 billion. The growth came from ₱13.4 billion and ₱1.9 billion increase in savings deposits and in demand deposits, respectively partly offset by the decline of ₱4.2 billion in time deposit.
  - Bills and Acceptances Payable and Accrued Taxes, Interest and Other Expenses decreased by ₱3.5 billion and ₱0.6 billion, from ₱12.0 billion to ₱8.5 billion and from ₱4.3 billion to ₱3.7 billion, respectively.
  - Subordinated Debt increased by ₱1.0 billion, from ₱5.5 billion to ₱6.5 billion. On June 15, 2011, the Bank issued ₱6.5 billion in Unsecured Subordinated Notes eligible as Tier 2 Capital to refinance the Banks ₱5.5 billion Lower Tier 2 Subordinated Notes which were redeemed in August 2011 and to raise additional Tier 2 Capital in order to finance asset growth and strengthen the Bank's capital base.

- The consolidated equity stood at ₱33.8 billion as of December 31, 2011, up by ₱5.4 billion from ₱28.4 billion as of December 31, 2010. The increase in capital accounts came primarily from the ₱4.6 billion annual net income and ₱1.9 billion recovery from net unrealized losses on mark to market valuation of available for sale.

Results of Operations

2013 vs. 2012

- For the year 2013, the net income of the merged bank reached ₱5.2 billion, ₱0.5 billion higher compared to ₱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 last year.
- Fee-based and other income was 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 merged bank totaled ₱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 ₱0.7 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. 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 Group 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 last 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 were lower by ₱0.2 billion from ₱11.2 billion to ₱11.0 billion.
- Provision for income tax was at ₱0.9 billion and ₱0.8 billion for the years ended December 31, 2012 and 2011, respectively.

2011 vs. 2010

- The Group posted a ₱4.6 billion consolidated net income for the year ended December 31, 2011, ₱0.6 billion higher than the 2010 net income of ₱4.0 billion.
- Interest income from loans and receivables grew by 8.1% or up by ₱0.6 billion to ₱7.5 billion for the year ended December 31, 2011, from ₱7.0 billion in the same period last year, attributed mainly to higher ADB on loans and receivables. Interest income from investment securities and deposits with other banks was slightly lower at ₱4.3 billion and ₱0.7 billion, from ₱4.4 billion and ₱0.9 billion, respectively. Interest expense on deposits was slightly higher by ₱0.6 billion from ₱3.4 billion to ₱4.0 billion due to increase in average daily balance of deposit liabilities.
- Net service fees and commission income increased slightly with the reduction in service and commission expenses and an improvement in remittance and trust fees at ₱2.14 billion for the year ended December 31, 2011 compared to ₱2.12 billion reported for the same period last year.
- Fee-based and other income decreased by ₱0.4 billion to ₱7.3 billion from ₱7.7 billion in the previous year. Trading and investment net gains significantly increased by ₱0.5 billion, from ₱3.1 billion to ₱3.6 billion, as the bank took advantage of opportunities in the financial market and made a strategic call of unloading substantial holdings of security investments. Foreign exchange net gains also went up by ₱0.3 billion. Net gain on sale or exchange of assets is lower at ₱1.4 billion for the year ended December 31, 2011 compared to ₱2.1 billion for the same period last year and Miscellaneous dropped by ₱0.4 billion compared to last year.
- Administrative and other operating expenses decreased by ₱1.2 billion, from ₱12.4 billion to ₱11.2 billion, largely due to lower provision for impairment and credit losses and miscellaneous expense by ₱1.4 billion and ₱0.6 billion, respectively. On the other hand, Compensation and fringe benefits, taxes and licenses and occupancy and equipment-related costs slightly increased by ₱0.5 billion, ₱0.1 billion and ₱0.1 billion, respectively.
- Provision for income tax was the same at ₱0.9 billion for the years ended December 31, 2011 and 2010, respectively.

Key Performance Indicators

- Capital Adequacy

  Capital Management
  The primary objectives of the Parent Company'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 Parent Company 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 Parent Company 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 Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company'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 Parent Company, provided that the same shall be excluded for dividend purposes.

Capital Adequacy Ratio
As of Dates Indicated

	Consolidated			Solo		
	2013	2012	2011	2013	2012	2011
Tier 1 (core) Capital	81,927.249	29,950.780	34,546.588	79,100.512	30,744.150	35,173.686
Common stock	43,448.337	26,489.837	26,489.837	43,448.337	26,489.837	26,489.837
Additional Paid In Capital	26,499.909	2,037.272	2,037.272	26,499.909	2,037.272	2,037.272
Retained Earnings	9,568.295	2,278.793	6,313.204	9,002.417	2,278.793	6,313.204
Cumulativ e Foreign Currency Translation	(209.578)	(909.161)	(340.611)	149.849	(61.752)	333.373
Undiv ided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,620.286	54.039	46.886	-	-	-
Deductions from Tier 1 Capital	19,715.452	3,442.213	4,045.702	19,385.053	3,345.648	3,977.010
Unsecured DOSRI	54.051	87.181	717.882	54.051	87.181	717.882
Deferred income tax	3,896.944	3,355.032	3,327.820	3,566.545	3,258.467	3,259.128
Goodwill	15,764.457			15,764.457		
Gross Tier 1 Capital	62,211.797	26,508.567	30,500.886	59,715.459	27,398.502	31,196.676
Upper Tier 2 Capital	2,903.298	1,452.880	2,134.202	2,792.410	1,442.058	2,061.340
Appraisal Increment Reserv e, Bank Premises auth. By MB	291.725	291.725	291.725	291.725	291.725	291.725
General loan loss prov ision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)	2,611.573	1,161.155	1,842.477	2,500.685	1,150.333	1,769.615
Lower Tier 2 Capital (limited to 50% of Tier 1 Capital)	9,953.651	13,254.284	12,931.643	9,953.651	13,699.251	12,931.643
Unsecured Subordinated Debt	9,953.651	16,134.886	12,931.643	9,953.651	16,134.886	12,931.643
Total Tier 2 Capital	12,856.949	14,707.164	15,065.845	12,746.061	15,141.309	14,992.983
Gross Tier 2 Capital (limited to 100% of Tier 1 Capital)	12,856.949	14,707.164	15,065.845	12,746.061	15,141.309	14,992.983
Deductions from Qualifying Capital	623.123	3,122.668	159.483	14,735.834	9,472.213	6,511.277
Total qualifying capital	74,445.623	38,093.063	45,407.248	57,725.686	33,067.598	39,678.382

The risk-weighted assets of the Group and Parent Company as of December 31, 2013, 2012 and 2011 are as follows:

Risk-weighted on:						
Balance sheet assets:	319,474.854	180,263.416	180,351.138	292,664.636	172,427.340	173,521.304
20%	3,365.582	3,346.152	2,752.834	2,438.801	3,316.012	2,573.701
50%	13,963.631	3,874.130	5,383.494	12,821.113	3,853.812	5,374.547
75%	15,492.672	3,509.684	2,504.075	15,028.768	3,509.684	2,504.075
100%	249,165.915	140,892.358	137,279.025	225,933.829	133,209.840	130,796.580
150%	37,487.054	28,641.092	32,431.710	36,442.125	28,537.992	32,272.401
Off-Balance sheet assets:	7,835.140	2,462.837	2,680.680	7,224.489	2,013.627	2,224.317
20%	34.381	74.208	-	34.381	74.208	-
50%	2,331.258	1,782.022	8.734	2,331.258	1,782.022	8.734
75%	519.572	-	-	519.572	-	-
100%	4,949.929	606.607	2,671.946	4,339.278	157.397	2,215.583
150%	-	-	-	-	-	-
Total Counterparty Risk-Weighted Assets in the Banking Book (Deriv ativ es and Repo-style Transactions)	599.806	673.881	1,019.170	599.806	673.881	1,019.170
Total Counterparty Risk-Weighted Assets in the Trading Book (Deriv ativ es and Repo-style Transactions)	9.914	198.574	196.664	-	198.574	196.664
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss prov ision [in excess of the amount permitted to be included in Upper Tier 2]	-	-	187.732	-	-	250.385
Total Credit Risk Weighted Assets	327,919.714	183,598.708	184,059.920	300,488.931	175,313.422	176,711.070
Market Risk Weighted Assets	9,337.189	3,255.293	3,992.760	3,828.952	3,241.655	3,863.760
Operational Risk-Weighted Assets	40,938.779	23,385.190	21,638.290	36,178.156	20,306.580	19,558.040
Total Risk Weighted Assets	378,195.681	210,239.191	209,690.970	340,496.038	198,861.657	200,132.870

Capital Adequacy Ratios						
Tier 1 capital ratio	16.367%	11.866%	14.508%	15.374%	11.396%	13.961%
Tier 2 capital ratio	3.317%	6.253%	7.147%	1.580%	5.232%	5.865%
CAR	19.684%	18.119%	21.654%	16.953%	16.628%	19.826%

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, effective 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 Parent Company'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 Group's consolidated capital adequacy ratio 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 at December 31, 2013, 2012 and 2011 (amounts in billions):

- Asset Quality

The PNB Group's non-performing loans (gross of allowance) increased to ₱10.7 billion as of December 31, 2013 compared to ₱6.5 billion as of December 31, 2012, mainly attributed to ABC balances transferred in line with the merger. NPL ratio of the merged bank (based on new BSP guidelines) is 1.39% (net of valuation reserves) and 4.26% (at gross).

- Profitability

	2013	2012 (as restated)	2011 (as restated)
Return on Equity [1/]	8.5%	13.1%	14.9%
Return on Assets [2/]	1.1%	1.5%	1.5%
Net Interest Income [3/]	3.4%	2.6%	2.9%

[1] net income divided by average total equity for the period indicated
[2] net income divided by average total assets for the period indicated
[3] net interest income divided by average interest-earning assets for the years indicated. For 2013, average balances of interest earning assets pertains to the sum of beginning (pre-merger balance) & ending balances (Merged) as of the end of the respective periods divided by two),

ROE for the year ended December 31, 2013 is at 8.5% or 4.6% and 6.4% lower compared to the ratio registered for the year 2012 and 2011 at 13.1% and 14.9%, respectively. The reduction was traced to the higher average total equity of the merged bank at ₱61.2 billion compared to ₱36.1 billion last year or an increase of ₱25.1 billion. Without the goodwill, however, 2013 ROE will improve to 9.6%.

December 2013 ROA is at 1.1% or 0.4% lower compared to the December 2012 and 2011of 1.5%. This can be attributed to the increase in average assets of the merged bank at ₱474.1 billion, or an increase of 47.7% or ₱153.2 billion from the stand alone December 2012 average of ₱320.9 billion.

NIM ratio of the merged bank for December 2013 is at 3.4% based on net interest margin of ₱13.7 billion and total average interest-earning assets of ₱403.4 billion, 0.8 percentage point higher compared to the 2.6% NIM ratio of 2012 and 0.5% higher than the 2011 rate.

- Liquidity

The ratios of liquid assets to total assets were 45.3%, 44.7% and 46.4% as of December 31, 2013, 2012 and 2011, respectively.

The Bank is in compliance with the liquidity and legal reserve requirements of BSP for deposit liabilities.

- Cost Efficiency

The ratios of total operating expenses (excluding provision for impairment and credit losses) to total operating income were 70.6%, 61.0%, and 60.9% for 2013, 2012 and 2011, respectively.

Item 10A – Remuneration Policy

PNB's remuneration policy manifests the Bank's belief that the quality of its human resource is a key competitive edge in the industry. As such, the Bank maintains remuneration and benefits program that attracts, motivates, and retains talents and develops their potentials. The Bank's remuneration and benefits program aims to 1) ensure compliance with requirements of labor and other regulatory laws; 2) establish competitiveness with peer groups in the industry; and c) strengthen alignment with and accomplishment of the Bank's business strategies.

The following are the features of the Bank's remuneration policy for Directors and Officers:

I. Emolument and Fringe Benefits of the Board of Directors
   - Cash Emolument in the form of Per Diem for every Board and Board Committee meeting
   - Non-Cash Benefit in the form of Healthcare Plan, Group Life Insurance, and Group Accident Insurance

II. Officers' Compensation and Benefits

1. Monetary Emoluments
   - Monthly compensation in the form of monthly basic pay which is reviewed annually and subject to the adjustment thru merit increase effective July 1 based on officer's performance and achievements
   - Bonuses equivalent to four (4) months gross compensation per year
   - Allowances to cover business-related expenses, official travel, social and recreational activities (i.e., summer outing/Christmas party) and relocation expenses
   - Service Incentive in the form of cash award upon reaching milestones in length of service (e.g., 10th year, 25th year of service, etc)

2. Non-Cash Benefits
   - Healthcare Plan in the form of hospitalization, consultation and other medical benefits for the Officer and two (2) of his/her primary dependents
   - Group Life Insurance coverage in amounts based on the officer's rank
   - Group Accident Insurance coverage in amounts based on the officer's rank
   - Leave Privileges in the form of leave with pay benefits for the following purposes: a) vacation; b) sick; c) maternity; d) paternity; e) birthday; f) bereavement; g) solo parent; h) emergency; i) special leave for female employees.
   - Car Plan in the form of car cost-sharing scheme based on the officer's rank

3. Fringe Benefits
   - Loan Facilities available for the following purposes: a) housing; b) car financing; c) general purpose

4. Retirement Benefits
   - Retirement benefits equivalent to applicable monthly pay per year of service for those who attained the required minimum length of service under the Plan.

1. Market Information

All issued PNB Common shares are listed and traded on 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 2014 are:

	2012		2013		2014	
	High	Low	High	Low	High	Low
Jan – Mar	75.95	56.25	107.60	87.40	87.20	75.57
Apr – Jun	77.80	67.40	117.00	75.95		
Jul – Sep	76.55	68.75	91.00	65.00		
Oct - Dec	96.20	70.20	99.00	77.60		

The trading price of each PNB common share as of March 31, 2014 was P82.00.

2. Holders

There are 30,420 shareholders as of February 28, 2014. 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)	110,208,404	9.8450749566
2	PCD Nominee Corporation (Non-Filipino)	97,919,086	8.7472525358
3	Key Landmark Investments, Ltd.	94,883,360	8.4760667738
4	Caravan Holdings Corporation	58,389,760	5.2160410915
5	Solar Holdings Corporation	58,389,760	5.2160410915
6	True Success Profits Ltd.	58,389,760	5.2160410915
7	Prima Equities & Investments Corporation	51,091,040	4.5640359551
8	Leadway Holdings, Inc.	46,495,880	4.1535437150
9	Infinity Equities, Inc.	43,792,320	3.9120308187
10	Pioneer Holdings Equities, Inc.	24,386,295	2.1784627440
11	Multiple Star Holdings Corporation	21,925,853	1.9586679277
12	Donfar Management Ltd.	21,890,077	1.9554720062
13	Uttermost Success, Ltd.	21,523,715	1.9227443628
14	Mavelstone Int'l. Ltd.	21,055,186	1.8808899945
15	Kenrock Holdings Corporation	18,522,961	1.6546826997
16	Fil-Care Holdings, Inc.	18,119,076	1.6186030728
17	Fairlink Holdings Corporation	17,945,960	1.6031383720
18	Purple Crystal Holdings, Inc.	17,374,238	1.5520656249
19	Kentron Holdings & Equities Corporation	17,343,270	1.5492992090
20	Fragile Touch Investment, Ltd.	16,157,859	1.4434047425

[1/] *This includes the 423,962,500 common shares (the "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.*

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Sta. Elena, Soller Sts., Binondo, Manila
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942-948 A. Bonifacio Ave.
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Fax No. 363-6052

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E. Rodriguez Jr. Ave.
Brgy. Bagumbayan, Quezon City
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421-0425
Fax No. 395-5117

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G/F Pearl Garden Hotel
1700 M. Adriatico cor. Malvar Sts.
Malate, Manila
Tel. Nos. 526-0382/ 521-0861
Fax No. 525-1460

AGUIRRE
G/F, 112 All Seasons Building
Aguirre St., Legaspi Village
Makati City
Tel. Nos. 893-8192/ 893-8193/
894-2538

ALABANG
G/F Page 1 Building
1215 Acacia Ave.
Madrigal Business Park
Ayala Alabang, Muntinlupa
Tel. Nos. 807-6065/ 842-3550

ALABANG-LAS PIÑAS
Don Mariano Lim Industrial
Compound, Alabang Zapote Rd.
cor. Concha Cruz Rd., Las Piñas
Tel. No. 772-2709
Fax No. 772-2706

ALI MALL
Alimall II Bldg., Gen. Romulo Ave.
cor. P. Tuazon Blvd., Cubao, Q. C.
Tel Nos. 912-1655/ 912-6655

ALMANZA
Hernz Arcade, Alabang-Zapote Road
Almanza, Las Piñas City 1750
Tel. No. 806-6905

AMORSOLO
114 Don Pablo Building
Amorsolo St., Legaspi Village
Makati City
Tel. Nos. 841-0295/ 818-1416
818-2198/ 841-0296
Fax No. 893-0358

ANGONO
Quezon Ave. cor. E. Dela Paz St.
Brgy. San Pedro, Angono, Rizal
Tel. Nos. 295-0431/ 295-4646
451-2548
Fax No. 451-0720

ANNAPOLIS
G/F Continental Plaza Annapolis St.
Greenhills, San Juan
Tel. Nos. 723-5267/ 723-0902
723-0903
Fax No. 723-0904

ANTIPOLO
89 P. Oliveros St., Kapitoloyo Arcade
San Roque, Antipolo City, Rizal
Tel. Nos. 697-2015/ 697-2018

ANTIPOLO-CIRCUMFERENTIAL
Circumferential Road
Brgy. Dalig, Antipolo, Rizal
Tel. Nos. 697-0060/ 697-0041
Telefax No. 697-4440

ARRANQUE
1427 Citiriser Building, Soler St.
Sta. Cruz, Manila
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733-2677

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Brgy. Loyola Heights, Quezon City
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Fax No. 421-2329

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G/F VGP Center
6772 Ayala Ave., Makati City
Tel. Nos. 894-1432/ 817-9936
817-6119

AGUILAR AVENUE-LAS PIÑAS
G/F Las Piñas Doctors' Hospital
Aguilar Ave., Citadella Subd.
Las Piñas City
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826-9734

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Makati City
Tel. No. 889-0395

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Sampaloc, Manila
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BAMBANG MASANGKAY
G/F, ST Condominium
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Sta. Cruz, Manila
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Fax No. 254-2503

BANAWE
Banawe Fortune Center Bldg.
Banawe cor. Quezon Ave.
Quezon City
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743-3678
Fax No. 712-9502

BANAWE-N. ROXAS
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BATASANG PAMBANSA
Main Entrance, Batasan Pambansa
Complex, Constitutional Hills
Quezon City
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BAYANAN-MUNTINLUPA
Allied Bank Building, National Road
Bayanan, Muntinlupa City
Tel. Nos. 862-0430/ 862-0431
862-0432

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G/F Bellevue Hotel, North Bridgeway
Northgate Cyberzone, Filinvest
Corporate City, Alabang
Muntinlupa City
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771-2429

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Makati City
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Fax No. 822-6086

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BF Homes, Parañaque City
Tel. Nos. 807-3540/ 809-2523
Fax No. 809-2524

BF HOMES-PHASE 3
CFB Building 322 Aguirre Ave.
BF Homes, Parañaque
Tel. Nos. 808-6408/ 808-6563
Fax No. 856-4021

BF HOMES-AGUIRRE AVENUE
47 Aguirre Ave. cor. Tirona St.
B.F. Homes, Parañaque City 1718
Tel Nos. 478-8878 / 808-1145

BICUTAN
VCD Building, 89 Doña Soledad Ave.
Betterliving Subdivision, Bicutan
Parañaque City
Tel. No. 824-4955
Fax No. 824-4953

BICUTAN-WEST SERVICE ROAD
Km. 16, West Service Road
South Super Highway
Bicutan, Parañaque
Tel. Nos. 403-9198/ 511-7193
511-1890

BINONDO
452 San Fernando St. cor. Elcano St.
Binondo, Manila
Tel. Nos. 244-8950/242-8450

BINONDO CENTER
Alliance Bldg.
410 Quintin Paredes St.
Binondo, Manila
Tel. Nos. 241-2384/ 241-2284
241-2277/ 241-2356
Fax No. 241-2285

BLUMENTRITT
PNB KASSCO Bldg., cor. Lico and
Cavite Sts., Sta Cruz, Manila
Tel. Nos. 732-7150/ 732-7156

BLUMENTRITT-RIZAL AVE. EXT.
2229-2231 Rizal Ave.
Sta. Cruz, Manila
Tel. Nos. 257-1053/ 257-1054

BONI AVENUE
654 Boni Ave., Mandaluyong City
Tel. Nos. 531-4833/ 531-8930
532-4022

BONIFACIO GLOBAL CITY
PNB Shop 2, The Luxe Residences
28Th St., cor. 4th Ave.
Bonifacio Global City, Taguig
Tel. Nos. 808-0721/ 808-1454

BSP SU (Formerly CBSU)
G/F Cafetorium Building
BSP Complex, A. Mabini
cor. P. Ocampo Sts., Malate, Manila
Tel. Nos. 708-7680 / 708-7682

BSP SUB-SERVICE UNIT
Bangko Sentral Ng Pilipinas Security
Complex, East Ave.
Diliman, Quezon City
Tel. No. 926-4881

BUENDIA
56 Gil Puyat Ave. (Buendia)
Makati City
Tel. Nos. 845-1540/ 845-1541
Fax No. 845-1542

CAINTA
RRCG Transport Building
Km. 18 Ortigas Ave. Extension
Brgy. San Isidro, Cainta, Rizal
Tel. Nos. 470-8642 / 997-8103

CAINTA-FELIX AVE.
G/F Arellano Bldg., Felix Ave.
cor. Village East Ave., Cainta, Rizal
Tel. Nos. 656-8639/ 656-8633
Telefax No. 656-8581

CALOOCAN
Gen. San Miguel St., Brgy 4 Zone 1
Sangandaan, Dist. II, Caloocan City
Tel. No. 288-2450

CALOOCAN CENTER
1716 cor. L. Bustamante St.
Caloocan City
Tel. Nos. 361-0287/ 366-8416
366-8414
Fax No. 361-0286

CALOOCAN-A.MABINI
(Formerly Maypajo)
451 A. Mabini cor. J. Rodriguez St.
Caloocan City
Tel. No. 288-6486

CARTIMAR-TAFT
SATA Corp. Bldg.
2217 Taft Ave., Pasay City
Tel. No. 8340765

CENTURY PARK
G/F Century Park Hotel, M. Adriatico
cor. P. Ocampo Sts., Malate, Manila
Tel. Nos. 524-8385/ 525-3792
528-8888 local 2018
Fax No. 525-0232

CHINO ROCES AVENUE EXT.
GA Building 2303 Don Chino
Roces Ave. Ext. (Formerly Pasong
Tamo Ext.), Makati City
Tel. Nos. 840-3798/ 840-3801
Fax No. 840-3796

CM RECTO
Unit 6 & 7 PSPCA 2026-2028
C.M Recto Ave., Quiapo, Manila
Tel. Nos. 734-0799/734-0899
734-0599

CONGRESSIONAL
149 Congressional Ave.
Project 8, Quezon City
Tel. Nos. 926-1586/ 926-1656
Fax No. 926-1630

COA
COA Building, Commonwealth Ave.
Quezon City
Tel. No. 932-9027

COMMONWEALTH
G/F LC Square Bldg.
529 Commonwealth Ave..
Quezon City
Tel. Nos. 932-1891
951-4893

C. PALANCA
201 C. Palanca cor. Quezon Blvd.
Quiapo, Manila
Tel. Nos. 733-1730/ 733-1960
Fax No. 733-1821

CUBAO
cor. Gen. Araneta and Aurora Blvd.
Cubao Quezon City
Tel. Nos. 911-2916/912-1938

CUBAO-HARVARD
SRMC Bldg., 901 Aurora Blvd.
cor. Harvard & Stanford Sts.
Cubao, Quezon City
Tel. Nos. 912-3070/ 912-2577
912-2896/ 913-1068
912-2571
Fax No. 913-4503

DAPITAN
1710 Dapitan St. near cor. M. Dela
Fuente St., Sampaloc, Manila
Tel. Nos. 741-7672/ 741-9829
Fax No. 731-5925

DAPITAN-GELINOS
(Formerly Laon-Laan)
G/F North Forbes Place
1221 Gelinos St., Sampaloc, Manila
Tel. Nos. 749-0038/ 732-9617

DASMA-MAKATI
2284 Allegro Center, Chino Roces
Ave. Extension, Makati City
Tel. Nos. 846-5144/ 846-9330

DEL MONTE
116 Del Monte Ave.
cor. D. Tuazon St., Brgy. Maharlika
Quezon City
Tel. Nos. 742-3360/ 742-3361
742-3364

DELTA
101-N Dela Merced Bldg.
West Ave. cor. Quezon Ave., Q.C.
Tel. Nos. 372-1539 to 41

DIVISORIA
869 Sto. Cristo St.
Binondo, Manila
Tel. No. 242-6319

DIVISORIA-JUAN LUNA
CK Bldg., 750 Juan Luna St.
Binondo, Manila
Tel. Nos. 242-9031/ 243-1929
243-1946

DIVISORIA MARKET
706-708 Elcano St.
Binondo, Manila
Tel. Nos. 244-4852/ 242-7349
Fax No. 244-4147

DIVISORIA-STO. CRISTO
767 Sto. Cristo cor. M. Delos
Santos Sts., Divisoria, Manila
Tel. Nos. 242-6264/ 242-6266
Fax No. 241-1326

DON ANTONIO HEIGHTS
30 G/F Puno Foundation Bldg.
Brgy. Holy Spirit, Quezon City
Tel. Nos. 931-0121/ 952-2741
Fax No. 952-2740

DOMESTIC AIRPORT
G/F Pal Data Center
Domestic Road, Pasay City
Tel. Nos. 851-4375/ 851-4377
Fax No. 851-4374

EARNSHAW
1357 Earnshaw cor. Jhocson Sts.
Sampaloc, Manila
Tel. No. 742-7971
Fax No. 742-7975

EASTWOOD CITY
MDC 100 Building, Mezzanine Level
Unit M3, E. Rodriguez, Jr. Ave.
cor. Eastwood Ave.
Brgy. Bagumbayan, Libis, Q.C 1110
Tel. Nos. 961-0514/ 961-0309

EDISON-BUENDIA
Visard Bldg, 19 Sen. Gil Puyat Ave.
Makati City
Tel. No. 843-5889

EDSA BALINTAWAK
337-339 EDSA cor. Don Vicente Ang
St., Caloocan City
Tel. Nos. 366-9407/ 366-9409
364-2646

EDSA-CALOOCAN
G/F Insular Life Bldg.
cor. B. Serrano, EDSA, Caloocan City
Tel. Nos. 366-5988/ 366-8413
Fax No. 366-5989

EDS-ETON CYBERPOD CENTRIS
G/F One Cyberpod Centris
Edsa Eton Centris, cor. EDSA &
Quezon Ave., Quezon City
Tel. Nos. 332-5368/ 332-6258
332-6665

EDSA EXTENSION
235-A Loring St., Pasay City
Tel. Nos. 659-5586/ 551-2728
Fax No. 833-8620

ERMITA
1337 A. Mabini Street
Ermita, Manila
Tel. Nos. 254-7630/ 254-7631

ERMITA-U.N.
Physician's Tower, 533 U.N. Ave.
cor. San Carlos Sts., Ermita, Manila
Tel. Nos. 525-0859/ 524-7851
Fax No. 525-0857

ELCANO
706-708 Elcano St.
Binondo, Manila
Tel. Nos. 243-5852/ 243-5845
243-5853

E. RODRIGUEZ-G. ARANETA
599 B, G. Araneta Ave.
cor. E. Rodriguez Sr. Ave.
Doña Imelda, Quezon City
Tel. Nos. 732-8238/ 732-8224
732-8218

E. RODRIGUEZ SR. AVE.-BANAUE
97 Eccoi Building
E. Rodriguez Sr. Ave.
Brgy. Tatalon, Quezon City 1102
Tel. Nos. 740-7875/76
740-5259

E. RODRIGUEZ SR. AVENUE
1706 Rimando Building
E. Rodriguez Sr. Ave.
Cubao, Quezon City
Tel. Nos. 727-7262/ 414-7180
726-0763
Fax No. 726-0726

ESCOLTA
324 G/F Regina Bldg.
Escolta, Manila
Tel. Nos. 241-4279
242-8358

ESPAÑA
Unit 104 St. Thomas Square
1150 España Blvd.
cor. Padre Campa St.
Sampaloc East, Manila
Tel. Nos. 735-6590/ 735-6592
735-6593

ESPAÑA-WELCOME ROTONDA
10 Doña Natividad Bldg.
Quezon Ave., Welcome Rotonda
Quezon City
Tel. Nos. 731-3207/ 731-3145
740-7639/ 740-9982
Fax No. 740-4983

ETON-CORINTHIAN
(Formerly Avenida)
Unit 78 E-Life Eton Cyberpod
Corinthian, Edsa cor. Ortigas Ave.
Brgy. Ugong Norte, Quezon City
Tel. Nos. 470-6264/ 470-6646

EVER GOTESCO
Lower G/F Stall No. 20, Ever Gotesco
Commonwealth, Quezon City
Tel. No. 932-6633

FAIRVIEW
No. 41 Regalado Ave.
West Fairview, Quezon City
Tel. No. 939-8003

FAIRVIEW-COMMONWEALTH
70 Commonwealth Ave., Fairview
Park Subd., Fairview, Quezon City
Tel. Nos. 938-7099/ 938-2125
Fax No. 938-7098

FELIX AVENUE
F. P. Felix Ave., Brgy. San Isidro
Cainta, Rizal 1900
Tel. Nos. 645-7361/ 645-7341
645-6026

FILINVEST AVENUE
BC Group Center, Filinvest Ave. &
East Asia Drive, Filinvest Corporate
City, Muntinlupa City
Tel. Nos. 836-7768/ 836-8048
836-8578

FORT BONIFACIO-INFINITY
G/F 101, The Infinity Tower
26th Street, Fort Bonifacio
Taguig City
Tel. Nos. 553-9709/553-9711
loc 6994

FORT BONIFACIO-MCKINLEY HILL
G/F Unit B, Mc Kinley Hill
810 Bldg. Upper Mckinley Road
Mckinley Town Center
Fort Bonifacio, Taguig City
Tel. Nos. 552-1515/ 552-5555

FRISCO
Unit E/F. Mcy Bldg.
136 Roosevelt Ave.
SFDM, Quezon City
Tel. Nos. 373-6604/373-6605

FRISCO-SFDM
972 Del Monte Ave.
cor. San Pedro Bautista St.
SFDM, Quezon City
Tel. Nos. 372-5784/ 372-5786
Fax No. 372-5785

FTI
Lot 52 G/F New Admin. Bldg.
FTI Complex, Taguig City
Tel. Nos. 822-2013/ 822-2012
822-2014

GALAS
20 A. Bayani St., cor. Bustamante
Galas, Quezon City
Tel. Nos. 781-9475/ 781-9476
781-9477

G. ARANETA
1-B Dolores Go Building
G. Araneta Ave., Quezon City
Tel. Nos. 716-2419/ 714-3728
716-1964
Fax No. 714-3729

GEN. T. DE LEON
4024 General T. De Leon Street
Brgy. Gen. T. De Leon
Valenzuela City
Tel. Nos. 921-9486/ 921-8223
Fax No. 921-4030

GILMORE
(Formerly Aurora Blvd.)
Gilmore IT Center
No. 08 Gilmore Ave., cor. 1st St.
New Manila, Quezon City
Tel. Nos. 722-2324/ 724-2479

GOV. PASCUAL
157 Gov. Pascual Ave.
Acacia, Malabon City
Tel. Nos. 288-5106/ 287-1156
Fax No. 288-5107

GRACE VILLAGE
G/F TSPS Bldg., Christian cor.
Grace Sts., Grace Village, Quezon City
Tel. Nos. 367-8465/ 367-9325
Fax No. 367-9321

GRACE PARK
354 A-C 10Th Ave.
Grace Park, Caloocan City
Tel. No. 365-8578

GRACE PARK-3RD AVE.
128 Rizal Ave. Ext., Between 2nd
and 3rd Ave., Grace Park
Caloocan City
Tel. Nos. 990-3449/ 990-7977
990-7922

GRACE PARK-7TH AVE.
322 Rizal Ave. Ext. near cor., 7th Ave.
Grace Park, Caloocan City
Tel. Nos. 363-6521/ 363-7239
Fax No. 363-1076

GRANADA
G/F, Xavier Hills Condominium
32 Granada cor. N. Domingo Sts.
Brgy. Valencia, Quezon City
Tel. Nos. 727-4788/ 723-7389
410-2585/ 727-4787

GREENBELT
G/F, 114 Charter House Building
Legaspi St., Legaspi Village
Makati City
Tel. Nos. 892-6094/ 892-6341
Fax No. 892-6092

GREENHILLS
G/F One Kennedy Place
Club Filipino Drive, Greenhills
San Juan City
Tel. Nos. 725-4341/ 725-5929

GREENHILLS CENTER
G/F Limketkai Bldg., Ortigas Ave.
Greenhills, San Juan
Tel. Nos. 723-0907/ 723-5291
723-7801/ 726-7574
726-8995
Fax No. 725-5702

GSIS
Level 1 GSIS Bldg., Financial Center
Roxas Blvd., Pasay City
Tel. No. 891-6345

GUADALUPE
Pacmac Bldg., 23 EDSA Guadalupe
Makati City
Tel. No. 882-4636

HARRISON PLAZA
RMSC Bldg., M. Adriatico St.
Malate, Manila
Tel. Nos. 525-2489/ 524-9851

INTRAMUROS
G/F Marine Teachnology Bldg.
cor. A. Soriano Ave. & Arzobispo Sts.
Intramuros, Manila
Tel. Nos. 527-7385/ 527-1255

INTRAMUROS-CATHEDRAL
707 Shipping Center Condominium
A. Soriano, Jr. St., Intramuros, Manila
Tel. Nos. 527-5994/ 527-5694
Fax No. 527-5693

JADE-ORTIGAS
G/F Antel Global Corporate Center
Building, Jade Drive, Ortigas Center
Pasig City
Tel. Nos. 576-4023/ 661-4115
Fax No. 661-4174

J. ABAD SANTOS
Unit B, Dynasty Towers, J. Abad
Santos cor. Bambang Sts., Manila
Tel. Nos. 255-2237/ 255-2238
253-5606

J. P. LAUREL
G/F Gama Bldg., J. P. Laurel
cor. Minerva Sts., San Miguel, Manila
Tel. Nos. 735-9965/ 735-9966
Fax No. 735-9967

JUAN LUNA
451 Juan Luna St., Binondo, Manila
Tel. Nos. 242-8451/ 242-8452

KAMIAS
99-101 G/F, Topaz Building
Kamias Road, Quezon City
Tel. Nos. 924-8920/ 928-3659
Fax No. 928-3804

KAMUNING
118 Kamuning Road, Quezon City
Tel. Nos. 922-5804/ 924-8917
928-0117

KAPASIGAN
Emiliano A. Santos Bldg.
Mabini St. cor. Dr. Sixto Antonio Ave.
Pasig City
Tel. Nos. 643-6225/ 641-0623

KATIPUNAN
335 Agcor Bldg., Katipunan Ave.
Loyola Heights, Quezon City
Tel. Nos. 929-8814/ 433-2021

KATIPUNAN-ST. IGNATIUS
160 Katipunan Ave.
St. Ignatius Village, Quezon City
Tel. Nos. 912-8077/ 912-8078
913-5409
Fax No. 911-8163

LAGRO
BDI Center Inc., Lot 33, Blk. 114
Regalado Ave., Greater Lagro
Quezon City
Tel. Nos. 930-3105/ 930-3106

LAGRO-QUIRINO
KM. 21, Lester Bldg.
Quirino Highway, Lagro, Quezon City
Tel. Nos. 419-6526/ 419-6527
939-1160

LAS PIÑAS
19 Alabang Zapote Road
Pamplona II, Las Piñas City
Tel. Nos. 871-1745/871-3149

LAS PIÑAS-ALMANZA
Consolidated Asiatic Project, Inc.
Bldg., Alabang-Zapote Road
Brgy. Almanza Uno, Las Piñas City
Tel. Nos. 800-4719/ 800-4722
800-4853

LEGASPI VILLAGE
First Life Center, 174 Salcedo St.
Legaspi Village, Makati City
Tel. No. 893-7841

LEON GUINTO
(Formerly Paco)
G/F Marlow Bldg.
2120 Leon Guinto St., Malate Manila
Tel. Nos. 559-8956/ 559-8955
567-4548

LUNETA
Nat'l. Historical Institute (NHI) Cmpd.
T.M. Kalaw St., Ermita, Manila
Tel. Nos. 524-8926/ 524-2774
Fax No. 524-2879

MAIN
G/F PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City
Tel. Nos. 526-3131
loc 2045/2317

MAKATI CENTER
G/F Allied Bank Center
6754 Ayala Ave. cor. Legazpi St.
Makati City
Tel. No. 816-3311 to 99

MAKATI-C. PALANCA
G/F Unit G1 and G2, BSA Suites G103
C. Palanca cor. Dela Rosa St.
Makati City
Tel. Nos. 822-7994/ 822-7996
822-7975
407-4214 (temp.)

MAKATI POBLACION
1204 Jp Rizal St., cor. Angono &
Cardona Streets, Makati City
Tel. No. 899-1430

MALABON
F. Sevilla Blvd.
Tañong, Malabon City
Tel. No. 281-3154

MALABON-RIZAL AVE.
701 Rizal Ave. Ext. cor. Magsaysay St.
Malabon City
Tel. Nos. 281-5864/ 281-3230
Fax No. 281-3338

MALATE-TAFT
Marc 1 Bldg., 1973 Taft Ave.
Malate, Manila 1004
Tel. Nos. 354-0710/ 354-4447

MALINTA
Moiriah's Building, 407 Mc Arthur
Highway, Malinta, Valenzuela City
Tel. Nos. 291-2508/ 293-6267
291-2576

MANDALUYONG
471 Shaw Blvd.
Mandaluyong City
Tel. Nos. 534-8020/ 533-4243
533-9233

MANDALUYONG SHAW
VSK Building, 2 Acacia Lane
cor. Shaw Blvd., Mandaluyong City
Tel. Nos. 532-4249/ 532-4230
Fax No. 532-4225

MARIKINA
Shoe Ave. cor. W. Paz St.
Sta. Elena, Marikina City 1800
Tel. Nos. 681-0701/ 681-0699

MARIKINA-A. TUAZON
Gil Fernando Ave. cor. Chestnut St.
Brgy. San Roque, Marikina City
Tel. Nos. 646-7302/ 646-4957
646-1805

MARIKINA-CONCEPCION
Bayan-Bayanan Ave.
cor. Eustaquio St., Concepcion
Marikina City
Tel. Nos. 942-0425/ 942-2842
Fax No. 941-3293

MARIKINA-STA. ELENA
314 J. P. Rizal St.
Bgy. Sta. Elena, Marikina City
Tel. Nos. 646-7928/ 646-5420
Fax No. 646-7816

MARULAS
8 AGS Bldg., Mc Arthur Highway
Marulas, Valenzuela City
Tel. No. 291-2742

MASANGKAY
916 G. Masangkay St.
Binondo, Manila
Tel. Nos. 244-8748/ 242-8243
Fax No. 244-8737

MASINAG
Silicon Valley Bldg., 169 Sumulong
Highway, Mayamot, Antipolo City
Tel. Nos. 682-3012/ 681-5846

MASINAG-SUMULONG
F. N. Crisostomo Bldg. 2
Sumulong Highway, Mayamot
Antipolo City, Rizal
Tel. Nos. 682-3461/ 682-3463
Fax No. 645-0886

MATALINO
21 Tempus Bldg., Matalino St.
Diliman, Quezon City
Tel. Nos. 920-7158/ 920-7165
Fax No. 924-8919

METROPOLITAN AVENUE
G/F, 1012 Buma Bldg.
Metropolitan Ave.
San Antonio Village, Makati City
Tel. Nos. 897-3910/ 897-5815
Fax No. 897-4408

MINDANAO AVENUE
888 Yrreverre Square Bldg.
Mindanao Ave., Brgy. Talipapa
Novaliches, Quezon City
Tel. Nos. 983-0376/ 456-8582
453-7748

MONTALBAN
E. Rodriguez Ave.
cor. Midtown Subdivision
Rosario, Rodriguez, Rizal
Tel. Nos. 470-1661/ 942-7210

MONUMENTO
419 D&I Bldg.
EDSA, Caloocan City
Tel. No. 361-6448

MORAYTA
929 Consuelo Building
Nicanor Reyes St. (Formerly Morayta)
Sampaloc, Manila
Tel. Nos. 735-1227/ 735-3511
Fax No. 735-4572

MUNTINLUPA
G/F ARBAR Building, National
Highway, Poblacion, Muntinlupa City
Tel. Nos. 861-2990/ 861-2988

MWSS
MWSS Compound, Katipunan Road
Balara, Quezon City
Tel. Nos. 927-5443/ 922-3765

NAGA ROAD-LAS PIÑAS
Lot 2A, Naga Road cor. DBP Ext.
Pulang Lupa Dos, Las Piñas City
Tel. Nos. 804-1021 / 804-1022

NAIA
Arrival Area Lobby
NAIA Complex, Pasay City
Tel. No. 879-6040

NAIA 1
Departure Area, NAIA Terminal
IPT Bldg., Imelda Ave., Parañaque
Metro Manila
Tel. Nos. 832-2660/ 832-2606
Fax No. 852-2593

NAIA 2
NAIA Centennial Terminal II
Northwing Level Departure Intl.
Bldg., Pasay City
Tel. Nos. 879-5946/ 879-5949
879-5947

NAIA 3
Arrival Area Lobby, NAIA Terminal 3
Complex, Pasay City 1300
Tel. No. 877-7888 loc. 8272

NAVOTAS
865 M. Naval St.
Navotas, Metro Manila
Tel. Nos. 281-8934/ 281-9001
Fax No. 282-4021

NAVOTAS-FISH PORT
Navotas Fish Port Complex
Navotas City
Tel. Nos. 351-4650 / 351-4649

NEW MANILA
322 E. Rodriguez Sr. Ave.
New Manila, Quezon City
Tel. Nos. 727-5250/ 727-5259
724-5349/ 724-5531

NFA
SRA Building, Brgy. Vastra
North Ave., Quezon City
Tel. No. 928-4274

NIA
EDSA cor. NIA Road
Brgy. Piñahan, Diliman, Quezon City
Tel. Nos. 928-6776/ 927-2987

NORTHBAY
511 Honorio Lopez Blvd.
Balut, Tondo, Manila
Tel. Nos. 253-8471/ 251-9212
Fax No. 251-7309

NOVALICHES
513 Quirino Highway
Talipapa, Novaliches, Quezon City
Tel. No. 984-6505

NOVALICHES-QUIRINO
903 Quirino Hi-Way
Brgy. Gulod, Novaliches, Quezon City
Tel. Nos. 936-1008/ 936-1547
930-6036
Fax No. 930-6037

NPC
Agham Road, Diliman, Quezon City
Tel. Nos. 927-8842/927-8829

N.S. AMORANTO
Unit 103, "R" Place Building
255 N.S. Amoranto Sr. Ave.
Quezon City
Tel. Nos. 731-7991 / 413-0568
413-0566

ONGPIN
Prestige Tower, 919 Ongpin St.
Sta Cruz, Manila
Tel. Nos. 733-7198/ 733-7931
Fax No. 733-7204

ORTIGAS
G/F JMT Bldg., ADB Ave.
Ortigas Center, Pasig City
Tel. Nos. 635-3719/633-8189

ORTIGAS CENTER-GARNET
Unit 104, Taipan Building
Garnet Road, Ortigas Center
Pasig City
Tel. Nos. 637-5851/ 637-9061
Telefax No. 637-5852

OYSTER PLAZA
Unit D1, Oyster Plaza Bldg.
Ninoy Aquino Ave.
Brgy. San Dionisio, Parañaque City
Tel. Nos. 829-0710/ 829-0711
Fax No. 829-1937

PACO
756 Pedro Gil cor. Pasaje-Rosario Sts.
Paco, Manila
Tel. Nos. 525-5641/ 525-7820
Fax No. 523-1514

PADRE FAURA
PAL Learning Center Bldg.
540 Padre Faura cor. Adriatico Sts.
cor. Ermita, Manila
Tel. Nos. 526-4461/ 526-4480
Fax No. 526-4458

PADRE RADA
647 RCS Bldg., Padre Rada St.
Tondo, Manila
Tel. Nos. 245-0050/ 245-0243
Fax No. 245-0309

PAMPLONA
267 Alabang Zapote Road
Pamplona Tres, Las Piñas City
Tel. No. 847-9373
Fax No. 847-9010

PANDACAN
Jesus Street cor. T. San Luis St.
Pandacan, Manila
Tel. Nos. 564-0217/ 563-1031
564-0870

PARANG
105 B. G. Molina St.
Parang, Marikina City
Tel. Nos. 941-6802/ 941-9686
941-2779/ 941-3290

PASAY
2976 Mexico Ave.
Pasay City
Tel. No. 832-0394

PASAY-EDSA
765 EDSA, Malibay, Pasay City
Tel. Nos. 889-0952/ 889-0955
Fax No. 889-0963

PASAY LIBERTAD
244 P. Villanueva St.
Libertad, Pasay City
Tel. Nos. 551-2370/ 833-2415
833-4533
Fax No. 551-2369

PASAY-TAFT
2482 Taft Ave., Pasay City
Tel. Nos. 833-2414/ 831-5986
Fax No. 833-2413

PASIG
G/F Westar Bldg., 611 Shaw Blvd.
Pasig City 1600
Tel. Nos. 636-7465/ 631-4001
631-3996

PASIG-ORTIGAS EXT.
103 Bigan Building
Ortigas Ave. Ext., Rosario, Pasig City
Tel. Nos. 641-0704/ 641-0705
Telefax 641-0706

PASIG RIVERSIDE
G/F CTIP Compound
Ortigas Ave. Extension
Rosario, Pasig City
Tel. Nos. 656-9570/ 656-9199
Telefax 656-6629

PASIG-SANTOLAN
Amang Rodriguez Ave.
Brgy. Dela Paz, Santolan, Pasig City
Tel. Nos. 647-5552/ 682-7972

PASIG-SHAW
G/F, Jade Center Condominium
105 Shaw Blvd., Brgy. Oranbo
Pasig City
Tel. Nos. 633-9618/ 633-9625
633-9627/ 634-4473

PASONG TAMO
2233 Chino Roces Ave.
Makati City
Tel. Nos. 813-4013/ 813-4012
Fax No. 893-9206

PASO DE BLAS
179 Paso de Blas, Valenzuela City
Tel. Nos. 291-1101/ 291-1102
Fax No. 292-9824

PCSO
Philippine International Convention
Center, CCP Complex
Roxas Blvd., Pasay City
Tel. Nos. 789-4796/ 846-7617

PETRON MEGA PLAZA
G/F Petron Mega Plaza Building
358 Sen. Gil Puyat Ave., Makati City
Tel. Nos. 886-3379/ 886-3383
886-3377

PGH
PGH Compound, Taft Ave.
Ermita, Manila
Tel. Nos. 524-3565/ 523-9110
524-3558

PIONEER
G/F Bldg. B, Guerro Complex
123 Pioneer St., Mandaluyong City
Tel. No. 638-9310

PLAZA DEL CONDE
G/F, San Fernando Towers
Plaza Del Conde St., Binondo, Manila
Tel. Nos. 243-6576/ 243-6581
Fax No. 243-6580

PLAZA STA. CRUZ
740 Florentino Torres St.
Sta. Cruz, Manila 1003
Tel. Nos. 734-2462/ 733-6682

PORT AREA
G/F Bureau of Customs Compound
South Harbor, Port Area, Manila
Tel. Nos. 527-0259/ 527-4432
527-4433

PRITIL
MTSC Bldg.
Juan Luna cor. Capulong Ext.
Tondo, Manila 1012
Tel. Nos. 252-9639/ 252-9669

PROJECT 3-AURORA BLVD.
1003 Aurora Blvd. cor. Lauan St.
Quirino Dist., Quezon City
Tel. Nos. 474-8414/ 913-8735
Fax No. 913-5117

PROJECT 8
Mecca Trading Bldg.
Congressional Ave..
Project 8, Quezon City
Tel. No. 426-2236

P. TUAZON
279 P. Tuazon Blvd.
Cubao, Quezon City
Tel. Nos. 913-3347/ 913-3344
913-3346
Fax No. 911-9909

QUADRANGLE
Unit I, Paramount Bldg., EDSA cor.
West Ave., Quezon City
Tel. Nos. 927-4134/ 928-4820
Fax No. 920-1390

QUEZON CITY CIRCLE
Elliptical Road cor. Kalayaan Ave.
Diliman, Quezon City
Tel. Nos. 920-3353/ 924-2660

QUIAPO
516 Evangelista cor. Ronquillo St.
Quiapo, Manila
Tel. Nos. 733-7544/ 733-1693
Fax No. 733-4853

REINA REGENTE
1067 Don Felipe St., (Near cor. Reina
Regente), Binondo, Manila
Tel. Nos. 243-8478/ 242-9493

REMEDIOS
G/F, Royal Plaza Twin Towers
Condominium, 648 Remedios cor.
Ma. Orosa Sts. Malate, Manila
Tel. Nos. 400-8594/ 400-8588
Fax No. 400-8543

RETIRO
422 N.S. Amoranto St.
Edificio Enriqueta Bldg.
Sta. Mesa Heights, Quezon City
Tel. No. 732-9067

RIZAL AVENUE
Rizal Ave. cor. Saturnino Herrera St.
Sta. Cruz, Manila
Tel. Nos. 254-2519/ 254-2520

ROCES AVENUE
54 Don Alejandro Roces Ave.
Quezon City
Tel. Nos. 373-6021/ 373-6022
373-6024

ROCKWELL CENTER
Stall No. RS-03, G/F Manansala Tower
Estrella St., Rockwell Center
Makati City
Tel. Nos. 551-2001/ 551-8978

ROOSEVELT
256 Roosevelt Ave., San Francisco
Del Monte, Quezon City
Tel. Nos. 374-3573/ 374-3574
374-0921/ 374-2717
Fax No. 374-3571

ROSARIO-PASIG
Unit 117-118 G/F Ever Gotesco Mall
Ortigas Extension, Brgy. Sta. Lucia
Pasig City
Tel. Nos. 656-1235/ 656-9126

ROXAS BLVD.
Suite 101, CTC Building
2232 Roxas Blvd., Pasay City
Tel. No. 832-3901

SALCEDO VILLAGE
G/F LPL Mansions Condominium
122 L.P. Leviste St., Salcedo Village
Makati City 1227
Tel. Nos. 848-2593/ 848-2574

SALCEDO-DELA COSTA
G/F, Classica Tower Condominium
114 HV Dela Costa St. Salcedo Village
Makati City
Tel. Nos. 887-0029/ 887-0023
Fax No. 887-0024

SAMSON ROAD
149 Samson Road
cor. P. Bonifacio St., Caloocan City
Tel. No. 367-6659
Fax No. 367-7136

SAN ANDRES
1155 Swanson Building
cor. Linao Street, San Andres, Manila
Tel. Nos. 524-6632/ 525-6673
Fax No. 522-2057

SAN NICOLAS
534 Gedisco Towers, Asuncion St.
San Nicolas, Manila
Tel. Nos. 243-3329/ 244-8963
244-8964

SAN JUAN
213 F. Blumentritt St.
Brgy. Pedro Cruz, cor. Lope K. Santos
San Juan City
Tel. Nos. 724-6717/ 727-3643

SAN LORENZO
G/F, Jackson Bldg.
926 A. Arnaiz Ave., Makati City
Tel. Nos. 894-4165/ 817-9439

SAN LORENZO-ARNAIZ
G/F, Power Realty Bldg.
1012 A. Arnaiz Ave.
Brgy. San Lorenzo, Makati City
Tel. Nos. 887-7770/ 887-7771
Fax No. 887-7772

SAN MATEO
19 Gen. Luna St.
Brgy. Banaba, San Mateo, Rizal
Tel. Nos. 570-2010/ 570-2011

SEN. GIL PUYAT
G/F Burgundy Corporate Tower
252 Sen. Gil Puyat Ave., Makati
Tel. No. 844-5706

SHANGRI-LA PLAZA
Unit Ax 116 P3 Carpark Bldg.
Shangri-La Annex Plaza Mall
EDSA cor. Shaw Blvd.
Mandaluyong City
Tel. Nos. 633-1907/ 633-9224

SHAW BLVD.
Starmall cor. EDSA Shaw Blvd.
Mandaluyong City
Tel. Nos. 726-7389/ 726-1832
726-9258
Fax No. 726-7351

SSS DILIMAN
G/F SSS Building., East Ave.
Diliman, Quezon City
Tel. Nos. 927-2804 / 433-1716

STARMALL ALABANG
Upper Ground Level, Starmall
Alabang, South Superhighway
Alabang Muntinlupa City, 1770
Tel. Nos. 828-5023/ 555-0668

SUCAT
G/F Kingsland Bldg.
Dr. A. Santos Ave.
Sucat, Parañaque
Tel. Nos. 826-1931/ 826-1921
825-2328

SUCAT-EVACOM
G/F, AC Raftel Center
8193 Dr. A. Santos Ave., Sucat Road
Parañaque City
Tel. Nos. 820-0180/ 820-0181

TAFT AVENUE
(Formerly Taft One Archer)
G/F One Archers' Place
Condominium, 2311 Taft Ave.
Malate, Manila
Tel. No. 708-0147
Fax No. 708-2203

T. ALONZO
905 T. Alonzo cor. Ongpin Sts.
Sta. Cruz, Manila
Tel. Nos. 733-9572/ 733-9571
Fax No. 734-3239

TANAY
Tanay New Public Market Road
Brgy. Plaza Aldea, Tanay, Rizal
Tel. Nos. 654-0211/654-0221
639-1191

TANDANG SORA
102 cor. San Miguel Village and
Tandang Sora Ave.
Brgy. Pasong Tamo, Quezon City
Tel. Nos. 939-5094 / 454-4773

TAYTAY
Lot 3 Block 1, Ilog Pugad Natl. Rd.
Brgy. San Juan, Taytay, Rizal
Tel. No. 781-8223

THE FORT BURGOS CIRCLE
Unit G/F-4, The Fort Residences
30th St., cor. 2nd Ave.
Padre Burgos Circle
Bonifacio Global City, Taguig
Tel. Nos. 478-9724/ 478-9722
478-9092

TIMOG
G/F Newgrange Bldg.
32 Timog Ave., Brgy. Laging Handa
Quezon City
Tel. Nos. 373-9041/ 373-9045

TONDO
1941-1943 Juan Luna St.
Tondo, Manila
Tel. Nos. 252-9769/ 253-9838
Fax No. 252-3026

TUTUBAN
LS 31 Podium Level, Tutuban Prime
Block Mall, Tutuban Center
CM Recto, Manila
Tel. Nos. 253-5324/ 253-7107
251-8986

TUTUBAN-ABAD SANTOS
1450-1452 Coyuco Bldg.
Jose Abad Santos, Tondo, Manila
Tel. Nos. 256-8905/ 256-9893

U.E. RECTO
G/F Dalupan Bldg.
University of the East
2219 Claro M. Recto Ave., Sampaloc
Manila
Tel. Nos. 736-4422/ 736-2586
Fax No. 736-4420

U.N. AVENUE
G/F UMC Bldg., 900 U.N. Ave.
Ermita, Manila
Tel. Nos. 5214826 /5246723
5217637

UNITED PARAÑAQUE
Iba cor. Malugay Sts., East Service
Road, Barangay San Martin de Porres
United Parañaque, M.M.
Tel. Nos. 551-0508/ 824-3891
Fax No. 821-3087

UP CAMPUS
No. 3 Apacible Street, UP Campus
Diliman, Quezon City 1101
Tel. Nos. 927-0452/ 927-4713

URATEX-EAST SERVICE ROAD
Uratex Bldg., Km. 23, East Service
Road, Barangay Cupang
Muntinlupa City
Tel. Nos. 403-2598
823-6635

VALENZUELA
313 San Vicente St. cor. Mc Arthur
Highway, Karuhatan, Valenzuela City
Tel. No. 292-9131

VALENZUELA-MC ARTHUR
101 McArthur Hi-Way
Bo. Marulas, Valenzuela City
Tel. Nos. 291-6574/ 291-6567
291-6568
Fax No. 291-6560

VILLAMOR AIR BASE
G/F Airmens Mall Bldg.
cor. Andrews & Sales Sts.
Villamor Air Base, Pasay City
Tel. No. 8541675

VISAYAS CONGRESSIONAL
22 RTS Building, Congressional Ave.
Quezon City
Tel. Nos. 426-7300/ 426-2429
426-1428

VITO CRUZ
550 Pablo Ocampo cor. Mabini Sts.
Malate, Manila
Tel. Nos. 708-9350/ 708-9360

WACK-WACK
G/F Summit One Tower
530 Shaw Blvd., Mandaluyong City
Tel. Nos. 533-7093/ 533-1808
534-2826
Fax No. 717-0898

WEST AVENUE
92 West Ave., Quezon City
Tel. Nos. 929-3185/ 921-1915

WEST TRIANGLE
1396 Quezon Ave., Quezon City
Tel. Nos. 373-0770/ 373-0763
373-8612/ 413-8541
413-8540
Fax No. 373-8613

ZABARTE
1131 Quirino Hi-Way
Brgy. Kaligayahan, Novaliches
Quezon City
Tel. Nos. 461-3584/ 474-8420
417-3314 (Bayantel)
Fax No. 461-3582

ZAPOTE
059 Real St., Alabang-Zapote Road
Las Piñas City
Tel. No. 871-4106
Fax No. 873-6748

Luzon Branches

ABANAO
90 NRC Building, Abanao St.
Baguio City
Tel. Nos. (074) 447-3509
(074) 447-3360

AGOO
cor. Verceles St., Consolacion
Agoo, La Union
Tel. Nos. (072) 710-0057
(072) 521-0052

AGOO MARKET
20 Cases Blvd., Sta. Barbara
Agoo, La Union
Tel. No. (072) 710-0191
Fax No. (072) 521-0030

ALAMINOS
Quezon Ave., Poblacion
Alaminos City, Pangasinan
Tel. No. (075) 551-2196

ALBAY CAPITOL
ANST Bldg. II, Rizal St., Brgy. 14
Albay District., Legaspi City
Tel. No. (052) 480-3497

ANGELES
730 Sto. Rosario St.
Angeles City, Pampanga 2009
Tel. No. (045) 888-8811

ANGELES-MC ARTHUR
F. Navarro Bldg., Macarthur Highway
Brgy. Salapungan, Angeles City
Pampanga
Tel. Nos. (045) 888-6687
(045) 322-6210
Fax No. (045) 888-7539

APALIT
Mc Arthur Highway, San Vicente
Apalit, Pampanga
Tel. Nos. (045) 652-0049
(045) 305-5955

APARRI
J.P. Rizal St., Aparri
Cagayan 3515
Tel. No. (078) 888-2115

ATIMONAN
Our Lady of the Angels Parish
Compound, Quezon Street
Atimonan, Quezon
Tel. Nos. (042) 511-1051
(042) 316-5329

BACOOR
Km 17 Aguinaldo Highway
Bacoor, Cavite
Tel. Nos. (046) 471-2678
(046) 471-1150

BACOOR-PANAPAAN
San Miguel Commercial Building
215 E. Aguinaldo Highway
Brgy. Panapaan I, Bacoor, Cavite
Tel. Nos. (046) 417-3101
(046) 417-3089
Fax No. (046) 417-3189

BAGUIO
51 Session Road cor. Upper Mabini
Street, Baguio City, 2600
Tel. Nos. (074) 442-4244
(074) 442-3833

BAGUIO-CENTER MALL
G/F Baguio Center Mall
Magsaysay Ave., Baguio City
Tel. Nos. (074) 442-7348
(074) 442-7349
(074) 442-7350

BANGUED
McKinley cor. Peñarrubia Streets
Zone 4, Bangued, Abra, 2800
Tel. Nos. (074) 752-8440
(074) 752-8441

BANGUED-MAGALLANES
Taft cor. Magallanes Sts.
Zone 5, Bangued, Abra
Tel. No. (074) 752-8435
Fax No. (074) 752-8436

BALAGTAS
G/F D&A Bldg., Mc Arthur Highway
San Juan, Balagtas, Bulacan
Tel. Nos. (044) 918-1398
(044) 693-1680
(044) 769-1398

BALANGA
Zulueta St., Poblacion
Balanga, Bataan 2100
Tel. No. (047) 237-2218

BALAYAN
147 Plaza Mabini, Balayan, Batangas
Tel. Nos. (043) 211-4331
(043) 407-0230

BALIUAG
015 Rizal St.
San Jose, Baliuag, Bulacan
Tel. No. (044) 766-2454

BASCO
NHA Bldg., Caspo Fiesta Road
Kaychanarianan, Basco, Batanes
Tel. No. 0917-882-3696

BATAC
cor. San Marcelino and
Concepcion Sts., Batac, Ilocos Norte
Tel. Nos. (077) 792-3437
(077) 617-1309

BATANGAS
P. Burgos St., cor. C. Tirona St.
Batangas City
Tel. Nos. (043) 723-7037
(043) 723-0226

BATANGAS-KUMINTANG
JPA Ama Bldg., National Hi-Way
Kumintang Ilaya, Batangas City
Tel. Nos. (043) 722-2705
(043) 722-2706

BATANGAS-D. SILANG
Tan Kee Building, Diego Silang St.
Batangas City
Tel. Nos. (043) 723-0369
(043) 723-1857

BAUAN
G/F ADD Building, J.P. Rizal St.
Poblacion, Bauan, Batangas
Tel. Nos. (043) 728-0026
(043) 728-0027

BAYOMBONG
J.P. Rizal St., District 4
Bayombong, Nueva Vizcaya
Tel. Nos. (078) 321-2454
(078) 321-2278

BEPZ
Bataan Economic Zone
Luzon Ave., Mariveles, Bataan 2106
Tel. No. (047) 935-4070

BIÑAN
Ammar Commercial Center
Nepa National Highway
Brgy. Sto. Domingo, Biñan, Laguna
Tel. Nos. (049) 411-3785
(02) 429-4813

BOAC
Gov. Damian Reyes St.
Murallon, Boac, Marinduque
Tel. Nos. (042) 332-1365
(042) 311-1426

BOCAUE
JM Mendoza Building
McArthur Hi-Way, Lolomboy
Bocaue, Bulacan
Tel. Nos. (044) 692-2416
(044) 815-0282
Fax No. (044) 692-1674

BONTOC
G/F Mt. Province Commercial Center
Pob. Bontoc, Bontoc
Mountain Province
Tel. No. (074) 462-4008

BULAN
Zone 4 Tomas De Castro St.
Bulan, Sorsogon
Tel. Nos. (056) 555-2222
(056) 411-1219
(056) 555-2223
Fax No. (056) 411-1156

CABANATUAN
cor. Paco Roman and del Pilar Sts.
Cabanatuan City, Nueva Ecija
Tel. Nos. (044) 463-2048
(044) 600-4832

CABANATUAN-GEN. TINIO
DM Go Building, Paco Roman St.
Brgy. Dimasalang, Cabanatuan City
Nueva Ecija
Tel. Nos. (044) 463-0347
(044) 463-0348
Fax No. (044) 467-0349

CABUYAO
Asia Brewery Complex
National Hi-Way, Brgy. Sala
Cabuyao, Laguna
Tel. Nos. (02) 816-5558
(02) 816-5132
(049) 531-2359

CALAPAN
J.P. Rizal St., Camilmil, Calapan City
Oriental Mindoro
Tel. Nos. (043) 441-0081
(043) 288-4055

CAMILING
Poblacion G, Camiling Tarlac
Tel. No. (045) 934-1485

CAMILING-RIZAL
Rizal St., Camiling, Tarlac
Tel. Nos. (045) 934-0499
(045) 934-0169
Fax No. (045) 934-0888

CANDELARIA
Rizal St., Candelaria, Quezon
Tel. Nos. (042) 741-1433
(042) 585-6410
Fax No. (042) 741-1432

CANDON
National Highway cor. Dario St.
San Antonio, Candon City 2700
Tel. No. (077) 742-6433

CANDON-NATL HI-WAY
National Hi-Way, Brgy. San Juan
Candon City, Ilocos Sur
Tel. No. (077) 644-0249
Fax No. (077) 742-6252

CAPAS
Capas Comm'l. Complex
Sto. Domingo, Capas, Tarlac
Tel. Nos. (045) 491-7921
(045) 491-7920
Fax No. (045) 491-7922

CARMONA
9767 Brgy. Maduya
Carmona, Cavite
Tel. Nos. (046) 413-2700
(046) 413-0007

CAUAYAN
Maharlika Hi-Way cor. Cabatuan Rd.
Cauayan, Isabela 3305
Tel. No. (078) 662-1315

CAUAYAN-MAHARLIKA HI-WAY
Disston Bldg., Maharlika Highway
Brgy. San Fermin, Cauayan, Isabela
Tel. Nos. (078) 634-5031
(078) 652-2144
Fax No. (078) 652-2243

CENTRO ILAGAN
J. Rizal St., Centro, Ilagan City
Isabela 3300
Tel. Nos. (078) 622-2568

CEPZ
Gen. Trias Drive, Rosario, Cavite
Tel. Nos. (046) 437-6072
(046) 437-6606

CLARK FIELD
Retail 4 & 5, Berthaphil III, Clark Field
Center 2, Jose Abad Santos Ave.
Clark Field Freeport Zone
Clark Field, Pampanga 2023
Tel. No. (045) 599-2228

CONCEPCION
A. Dizon St., San Nicolas
Concepcion, Tarlac 2316
Tel. Nos. (045) 923-0690
(045) 923-0153

CAVITE
P. Burgos Ave., Caridad
Cavite City
Tel. Nos. (046) 431-0136
(046) 431-2026

CAVITE-DASMARIÑAS
G/F LCVM Bldg., Aguinaldo Hi-Way
Zone IV, Dasmariñas City, Cavite
Tel. Nos. (046) 416-7046
(046) 402-2016

CALAMBA-NATL HI-WAY
G/F Sta. Cecilia Business Center II
Brgy. Parian, Calamba City, Laguna
Tel. Nos. (049) 545-9382
(049) 834-1485
Fax No. (02) 520-8841

CALAMBA-BUCAL
G/F Primeunit 103 Carolina Center
Bldg. cor. Ipilipil St.
Brgy. Bucal, Calamba, Laguna
Tel. Nos. (049) 502-6189
(049) 502-6188

CALAMBA CROSSING
G/F Unit Bldg., J. Alcasid Business
Center, Crossing, Calamba City
Laguna
Tel. Nos. (049) 508-0986
(049) 834-2409

CALAMBA
Burgos St., Calamba City
Tel. Nos. (049) 545-1865
(049) 545-1864

DAET
Carlos II St., Brgy, 3
Daet, Camarines Norte
Tel. No. (054) 721-2480

DAET-PIMENTEL
F. Pimentel Ave. cor. Dasmariñas St.
Daet, Camarines Norte
Tel. Nos. (054) 721-1117
(054) 571-2951
Fax No. (054) 440-1723

DAGUPAN
A. B. Fernandez Ave., Dagupan City
Tel. No. (075) 522-2371

DAGUPAN-FERNANDEZ
A. B. Fernandez Ave., cor. Noble St.
Dagupan City, Pangasinan
Tel. Nos. (075) 522-5494
(075) 522-0792
(075) 515-3792
Fax No. (075) 522-2341

DARAGA
Baylon Compound, Market Site
Rizal St., Daraga, Albay
Tel. No. (052) 483-3703
Fax No. (052) 824-1792

DASMARINAS-AGUINALDO
G/F, Amada-Felix Bldg.
Aguinaldo Hi-Way
Dasmariñas, Cavite
Tel. Nos. (046) 416-5803
(046) 416-5806
(046) 416-5825
(046) 416-5827

DAU
Macarthur Highway, Dau
Mabalacat, Pampanga 2010
Tel. Nos. (045) 892-2538
(045) 624-0490

DINALUPIHAN
BDA Bldg., San Ramon Highway
Dinalupihan, Bataan 2110
Tel. Nos. (047) 481-1361
(047) 481-3906

DOLORES
Units 4&5 G/F, Peninsula Plaza Bldg.
Mc Arthur Highway, Dolores
City of San Fernando, Pampanga
Tel. Nos. (045) 961-1505
(045) 861-1145

EAST GATE CITY WALK
East Gate Cw Commercial Center
Olongapo Gapan Rd., San Jose
City of San Fernando, Pampanga
Tel. Nos. (045) 966-3436
(045) 877-5189

GAPAN
Tinio Street, San Vicente
Gapan City, Nueva Ecija
Tel. No. (044) 486-0281

GAPAN-POBLACION
Tinio Street, Poblacion
Gapan City, Nueva Ecija
Tel. Nos. (044) 486-0315
(044) 486-0314
Fax No. (044) 486-1337

GEN. TRIAS
(Formerly Cavite-P. Burgos)
129 Governor's Drive, Manggahan
General Trias, Cavite
Tel. Nos. (046) 416-3084
(046) 416-3082
Fax No. (046) 416-3081

GOA
Juan Go Bldg., cor. Rizal &
Bautista Sts., Goa, Camarines Sur
Tel. No. (054) 453-1150

GUAGUA
G/F Mary the Queen College Bldg.
Jose Abad Santos Ave., San Matias
Guagua, Pampanga (Temporary Site)
Tel. Nos. (045) 900-0149
(045) 901-0140

GUIMBA
Catman Bldg., Provincial Road
cor. Faigal St., Saranay District
Guimba, Nueva Ecija
Tel. No. (044) 611-1309

GUMACA
Andres Bonifacio St., Brgy. San Diego
Poblacion, Gumaca, Quezon
Tel. Nos. (042) 317-6428
(042) 317-6429
(042) 421-1011

IBA
1032 R. Magsaysay Ave.
Zone I, Iba, Zambales 2201
Tel. No. (047) 811-1586

ILAGAN
Old Capitol Site, Calamagui 2
Ilagan City, Isabela 3300
Tel. No. (078) 624-2136

IMUS
G/F, J. Antonio Bldg.
1167 Gen. Aguinaldo Highway
Bayan Luma 7, Imus, Cavite 4103
Tel. Nos. (046) 471-4088
(046) 471-1009

IMUS-AGUINALDO
Sayoc Abella Building
E. Aguinaldo Hi-Way, Imus, Cavite
Tel. Nos. (046) 471-0189
(046) 471-0289
Fax No. (046) 471-0389

IRIGA
Highway 1, San Roque, Iriga City
Tel. Nos. (054) 299-2408
(054) 456-1622

KAWIT
Allied Bank Bldg.
Gen. Tirona Highway, Balsahan
Binakayan, Kawit, Cavite
Tel. Nos. (046) 434-7264
(046) 434-1617

LA TRINIDAD
Benguet State University Compound
Brgy. Balili, Kilometer 5, La Trinidad
Benguet 2601
Tel. Nos. (074) 422-1135
(074) 309-1453

LA UNION
Quezon Ave., City of San Fernando
La Union
Tel. Nos. (072) 242-1446
(072) 242-0908

LAGAWE
JDT Bldg., Inguiling Drive
Poblacion East, Lagawe, Ifugao
Tel. Nos. (074) 382-2007
(074) 382-2009

LAOAG
Brgy. 10 Trece Martires St.
cor. J. P. Rizal St., Laoag City 2900
Tel. No. (077) 772-0144

LAOAG-CASTRO
F.R. Castro St., Brgy. 17
Laoag City, Ilocos Norte
Tel. Nos. (077) 772-0139
(077) 772-0339
Fax No. (077) 771-4116

LEGASPI
cor. Rizal and Gov. Forbes Sts.
Brgy. Baybay, Legaspi City
Tel. No. (052) 480-7898

LEGAZPI-IMPERIAL
35 F. Imperial St., Legaspi City, Albay
Tel. Nos. (02) 429-1595
(052) 820-3847
(052) 480-7645
052) 214-3368
Fax No. (052) 480-6133

LEMERY
Humarang Bldg., Ilustre Ave.
cor. P. De Joya St.
Lemery, Batangas
Tel. Nos. (043) 740-0443
(043) 214-2273

LIGAO
San Jose St., Dunao, Ligao City
Tel. No. (052) 485-2974

LINGAYEN
Avenida Rizal East
cor. Maramba Blvd.
Lingayen, Pangasinan
Tel. No. (075) 542-6020

LIPA-AYALA HI-WAY
K-Pointe Plaza, Ayala Hi-Way
Brgy. Sabang, Lipa City, Batangas
Tel. Nos. (043) 981-1949
(043) 757-2144
(043) 757-2145
(043) 312-3303

LIPA
B. Morada Ave., Lipa City, Batangas
Tel. Nos. (043) 756-1119
(043) 756-1116

LOPEZ
San Francisco St.
Talolong, Lopez, Quezon
Tel. No. (042) 841-1180

LUBAO
Og Road, Ela Paz Arcade
Brgy. Sta. Cruz, Lubao, Pampanga
Tel. Nos. (045) 971-5020
(045) 971-5021

LUCENA
Quezon Ave., Brgy. IX, Lucena City
Tel. No. (042) 710-3703

LUCENA-ENRIQUEZ
Enriquez cor. Enverga Sts.
Poblacion, Lucena City, Quezon
Tel. Nos. (042) 710-4297
(042) 373-1264
(042) 373-5283
(042) 373-5284

MABALACAT
Destiny Building, Brgy., Mabiga
Mabalacat, Pampanga
Tel. Nos. (045) 331-3231
(045) 625-5255
(045) 893-1101

MACABEBE
Y N Cee Commercial Bldg.
Poblacion, San Gabriel
Macabebe, Pampanga
Tel. Nos. (045) 921-1346
(045) 921-1304

MAGSAYSAY AVE.
G/F Lyman Ogilby Centrum Bldg.
358 Magsaysay Ave.
Baguio City 2600
Tel. Nos. (074) 445-2248
(074) 300-3163
Mobile No. 0917 873-7854

MAHARLIKA
Kadiwa Center Building, Poblacion
Sta. Cruz, Marinduque
Tel. No. (042)321-1380

MAMBURAO
National Road, Brgy. Payompon
Mamburao, Occidental Mindoro
Tel. No. (043) 711-1078

MANGALDAN
G/F Abad Biascan Bldg.
Rizal St., Poblacion
Mangaldan, Pangasinan
Tel. No. (075) 522-3885
Fax No. (075) 513-4911

MANGARIN
Quirino cor. M.H. Del Pilar Sts.
Brgy. 6, San Jose
Occidental Mindoro 5100
Tel. No. (043) 491-1834

MALLIG PLAINS
cor. Don Mariano Marcos Ave. &
Bernabe Sts., Roxas, Isabela 3320
Tel. No. (078) 642-8008

MALOLOS
Sto. Niño, Malolos City, Bulacan
Tel. Nos. (044) 662-4974
(044) 791-0494

MALOLOS-MC ARTHUR
FC Bldg., Km 40, Mc Arthur Hi-Way
Sumapang Matanda, Malolos City
Bulacan
Tel. Nos. (044) 791-6408
(044) 791-6413

MASBATE
Quezon St., Brgy. Pating
Masbate City, Masbate
Tel. No. (056) 333-2238

MEYCAUAYAN
Mc Arthur Highway, Saluysoy
Meycauayan City, Bulacan
Tel. Nos. (044) 228-3411
(044) 840-0393
local 7399

MEYCAUAYAN-ESPERANZA
G/F Stalls 8 & 9, Esperanza Mall
McArthur Highway, Brgy. Calvario
Meycauayan, Bulacan
Tel. Nos. (044) 840-8071
(044) 228-2564
(044) 935-3171
Fax No. (044) 228-2130

MOLINO
I.K. Commercial Building
Villa Maria Subd., Molino Highway
Molino III, Bacoor City, Cavite
Tel. Nos. (046) 477-0302
(046) 477-0795
(046) 477-0829
Fax No. (046) 477-0821

MUÑOZ
D. Delos Santos St. cor. Tobias St.
Science City of Munoz, Nueva Ecija
Tel. Nos. (044) 456-0283
(044) 456-0142

NAGA
Gen. Luna St., Brgy. Abella, Naga City
Tel. Nos. (054) 473-9072
(054) 811-1744

NAGA-MAGSAYSAY
G/F G Square Bldg., Magsaysay Ave.
cor. Catmon II St., Balatas
Naga City, Camarines Sur
Tel. Nos. (054) 473-5558
(054) 811-1030
Fax No. (054) 472-3088

NAGA-PANGANIBAN
Deca Corporate Center
Panganiban Drive
Brgy. Tinago, Naga City
Tel. No. (054) 472-4801
Fax No. (054) 473-9082

NAGUILIAN ROAD-BAGUIO
G/F High Country Inn
Naguilian Road, Baguio City
Tel. No. (074) 300-4330
Fax No. (074) 446-0270

NAIC
P. Poblete Street, Ibayo Silangan
Naic, Cavite
Tel. Nos. (046) 856-1398
(046) 412-0018

NARVACAN
Annex Bldg., Narvacan Municipal
Hall, Sta. Lucia, Narvacan, Ilocos Sur
Tel. Nos. (077) 732-5760
(077) 732-0246

NASUGBU
J. P. Laurel cor. F. Alix Sts.
Nasugbu, Batangas
Tel. Nos. (043) 416-0065
(043) 416-0070

NORTH ZAMBALES
Brgy. Hall, Pob. South
Sta. Cruz, Zambales
Tel. No. (047) 831-2468

ODIONGAN
15 J.P. Laurel St.
cor. M. Formilliza St., Ligawa
Odiongan, Romblon
Tel. No. (042) 567-5520

OLONGAPO
2440 Rizal Ave., East Bajac-Bajac
Olongapo City, Zambales 2200
Tel. No. (047) 222-8343

OLONGAPO-MAGSAYSAY
YBC Mall
97 Magsaysay Drive, East Tapinac
Olongapo City
Tel. Nos. (047) 222-2583
(047) 223-3215
Fax No. (047) 222-2575

ORANI
Agustina Bldg., McArthur Highway
Parang-parang, Orani, Bataan
Tel. No. (047) 431-3445

PACITA COMPLEX
JRJ Building, National Highway
Brgy. Nueva, San Pedro, Laguna
Tel. Nos. (02) 808-6252
(02) 808-6253
(02) 808-6254
Fax No. (02) 808-6251

PANIQUI
M.H. Del Pilar St.
cor. Mc Arthur Hi-Way
Paniqui, Tarlac
Tel. No. (045) 931-0383

PLARIDEL
Cagayan Valley Road, Banga 1 St.
Plaridel, Bulacan
Tel. Nos. (044) 795-0090
(044) 670-0770
Fax No. (044) 795-0274

PASEO DE SANTA ROSA
Blk. 5 Lot 3B Sta. Rosa Estate 2-A
Balibago, Tagaytay Road
Bo. Sto. Domingo, Sta. Rosa City
4026 Laguna
Tel. Nos. (049) 508-1065
(049) 508-1067

PASUQUIN
Farmers Trading Center Bldg.
Maharlika Hi-Way, Pob. 1
Pasuquin, Ilocos Norte
Tel. No. (077) 775-0119

PEREZ BLVD.-DAGUPAN
Orient Pacific Building, Perez Blvd.
cor. Rizal Ext., Dagupan City
Tel. Nos. (075) 522-8729
(075) 515-3321
Fax No. (075) 522-8730

PILI
CU Bldg., Old San Roque
Pili, Camarines Sur
Tel. No. (054) 477-7179

PINAMALAYAN
G/F San Agustin Bldg.
Mabini St. Zone IV, Pinamalayan
Oriental Mindoro
Tel. No. (043) 284-3254

POLANGUI
National Road, Ubaliw
Polangui, Albay
Tel. No. (052) 486-2114

PUERTO PRINCESA
Valencia St. cor. Rizal Ave.
Brgy. Tagumpay, Pto Princesa City
Tel. Nos. (048) 434-3742
(048) 434-2421

PUERTO PRINCESA-RIZAL AVE.
Rizal Ave., Brgy. Mangahan
Puerto Princesa City, Palawan
Tel. No. (048) 433-6617
Fax No. (048) 433-6618

ROBINSONS PULILAN
Robinsons Mall Pulilan, Maharlika
Highway, Cutcut, Pulilan, Bulacan
Tel. No. (044) 815-4234

ROMBLON
SAL Building, Republika St.
Brgy. 1, Romblon, Romblon
Tel. No. 0917-873-7668

ROSALES
Mc Arthur Highway, Carmen East
Rosales, Pangasinan
Tel. No. (075) 632-1765

SAN AGUSTIN
G/F Tagle Bldg., McArthur Hi-Way
Brgy. San Agustin, City of San
Fernando, Pampanga
Tel. Nos. (045) 963-2698
(045) 636-3498
(045) 636-3499
(045) 860-2171
(045) 860-6651

SAN CARLOS-PANGASINAN
Plaza Jaycee, San Carlos City
Pangasinan
Tel. Nos. (075) 532-2353
(075) 532-3366
Fax No. (075) 955-5012

SAN FERNANDO
A Consunji St., Sto. Rosario
City of San Fernando, Pampanga
Tel. No. (045) 961-2419
(045) 860-0485

SAN FERNANDO-LA UNION
612 Quezon Ave.
San Fernando, La Union
Tel. Nos. (072) 888-3327
(072) 242-4812
(072) 700-4197
(072) 700-4137
Fax No. (072) 242-4811

SAN FERNANDO-MC ARTHUR
LNG Bldg., McArthur Highway
Brgy. Dolores, City of San Fernando
Pampanga
Tel. Nos. (045) 961-2608
(045) 860-0108
Fax No. (045) 961-2592

SANGITAN
R. Macapagal Bldg.
Maharlika Highway
Brgy. Dicarma, Cabanatuan City
Tel. Nos. (044) 463-8095
(044) 600-4885

SAN JOSE DEL MONTE
Dalisay Bldg., Quirino Hi-Way
Tungkong Mangga, City of San Jose
del Monte, Bulacan
Tel. No. (044) 815-0174

SAN JOSE N. ECIJA
Maharlika Hi-way cor. Cardenas St.
San Jose City, Nueva Ecija 3121
Tel. No. (044) 511-1301

SANCHEZ MIRA
C-2 Maharlika Highway
Sanchez Mira, Cagayan 3518
Tel. No. (078) 822-7518

SANTIAGO
Marcos Highway cor. Camacam St.
Centro East, Santiago City
Isabela 3311
Tel. No. (078) 682-8196

SANTIAGO-PANGANIBAN
Municipal Integrated Parking Bldg.
Panganiban St., Brgy. Centro East
Santiago City, Isabela
Tel. Nos. (078) 305-1627
(078) 682-7187
(078) 682-7940
Fax No. (078) 682-8276

SAN PABLO
M. Paulino St.
San Pablo City, Laguna
Tel. Nos. (049) 562-4522
(049) 562-0608

SAN PABLO-COLAGO AVE.
Mary Grace Building
Colago Ave. cor. Quezon Ave.
San Pablo City, Laguna
Tel. Nos. (049) 562-7904
(049) 562-7905
Fax No. (049) 562-0112

SAN PEDRO
Km 30 National Hi-Way
San Pedro, Laguna
Tel. Nos. (02) 868-9968
(02) 847-8829

SAN PEDRO-NATL HI-WAY
Km. 31, National Highway
Brgy. Nueva, San Pedro, Laguna
Tel. Nos. (02) 808-4275
(02) 847-5120
(02) 847-5121
Fax No. (02) 808-4274

SAN RAFAEL
Cagayan Valley Road
Brgy. Cruz Na Daan
San Rafael, Bulacan
Tel. Nos. (044) 815-5341
(044) 677-1387
(044) 892-0177

SILANG
166 J.p. Rizal St., Silang, Cavite
Tel. Nos. (046) 414-00660
(046) 414-0661

SINILOAN
G. Redor St., Siniloan, Laguna
Tel. Nos. (049) 813-0019
(049) 501-3601

SOLANO
National Highway, Poblacion South
Solano, Nueva Vizcaya
Tel. No. (078) 326-5282

SOLANO-MAHARLIKA HI-WAY
Maharlika National Highway
Solano, Nueva Vizcaya
Tel. No. (078) 326-5505
Fax No. (078) 326-5525

SORSOGON
Rizal St., Sorsogon City
Tel. No. (052) 4215207

SORSOGON-MAGSAYSAY
Doña Neneng Bldg., Magsaysay St.
Sorsogon City 4700
Tel. Nos. (052) 421-5648
(052) 421-5205

STA. CRUZ
Pedro Guevarra Ave.
Brgy. Uno, Sta. Cruz, Laguna
Tel. Nos. (049) 501-1945
(049) 501 0551

STA. CRUZ-REGIDOR
37 A. Regidor St., Sta. Cruz, Laguna
Tel. Nos. (049) 501-3526
(049) 501-3527
(049) 501-1901

STA ROSA-NUEVA ECIJA
G/F, JNB Bldg., Brgy. Cojuangco
Cagayan Valley Road, Sta. Rosa
Nueva Ecija
Tel. Nos. (044) 940-0478
(044) 311-0262
(044) 311-0263

STA. MARIA
Jose Corazon de Jesus St.
Poblacion, Sta. Maria, Bulacan
Tel. Nos. (044) 893-0589
(044) 641-1555

STA ROSA-BALIBAGO
G/F Don Francisco Tan Gana Bldg.
National Hi-Way, Balibago
Sta. Rosa, Laguna
Tel. Nos. (049) 837-7368
(049) 534-4340
Fax No. (02) 520-8642

STA. ROSA
National Highway, Balibago
City of Sta Rosa, Laguna
Tel. Nos. (049) 837-2602
(02) 520-8160

SUBIC
Lot 5 Retail 2, Times Square Mall
Sta. Rita Road, Subic Bay Freeport
Zone, Olongapo City, Zambales 2220
Tel. No. (047) 252-7963

TABACO
Ziga Ave. cor. Bonifacio St.
Tayhi, Tabaco City
Tel. No. (052) 487-5053

TABUK
Lua Bldg., Mayangao St.
Tabuk, Kalinga 3800
Tel. No. 0917-575-1722

TAGAYTAY
Vistamart Bldg.
Gen. E. Aguilnado Highway
Mendez Crossing West, Tagaytay City
Tel. Nos. (046) 413-0384
(046) 413-2499

TAGAYTAY-AGUINALDO
E. Aguinaldo Hi-Way
Kaybagal South, Tagaytay City
Tel. Nos. (046) 413-1554
(046) 413-0143
(046) 413-0144
Fax No. (046) 413-2364

TANAUAN
G/F V. Luansing Bldg.
J.P. Laurel Highway
Tanauan City, Batangas
Tel. Nos. (043) 784-8668
(043) 784-8680

TANZA
G/F Annie's Plaza Building
A. Soriano Highway, Daang Amaya
Tanza, Cavite
Tel. Nos. (046) 481-8892
(046) 481-8893

TARLAC
F. Tanedo St., San Nicolas, Tarlac City
Tel. Nos. (045) 982-1315
(045) 982-2805

TARLAC-ZAMORA
A&E Bldg., Unit 123, 06 Zamora St.
Brgy. San Roque, Tarlac City
Tel. Nos. (045) 982-0638
(045) 982-1221
Fax No. (045) 982-2384

TAYUG
PNB Tayug Branch, Zaragoza Street
Poblacion, Tayug, Pangasinan 2445
Tel. Nos. (075) 572-4428
(075) 572-3710

TUAO
G/F, Villacete Bldg., National Highway
Pata, Tuao, Cagayan
Tel. Nos. (078) 373-1162
(078) 373-1163

TUGUEGARAO
Bonifacio St., Tuguegarao City
Cagayan 3500
Tel. No. (078) 846-4203

TUGUEGARAO-BRICKSTONE MALL
G/F Brickstone Mall, Km. 482
Maharlika Highway, Pengue Ruyu
Tuguegarao City, Cagayan
Tel. Nos. (078) 844-1091
(078) 844-1092
Fax No. (078) 844-2261

UP LOS BAÑOS
Lanzones St.
UPLB College Los Baños, Laguna
Tel. Nos. (049) 536-2733
(049) 536-2880

URDANETA
Mc Arthur Highway, Nancayasan
Urdaneta City, Pangasinan 2428
Tel. Nos. (075) 568-2451

URDANETA-ALEXANDER
AAG Building 2, Alexander St.
Urdaneta City, Pangasinan
Tel. Nos. (075) 529-3687
(075) 529-2113
(075) 529-0034

VIGAN
Leona Florentino St., Vigan City
Ilocos Sur 2700
Tel. Nos. (077) 722-2515
(077) 722-2517

VIGAN-QUEZON AVE.
36 Quezon Ave., Vigan City
Ilocos Sur
Tel. No. (077) 632-1110
Fax No. (077) 722-2611

VIRAC
055 Quezon Ave., Brgy. Salvacion
Virac, Catanduanes
Cel. No. 0917 857-4602

Visayas Branches

A. CORTES
A. Cortes Ave., Ibabaw
Mandaue City, Cebu
Tel. No. (032) 420-1907
(032) 345-1732
(032) 346-7591

AMELIA AVENUE
cor. Amelia and Margarita Sts.
Libertad, Bacolod City
Tel. No. (034) 433-0931

ANTIQUE
T. Fornier St., Bantayan
San Jose, Antique 5700
Tel. No. (036) 540-8469

BACOLOD
10th Lacson St., Bacolod City
Tel. No. (034) 434-8007

BACOLOD HILADO
Hilado cor. L.N. Agustin Sts.
Bacolod City
Tel. No. (034) 433-4047
(034) 704-2280

BACOLOD-ARANETA
Araneta Ave., near cor. Luzuriaga St.
Bacolod City, Negros Occidental
Tel. Nos. (034) 433-8054
(034) 435-0646
(034) 707-7117
(034) 707-7118

BACOLOD-LIBERTAD
Poinsetia St., Libertad Ext.
Bacolod City, Negros Occidental
Tel. Nos. (034) 433-9643
(034) 433-9645
(034) 707-7956
(034) 707-5956

BACOLOD-LOCSIN
Barcel Bldg., Locsin St., Brgy. 37
Bacolod City, Negros Occidental
Tel. Nos. (034) 433-4046
(034) 433-4049
Fax No. (034) 434-9068

BAIS
Rosa Dy-Teves Bldg.
Quezon St., Bais City
Tel. No. (035) 402-9343

BANILAD
Gov. M. Cuenco Ave.
cor. Paseo Saturnino St.
Banilad, Cebu City
Tel. No. (032) 345-4828

BANILAD-FORTUNA
As Fortuna St., Banilad
Mandaue City, Cebu
Tel. Nos. (032) 346-6183
(032) 416-1670
Fax No. (032) 346-6184

BANTAYAN
President Osmeña St., Binaobao
Bantayan Island, Cebu
Tel. No. (032) 460-9275
Fax No. (032) 352-5143

BAYAWAN
National Highway cor. Mabini St.
Brgy. Suba, Bayawan City
Tel. No. (035) 430-0351

BINALBAGAN
Don Pedro R. Yulo St., Binalbagan
Negros Occidental 6107
Tel. No. (034) 388-8261

BAYBAY
Baybay Multipurpose Gym
Magsaysay Ave., Baybay City, Leyte
Tel. Nos. (053) 563-9336
(053) 335-2455

BAYBAY-MAGSAYSAY
148 R. Magsaysay Ave., Baybay, Leyte
Tel. No. (053) 335-2013
Fax No. (053) 563-9709

BOGO
cor. R. Fernan & San Vicente Sts.
Bogo City, Cebu
Tel. No. (032) 434-8721

BORACAY
Brgy. Balabag, Boracay Island
Malay, Aklan Province
Branch: (036) 288-3026
(036) 288-3412
(036) 288-3048

Fx Counter I - Oro Beach Resort
Station III, Boracay Island
Malay, Aklan
Tel. No. (036) 288-3607

Fx Counter II - Plazoleta, Station II
Boracay Island, Malay, Aklan
Tel. No. (036) 288-3669
Fax No. (036) 288-3048

BORONGAN
Real St., Brgy. Songco
Borongan City, Samar
Tel. No. (055) 560-9041

CADIZ
cor. Luna and Cabahug Sts.
Cadiz City, Negros Occidental 6121
Tel. No. (034) 720-7846

CALBAYOG
Maharlika Highway, Brgy. Obrero
Calbayog City, Leyte
Tel. No. (055) 533-9011

CARBON
41-43 Plaridel St., Ermita, Cebu City
Tel. Nos. (032) 256-1219
(032) 254-6117
(032) 416-9484

CARCAR
Jose Rizal St., Poblacion 1
Carcar City, Cebu
Tel. No. (032) 487-9058
Fax No. (032) 487-9057

CATARMAN
cor. Jacinto & Carlos P. Garcia St.
Brgy. Narra, Catarman
Northern Samar
Tel. No. (055) 251-8453
(055) 500-9003

CATBALOGAN
Imelda Park Site, Catbalogan
Western Samar 6700
Tel. No. (053) 543-8399

CATBALOGAN-DEL ROSARIO
Del Rosario St. cor. Allen Ave.
Catbalogan City, Samar
Tel. Nos. (055) 251-2007
(055) 543-8001

CEBU IT PARK
G/F, TGU Tower, Cebu IT Park
Salinas Drive cor. J.M Del Mar St.
Apas, Cebu City
Tel. Nos. (032) 236-0912
(032) 410-6155

CEBU
cor. M.C. Briones and
Jakosalem Streets, Cebu City
Tel. No. (032) 412-2804

CENTRO MANDAUE
G/F M2, Gaisano Grand Mall
Mandaue Centro, A. Del Rosario St.
Mandaue City 6014, Cebu
Tel. Nos. (032) 346-7613
(032) 346-7612
(032) 422-8122

COLON
G/F J. Avela Bldg., Collonade Mall
Oriente, Colon St., Cebu City
Tel. Nos. (032) 416-8794
Fax No. (032) 253-0728

CONSOLACION
Cansaga Road
Consolacion, Cebu
Tel. No. (032) 564-2426
Fax No. (032) 423-9243

DANAO
Juan Luna St., Danao City, Cebu
Tel. No. (032) 200-3141
Fax No. (032) 200-3142

DE LEON
ATM Bldg., cor. Jalandoni and
Ledesma Sts., Iloilo City
Tel. Nos. (033) 338-1189
(033) 508-6339

DOWNTOWN TACLOBAN
G/F, Washington Trading Bldg.
Rizal Ave., Tacloban City, Leyte 6500
Tel. No. (053) 325-8123

DUMAGUETE - SOUTH ROAD
Manhattan Suites, South Rd.
Calindagan, Dumaguete City
Negros Oriental
Tel. Nos. (035) 420-5017
(035) 420-5018

DUMAGUETE
Siliman Ave. cor. Real St.
Dumaguete City, Negros Occidental
Tel. No. (035) 422-9176

DUMAGUETE-LOCSIN
33 Dr. V. Locsin St., Dumaguete City
Negros Oriental
Tel. Nos. (035) 422-6181
(035) 225-3903
(035) 225-0520

FUENTE OSMEÑA
BF Paray Bldg., Osmeña Blvd.
Cebu City
Tel. No. (032) 253-0349

FUENTE OSMEÑA - CAPITOL
G/F C.A.O. Mercado Bldg.
Osmeña Blvd., Cebu City
Tel. Nos. (032) 254-0051
(032) 412-4813
Fax No. (032) 253-6721

GORORDO
30 Machay Bldg., Gorordo Ave.
Lahug, Cebu City
Tel. No. (032) 412-2274
Fax No. (032) 234-0215

GUIHULNGAN
New Guihulngan Public Market
S. Villegas St., Guihulngan
Negros Oriental
Tel. Nos. (035) 336-1038
(035) 231-3060
(035) 410-4171

GUIUAN
cor. San Nicolas & Guimbaolibot Sts.
Guiuan, Eastern Samar 6809
Tel. No. (055) 271-2165

ILOILO
cor. Gen Luna & Valeria Street
Iloilo City
Tel. No. (033) 337-2476

ILOILO-ALDEGUER
St. Catherine Arcade, Aldeguer St.
Iloilo City
Tel. Nos. (033) 338-1217
(033) 337-5207
(033) 509-9908
Fax No. (033) 337-9312

ILOILO-GEN. LUNA
Go Sam Building, Gen. Luna St.
Iloilo City
Tel. Nos. (033) 508-7133
(033) 338-0626
Fax No. (033) 336-9722

ILOILO-LEDESMA
Ledesma cor. Quezon Sts.
Brgy. Ed Ganzon, Iloilo City
Tel. Nos. (033) 508-7128
(033) 337-7933
(033) 337-6756
(033) 508-7128
Fax No. (033) 338-0628

ISLAND CITY MALL-TAGBILARAN
Upper G/F 33-34
Island City Mall, Dampas District
Tagbilaran City, Bohol
Tel. Nos. (032) 411-0155
(032) 411-0156
(032) 501-0056

JAKOSALEM
D. Jakosalem cor. Legaspi Sts.
Cebu City
Tel. Nos. (032) 412-1115
(032) 412-1114
Fax No. (032) 253-7234

JARO
8 Lopez Jaena St., Jaro, Iloilo City
Tel. Nos. (033) 329-0750

JARO-LEDESMA
Simeon Ledesma St., Jaro, Iloilo City
Tel. Nos. (033) 320-3348
(033) 508-7560
(033) 320-3336

KABANKALAN
NOAC National Highway
cor. Guanzon St., Kabankalan City
Negross Occidental
Tel. Nos. (034) 471-2429
(034) 471-2193
(034) 746-7028

KALIBO
0508 G. Pastrana St., Kalibo, Aklan
Tel. No. (036) 268-7471

KALIBO-MARTELINO
0624 S. Martelino St., Kalibo, Aklan
Tel. Nos. (036) 268-8220
(036) 268-4820
Fax No. (036) 500-8220

LA CARLOTA
cor. La Paz and Rizal Sts.
La Carlota City
Tel. No. (034) 460-2222

LAHUG
G/F Juanita Bldg., Escario St.
cor. Gorordo Ave., Brgy. Camputhaw
Lahug, Cebu City
Tel. No. (032) 232-2786

LA PAZ
Inayan Bldg., cor. Huevana &
Rizal Sts., La Paz, Iloilo City 5000
Tel. No. (033) 320-1506

LAPU-LAPU
Manuel L. Quezon National Highway
Pajo, Lapu-Lapu City, Cebu
Tel. No. (032) 340-5571

LAPU-LAPU MARKET
Mangubat cor. Rizal Sts.
Lapu-Lapu City, Cebu
Tel. Nos. (032) 340-1087
(032) 340-8552

LARENA
Roxas St., Larena, Siquijor
Tel. No. (035) 484-1221
Fax No. (035) 377-2018

LUZURIAGA
cor. Luzuriaga and Araneta Sts.
Bacolod City, Negros Occidental
Tel. Nos. (034) 434-7706
(034) 433-2476

MAASIN
cor. Allen & Juan Luna St.
Brgy. Tunga-Tunga
Maasin City, Leyte, (Southern Leyte)
Tel. No. (053) 570-9625

MANDAUE
JD Building, Lopez Jaena Street,
Tipolo, Mandaue City, Cebu 6014
Tel. Nos. (032) 346-2827
(032) 346-7473

MANDAUE-SUBANGDAKU
KRC Building, Lopez Jaena St.
Subangdaku, Mandaue City, Cebu
Tel. No. (032) 422-5550
Fax No. (032) 346-2581

MAMBALING
G/F, Super Metro Mambaling
F. Llamas St., Basak, San Nicolas
Cebu City
Tel. No. (032) 414-6037
Fax No. (032) 261-5845

MEPZ
1st Ave., Mepz 1, Mactan Island
Lapu-Lapu City, Cebu 6015
Tel. No. (032) 340-1589

MIAEO
(Mactan Int'l Airport Ext. Office)
Lower G/F, Waterfront Mactan Casino
Hotel Bldg., Airport Rd.
Pusok, Lapu-lapu, Cebu
Tel. Nos. (032) 340-1589
(032) 340-0029

MINGLLANILLA
Ward 4, Poblacion, Minglanilla, Cebu
Tel. No. (032) 490-8802
Fax No. (032) 272-8781

MIAG-AO
One TGN Building, cor. Noble & Sto.
Tomas Sts., Miagao., Iloilo
Tel. No. (033) 315-8201

NAVAL
cor. Caneja & Ballesteros Sts.
Naval, Biliran Province 6543, Leyte
Tel. No. (053) 500-9025

NORTH ROAD-MANDAUE
Insular Square, 31 J.P. Rizal St.
Mandaue City, Cebu
Tel. No. (032) 328-0177
Fax No. (032) 329-1719

ONE PAVILION MALL- CEBU CITY
One Pavilion Mall, R. Duterte St.
Banawa, Cebu City, 6000
Tel. Nos. (032) 260-0833
(032) 260-0834

ORMOC
cor. Cata-Ag & Bonifacio Sts.
Ormoc City, Leyte, Eastern Samar
Tel. Nos. (053) 561-2526
(053) 561-9757

ORMOC-REAL
Narcisa Codilla Building, Real St.
Ormoc City., Leyte, Eastern Samar
Tel. Nos. (053) 255-5237
(053) 325-1230
Fax No. (053) 561-9578

PALOMPON
G/F, Municipal Bldg.
Rizal St., Palompon, Leyte
Tel. No. (053) 555-9041

PASSI
5037 F. Palmares Street
Passi City, Iloilo
Tel. No. (033) 311-5466

PLAZA LIBERTAD
JM Basa Street, Iloilo City 5000
Tel. Nos. (033) 338-0818
(033) 336-9144
(033) 338-0819

POTOTAN
Guanco St., Pototan, Iloilo
Tel. Nos. (033) 529-7423
(033) 529-8785

PUSOK
M. L. Quezon National Highway
Pusok, Lapu-Lapu City, Cebu
Tel. No. (032) 340-5626
Fax No. (032) 494-0029

ROXAS
cor. CM Recto & G. Del Pilar Streets
Brgy. III, Roxas City, Capiz 5800
Tel. No. (036) 522-9330

ROXAS DOWNTOWN
Roxas Ave., Roxas City, Capiz
Tel. Nos. (036) 621-1112
(036) 522-1005
Fax No. (036) 621-2749

SAN CARLOS
V. Gustilo St., San Carlos City
Negros Occidental
Tel. Nos. (034) 729-8000
(034) 729-9411
(034) 312-5250

SAN JOSE-ANTIQUE
Calixto O. Zaldivar St.
San Jose De Buenavista, Antique
Tel. Nos. (036) 540-9133
(036) 540-9597
(036) 320-1560

SILAY
Rizal St., Silay City, Negros Occidental
Tel. Nos. (034) 795-2050
(034) 795-4984

STA. BARBARA
Liz Complex, Bangga Dama
Brgy. Bolong Oeste
Sta. Barbara, Iloilo
Tel. Nos. (033) 523-9258
(033) 523-9248
(033) 523-9145

TABUNOK
Paul Sy Bldg., National Highway
Tabunok, Talisay City, Cebu
Tel. No. (032) 272-6434

TABUNOK-TALISAY
Viva Lumber Bldg., Talisay
Tabunok, Cebu
Tel. Nos. (032) 491-7167
(032) 491-7168
Fax No. (032) 272-4422

TACLOBAN
cor. Sto. Niño & Justice Romualdez
Sts., Tacloban City, Leyte 6500
Southern Leyte
Tel. No. (053) 523-3611

TACLOBAN-ZAMORA
111 Zamora St.
Tacloban City, Leyte
Tel. No. (053) 325-5147
Fax No. (053) 523-2210

TAGBILARAN-DEL PILAR
C.P. Garcia Ave., cor. M.H. Del Pilar St.
Tagbilaran City, Bohol
Tel. No. (038) 411-3355
Globeline : (038) 501-9472
Fax No. (038) 411-5432

TAGBILARAN
C. P. Garcia Ave. cor. J. A. Clarin St.
Poblacion, Tagbilaran City, Bohol
Tel. No. (038) 501-9540

TALAMBAN
Leyson St., Talamban, Cebu City
Tel. Nos. (032) 345-3701
(032) 416-0388

TANJAY
Magallanes cor. E. Romero Sts.
Tanjay City, Negros Oriental
Tel. No. (035) 415-8184
Fax No. (035) 527-0209

TOLEDO
Rafols St., Poblacion
Toledo City, Cebu
Tel. Nos. (032) 322-5613
(032) 467-8194

TUBIGON
cor. Cabangbang Ave. &
Jesus Vaño Street, Centro, Tubigon
Bohol, Philippines
Tel. No. (038) 508-8228

UBAY-BOHOL
G/F LM Commercial Bldg.
National Hi-Way cor. Tan Pentong St.
Poblacion, Ubay, Bohol
Tel. Nos. (038) 518-2032
(038) 518-2035

UPTOWN CEBU
G/F, Jethouse Bldg.
36 Osmeña Blvd., Cebu City
Tel. No. (032) 415-5711

VICTORIAS
cor. Ascalon and Montinola Sts.
Victorias City, Negros Occidental
Tel. No. (034) 399-2907

Mindanao Branches

AGDAO
LA Bldg., Doors 5 & 6, Lapu-Lapu St.
Davao City, Davao Del Sur
Tel. Nos. (082) 221-7918
(082) 221-7912

AGDAO-LAPU-LAPU
Chavez Bldg., Lapu-Lapu St.
Agdao, Davao City
Tel. Nos. (082) 221-1025
(082) 227-7233
Fax No. (082) 221-8617

AGUSAN DEL SUR
Roxas St., Brgy. 4, San Francsico
Agusan Del Sur
Tel. No. (085) 343-8019

BAJADA
G/F Quibod Bldg., J. P. Laurel St.
cor. A. Loyola St., Davao City
Davao Del Sur
Tel. No. (082) 224-2474

BANGOY
G/F Amigleo Bldg. cor. Bonifacio &
C. Bangoy Sts., Davao City
Davao Del Sur
Tel. No. (082) 221-9539

BANKEROHAN
Units 101-102, JLF Parkway Bldg.
cor. Quirino & Magallanes Sts.
Davao City, Davao Del Sur
Tel. No. (082) 221-8046

BASILAN
Strong Blvd., Isabela City
Basilan Province
Tel. No. (062) 200-3351

BASILAN-ROXAS
Roxas Ave., Isabela City
Basilan Province
Tel. Nos. (062) 200-7259
(062) 200-7265

BAYUGAN
358 Narra Ave., Poblacion
Bayugan City, Agusan Del Sur
Tel. Nos. (085) 231-2624
(085) 830-2382
(085) 830-0446
Fax No. (085) 343-6887

BISLIG
cor. Abarca & Espiritu Sts.
Mangagoy, Bislig, Surigao del Sur
Tel. Nos. (086) 853-4149
(086) 629-2333

BUUG
National Highway, Poblacion
Buug, Zamboanga, Sibugay
Fax No. (062) 344-8131

BUTUAN
Montilla Blvd., Brgy. Dagohoy
Butuan City, Agusan Del Norte
Tel. No. (085) 342-5800

BUTUAN-J.C. AQUINO
J.C. Aquino Ave., Butuan City
Agusan del Norte
Tel. Nos. (085) 342-5365
(085) 815-4414
Fax No. (085) 342-5363

CAGAYAN DE ORO
Corrales Ave., cor. T. Chavez St.
Cagayan De Oro City
Misamis Oriental
Tel. Nos. (08822) 729-500
(08822) 857-5694

CDO -LAPASAN
(Formerly Limketkai)
Lim Ket Kai Drive, Lapasan
CDO City, Misamis Oriental
Tel. Nos. (08822) 729-294
(08822) 723-997
(08822) 723-992
Fax No. (088) 856-4732

CDO-DIVISORIA
Tiano Brothers cor. Cruz Taal Sts.
CDO City, Misamis Oriental
Tel. Nos. (08822) 722-816
(088) 856-1146
Fax No. (08822) 722-861

CARMEN
Premier Bldg., Elipe Park
R.M. Pelaez St. cor. Agoho Drive
Brgy. Carmen, Cagayan de Oro City
Misamis Oriental
Tel. No. (088) 858-3158

CDO-COGON
Jr. Borja cor. V. Roa Sts., CDO City
Misamis Oriental
Tel. Nos. (088) 857-1911
(08822) 726-443
(08822) 722-246
Fax No. (088) 857-5804

CLIMACO
JNB Bldg., Buenavista St.
Zamboanga City
Zamboanga del Sur
Tel. No. (062) 991-1643

COTABATO
39 Makakua St., Cotabato City
Maguindanao
Tel. Nos. (064) 421-8756
(064) 421-2696

COTABATO-DOROTHEO
Alejandro Dorotheo St.
cor. Corcuera St., Cotabato City
North Cotabato
Tel. Nos. (064) 421-3309
(064) 421-2834
Fax No. (064) 421-2506

DADIANGAS
RD Realty Development Bldg.
Santiago Blvd., General Santos City
South Cotabato
Tel. No. (083) 302-5283

DAVAO
San Pedro St., cor. C.M. Recto St.
Davao City, Davao Del Sur
Tel. Nos. (082) 221-7021
(082) 221-2534
(082) 227-2971
Fax No. (082) 226-2541

DAVAO-CALINAN
(FR Kidapawan)
LTH Building, Davao-Bukidnon
Highway, Calinan, Davao City
Davao del Sur
Tel. Nos. (082) 284-0807
(082) 285-0564
(082) 285-4569

DAVAO–CM RECTO
C. M. Recto St., Davao City
Davao del Sur
Tel. Nos. (082) 221-1467
(082) 221-7425
(082) 222-2180

DAVAO-LANANG
Km. 7, Lanang, Davao City
Davao del Sur
Tel. Nos. (082) 235-0116
(082) 235-0117
Fax No. (082) 235-0118

DAVAO-SAN PEDRO
San Pedro St., Davao City
Davao del Sur
Tel. Nos. (082) 227-2621
(082) 221-7977
Fax No. (082) 221-2230

DIGOS
Quezon Ave., Digos
Davao del Sur
Tel. Nos. (082) 553-2543
(082) 553-2187

DIGOS-GEN. LUNA
Gonzales Building, Gen. Luna St.
Digos City, Davao del Sur
Tel. Nos. (082) 553-7296
(082) 553-7297
Fax No. (082) 553-7298

DIPOLOG
Gen. Luna St., cor. C.P. Garcia Sts.
Dipolog City, Zamboanga del Norte
Tel. Nos. (065) 212-4827
(065) 212-7212

DIPOLOG-RIZAL
Rizal Ave. cor. Osmeña St.
Dipolog City, Zamboanga del Norte
Tel. Nos. (065) 212-3457
(065) 212-2573
Fax No. (065) 212-2572

GAISANO CAPITAL-SURIGAO
Gaisano Capital, Km 4
National Highway, Barangay Luna
Surigao City
Tel. No. (086) 231-5109

GENERAL SANTOS-ACHARON
Pedro Acharon Blvd.
General Santos City, South Cotabato
Tel. Nos. (083) 553-6626
(083) 301-5108
Fax No. (083) 552-4201

GENERAL SANTOS
City Hall Dr. Osmeña St.
General Santos City, South Cotabato
Tel. Nos. (083) 552-2858
(083) 552-3254

GINGOOG
National Highway, Brgy. 23
Gingoog City, Misamis Oriental
Tel. Nos. (088) 427-728
(088) 861-0210
(088) 442-7455

ILIGAN
cor. Gen. Aguinaldo & Labao Sts.
Poblacion, Iligan City
Lanao Del Norte
Tel. No. (063) 223-8182

ILIGAN-QUEZON
Quezon Ave., Poblacion
Iligan City, Lanao Del Norte
Tel. No. (063) 221-2840
Fax No. (063) 221-9528

IPIL
National Hi-Way, Poblacion
Ipil, Zamboanga, Sibugay
Tel. No. (062) 333-2343
Fax No. (062) 333-2240

ISULAN
Aristoza Bldg., National Highway
Isulan, Sultan Kudarat
Tel. No. (064) 201-3427

JOLO
Serantes St., Jolo, Sulu
Tel. No. (085) 341-8911

JOLO-AROLAS
Gen. Arolas cor. Magno Sts.
Jolo, Sulu
Tel. Nos. (085) 341-8911
local 2179 & 2180

KCC MALL-GEN. SANTOS CITY
Unit 018 Lower G/F KCC Mall of
Gensan, Jose Catolico Sr. Ave.
General Santos City, South Cotabato
Tel. Nos. (083) 554-9092
(083) 554-9093

KIDAPAWAN
Quezon Blvd., Kidapawan City
North Cotabato
Tel. No. (064) 288-1696

KORONADAL
Morrow St., Koronadal
South Cotabato
Tel. No. (083) 228-3727

KORONADAL-POBLACION
Gen. Santos Drive, Brgy. Zone 1
Koronadal City, South Cotabato
Tel. No. (083) 228-2651
Fax No. (083) 228-2652

LILOY
Chan Bldg., Baybay, Liloy
Zamboanga del Norte
Tel. Nos. (065) 906-9095
(065) 906-9096

LIMKETKAI CENTER
Limketkai Center, Lapasan
Cagayan de Oro City
Misamis Oriental
Tel. No. (08822) 722-872

LIMKETKAI MALL-NORTH CONCOURSE
G/F North Concourse, Limketkai Mall
Limketkai Center, Lapasan, Cagayan
De Oro City, Misamis Oriental
Tel. No. (088) 857-4149

MALAYBALAY
Flores Bldg., cor. Rizal & Tabios Sts.
Brgy. 5, Malaybalay City, Bukidnon
Tel. No. (088) 813-2459

MALAYBALAY-FORTICH
Fortich cor. Kapitan Juan Sts.
Brgy 7, Malaybalay City, Bukidnon
Tel. No. (088) 221-3336
(088) 813-2051
(088) 221-2117
Fax No. (088) 221-2167

MAMBAJAO
cor. Gen. Aranas & Burgos Sts.
Brgy. Poblacion, Mambajao
Camiguin
Tel. No. (088) 387-1080

MATI
Rizal Ext., Brgy. Central, Mati
Davao Oriental
Tel. No. (087) 388-3799

MATINA
HIJ Bldg., Mc Arthur Highway
Brgy. Matina, Davao City
Davao del Sur
Tel. Nos. (082) 299-2852
(082) 299-2850

MATINA CROSSING
80 Lua Building, Mc Arthur Highway
Matina, Davao City, Davao del Sur
Tel. Nos. (082) 297-5638
(082) 297-5637
Fax No. (082) 297-5537

MARAWI
Perez St., Poblacion, Marawi City
Lanao del Sur
Tel. No. (063) 876-0014

MARANDING
National Highway, Maranding
Lala, Lanao del Norte
Tel. No. (063) 388-7156
(063) 496-0161
Fax No. (063) 388-7155

MIDSAYAP
Quezon Ave., Midsayap
North Cotabato
Tel. No. (064) 229-8004

MOLAVE
Mabini St., Molave
Zamboanga del Sur
Tel. Nos. (062) 225-1223
(062) 225-1958

MONTEVERDE
Mintrade Bldg., Monteverde St.
cor. Sales St., Davao City
Davao del Sur
Tel. Nos. (082) 222-0514
(082) 225-5895

MONTEVERDE-BANGOY
42 T. Monteverde cor. S. Bangoy Sts.
Davao City, Davao del Sur
Tel. No. (082) 226-2753
Fax No. (082) 227-2687

MSU EXTENSION OFFICE
Right Wing, Dimaporo Gymnasium
MSU-Main Campus, Brgy. Rapasun/
Sikap, Marawi City, Lanao Del Sur
Tel. No. (063) 876-0024

OROQUIETA
Sen. Jose Ozamis St., Lower Lamac
Oroquieta City, Misamis Occidental
Tel. No. (088) 531-2055

OZAMIS
Rizal Ave., Aguada, Ozamis City
Misamis Occidental
Tel. No. (088) 521-1556

OZAMIS-GOMEZ
Gomez cor. Burgos Sts., 50th Brgy.
Ozamis City, Misamis Occidental
Tel. Nos. (088) 521-1511
(088) 521-0433

PAGADIAN
Rizal Ave., Balangasan District
Pagadian City, Zamboanga del Sur
Tel. Nos. (062) 215-1162
(062) 214-2493

PAGADIAN-PAJARES
F.S. Pajares Ave. cor. Cabrera St.
Brgy. San Francisco, Pagadian City
Zamboanga del Sur
Tel. No. (062) 214-1373
Fax No. (062) 214-1374

PALA-O
G/F Iligan Day Inn Bldg.
Benito S. Ong St., Pala-o
Iligan City, Lanao Del Norte
Tel. No. (063) 221-3206

PANABO CITY
G/F Gaisano Grand Mall of Panabo
Quezon St., Brgy. Sto. Niño
Panabo City, Davao Del Norte
Tel. Nos. (084) 645-0027
(084) 645-0028

SASA
Carmart Bldg.
Km 8 Sasa, Davao City
Davao del Sur
Tel. No. (082) 233-0583

SINDANGAN
cor. Rizal & Bonifacio Sts.
Poblacion, Sindangan
Zamboanga del Norte
Tel. No. (065) 224-2017
(065) 224-2018

S.K. PENDATUN
Quezon Ave., Cotabato City
Tel. Nos. (064) 421-1066
(064) 421-8099
Fax No. (064) 421-5099

STA. ANA DAVAO
Bonifacio Tan Bldg., Rosemary
cor. Bangoy Sts., Sta. Ana Dist.
Davao City, Davao del Sur
Tel. No. (082) 221-1852

STA. ANA-MAGSAYSAY
R. Magsaysay Ave. cor. Lizada St.
Davao City, Davao del Sur
Tel. Nos. (082) 227-8294
(082) 227-2123
Fax No. (082) 222-1812

SURIGAO
45 Rizal St., Brgy. Washington
Surigao City, Surigao del Norte
Tel. No. (086) 826-4335

SURIGAO-WASHINGTON
San Nicolas St., Brgy. Washington
Surigao City, Surigao del Norte
Tel. Nos. (086) 826-8001
(086) 826-4173
(086) 231-7283

TACURONG
Alunan Highway, Tacurong City
Sultan Kudarat
Tel. No. (064) 384-1688
Fax No. (064) 200-3471

TAGUM
Rizal St., Magugpo, Poblacion
Tagum City, Davao del Norte
Tel. No. (084) 271-3624

TAGUM-APOKON
GI 04-06 Gaisano Grand Arcade
Apokon Road cor. Lapu-Lapu Ext.
Brgy. Visayan Village, Tagum City
Davao del Norte
Tel. No. (084) 216-7056
Fax No. (084) 216-7057

TANDAG
Napo, National Highway
Tandag, Surigao Del Sur
Tel. No. (086) 211-2558

TAWI-TAWI
Bagay St., Poblacion, Bongao
Tawi-Tawi
Tel. No. (068) 268-1033

TAWI-TAWI-BONGAO
Datu-Halun St.
Bongao, Tawi-Tawi
Tel. No. (068) 268-1048

TETUAN
G/F, AL Gonzalez & Sons Bldg.
Veterans Ave., Zamboanga City 7000
Tel. No. (062) 955-1318

TORIL
Anecita G. Uy Bldg., Saavedra St.
Toril, Davao City, Davao del Sur
Tel. Nos. (082) 291-0030
(082) 291-0028

VALENCIA
Tamay Lang Bldg., G. Lavina St.
Poblacion, Valencia City, Bukidnon
Tel. No. (088) 222-2148

VALENCIA-MABINI
Tamaylang Bldg., Mabini Street
Poblacion, Valencia City, Bukidnon
Tel. No. (088) 222-2695
Fax No. (088) 828-1313

YLLANA BAY EXTENSION OFFICE
G/F Gaisano Capital, Pagadian
Rizal Ave., San Pedro District
Pagadian City
Tel. No. (062) 215-2760

ZAMBOANGA
J.S. Alano St., Zamboanga City
Zamboanga del Sur
Tel. No. (062) 992-4813

ZAMBOANGA-CANELAR
G/F Blue Shark Hotel
Mayor Jaldon St.,
Canelar, Zamboanga City
Zamboanga del Sur
Tel. Nos. (062) 991-1584
(062) 991-9876

ZAMBOANGA-GUIWAN
Mc Hi-Way, Guiwan
Zamboanga City
Zamboanga del Sur
Tel. No. (062) 992-7647
Fax No. (062) 992-7648

ZAMBOANGA-NUÑEZ EXT.
Ciudad Medical
Zamboanga Nuñez Ext.
Camino Nuevo, Zamboanga City
Zamboanga del Sur
Tel. Nos. (062) 992-0859
(062) 993-1761

ZAMBOANGA-SAN JOSE
San Jose, Zamboanga City
Zamboanga Del Sur
Tel. Nos. (062) 991-0779
(062) 991-3758

ZAMBOANGA-SUCABON
Mayor MS Jaldon St.
Zamboanga City
Zamboanga del Sur
Tel. Nos. (062) 993-1110
(062) 991-3756
(062) 991-3757

ZAMBOANGA-VETERANS AVENUE
G/F Zamboanga Doctors' Hospital
Annex Bldg., Veterans Ave.
Zamboanga City
Zamboanga del Sur
Tel. Nos. (062) 993-0858
(062) 993-2260

REGIONAL HEADS

North Metro Manila
MANUEL LABAYNE

East Metro Manila
CARINA SALONGA

South Metro Manila
MARY ANN SANTOS

West Metro
ADELIA JOSON

Central Luzon
BLAS PEDRO DAVID

Northern Luzon
ROGER COLOBONG

Southern Luzon
REYNALDO INTAL

Visayas
JANE GOCUAN

Western Mindanao
TERESITA SEBASTIAN

Eastern Mindanao
ELMER MONSALE

AREA HEADS

NORTH METRO MANILA

Metro 1 Minerva Duran
Metro 2 Juanito Pineda
Metro 3 Shirley Ching
Metro 4 Cesar Evasco
Metro 5 Blesilda Reyes

EAST METRO MANILA

Metro 6 Edilberto Ramos
Metro 7 Marie Therese Montecer
Metro 8 Nelly Chua
Metro 9 Dwight Lawrence Leyco
Metro 10 Vermie Guevarra

SOUTH METRO MANILA

Metro 11 Juanita Ronas
Metro 12 Ma. Luisa Alarcon
Metro 13 Julius Rifareal
Metro 14 Bernabe Punsalan
Metro 15 Alona Tambunting
Makati Center Lolita Chu

WEST METRO

Metro 16 Cristina Co
Metro 17 Myrna Chua
Metro 18 Narciso Capito, Jr.
Metro 19 Josephine Aurelia Diaz
Metro 20 Ma. Lelis Singson

CENTRAL LUZON

CEL 1 Laura Federizo
CEL 2 Ma. Lourdes Valencia
CEL 3 Ernesto Catacutan
CEL 4 Edgar Tacadena

NORTHERN LUZON

NOL 1 Mariquita Ortega
NOL 2 Marie Christine Rillera
NOL 3 Nicolas Diaz
NOL 4 Raymund Albert Nietes

SOUTHERN LUZON

SOL 1 Alvin Lista
SOL 2 Jay B. Pesigan
SOL 3 Conrado Manago, Jr.
SOL 4 Vicente Longno
SOL 5 Vito Antonio Rubio
SOL 6 Carlito Lacanlale

VISAYAS

Central Metro Cebu
Gino Gonzalez

North Metro Cebu
Carlo Dimaala

South Metro Cebu & Bohol
John Hilarion Salas *(OIC)*

Negros Occidental
Mariano Magbanua Jr.

Negros Oriental
Albert Lopez

Panay
Jaybert Jose S. Ong

Samar- Leyte
Cesar P. Engcoy Jr.

MINDANAO

North Western Mindanao
Rommel T. Remotigue

Northern Mindanao
Roderick T. Enriquez

South Western Mindanao
Anastasia N. Angeles *(OIC)*

Central Mindanao
Leonilla Coquilla

North Eastern Mindanao
Ariel Roca

South Eastern Mindanao
Allyson Gay G. Ang

Southern Mindanao
Ma. Jessica Reyes

COMMERCIAL BANKING GROUP

METRO MANILA

MAKATI BUSINESS CENTER
5th Flr. Allied Bank Center
6754 Ayala Ave. cor. Legaspi Street
Makati City
Tel. No. 894-1816

VP Jaime L. Del Barrio
Head

BINONDO BUSINESS CENTER
Manila Downtown Office
Alliance Building, 410 Q. Paredes St.
Binondo, Manila
Tel. No. 241-2377

SVP Lee Eng Y. So
Head

CALOOCAN BUSINESS CENTER
PNB Caloocan Branch
1716 Rizal Ave. Extension
cor. L. Bustamante Street
Grace Park, Caloocan City
Tel. No. 361-0325

SVP Norma B. Tan
Head

QUEZON CITY BUSINESS CENTER
PNB Cubao Branch Building -
Mezzanine Floor, Aurora Blvd.
Cubao, Quezon City
Tel. No. 912-1947

SAVP Ma. Theresa H. Maramba
Head

GREENHILLS BUSINESS CENTER
PNB Greenhills Branch
Rm. 205 Limketkai Building
Ortigas Ave., Greenhills
(opposite Caltex Station)
San Juan, Metro Manila
Tel. No. 724-3312

SVP Aida T. Yu
Head

LUZON

NORTH LUZON COMMERCIAL BANKING DEPARTMENT
7th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City
Tel. No. 573-4444

SAVP Albert J. Guangco
Head

ANGELES BUSINESS CENTER
c/o PNB Angeles Branch - 2nd Floor
PNB Building, 730 Sto. Rosario Street
Angeles City, Pampanga
Tel. Nos. (045) 625-9771
(045) 888-9664

SM Susan L. Principe
Head

CAUAYAN BUSINESS CENTER
c/o PNB Cauayan Branch - Maharlika
Highway cor. Cabatuan Road
Cauayan City, Isabela
Tel. Nos. (078) 652-1408
(078) 662-1325

SAVP Henry M. Montalvo
Head

CAUAYAN BUSINESS CENTER - TUGUEGARAO EXTENSION OFFICE
c/o PNB Tuguegarao Branch
- Bonifacio Street, Tuguegarao City
Cagayan
Tel. No. (078) 847-792

SAVP Henry M. Montalvo
Head

SAN FERNANDO BUSINESS CENTER
c/o PNB Pampanga-San Agustin
Branch, Tagle Building
MacArthur Highway, San Agustin
City of San Fernando, Pampanga
Tel. No. (045) 435-2304

SAVP Ireneo B. Lopez

SAN FERNANDO BUSINESS CENTER - GAPAN EXTENSION OFFICE
c/o Nueva-Ecija-Gapan Branch -
Tinio Street, San Vicente
Gapan, Nueva Ecija
Tel. No. (044) 486-2931

SAVP Ireneo B. Lopez
Head

SAN FERNANDO BUSINESS CENTER - MALOLOS EXTENSION OFFICE
PNB Bulacan-Malolos Branch -
FC Building, Km. 40, McArthur
Highway, Sumapang, Matanda
Malolos City
Tel. Nos. (044) 791-6413
(044) 791-6408

SAVP Ireneo B. Lopez
Head

DAGUPAN BUSINESS CENTER
c/o PNB Dagupan Branch -
AB Fernandez Ave., Dagupan City
Pangasinan
Tel. Nos. (075) 522-0898
(075) 575-2269

SAVP Ireneo B. Lopez
Head

DAGUPAN BUSINESS CENTER - LA UNION EXTENSION OFFICE
San Fernando La Union Branch
612 Quezon Ave., San Fernando City
La Union
Tel. Nos. (072) 700-3464
(072) 888-7488

SAVP Ireneo B. Lopez
Head

SOUTH LUZON COMMERCIAL BANKING DEPARTMENT
c/o PNB Naga Branch - 2nd Floor
PNB Building, General Luna Street
Naga City 4400
Tel. No. (054) 472-7622

VP Nilo R. Padua
Head

BATANGAS BUSINESS CENTER
c/o PNB Batangas Branch -
2/F PNB Building, P. Burgos
cor. C. Tirona Streets
Batangas City
(043) 723-1409

SM Ariston E. Flores
Head

SAN PABLO BUSINESS CENTER
c/o PNB San Pablo Branch -
M. Paulino Street
San Pablo City, Laguna
Tel. No. (049) 503-2580

SM Ariston E. Flores
Head

NAGA BUSINESS CENTER
c/o PNB Naga Branch -
2nd Floor PNB Building
General Luna Street
Naga City 4400
Tel. No. (054) 473-0393

M1 Don C. Fajardo
Head

VISAYAS

VISAYAS COMMERCIAL BANKING DEPARTMENT
2/F, PNB Jakosalem Main Building
cor. Jakosalem and Legaspi Streets
Cebu City 6000
Tel. No. (032) 255-7574

VP Aaron L. Astor
Head

ILOILO BUSINESS CENTER
PNB Ledesma Branch cor. Quezon
and Ledesma Streets, Iloilo City 5000
Tel. Nos. (033) 337-1913
(033) 337-1264

SM Heidi C. Po
Head

ILOILO BUSINESS CENTER - BACOLOD EXTENSION OFFICE
G/F PNB Bacolod Branch Building
Lacson Street, Bacolod City
Tel. Nos. (034) 433-3449
(034) 433-2730

SM Heidi C. Po
Head

CEBU BUSINESS CENTER
2/F, PNB Jakosalem Main Building
cor. Jakosalem and Legaspi Streets
Cebu City 6000
Tel. Nos. (032) 254-6889
(032) 253-6909

VP Corazon N. Lee
Head

CEBU BUSINESS CENTER - DUMAGUETE EXTENSION OFFICE
c/o PNB Locsin-Dumaguete Branch
Building, Locsin Street
Dumaguete City, Negros Oriental
Tel. No. (035) 422-7510

VP Corazon N. Lee
Head

CEBU BUSINESS CENTER - TAGBILARAN EXTENSION OFFICE
c/o PNB Tagbilaran Branch
cor. JA Clarin & CPG Ave.
Tagbilaran City, Bohol
Tel. No. (038) 411-2238

VP Corazon N. Lee
Head

CEBU BUSINESS CENTER - TACLOBAN EXTENSION OFFICE
c/o PNB Zamora-Tacloban Branch
Building, J. Romualdez Street
Tacloban City, Leyte
Tel. Nos. (053) 523-4126
(053) 523-0177

VP Corazon N. Lee
Head

MINDANAO

MINDANAO COMMERCIAL BANKING DEPARTMENT
2/F, PNB Jakosalem Main Building
cor. Jakosalem and Legaspi Streets
Cebu City 6000
Tel. No. (032) 255-7574

VP Aaron L. Astor
Head

CAGAYAN DE ORO BUSINESS CENTER
2/F PNB Cagayan de Oro Branch
Building, Corrales Ave.
Cagayan de Oro City
Tel. Nos. (088) 856-3684
(08822) 723-755

SM Marjorie P. Ballesteros
Head

BUTUAN BUSINESS CENTER
c/o PNB Butuan Branch,
Montilla Blvd., Butuan City
Tel. Nos. (085) 342-5802
(085) 816-2366

AVP Edward T. Go
Head

DAVAO BUSINESS CENTER
c/o PNB Davao Branch Building -
CM Recto, CM Recto
cor. San Pedro Streets, Davao City
Tel. Nos. (082) 221-2053
(082) 221-2521
(082) 221-4630

SAVP Darius C. Kenny
Head

GENERAL SANTOS BUSINESS CENTER
c/o PNB Dadiangas Branch -
Santiago Blvd., General Santos City
Tel. No. (083) 552-1254

AVP Bernardo D. Isla
Head

ZAMBOANGA BUSINESS CENTER
c/o PNB Zamboanga-Sucabon
Branch - 2nd Floor, Mayor Jaldon
Street, Zone 2, Zamboanga City 7000
Tel. No. (062) 991-17-98

AVP Ramon B. Siyluy, Jr.
Head

REGIONAL CONSUMER FINANCE CENTERS

LUZON

BICOL
Gen. Luna St., Naga City
Camarines Sur
Telefax (054) 473-1234

AM1 Melvin B. Montino
Head

CAGAYAN VALLEY
Maharlika Highway
cor. Cabatuan Rd.
Cauayan City, Isabela 3305
Telefax (078) 652-1416
(078) 662-1318

M1 Novella A. Antonio
Head

CENTRAL LUZON I
cor. Paco Roman & Del Pilar Sts.
2/F PNB Cabanatuan Br. Bldg.
Cabanatuan City, Nueva Ecija
Telefax (044) 463-0639
(044) 463-0639

M2 Geronima T. Mingala
Head

CENTRAL LUZON II
730 Sto. Rosario Sts.
Angeles City, Pampanga 2009
Tel. No. (045) 625-9381
Fax No. (045) 887-4308

AVP Josephine DG. Santillana
Head

NORTH LUZON
AB Fernandez Ave.
Dagupan City, Pangasinan 2400
Telefax (075) 522-0792

MI Marilou B. Martinez
Head

SOUTH LUZON I
M/F PNB Batangas Branch
P. Burgos St., Batangas City
Telefax (043) 723-0050

M1 Elaine O. Arcega
Head

SOUTH LUZON II
2/F PNB San Pablo Branch Bldg.
Marcos Paulino St., San Pablo City
Laguna
Tel. No. (049) 562-0756

M1 Elaine O. Arcega
Head

VISAYAS

CEBU BOHOL
cor. Jakosalem and M.C. Briones Sts.
Cebu City 6000
Tel. Nos. (032) 412-1797
(032) 412-1884
Fax No. (032) 412-2129

AVP Leila Q. Amante

NEGROS
Lacson St., Bacolod City
PNB Bacolod Br.
Negros occidental 6100
Tel. No. (034) 434-5127

AM2 OIC Ma. Consuelo M. Jamora
Head

SAMAR LEYTE
cor. Sto Nino and Justice
Romualdez Sts.
Tacloban City, Leyte 6500
Tel. No. (053) 325-4619
Fax No. (053) 523-9255

PANAY
2/F PNB Iloilo Branch cor. Gen. Luna
and Valeria Sts., Iloilo City, Iloilo 5000
Tel. No. (033) 337-5275

AM2 Ma. Consuelo M. Jamora
Head

MINDANAO

SOUTHERN MINDANAO
C. M. Recto St., Davao City 8000
Tel. Nos. (082) 221-3534
(082) 305-4438

M2 Rachel Angeles M. Deita
Head

NORTHERN MINDANAO
2F PNB Limketkai Branch
Lapasan, Cagayan De Oro
Tel. Nos. (08822) 729-801

AM1 Gervacio Gervie T. Go III
Head

WESTERN MINDANAO
A. Eusebio Quadrangle
J. S. Alano St.
Zamboanga City 7000
Tel. No. (062) 991-0797

AM1 Ronald B. Dela Cruz
Head

OVERSEAS

Hong Kong Branch
Unit 02, 9th Floor, Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai, Hong Kong
Tel No: (852) 2543-1066
Trunkline: (852) 2543-7171
Fax No. (852) 2525-3107
(852) 2541-6645
Email Address:
pnbhkgrp@pnb.com.ph
bicolrc@pnb.com.ph

Office Head: **Rodel C. Bicol**
Position: *General Manager*

PNB Global Remittance & Financial Co. (HK) Ltd.- Head Office
Unit 01, 9th Floor, Tung Wai Commercial Building
109-111 Gloucester Road
Wanchai, Hong Kong
Tel No: (852) 2230-2105
Fax No: (852) 2525-3107
(852) 2541-6645
Email Address:
evorara@pnb.com.ph

Office Head: **Raymond A. Evora**
Position: *General Manager*

PNB Global North Point
G/F Shop 27-28, Seven Seas Commercial Centre, 121 King's Road
North Point, Hong Kong
Tel No: (852) 2887-5967
Fax No: (852) 2807-0298
Email Address:
ipfs@pnb.com.ph

Office Head: **Felisima S. Ip**
Position: *Branch Manager*

PNB Global Shatin
Shop 15E, Level 1 Shatin Lucky Plaza
12-15 Wang Fok St., Shatin
New Territories, Hong Kong
Tel No: (852) 2603-2802
Fax No: (852) 2609-3816
Email Address:
dimlar@pnb.com.ph

Office Head: **Roselyn Dimla**
Position: *Branch Manager*

PNB Global Tsuen Wan
Shops 226-229, Lik San Plaza
269 Castle Peak Road, Tsuen Wan
New Territories, Hong Kong
Tel No: (852) 2490-1397
Fax No: (852) 2490-3435
Email Address:
martinba@pnb.com.ph

Office Head: **Belinda A. Martin**
Position: *Branch Manager*

PNB Global Worldwide House 101
Shop 101, 1/F Worldwide House
19 Des Voeux Road, Central
Hong Kong
Tel No: (852) 2521-4603
Fax No: (852) 2521-4603
Email Address:
baldonsl@pnb.com.ph

Office Head: **Sofia L. Baldon**
Position: *Branch Manager*

PNB Global Worldwide House 122
Shop 122, 1/F Worldwide House
19 Des Voeux Road, Central
Hong Kong
Tel No: (852) 2869-8764
Fax No: (852) 2869-8599
Email Address:
lenchicoel@pnb.com.ph

Office Head: **Eduardo L. Lenchico**
Position: *Branch Manager*

PNB Global Yuen Long
Shop 9, 3/F Tung Yik Bldg.
No. 8 Yu King Square, Yuen Long
New Territories, Hong Kong
Tel No: (852) 2147-3471
Fax No: (852) 2147-3481
Email Address:
lunafe@pnb.com.ph

Office Head: **Frank Luna**
Position: *Officer-In-Charge*

Allied Banking Corporation (Hong Kong) Limited
1402 World Wide House
19 Des Voeux Road, Central
Hong Kong
Tel Nos: (852) 2846 2288
(852) 2846 2251
Fax No: (852) 2846 2299
Email Address:
mail@abchkl.com.hk

Office Head: **Lourdes A. Salazar**
Position: *Chief Executive*

Allied Banking Corporation (Hong Kong) Limited - Kowloon Branch
Shop 264-265 2/F Houston Center
63 Moody Road, Tsimshatsui
East Kowloon, Hong Kong
Tel Nos: (852) 2366 8509
(852) 2366 3291
Fax No: (852) 2810 6388
Email Address:
mail@abchkl.com.hk

Office Head: **Andy Ko**
Position: *Senior Manager*

Tokyo Branch
1/F Mita 43 MT Building
3-13-16 Mita Minato-ku
Tokyo 108-0073 Japan
Tel No: (813) 6858-5910
Fax No: (813) 6858-5920
Email Address:
shigematsu@pnbtokyo.co.jp
cruzjf@pnb.com.ph
tokyo@pnb.com.ph
customercare@pnbtokyo.co.jp

Office Head: **Kan ShigematsU**
Position: *Managing Director*

Nagoya Sub-Branch
7/F Nishiki 324 Building
3-24-24 Nishiki, Naka-Ku, Nagoya-shi
Aichi-ken, 460-0003 Japan
Tel No: (8152) 968-1800
Fax No: (8152) 968-1900
Email Address:
tambuyatpk@pnb.com.ph
nagoya@pnb.com.ph
pnbnagoya@pnbtokyo.co.jp

Office Head: **Patricia Kato-Tambuyat**
Position: *Branch Manager*

Allied Commercial Bank
3/F The Bank Centre 189 Xiahe Road
Xiamen 361003 People's Republic of China
Tel Nos: (86592) 239 9316
(86592) 239 9317
Fax No: (86592) 239 9329
Email Address:
zhangyu@alliedbankchina.com.cn

Office Head: **Zhang Yu**
Position: *General Manager*

Allied Commercial Bank - Chongqing Branch
521-522 Hilton Chongqing
139 Zhong Shan San Lu Yu
Dong District, Chongqing 400015
People's Republic of China
Tel No: (86238) 903 9958
Fax No: (86238) 903 9950
Email Address:
chenyan@alliedbankchina.com.cn

Office Head: **Chen Yan**
Position: *Deputy Branch Head*

Singapore Branch
304 Orchard Road
03-02/07 Lucky Plaza Shopping Centre, Singapore 238863
Tel No: (65) 6737-4646
Fax No: (65) 6737-4224
Email Address:
singapore@pnb.com.ph
vicentinacm@pnb.com.ph

Office Head: **Cristy M. Vicentina**
Position: *General Manager*

PNB Singapore Limited Purpose Branch
#03-68 Lucky Plaza Shopping Center
Singapore 238863
Tel No: (65) 6737-4106
Fax No: (65) 6737-4224
Email Address: mohdfs@pnb.com.ph

Office Head: **Farida Syed Mohd**
Position: *Officer-In-Charge*

PNB Guam Branch
Suite 114/114C, Micronesia Mall
1088 West Marine Corps Drive
Dededo, Guam 96929 PO Box CT
Agana, Guam 96932
Tel Nos: (1671) 646-9143
(1671) 646-9145
Fax No: (1671) 649 5002
Email Address:
agdagdagsb@alliedbank.com.ph
agdagdagsb@pnb.com.ph

Office Head:
Serafin "Sonny" B. Agdagdag
Position: *SM/Branch Manager*

PNB Bahrain Branch
11/F Bahrain Tower
Government One Avenue Manama,
State of Bahrain POB 20493
Tel No: (973) 1722 4707
Fax No: (973) 1721 0506
Email Address:
arriolael@alliedbank.com.ph
arriolael@pnb.com.ph

Office Head: **Edmund L Arriola**
Position: *General Manager*

Riyadh Desk Office
Arab National Bank Telemoney Department (P.N.B.)
3/F, Beit 7 P.O. Box 56921
Riyadh 11564 KSA
Tel Nos: (966) 1-402-9000
ext. 3371 & 3340
Fax No: (966) 1-402-9000
Ext. 4890
Email Address:
pnbruh@pnb-sa.net
navarroub@pnb.com.ph
pnbruh1@pnb-sa.net
gasparcj@pnb.com.ph

Office Head:
Mgr Usman B. Navarro
Position: *Country Head-KSA & Region Head-MENA*

Carlito J. Gaspar
Marketing Officer

Riyadh Batha Desk Office
Riyadh-Batha Telemoney Center
Riyadh Trading Center, Batha
(Filipino Market), KSA
Tel No: (966) 1-402-9000
ext. 5050/5051
sub-ext. 6213/6217
Fax No: (966) 1-2831-553
Email Address:
pnbbatha@pnb-sa.net
abdulal@pnb.com.ph

Office Head: **Anwar L Abdul**
Position: *Marketing Officer*

Aqaria Desk Office
Akaria Telemoney Center
Akaria Shopping Center, Olaya Road
Riyadh, KSA
Tel No: (966) 1-402-9000
Ext. 4864
Fax No: (966) 1-460-1377
Email Address:
pnbaqaria@pnb-sa.net
albanajg@pnb.com.ph

Office Head:
Jose Francisco G. Albana
Position: *Marketing Officer*

Tabuk Desk Office
Shara Al Amn, near Gov. Basheer
House, Tabuk, KSA
Tel No: (966) 4-4212323
Fax No: (966) 7-4230844
Email Address:
pnbtabuk@pnb-sa.net
cuatonba@pnb.com.ph

Office Head:
Bartolome A. Cuaton, Jr.
Position: *Marketing Officer*

Jeddah-Balad Desk Office
Balad-Jeddah Telemoney Center
Aswaq Building, Corniche
Balad District, Jeddah, KSA
Tel Nos: (966) 2-643-3415
(966) 642-2578
Fax No: (966) 2-642-2578
ext. 111
Email Address:
pnbjed@pnb-sa.net
abong@pnb.com.ph

Office Head: **Nasser G. Abo**
Position: *Desk Officer*

Rawdah-Jed Desk Office
Prince Sultan St., Jeddah, KSA
Tel No: (966) 2-6620050
Fax No: (966) 2-6392750
Email Address:
pnbrawdah@pnb-sa.net
yranongc@pnb.com.ph

Office Head: **Nasruden M. Elyan**
Position: *Marketing Officer*

Yanbu Desk Office
Khair Baladi Int'l. Market, Yanbu, KSA
Tel No: (966) 4-8271269
Fax No: (966) 4-8271285
Email Address:
pnbyanbu@pnb-sa.net
macapantonan@pnb.com.ph

Office Head:
Abdullah N. Macapanton
Position: *Marketing Officer*

Al-Khobar Desk Office
Al Khobar Telemoney Center
King Faisal St., 1st Crossing
(Beside Glorietta Bldg.), P.O. Box 37
Al Khobar 31952, KSA
Tel No: (966) 3-894-2618
Fax No: (966) 3-894-1546
Email Address:
pnbkhobar@pnb-sa.net

Jubail Desk Office
Jubail Telemoney Center, Jeddah St.
Across Riyad Bank, P.O. Box 351
Jubail 31941, KSA
Tel No: (966) 3-362-0093
Fax No: (966) 3-362-0464
Email Address:
pnbjubail@pnb-sa.net
lealdg@pnb.com.ph

Office Head: **Dennis G. Leal**
Position: *Marketing Officer*

Riyadh Desk Office
Riyadh Tahweel Al rajhi
Email Address:
pnbonaiza@pnb-sa.net
sandilinaes@pnb.com.ph

Office Head: **Esmael S. Sandilina**
Position: Marketing Officer
Office Type: Desk Office (Tie-up with Al Rajhi Bank)
Region: Middle East
Sub- Region: Central Region

Riyadh Desk Office
Bank Albilad, Seteen St., Al Malaz
Riyadh 11411, KSA
Tel No: 00966508279121
Email Address:
alvarezeu@alliedbank.com.ph
alvarezeu@pnb.com.ph

Office Head:
Eduardo "Butch" U Alvarez, Jr.
Position: *Marketing Officer*

Kuwait Marketing Office
c/o Phil. Embassy State of Kuwait
Block 6 Villa No.153 Nouman Bin
Basher St. corner Damascus Road
Faifa Area, PO Box 26288
Safat 13123, State of Kuwait
Tel No: (965) 99869386
(mobile)
Fax No: (965) 5329319
Email Address: pnbkwt@gmail.com

Office Head: **Lamberto G. Pantanilla**
Position: *Marketing Officer*

Dubai Representative Office
Room No. 108, 1/F, Al Nakheel
Building, Zaabeel Road, Karama
P.O. Box 52357, Dubai, UAE
Tel No: (971) 4-3365-940
Fax No: (971) 4-3374-474
Email Address:
pnbruh@pnb-sa.net
pnbdxb@emirates.net.ae
marketing@pnbdxb.ae
operations@pnbdxb.ae

Office Head: **Usman B. Navarro**
Position: *Manager*

Abu Dhabi Desk Office
Al Ansari Exchange, Al Ansari
Business Center Building, Al Barsha
Beside Mall of the Emirates, P.O. Box
6176 Dubai, United Arab Emirates
Level 01, Amin Tower, Liwa Street
Abu Dhabi, UAE
Tel No.: (97150) 2443520
(Mobile)
(9714) 610 2891
(Dubai) (9712) 6108767 (AD)
Fax No: (9714) 325 5295
Email Address:
mendozabh@alliedbank.com.ph
mendozabh@pnb.com.ph

Office Head:
Bernard "Bobby" H Mendoza
Position: *Marketing Officer*

Dubai Desk Office
Al Fardan Exchange Al Zalira Techno
Centre Khalid Bin Whalid Road Bur
Dubai, UAE
Tel No.: (9714) 351 3535
Fax No: (9714) 3513536
Email Address:
landichorr@alliedbank.com.ph
landichorr@pnb.com.ph

Office Head: **Rex R Landicho**
Position: *Marketing Officer*

Qatar Marketing Office
c/o Alzaman Exchange
W.L.L. Mansoura Al Meera,
Doha State of Qatar
PO Box 23497
Tel Nos.: (974) 5 5970111
(Mobile)
(974) 44357552
(Office)
Fax No: (974) 44154732
(974) 44357620
Email Address:
enet970@yahoo.com
cuetoba@pnb.com.ph

Office Head: **Bennette Cueto**
Position: *Marketing Officer*

Doha Desk Office
Doha Bank Doha Bank International
Relations Center 3/F Main Office
Building Grand Hamad Avenue
Doha, State of Qatar POB 3818
Tel No.: (974) 4445 6759
Fax No: (974) 425 7587
Email Address:
ayaayar@alliedbank.com.ph
ayaayar@pnb.com.ph
aaayaay@dohabank.com.qa

Office Head:
Anthony Ariel R. Aya-ay
Position: *Marketing Officer*

PNB (Europe) Plc - Paris Branch
165 Avenue Victor Hugo
75016 Paris, France
Schedule: Mon.-Sat: 9:00am-6:00pm
Tel No.: +33145053393
Fax No: (0033) 14505 1951
Email Address:
ramosre@pnbglobal.com

Office Head: **Roberto E. Ramos**
Position: *Head of Office*

Paris Representative Office
165 Avenue Victor Hugo
75016 Paris, France
Tel No.: +33145053393
Fax No: (0033) 14505 1952
Email Address:
ramosre@pnbglobal.com

Office Head: **Roberto E. Ramos**
Position*: Head of Office*

Rome Representative Office
c/o GPL NIOBE 13 0011 ROMA

PNB (Europe) Plc
5-7 Hillgate Street, London W8 7SP
United Kingdom
Tel No.: (0044) 207 3132300
2308 / 2305
Email Address:
ramosre@pnbglobal.co
pascualnp@pnbglobal.com
pnbeinfo@pnbglobal.com

Office Head:
Roberto Ramos &
Nestor Pascual
Position: *Head of Office &*
Operations Head

PNBE- Victoria Branch
114 Rochester Row SW1P 1JQ
United Kingdom
Tel No.: (44207) 233 6311
Fax No: (44207) 233 6194
Email Address:
villacortaen@alliedbank.com.ph

Office Head:
Ernesto "Ernie" N Villacorta
Position: *Managing Director*

PNB Germany Representative Office
1006 E.G. Malzstr 6, D-67663
Kaiserslautern
Tel No.: 49 (0631) 62487326
49 (0631) 62487327
49 (0176) 24546033
(mobile)
Email Address:
sirlazir@arcor.de
sirlazir@yahoo.de

Office Head: **Mario Rizal P Victoria**
Position: *Consultant*

Los Angeles Branch
316 W 2nd Street, Suite 700
Los Angeles, California 90012, U.S.A.
Tel No.: (213) 401-1800
Fax No: (213) 401-1803
Email Address:
ramosrc@pnb.com.ph

Office Head: **Ricardo C. Ramos**
Position: *General Manager*

New York Branch
30 Broad Street, 36th Floor
New York, NY 10004
Tel No.: (212) 790-9600
Fax No: (212) 382-2238
Email Address:
manalotoas@pnb.com.ph

Office Head: **Araceli S. Manaloto**
Position: *General Manager*

Queens (NY) Extension Office
69-18 Roosevelt Ave.
Woodside, NY 11377, U.S.A.
Tel No.: (718) 898-6113
Fax No: (718) 898-7838
Email Address:
ochoacn@pnb.com.ph

Office Head: **Cynthia N. Ochoa**
Position: *Officer-In-Charge*

PNB International Investments Corp. (PNB IIC)
316 W 2nd Street, 7th Floor
Los Angeles, California 90012, U.S.A.
Tel No.: (213) 401-1008
Fax No: (213) 401-1208
Email Address:
rvillacisneros@pnbrci.com

Office Head: **Rudyric R. Villacisneros**
Position: *President & CEO*

PNB RCI Holding Co. Ltd.
316 W 2nd Street, 7th Floor
Los Angeles, California 90012, U.S.A.
Tel No.: (213) 401-1008
Fax No: (213) 401-1208
Email Address:
rvillacisneros@pnbrci.com

Office Head: **Rudyric R. Villacisneros**
Position: President & CEO

PNB Remittance Centers, Inc. (RCI) - Head Office
316 W 2nd Street, 7th Floor
Los Angeles, California 90012, U.S.A.
Tel No.: (213) 401-1008
Fax No: (213) 401-1208
Email Address:
rvillacisneros@pnbrci.com
corporate@pnbrci.com

Office Head: **Rudyric R. Villacisneros**
Position: President & CEO /
concurrent - *North America Region Head*

PNB RCI Artesia Office
11618 South Street, Suite 213
Artesia CA 90701, U.S.A.
Tel Nos.: (562) 924-8979
(562) 924-8980
Fax No: (562) 865-5158
Email Address: artesia@pnbrci.com

Office Head: **Ramon Padernal**
Position: *Branch Supervisor*

PNB RCI Carson
131-F W. Carson St., Carson
CA 90745, U.S.A.
Tel No.: (310) 549-8795
Fax No: (310) 549-8797
Email Address: carson@pnbrci.com

Office Head: **Lilia Llamoso**
Position: *Person-In-Charge*

PNB RCI Eagle Rock
2700 Colorado Blvd.
#100, Los Angeles, CA 90041, U.S.A.
Tel No.: (323) 254-3507
Fax No: (323) 254-3259
Email Address:
eaglerock@pnbrci.com

Office Head: **Jhoanna M. Cunanan**
Position: *Branch Operations Supervisor*

PNB RCI Los Angeles
3343 Wilshire Blvd., Los Angeles
CA 90010, U.S.A.
Tel No.: (213) 401-1808
Fax No: (213) 401-1809
Email Address:
losangeles@pnbrci.com

Office Head: **Nina Masangkay**
Position: *Branch Operations Supervisor*
Office Type: Congeneric - PNB RCI Branch

PNB RCI Mira Mesa
9007 Mira Mesa Blvd., San Diego
CA 92126, U.S.A.
Tel No.: (858) 549-1253
Fax No: (858) 549-1346
Email Address:
miramesa@pnbrci.com

Office Head: **Menchu Bolanos**
Position: *Branch Manager*

PNB RCI National City
2220 E. Plaza Blvd. Suite E
National City, CA 91950, U.S.A.
Tel No.: (619) 472-5270
Fax No: (619) 472-5790
Email Address:
nationalcity@pnbrci.com

Office Head:
Stephen Faustino Garcia
Branch Manager

PNB RCI Panorama City
14417 Roscoe Blvd. Unit D
Panorama City, CA 91402, U.S.A.
Tel No.: (818) 891-2928
(818) 891-2946
Fax No: (818) 891-0838
Email Address:
panoramacity@pnbrci.com

Office Head: **Marilyn Alviar**
Position: *Branch Supervisor*

PNB RCI Panorama City Extension Office - North Hills Seafood City
16130 Nordhoff St., North Hills, CA
91343, U.S.A.
Tel No.: (818) 830-9100
Fax No: (818) 830-9119
Email Address:
northhills@pnbrci.com

Office Head: **Marilyn Alviar**
Position: *Branch Supervisor*

PNB RCI West Covina
1559-K E. Amar Road, West Covina
CA 91792, U.S.A.
Schedule: Mon-Fri: 9:30am-6:00pm
Sat: 9:30am-4:30pm
Tel No.: (626) 854-2044 / 45
Fax No: (626) 854-2046
Email Address:
westcovina@pnbrci.com

Office Head: **Mary Jane Sotelo**
Position: *Person-In-Charge*

PNB RCI Daly City
6730 Mission Blvd., Unit A, Daly City
CA 94014, U.S.A.
Tel No.: (650) 756-1268 / 1492
Fax No: (650) 756-1409
Email Address: dalycity@pnbrci.com

Office Head: **Fe De Lara**
Position: *Branch Supervisor*

PNB RCI San Jose
1983 Quimby Road, San Jose
CA 95122, U.S.A.
Tel No.: (408) 929-0964 / 65
Fax No: (408) 929-0966
Email Address: sanjose@pnbrci.com

Office Head: **Aileen Layante**
Position: *Branch Manager*

PNB RCI Union City
32128 Alvarado Blvd., Union City
CA 94587, U.S.A.
Tel No.: (510) 487-6272 / 73
Fax No: (510) 487-6330
Email Address:
unioncity@pnbrci.com

Office Head: **Cornell Alma Gutierrez**
Position: *Branch Supervisor*

PNB RCI Chicago
5918 N. Clark St.
Chicago, IL 60660, U.S.A.
Tel No.: (773) 784-2951 / 53
Fax No: (773) 784-2952
Email Address: chicago@pnbrci.com

Office Head: **Arsenio Odulio**
Position: *Acting Branch Manager*

PNB RCI Niles
7144 Dempster Avenue, Ste. 350
Morton Grove, IL 60053, U.S.A.
Tel No.: (847) 583-0352
(847) 663-9360
Fax No: (847) 583-0353
Email Address: niles@pnbrci.com

Office Head: **Angeles Recto &**
Arsenio Odulio
Position: *Branch Supervisor &*
Region Head

PNB RCI Houston
Beltway Plaza Shopping Center
8388 West Sam Houston Parkway
Suite 194, Houston, TX 77072, U.S.A.
Tel No.: (281) 988-7575 / 7001
Fax No: (281) 988-7555
Email Address:
houston@pnbrci.com

Office Head: **Teodelyn Martinez**
Position: *Branch Supervisor*

PNB RCI Honolulu
33 South King Street Suit 109
Honolulu, Hawaii 96813, USA
Tel No.: (808) 521-1493
Fax No: (808) 533-2842
Email Address:
honolulu@pnbrci.com

Office Head: **David Dahilig**
Position: *Branch Supervisor*

PNB RCI Waipahu
94-226 Leoku Street, Waipahu
Hawaii 96797, U.S.A.
Tel No.: (808) 678-3360
Fax No: (808) 678-3302
Email Address:
waipahu@pnbrci.com

Office Head: **Arceli Sagaoinit**

PNB RCI Jersey City
535 Newark Avenue, Jersey City
NJ 07306, U.S.A.
Tel No: (201) 656-3270 / 3953
Fax No: (201) 656-7164
Email Address:
jerseycity@pnbrci.com

Office Head:
Carmen Hermosisima
Position: *Branch Manager*

PNB RCI Jacksonville
10916 Atlantic Blvd., Unit 5
Jacksonville, FL 32225, U.S.A.
Tel No.: (904) 564-2555 / 01
Fax No: (904) 564-2530
Email Address:
jacksonville@pnbrci.com

Office Head: **Andrew Santiago**
Position: *Person-In-Charge*

PNB Remittance Company, Nevada - Main Office
316 W 2nd Street, 7th Floor
Los Angeles, California 90012, U.S.A.
Tel No.: (213) 401-1008
Fax No: (213) 401-1208
Email Address:
rvillacisneros@pnbrci.com

Office Head: **Rudyric R. Villacisneros**
Position: *President & CEO*

PNB RCN Las Vegas
3890 S. Maryland Parkway
Ste. G, Las Vegas, NV 89119, U.S.A.
Tel No.: (702) 474-9008 / 9062
Fax No: (702) 474-9068
Email Address:
lasvegas@pnbrci.com

Office Head: **Jeana Articulo**
Position: *Branch Manager*

PNB Remittance Company (Canada) - Main Office
3050 Confederation Parkway
Unit 104 Mississauga Ontario
L5B 3Z6 Canada
Tel No.: (905) 897-9600
(604) 737-4944
Fax No: (905) 897-9601
(604) 737-4948
Email Address: info@pnbrcc.com
abarros@pnbrcc.com

Office Head: **Antonio Alex Barros**
Position: *President & CEO*

PNB RCC Mississauga Branch
3050 Confederation Parkway
Unit 104 Mississauga Ontario
L5B 3Z6 Canada
Tel Nos.: (905) 896-8010
(905) 268-0580
Fax No: (905) 896-9338
Email Address:
mississauga@pnbrcc.com

Office Head: **Grace Barlaan**
Position: *Branch Supervisor*

PNB RCC Scarborough Branch
3430 Sheppard Ave.
East, Scarborough, Ontario
M1T 3K4, Canada
Tel No.: (416) 293-5438
(416) 293-8758
Fax No: (416) 293-7376
Email Address:
scarborough@pnbrcc.com

Office Head: **Mercy Grace Letrondo**
Position: *Branch Supervisor*

PNB RCC Sherbourne Branch
3-545 Sherbourne St., Toronto
M4X 1W5, Ontario, Canada
Tel No.: (416) 960-9231
(416) 960-8004
Fax No: (416) 960-8688
Email Address:
sherbourne@pnbrcc.com

Office Head: **Elisa Adrada**
Position: *Personnel-in-Charge*

PNB RCC Surrey Branch
13521 102nd Avenue
Surrey British Columbia
V3T 4X8, Canada
Tel No.: (604) 581-6762
Fax No: (604) 581-6299
Email Address: surrey@pnbrcc.com

Office Head: **Alfredo Asuncion**
Position: *Branch Supervisor*

PNB RCC Vancouver Branch
365 West Broadway, Vancouver
British Columbia V5Y 1P8, Canada
Tel No.: (604) 737-4944
Fax No: (604) 737-4948
Email Address:
vancouver@pnbrcc.com

Office Head: **Arceli Ygbuhay**
Position: *Personnel-in-Charge*

PNB RCC Wilson Branch
101-333 Wilson Ave., Toronto
Ontario, M3H 1T2 Canada
Tel No.: (416) 630-1400
Fax No: (416) 630-1406
Email Address:
pnbremittance@bellnet.ca

Office Head:
Maria Marivic Funtanilla
Position: *Personnel-in-Charge*

PNB RCC Winnipeg Branch (Satellite Office)
737 Keewatin Street
Unit 7, Winnipeg, Manitoba
Canada R3K 2G7
Tel No.: (204) 697-8860
Fax No: (204) 697-8865
Email Address:
winnipeg@pnbrcc.com

Office Head: **Jo Ann Palabon**
Position: *Personnel-in-Charge*

Philippine National Bank

PNB FINANCIAL CENTER
President Diosdado Macapagal Blvd.
Pasay City 1300
P.O. Box 1844 (Manila)
Tel. Nos.: 891-6040 to 70 / 526-3131 to 92

www.pnb.com.ph