PNB

EXEMPLIFYING **FILIPINO BANKING EXCELLENCE**

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98 years of exemplifying the finest service in providing banking solutions to the Filipino.

Filipino service that shows care. It's going the extra mile to serve where the interest of its customers will always come first.

For almost a century, PNB continues to heed the call of providing innovations to the diverse banking needs of Filipinos here and abroad.

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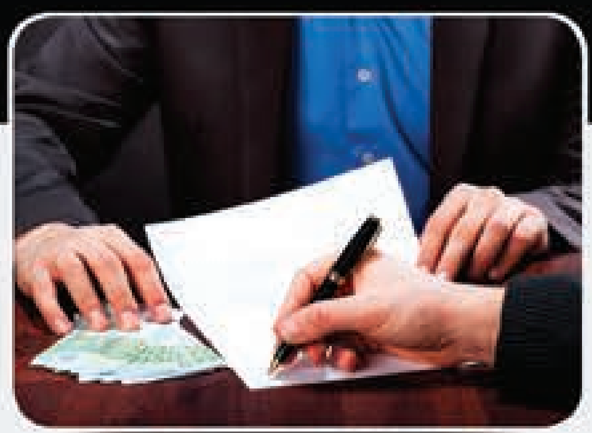
CONSOLIDATED FINANCIAL HIGHLIGHTS

(In Thousand Pesos, Except Per Share Amounts)

	December 31	
	2014	2013 (As Restated)
Results of Operations		
Gross Income	**32,349,000**	31,649,214
Total Expenses	**26,853,955**	26,401,725
Net Income	**5,495,045**	5,247,489
Financial Condition		
Total Assets	**625,445,832**	616,275,620
Loans and Receivables	**316,253,021**	274,276,083
Total Liabilities	**526,384,950**	533,936,667
Deposit Liabilities	**447,643,757**	462,365,448
Total Equity	**99,060,882**	82,338,953
Per Share[1/]		
Basic/Diluted Earnings Per Share	**4.60**	4.82
Book Value Per Share	**74.77**	71.48

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

EXCELLENCE YOU CAN TRUST



PNB is **TRUSTWORTHY**. PNB consistently adheres to a strict moral and ethical code that is manifested through honesty, professionalism and respect for the law.

EXCELLENCE FOR OTHERS

PNB has **COMMITMENT**. PNB commits to achieve the best for all its stakeholders. This is reflected in our genuine concern for the Bank's business and core constituents, ensuring that products and services we deliver add value to the communities and markets we serve.

ECONOMIC OVERVIEW

The Philippine economy grew by 6.1% in real Gross Domestic Product in 2014, though slower than the 7.2% growth in 2013 due to global uncertainties. However, this was higher than market expectations, underscoring the resiliency of the local economy. The country thus maintained its 2010-2014 average growth rate of about 6%, the highest it has achieved in the three decades preceding the current one.

The growth was largely led by the private-sector as government spending was hampered by bottlenecks in the adoption of new budget protocols that delayed implementation of key infrastructure projects. Sustained personal spending and recovery in exports were the key drivers on the demand side. Manageable inflation and higher OFW remittances stimulated household consumption. Exports improved after experiencing a contraction in 2013 on the strength of improving world demand, particularly intra-regional trade among Asian economies.

On the supply side, industry and services provided the impetus to growth. The manufacturing and construction sub-sectors posted solid growth. Manufacturing got a boost from the output expansion in the food manufactures, television and communication equipment, chemicals, furniture and fixtures, and beverages. Construction was driven by new real estate developments in the office, retail and residential sectors.

Inflation was kept in check at 4.1% with the easing of global oil prices which contributed to price stability despite brisk domestic demand. The adequate domestic liquidity also held prices at bay.

The peso averaged P44.40/US$1, a 4.6 % depreciation against the 2013 average of P42.45/US$1. The uneven global growth prospects, divergent monetary policies of advanced economies and geopolitical tensions influenced the movements of foreign funds resulting in the weakening of the peso. After registering a $5.1 billion surplus in 2013, the country's Balance of Payments position posted a deficit of $2.9 billion during the year. The reversal stemmed from the massive capital outflows, notably in the first quarter, following the quantitative easing program of the US Federal Reserve.

Gross international reserves remained adequate at $79.5 billion, equivalent to 10.4 months' worth of goods and payment of services and income and slightly above the country's external debt of $77.7 billion.

Monetary and financial stability were keenly pursued by the Bangko Sentral ng Pilipinas (BSP) to address the challenges in the external environment. To rein in inflation and inflationary expectations, the Monetary Board adopted a monetary tightening policy through: a) 200 bps increase in reserve requirement early 2014 to reach 20%; b) 25 bps upward adjustment in Special Deposit Accounts (SDA) rate from 2.0% to 2.25% across all tenors.; and c) two-time hike of 25 bps each in the BSP key policy rates to reach 4.0% for overnight borrowing rate and 6.0% for overnight lending rate.

The Philippine banking system remained stable and resilient. Lending activity was brisk and directed towards production sectors with high multiplier effects. Bank deposits and profitability further improved during the year. Non-performing loans fell below pre-Asian crisis levels. The system's capital position remained strong with capital adequacy ratio of over 15.0%, well above the BSP and Bank for International Settlements (BIS) standards.

BUILDING A STRONGER FRANCHISE

The Philippine National Bank (PNB) marked its second year of merger with Allied Banking Corporation (ABC). Maximizing the synergies from this integration, the Bank delivered improved business and financial results. Strong gains were achieved in its core business as manifested in the robust loan growth which led to a higher net income of P5.5 billion during the year. Key initiatives under its medium-term strategic plan were also executed to create higher shareholder value.

A successful stock rights offering, which raised fresh capital of P11.6 billion and a new issuance of P7.0 billion worth of Long-Term Negotiable Certificates of Deposits provided the Bank with the necessary funds to support major priorities. Both fund-raising exercises were highly oversubscribed, reflecting investors' strong confidence in PNB's long-term growth prospects.

During the year, two credit rating agencies upgraded its outlook on PNB from "stable" to "positive". The first one was Standard & Poor's Ratings Services in March 2014 which cited the improvement in asset quality following the merger with ABC. Two months later, Moody's Investors Service issued the same outlook. In addition, it also affirmed PNB's Ba2/NP local and foreign currency deposit ratings, reflecting the ongoing improvements in the credit profile of the Bank.

To support the country's growth momentum, PNB stepped up its role as a major lender to key industry players and Bank-identified priority sectors. Lending grew by 20%. Deeper engagement with a growing customer base allowed us to provide tailor-fit banking solutions to large corporates, the middle market as well as individual borrowers.

In recent years, PNB has seen greater involvement in big-ticket deals in the capital market. A wholistic approach to financial packaging coupled with improved turnaround time helped build this track record. The strong partnership between our Institutional Banking Group and our subsidiary, PNB Capital Investment Corporation, resulted in synergies in deal origination and execution. During the year, the Bank was a major participant in five landmark projects worth P96.8 billion involving power generation, power transmission, airport development and operations, and tollroads. Public-Private Partnership (PPP) projects were also financed by the Bank to back up the government's infrastructure program. Supported by its total solutions package, the Bank experienced higher availments of cash management products, trade financing and other fiduciary services by top Philippine conglomerates and multinational companies.

In the middle market, brisk portfolio growth was triggered mainly by the 29% spike in lending to provincial clients. The presence of loan desks in our regional centers facilitated access of commercial accounts and SMEs to a variety of PNB's products and services. Our government banking segment, in partnership with the corporate banking team, ventured into PPP project financing to complement their traditional facilities for national agencies, government-owned and controlled corporations and local government units.

A strategic initiative achieved by PNB was the consolidation of its consumer finance group with PNB Savings Bank (formerly Allied Savings Bank) in June 2014. From its stock rights offering, the Parent Bank infused P10.0 billion in PNB Savings Bank to make it a major player in consumer finance. This business segment is poised to become the Bank's dominant profit contributor in the coming years. PNB Savings Bank ended the year with 28 branches. A branch rationalization and expansion strategy has been mapped out to broaden reach to target clientele.

With a combined total of 735 domestic branches, overseas offices and representatives in its network, PNB has one of the broadest geographical reach in the industry given its presence not only in the National Capital Region and Luzon but more so in Visayas and Mindanao where the proportion of unbanked population is higher. PNB branches have evolved into one-stop shops providing our clients with competitive deposit products, best-in-class investment solutions, appropriate loan packages, and other fiduciary services

The Bank took decisive steps to beef up its ATM network with an order of 1,000 units for delivery within 2015-2016. These are the latest models with anti-skimming device, upgraded operating system and compliant with Europay/Mastercard/Visa (EMV) standards which are mandated for all ATMs effective January 1, 2016. Of this, 60% will replace existing ATMs while the balance of 40% is for deployment in new sites. The Bank's ATM network reached 850 units at the end of 2014 inclusive of the 38 ATMs deployed to new offsite locations.

To bolster its remittance business, the Bank further expanded the scope and reach of its services. Through the tie-up with Wells Fargo Bank, remittance clients in the USA were provided 6,000 additional payout centers from where they can send money to the Philippines. This complements PNB's alternative remittance channels: the Web Remit, an online remittance platform for the US market; and Phone Remit, a 24/7 toll free phone remittance service for Global Filipinos in Europe and North America. PNB was recognized as the Outstanding PhilPass REMIT Participant by BSP in 2014 for its exceptional performance in terms of remittance volume sent via the Philippine Payments and Settlement System (PhilPass) for processing and settlement.

PNB's Treasury and Trust Banking Groups continued to provide investment products to our customers in close collaboration with our branches. A wide offering of fixed income securities and unit investment trust funds (UITF) were made available and accessible to clients based on their risk appetite and investment horizon. PNB's UITF's continued to display solid yield performance. Seven (7) of its UITFs were among the top three best performing funds in their categories in 2014.

ENHANCING CUSTOMER FOCUS

PNB's customer centric philosophy of doing business has increasingly received sharper focus across the organization. The Bank aims to consistently provide a delightful banking experience to its clients. Personalized service, one which is warm and caring, is being strongly ingrained in the corporate culture.

PNB's product innovations seek to always answer specific customer needs. One of the most important product launches by the Bank in recent years is ATMSafe, a pioneering insurance product for PNB ATM cardholders that replaces cash stolen from ATM skimming or robbery. The legislature is considering the universal adoption of this unique product to counter the rising occurrence of ATM thefts. Over 1 million ATM clients of PNB are enjoying the benefits of this important product for a minimal fee.

Another retail product that the Bank first introduced in the market is the Healthy Ka Pinoy Emergency Medical Card. Market acceptability continued to gain momentum in 2014. This is a low-cost health care insurance catering to the masses that usually cannot afford this protection. During the year, Healthy Ka Pinoy was offered to Overseas Filipino Workers in Japan and Hong Kong to give them the opportunity to acquire health insurance for their beneficiaries at a very reasonable cost. This product was awarded in the 2014 Retail Banker International Asia Trailblazer Awards for excellence in business model innovation.

Another service pioneered by PNB last year was the PNB iTax, the first online tax payment system for individuals in the country. This was developed in partnership with the Bureau of Internal Revenue (BIR). During the year, the Bank also added new functionalities to its internet banking facility such as the UITF placement and ATMSafe enrollment. Through these e-banking solutions, clients can do tax payments, investments and other banking services 24/7.

Customer focus likewise drives service delivery improvements. While the Bank is transitioning to a new core banking system that will integrate processing of customer transactions across the present platforms, an expanded solution was rolled out during the year The dual system piloted in 2013 in limited branches, which allows inter-branch processing of CASA transactions was replicated to a total of 110 branches by year-end 2014. In the third quarter of 2014, this was further supplemented by the centralized processing of inter-branch transactions at the head office. Through this facility, all branches can service inter-branch CASA transactions thus making it convenient for clients to bank with PNB wherever they are. The new core banking system, the latest model of Systematics, is targeted to be operational by the start of 2017.

To provide a comfortable and enjoyable banking experience to our clients, the new retail branch design developed under the Bank's rebranding program continue to be rolled out. A total of 174 branches have been modernized with improved amenities, spacious interiors, and more efficient layout. The new face of PNB branches is expected to appeal to new and younger customers, a demographic base which the Bank will increasingly tap in the future.

IMPROVED PROFITABILITY AND HIGHER ASSET QUALITY

With the sustained earnings growth of its core businesses, the Bank's net interest income rose by 23% to P16.9 billion. The 23% reduction in interest expenses helped boost core income. This was achieved through continuous generation of low cost funds and retirement of high cost liabilities, particularly with the redemption of its P6.7 billion high interest-bearing Long-Term Negotiable Certificates of Deposits. The squeeze in margins due to the prolonged low-interest rate environment was also managed as the Bank took steps to shift its marketing focus from large corporates to commercial, SMEs, and consumer segments.

Other income dipped slightly by 3% to P9.5 billion notwithstanding the 72% or P3.3 billion decline in trading gains. It was anticipated at the onset that opportunities for trading gains on fixed income securities will be limited in 2014 due to challenging conditions in the local financial markets. The Bank has been preparing for this scenario for the past years through the improvement of its core businesses. Other income from fee-based services, foreign exchange operations and disposal of Real and Other Properties Acquired (ROPA) took up the slack. Cross-selling of group-wide financial products and that of third-party providers, which provide bigger spreads, was another strategy successfully employed during the year to expand income from other sources.

Total operating income in 2014 thus improved by 12% to P26.4 billion from P23.5 billion a year ago. The share of core income rose to 64% from 56% in the prior year, reflective of the concerted efforts to strengthen the Bank's franchise.

Operating expenses, meanwhile, increased by 14% to P19.5 billion mainly due to the higher provision for impairment and credit losses. Reflective of the Bank's conservative risk management policies, the higher loss provisioning improved balance sheet quality. . Without this expense item, the Bank's operating expenses actually went down by less than 1%. Consequently, cost to income ratio (net of provisions) was contained at 67% compared to 70% in 2013. PNB's strategic plan calls for continuous improvement in this area.

Net income for the year went up by 5% from P5.2 billion to P5.5 billion. This translates to a return on equity of 6.1%, lower compared to prior year's 8.8% mainly due to the P11.6 billion Stock Rights offering last February 2014. The Bank remains clearly focused on strengthening its profitability in order to raise shareholder value.

Consolidated resources of the Bank rose by 1.5% or P9.2 billion to P625.4 billion. Mainly driving this growth was the increase in loans and receivables portfolio. Meanwhile, total deposits dropped by P14.7 billion to end at P447.6 billion. This was mainly due to the re-allocation of key depositors' investible funds towards the Bank's stock rights offering.

In February 2014, the Bank completed an oversubscribed stock rights offering amounting to P11.6 billion. A total of 162.9 million common shares with a par value of P40 per share were sold at P71.00 each. The bulk or 80% of the rights shares was sourced from an increase in authorized capital while the balance came from the existing authorized but unissued capital stock of the Parent Company. This equity infusion improved the Bank's capital position in line with the accelerated implementation by the BSP of Basel III standards.

The Group's consolidated Capital Adequacy Ratio (CAR) of 20.6% and a Common Equity Tier 1 (CET1) ratio of 17.4% are well above the minimum 10% and 8.5% required by BSP, respectively.

Asset quality significantly improved during the year. Non-performing loans were reduced to P9.9 billion at the end of the year. Non-performing loan ratio (net of valuation reserves), based on BSP guidelines, dropped to 0.92% from 1.39% in the prior year.

LOOKING BEYOND THE NEXT 100 YEARS

Moving forward, the Board of Directors and Management are resolutely committed to make PNB the bank of choice for its preferred customers. It will continually build on the Bank's unique franchise to fully unleash the potential of an almost 100 year-old brand and elevate it to a leading position in the banking industry.

The strategic initiatives that have been implemented over time serve as a secure foundation for the Company's sustained growth and profitability in the future. For one, the Bank's business pillars have been established well to deliver robust revenue streams. The P10 billion investment in PNB Savings is a significant milestone towards this direction. Innovation that provides distinct benefits to customers will continue to be a driving force of our strategic thrusts. We thus remain firm in our belief that PNB can look forward to a faster growth trajectory in the coming years.

While we pursue creating values for our various stakeholders, we remain committed to sound corporate governance, prudent risk management and a deep sense of corporate responsibility to the communities we serve. As we move a step closer to our Centennial Year in 2016, PNB renews its commitment to achieve banking excellence for the customers and markets it serve.

On behalf of the Board of Directors, we thank our customers and business partners for their unwavering trust and loyalty. We also acknowledge the dedication and solid contribution of all Philnabankers towards the success that PNB achieved this year. To the members of the Board of Directors, we extend our appreciation for the valuable guidance and support.

FLORENCIA G. TARRIELA
CHAIRMAN

REYNALDO A. MACLANG
PRESIDENT AND CEO

OPERATING WITH EXCELLENCE

PNB's promise of providing innovative and reliable banking service to its diverse customers is what makes the bank a global brand with global standards. Together with its partners, it continues to expand its operations, improve its services, build on relationships, and find more solutions.

Retail Banking Group

As the face of PNB to the banking public, the Retail Banking Group focused on delivering an improved customer experience across all branches of the merged bank. Preserving and growing customer relationships before and during the period of integration was a primary goal set at the start. From the beginning, concerted efforts were made to put the branches on a business as usual mode, cognizant that the merger could create uncertainties at the initial stage among its clientele base.

To provide clients with the expert and personalized service they deserve, the Retail Banking Group continued to strengthen its organizational infrastructure. Competencies of the staff were reinforced on product knowledge, face-to-face selling, service quality, branch operations and internal controls. Training interventions, coaching, close performance tracking, mystery shopping program, compensation and benefits upgrading prepared the group's 4,600 employees to deliver high standards of customer service on a consistent basis.

Various systems improvement were also rolled out in 2014. Chief of this was the installation of dual core banking systems in selected branches to facilitate inter-branch transactions. At the end of 2014, there were 110 branches equipped with this facility. Beginning August 2014, a centralized processing module was set-up at the head office which enabled all branches to process inter-branch transactions. Clients of former ABC could thus transact with a PNB branch and vice versa. Fulfillment of transactions that passed through the centralized module was made within an hour at the most. This solution will be in place while the Bank transitions to a common core banking system, the latest version of Systematics, starting end of 2016.

Distribution capability was likewise reinforced. As transactions were increasingly moved to electronic channels, frontliners were able to invest more time in quality interaction with customers. A new functionality was added in our ATMs to allow enrollment in ATMSafe. This is PNB's pioneering insurance product against ATM robbery or machine tampering. Clients have an option to choose the period coverage from 30, 60 and 90 days if enrolling via the ATM. Of total enrollments in 2014, 13% was via the ATM channel. It is significant to note that Congress is studying the universal application of the same ATM card protection provided by ATMSafe to all bank ATM cards. ATMSafe enrollment was similarly added in the Bank's internet banking system together with placements of unit investment trust funds.

To help achieve customers' financial objectives, other product options aside from traditional deposits were made available at the branches. This included consumer loans, life and non-life insurance, fixed income securities, unit investment trust funds, business loans, and credit cards, among others. Cross-selling has been ingrained in the culture of the sales force and this has yielded positive results.

One of the Bank's product push in 2014 which supports the financial inclusiveness agenda of the Bangko Sentral ng Pilipinas is the Healthy Ka Pinoy Card. This is a low-cost insurance product which provides emergency hospital care for accident and sickness as well as death and burial benefit. The card comes in 2 variants: insurance coverage of P140,000 for an annual fee of only P750; and insurance coverage of P280,000 for an annual fee of P1,250. Take-up rate in 2014 was 113% higher than previous year. For this innovation, PNB won the Excellence in Business Model Innovation in the 2014 Retail Banker International Asia Trailblazer Awards in Singapore.

Significant investments were also channeled towards the rebranding of PNB branches nationwide. Following its new retail branch design, 174 branches now sport a modern look and feel with its bright interiors, well designed layout and new facilities. As the Bank was still in a period of consolidation in 2014, branch renovations and relocations were prioritized rather than expansion. A total of 44 branches were either renovated or relocated during the year as part of improving customer experience.

A major ATM expansion and upgrading program was approved during the year with an order placement for 1,000 new machines. Aside from a higher operating system, these ATMs come equipped with anti-skimming device and are compliant with Europay/Mastercard/Visa protocols which is the new standard come January 2016. These are due for delivery in 2015-2016 and will replace 60% of existing machines. The balance of 40% is allocated for new sites. PNB closed the year with an ATM network of 850 units.

The Group's strong commitment to customer focus translated to solid business results. Deposits tagged to the Group grew by 5% year-on-year. Of this, low-cost funds represented 65%, thus providing the Bank with a stable source of funding to finance asset expansion. Cross-selling of other bank products showed a solid growth of 38%. With its keen customer focus and drive for innovation, PNB's retail business will continue to be a major business pillar that will sustain the Bank's growth momentum in the future.

RETAIL BANKING PERFORMANCE IN 2014

With its keen customer focus and drive for innovation, PNB's retail business will continue to be a major business pillar that will sustain the Bank's growth momentum in the future

ATM NETWORK
EXPANDED BY 38 UNITS

850

CAPTURING BOTH BIG AND
SMALL RETAIL CLIENTS

100%

TOTAL DOMESTIC BRANCHES,
OVERSEAS OFFICES AND
REPRESENTATIVES

735

Consumer Finance Group

In 2014, PNB made a definitive stance to become a major player in the consumer finance business as it invested P10.0 billion in Allied Savings Bank. In July 2014, the Parent Bank's Consumer Finance Group (CFG) consolidated its business with Allied Savings Bank. The renaming of said subsidiary to PNB Savings Bank (PNBSB) was subsequently approved in November 2014 by the Securities and Exchange Commission. In line with this, P6.0 billion of the Bank's consumer loan portfolio was assigned to its consumer banking arm. CFG officers and staff were also seconded to PNBSB. To ensure that the servicing and maintenance of the assigned loans will continue with the least inconvenience to the clients, PNBSB outsourced key functions to its Parent Bank. Integration activities undertaken during the year centered on product alignment; harmonization of policies, systems and procedures and organizational development.

At the end of 2014, the consolidated consumer loan portfolio of the Bank stood at P21.8 billion. This was 19.7% higher than prior year's level. Housing loans remained the flagship product, accounting for 80.9% of total portfolio. Auto loans comprised 18.2% while multi-purpose loans made up the balance of 0.9%. New bookings for the year hit P8.3 billion. The Bank's consumer loans remain competitively priced and with varied tenors, making them one of the most affordable and flexible financing in the market.

The portfolio build-up was largely due to sustained client referrals solicited through various sales channels complemented by the direct sales efforts of the PNBSB and CFG marketing teams. In 2014, branch referrals accounted for 50% of total home loans and 90% of motor vehicle loans.

The Bank sealed 31 new alliances during the year to bring its roster of developer partners to 103. This allowed wider penetration of the housing loan market for both middle and high-end segments. Partner developers contributed 50% to new business in 2014. Car dealer coverage was similarly expanded, resulting to a more robust pipeline of vehicle loan applications.

To reduce turnaround time specifically for the auto loans business, the credit investigation function was outsourced during the year while the approval process was further streamlined.

Moreover, several promotional campaigns were rolled out to spur loan availments and incentivize trade partners. The Cash on Us Promo (Kotse Kotse Kooo) granted cash rebates of P20,000 or P25,000 upfront to car loan borrowers depending on the amount financed. For partner developers and dealers, two (2) rewards programs were launched to sustain their support especially during the transition to PNB Savings Bank. These are the Welcome Home Run and the Party on Us, wherein trade partners that hit their sales targets received incentives. For branch referrors, the Book-A-Loan, Bag-A-Gift, continued to receive high patronage on its 4th year run.

Moving forward, the Bank is lining up a new loan product for launch in 2015 to cater to pensioners of the Social Security System (SSS). This is a Multi-Purpose Loan Program secured by the monthly pension credit received from SSS.

CONSUMER FINANCE GROUP PERFORMANCE IN 2014

In 2014, PNB made a definitive stance to become a major player in the consumer finance business.

CONSUMER LOANS PORTFOLIO

P21.8 B

PNB SAVINGS CAPITAL INFUSION

P10 B

Credit Cards

The Credit Card Group continued its profitable growth path in 2014 despite strong competition. Efforts were reinforced to bring the benefits of its core cards, PNB Essential Mastercard and PNB Platinum Mastercard, to a wider clientele base and further improve their value proposition.

An aggressive acquisition push lifted cardholder base by 18% to 308,000 at year-end. PNB's branch network served as the backbone for the upsurge in card production. Meanwhile, credit card billings peaked at its highest level of P24.7 billion. Year-on-year growth was 11.7%, surpassing the industry's record of 8.1%.

Combination of trade and consumer promotions were implemented in 2014. These helped receivables grow by P417 million to reach P4.5 billion at year-end. For branches, the major sales channel, year-round incentives ensured continuous card production. Cardholders, on the other hand benefited from instant gratification, raffles, and special tie-up promotions. The Swipe and Be Rewarded Program, wherein qualified charge slips were exchanged for gift certificates, freebies or discounts from partner merchants, continued to be a hit with cardholders. The raffle held in the middle of the year, which offered six (6) P100,000 minor prizes and a grand prize of P1.0 million, provided a major boost to card usage.

To allow cardholders more flexibility in their purchases and payments, 0% installment programs such as the Shop Now and Get Billed Later were likewise offered. A new installment program, the ZAPP Plus, further gave customers additional freebies when purchasing items in 0% installment from partner merchants.

A green initiative was also implemented during the year with the introduction of paperless statement of account. Instead, password protected billings were emailed which clients can access the night after their cut-off date. Aside from promoting environmental protection, this gives cardholders longer time to plan and prepare their payments as lead time for statement preparation was considerably reduced.

CREDIT CARD GROUP PERFORMANCE IN 2014

An aggressive acquisition push lifted cardholder base by 18% to 308,000 at year-end.

CARDHOLDER BASE INCREASE

BILLINGS GROWTH

11.7%

Global Filipino Business

In 2014, PNB maintained its leadership as the Philippine bank with the widest global footprint of branches and offices. With this competitive advantage, PNB cornered 21% market share of total remittances during the year.

For its exceptional performance in terms of remittance volume sent via the Philippine Payments and Settlement System (PhilPass), PNB was named as Outstanding PhilPass REMIT Participant by the BSP last July 9, 2014. PhilPass is a settlement facility administered by the BSP which ensures safe and immediate transfer and settlement of remittance funds from overseas Filipinos.

To further fortify its franchise in the remittance business, the Bank focused on three major thrusts during the year: network expansion, enhancement of product and service offerings and promotional activities.

A major achievement in 2014 was the partnership forged with Wells Fargo Bank, one of the largest financial services providers in the USA with extensive global reach. With the arrangement, Wells Fargo ExpressSend® customers in the US can conveniently send up to $3,000 per day to friends and family in the Philippines. For payout in Philippine pesos, the funds can be received by beneficiaries at any of PNB's branches or credited to their PNB bank account. ExpressSend® is serviced on three (3) platforms: over the counter at a Wells Fargo store, phone banking and internet banking. The tie-up gives millions of Filipino Americans with wider and convenient options to remit money to their loved ones in the Philippines with Wells Fargo's extensive network of more than 6,000 offices.

On top of this tie-up, new agency partners were accredited to bring PNB's services closer to Filipino communities in U.S.A., Canada and Europe.

Network expansion was complemented by the enhancement of product and service offerings. The Healthy Ka Pinoy medical insurance program was made available for the first time in Japan and Hong Kong. As an affordable medical emergency insurance for the mass market, OFWs can acquire protection for their families in the Philippines for an annual premium of only P750 for an insurance coverage of P140,000 or P1,250 for a higher coverage of P240,000. The Healthy Ka Pinoy card provides OFWs a very economical option of providing financial assistance during emergency medical needs of family and relatives.

The Bank's Overseas Bills Payment System (OBPS) was expanded with the enrollment of an important merchant partner. Through the agreement signed with Asian Eye Institute (AEI), OFWs who wish to avail of AEI's medical services for their beneficiaries can easily pay for such services through the OBPS. AEI is one of the leading specialized eye clinics in the Philippines. This tie-up boosted OBPS' merchant partners to 71 coming from the government, real estate, academe, financial institutions, food, medical services, online shopping, charitable organization, and utilities.

Launched in November 2013 in the U.S.A., PNB Web Remit picked momentum during the year given the convenience it provides customers to make remittance transactions through their laptops, phones or tablets. Remittance throughput reached $6 million. To promote awareness for this new platform, a free $10 Walmart Gift Card was given away to new customers sending money to the Philippines via PNB Web Remit from April 14 to June 30, 2014. Aside from the convenience and security it offers, PNB Web Remit customers also enjoy one of the highest exchange rates. Further, its remittance tracker feature enables clients to check the status of their remittance. Increased usage is foreseen in the coming years as technology adaptation becomes more pervasive.

Phone Remit, a 24/7 toll free phone remittance service for Global Filipinos in Europe and North America also gained increased patronage in 2014. Phone Remit was marketed for customers who are busy and finding ways to remit conveniently from their homes or offices 24/7.

To reward loyal customers, various promotional activities were undertaken during the year in partnership with Philippine Airlines, Inc.. In the United Kingdom, a raffle promotion was launched wherein a lucky remittance client won a free PAL ticket to the Philippines. PNB and PAL also collaborated to reunite Miriam Carpio, a loyal customer who works as a domestic helper in Hong Kong, with her family during the Christmas season for the first time in many years.

Institutional Banking Group

The Institutional Banking Group grew its loan book at a brisk rate of 20% in 2014. This was the third year of increasing double digit growth since 2012. This performance underscores the Bank's commitment to judiciously support the credit requirements of a growing economy. Through proactive relationship building initiatives, comprehensive understanding of customers' needs, tailor-fitted banking solutions and wide geographical reach, the Group has established a solid and diversified portfolio.

Remaining at the forefront of the debt capital market during the year, the Group originated and delivered structured solutions to large corporates which raised project financing. It was the Lead or Joint Lead Arranger for five (5) landmark deals with a total deal size of P96.8 billion. These include the following:

1. P14.0 billion Energy Development Corporation (EDC) Burgos for the 150 Megawatt Wind Power Project Finance Facility
2. P 23.3 billion GMR Megawide Cebu Airport Corp. for the Mactan Cebu International Airport development and operations
3. P 21.0 billion for the National Grid Corporation of the Philippines
4. P7.5 billion Vertex Tollways Project Finance Facility for the construction of the NAIA Expressway
5. P31.0 billion CITRA Central Project Finance Facility for the Skyway Stage 3

The Group also successfully diversified portfolio by incorporating other high-growth industries, identifying emerging corporates and pursuing various Public-Private Partnership (PPP) projects.

Given the squeeze in spreads brought by the prolonged low-interest rate environment, business was developed on all fronts and high yielding transactions were targeted. Through a keen understanding of the clients' supply chain management infrastructure, customized banking solutions that address business growth objectives were delivered by the Group's experienced relationship managers. One of the key offerings of the Group that has proven very useful for clients is PNB's cash management system. This complete suite of collection, disbursement and account management modules greatly simplify users' financial processes. The Bank also catered to the investment and trust product needs of its customers.

Meanwhile, the Group's government banking segment shifted focus on revenue-generating infrastructure projects with profit appeal in partnership with the private sector.

As it further strengthened its foothold in the middle market segment, the Group realized a 29% build-up of its province-based commercial account portfolio. Countryside lending was facilitated by the Bank's extensive market reach through loan desks in key provinces.

The Group's robust portfolio expansion was aided by streamlined loans approval and implementation process which resulted in a faster turnaround time of loan bookings to the benefit of its clientele.

Trust Banking Group

The Trust Banking Group (TBG) focused on building a robust client base through high-value products and quality service delivery to support its volume and income growth. Assets Under Management (AUM) grew by 17% or P9.5 billion to close at P65.8 billion. Market penetration efforts proved successful with the 22% expansion in number of accounts.

PNB's Unit Investment Trust Funds (UITF) volume increased by 62% to account for 33% of total AUM. This remarkable growth underscored the consistently high return-on-investment (ROI) performance of the funds, of which there are now 14 variants. The PNB Peso-and US Dollar-denominated Money Market Funds remained among the top three highest performing UITFs in the industry. Likewise, the High Dividend Equity Fund (HDF), Enhanced PSEi Reference Fund (EPRF), and Prestige Balanced Fund continued to stay at the top half percentile in terms of ROI among their peer funds.

The PNB UITF Online Facility, the country's first end-to-end online platform for client participations, posted a vigorous take-up rate. Month-on-month volume growth since inception averaged 275% while number of accounts correspondingly jumped by 102%. For 2015, TBG is launching another innovative first: UITF placements via ATMs. This will once again make investing more convenient for the retail market and broaden PNB's market reach and UITF availability.

Pinnacle Club, PNB's exclusive wealth management services, continued to gain momentum during the year. Membership base rose by 61% while total relationship balances (TRB) increased by 57% to end at P24.4 billion. Initially available to Metro Manila clients only, Pinnacle's strong performance during the year is a clear measure of clients' satisfaction with the excellent relationship management by the TBG Pinnacle Club team. This also highlights the strong synergy of TBG with other units of the Bank in delivering appropriate products and services enhanced by special perks and privileges.

Trust and Agency accounts likewise delivered high double digit growths. Corporate agency accounts increased by P3.3 billion or 82%. Personal Trust accounts climbed by P 2.8 billion or 38%. Meanwhile, Corporate Trust accounts rose by 18% or P1.7 billion.

Notable new accounts which drove the portfolio build-up were 19 retirement funds. The biggest of this was the Multi-employer Retirement Funds of Phoenix Petroleum Philippines, Inc., the leading independent and fastest-growing oil company in the Philippines. Another remarkable contributor is the Peso Optimized Dividend Equity Fund (PODEF), a fund management account set up exclusively by TBG for PNB Life Insurance, Inc. In less than three months from launch, total AUM of PODEF stood at P969.4 million, reflecting the strong marketability of the product. TBG also added to its portfolio two important HLURB Escrow accounts from a major real estate developer valued at over P1.5 billion. Last but not least, a multi-billion fiduciary account was successfully retired in February as the escrow objectives have been satisfactorily fulfilled.

TRUST BANKING GROUP PERFORMANCE IN 2014

The Group focused on building a robust client base through high-value products and quality service delivery to support its volume and income growth.

TOTAL ASSETS UNDER MANAGEMENT

P65.8B

GROSS INCOME

P230.0M

Treasury Group

PNB successfully raised P7 billion through a public offering of Philippine Peso denominated Long Term Negotiable Certificates of Time Deposits (LTNCDs) last December 12, 2014. The milestone was celebrated with a bell ringing ceremony at the Philippine Dealing Exchange (PDEx).

The Treasury Group proactively faced the challenges posed by the tightening of liquidity and higher interest rates in the Philippine financial market. This came as an offshoot of the winding down of the easy monetary policy of the United States of America which triggered capital outflows in emerging economies, the Philippines included, as investors allocated their excess funds back to the USA.

Before such conditions became pronounced, the Bank successfully completed an P11.6 billion stock rights offering of common shares in the first quarter of 2014. The oversubscription of the rights offer from both existing and new investors was a strong indication of the confidence of the investing public on the long term positive prospects of the Bank. This fresh capital infusion well positions the Bank's balance sheet in attaining the growth objectives for the coming years and to take advantage of opportunities that will cross its path.

As market liquidity became tight, the Bank consciously reduced risk positions in both its Trading and Investment books by shortening duration. A period of high uncertainty led to the acceptance that opportunities for substantial trading gains on fixed income securities trading will not materialize relative to the level of trading gains that the Bank enjoyed in the past years. The Bank has long been preparing for this eventuality as evidenced by the solid build-up of its core businesses and fee based income coming from overseas and branch banking operations.

The Bank likewise responded by executing a change in its investment portfolio mix. Greater focus was placed on investments in USD denominated Philippine Corporate bond issuers. These types of issuers provided an extra yield pick-up, to partly compensate for the decline in trading gains.

The Bank maintained a high level of liquidity, similar to most big banks, due partly to the unloading of investments in longer tenor securities and the continued expansion of low cost funding base which helped increase the net interest margins from its earning assets.

The second half of the year saw the confluence of several variables such as: slower than expected pick-up of the US economy; the annexation of Ukraine; threat of deflation in Euro zone area; soft landing in China; and the substantial drop in oil prices. These events led to an increase in risk taking activities in the interest rate markets which provided an opportunity for the Bank to raise long-term peso funding at an economically viable interest rate. The Bank tapped the local capital markets and issued a Five and Half years Peso denominated Long-term Negotiable Certificates of Deposit for the amount of P7.0 billion. The largest one tranche issuance of PNB in its history was more than twice oversubscribed. This clearly affirmed the acceptability of its credit amongst the investing public and the strong distribution capabilities of the Bank's Treasury Marketing and branch network.

Special Assets

The disposal of Real and Other Properties Acquired (ROPA) further accelerated in 2014. Sales reached P2.8 billion with a 17% premium to book value.

The Special Assets Management Group steered the sale of the Bank's foreclosed properties through auctions; public sealed biddings which either covered its nationwide roster of assets for sale or selected properties in a given locality; and negotiated bidding. These sales activities had a full-year calendar and brought to key cities and provinces in the country to make it accessible to a wider market. Easy payment terms, particularly for acquired assets with appraised values of P5.0 million and below, were offered to make it easy for buyers to acquire their target real estate or chattel.

A new disposal strategy adopted in 2014, the Basta Subasta EXTRAVAGANZA, successfully fast tracked ROPA disposal. This involved the conduct of simultaneous sealed biddings in all branches within a region on a Saturday. The program ran in all 17 regions of the country. It provided prospective buyers convenience and transparency as bids were accepted at the branches nearest their location; and the winning bids were announced on the same day.

SPECIAL ASSETS GROUP PERFORMANCE IN 2014

Sales reached P2.8 billion with a 17% premium to book value.

P1.9B
TOTAL INCOME

Human Resource

HUMAN RESOURCE GROUP PERFORMANCE IN 2014

The Group continued to intensify efforts to engage and empower employees through various rewards and recognition programs.

COMPREHENSIVE SUCCESSION MANAGEMENT PROGRAM

MANAGEMENT DEVELOPMENT PROGRAM

279 Employees

The Bank focused on three priorities in the area of people management and development in 2014. These were: 1) completing the integration efforts to optimize the merger between PNB and the former Allied Banking Corporation, 2) institutional strengthening through programs and initiatives designed to enhance the Bank's competitive edge, and 3) empowering the organization to effectively respond to current and emerging challenges.

The integration of employee policies and benefits, which started in 2013, reached near-100% completion in 2014 with the highly successful conclusion of negotiations for new collective bargaining agreements with the PNB Employees' Association and the PNB Union (formerly Allied Bank Employees Union). The negotiations were concluded in record time. These CBAs established new benchmarks not only in terms of institutional alignment and integration but also in promoting sustainable industrial peace in the Bank. Other initiatives to fast-track integration were also pursued aggressively such as institutionalization of new policies and procedures; and proactive review of the Bank's table of organizations and manning levels. In addition, regular townhall meetings called Pulong Ng Bayan, branch- and department-level Kapihan, various group conferences, and other programs were conducted to nurture synergy and collaboration across the organization.

The retooling of the Bank's most important asset was also intensified during the year. A total of 8,233 employees or 95% of the total workforce attended a learning and development program in 2014. Average training manhours per employee thus improved to 4.5 training days. The Bank's learning and development curriculum last year was comprised of 46 individual training programs conducted 405 times nationwide. In addition, 279 employees successfully hurdled the rigorous management development programs of the Bank. These included 60 new Junior Executive Development Institute trainees composed of high potential fresh honor graduates from reputable schools nationwide. To further fortify the Bank's leadership pipeline, the Bank likewise put in place a comprehensive Succession Management Program that is anchored heavily on the newly-developed and installed core competency framework.

The Bank's Human Resource Group likewise continued to intensify efforts to engage and empower employees through various rewards and recognition programs such as the PNB Service Excellence Awards, Loyalty Awards, Mystery Shopper Awards, and other employee recognition programs while continuously upgrading its capability to deliver services. The Bank put in place metrics that will enable it to track both the delivery of various services as well as feedback from employees. Worth noting was the Bank's employee engagement ratings in 2014 which was above satisfactory. Even more noteworthy, the Bank's Metro Manila branches as well as key branches in Luzon and Visayas were rated as Labor Laws and Compliance System compliant by the Department of Labor and Employment at the close of 2014. More branches are set to be certified by the DOLE, paving the way for the whole PNB to be among the first banks to pass this compliance system.

Credit Management Group

The Credit Management Group (CMG) steadfastly provided vital support in fostering the Bank's business objectives while ensuring sound credit underwriting standards. During the year, the Group streamlined and enhanced the Bank's loan products, policies, and processes to address business challenges and regulatory requirements. The credit risk rating and scoring system for both business and consumer loans was likewise further reviewed and validated.

In line with the speed to market objective of the Bank, concerted efforts were made to reduce turnaround time for loan approval and implementation. Towards this end, appropriate changes in the various approving credit committees and authorities were initiated. Meanwhile, the creation of the Land Registration Authority Extension Office within the company headquarters greatly facilitated direct access by the Bank's credit investigators to the title database of the Registry of Deeds. The full automation of the collection process for consumer accounts was put in place in 2014 via the Collection System to backstop this priority business segment.

CMG likewise assisted the Bank's overseas branches and subsidiaries, notably PNB Savings Bank and Japan-PNB Leasing and Finance Corporation, in strengthening their credit manuals and credit risk rating/scoring systems.

Remedial Management Group

During the year, the Remedial Management Group achieved significant success in reducing the Bank's problematic accounts. Non-performing loans and unquoted securities were pared down by P5.0 billion. Of this amount, P3.4 billion was in the form of cash collection. The balance of P1.6 billion represented portfolio reduction through loan modification and other remedial measures.

Close coordination with the various business units of the Bank facilitated early detection and timely response to accounts requiring remedial actions. Realistic payment arrangements continued to be adopted as a pre-emptive approach to costly foreclosure proceedings/litigation proceedings. Equally important, collection efforts were diligently sustained.

Non-performing loans (NPL) ratio thus dropped significantly to 0.92% from 1.39%. NPL coverage also improved to 99.2% from 90.8% in the previous year.

TOTAL INCOME GENERATED BY THE GROUP AMOUNTED TO

P1.5 Billion

Corporate Social Responsibility

In 2014, the Bank continued to pursue corporate social responsibility (CSR) initiatives and implement programs and projects under the framework that promotes shared responsibility, respect for people and culture and sound governance. Through partnerships and linkages with the various sectors of the society, PNB made significant contributions through its ongoing scholarship programs, campaigns in environmental protection and philanthropic initiatives.

PROMOTING EDUCATION OF THE YOUTH
PNB strengthened its investment in the youth and the marginalized through the continued support of poor but deserving young Global Filipino Scholars. The scholarship program started in 2012 through a nationwide search of outstanding high school graduates and children of overseas Filipino workers (OFWs) who wish but could not afford to pursue college education.

With the initiative of its branch personnel, the Bank also conducted the Books Across The Seas (BATS) Project nationwide in line with its mission of empowering the youth and uplifting the standards of education through book donations to public schools and libraries.

Meanwhile, the Bank has started to draw a Financial Literacy Volunteer Program for its employees and continued to support the campaign of the Bangko Sentral ng Pilipinas in promoting savings consciousness among the youth.

PROTECTING THE ENVIRONMENT
Committed to the cause of environmental protection, PNB launched the Greener Path project last June 7, 2014 in partnership with the Manila North Tollways Corp. (MNTC). Around 200 Philnabankers and MNTC personnel gathered in the Mindanao Avenue section of the Northern Luzon Expressway (NLEX) to plant thousands of Dita tree saplings.

Following the launch of the Greener Path, PNB branches nationwide conducted their tree planting activities to help and support their respective communities. Last October 6, 2014, PNB branches from North Luzon spearheaded the planting of 500 Kakawati seedlings in Barangay Dona Josefa, Sitio Baccao, Palayan City, Nueva Ecija.

On October 18, 2014, the PNB South Luzon branches participated in University of the Philippines – Los Baños' (UPLB) COCOperation: Tree of Life Rehabilitation project of planting Coconut seedlings at Barangay Imok, Calauan, Laguna.

Philnabankers also volunteered in the Tan Yan Kee Foundation's Dr. Lucio Tan Legacy Forest Project by replanting young tree seedlings in bags at the Tree Nursery in Sta. Fe, Nueva Vizcaya last October 25, 2014. The Project involved the planting of 15 million trees in 10 years or 1.5 million trees a year nationwide.

In Negros Oriental, Philnabankers pursued their tree planting mission in Barangay Silab, Amlan. The activity was in cooperation with the Municipal Government of Amlan, Negros Oriental and the local unit of the Department of Environment and Natural Resources (DENR) which provided several Mahogany seedlings.

Tacloban-based employees also helped rehabilitate a Mangrove as they remember super typhoon Yolanda, a year after it hit Visayas. On November 8, 2014, personnel of three Tacloban branches as well as those from the Head Office units, conducted a tree planting activity at Barangay 83-A Burayan District, Tacloban City.

The Cebu-Visayas Region offices also heeded the call and planted more than 1,600 Mangrove seedlings along the coastline of South Road Properties (SRP), Mambaling, Cebu City.

PHILANTHROPIC ACTIVITIES
In partnership with the People Management Association of the Philippines (PMAP), PNB extended financial and medical assistance to Yolanda victims last year in Tacloban City. The Bank also helped repair part of the Tacloban Central School and sent token cash gifts to the graduating elementary students in April 2014.

In June 2014, the Bank mobilized its Pagtutulungan Ng Bayan volunteers to gather all available relief goods and assorted items and sent them to the Caloocan Business Center for turn over to the city's fire victims in cooperation with the Caloocan City department of public safety and traffic management.

During the latter part of the year, employees from various units of the Retail Banking Group, led by the Southern Luzon region officers, turned over cash donations to the Sisters of Mary Banneux in Silang, Cavite. The institution serves as a school and a home for about 12,000 deserving students coming from the poorest families in the country. The Bank, through this charitable institution, helped lift the youth out of poverty by providing them with food, clothing, shelter, medical and dental services and high school and vocational education. The Sisters aimed to provide graduates with values and knowledge that will lead them to a better life.

Inspired to make the celebration of a "different" Christmas this year, employees from the Metro Manila 5 Area and the Special Assets Management Group donated their Christmas allowances by providing donations of food, clothing, toiletries, toys and cash to various charities such as the Hospicio de San Jose in Quiapo, Manila and Pampanga.

"It's not how much we give but how much love we put into giving."

- Mother Teresa

PNB Awards and Recognition for 2012-2014

2012

PNB as the Top Commercial Bank in Generating Remittances from Overseas Filipinos for 2012

PNB was cited by the Bangko Sentral ng Pilipinas (BSP) as the 2012 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 2009, the Bank received the Global Excellence Award as Most Outstanding Remittance Bank from the Asia Pacific Awards Council.

Silver Award for Good Corporate Governance from the Institute of Corporate Directors (ICD)

The Institute of Corporate Directors awarded PNB the Silver Award for Good Corporate Governance in 2012. The award is in recognition of PNB's professional practice of good corporate directorship in line with the global principles of good corporate governance. PNB was also given the same award in 2011.

2013

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

PNB was again cited by the Bangko Sentral ng Pilipinas (BSP) as the Top Commercial Bank in Generating Remittances from Overseas Filipinos in 2013. 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 Php 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.

PNB Recognized as Best Performing Government Securities Eligible Dealer by Bureau of the Treasury

PNB was awarded as one of the ten Best Performing Government Securities Eligible Dealers in 2013 by the Bureau of the Treasury (BTr). PNB was commended for its contribution to capital market development through its presence in the primary and secondary markets of government securities.

2014

Excellence in Business Model Innovation for the Healthy Ka Pinoy Emergency Medical 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 Medical 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 Medical 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 Php 750, cardholders are covered for up to Php 140,000 per year and can seek emergency treatment at any of the 890 accredited hospitals and clinics of East West Healthcare, HKP Emergency Medical Card's hospital network and emergency service provider. PNB Life acts as the product's insurer.

PNB Gets Better Ratings from S&P and Moody's

Standard & Poor's Ratings Services hiked its outlook on PNB from "stable" to "positive" last March 2014, citing the gradual improvement in its asset quality following the merger with Allied Bank. The positive outlook on PNB also reflects expectations that the Bank's asset quality could keep improving, given the efforts to better its underwriting standard.

In addition, Moody's Investors Service has also raised PNB's credit rating outlook from "stable" to "positive" last May 2014. Moody's has also affirmed PNB's Ba2/NP local and foreign currency deposit ratings which reflects ongoing improvements in the credit profile of the Bank. Likewise, the ratings agency has raised PNB's financial strength rating (BFSR) / baseline credit assessment (BCA) to D-/ba3 from E+/b1, reflecting the improvement in the Bank's financial profile, following the merger with Allied Banking Corporation in 2013. In addition, the outlook on PNB's BFSR is maintained as "positive".

"The positive outlook on PNB's Ba2/NP foreign currency deposit ratings reflects the ongoing improvements in the Bank's credit profile, as well as expectations that further improvements in its financial performance will likely bring its credit profile in line with the industry average over the next 18-24 months. In particular, its profitability and asset quality are expected to improve as a result of the completion of the integration process," Moody's explained.

PNB as Outstanding PhilPass REMIT Participant

PNB was recognized as the Outstanding PhilPass REMIT Participant during the Bangko Sentral ng Pilipinas' (BSP) 2014 Awards Ceremony and Appreciation Lunch for BSP Stakeholders. BSP recognized PNB's exceptional performance in terms of remittance volume sent via BSP's Philippine Payments and Settlement System (PhilPass) for processing and settlement. The PhilPass is a settlement arm for overseas Filipino remittances in order to ensure safe and immediate transfer and settlement of remittance funds.

PNB garners third place in PDEX for Best in Brokering of Fixed Incomes Sales

Philippine National Bank was given recognition by the Philippine Dealing & Exchange Corporation, the Self-Regulatory Organization of the Philippine domestic fixed income market, and awarded 3rd place in the category of Best in Brokering of Fixed Income Sales for the year 2014. This is an attestation of the bank's substantial market coverage and the capability and strength to distribute and provide the best prices in fixed income securities to its client investors both in the buy and sell side.

Sapphire Honorary Membership Bestowed to PNB by the Chamber of Commerce of the Philippine Islands

In 2014, PNB was recognized as a Sapphire Honorary member by the Chamber of Commerce of the Philippine Islands (CCPI) for historically operating for 75 years and for the Bank's contribution to the growth of the Philippine economy. CCPI was founded as Camara de Comercio de las Islas Filipinas in 1886 to promote commerce and industry in the country.

EXCELLENCE WE'RE PROUD OF

PNB's **PRIDE**. PNB takes extreme pride in being one of the country's foremost banks that introduced many innovations to make banking more convenient, secure and accessible to the Filipinos.

EXCELLENCE IN WORKING TOGETHER

PNB is **TEAM-ORIENTED**. PNB's strength lies in the unity of purpose and action of all Philnabankers who stand squarely behind the Bank's vision and mission.

FELIX ENRICO R. ALFILER | CHAIRMAN

Corporate Governance

Corporate governance is the framework of rules, systems and processes in the performance of the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates. It also refers to the "set of relationships among institution's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the institution are set, likewise monitoring the attainment of those objectives. Therefore, good governance oversees the effective use of resources for the Board and Management to pursue these objectives to the best interest of the institution and its various stakeholders.

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, as well as policies on Code of Business Conduct and Ethics. It subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business. Likewise, it ensures the fair dealings with it clients, investors, stockholders, and the various communities involved in the Bank's business. The Bank espouses respect for laws and regulations, and deals with professionalism among its Board of Directors, executives and employees, its subsidiaries and affiliates. It practices strictly the philosophy of rational checks and balances further advocating a structured approach to its operating processes.

The Corporate Governance Committee was created pursuant and compliant to SEC Memorandum Circular No. 6, S.2009, Revised Code of Corporate Governance; BSP Circular 456 dated October 4, 2004, Constitute Board Committees; and BSP Circular No. 749 dated February 27, 2012, Strengthening Corporate Governance. This is to further align with the international standards and best practices that promote good corporate governance such as the "Principles for Enhancing Corporate Governance", and to assist the Board of Directors in fulfilling its corporate governance responsibilities ensuring their effectiveness and due observance to good governance guidelines and principles.

The Corporate Governance Committee is comprised of (7) members of the Board of Directors. This includes the Chairman of the Board, the President, 2 non-executive directors and 3 independent directors. The Chairman of the Corporate Governance Committee is an independent director.

The Committee's role is to provide transparent relationships between the Board of Directors, its management, shareholders, and other stakeholders. It is tasked in establishing the Bank's strategic objectives and a set of corporate values that are communicated throughout the institution and in setting and enforcing clear lines of responsibility and accountability. The Committee ensures that the Board of Directors and Senior Management members are qualified for their positions having clear understanding of their role in the corporate governance framework and are not subject to undue influence from Management or outside concerns. This is done by effectively utilizing the work conducted by internal and external auditors, in recognition of the important control function they provide; ensuring that compensation approaches are consistent with the Bank's ethical values, objectives, strategy and control environment; and conducting corporate governance in a transparent manner. Likewise, business affairs and various activities are directed and managed by the Board of Directors and Senior Management in order to provide the structure in which objectives are set, strategies in attaining them are determined, and performance is monitored.

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

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. On June 27, 2014, the PNB Board approved the Revised Corporate Governance Manual in accordance with the provisions of the SEC Revised Code of Corporate Governance, in compliance with the SEC Memorandum Circular No. 9 dated May 6, 2014.

The Global Compliance Group regularly conducts the Bank's Compliance Awareness Training Program to update and sustain awareness of all bank employees on corporate governance policy guidelines and ensure strict compliance.

Without a doubt, the bank is committed to implement a comprehensive corporate governance framework enterprise-wide through the Board and Management, and each employee of the PNB Group.

The Bank espouses 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 in managing the company, its subsidiaries and affiliates; and is vigilant in its adherence of laws and regulations. The Bank practices a philosophy of rational checks and balances and adopts a structured approach to its operating processes.

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

BOARD OF DIRECTORS

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

The Board is represented by a combination of highly qualified business professionals, former bank presidents and senior officials affiliated with regulatory bodies and international organizations, such as the IMF and the World Bank. Moreover, it is supported by individuals with distinct finance, audit, and legal competencies collectively holding a broad range of expertise and related banking experiences that provide value in strengthening and upholding good corporate governance practices in the Bank.

The Bank's Board of Directors, key officers, and its subsidiaries regularly undergo training in corporate governance. In November, 2014, the most recent seminar was conducted by the Institute of Corporate Directors (ICD). In recognition of the distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility, two directors were inducted "fellow" by the Philippine Institute of Corporate Directors, and one director was certified as a "fellow" by the Institute of Corporate Directors of Australia.

INDEPENDENT DIRECTORS

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

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

CHAIRPERSON OF THE BOARD

The Chairperson of the Board, Florencia G. Tarriela, holds an extensive background and experience in the banking industry, and maintains an active membership in numerous banking and non-profit institutions. Currently, she is a Life Sustaining Member of BAIPHIL and Trustee of Finex and TSPI Development Corporation. Her prior appointments include Under Secretary of Finance; alternate Monetary Board of Bangko Sentral ng Pilipinas; Alternate Board Member of Land Bank and PDIC; and Managing Partner & the first Filipina Vice President of Citibank N.A., Philippines. As an Independent Director, Chairperson Florencia G. Tarriela seats as member of the six (6) Board Committees.

The relationship of the Chairperson of the Board and the President & Chief Executive Officer are complimentary as it provides appropriate balance of power, increased accountability, mutually independent decision making by the Board and the management responsibility in executing strategic plans of the Bank.

BOARD COMMITTEES

The ten (10) board committees have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates, namely:

- Board Credit & Policy Committee;
- Board Credit Committee;
- Board Audit and Compliance Committee;
- Risk Oversight Committee;
- Board ICAAP Steering Committee;
- Trust Committee;
- Corporate Governance/Nomination/Remuneration Committee;
- Board Oversight Committee – Domestic and Foreign Offices/ Subsidiaries;
- Board IT Governance Committee
- Board Oversight RPT Committee.

The frequency of the board committee meetings are stated in their respective charters and are held generally on a monthly basis or special board committee meetings are called as often as necessary. The board committee secretariats are responsible to ensure that the regular agenda of the meetings, attendance of members and resource persons are communicated prior to meetings and that discussion are properly recorded and endorsed to the Board for approval.

In 2014, the Board Committees centered on improving and strengthening the following:

- Implementation of the BSP guidelines in assessing the quality of the Bank's Corporate Governance framework such as Governance Landscape, Risk Governance, Fitness and Propriety of Board and Management; and Controls and Independent Oversight.

- Expansion of the Board Overseas Offices Oversight Committee to include and cover domestic subsidiaries; thus, renaming it the "Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries" (BOC) providing oversight to both domestic and foreign offices/ subsidiaries and ensuring their profitable operations and long-term viability vis-à-vis the bank's strategic goals.

- Establishment of the Board IT Corporate Governance Committee in 2014 to handle the oversight of the critical IT projects of the Bank. This includes the enhancement of the Bank's Corebanking System Project wherein PNB hired as Project Director a seasoned banker with extensive banking experience in bank operations and technology with foreign banks including management of migration systems with local banks. The Corebanking Project Director improved further the Project Plan to ensure seamless execution of the timelines by expanding the project's table of organization. Series of focused group discussions on project timeliness and priorities are on-going to ensure the new Corebanking System's full production live date by February of 2017.

- Creation of the Board Oversight RPT Committee (BORC) reinforcing the bank's firm commitment to align with the principles of the ASEAN Corporate Governance Scorecard (ACGS) and Basel III guidelines in terms of good corporate governance in dealing fairly with its clients, investors, shareholders, upholding the philosophy of integrity, accountability, and transparency. In 2014, the bank strengthened and embedded RPT policies and procedures in the Operations Manuals of its business units, subsidiaries, and affiliates. This is to ensure transparency, thus, eliminating potential conflicts of interest among employees, management, board, and shareholders including entities in the conglomerate.

BOARD COMMITTEES AS OF DECEMBER 31, 2014

BOARD CREDIT & POLICY COMMITTEE		
1. Mr. FELIX ENRICO R. ALFILER*	-	Chairman
2. Mr. REYNALDO A. MACLANG	-	Member
3. Mr. HARRY C. TAN	-	Member
4. Mr. LUCIO K. TAN, JR.	-	Member
5. Mr. MICHAEL G. TAN	-	Member
6. Ms. FLORENCIA G. TARRIELA*	-	Member
7. Mr. DEOGRACIAS N. VISTAN*	-	Member

BOARD CREDIT COMMITTEE		
1. Mr. FLORIDO P. CASUELA	-	Chairman
2. Mr. JOSEPH T. CHUA	-	Member
3. Mr. LEONILO G. CORONEL	-	Member
4. Mr. REYNALDO A. MACLANG	-	Member
5. Mr. FEDERICO C. PASCUAL*	-	Member
6. Mr. HARRY C. TAN	-	Member
7. Mr. MICHAEL G. TAN	-	Member

RISK OVERSIGHT COMMITTEE		
1. Mr. FLORIDO P. CASUELA	-	Chairman
2. Mr. JOSEPH T. CHUA	-	Member
3. Mr. LEONILO G. CORONEL	-	Member
4. Mr. HARRY C. TAN	-	Member
5. Ms. FLORENCIA G. TARRIELA*	-	Member

BOARD AUDIT AND COMPLIANCE COMMITTEE		
1. Mr. DEOGRACIAS N. VISTAN*	-	Chairman
2. Mr. FELIX ENRICO R. ALFILER*	-	Member
3. Mr. FLORIDO P. CASUELA	-	Member
4. Mr. FEDERICO C. PASCUAL*	-	Member
5. Mr. HARRY C. TAN	-	Member

BOARD ICAAP STEERING COMMITTEE		
1. Mr. MICHAEL G. TAN	-	Chairman
2. Mr. FLORIDO P. CASUELA	-	Member
3. Mr. REYNALDO A. MACLANG	-	Member
4. Ms. FLORENCIA G. TARRIELA*	-	Member
5. Mr. DEOGRACIAS N. VISTAN*	-	Member

TRUST COMMITTEE		
1. Mr. LEONILO G. CORONEL	-	Chairman
2. Mr. CECILIO K. PEDRO*	-	Member
3. Ms. FLORENCIA G. TARRIELA*	-	Member
4. Ms. JOSEPHINE E. JOLEJOLE	-	Ex-Officio
5. Mr. REYNALDO A. MACLANG	-	Ex-Officio

CORPORATE GOVERNANCE/ NOMINATION/REMUNERATION COMMITTEE		
1. Mr. FELIX ENRICO R. ALFILER*	-	Chairman
2. Mr. REYNALDO A. MACLANG	-	Member
3. Mr. FEDERICO C. PASCUAL*	-	Member
4. Mr. LUCIO K. TAN, JR.	-	Member
5. Mr. MICHAEL G. TAN	-	Member
6. Ms. FLORENCIA G. TARRIELA*	-	Member
7. Mr. DEOGRACIAS N. VISTAN*	-	Member

BOARD OVERSIGHT COMMITTEE -DOMESTIC AND FOREIGN OFFICES/SUBSIDIARIES"		
1. Mr. DEOGRACIAS N. VISTAN*	-	Chairman
2. Mr. FELIX ENRICO R. ALFILER*	-	Member
3. Mr. JOSEPH T. CHUA	-	Member
4. Mr. LEONILO G. CORONEL	-	Member
5. Mr. FEDERICO C. PASCUAL*	-	Member

MEMBERSHIP OF VARIOUS BOARD COMMITTEES

BOARD OVERSIGHT RPT COMMITTEE		
1. Mr. FEDERICO C. PASCUAL*	-	Chairman
2. Mr. FELIX ENRICO R. ALFILER*	-	Member
3. Mr. DEOGRACIAS N. VISTAN*	-	Member
4. Ms. ALICE Z. CORDERO	-	Member
5. Mr. DIOSCORO TEODORICO L. LIM	-	Member

BOARD IT GOVERNANCE COMMITTEE		
1. Mr. LEONILO G. CORONEL	-	Chairman
2. Mr. FLORIDO P. CASUELA	-	Member
3. Mr. JOSEPH T. CHUA	-	Member
4. Mr. CECILIO K. PEDRO*	-	Member
5. Ms. FLORENCIA G. TARRIELA*	-	Member

* Independent Directors

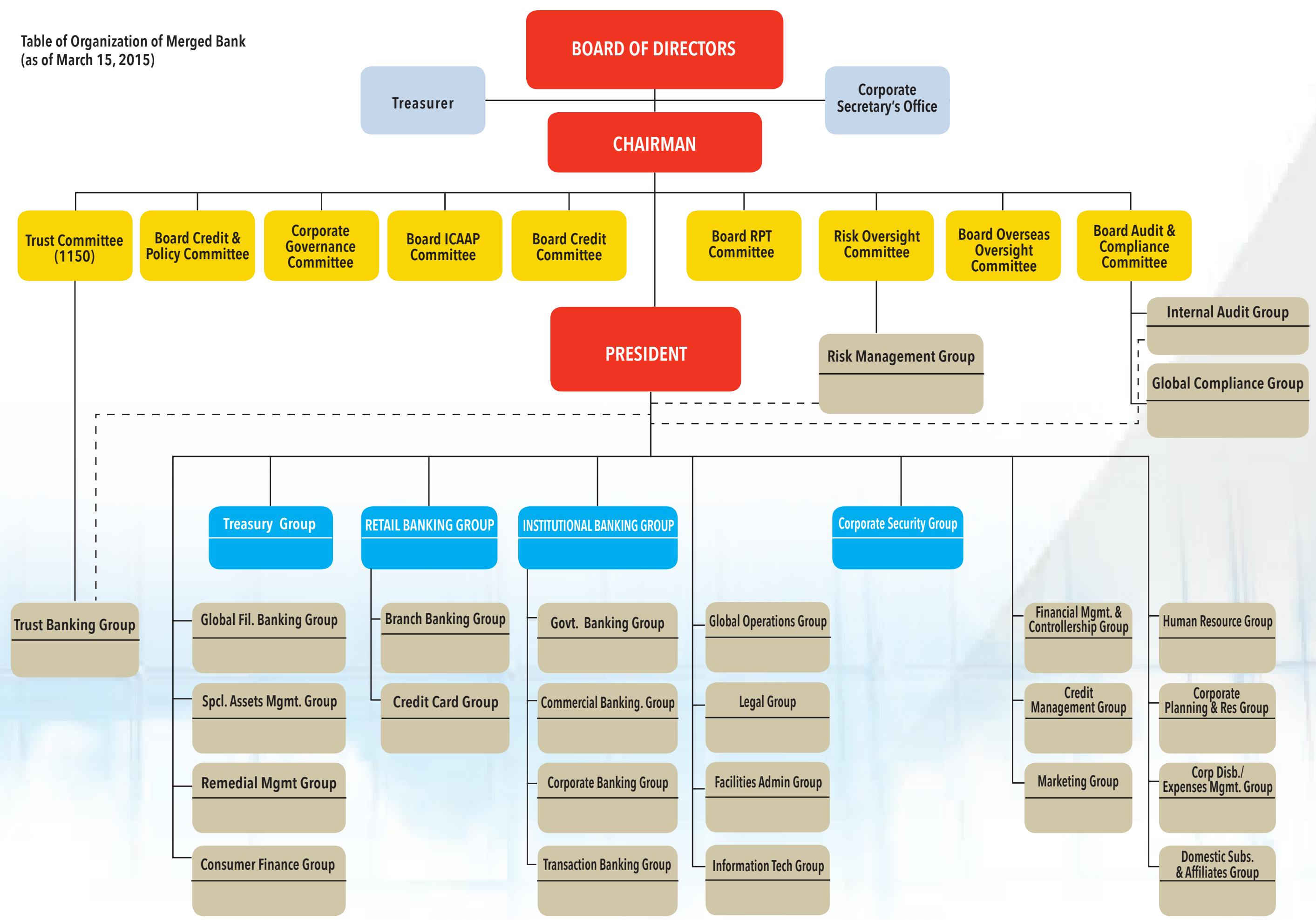
OPERATIONS MANAGEMENT

The responsibility of managing the day-to-day operations and implementing the major business plans of the Bank rests on the President and Chief Executive Officer. Critical issues, policies and guidelines are deliberated in the pertinent management committees:

- Senior Management Committee,
- Operations Committee,
- Asset and Liability Committee,
- Senior Management Credit Committee,
- IT Evaluation Committee,
- Acquired Assets Disposal Committee,
- Non-Performing Assets Committee,
- Promotions Committee,
- Product Committee,
- Bids and Awards Committee,
- Senior Management ICAAP Steering Committee,
- AML Review Committee ,
- Administrative Investigation Committee,
- Branch Site Selection Committee,
- Selection Committee for Expatriate Personnel,
- Accreditation of Overseas Remittance Agent
- Committee on Decorum and Investigation

Committee meetings are conducted in a manner that ensures open communication, meaningful participation, and timely resolution of issues. The business plans, significant issues and 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.

Table of Organization of Merged Bank
(as of March 15, 2015)



COMPLIANCE SYSTEM

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

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

Global Compliance Group continues to evolve to meet the demands of 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, Compliance Testing Review Division and Corporate Governance Monitoring Division. These divisions provide the support to the Corporate Governance/Nomination/Remuneration Committee and the Board Oversight Related Party Transaction Committee.

The Bank's existing Compliance Program defines the seven (7) key elements of an effective compliance framework, with 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, as well as, the enhancements to corporate standards of which PNB, its local and foreign subsidiaries/affiliates, are required to be fully aware. The Compliance Program has been implemented consistently among the PNB Group.

ANTI-MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION

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

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

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

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

Related Party Transaction

FEDERICO C. PASCUAL
CHAIRMAN, BOARD OVERSIGHT RPT COMMITTEE

The Board of Directors, Officers and employees of the Philippine National Bank (PNB) Group commit themselves to full adherence and compliance with the highest principles of good corporate governance. The Bank subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business in strict adherence to laws and regulations of countries affecting its businesses. It deals fairly with its clients, investors, stockholders and other stakeholders and follows a philosophy of rational check and balances as well as a structured approach to its business operations.

In 2013, PNB created the Board Oversight RPT Committee (BORC) to assist the Board in performing its oversight functions of monitoring and managing potential conflicts of interest involving management, board members, employees and shareholders at all times. The Committee is composed of five (5) members: three (3) independent directors, and two (2) non-voting members, namely the Chief Audit Executive and Chief Compliance Officer, the latter acting as the Secretariat of the committee. The BORC's authority is to oversee and evaluate all related party transactions (RPT), to ensure that regulations and accounting standards in each jurisdiction are complied with, exercising sound and objective judgment, for the best interest of the bank. The Committee ensures that all RPT processes and approvals are conducted at arm's length basis prior to endorsement to the Board for final approval. Directors that may be involved in potential conflict shall disassociate from participating in any decision related thereto.

Also in 2013, the PNB Board approved the bank's policy on Related Party Transaction (RPT) in accordance with the provisions of the SEC Revised Code of Corporate Governance, and BSP Circular 749, as amended, including the Code of Business Conduct and Ethics of the Bank. The significant ethical standards of the bank are present in the following:

- Revised Corporate Governance Manual
- DOSRI / RPT Policy
- Conflict of Interest Policy
- **Code of Conduct Manual** – prescribes to moral code for PNB Group employees which instill discipline among them and yield higher productivity at workplace; and safeguard the corporate image of the bank. Its overall intent is more of prevention of the infraction rather than the administration of disciplinary measures. It also defines and provides the standards of conduct expected of all employees and enumerates the actions or omissions prejudicial to the interest of the bank.
- **Whistleblower Policy** – bank employees are encouraged to report any suspected or actual commission of theft/fraud, violation of ethical standard, law, rule or regulation and/or any misconduct by its directors, officers or staff. It protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation.
- **Policy on Soliciting and/or Receiving Gifts** - all employees are expected to observe discretion and prudence in receiving gifts or donations whether in cash, in kind, or other form of hospitality. Soliciting gifts/donations/sponsorship from clients, suppliers, and other business related parties is strictly prohibited. However, employees may be allowed to receive gifts/donations/sponsorship/financial assistance from clients, suppliers, and other business related parties, provided that those worth P2,000 and above are reported to the Human Resource Group (HRG), declaring the value, the giver and action taken. Gifts with estimated value of more than P5,000, are reported and turned-over to HRG for donation to any legitimate charitable institution preferred by the concerned employee.
- **Personal Investment Policy** – set forth prudent standards of behavior for all employees when conducting their personal investment transactions. It provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. The employees may make investments for their personal accounts as long as these transactions are consistent with laws and regulations, and the personal investment policy of the bank. These investments should not appear to involve a conflict of interest with the activities of the bank or its customers. Employee investment decisions must be based solely on publicly available information. As a general policy, all employees are prohibited from purchasing or selling any PNB securities if they possess material no-public information about PNB that if known by the public might influence the price of PNB securities. Employees may not purchase or sell PNB options or execute a short sale of PNB security unless the transaction is effected as a bona-fide hedge.

By 2014, the bank focused on the revisions and enhancements of the RPT Policy to incorporate the new regulations and provide clearer guidelines and thresholds through the issuance of the Compliance Bulletins. These have been disseminated to all employees of the bank and were posted at the I-Comply web-page of the Bank's intranet made available and accessible 24/7 to all employees. Clear guidelines on RPT policies and procedures were incorporated in Operations Manuals to foster transparency and eliminate potential conflicts of interest of management, board members, employees and shareholders.

The robust RPT framework has been supported by the Bank's MIS to ensure effective monitoring of RPT dealings reviewed and approved for BORC's endorsement to the PNB Board. In accordance with the RPT policy guidelines, RPT dealings of management, board members and shareholders of the bank, its subsidiaries and affiliates, including entities belonging to the conglomerate, are thoroughly reviewed/evaluated by BORC and other appropriate Board Committees. These are conducted at arm's length basis at all times before they are elevated to the PNB Board for final approval.

Heightened awareness of RPT policies and procedures are achieved through seminars/trainings participated in by Board members and senior management and echoed in bank sponsored workshops conducted by certified trainors. The RPT framework is integral in the Bank's Compliance Awareness Training Program led by the Global Compliance Group. This is to sustain awareness among the Board members and bank employees on RPT policies and procedures.

The Bank through the Board Oversight RPT Committee (BORC) has been effective and proactive in adopting and implementing the RPT framework in accordance with the board approved policy guidelines that consistently conform with international standards and best practices.

PNB Capital and Risk Management Disclosures

The Capital & Risk Management Disclosures section provides a comprehensive disclosure of information related to capital adequacy, capital management and risk management. This is composed of the following chapters:

A. **Capital Structure & Capital Adequacy**: Provides disclosure information pertaining to the bank's solo and consolidated capital structure and capital adequacy. Further this section also discusses the bank's compliance to the BSP implementation of Basel Committee on Banking Supervision (BCBS) guidelines on Basel III.

B. **Risk Management**: Provides extensive information of the bank's risk management framework, continuing improvement in the implementation of the said framework to include specific highlights on the 2014 risk management activities.

The Capital & Risk Management Disclosure Sections incorporate regulatory disclosure requirements enforced by Compliance and Appendix 63b of the MORB-Disclosures in the Annual Reports and Published Statement of Condition, Risk Exposures and Assessments (for each separate risk area – credit, market, operational, interest rate risk in the banking book) and additional disclosure requirements for specific types of risks (namely: Credit, Market, Operational and Interest Rate risks in the banking books)

MICHAEL G. TAN | DIRECTOR

Internal Capital Adequacy Assessment Process

The Basel Committee on Banking Supervision (under the Bank from International Settlements) has always been at the forefront introducing regulations to strengthen the financial services industry. One of the major tools introduced is the ICAAP or Internal Capital Adequacy Assessment Process. The process requires banks to develop and implement internal systems and procedures to ensure adequate capital in the long term, taking into consideration all material risks.

At PNB, the ICAAP has evolved through the years and marked significant improvements in terms of increased coverage, risk awareness and appreciation and, capital impact consciousness, among other.

The Board ICAAP Steering Committee (BISC), as mandated by the bank's Board of Directors, performs the active oversight on the implementation of the Bank's approved ICAAP Policy. With support from the various board level committees and the Senior Management, the Board is ultimately responsible in ensuring that the Bank maintains an appropriate level and quality of capital commensurate with the risk covered by the ICAAP. It is not just about complying and submitting the document, it really represents a serious discussion of principles, policies, plans and processes related to risk management and capital planning, "beyond compliance", so to speak.

In particular, the Bank desires to project the amount of capital sufficient to attain its strategic and business plans and to cover its risk profile for the next three (3) years. The integration of the risk management process with the capital planning is embedded in the Bank's annual business planning session. Each unit of the Bank is aware and undertakes to analyze their individual unit's risk exposures and control measures. It encompasses risk and capital management activities that can be used to support business decisions.

Risk Assessment is now part of the bank's day-to-day process. However, new risks also emerge as globalization and the time to react and adjust also becomes shorter due to technology innovation. While the capital adequacy ratio and risk weighted assets are now norms in transactions and product discussions by the business units, the bank has yet to realize the full benefit of the ICAAP as this relates to capital adequacy, risk management and capital allocation.

Under the recent macro-prudential regulations, as introduced by Bangko Sentral ng Pilipinas, Basel III requirements on stricter measures and requirements on capital, are designed to increase quality, consistency and transparency of the capital base. In 2014, the bank embarked on a Stock Rights offering of 162,931,262 common shares, equivalent to an offer size of P11.568 billion. This corporate activity is aimed at strengthening the Bank's capital ratios under Basel III standards, build on the bank's consumer lending business and support the bank's asset growth.

As we look forward to strengthen the integration of risk management in the capital planning process, the additional approaches of Basel III will be implemented – support for a leverage ratio, a capital buffer and the proposal to deal with procyclicality through dynamic provisioning based on expected losses – these are areas of challenges to the bank. Implementing these should be beyond compliance, it is good for business and the shareholders as a whole.

In 2010, the Basel Committee on Banking Supervision issued the Basel III guidelines, which introduced a complex package of reforms, designed to improve the ability of banks to absorb losses, extend the coverage of financial risks and have stronger firewalls against periods of stress. The Basel Committee required all member countries to meet the 3.5% common equity ratio; 4.5% Tier 1 ratio; and the 8.0% Total Capital ratio by January 1, 2013. Furthermore, banks will also be compelled to hold a 4.5% common equity and a 6% Tier I capital by January 1, 2015. Under the Basel III accord, banks are likewise required to maintain a mandatory capital conservation buffer of 2.5% to be implemented gradually and have a counter-cyclical buffer of 0%-2.5% according to national circumstances.

In the Philippines, the BSP decided to implement the Basel III framework in stages. The first component adopted is the capital standards as contained in BSP Circular No. 781 dated January 15, 2013. In this Circular, the BSP generally aligned its capital requirements with the Basel III global standards and even set higher benchmarks on some aspects of its capital requirements either by design or because they were already being practiced in the Philippine banking industry.

Basel III New Capital Requirements
The BSP implemented its new capital requirements starting January 1, 2014. These include the following:

1. Compliance of capital instruments with the new eligibility criteria:
All ineligible capital instruments that were issued as of December 31, 2010 were derecognized as qualifying capital last January 1, 2014. However, capital instruments issued as Hybrid Tier 1 or Lower Tier 2 capital under Circulars Nos. 709 and 716 but before Circular 768 will still be recognized as regulatory capital until December 31, 2015. Furthermore, Additional Tier 1 (AT1) capital and Tier 2 capital instruments that will be issued should have loss absorbency feature. In effect, debt instruments will now be treated like equity as far as absorbing losses from operations is concerned.
2. Deduction approach on regulatory adjustments:
With regard to the deductions to CET1, BSP implemented the full deduction approach rather than the phase-in approach proposed by the Basel III framework since most of these deductions were already taken up in Basel II on a 50-50 deduction against Tier 1 and Tier 2 capital.
3. Treatment of equity investments in non-financial and non-allied undertakings:
To ensure that capital is not double counted, all investments in equity securities are deducted from the highest form of capital.
4. Revision in the classification of capital ratios and the new minimum capital requirements:
While the minimum CAR is maintained at 10%, the BSP adopted a minimum Common Equity Tier 1 (CET1) ratio of 6% and a minimum Tier 1 ratio of 7.5%, and introduced a capital conservation buffer of 2.5% composed of CET1 capital on top of the minimum CET1 requirement, to wit:

Capital Requirement	Basel III Framework (Global Standards)		BSP Guidelines (Philippine standards)		
	Minimum ratios	With conservation buffer*	Existing minimum ratios	Minimum ratios	Minimum with conservation buffer
CET1 ratio	4.5%	7.0%	None	6.0%	8.5%
Tier 1 ratio	6.0%	8.5%	5.0% (6.0% as trigger for PCA)	7.5%	7.5%
CAR	8.0%	10.5%	10.0%	10.0%	10.0%

** Phased-in implementation until 2019*

PNB Compliance to Basel III Capital Adequacy Requirements
The Bank decided to have a common equity offering in 2014 since it was deemed more advantageous compared to a Basel III compliant Tier 2 Note type offering. It was estimated that investors may demand a premium of about 150 bps compared to the previous Basel II compliant Tier 2 Notes to compensate for their exposure to non-viability loss-absorption feature of Basel III. Moreover, this would strengthen further the Bank's core Tier 1 capital to comply with the higher capital ratio requirements of Basel III beginning 2015, particularly on the prescribed capital conservation buffer of 2.5% for Common Equity Tier 1 (CET1). Along this line, the Bank had a Stock Rights offering of 162,931,262 common shares, equivalent to an offer size of ₱11.568 billion. Each eligible shareholder was entitled to subscribe to 15 rights shares for every 100 common shares held as of record date of January 16, 2014 at an offer price of ₱71.00 per rights share. The offer price was based on a 17.9% discount to the 10-day volume-weighted average

price (VWAP) of the Bank's common shares listed on the PSE or a 13.3% discount to the theoretical ex rights price (TERP) of ₱81.87 per share as of January 9, 2014. The proceeds of this capital raising would be used as follows: a) primarily to build and refocus the Bank's consumer lending business through capital infusion into its fully-owned subsidiary, PNB Savings Bank; b) to further strengthen the Bank's capital ratios under Basel III standards; c) to mitigate the reduction in the Bank's CAR once its Tier 2 capital instruments become ineligible as capital by December 31, 2015 in accordance with BSP Circular No. 781; and d) to support the Bank's asset growth.

In line with the Bank's board approval, the following were undertaken in 2014 to strengthen the capital base of the following subsidiaries: a) infusion of additional ₱10 billion equity to PNB Savings Bank (P3.625 billion in March and the remaining ₱6.375 billion in November); and b) direct investment of the Bank in PNB General Insurers Company, Inc. (PNB Gen) by subscribing to the additional authorized capital stock of PNB Gen in the amount of ₱600 million.

As of December 31, 2014, the Bank's equity investments are shown below:

Domestic Subsidiaries (amounts in P Million)	PNB Investment Cost	Additional Investment	Total Other Adjustments	PNB Equity Investment	% of Ownership	Nature of Business
PNB Savings Bank	995.0	10,000.0	0.0	10,995.0	100.00%	Savings Bank
PNB Holdings Corp.	84.1	0.0	553.4	637.5	100.00%	Investment
PNB General Insurers Inc.	600.0	0.0	25.2	625.2	66.00%	Insurance
Japan-PNB Leasing	207.0	0.0	418.7	625.7	90.00%	Leasing/Financing
PNB Capital	350.0	0.0	205.9	555.9	100.00%	Investment
PNB Life Insurance, Inc.	467.9	0.0	0.0	467.9	80.00%	Insurance
PNB Securities, Inc.	58.1	0.0	113.0	171.1	100.00%	Stock brokerage
Allied Leasing and Finance Corp.	119.5	0.0	0.0	119.5	57.21%	Leasing
PNB Forex, Inc.	50.0	0.0	41.2	91.2	100.00%	FX Trading

Overseas Subsidiaries (amounts in P Million)	PNB Investment Cost	Total Other Adjustments	PNB Equity Investment	% of Ownership	Nature of Business
Allied Commercial Bank (Xiamen)	2,763.9	3,607.3	6,371.2	90.41%	Banking
PNB Int'l Investment Corporation	1,250.2	1,347.8	2,598.0	100.00%	Holding company
PNB Global Remittance and Fin'l Co. (HK)	29.8	661.8	691.5	100.00%	Merchant Banking
PNB Europe PLC	729.3	(236.8)	492.5	100.00%	Banking
Allied Banking Corp (HK) Ltd	333.8	0.0	333.8	51.00%	Banking
Allied Bank Phils (UK) *	322.5	0.0	322.5	100.00%	Banking
Oceanic Holdings (BVI) Ltd.	226.9	0.0	226.9	27.78%	Banking

** Merged with PNB Europe effective April 2, 2014*

The Group's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 20.6%, 19.7% and 18.1% as of December 31, 2014, 2013 and 2012, 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, 2014, 2013 and 2012 (amounts in billions):

CAPITAL STRUCTURE AND ADEQUACY

Philippine National Bank

Amount in MM

	Consolidated 2014	Consolidated 2013	Consolidated 2012	Solo 2014	Solo 2013	Solo 2012
Tier 1 (core) Capital / CET1 under BASEL III	**93,899.13**	**81,927.25**	**29,950.78**	**90,782.61**	**79,100.51**	**30,744.15**
Common stock	49,965.59	43,448.34	26,489.84	49,965.59	43,448.34	26,489.84
Additional Paid In Capital	31,331.25	26,499.91	2,037.27	31,331.25	26,499.91	2,037.27
Retained Earnings	13,368.53	9,568.30	2,278.79	12,689.56	9,002.42	2,278.79
Other comprehensive income	(3,469.64)			(3,203.79)		
Cumulative Foreign Currency Translation		(209.58)	(909.16)		149.85	(61.75)
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,703.40	2,620.29	54.04	-	-	-
Deductions from Tier 1 Capital / CET1 under BASEL III	**22,391.62**	**19,715.45**	**3,442.21**	**45,931.47**	**19,385.05**	**3,345.65**
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1.91	54.05	87.18	1.91	54.05	87.18
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	1,575.00			1,575.00		
Deferred income tax	3,810.98	3,896.94	3,355.03	3,567.22	3,566.55	3,258.47
Goodwill	13,515.77	15,764.46		13,515.77	15,764.46	
Other intangible assets	2,033.31			1,939.00		
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-			24,066.29		
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	1,452.61			1,264.25		
Other equity investments in non-financial allied undertakings and non-allied undertakings	1.93			1.93		
Reciprocal investments in common stock of other banks/ quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	0.12			0.12		
Gross Tier 1 Capital / CET1 Capital under BASEL III	**71,507.50**	**62,211.80**	**26,508.57**	**44,851.14**	**59,715.46**	**27,398.50**

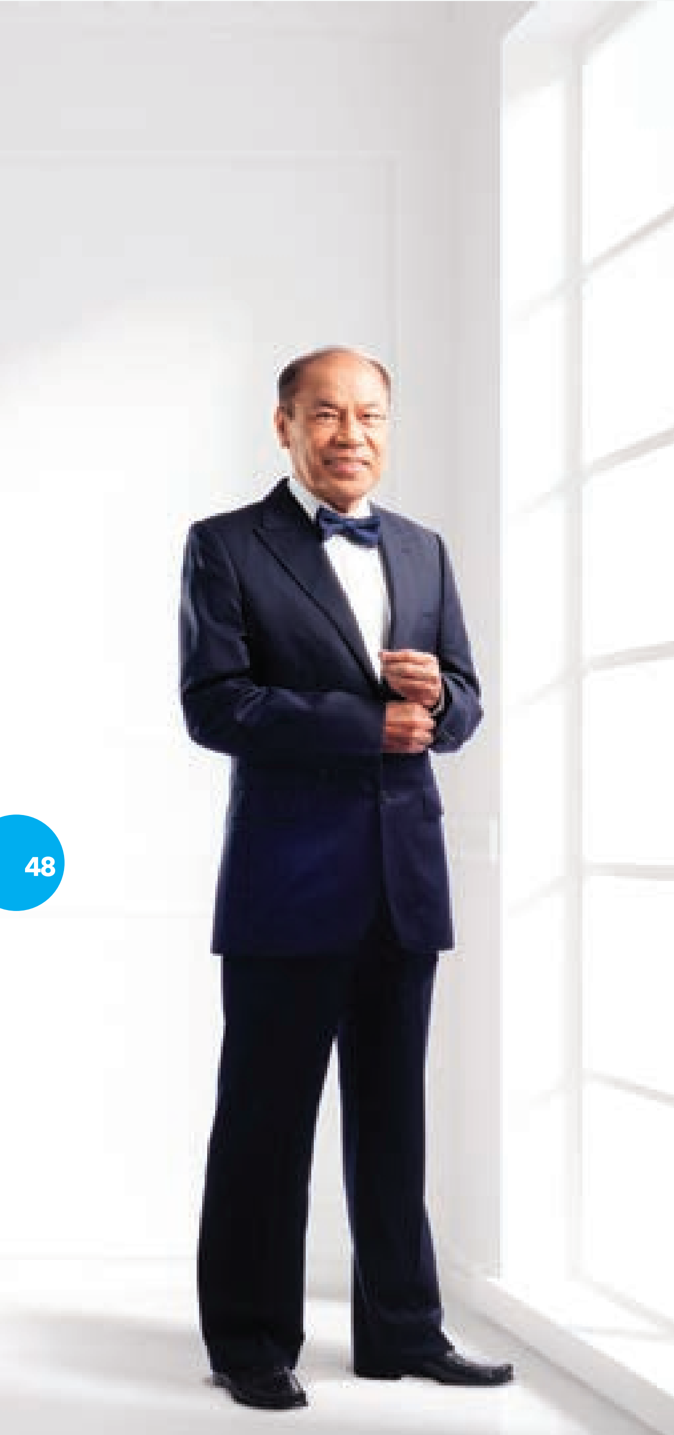
	Consolidated 2014	Consolidated 2013	Consolidated 2012	Solo 2014	Solo 2013	Solo 2012
Additional Tier 1 Capital (AT1) under BASEL III	-			-		
TOTAL TIER 1 CAPITAL	**71,507.50**			**44,851.14**		
Upper Tier 2 Capital (BASEL II)		**2,903.30**	**1,452.88**		**2,792.41**	**1,442.06**
Appraisal Increment Reserve, Bank Premises auth. By MB	291.73	291.73	291.73	291.73	291.73	291.73
General loan loss provision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)	2,778.46	2,611.57	1,161.16	2,571.88	2,500.69	1,150.33
Lower Tier 2 Capital (limited to 50% of Tier 1 Capital) (BASEL II)		**9,953.65**	**13,254.28**		**9,953.65**	**13,699.25**
Unsecured Subordinated Debt	9,970.14	9,953.65	16,134.89	9,969.50	9,953.65	16,134.89
Total Tier 2 Capital	**13,040.32**	**12,856.95**	**14,707.16**	**12,833.10**	**12,746.06**	**15,141.31**
Deductions from Qualifying Capital (BASEL II)		**623.12**	**3,122.67**		**14,735.83**	**9,472.21**
Gross Tier 2 Capital (limited to 100% of Tier 1 Capital) under BASEL II / TOTAL TEIR 2 CAPITAL Under BASEL III	**13,040.32**	**12,856.95**	**14,707.16**	**12,833.10**	**12,746.06**	**15,141.31**
TOTAL QUALIFYING CAPITAL	**84,547.82**	**74,445.62**	**38,093.06**	**57,684.24**	**57,725.69**	**33,067.60**

The risk-weighted assets of the Group and Parent Company as of December 31, 2014, 2013 and 2012 are as follows:

Risk-weighted on:	Consolidated 2014	Consolidated 2013	Consolidated 2012	Solo 2014	Solo 2013	Solo 2012
Balance sheet assets:	359,881.51	319,474.85	180,263.42	329,029.14	292,664.64	172,427.34
20%	3,948.32	3,365.58	3,346.15	3,845.66	2,438.80	3,316.01
50%	15,558.03	13,963.63	3,874.13	13,799.10	12,821.11	3,853.81
75%	14,282.08	15,492.67	3,509.68	13,705.21	15,028.77	3,509.68
100%	297,726.53	249,165.92	140,892.36	270,610.94	225,933.83	133,209.84
150%	28,366.55	37,487.05	28,641.09	27,068.23	36,442.13	28,537.99
Off-Balance sheet assets:	5,914.31	7,835.14	2,462.84	5,750.88	7,224.49	2,013.63
20%	64.02	34.38	74.21	64.02	34.38	74.21
50%	1,671.84	2,331.26	1,782.02	1,671.84	2,331.26	1,782.02
75%	442.53	519.57	-	442.53	519.57	-
100%	3,735.91	4,949.93	606.61	3,572.48	4,339.28	157.40
150%	-	-	-	-	-	-

	Consolidated 2014	Consolidated 2013	Consolidated 2012	Solo 2014	Solo 2013	Solo 2012
Total Counterparty Risk-Weighted Assets in the Banking Book (Derivatives and Repo-style Transactions)	1,497.38	599.81	673.88	1,497.38	599.81	673.88
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	275.68	9.91	198.57	254.25	-	198.57
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	-	-	-	-	-	-
Total Credit Risk Weighted Assets	367,568.87	327,919.71	183,598.71	336,531.65	300,488.93	175,313.42
Market Risk Weighted Assets	4,532.46	9,337.19	3,255.29	4,233.58	3,828.95	3,241.66
Operational Risk-Weighted Assets	38,234.75	40,938.78	23,385.19	34,261.06	36,178.16	20,306.58
Total Risk Weighted Assets	**410,336.08**	**378,195.68**	**210,239.19**	**375,026.28**	**340,496.04**	**198,861.66**

Capital Ratios	Consolidated 2014	Consolidated 2013	Consolidated 2012	Solo 2014	Solo 2013	Solo 2012
CET1 Cpital (BASEL III)	**17.43%**			**11.96%**		
Capital Conversion Buffer (BASEL III)	**11.43%**			**5.96%**		
Tier 1 capital ratio	**17.43%**	**16.37%**	**11.87%**	**11.96%**	**15.37%**	**11.40%**
Tier 2 capital ratio (not disclosed under BASEL III)		**3.32%**	**6.25%**		**1.58%**	**5.23%**
Capital Adequacy Ratio	**20.60%**	**19.68%**	**18.12%**	**15.38%**	**16.95%**	**16.63%**



FLORIDO P. CASUELA | DIRECTOR

Risk Management Disclosure

The success of every organization depends not just on the size and diversity but more on the effectiveness of its risk management processes. At PNB, we place risk management as one of the high priorities in corporate governance and we are continually improving our frameworks in support of the Bank's strategic plans in order to achieve its mission, vision and objectives.

The Board Risk Oversight Committee (BROC), as mandated by the Bank's Board of Directors, continuously operates at the forefront of PNB's risk governance. The BROC, supported by Risk Management Group (RMG) and in constant coordination with executive and other board-level committees, oversees the risk profile and risk management framework/processes of PNB and its subsidiaries. This ensures that risks arising from the Bank's business activities are properly manage and integrated into/use as basis for overall governance, strategy and planning, decision making and accountability purposes at all relevant levels of the organization.

While the year 2014 presented some challenges in view of the merging completion activities (policies, processes, systems, facilities and organization structure) started in year 2013 and continuous evolvement/emergence of risks in all areas of Bank operations (internal and external factors), the year also highlights significant improvements and strengthening of the Bank's risk management framework/ programs (as detailed in 2014 Risk Management Disclosure Statements) to counter any identified/emerging risks.

The full integration of the Bank's risk management functions reaped the expected benefits for the enterprise. ICAAP (Internal Capital Adequacy Assessment Process) was submitted early/on time last January 2014. There were marked improvements in terms of increased coverage, policies/procedures/manuals, education/awareness programs, tools/systems being used and dashboards/risk reporting in all risk areas (i.e. market & liquidity, credit, trust, operational risk, including information security and technology) both for local and overseas units. Scenario analysis and stress testing were expanded and conducted thru post event reviews to assess the possible impact of natural and man-made disasters that hit/may hit the enterprise/nation e.g. super typhoon Yolanda, Bohol earthquake, Global Ebola Scare, trends in oil prices, port congestion etc. Results of the stress testing showed only minimal impact on the Bank's NPL and Capital Adequacy ratios. The Enterprise Information Security set of policies (based on ISO27001 - Information Security Management System) were completed which provide clear mandate and direction from Management. The continuous usage and enhancement of the Enterprise Data Warehouse (EDW) and Business Intelligence (BI) System (more than 73 Dashboards and 800 reports/ analytics available) provides accurate and timely information for decision making capabilities of the various units of the Bank.

The Bank's risk management functions are regularly being evaluated through a system of measurements that cover areas of organizational culture and support, risk management structure & processes, corporate governance, board & executive level oversight as well as compliance to existing laws and regulations.

PNB Risk Management Team is expected to be effective and proactive thru the adoption and implementation of a consistent and comprehensive risk management framework that is at par with international standards and best practices. The team will remained to be in the forefront of the Bank programs to support its mission, vision and objectives of optimal use of the Bank's domestic and international footprint to deliver innovative products and services to all our stakeholders/clients.

INTRODUCTION

As a diversified financial services company active in banking, investment & capital markets, wealth management, insurance, leasing and related services, PNB (as a financial services group) is exposed to a variety of risks that are inherent in carrying out our business activities. As such, having a disciplined and integrated approach to managing risk is fundamental to the success of our operations. Our risk management framework seeks to provide appropriate and independent risk oversight across the enterprise and is essential to building competitive advantage and stability.

The year 2014 marks the 1st full year of the merged PNB. The activities involved the areas of bank policies, processes and systems together with the merged organizational structure. The risk management function was 1st among many, which was fully integrated for the merged bank and accordingly elements of the risk management process applied on a uniform basis. Embedding risk management into the day-to-day operations of the bank is mandated from the top. The "journey" continues as no new products and services are rolled out without going through the four pillars of risk management – identify, measure, monitor & control.

Data sourcing remains to be a challenge but the increased knowledge of the data structure for the 2 core banking systems have provided for ease of complete data collection, albeit still on a manual basis for some areas. The bank also submitted (on time) its ICAAP (Internal Capital Adequacy Assessment Process) document in January 2014, just 6 months after it submitted the previous one in August 2013.

The Board and its Risk Oversight Committee operate as the highest level of PNB's risk governance. Risk governance is undertaken by a structured hierarchy of committees (both at board level and at the executive / management level) each with specified accountabilities. The continuous 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.

Members of the senior management team play a pivotal role in the day-to-day running of the bank. Executive officers are assigned to various management committees that provide the leadership and execution of the vision and policies approved by the bank's board of directors. The bank's business objectives are driven for most part by the day-to-day directions decided by these management committees with approvals and notation by the various board level committees as follows (see Figure 1):

Board of Directors

- Credit & Policy Committee
- Credit Policy Committee
- Corporate Governance / Nomination Committee
- Board Audit and Compliance Committee
- Board Risk Oversight Committee
- Board ICAAP Committee
- Trust Committee
- Board Overseas Oversight Committee
- Board Oversight RPT Committee
- Board Information Technology Governance Committee

President & CEO

- Senior Management Committee
- Asset Liability Committee (with sub committee on Capital Management)
- Senior Management Credit Committee
- Information Technology 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
- Anti-Money Laundering Review Committee
- Integration Monitoring Committee
- Accreditation of Overseas Remittance Agent Committee
- Selections Committee for Expatriate Personnel
- Branch Site Selection Committee

Figure 1: Board & Management Committees

While the first line of defense in risk management lies primarily on the bank's risk taking units as well as the bank's support units, the Risk Management Group is primarily responsible for the monitoring of risk management functions to ensure that a robust risk-oriented organization is maintained. The Risk Management Group (RMG) is independent from the business lines and is organized in 7 divisions: Credit Risk Management Division, ICAAP & BASEL Implementation Division, Market Risk & ALM Division, Operational Risk Management Division, Information Security and Technology Risk Division, Trust Risk Division and Business Intelligence & Data Warehouse Division.

Each division monitors the implementation of the processes and procedures that support the policies for risk management applicable to the organization. These policies clearly define the kinds of risks to be managed, set forth the organizational structure and provide appropriate training necessary to manage and control risks. The policies also provide for the validation, audits & compliance testing, to measure the effectiveness and suitability of the risk management structure. RMG also functions as the Secretariat to the Risk Oversight Committee which meets monthly to discuss the immediate previous month's total risk profile according to the material risks defined by the bank in its ICAAP document. Further, each risk division engages with all levels of the organization among its business and support groups. This ensures that the risk management and monitoring is embedded at the moment of origination.

ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERM)
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 that 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 units. 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 & the compliance testing function which provides an independent assessment(s)of the adequacy and effectiveness of the overall risk management framework and governance structures. The internal audit function & compliance testing function report 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 monitoring & risk-reporting process

The Bank's Risk Appetite, Threshold & Tolerance
The Bank's principle on risk appetite is expressed as Risk Threshold (as defined in the bank's ICAAP document), and is embedded in the business units. Risk Threshold (see Figure 2 below) emphasizes that ***"the risk appetite should not go beyond the Bank's capacity to manage risk, thus risk management is the responsibility of everybody"***.

Risk tolerance is expressed in internal limits &/or facilities for each of the determined material risks, which are more conservative than regulatory limits to provide cushion/buffer.

Both the bank's risk appetite (threshold) and risk tolerance (for Pillar 1 and Pillar 2 risks) are approved by the Board upon recommendation of the Senior Management ICAAP Steering Committee and endorsement of the Board ICAAP Steering Committee.

The Board of Directors and Senior Management are responsible in ensuring that the Group maintains at all times the desired level and quality of capital commensurate with the inherent risks (credit, market and operational risks) and with the material risks such as Legal, Compliance, Information Technology/ Security, Strategic Business, Customer Franchise/Reputational that the Group is exposed to.

The executive oversight of the risk management processes requires the active participation of the Senior Management Committee in close coordination with the Board Risk Oversight Committee.

The bank's Board of Directors establishes the risk appetite, which represents the level of risk the Bank, is willing to accept. Risk appetite and risk tolerance are expressed in limits (either regulatory or internal limits).

The Board Risk Oversight Committee (BROC), as delegated by the Board, supported by Risk Management Group, oversees the risk profile and approves the risk management framework of PNB and its related allied subsidiaries. It is mandated to set risk appetite, approve frameworks, policies and processes for managing risk, and accept risks beyond discretion provided to management.

The Board Credit and Policy Committee reviews, discusses, notes, endorses and/or approve Management pre-clearances, updates, reports and recommendations to provide the bank the flexibility to respond to time-sensitive matters as well as facilitate the approval of certain corporate actions within the authority limits determined by the Board.

Board Oversight Committee (BOC) for overseas offices and domestic subsidiaries, provides the required oversight on all overseas offices and domestic subsidiaries to ensure their profitable operations and long-term viability consistent with the bank's strategic goals.
The Board Oversight RPT Committee (BORC) assists the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders.

The Capital Management Sub-Committee of the Asset/Liability Committee (ALCO) has been created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The Senior Management Team and the Business Units agree on the target risk profiles defined by the Bank's strategic plan, and allocate capital based on the risk/return profile. Corplan and RMG monitor this jointly.

RISK CATEGORIES AND DEFINITIONS
Under the Bank's ERM framework, all the risk taking Business Units of the Bank, including its domestic and foreign subsidiaries, shall perform comprehensive assessment of all material risks.

The identification of risks revolves around the monitoring of the risk categories as defined by BSP for supervision purposes. These key risks, namely, credit, market, interest rate, liquidity, operational, compliance, strategic, and reputational risks, are not only monitored under their separate and distinct components, but also monitored across all interrelated business risks. In addition, the various business units identify, measure, monitor and control additional risk categories that may be relevant to their specific areas and correspondingly identify the priorities in the roll up of the bank's Risk & Control Self-Assessment (RCSA) Process.

During the Bank's conduct of the Risk Assessment and Quantification for the last semester of 2014, all risk taking business units undertook to identify and assess the risks applicable to them. The assessments made are based on three (3) factors, namely; (a) probability, (b) control effectiveness and, (c) significance.

The risk owners provided a quantitative assessment of the identified risks by means of computing for estimated loss, which can be based on foregone income, opportunity loss, portfolio size, transaction amount, historical loss, additional cost and others.

Further, stress tests were employed to capture potential losses under extreme scenarios.

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
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
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 Monitoring ▪ 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
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
Included in the Operational Risks:			
Process Management Risk	Process Management Risk is the current and prospective risk to earnings or capital arising from poor or failed transaction processing or poor management of the process. These losses could be due to individual mistakes or due to a poor process itself.	▪ 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	▪ 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
Technology (including Information Security Risks / Technology Integration – delay in Core Banking Project Implementation)	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). Technology Integration risk is another aspect and is defined as the negative impact on the organization for the possible delay or failure of the institution to integrate its various systems application, such as the Core Banking implementation. It also includes the risk of delay in appropriate servicing of clients requirements to maintain competitiveness in the market & prevent reputational risks.		▪ Risk Asset Register ▪ Incident Reporting Management ▪ Information Security Policy Formulation ▪ Project Management Framework ▪ Risk Assessment ▪ Project Progress Reporting ▪ Approvals for major scope changes ▪ Risk Assessment for new/ upgrade of information / automated systems ▪ Harmonization Timeline Tracking

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
Customer Franchise & Reputational Risk	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
Litigation Risk (under Legal Risk)	Litigation risk is the likelihood or possibility that the Bank will suffer a financial loss due to payment of damages or other form of financial sanction as a result of losing a case, whether in a litigious or non-litigious setting. Litigation risk focuses on the completeness and timeliness of filing of various pleadings before appropriate courts and other administrative or adjudicatory bodies in connection with cases or actions filed for and against the Bank.		▪ 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
Natural Events (including Man-made) Risks	Natural Events Risk is the current and prospective risk to earnings or capital arising from natural catastrophes considered as costly events causing business disruption such as fire, earthquake, typhoon, flood, any form of terrorist acts, etc.		▪ Implementation of the BCP Program to include the completion of Call Tree Exercise, Business Impact Analysis, Risk Assessment of Threats to Business, Table Top and BCP Testing by all units of the group ▪ Continuous Upgrade / Update of the Disaster Recovery Program under the auspices of IT Group

New Regulations Risk (under Compliance Risk)	New Regulations Risk is the current and prospective risk to earnings or capital arising from highly regulated jurisdiction and when rules and regulations are constantly changing. It is an important qualitative risk which must be monitored and managed, as regulatory sanctions from non-compliance, especially in extreme cases, may involve not just mere loss of reputation or financial penalties, but in extreme cases, a revocation of the banking charter or franchise (BAP Risk Manual, P103).	▪ Compliance Visitation/testing of operating units ▪ Compliance checklist/testing questionnaires ▪ Project Implementation Monitoring (particularly for data aggregation and reporting compliance) ▪ Risk Supervision Guidelines ▪ RCSA Matrix for operating and non-operating units; ▪ Discussions and deliberations of updates to compliance for new regulations by the Board of Directors and the different Board Committees; ▪ IAGs Audit Rating System / Review for compliance to new regulations ▪ Other activities that may measure and record the results of compliance with banking	▪ Circularization of new laws, circulars and regulations; ▪ Creation of Adhoc task Forces to perform gap analysis on compliance and subsequent planned activities for implementation ▪ Issuance of internal general and selected circulars by the implementing office; ▪ Information awareness campaigns for new regulations and impact to products,

MATERIAL RISKS

The Group defines material risks (at group level) as those risks from any business activity large enough to threaten the Bank's capital position to drop below its desired level; resulting in either a P13.5 billion increase in risk weighted assets or a P2 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 50 bps.

On the other hand, risks not significant enough to impact the CAR by 50 bps will also be considered "material" by the Group if they fall under the following:

- Pillar 1 risks i.e. Credit, Market, and Operational Risks;
- Other risks under BSP Circular no. 510 i.e. Interest Rate Risk in the Banking Book (IRRBB), Liquidity Risk, Reputational Risk and Strategic Risk;
- Information Technology Risk (BSP Cir. No. 808);
- Other risks identified by the Senior Management, i.e. Credit Concentration Risk, Litigation Risk, New Regulations Risk, Process Management Risk, Natural and Man-made Events Risk;
- Any top significant risk defined as "Severe" based on group-wide consolidated RCSA results

Resulting from the assessments based on the premise identified above, the Bank agreed on the following thirteen (13) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the ICAAP Document and required for monitoring.

Types and definition of each of these risks are discussed hereunder:

Pillar 1 Risks:

1. Credit Risk (includes Counterparty and Country Risks)
2. Market Risk
3. Operational Risk

Pillar 2 Risks:

4. Credit Concentration Risk
5. Interest Rate Risk in Banking Book (IRRBB)
6. Liquidity Risk
7. Reputational / Customer Franchise Risk
8. Strategic Business Risk
9. Information Technology Risk (includes Information Security risk)
10. New Regulations Risk
11. Litigations Risk
12. Process Management Risk
13. Natural Events Risk

EMERGING RISKS

Amongst the emerging risks, that the bank faces - are those revolving around information security:

1. Cyber threats involving use of social engineering (the most common of which is phishing) which may involve psychological manipulation of clients and personnel into performing actions and /or divulging confidential / personal information. This can result to negative financial impact to both client and the bank.

   PNB has institutionalized various risk mitigating tools and activities to minimize, if not, totally eliminate the said cyber threats – installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet), logs review thru Security Information & Event Management (SIEM). The Bank has also implemented segmentation to control access within a given segment. Policy on regular change of password is implemented to prevent password guessing or unauthorized access. Policy on password tries is limited to prevent brute-force attack. Education / InfoSec Awareness is also conducted thru classroom orientation, email blast and posters.

2. ATM Skimming - where the bank's clients are exposed to threats of financial losses due to compromise of ATM machines. PNB and other banks' machines are installed with devices to cloning of ATM card which illegally copies account details. Fraudsters use the details to create a fake or 'cloned' card and proceed to withdraw money from ATM Machines.

   PNB has institutionalized alert mechanism to immediately inform the clients of probable compromise and block the accounts for immediate client protection. The clients are then requested to confirm with their PNB branch of account to re-issue "cleaned" cards. Further, the bank has implemented the ATM SAFE product which provides insurance protection to clients for cases like these, among others. The same ATM SAFE product has been recognized by government authorities & regulators as innovative product for the client protection.

3. Credit Card Skimming - where bank credit card holders are exposed to threats of financial losses due to theft of credit card details to create fake and "cloned" credit cards. Fraudsters then use these fake cards to purchase items which will be charged to the legitimate credit card holder. Skimming occurs most frequently at retail outlets that process credit card payments -particularly bars, restaurants and gas stations.

   A similar mode of card details' theft occurs in Credit Card Not Present – where bank credit card holders are exposed to threats of financial losses due to theft of credit cards details which are used by perpetrators / fraudsters for unauthorized bulk purchase goods online which will be charged to the legitimate credit card holder. Theft of card details usually occurs in retail outlets – particularly bars, restaurants, gas stations, etc.

   PNB's Credit Card Division continues to provide awareness memoranda, via various media channels (e.g., including information security advisory thru SOA, website, email, etc.) to increase client awareness to protect their identity for credit cards. The bank has institutionalized an SMS alert to clients to inform them of their use of said cards and enjoining clients to immediately report untoward activities. The bank is also implementing the OTP (one-time-password) application where online purchases are allowed after the legitimate card holder keys in an OTP – received via SMS to their mobile number on record from the bank.

   Further the bank has embarked on the EMV project where identity chips will replace the outdated magnetic strips. This is expected to go-live by late 2016.

2014 Risk Management Highlights:

MARKET & LIQUIDITY RISK MANAGEMENT

The Market Risk and Asset Liability Management 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.

Highlights for the ongoing risk management activities for 2014 under Market & Liquidity Risks are as follows:

Price Risk

- Further improvement and strengthening of risk management framework for derivatives to ensure that requirements of BSP Circular 594 are achieved relative to the Bank's application for Derivative License.
- Active involvement and extensive support to the front office during the walkthrough to the BSP in connection with the Bank's application for Derivative License.
- Engagement of the third party to conduct independent validation of market risk models and subsequent enhancement of these models arising from the suggestions of the model validator.
- The inclusion of daily Value at- Risk (VaR) approximations using both Parametric approach and Historical Simulation approach in the daily reporting process.

Liquidity Risk & Interest Rate Risk in the Banking Books

- Sources of information and balances of accounts used in the preparation of Maximum Cumulative Outflow (MCO) and Earnings at Risk (EAR) reports using Makati Data are now reconciled to the Makati Financial Reporting Package.
- Engagement of the third party to conduct independent validation of liquidity and interest rate risk models and subsequent enhancement of these models arising from the suggestions of the model validator.
- Stress testing program and scenario analysis for liquidity were improved to identify the Bank's vulnerability to event risk
- Assisted the subsidiaries in enhancing their risk review and risk management framework (e.g., review of assumptions, limits, etc.).
- Assisted the overseas branches in the resolution of audit issues pertaining to liquidity and stress testing.

CREDIT RISK MANAGEMENT

Credit risk is the potential risk that a bank borrower will fail to meet its obligations in accordance with agreed terms thus subjecting the Bank to financial loss. BCBS (Basel Committee on Banking Supervision defines credit risk as the probability of the loss of principal or loss of a value as a result of a borrower's failure to repay a loan or otherwise meet a contractual obligation.

Credit risk is found in all activities where success depends on counterparty, issuer, or borrower's performance. It arises any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off balance sheet.

The Bank's Credit Risk Management Processes are performed coherently and collaboratively at three levels, namely:

1. Strategic Level: Where the Board of Directors sets the annual revenue goals, target market, risk acceptance criteria; define strategic plans and credit risk philosophy and credit risk culture. Through its designated sub-committees (Borad Credit and Policy Committee – BCPC, Board Credit Committee – BCC), credit applications are approved after through discussions related to the bank's strategic plan and corresponding targets and budgets. Accordingly, credit policies are presented, discussed and approved at this level.
2. Transactional level: Where the Risk-Taking Personnel (RTP) (e.g. Account Officers, approving committees, etc.) determine opportunities and take risks. The risk taking activities at the this level is congruent with the goals, target market, RAACs, strategies and risk philosophy set by the policy making body. Analysis of credit risk on the transactional level is focused on its potential adverse effect on the Bank's entire portfolio.
3. Portfolio level: Where the portfolio/total exposure are captured and evaluated by independent third party, other than risk taking personnel (i.e. RMG, IAG, and Compliance Office). The credit risk management of the entire loan portfolio is under the direct oversight of the Risk Oversight Committee (ROC).

Highlights for the risk management activities for 2014 under Credit Risks are as follows:
- Conducted scenario analysis and stress testing thru Rapid Loan Portfolio Review of the possible impact of Typhoon Yolanda, Global Ebola Scare and Decreasing Trend in Oil Price to assess its impact to the Bank's non-performing loans and capital.
- Robust oversight on the Real Estate exposure through impact assessment on the Bank's strengths and vulnerabilities as well as identification of pre-emptive measures to minimize default. Provided adequate information on the trends, limits and results of stress testing to ensure compliance to the BSP's prudential limits.
- Harmonized report sources of the former Allied Bank's loan exposures to ensure accurate credit risk reports.
- Continuous harmonization of credit policies, credit manuals, procedural manuals and credit risk rating methodologies.
- Active participation in the review and monitoring of credit risk in the overseas branches and subsidiaries through attendance in the risk oversight committee meetings, review of manuals, guidance on credit risk ratings and provisioning methodologies.
- Increased oversight on the large exposures and related party transactions by implementing additional stress testing and scenario analysis to evaluate the Bank's vulnerability in case of shocks.
- Conducted pre-approval risk review of accounts for approval of the Senior Management Committee as well as new facilities/products entered into by the Bank.
- Participated in the review and enhancement of the internal limits and ensured conformity with the regulatory requirements.

TRUST RISK MANAGEMENT
Trust Banking Risk Management Process

The process of managing Trust Banking Group's (TBG) risks cuts across all types of risks. There are various types of risks that would impact its operations. Some risks are borne by the client while others are owned by TBG. Regardless of risk ownership, TBG designs risk management practices to ensure that exposures are well within its capacity to manage and risks taken are consistent with respective risk tolerances, whether from the perspective of TBG or of its clients. The objective of risk management is to promote efficiency in the administration and operation of the trust banking group; ensure adherence and conformity with the terms of the instrument or contract; and maintain absolute separation of property free from any conflict of interest.

Each trust transaction or activity is underpinned by the most basic fiduciary principle of fidelity to the client. Even if the risks are borne by the client, it is incumbent upon TBG to manage risks in their behalf as well to manage their own risks

Highlights for the risk management activities for 2014 in TBG are as follows:
- Improved risk reporting for the bank's Trust Banking Group operations by increasing the scope of coverage of risk monitoring. Whereas previously, risk reporting to senior management covered the areas of credit, market and operational risk, the year 2014 saw risk reporting for strategic, liquidity, reputational and compliance risk. Further, risk reporting was enhanced for credit, market and operational risk through the use of additional risk tools and monitoring of new risk indicators in each area of risk.
- Developed a strategic equity fund investment model for one of the group's major clients, using years of historical data to continuously back test and simulate performance results, and present variations thereof. As of January 2015, total equity Assets under Management (AUM) for the specific model comprised 35% of the group's total equities portfolio with a full discretion investment mandate.
- Coordinated with concerned Trust Banking Group divisions and assisted them in the preparation of Operational Risk RCSA, ICAAP RCSA and in the improvement of the Loss Event Reporting output of the group.
- Revised significantly the Trust Banking Group's Risk Management Manual to align with the risk management requirements of the Bangko Sentral ng Pilipinas (BSP) for Trust Entities. In addition, the group's ICAAP Risk Map was created and submitted to bank proper Risk Management Group to form part of the bank's ICAAP document for submission to the BSP.
- Actively gave inputs for Trust Banking Group policies, as well as procedural and product manuals and monitored the review thereof.
- Provided risk awareness trainings, or coordinated with resource speakers to provide training to the group's employees on Trust Risk Management, with focus on Information Security, Business Continuity Planning and Operational Risk tools. Training on Trust Risk was also provided to management trainees and of the bank.

OPERATIONAL RISK MANAGEMENT
The main goals of Operational Risk Management are:
- To develop a risk culture and risk awareness which facilitate an effective internal control process and continuously monitor its effectiveness.
- To create an organizational culture that places high priority on effective operational risk management and adherence to sound operating controls.
- To promote high ethical and integrity standards, and for establishing a culture within the organization that emphasizes and demonstrates to all levels of personnel the importance of risk awareness and internal control

The bank adheres to the mandated definition of the Bangko Sentral ng Pilipinas (BSP) for operational risk under **BSP Cir. No. 510 dtd. 2-03-06 on Supervision by 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. Risk is inherent in efforts to gain strategic advantage, and in the failure to keep pace with changes in the financial services marketplace. Operational risk is evident in every product and service offered. Operational risk encompasses: product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment."

The following primary areas of operational risks are under focus for risk management strategies under the ORM framework: People, Process, System, Product. It is under these areas that the monitoring tools and risk assessments are organized.

Highlights for the risk management activities for 2014 under the Operational Risk Management are as follows:
- Successful implementation of Operational Risks Tools to re-clustered Branch Banking, under the merged bank
- Completion of Loss Events Reporting Dashboards, Analytics and Reports
- Improved reporting and analytics presented to the Risk Oversight Committee
- Continuous identification of High Risk Areas for efficient monitoring of critical risks across the organization
- Recommend policies, solutions, improvements in procedures and action plans to mitigate risks.
- Completion of Risk Education and Awareness Program (REAP) Roadshow to all Domestic Branches and Regional Centers
- Completed product demonstration by several vendors for our Operational Risk Management solution
- Completed Procedural Manual of Operational Risk Management - procedures/processes
- Ongoing enhancements of the Operations Risk Management Manual and Ops Risk Tools
- Close monitoring of Open LERs and ensure regular updates until closure.
- Established the semi-annual reporting and updates on Legal Risks.
- Improved submission rate of reporting units for LERs and RCSAs

INFORMATION TECHNOLOGY AND INFORMATION SECURITY RISK MANAGEMENT (to include Business Continuity Program)
Technology has become one of the major players in most of the Bank's decisions when considering projects that require solutions or automation. With the increased number of dependency on technology, the risk associated with its use increases. While use of technology to improve efficiency or effectiveness of business processes may result to Information Technology Risk due to unmanaged projects and/or resources, Information Security Risk also takes place with the use of technology due to possible compromise of confidentiality, integrity and availability of information and systems. Information Security risk is however not limited to use of technology. Because of the underlying information technology and security risks, the use of IT/S Risk Management Framework becomes essential to ensure that both Information Technology and Security Risks are properly identified, measured, managed/controlled, monitored and reported.

1. **Information Technology Risk** is any potential adverse outcome, damage, loss, violation, failure or disruption associated with the use of or reliance on computer hardware, software, devices, systems, applications and networks[1]. *([1] The ISACA Risk IT Framework and BSP Circular 808)* It consists of IT-related events that could potentially impact the business. 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.
2. **Information Security Risk** is the risk to organizational operations (including mission, functions, image, reputation), organizational assets, individuals due to the potential for unauthorized access, use, disclosure, disruption, modification or destruction of information or information assets that will compromise the Confidentiality, Integrity, and Availability (CIA)[2]. *([2] National Institute of Standards and Technology (NIST) and BSP Circular 808)* This covers data or information being processed, in storage or in transit.
3. **Business Continuity Risk** is the risk to the bank's operations due to the disruption and failure of critical functions of the organization impacting the continued operation of the business. The bank's Business Continuity Plan defines the procedures to be followed to recover critical functions on a limited basis in the event of abnormal or emergency conditions and other crisis in order to:
   - Ensure safety and security of all personnel, customers and vital Bank records.
   - Ensure that there will be minimal disruption in operations.
   - Minimize financial loss through lost business opportunities or assets deterioration; and
   - Ensure a timely resumption to normal operation.

Highlights of risk management activities for IS/IT (including BCP) for 2014:
The year 2014 saw the completion of the policies and sub policies for the Enterprise Information Security Policy. Issuance of implementing guidelines have also commenced for the 10 domains under the ISMS namely:
1. Information Asset Management
2. Information Security Incident Management
3. Human Resources
4. Physical and Environmental Security

5. Access Control
6. Business Continuity Management
7. Information Security Compliance
8. Information Systems Acquisition, Development and Maintenance
9. Communications and Operations Security Management
10. Information Security Organization

Further, the Information Security and Technology Risk Division is also tasked to implement risk assessments, conduct technology project health checks and is the lead administration unit for the enterprise's business continuity program. Among the milestones for 2014 are as follows:

- Prepared and implemented the use of IT Project Risk Assessment to provide reasonable assurance that the risks related to certain projects are identified and monitored
- Conducted Project Health Checks on identified critical systems to provide reasonable assurance that the required process and project documentation are observed
- Monitored the implementation of email DLP and control of external device (USB) to control data leakage
- Monitored the information security related incidents to ensure that related Information Security policies are reviewed to prevent recurrence of incident/s
- 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, implementation of security patches due to system vulnerabilities.
- Performed the regular classroom orientation for newly hired employees, regular employees and subsidiaries, weekly email blasts/advisories, issuance of posters, website and email advisory to educate employees and clients.
- Ensured that regulatory requirements (e.g., EMV, 3DES migration, BSP Cir 808, etc.) are monitored and complied with.
- Engagement of third party to perform external Vulnerability Assessment and Penetration Testing (VAPT) for the merged Bank
- Implemented the use of Information Asset Register to identify all the information assets, their CIA value, the asset owner, custodian and location to ensure that appropriate controls are implemented based on the value of assets
- Completed the Business Impact Analysis, Call Tree and BCP Simulation Exercise for the Bank and its subsidiaries to provide assurance that the Bank / subsidiaries will continue to operate in case of disaster.
- Continuing bank wide conduct of orientation and awareness to the importance of business continuity to ensure preparedness is embraced by all.

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 almost four (4) 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 73 Dashboards and over 700 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
- **Executive Dashboards, Analytics and Reports:** Key Executives were provided with their respective dashboards showing various analytics and reports thus, allowing them to effectively manage and monitor their respective portfolio as to balances, levels, profile, account movements, latest account status, concentration risks, performance level by business unit/branch (top gainers/top losers), performance of account officers against budget and the likes. Current and historical trend analysis is readily available online. The following business & support groups have been provided with dashboards:
  a. Institutional Banking Group
  b. Remedial and Credit Management Group
  c. Retail Banking Group
  d. Consumer Finance Group
  e. Risk Management Group
  f. Treasury Group
  g. Treasury Operations Division
- **Maximum Cumulative Outflow Report (Liquidity Management):** The Bank was able to automate the more than 60 manual reports including the summary report coming from various source systems and files thereby improving the efficiency in reports preparation, accuracy and quality of reported data, and the availability of the current and historical reports online. With the automation of these reports, the Bank is able to save 15-mandays of manual reports preparation every month.
- **Earnings at Risks and Value at Risk Dashboards:** The various manually prepared reports for earnings at risk (on equity investments, demand deposits, due from banks, fixed assets, ROPA, loans and receivables unamortized income, etc.) and value at risk (on fixed income securities, treasury bills, equities, warrants), were automated resulting to a more accurate and timely reporting, improved speed of reports delivery and increased efficiency and productivity of resources.
- **Treasury Dashboard, Analytics and Reports:** To date, almost a hundred (100) analytics and reports for Treasury related transactions entered in OPICS are available in the dashboards. The reports are used by the Treasury Executives, Front Desk Officers, Treasury Operations, Risk Management Group, Credit and Control Department and other business units as needed. The subject areas covered are as follows: Fixed Income Portfolio, Equities, Bonds, SWAPS, Values at Risk Calculations, Back-testing Reports, Historical Volatilities, Liquidity Management, Limits Monitoring
- **Enhancements to Existing Dashboards, Analytics and Reports:** The enterprise business intelligence data model, analytics and reports have been enhanced to be able to address the additional and changing business requirements for management and regulatory reporting.
- **Regulatory Reports on Credit Risk Management:** To improve the monitoring and reporting process for Credit Risk Management Division (CRMD) and Financial Accounting Division, reports relating to the Expanded Real Estate Exposure (EREE) and Capital Adequacy Ratio (CAR) were automated for a more accurate and timely reporting and easy validation and checking of supporting details as provided in the dashboards for CRMD.

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 & BASEL IMPLEMENTATION

This Internal Capital Adequacy Assessment Process (ICAAP) report is produced annually and represents PNB's assessment of its risk exposures with corresponding focus of its internal capital requirements.

PNB's ICAAP Working Organization continues to meet regularly to discuss the remaining areas of post-merger integration, making adjustments as to products, process and systems – particularly in the risk identification, risk assessment and risk monitoring, and capital planning process.

The ICAAP document presents the result of the activities undertaken by the Bank in accordance to the "guide map" provided for in the ICAAP Policy. The ICAAP Policy Framework adopts a "beyond compliance" framework, is "forward-looking" to determine the adequacy of the Bank's capital in relation to the Bank's operating environment, strategic/business plans and risk profile.

The Board of Directors and the Senior Management are jointly and ultimately responsible in ensuring that the Bank maintains the appropriate level and quality of capital commensurate with its business plans and risk profile.

ICAAP & Capital Adequacy Ratio Report

The bank's consolidated Qualifying Capital (QC) as of December 31, 2014 stands at Php84,547.82M with a corresponding Capital Adequacy Ratio (CAR) of 20.605%. This is slightly lower than September 30, 2014 figures with QC of Php83,002.33M and CAR at 21.131% while higher than that of March 30, 2014 QC of Php73,158.66M and CAR of 19.495% and June 30, 2014 QC of Php73,713.42M and CAR of 18.827%.

The current QC still provides a good and sufficient margin above the minimum regulatory capital requirement of Php41,033.61M, 10% of the bank's Php410,336.08M Risk Weighted Assets (RWA).

The Bank's ICAAP Policy also requires the bank to maintain buffers against the regulatory requirements for capital adequacy ratio as follows:

	2015-2017	
	BSP	ICAAP
CET1/Tier 1 ratio	8.5%	10.0%
Total CAR	10.0%	11.5%

Figure 3: Regulatory & Internal Limits

The following salient points are considered in the bank's ICAAP Implementation:

Risk Assessments:
a. Part 1 Risk Assessment entails the down-the-line identification and assessment of risks. All Groups are required to complete the assessment for all the 14 material risks (determined in 2014) with their corresponding sub-risks, which are relevant to them. The assessment may go as far as to the unit level depending on the discretion of the Group Head/Head of Office. b. Part 2 ICAAP Quantification encompasses all the assessments emanating from the respective Key Risk Indicators (KRIs) of all the Groups. The KRIs are aggregated to determine the Bank's material risks through the use of three (3) approaches, namely: (a) highest consolidated estimated loss, (b) highest risk level and, (c) highest number of units which considered the risk as KRI. Based on these, the Primary Risk Owners shall evaluate the assessments, validate the assumptions used and perform the bank wide quantification of potential loss and estimated risk-weighted assets.
Risk Tolerance Level to determine Significance of Risks
The Corporate Planning Group (Corplan) taking into consideration the Bank's projected levels for Qualifying Capital, Risk Weighted Assets, and CAR for the three-year period determines tolerance Level. The SMT and Board have approved a preset level of 0.50% impact on CAR, which translates to a movement of Php13.5billion in RWA or Php2.0billion in Qualifying Capital.
Trigger Levels to activate Capital Contingency Plan
Trigger levels to initiate Capital Contingency Plan is determined by Corplan in coordination with Controllership Group and Senior Management and approved by the Board. The Bank will maintain a Pillar 2 buffer for CET1 ratio and CAR in addition to the conservation buffer of 2.5% as prescribed by BSP for Pillar 1 under Basel III.
Stress Testing
Completed on 3 types: • Macroeconomic Stress Test • Event Driven Stress Test • Ad-hoc Stress Test Applied to Pillar 1 and pillar 2 risks; corresponding RCSA is accomplished under the stressed scenarios. Additional scenarios are deliberated by the risk owners for individual risks should the above three types of stress test models not be applicable.
Implementation to Subsidiaries
The 3-year risk assessment is employed to the subsidiaries- both domestic and foreign, as well. Each of the subsidiaries is encouraged to perform stress testing relevant to their respective business condition and environment.

Through the Bank's ICAAP Document, the Bank advances its efforts to integrate the Bank's risk management culture in all its activities. Further, it is intended that the ICAAP document be a live document and will be continually amended / revised as the business sees fit. It is the intention that capital allocation among the Bank's risk-taking units are based on the risk weighted exposures that these units take.

Basel III and beyond

Basel III introduces several new or enhanced rules, including the introduction of a new and stricter definition of capital – designed to increase quality, consistency and transparency of the capital base – and the introduction of a global liquidity standard. While the two new liquidity ratios – the short-term Liquidity Coverage Ratio (LCR) and the longer-term Net Stable Funding Ratio (NSFR) are yet to be defined by BSP, the bank's foreign branches are getting ready to activate process to determine their level of capital to comply. In particular, these mentions the need for banks to increase their high-quality liquid assets and obtain more stable sources of funding, while requiring they adhere to sound principles of liquidity risk management. Looking forward, liquidity risk of the bank will require additional scrutiny to include compliance with host country regulations.

The new regulations will increase capital requirements and drive up capital as well as liquidity costs and thus increase pressure on banks' profitability.

The Bank's ICAAP challenge is to continue to improve on the process towards fulfilling a wish list of actions and blueprint for the future, and to ensure that this is done consciously and involves the whole enterprise. It is only with the use of planning and risk management, as strategic tools and embedding these with operations that will bring effective results.

REGULATORY CAPITAL REQUIREMENTS UNDER BASEL II – PILLAR 1

The Bank's total regulatory requirements (on a consolidated basis) for 2014 quarters are as follows:

(in P Millions)	As of March 31, 2014	As of June 30, 2014	As of Sep. 30, 2014	As of Dec. 31, 2014	Regulatory Capital Requirements (10%)	Lee way from Reg. capital requirements (as of Dec. 31, 2014)
Qualifying Capital	73,158.66	73,713.42	83,002.33	84,547.82	41,033.61	43,514.22
CET 1	60,242.03	60,718.07	70,159.00	71,507.50		
Tier 2	12,916.62	12,995.35	12,843.33	13,040.32		
Risk Weighted Assets (RWA) (BSP Cir 538)	375,273.09	391,528.07	392,801.51	410,336.08	10%	
Credit Risk	333,038.55	348,339.39	349,820.72	367,568.87		
Market Risk	3,999.79	4,953.93	4,746.04	4,532.46		
Operational Risk	38,234.75	38,234.75	38,234.75	38,234.75		

Risk Based Capital Adequacy Ratio	19.495%	18.827%	21.131%	20.605%	10.00%	1,060 bps (10.60%)
CAR ratio	19.495%	18.827%	21.13%	20.605%	10.0%	1,060 bps (10.60%)
CET 1 ratio	16.053%	15.508%	17.86%	17.427%	6.0%	1,143 bps (11.43%)
CET 1 ratio (with conservation buffer)	16.053%	15.508%	17.861%	17.427%	8.5%	893 bps (8.93%)

In the subsequent sections, figures shown are the group consolidated risk exposures specifically under Pillar 1 risks:

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 Philrating 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:

As of Dec 31, 2014 (P 000,000)	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	15,019		15,019	14,590	429				
Due from BSP	105,799		105,799	105,799					
Due from Other Banks	17,662		17,662		3,960	2,719		10,983	
Financial Asset at FVPL									
Available for Sale	57,105	3,993	53,112	17,876	3,253	12,623		19,360	
Held to Maturity (HTM)	22,185	12,641	9,544	6,899		2,355		290	
Unquoted Debt Securities	4,179		4,179					4,129	50
Loans & Receivables	302,870	24,240	278,630		12,100	13,419	19,043	231,323	2,745
Sales Contracts Receivable	3,052		3,052					2,080	972
Real & Other Properties Acquired	15,143		15,143						15,143
Other Assets	29,562		29,562					29,562	
Total On-Balance Sheet Asset	572,576	40,874	531,702	145,164	19,742	31,116	19,043	297,727	18,910
Risk Weighted Asset - On-Balance Sheet			359,882	-	3,948	15,558	14,282	297,727	28,367
Total Risk Weighted Off-Balance Sheet Asset			5,914	-	64	1,672	442	3,736	-
Counterparty Risk Weighted Asset in Banking Book			1,497	-	71	1,111	-	315	-
Counterparty Risk Weighted Asset in Trading Book			276		2	27		247	

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

Market Risk -Weighted Assets (based on traded positions)

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

Capital Requirements by Market Risk Type under Standardized Approach (as of Dec 31, 2014)

(Amounts in ₱0.000Million)	Capital Charge	Adjusted Capital Charge	Market Risk Weighted Exposures
Interest Rate Exposures	279.978	349.972	3,499.724
Equity Exposures	34.851	43.563	435.632
Foreign Exchange Exposures	47.786	59.710	597.100
Total	362.615	453.245	4,532.456

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

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK	Positions	Risk Weight					
(Amounts in ₱0.000 million) as of 12/31/2014		0.00%	0.25%	1.0%	1.60%	8.00%	Total
PHP-denominated debt securities issued by the Philippine National Government (NG) and BSP	Long	4,657.997					
	Short	63.378					
FCY-denominated debt securities issued by the Philippine NG/BSP	Long		203.251	34.763	1,366.169		
	Short						
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	Long				30.988		
	Short				1.080		
All other debt securities/derivatives that are below BBB- and unrated	Long					194.267	
	Short					-	
Subtotal	Long	4,657.997	203.251	34.763	1,397.157	194.267	
	Short	63.378	-	-	1.080	-	
Risk Weighted Exposures [Sum of long and short positions times the risk weight]		-	0.508	0.348	22.372	15.541	38.769
Specific Risk Capital Charge for Credit-Linked Notes and Similar Products							
Specific Risk Capital Charge for Credit Default Swaps and Total Return Swaps							
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES		-	0.508	0.348	22.372	15.541	38.769

General Market Risk –Peso

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

Currency: PESO								
PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million) as of 12/31/2014								
Zone	Times Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives			Weighted Positions		
	Coupon 3% or more	Coupon less than 3%	Total Individual Positions					
			Long	Short	Risk Weight	Long	Short	
1	1 month or less	1 month or less	2,456.600	2,456.600	0.00%	-	-	
	Over 1 month to 3 months	Over 1 month to 3 months	13.683	13.683	0.20%	0.312	0.027	
	Over 3 months to 6 months	Over 3 months to 6 months	675.075	675.075	0.40%	0.003	2.700	
	Over 6 months to 12 months	Over 6 months to 12 months	-	-	0.70%	0.763	-	
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	-	-	1.25%	0.462	-	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	-	-	1.75%	2.663	-	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	-	-	2.25%	3.098	-	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	-	-	2.75%	42.638	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	1.080	1.080	3.25%	**44.781**	**0.035**	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	51.055	51.055	3.75%	17.683	1.915	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	-	-	4.50%	6.557	-	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	-	-	5.25%	15.513	-	
	Over 20 years	Over 10.6 years to 12 years	12.335	12.335	6.00%	24.138	0.740	
		Over 12 years to 20 years	-	-	8.00%	-	-	
		Over 20 years	-	-	12.50%	0.066	-	
Total			1,477.455	3,209.828		158.675	5.417	
Overall Net Open Position								153.258
Vertical Disallowance							-	0.272
Horizontal Disallowance							-	2.729
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							-	156.259

General Market Risk - USD

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

Currency: USD								
PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million) as of 12/31/2014								
Zone	Times Bands		Debt Securities & Debt Derivatives/Interest Rate Derivatives			Weighted Positions		
	Coupon 3% or more	Coupon less than 3%	Total Individual Positions					
			Long	Short	Risk Weight	Long	Short	
1	1 month or less	1 month or less	5,868.670	7,156.000	0.00%	-	-	
	Over 1 month to 3 months	Over 1 month to 3 months	2,837.067	2,795.212	0.20%	5.674	5.590	
	Over 3 months to 6 months	Over 3 months to 6 months	1,326.877	28.309	0.40%	5.308	0.113	
	Over 6 months to 12 months	Over 6 months to 12 months	-	-	0.70%	-	-	
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	34.763	-	1.25%	0.435	-	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	49.315	-	1.75%	0.863	-	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	-	-	2.25%	-	-	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	1,379.009	1,340.069	2.75%	37.923	36.852	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	3,297.225	2,665.247	3.25%	**107.160**	**86.621**	
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	11.038	-	3.75%	0.414	-	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	543.523	-	4.50%	**24.459**	-	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	17.104	-	5.25%	0.898	-	
	Over 20 years	Over 10.6 years to 12 years	267.224	-	6.00%	16.033	-	
		Over 12 years to 20 years	-	-	8.00%	-	-	
		Over 20 years	-	-	12.50%	-	-	
Total				15,631.815	13,984.837	199.166	129.176	
Overall Net Open Position								69.990
Vertical Disallowance							-	12.918
Horizontal Disallowance							-	-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE							-	82.908

General Market Risk – Third currencies

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

PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)

Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives			Weighted Positions		Overall Net Open Position	Vertical disallowance	Horizontal disallowance within	Total General Market risk capital charge
		Long	Short	Risk Weight	Long	Short				
JPY	1 month or less	-	158.817	0.00%	-	-				
	Over 1 months to 3 months	26.082	26.082	0.20%	0.052	0.052	-	.005	-	.005
GBP	1 month or less	54.434	257.166	0.00%	-	-	-	-	-	-
EUR	1 month or less	10.641	158.027	0.00%	-	-				
	Over 1 month to 3 months	5.545	5.545	0.20%	0.011	0.011				
	Over 3 months to 6 months	27.208	27.208	0.40%	0.109	0.109	-	0.012	-	0.012
CAD	1 month or less	44.743	67.095	0.00%	-	-	-	-	-	-
AUD	1 month or less	7.251	29.006	0.00%	-	-	-	-	-	-
HKD	1 month or less	1,465.369	0.00%	-	-	1,465.369				
	Over 1 month to 3 months	160.846	0.20%	-	0.322	160.846				
	Over 3 months to 6 months	425.852	0.40%	-	1.703	425.852	2.05	-	-	2.025

Equity Exposures

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. The Bank's capital charge exposure to Equity Risk attracts adjusted capital charge of P43.563M or Risk weighted equity exposures of P435.632M.

Item	Nature of Item	Positions as of 12/31/2014	Stock Markets
			Philippines
A.1	Common Stocks	Long	217.816
		Short	5.656
A.10	TOTAL (SUM of A.1 to A.9)	Long	247.545
		Short	
B.	Gross (long plus short) positions (A.10)		223.472
C.	Risk Weights		8%
D.	Specific risk capital (B. times C.)		17.878
E.	Net long or short positions		212.160
F.	Risk Weights		8%
G.	General market risk capital charges (E. times F.)		16.973
H.	Total Capital Charge For Equity Exposures (sum of D. and G.)		34.851
I.	Adjusted Capital Charge For Equity Exposures (H. times 125%)		43.563
J.	TOTAL RISK-WEIGHTED EQUITY EXPOSURES (I. X 10)		435.632

Part IV. 3 FOREIGN EXCHANGE EXPOSURES

		As of 12/31/2014		Closing Rate USD/PHP:			44.740
Item	Nature of Item	Currency	In Million USD Equivalent				In Million Pesos
			Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/ (Short) Position
			Banks	Subsidiaries /Affiliates			
			1	2	3	4=1+2+3	5
A.10	Sum of net long positions	Various					597.100
A.11	Sum of net short positions	Various					(6.085)
B.	Overall net open positions						597.100
C.	Risk Weight						8%
D.	Total Capital Charge For Foreign Exchange Exposures (B. times C.)						47.768
E.	Adjusted Capital Charge For Foreign Exchange Exposures (D. times 125%)						59.710
F.	Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						597.100
G.	Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (Part IV.3a, Item F)						--
H.	Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						597.100

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

Operational Risk – Weighted Assets

The Bank adopts the Basic Indicator Approach in quantifying the risk weighted 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) As of 12/31/2014	Gross Income	Capital Requirement (15% x Gross Income)
2010	19,969.805	2,995.471
2011	23,033.734	3,455.060
2013 (last year)	18,172.063	2,725.809
Average for 3 years		3,058.780
Adjusted Capital Charge	Ave x 125%	3,823.475
Total Operational Risk Weighted Asset (ORWA)		38,234.751

DEOGRACIAS N. VISTAN | CHAIRMAN, BOARD AUDIT AND COMPLIANCE COMMITTEE

Board Audit and Compliance

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;
- Provide oversight functions over internal and external auditors and ensure that the internal and external auditors act independently from each other;
- Provide oversight over compliance functions and/or oversee the compliance program;
- Review the quarterly, semi-annual, annual and any periodic financial statement signed by the CEO and CFO prior to submission to the Board, 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;
- Monitor the annual independent audit of PNB's financial statements, the engagement of the External Auditors and the evaluation of the External Auditor's qualifications, independence and performance;
- Monitor the compliance by PNB with legal and regulatory requirements, including PNB's disclosure controls and procedures;

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 stockholders' ratification); 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 Board Audit and Compliance Committee.

- 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 of 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 latest revision/updating of the Committee Charter was in May 2014, which covers the sections of the Charter on the Committee's membership, meetings, authority, duties and responsibilities on the financial statements, and other duties and responsibilities.

The Committee is composed of five (5) members consisting of three (3) Non-Executive Directors (NED) and two (2) Independent Directors (ID), including the Committee Chairman. The Committee members are highly qualified business professionals with excellent educational credentials. In August and November 2014, the Committee members attended seminars on Corporate Governance as part of continuing training. The Committee members 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 2014

The Committee held 18 meetings during the year – twelve (12) regular meetings and six (6) special meetings. Accomplishments and action plans are monitored to ensure the full discharge of all its functions. For the calendar year 2014, 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 and programs of the Internal Audit Group and Global Compliance Group for 2014, and the audit plan of the external auditors for the consolidated financial statements of the Bank for the period ending December 31, 2014;

- 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 monthly 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;

- Reviewed the revised Internal Audit Group Manual, which covered enhancements in the Internal Audit Charter, Audit Risk Rating System (ARRS) and other relevant audit methodologies and procedures;

- Reviewed significant revisions/updates in the Compliance Programs of PNB Parent Bank, its Subsidiaries and Affiliates including foreign branches.

Based on the stated 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, 2014 and their consequent filing with the Securities and Exchange Commission and other regulatory bodies.

IT Governance

LEONILO G. CORONEL | CHAIRMAN, BOARD IT GOVERNANCE COMMITTEE

The Board IT Governance Committee (BITGC) was created and approved by the Board of Directors on April 10, 2014. BITGC's mission is to assist the Board in performing its oversight functions in reviewing, approving and monitoring the IT Risk Management Framework and IT Strategic Plan of the PNB Group.

The Committee is composed of five (5) regular members of the Board of Directors. The Chairman is a Non-Executive Director appointed by the Board, while Senior Management Heads from Business and Support Groups are invited to provide management reports and clarify information on relevant IT matter.

The primary functions of the BITGC are, but not limited to, the following:

- Oversee the Enterprise IT Risk Management System

- Review and endorse for Board approval the Enterprise IT Strategic Plans of the Parent Bank, its subsidiaries and affiliates

- Evaluate and endorse for approval of the Board the IT Organizational Structure of the PNB Parent Bank and related entities

- Review and inform the Board the status of critical IT Projects in a timely manner

- Approve or endorse to the Board the required IT budget and expenses to support business plans and priorities

- Review and endorse for approval of the Board the IT policies and guidelines based on adherence to existing laws, rules and regulations, and global best practices

- Oversee the IT project proposals are consistent with the overall IT Strategic Plans

- Monitor the IT Group's performance, IT projects, and the in-sourcing and outsourcing activities of IT functions and services provided to related entities

- Review and monitor significant IT concerns and corrective actions arising from regulatory examinations, internal audits and external reviews

The BITGC conducts monthly meetings, or whenever necessary, to properly discharge its oversight functions.

FLORENCIA G. TARRIELA, 67, Filipino, is the **Chairman of the Board** of the Bank and an Independent Director. She also serves as Chairman/Independent Director of PNB Capital and Investment Corporation and Independent Director of PNB Life Insurance, Inc., PNB International Investments Corporation, and LT Group, Inc. She obtained her Bachelor of Science in Business Administration degree, Major in Economics, from the University of the Philippines and her Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination. Ms. Tarriela is currently a columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World. She is a Life Sustaining Member of the Bankers Institute of the Philippines and FINEX, where she is also a Director, and a Trustee of TSPI Development Corporation. Ms. Tarriela was formerly an Undersecretary of Finance, and an alternate Board Member of the Monetary Board of the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation. She was formerly Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N. A. 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.

FELIX ENRICO R. ALFILER, 65, Filipino, was elected as **Vice Chairman/Independent Director** of the Bank effective on January 1, 2012. He completed his undergraduate and graduate studies in Statistics at the University of the Philippines in 1973 and 1976, respectively. He undertook various continuing education programs, including financial analysis and policy, at the IMF Institute of Washington, D.C. in 1981 and on the restructured electricity industry of the UK in London in 1996. He has published articles relating to, among others, the globalization of the Philippine financial market, policy responses to surges in capital inflows and the Philippine debt crisis of 1985. He is currently the Chairman/ Independent Director of PNB RCI Holdings Co., Ltd. and an Independent Director of Japan PNB Leasing and Finance Corp., PNB Savings Bank and PNB International Investments Corp. He previously held various distinguished positions, namely: Philippine Representative to the World Bank Group Executive Board in Washington, D.C., Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization, Director of the Bangko Sentral ng Pilipinas, Assistant to the Governor of the Central Bank of the Philippines, Advisor to the Executive Director at the International Monetary Fund, Associate Director at the Central Bank and Head of the Technical Group of the CB Open Market Committee. Mr. Alfiler was also the Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts. In the private sector, Mr. Alfiler was an Advisor at Lazaro, Bernardo, 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.

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

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

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

CHRISTOPHER J. NELSON, 55, British, was appointed as Board **Advisor** of the Bank on May 27, 2014 after serving as Director since March 21, 2013. He holds Bachelor of Arts and Masters of Arts degrees in History from Emmanuel College, Cambridge University, U.K., and a Diploma in Marketing from the Institute of Marketing, Cranfield, U.K. He is currently a member of the Board of PNB Holdings Corporation and Chairman of Lux et Sal, the operating company of Domuschula International School, a duly certified International Baccalaureate (IB) World School. For primary years, prior to joining the Bank, he was President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years. He has an extensive 31 years of experience in the tobacco business, 25 years of which were with Philip Morris International, holding various management positions including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa. Mr. Nelson is actively involved in various business and non-profit organizations that work for the social and economic upliftment of communities. He is the Chairman of the Board of Trustees of the American Chamber Foundation Philippines, Inc., British Chamber of Commerce of the Philippines, Philippine Band of Mercy and the Federation of Philippine Industries. He was also a former Trustee of Tan Yan Kee Foundation and Director of the American Chamber of Commerce of the Philippines, Inc. Mr. Nelson is a member of the Society of Fellows of the Institute of Corporate Directors.

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

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

HARRY C. TAN, 68, Filipino, was appointed as a **Director** of the Bank on February 9, 2013 after serving as a Director of Allied Banking Corporation (ABC) since November 1999. He holds a Bachelor of Science degree in Chemical Engineering from Mapua Institute of Technology. Mr. Tan is currently the Chairman of Bulawan Mining Corporation and a Director of PNB Management Development Corporation, PNB Savings Bank, Allied Commercial Bank and PNB Global Remittance and Financial Company (HK) Limited. He is also the Chairman of the Air Philippines Corporation and the President of Century Park Hotel and Landcom Realty Corporation. He is the Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Tanduay Distillers, Inc., Belton Communities, Inc., and Eton City Inc. He is also the Vice Chairman and Treasurer of LT Group, Inc. He is the Managing Director/Vice Chairman of The Charter House Inc. and is a member of the Board of Directors of various private firms which include Asia Brewery, Inc., 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., Alliedbankers Insurance Corporation, Asian Alcohol Corporation, REM Development Corporation, Tanduay Brands International Inc., Foremost Farms, Inc., Grandspan Development Corporation, Manufacturing Services and Trade Corporation, PAL Holdings, Inc., and Philip Morris Fortune Tobacco Corporation, Inc. He is also the Chairman for the Tobacco Board of Fortune Tobacco International Corporation.

LUCIO C. TAN, 81, Filipino, has been a member of the Board of Directors of the Bank since December 8, 1999. He took his Chemical Engineering degree from Far Eastern University. In 2003, he earned his Doctorate of Management Degree, Honoris Causa from the University of Sto. Tomas. From humble origins, Dr. Tan became the Chairman of Allied Banking Corporation (ABC), Fortune Tobacco Corporation and Asia Brewery, Inc. among others. He is presently the Chairman and CEO of LT Group, Inc., Philippine Airlines, Inc., Lucky Travel Corporation, Eton Properties Philippines, Inc., Alliedbankers Insurance Corporation, Tanduay Distillers, Inc. and PAL Holdings, Inc. He is the Chairman of Basic Holdings Corporation, Century Park Hotel, Charter House, Inc., Himmel Industries, Inc., Grandspan Development Corporation, PNB Life Insurance, Inc., Allied Leasing and Finance Corporation, Allied Commercial Bank, PNB Savings Bank, and Allied Banking Corporation (HK) Ltd. Dr. Tan is also the Chairman and President of Tangent Holdings Corporation. Despite Dr. Tan's various business pursuits, he continues to share his time and resources with the community. In 1986, he founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President. He is likewise Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. and founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. Dr. Tan received various honorary degrees for his outstanding achievements and leadership in the Philippines and other parts of the world.

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

MICHAEL G. TAN, 48, 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 PNB Management and Development Corporation. He is also a Director of PNB Forex, Inc., Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd., and Alliedbankers Insurance Corp. He is a Director and the Chief Operating Officer of Asia Brewery, Inc. and a member of the Board of Directors of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., PAL Holdings, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Victorias Milling Company. He holds a Bachelor of Applied Science degree in Civil Engineering from the University of British Columbia, Canada.

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

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

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

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

ESTELITO P. MENDOZA, 84, Filipino, was elected as a **Director** of the Bank on January 1, 2009. He obtained his Bachelor of Laws degree (cum laude) from the University of the Philippines and Master of Laws degree from the Harvard Law School. A practicing lawyer for more than sixty years, he has been consistently listed for several years as a "Leading Individual in Dispute Resolution" among lawyers in the Philippines in international/regional directories of lawyers. He has also been a Professional Lecturer of law at the University of the Philippines, and served as Undersecretary of Justice, Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He currently serves as a member of the Board of Directors of Philippine Airlines, Inc., San Miguel Corporation, and Petron Corporation. He has been awarded a Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University, University of Manila, Angeles University Foundation and the University of the East, and a Doctor of Humane Letters degree by the Misamis University. He is a recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and the University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award".

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

CECILIO K. PEDRO, 61, Filipino, was elected as Independent **Director** of the Bank on February 28, 2014. He obtained his Bachelor of Science degree in Business Management from the Ateneo de Manila University in 1975 and Honorary Doctorate of Philosophy in Technological Management from the Technological University of the Philippines in March 2006. He is the Chief Executive Officer (CEO)/President of Lamoiyan Corporation. He is also the Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc., and a Director of CATS Motors and Philippine Business for Social Progress. He is an Independent Director of PNB Savings Bank. He was formerly the CEO/President of Aluminum Container, Inc. and a Director of DBS Philippines, Inc. (formerly Bank of Southeast Asia, Inc.). Mr. Pedro has received various distinguished awards, namely, the Ten Outstanding Young Men in the field of Business Entrepreneurship, Aurelio Periquet Award on Business Leadership, Ateneo Sports Hall of Fame, CEO Excel Award, Ozanam Award for Service, Entrepreneur of the Year for Social Responsibility, Ten Outstanding Manileños, and PLDT SME Nation and Go Negosyo's Grand MVP Bossing Award. He was also recognized by the House of Representative for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012. He is currently involved in various socio-civic organizations. He is the Chairman of the Deaf Evangelistic Alliance Foundation, Inc., Asian Theological Seminary, and Legazpi Hope Christian School and the Vice Chairman of the Ateneo Scholarship Foundation. He is also the Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. and an Elder of the United Evangelical Churches of the Philippines. He is a board member of the Philippine Secondary School Basketball Championship, Ten Outstanding Young Men Foundation, Manila Doctors Hospital, Asian Marketing Federation and Commanderie de Bordeaux (Philippine Chapter).

BOARD OF DIRECTORS

JOSEPH T. CHUA
Director

CECILIO K. PEDRO
Director

ESTELITO P. MENDOZA
Director

HARRY C. TAN
Director

LUCIO K. TAN, JR.
Director

DEOGRACIAS N. VISTAN
Director

MICHAEL G. TAN
Director

WASHINGTON Z. SYCIP
Director

LEONILO G. CORONEL
Director

REYNALDO A. MACLANG
Director

FLORENCIA G. TARRIELA
Chairman

LUCIO C. TAN
Director

FELIX ENRICO R. ALFILER
Vice-Chairman

FLORIDO P. CASUELA
Director

FEDERICO C. PASCUAL
Director

DORIS S. TE
Corporate Secretary

CHRISTOPHER J. NELSON
Advisor

WILLIAM T. LIM
Advisor

MANUEL T. GONZALES
Advisor

SENIOR MANAGEMENT TEAM

Sitting from Left to Right:
EVP CENON C. AUDENCIAL, JR. • EVP CHRISTOPHER C. DOBLES • EVP JOVENCIO DB. HERNANDEZ • EVP HORACIO E. CEBRERO III FSVP ALICE Z. CORDERO • FSVP BENJAMIN S. OLIVA

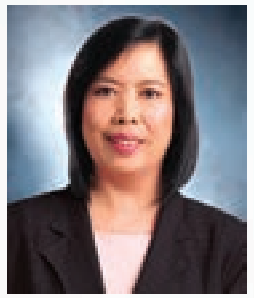
Standing from Left to Right:
SVP DIOSCORO TEODORICO L. LIM • FVP JOSEPHINE E. JOLEJOLE • FSVP CARMELA LETICIA A. PAMA • SVP MARIA PAZ D. LIM FVP MANUEL C. BAHENA, JR. • FSVP SOCORRO D. CORPUS • FSVP EMMANUEL GERMAN V. PLAN II • FSVP AIDA M. PADILLA FSVP ZACARIAS E. GALLARDO, JR. • PRESIDENT REYNALDO A. MACLANG • FSVP MIGUEL ANGEL G. GONZALES FSVP JOHN HOWARD D. MEDINA • SVP EMELINE C. CENTENO • VP CONSTANTINO T. YAP

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

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

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

HORACIO E. CEBRERO III, 52, Filipino, Executive Vice President, is the Head of the **Treasury Group**. He obtained his Bachelor of Science degree in Commerce, Major in Marketing, from the De La Salle University. Prior to joining PNB, he was an Executive Vice President and the Treasurer of EastWest Banking Corporation. He also held the post of Senior Vice President and Deputy Treasurer of Rizal Commercial Banking Corporation, Vice President/Head of the Foreign Exchange Desk of Citibank Manila and Vice President/Chief Dealer of the Treasury Group of Asian Bank Corporation. He brings with him 32 years of experience in the banking industry starting from Loans and Credit, Branch Banking, Fixed Income Sales, Trust Banking, Foreign Exchange and Fixed Income Trading, Portfolio Management and other Treasury-related activities.



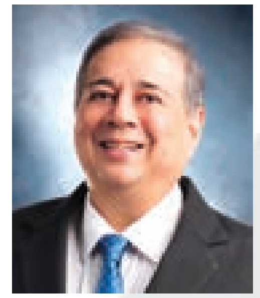
EMELINE C. CENTENO, 56, Filipino, Senior Vice President, is the Head of the **Corporate Planning and Research Group**. She obtained her Bachelor of Science degree in Statistics (Dean's Lister) and completed the coursework in Masters of Arts in Economics (on scholarship) from the University of the Philippines.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

ALICE Z. CORDERO, 57, Filipino, First Senior Vice President, was appointed Chief Compliance Officer of **Global Compliance Group** on June 16, 2010 with oversight on the Bank, including all subsidiaries, affiliates and foreign branches. She is concurrently the Corporate Governance Executive of the Bank. She obtained Bachelor of Science degree in Business Economics from the University of the Philippines. She has earned units in Masters in Business Administration at the Ateneo Graduate School of Business. Prior to joining the Bank, she was the Chief Compliance Officer of Allied Banking Corporation (ABC) (2007-2010). She worked with Citibank N.A - Manila Branch (1988-2007) for nineteen (19) years and held various senior positions in the Consumer Banking Group, including Compliance and Control Director (1999-2005) and concurrent Regional Compliance and Control Director for Philippines and Guam (2004). Her 35 years of banking experience include working for ABC (1979-1983; 2007-2010), First National Bank of Chicago - Manila Branch (1983-1986), Far East Bank and Trust Company (1986-1988) and Citibank N.A. - Manila Branch (1988-2007), where she held department head positions in Credit Policy, Credit & Research Management, Financial Control, Corporate Regulatory Reporting, Asset Strategy, Business Development, Risk Management and Compliance.

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

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

ZACARIAS E. GALLARDO, JR., 65, Filipino, First Senior Vice President, of the **Financial Management and Controllership Group** of the Bank since October 1, 2012. Mr. Gallardo, a Certified Public Accountant, obtained his degree of Bachelor of Science in Commerce (Summa Cum Laude) from Far Eastern University in 1969. He has earned units for his Masters in Business Administration at De La Salle College, Bacolod City. He had served the Central Bank of the Philippines for 24 years where he was extensively exposed to all phases of banking. He worked with consultancy firms and published a reference book on Regulations on Trust and Fiduciary Business and Investment Management Activities. He joined Allied Bank in 1996 and served as the Bank's Controller from 2001 until he joined PNB in 2012 as Chief Financial Officer. He also headed the Allied Bank's ICAAP Core Team and Business Continuity unit.



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

JOVENCIO DB. HERNANDEZ, 61, Filipino, Executive Vice President, is the Head of the **Retail Banking Group**. A Certified Public Accountant, he obtained his Bachelor of Science degree in Commerce, Major in Accounting, from the De La Salle College. Prior to joining PNB, he was a Senior Vice President and Head of the Consumer Banking Group of Security Bank. He was also a Senior Vice President for Retail Banking of Union Bank of the Philippines in 2004, Commercial Director of Colgate Palmolive in 1996, and Group Product Manager of CFC Corporation and Unilever in 1982 and 1980, respectively. He was formerly the President of Security Finance in 2004 and First Union Plans in 2003. He was also a Director of SB Forex and Security-Phil Am. He served as Treasurer, Director and Executive Committee Member of BancNet from 2004 to 2006. He is presently a Director of BancNet.

ATTY. JOSEPHINE E. JOLEJOLE, 53, Filipino, First Vice President, is the Officer-in- Charge of **Trust Banking Group**. She joined PNB in 2007 as Trust Attorney. She graduated from the University of the Philippines' School of Economics with a Bachelor of Science in Business Economics (BSBE) degree. Likewise, she obtained her Bachelor of Laws from University of the Philippines' College of Law. She has been in the banking industry for over 25 years in various fields such as Account Management for both Corporate Banking and Retail Banking, Compliance and Risk Management, Marketing, Portfolio Management and Legal for Trust. Prior to joining the bank, she was the Trust Officer and Head of Trust Banking at Union Bank of the Philippines. She is a member of the Board of Directors of the Trust Officers Association of the Philippines (TOAP) and the Director in Charge for Fiduciary Products Development. She is also a member of the Board of Trustees of the Trust Institute Foundation of the Philippines (TIFP) and a lecturer at the One Year Course on Trust Operations and Management, a BSP accredited training program on trust business, since 2006.

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

MARIA PAZ D. LIM, 53, Filipino, Senior Vice President, is the **Corporate Treasurer**. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

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

BENJAMIN S. OLIVA, 61, Filipino, First Senior Vice President, is the Head of the **Global Filipino Banking Group (GFBG)** which manages PNB's overseas network of branches and remittance subsidiaries in Asia, Europe, the Middle East, and North America, and a Director of PNB (Europe) Plc. Mr. Oliva obtained his Bachelor of Science degree in Commerce, Major in Accounting (Cum Laude), from the De La Salle University. He started his career with FNCB Finance, Inc. where he held various junior managerial positions from 1973-1978. He moved to Jardine Manila Finance in 1978 as Vice President of the Metro Manila Auto Finance. In 1980, Mr. Oliva started his career as a banker at the State Investment Bank where he was Head of Corporate Sales Lending Division. In 1981, he moved to PCI Bank when he handled Corporate Banking. He joined Citibank, NA in 1988, where he exhibited his expertise in sales and headed different sales divisions (Loans, Cards and Citiphone Banking). He became a Director for various divisions such as Country Asset Sales, Credit Cards Business, Business Development and Personal Loans from November 1999 to January 2006. In January 2006, he was hired by Citibank Savings, Inc. as the Director for Personal Loans and moved back to Citibank, NA as Business Development Director in February 2007. He was rehired by Citibank Savings, Inc. as its President in December 2007. From June 2009 to July 2011, he held concurrent positions as Commercial Banking Director of Citibank NA and board member of Citibank Savings, Inc. In September 2011, he has been a designate Consultant for Consumer Banking of United Coconut Planters Bank. Mr. Oliva joined PNB on September 10, 2012.

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

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

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

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

SUBSIDIARIES

Sitting from Left to Right:
ESTHER C. TAN, *PNB Life Insurance, Inc.* • **ALBERTO E. BIENVENIDA,** *PNB Capital and Investment Corporation* • **RAMON L. LIM,** *PNB Securities, Inc.*
Standing from Left to Right:
MARY ANN A. SANTOS, *PNB Savings Bank* • **FREDDIE G. VILLADELGADO,** *Allied Leasing and Finance Corporation*
EDGARDO T. NALLAS, *Japan-PNB Leasing and Finance Corporation* • **FRANCISCO P. RAMOS,** *PNB General Insurers Co. Inc.*

ALLIED BANKING CORPORATION (HONG KONG) LIMITED

Allied Banking Corporation (Hong Kong) Limited (ABCHKL) is a majority-owned (51%) subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC). ABCHKL, 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. ABCHKL 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, investments banking and corporate services. It is also licensed and acts as an insurance agent. ABCHKL has a wholly-owned subsidiary, ACR Nominees Limited, a private limited company incorporated in Hong Kong, which provides management and corporate services. ABCHKL 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 to resident 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.

PNB SAVINGS BANK

PNB Savings Bank , formerly known as 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. In November 2014, Allied Savings Bank formally changed its name to PNB Savings Bank to give credence to PNB's expansion and status as a major player in the consumer finance industry as well as to align the image of the savings bank with its mother bank and to capitalize on the brand equity of PNB in the banking industry. PNB Savings Bank offers deposit products, remittance services, loans and trade finance.

JAPAN-PNB LEASING AND FINANCE CORPORATION

Japan-PNB Leasing and Finance Corporation operates as a financing company that provides the following services: financial lease (direct lease, sale-leaseback, lease-sublease and foreign currency leasing), operating lease (through wholly-owned subsidiary, Japan-PNB Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and floor stock financing (short term loan against assignment of inventories such as motor vehicles).

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.

In April 2014, PNB (Europe) PLC was merged with Allied Bank Philippines (UK) PLC.

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 and allied perils, marine, motor car, aviation, surety, casualty, engineering, personal accident insurance and other special products.

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 six 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 seven offices servicing the remittance requirements of Filipinos in Canada.

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 life and unit-linked or variable insurance, group insurance and other special products.

PNB SECURITIES, INC.

PNB Securities, Inc. is a wholly-owned stock brokerage subsidiary which engages in the brokerage and dealership of shares of stocks listed in the Philippine Stock Exchange.

MARKET PRICE AND DIVIDENDS ON PNB COMMON EQUITY

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 2015 are:

	2013		2014		March 2015	
	High	Low	High	Low	High	Low
Jan – Mar	107.60	87.40	87.20	75.56	87.50	76.70
Apr – Jun	117.00	75.95	94.95	81.50		
July – Sep	91.00	65.00	91.50	85.95		
Oct – Dec	99.00	77.60	88.30	76.50		

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

2. Holders

There are 30,167 shareholders as of December 31, 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)	111,384,105	8.9168655004
2	Key Landmark Investments, Ltd.	109,115,864	8.7352812437
3	PCD Nominee Corporation (Non-Filipino)	105,653,011	8.4580622056
4	Caravan Holdings Corporation	67,148,224	5.3755576884
5	Solar Holdings Corporation	67,148,224	5.3755576884
6	True Success Profits Ltd.	67,148,224	5.3755576884
7	Prima Equities & Investments Corporation	58,754,696	4.7036129774
8	Leadway Holdings, Inc.	53,470,262	4.2805670928
9	Infinity Equities, Inc.	50,361,168	4.0316682663
10	Pioneer Holdings Equities, Inc.	28,044,239	2.2450843163
11	Multiple Star Holdings Corporation	25,214,730	2.0185676946
12	Donfar Management Ltd.	25,173,588	2.0152740677
13	Uttermost Success, Ltd.	24,752,272	1.9815455738
14	Mavelstone Int'l Ltd.	24,213,463	1.9384111662
15	Kenrock Holdings Corporation	21,301,405	1.7052860761
16	Fil-Care Holdings, Inc.	20,836,937	1.6681030446
17	Fairlink Holdings Corporation	20,637,854	1.6521654354
18	Purple Crystal Holdings, Inc.	19,980,373	1.5995307292
19	Kentron Holdings & Equities Corporation	19,944,760	1.5966797270
20	Fragile Touch Investment, Ltd.	18,581,537	1.4875487754

[1/] This includes the 423,962,500 common shares issued to the stockholders of Allied Banking Corporation (ABC) relative to the merger of PNB and ABC as approved by the Securities and Exchange Commission (SEC) on January 17, 2013.

3. Dividends

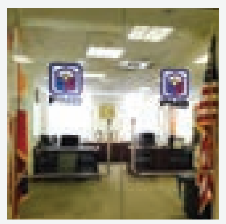
As of date, the Bank has not declared any cash dividends for the fiscal years 2013 and 2014.

HISTORY AND MILESTONES

1916

On July 22, 1916, the Philippine National Bank (PNB) 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 enfolds 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 province, funding sugar and coconut mills for export during World War which created a boom for Philippine crop exports.

1917

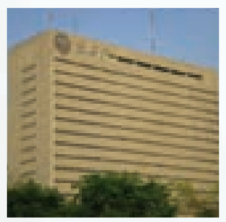


PNB released Emergency Circulating Notes in World War I. PNB released the first Emergency Circulating Notes in September 1917, during World War I, to address the issue of the shortage of coins. There was economic instability and fluctuations in silver prices which caused the hoarding of Philippine Silver coinage from 1917 to 1918 resulting into shortage of coins for circulation. The One Peso note was first of that denomination to be issued in the Philippines.

1941

PNB issues Philippine Guerilla notes. In 1941, the Filipino and US Forces defended the country against a Japanese invasion. PNB produced Philippine Guerilla Notes as a manifestation of resistance against the Japanese invasion and were issued by different provinces, valid only in certain localities. The "Iloilo Currency Committee" was created by President Quezon in a telegram dated December 29, 1941. C.S. Cervantes, manager of the PNB - Iloilo Branch, became Chairman. These notes were in circulation until the U.S. 45th Infantry Regiment surrendered to the Japanese on April 10, 1942.

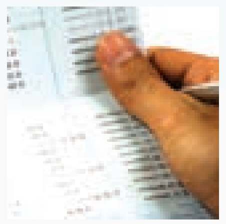
1948



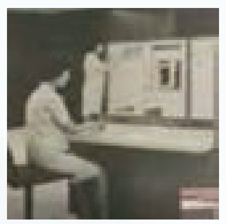
The Central Bank was established in 1948, welcoming an era of a managed currency system in the Philippines. PNB continued to have a role in central banking through its membership in the Monetary Board which was charged with the responsibility of carrying the monetary policy decisions and the general 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 of as small as P50.



1966

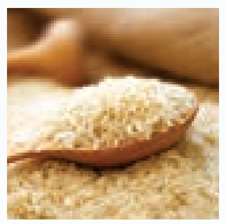


On the commemoration of PNB's Golden Anniversary, the Bank took on greater strides to expand its business operations to result in total gross earnings of P160 million translating to a high P17.7 million in net operating profit. It was also this year that PNB unveiled its modernized headquarters along 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 made history as it launched 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 featured 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

In 1980, PNB launched the first Automated Teller Machine (ATM) 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 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 began with the highly successful initial public offering of its stock in 1989. PNB's stock listing 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.

2000

From 2000 to 2005: PNB's 5-year Rehabilitation Program. In late 2000, PNB suffered a liquidity crisis and the National Government stepped in to support the Bank by implementing a capital restructuring and injecting P25 billion in liquidity assistance.

2002

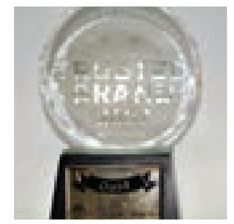
In May 2002, the Government and the Lucio Tan Group, together with investors and associates representing the group of private stockholders, sealed the Memorandum of Agreement that embodied the provisions that would help turn the Bank around. It included, among others, the settlement of Government's liquidity assistance by way of increasing the Government's stake in the Bank from 16.58% to 44.98%, in effect reducing the group's share from 68% to 44.98%. At the same time, the Bank started operating under a 5-year rehabilitation program.

2005

In August 2005, the Government, as part of its privatization program, sold down its 32.45% stake in the Bank via an auction. The private stockholders represented by the Lucio Tan Group exercised their right of first refusal, reducing the Government's share to 12.5% and raising the Lucio Tan Group's total share to 77.43%.

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 affirmed 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.

2009

In 2009, the Bank received the Global Excellence Award as Most Outstanding Remittance Bank from the Asia Pacific Awards Council.

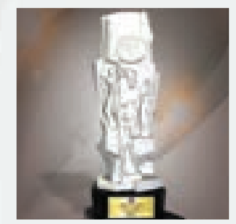
2010

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 received the Silver Award for Good Corporate Governance from the Institute of Corporate Directors (ICD). This recognition affirmed the Board of Directors, senior management's commitment to the professional practice of corporate dictatorship in line with the global principles of modern corporate governance.

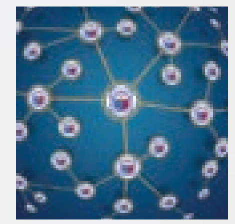
2012



PNB is the Top Commercial Bank in Generating Remittances from Overseas Filipinos; award given by the Bangko Sentral ng Pilipinas (BSP). PNB was bestowed the 2012 Top Commercial Bank in Generating Remittances from Overseas Filipinos by the Bangko Sentral ng Pilipinas in recognition of its strong remittance business across the globe. PNB generated the highest volume of remittances from overseas Filipinos. In addition, BSP elevated PNB as Hall of Fame Awardee as Best Commercial Bank Respondent for Overseas Filipino Remittances for having won the award for three straight years.

2013

PNB merged with Allied Banking Corporation on February 9, 2013 to create 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 656 branches and 850 ATMs strategically located nationwide.



2014

In May 2014, Moody's Investors Service has affirmed the Ba2/NP local and foreign currency deposit ratings of PNB and changed the outlook from stable to positive.

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
  - 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 Rate 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
- 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 / PNB *e*-Tax
    - SSS Net (via Bancnet)
    - SSS SMB-PB
    - Philhealth
    - PNB iTax

Electronic Banking Services
- Internet Banking System (IBS)
- Phone Banking
- Mobile Banking (Proprietary)
- Automated Teller Machine

Other Services
- Conduit Clearing Arrangement
- Safety Deposit Boxes

BANCASSURANCE

Non-Life Insurance
- Auto Protector Plan/Motor Safe Plus
- House Protector Plan/Home Safe Plus
- 6-in-1 Family Accident Protector Plan
- Stay Safe Plus
- ATM Safe

Life Insurance
- Premier Life Peso
- Premier Life Dollar
- Velocity
- Peso Intensify!
- Milestone Protect 360
- Milestone
- Bida!
- Hero
- Achievers
- Stars
- 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 Advantage
- Group Shield
- Group Protect
- 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)
- 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

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 (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 Conversion in the Spot Currency Market
- USD/PHP
- USD/JPY
- USD/CNY
- EUR/USD
- GBP/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

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

TRADE FINANCE 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 Transactions
Letters of Credit Facility
Trust Receipt Facility
Risk Participation
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
LGU Guarantee

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
PNB Housing Loan
PNB Home Flexi Loan
PNB Auto Loan
PNB Salary Loan
Own a Philippine Home Loan (OPHL)
Global Filipino Auto Loan (Overseas Auto Loan)
Contract to Sell Financing

Credit Cards
Essentials and Platinum MasterCard
Essentials, Platinum, and World Mabuhay Miles MasterCard
Classic and Gold Visa
Platinum and 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
PNB DREAM Builder Money Market Fund
PNB Institutional Money Market Fund

Intermediate-Term Bond Funds
PNB Plus Intermediate Term Bond Fund
PNB Profit Dollar 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
Investment Management Account (IMA)
Estate Planning
Pinnacle Club
Testamentary Trust

Corporate Trust Products
Corporate Fund Management
Employee Benefit Trust/Retirement Fund
Pre-Need Accounts

Other Fiduciary Trust Products and Services
Escrow
Guardianship
Life Insurance Trust
Facility/Loan Agency
Trust Under Indenture
LGU Bonds Trusteeship
Stock Transfer Agency
Securitization

SUBSIDIARIES

Banking
Allied Banking Corporation (Hong Kong) Limited
ACR Nominees Limited
Allied Commercial Bank
PNB 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

Stock Brokerage
PNB Securities, Inc.

FINANCIAL STATEMENTS

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR 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, 2014 and 2013 and January 1, 2013 and for each of the years ended December 31, 2014, 2013 and 2012, 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 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

REYNALDO A. MACLANG
President

NELSON C. REYES
Executive Vice President & Chief Financial Officer

14 APR 2015

SUBSCRIBED AND SWORN to before me this ____ day of April 2015 affiants exhibiting to me their Passport No., as follows:

Names	Passport No.	Date of Issue	Place of Issue
Florencia G. Tarriela	EB6620757	October 23, 2012	DFA Manila
Reynaldo A. Maclang	EC0299319	February 14, 2014	DFA Manila
Nelson C. Reyes	EC3050873	December 20, 2014	DFA NCR South

Notary Public
ATTY. MARILA N. SISON-BALAQUIOT
Commission No. 14-04; Roll No. 45151
Notary Public for Pasay City until 12/31/15
9th Floor PNB Financial Center
Pres. D.P. Macapagal Blvd., Pasay City
PTR No. 4203776/01-05-15/Pasay City
IBP No. 982957/01-06-15/Manila II

Doc.No. 430
Page No. 87
Book No. XIII
Series of 2015.

The Stockholders and the Board of Directors
Philippine National Bank
PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City

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 consolidated and parent company statements of financial position as at December 31, 2014 and 2013, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, 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 control. 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 consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 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 41 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
Partner
CPA Certificate No. 86838
SEC Accreditation No. 0115-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 129-434-735
BIR Accreditation No. 08-001998-53-2015,
March 17, 2015, valid until March 16, 2018
PTR No. 4751290, January 5, 2015, Makati City

March 27, 2015

STATEMENTS OF FINANCIAL POSITION

(In Thousands)

	Consolidated			Parent Company		
	December 31		January 1	December 31		January 1
	2014	2013 (As Restated - Note 2)	2013 (As Restated - Note 2)	2014	2013 (As Restated - Note 2)	2013 (As Restated - Note 2)
ASSETS						
Cash and Other Cash Items	₱14,628,489	₱11,804,746	₱5,599,088	₱13,865,078	₱9,700,005	₱5,548,325
Due from Bangko Sentral ng Pilipinas (Notes 7 and 17)	105,773,685	153,169,330	37,175,399	95,415,467	146,079,249	36,531,047
Due from Other Banks (Note 34)	15,591,406	14,881,541	4,042,769	5,013,357	6,146,134	3,293,782
Interbank Loans Receivable (Note 8)	7,671,437	8,405,250	11,498,756	7,671,437	8,405,250	11,498,756
Securities Held Under Agreements to Resell	–	–	18,300,000	–	–	18,300,000
Financial Assets at Fair Value Through Profit or Loss (Note 9)	17,351,626	11,709,348	4,023,065	6,695,950	3,845,673	3,965,098
Available-for-Sale Investments (Note 9)	63,091,497	80,304,149	66,997,479	55,411,588	72,696,109	64,764,040
Held-to-Maturity Investments (Note 9)	22,970,306	–	–	21,559,631	–	–
Loans and Receivables (Notes 10 and 34)	316,253,021	274,276,083	144,230,665	289,021,394	255,435,530	139,523,674
Property and Equipment (Note 11)	19,574,383	19,765,126	13,427,172	18,683,415	18,889,220	13,247,461
Investments in Subsidiaries and an Associate (Note 12)	–	–	2,391,255	24,102,612	13,502,731	6,399,163
Investment Properties (Notes 13 and 35)	20,248,482	21,452,962	15,493,026	19,752,903	21,224,934	15,425,877
Deferred Tax Assets (Note 31)	1,461,938	1,317,283	2,939,349	1,029,423	1,063,337	2,832,385
Intangible Assets (Note 14)	2,294,824	2,378,040	377,022	2,200,102	2,280,136	371,505
Goodwill (Notes 14 and 37)	13,375,407	13,375,407	–	13,515,765	13,515,765	–
Other Assets (Note 15)	5,159,331	3,436,355	1,777,820	4,178,455	2,810,178	1,464,683
TOTAL ASSETS	₱625,445,832	₱616,275,620	₱328,272,865	₱578,116,577	₱575,594,251	₱323,165,796
LIABILITIES AND EQUITY						
LIABILITIES						
Deposit Liabilities (Notes 17 and 34)						
Demand	₱101,561,040	₱125,359,053	₱28,152,296	₱100,322,249	₱118,010,984	₱28,417,452
Savings	293,201,308	285,542,213	192,793,260	284,837,113	282,722,724	192,824,803
Time	52,881,409	51,464,182	19,908,821	47,287,301	47,698,807	20,164,420
	447,643,757	462,365,448	240,854,377	432,446,663	448,432,515	241,406,675
Financial Liabilities at Fair Value Through Profit or Loss (Note 18)	10,862,025	8,074,895	6,479,821	44,264	163,084	6,479,821
Bills and Acceptances Payable (Notes 19 and 34)	19,050,058	13,171,997	13,076,901	18,526,044	13,484,476	12,718,811
Accrued Taxes, Interest and Other Expenses (Note 20)	5,441,349	5,523,523	3,914,290	5,035,156	5,009,163	3,720,769
Subordinated Debt (Note 21)	9,969,498	9,953,651	9,938,816	9,969,498	9,953,651	9,938,816
Income Tax Payable	85,505	48,448	149,050	70,001	6,186	147,911
Other Liabilities (Note 22)	33,332,758	34,798,705	17,285,251	18,629,173	20,897,845	13,398,883
	526,384,950	533,936,667	291,698,506	484,720,799	497,946,920	287,811,686
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY						
Capital Stock (Note 25)	49,965,587	43,448,337	26,489,837	49,965,587	43,448,337	26,489,837
Capital Paid in Excess of Par Value (Note 25)	31,331,251	26,499,909	2,037,272	31,331,251	26,499,909	2,037,272
Surplus Reserves (Notes 25 and 33)	537,620	524,003	569,887	537,620	524,003	569,887
Surplus (Note 25)	18,702,394	13,357,342	8,165,143	16,019,048	11,613,316	6,188,017
Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 9)	(2,336,142)	(3,581,865)	1,037,252	(2,276,501)	(3,400,929)	904,686
Remeasurement Losses on Retirement Plan (Note 29)	(2,292,833)	(1,278,372)	(781,900)	(2,249,830)	(1,262,899)	(773,837)
Accumulated Translation Adjustment (Note 25)	(59,854)	291,371	(992,620)	68,603	225,594	(61,752)
Parent Company Shares Held by a Subsidiary (Note 25)	–	–	(4,740)	–	–	–
	95,848,023	79,260,725	36,520,131	93,395,778	77,647,331	35,354,110
NON-CONTROLLING INTERESTS (Note 12)	3,212,859	3,078,228	54,228	–	–	–
	99,060,882	82,338,953	36,574,359	93,395,778	77,647,331	35,354,110
TOTAL LIABILITIES AND EQUITY	₱625,445,832	₱616,275,620	₱328,272,865	₱578,116,577	₱575,594,251	₱323,165,796

See accompanying Notes to Financial Statements.

STATEMENTS OF INCOME

(In Thousands, Except Earnings per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
INTEREST INCOME ON						
Loans and receivables (Notes 10 and 34)	₱15,191,171	₱13,118,464	₱7,451,352	₱13,994,793	₱12,558,709	₱7,313,933
Trading and investment securities (Note 9)	3,389,450	3,756,195	3,235,754	2,938,727	3,409,591	3,140,385
Deposits with banks and others (Notes 7 and 34)	1,919,766	1,585,522	659,295	1,616,415	1,361,825	633,710
Interbank loans receivable (Note 8)	19,218	19,852	14,207	19,219	18,101	14,207
	20,519,605	18,480,033	11,360,608	18,569,154	17,348,226	11,102,235
INTEREST EXPENSE ON						
Deposit liabilities (Notes 17 and 34)	2,788,400	3,655,381	3,099,782	2,614,956	3,569,034	3,112,516
Bills payable and other borrowings (Notes 19, 21 and 34)	856,927	1,076,113	1,285,120	801,114	1,027,124	1,227,690
	3,645,327	4,731,494	4,384,902	3,416,070	4,596,158	4,340,206
NET INTEREST INCOME	16,874,278	13,748,539	6,975,706	15,153,084	12,752,068	6,762,029
Service fees and commission income (Note 26)	3,545,363	3,489,065	2,224,477	2,872,162	2,611,282	1,606,236
Service fees and commission expense (Note 34)	1,004,582	1,079,749	421,372	351,287	380,154	146,341
NET SERVICE FEES AND COMMISSION INCOME	2,540,781	2,409,316	1,803,105	2,520,875	2,231,128	1,459,895
Net insurance premiums (Note 27)	2,012,773	1,816,110	526,404	–	–	–
Net insurance benefits and claims (Note 27)	1,287,497	2,306,086	302,656	–	–	–
NET INSURANCE PREMIUMS (BENEFITS AND CLAIMS)	725,276	(489,976)	223,748	–	–	–
OTHER INCOME						
Net gain on sale or exchange of assets (Note 13)	1,453,047	518,604	359,915	1,435,726	496,864	359,915
Foreign exchange gains - net (Note 23)	1,293,319	1,236,189	1,173,823	1,007,476	1,007,721	978,554
Trading and investment securities gains - net (Note 9)	1,282,367	4,618,233	5,364,809	1,234,347	4,421,504	5,273,217
Miscellaneous (Note 28)	2,242,526	1,490,980	702,172	1,419,590	984,863	396,159
TOTAL OPERATING INCOME	26,411,594	23,531,885	16,603,278	22,771,098	21,894,148	15,229,769
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 29 and 34)	7,596,633	5,988,167	3,710,029	6,582,719	5,144,506	3,214,496
Provision for impairment, credit and other losses (Note 16)	2,264,615	833,584	823,701	2,155,199	953,821	795,106
Taxes and licenses	1,863,507	1,784,886	1,134,272	1,693,907	1,681,885	1,098,754
Depreciation and amortization (Note 11)	1,495,970	1,705,660	819,546	1,342,210	1,573,934	745,672
Occupancy and equipment-related costs (Note 30)	1,471,736	1,508,237	1,004,321	1,257,625	1,298,564	801,106
Miscellaneous (Note 28)	4,813,628	5,281,824	3,419,436	3,950,882	4,827,552	3,090,318
TOTAL OPERATING EXPENSES	19,506,089	17,102,358	10,911,305	16,982,542	15,480,262	9,745,452
INCOME BEFORE INCOME TAX	6,905,505	6,429,527	5,691,973	5,788,556	6,413,886	5,484,317
PROVISION FOR INCOME TAX (Note 31)	1,410,460	1,182,038	939,615	1,369,207	1,034,471	885,781
NET INCOME	₱5,495,045	₱5,247,489	₱4,752,358	₱4,419,349	₱5,379,415	₱4,598,536
ATTRIBUTABLE TO:						
Equity holders of the Parent Company (Note 32)	₱5,358,669	₱5,146,315	₱4,742,527			
Non-controlling interests	136,376	101,174	9,831			
	₱5,495,045	₱5,247,489	₱4,752,358			
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 32)	₱4.60	₱4.82	₱7.05			

See accompanying Notes to Financial Statements.

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
NET INCOME	**₱5,495,045**	₱5,247,489	₱4,752,358	**₱4,419,349**	₱5,379,415	₱4,598,536
OTHER COMPREHENSIVE INCOME (LOSS)						
Items that recycle to profit or loss in subsequent periods:						
Net change in unrealized gain (loss) on available-for-sale investments (Note 9)	**1,257,552**	(4,412,125)	270,961	**1,115,330**	(4,296,682)	227,401
Income tax effect (Note 31)	**9,059**	(464)	23,948	**9,098**	(8,933)	19,029
	1,266,611	(4,412,589)	294,909	**1,124,428**	(4,305,615)	246,430
Accumulated translation adjustment	**(368,697)**	1,238,778	(540,912)	**(156,991)**	287,346	(395,757)
Share in equity adjustments of an associate (Note 12)	–	–	(6,795)	–	–	–
	897,914	(3,173,811)	(252,798)	**967,437**	(4,018,269)	(149,327)
Items that do not recycle to profit or loss in subsequent periods:						
Remeasurement gains (losses) on retirement plan (Note 29)	**(1,024,067)**	(503,721)	220,219	**(986,931)**	(489,062)	226,706
Income tax effect (Note 31)	**9,334**	3,253	1,938	–	–	–
	(1,014,733)	(500,468)	222,157	**(986,931)**	(489,062)	226,706
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(116,819)**	(3,674,279)	(30,641)	**(19,494)**	(4,507,331)	77,379
TOTAL COMPREHENSIVE INCOME	**₱5,378,226**	₱1,573,210	₱4,721,717	**₱4,399,855**	₱872,084	₱4,675,915
ATTRIBUTABLE TO:						
Equity holders of the Parent Company	**₱5,238,706**	₱1,314,717	₱4,711,886			
Non-controlling interests	**139,520**	258,493	9,831			
	₱5,378,226	₱1,573,210	₱4,721,717			

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 33)	Surplus (Note 25)	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 29)	Accumulated Translation Adjustment (Note 25)	Parent Company Shares Held by a Subsidiary (Note 25)	Equity in Net Unrealized Gain on AFS Investment of an Associate (Note 12)	Revaluation Increment on Land and Buildings (Note 2)	Total	Non-controlling Interest (Note 12)	Total Equity
Balance at January 1, 2014, as previously reported	**₱43,448,337**	**₱26,499,909**	**₱524,003**	**₱12,432,838**	**(₱3,581,865)**	**(₱1,278,372)**	**₱291,371**	**₱–**	**₱–**	**₱2,489,722**	**₱80,825,943**	**₱3,078,228**	**₱83,904,171**
Effect of restatement (Note 2)	–	–	–	**924,504**	–	–	–	–	–	**(2,489,722)**	**(1,565,218)**	–	**(1,565,218)**
Balance at January 1, 2014, as restated	**43,448,337**	**26,499,909**	**524,003**	**13,357,342**	**(3,581,865)**	**(1,278,372)**	**291,371**	–	–	–	**79,260,725**	**3,078,228**	**82,338,953**
Total comprehensive income (loss) for the year	–	–	–	**5,358,669**	**1,245,723**	**(1,014,461)**	**(351,225)**	–	–	–	**5,238,706**	**139,520**	**5,378,226**
Issuance of capital stock (Note 25)	**6,517,250**	**5,050,869**	–	–	–	–	–	–	–	–	**11,568,119**	–	**11,568,119**
Transaction costs on shares issuance	–	**(219,527)**	–	–	–	–	–	–	–	–	**(219,527)**	–	**(219,527)**
Declaration of dividends	–	–	–	–	–	–	–	–	–	–	–	**(4,889)**	**(4,889)**
Transfer to surplus reserves (Note 33)	–	–	**13,617**	**(13,617)**	–	–	–	–	–	–	–	–	–
Balance at December 31, 2014	**₱49,965,587**	**₱31,331,251**	**₱537,620**	**₱18,702,394**	**(₱2,336,142)**	**(₱2,292,833)**	**(₱59,854)**	**₱–**	**₱–**	**₱–**	**₱95,848,023**	**₱3,212,859**	**₱99,060,882**
Balance at January 1, 2013, as previously reported	₱26,489,837	₱2,037,272	₱569,887	₱7,266,067	₱1,037,252	(₱781,900)	(₱992,620)	(₱4,740)	₱–	₱2,816,962	₱38,438,017	₱54,228	₱38,492,245
Effect of restatement (Note 2)	–	–	–	899,076	–	–	–	–	–	(2,816,962)	(1,917,886)	–	(1,917,886)
Balance at January 1, 2013, as restated	26,489,837	2,037,272	569,887	8,165,143	1,037,252	(781,900)	(992,620)	(4,740)	–	–	36,520,131	54,228	36,574,359
Total comprehensive income (loss) for the year	–	–	–	5,146,315	(4,619,117)	(496,472)	1,283,991	–	–	–	1,314,717	258,493	1,573,210
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)
Non-controlling interest arising on a business combination (Note 37)	–	–	–	–	–	–	–	–	–	–	–	2,768,380	2,768,380
Transfer from surplus reserves (Notes 25 and 33)	–	–	(45,884)	45,884	–	–	–	–	–	–	–	–	–
Reissuance 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	₱13,357,342	(₱3,581,865)	(₱1,278,372)	₱291,371	₱–	₱–	₱–	₱79,260,725	₱3,078,228	₱82,338,953
Balance at January 1, 2012, as previously reported	₱26,489,837	₱2,037,272	₱560,216	₱2,567,178	₱742,343	(₱1,004,057)	(₱451,708)	(₱4,740)	₱6,795	₱2,816,962	₱33,760,098	₱46,847	₱33,806,945
Effect of restatement (Note 2)	–	–	–	865,109	–	–	–	–	–	(2,816,962)	(1,951,853)	–	(1,951,853)
Balance at January 1, 2012, as restated	26,489,837	2,037,272	560,216	3,432,287	742,343	(1,004,057)	(451,708)	(4,740)	6,795	–	31,808,245	46,847	31,855,092
Total comprehensive income (loss) for the year	–	–	–	4,742,527	294,909	222,157	(540,912)	–	(6,795)	–	4,711,886	9,831	4,721,717
Declaration of dividends	–	–	–	–	–	–	–	–	–	–	–	(2,450)	(2,450)
Transfer to surplus reserves (Note 33)	–	–	9,671	(9,671)	–	–	–	–	–	–	–	–	–
Balance at December 31, 2012	₱26,489,837	₱2,037,272	₱569,887	₱8,165,143	₱1,037,252	(₱781,900)	(₱992,620)	(₱4,740)	₱–	₱–	₱36,520,131	₱54,228	₱36,574,359

	Parent Company								
	Capital Stock (Note 25)	Capital Paid in Excess of Par Value (Note 25)	Surplus Reserves (Notes 25 and 33)	Surplus (Note 25)	Net Unrealized Gain (Loss) on AFS Investments (Note 9)	Remeasurement Losses on Retirement Plan (Note 29)	Accumulated Translation Adjustment (Note 25)	Revaluation Increment on Land and Buildings (Note 2)	Total Equity
Balance at January 1, 2014, as previously reported	₱43,448,337	₱26,499,909	₱524,003	₱10,688,812	(₱3,400,929)	(₱1,262,899)	₱225,594	₱2,489,722	₱79,212,549
Effect of restatement (Note 2)	–	–	–	924,504	–	–	–	(2,489,722)	(1,565,218)
Balance at January 1, 2014, as restated	43,448,337	26,499,909	524,003	11,613,316	(3,400,929)	(1,262,899)	225,594	–	77,647,331
Total comprehensive income (loss) for the year	–	–	–	4,419,349	1,124,428	(986,931)	(156,991)	–	4,399,855
Issuance of capital stock (Note 25)	6,517,250	5,050,869	–	–	–	–	–	–	11,568,119
Transaction costs on shares issuance	–	(219,527)	–	–	–	–	–	–	(219,527)
Transfer to surplus reserves (Note 33)	–	–	13,617	(13,617)	–	–	–	–	–
Balance at December 31, 2014	₱49,965,587	₱31,331,251	₱537,620	₱16,019,048	(₱2,276,501)	(₱2,249,830)	₱68,603	₱–	₱93,395,778
Balance at January 1, 2013, as previously reported	₱26,489,837	₱2,037,272	₱569,887	₱5,288,941	₱904,686	(₱773,837)	(₱61,752)	₱2,816,962	₱37,271,996
Effect of restatement (Note 2)	–	–	–	899,076	–	–	–	(2,816,962)	(1,917,886)
Balance at January 1, 2013, as restated	26,489,837	2,037,272	569,887	6,188,017	904,686	(773,837)	(61,752)	–	35,354,110
Total comprehensive income (loss) for the year	–	–	–	5,379,415	(4,305,615)	(489,062)	287,346	–	872,084
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 from surplus reserves (Notes 25 and 33)	–	–	(45,884)	45,884	–	–	–	–	–
Balance at December 31, 2013	₱43,448,337	₱26,499,909	₱524,003	₱11,613,316	(₱3,400,929)	(₱1,262,899)	₱225,594	₱–	₱77,647,331
Balance at January 1, 2012, as previously reported	₱26,489,837	₱2,037,272	₱560,216	₱734,043	₱658,256	(₱1,000,543)	₱334,005	₱2,816,962	₱32,630,048
Effect of restatement (Note 2)	–	–	–	865,109	–	–	–	(2,816,962)	(1,951,853)
Balance at January 1, 2012, as restated	26,489,837	2,037,272	560,216	1,599,152	658,256	(1,000,543)	334,005	–	30,678,195
Total comprehensive income (loss) for the year	–	–	–	4,598,536	246,430	226,706	(395,757)	–	4,675,915
Transfer to surplus reserves (Note 33)	–	–	9,671	(9,671)	–	–	–	–	–
Balance at December 31, 2012	₱26,489,837	₱2,037,272	₱569,887	₱6,188,017	₱904,686	(₱773,837)	(₱61,752)	₱–	₱35,354,110

See accompanying Notes to Financial Statements.

(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱6,905,505	₱6,429,527	₱5,691,973	₱5,788,556	₱6,413,886	₱5,484,317
Adjustments for:						
Provision for impairment, credit and other losses (Note 16)	2,264,615	833,584	823,701	2,155,199	953,821	795,106
Depreciation and amortization (Note 11)	1,495,970	1,705,660	819,546	1,342,210	1,573,934	745,672
Net gain on sale or exchange of assets (Note 13)	(1,453,047)	(518,604)	(359,915)	(1,435,726)	(496,864)	(359,915)
Realized trading gain on available-for-sale investments (Note 9)	(1,174,153)	(4,375,759)	(4,287,934)	(1,128,511)	(4,183,617)	(4,205,426)
Amortization of premium (discount) on investment securities	(694,846)	1,166,368	(717,699)	1,099,979	1,167,834	(714,460)
Loss (gain) on mark-to-market of held for trading securities (Note 9)	233,439	267,643	(46,281)	233,506	267,732	(45,769)
Amortization of fair value adjustments	222,245	117,413	–	222,245	117,413	–
Loss (gain) on mark-to-market of derivatives (Note 23)	(105,244)	529,159	(312,791)	(105,087)	530,468	(312,791)
Amortization of transaction costs (Notes 17 and 21)	38,600	34,191	21,733	38,600	34,191	21,733
Unrealized foreign exchange gain (loss) on bills payable and acceptances	33,378	(96,001)	(145,180)	33,378	(96,001)	(145,180)
Recoveries on receivable from special purpose vehicle (Note 28)	(27,000)	–	–	(27,000)	–	–
Unrealized foreign exchange loss (gain) on available-for-sale investments	(13,599)	(32,195)	348,674	(9,993)	(32,195)	348,674
Loss on write-off of software cost (Note 14)	2,648	–	–	852	–	–
Gain on mark-to-market of financial assets and liabilities designated at fair value through profit or loss (Notes 9 and 18)	(1,751)	(184,465)	(314,340)	–	(179,878)	(314,340)
Gain from step-up acquisition (Note 28)	–	(63,605)	–	–	–	–
Share in net income of an associate (Notes 12 and 28)	–	(4,975)	(10,309)	–	–	–
Gain from closure of a subsidiary (Note 12)	–	–	–	(1,917)	–	–
Changes in operating assets and liabilities:						
Decrease (increase) in amounts of:						
Interbank loan receivable (Note 8)	(178,898)	–	–	(178,898)	–	–
Financial assets at fair value through profit or loss	(5,768,722)	(1,963,492)	3,355,649	(2,978,696)	2,090,417	3,410,647
Loans and receivables	(44,553,319)	(40,625,440)	(20,406,367)	(35,839,430)	(35,766,254)	(19,544,204)
Other assets	(2,898,550)	104,526	1,020,423	(2,254,929)	(1,019,124)	1,527,640
Increase (decrease) in amounts of:						
Financial liabilities at fair value through profit or loss	2,787,130	(2,112,749)	–	(118,819)	(6,279,675)	–
Deposit liabilities	(14,994,164)	80,127,257	3,310,937	(16,258,325)	76,186,872	2,935,486
Accrued taxes, interest and other expenses	(82,174)	(14,876)	602,203	25,993	(156,016)	11,389
Other liabilities	(2,565,604)	8,221,163	1,397,859	(3,314,173)	3,152,271	803,643
Net cash generated from (used in) operations	(60,527,541)	49,544,330	(9,208,118)	(52,710,986)	44,279,215	(9,557,778)
Income taxes paid	(899,599)	(1,183,440)	(778,857)	(696,006)	(1,033,856)	(705,614)
Net cash provided by (used in) operating activities	(61,427,140)	48,360,890	(9,986,975)	(53,406,992)	43,245,359	(10,263,392)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	**2014**	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Available-for-sale investments	**₱63,379,326**	₱145,302,130	₱244,287,670	**₱56,615,134**	₱143,623,926	₱239,372,119
Investment properties	**2,849,775**	3,021,651	2,669,604	**2,830,358**	2,678,954	2,727,503
Property and equipment	**451,212**	97,256	291,204	**457,352**	126,782	276,392
Proceeds from maturities of :						
Available-for-sale investments	**368,050**	–	–	–	–	–
Held-to-maturity investments	**40,000**	–	–	–	–	–
Collection of receivables from special purpose vehicle (Notes 10 and 28)	**27,000**	258,348	575,000	**27,000**	258,348	575,000
Proceeds from redemption of placements with the Bangko Sentral ng Pilipinas	–	–	20,200,000	–	–	20,200,000
Acquisitions of:						
Available-for-sale investments	**(65,693,182)**	(141,313,335)	(254,009,801)	**(59,006,674)**	(140,290,305)	(248,911,324)
Held-to-maturity investments	**(571,602)**	–	–	**(571,602)**	–	–
Property and equipment (Note 11)	**(981,458)**	(861,312)	(704,327)	**(835,152)**	(753,771)	(636,651)
Software cost (Note 14)	**(384,951)**	(118,236)	(120,215)	**(380,474)**	(82,808)	(119,576)
Net cash acquired from merger (Note 37)	–	64,444,868	–	–	53,204,473	–
Additional investments in subsidiaries (Note 12)	–	–	–	**(10,600,000)**	–	–
Closure of subsidiaries (Note 12)	–	–	–	**2,035**	(38,267)	32,042
Net cash provided by (used in) investing activities	**(515,830)**	70,831,370	13,189,135	**(11,462,023)**	58,727,332	13,515,505
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issuances of:						
Bills and acceptances payable	**42,300,489**	65,997,725	48,061,417	**39,296,399**	64,736,812	47,023,325
Capital stock (Note 25)	**11,568,119**	–	–	**11,568,119**	–	–
Subordinated debt	–	–	3,474,112	–	–	3,474,112
Settlement of:						
Bills and acceptances payable	**(36,475,970)**	(68,957,465)	(43,297,761)	**(34,320,173)**	(66,965,983)	(41,477,692)
Subordinated debt (Note 21)	–	(4,500,000)	–	–	(4,500,000)	–
Payments for transaction cost of issuance of shares	**(219,527)**	(84,792)	–	**(219,527)**	(84,792)	–
Dividends paid to non-controlling interest	**(4,889)**	(2,873)	(2,450)	–	–	–
Net cash provided by (used in) financing activities	**17,168,222**	(7,547,405)	8,235,318	**16,324,818**	(6,813,963)	9,019,745
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(44,774,748)**	111,644,855	11,437,478	**(48,544,197)**	95,158,728	12,271,858
CASH AND CASH EQUIVALENTS AT BEGINNING 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 Bangko Sentral ng Pilipinas	**153,169,330**	37,175,399	17,952,795	**146,079,249**	36,531,047	17,292,594
Due from other banks	**14,881,541**	4,042,769	6,423,981	**6,146,134**	3,293,782	4,906,698
Interbank loans receivable (Note 8)	**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
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**14,628,489**	11,804,746	5,599,088	**13,865,078**	9,700,005	5,548,325
Due from Bangko Sentral ng Pilipinas	**105,773,685**	153,169,330	37,175,399	**95,415,467**	146,079,249	36,531,047
Due from other banks	**15,591,406**	14,881,541	4,042,769	**5,013,357**	6,146,134	3,293,782
Interbank loans receivable (Note 8)	**7,492,539**	8,405,250	11,498,756	**7,492,539**	8,405,250	11,498,756
Securities held under agreements to resell	–	–	18,300,000	–	–	18,300,000
	₱143,486,119	₱188,260,867	₱76,616,012	**₱121,786,441**	₱170,330,638	₱75,171,910
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest paid	**₱3,387,941**	₱4,628,585	₱4,381,425	**₱3,150,615**	₱4,522,239	₱4,332,906
Interest received	**22,270,498**	17,100,983	12,232,534	**22,147,995**	16,117,367	11,978,131
Dividends received	**2,409**	3,399	2,418	**79,744**	81,562	25,219

See accompanying Notes to Financial Statements.

(Amounts in Thousand 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, Metro Manila. As of December 31, 2014, the Lucio Tan Group Inc. (LTG) held indirect ownership of 59.83% of the Parent Company's shares through its various subsidiaries, while 17.95% of the Parent Company's shares are held by various holding 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 21.03% of the Parent Company's shares are held by other stockholders. 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 were held by various holding 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 were held by other stockholders.

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 657 and 656 domestic branches as of December 31, 2014 and December 31, 2013, respectively.

The Parent Company has the largest overseas network among Philippine banks with 77 and 81 branches, representative offices, remittance centers and subsidiaries as of December 31, 2014 and December 31, 2013, 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 nonlife insurance, commercial and retail 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 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 (Note 37). 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 consideration 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 capitalize 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. Amounts in the 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, 2013 is presented in these financial statements due to retrospective application of certain accounting policy as discussed in the 'Changes in Accounting Policies and Disclosures' section of this note.

The financial statements of the Parent Company and PNB Savings Bank (PNB SB) 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.

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 in Note 12.

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

Presentation of Financial Statements
The statements of financial position of the Group and of the Parent Company are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position only when there is a legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expense are not offset in the statements of income unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies. This is not generally the case with master netting agreements, where the related assets and liabilities are presented at gross amounts in the statement of financial position.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (Note 12).

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable return from its involvement with an investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement with the other voting shareholders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses and other comprehensive income (OCI) of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in deficit balances of non-controlling interests. 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.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- 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; and
- reclassifies the parent's share of components previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets and liabilities.

<u>Non-controlling Interests</u>
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. Subsequent to acquisition (See Accounting Policy on Business Combinations and Goodwill), non-controlling interests consist of the amount attributed to such interest at initial recognition and the non-controlling interests' share of changes in equity since the date of business combination.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if that results in the NCI having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and NCI are adjusted by the Group to reflect the changes in its relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

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, 2014. Changes in the accounting policies that did not have any significant impact on the financial position or performance of the Group follow:

New and Revised Standards and Interpretations
- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 27, *Separate Financial Statements*)
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
- Philippine Interpretation IFRIC 21, *Levies*

Annual Improvements to PFRSs (2010-2012 cycle)
- PFRS 13, *Fair Value Measurement*

Annual Improvements to PFRSs (2011-2013 cycle)
- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*

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

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments have no impact on the Group's financial position or performance. The additional disclosures required by the amendments are presented in Note 36.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The additional disclosures required by the amendments are presented in Notes 11, 13 and 15 to financial statements.

<u>Restatement</u>
In 2014, the Group was mandated by the BSP to change the method of accounting for land and buildings classified as 'Property and Equipment' from revaluation model to cost model in accordance with BSP Circular No. 520, issued on March 20, 2006, which requires Philippine banks to account for their premises using the cost model under PAS 16, *Property, Plant and Equipment*.

The Group has previously measured land and buildings using the revaluation model as set out in PAS 16, whereby after initial recognition, these assets were re-measured at fair value at the date of revaluation less any subsequent accumulated impairment losses for land and less subsequent accumulated depreciation and any subsequent accumulated impairment losses for buildings.

Under the cost model, land will be measured at cost less any accumulated impairment losses and buildings will be measured at cost less accumulated depreciation and any accumulated impairment losses. Management used the deemed cost approach in determining the initial costs of the land and building. The Parent Company used the 2002 market values as the deemed cost which was the amount approved by the Monetary Board as part of the Parent Company's rehabilitation plan (Note 25).

Additional statement of financial position as at January 1, 2013 is presented in the consolidated financial statements due to retrospective application of the change in accounting policy. The effects of retrospective restatement of items in the financial statements are detailed below:

	Consolidated		
	December 31, 2013		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Property and Equipment	₱22,618,359	(₱2,853,233)	₱19,765,126
Deferred Tax Assets	253,946	1,063,337	1,317,283
Other Liabilities	35,023,383	(224,678)	34,798,705
Surplus	12,432,838	924,504	13,357,342
Revaluation Increment on Land and Buildings	2,489,722	(2,489,722)	–

	Consolidated		
	For the year ended December 31, 2013		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Depreciation and amortization	₱1,741,986	(₱36,326)	₱1,705,660
Provision for income tax	1,171,140	10,898	1,182,038
Basic/diluted earnings per share*	4.88	(0.06)	4.82
Other comprehensive income			
Net changes in revaluation increment on land and buildings	(467,486)	467,486	–
Income tax effect	140,246	(140,246)	–

* *Effect of restatement include retrospective impact of the bonus element of stock rights issue on the weighted average number of common shares*

	Consolidated		
	January 1, 2013		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Property and Equipment	₱16,503,725	(₱3,076,553)	₱13,427,172
Deferred Tax Assets	1,780,682	1,158,667	2,939,349
Surplus	7,266,067	899,076	8,165,143
Revaluation Increment on Land and Buildings	2,816,962	(2,816,962)	–

	Consolidated		
	For the year ended December 31, 2012		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Depreciation and amortization	₱868,070	(₱48,524)	₱819,546
Provision for income tax	925,058	14,557	939,615
Basic/diluted earnings per share*	7.11	(0.06)	7.05

* *Effect of restatement include retrospective impact of the bonus element of stock rights issue on the weighted average number of common shares*

	Consolidated		
	January 1, 2012		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Surplus	₱2,567,178	₱865,109	₱3,432,287
Revaluation Increment on Land and Buildings	2,816,962	(2,816,962)	–

	Parent Company		
	December 31, 2013		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Property and Equipment	₱21,742,453	(₱2,853,233)	₱18,889,220
Deferred Tax Assets	–	1,063,337	1,063,337
Other Liabilities	21,122,523	(224,678)	20,897,845
Surplus	10,688,812	924,504	11,613,316
Revaluation Increment on Land and Buildings	2,489,722	(2,489,722)	–

	Parent Company		
	For the year ended December 31, 2013		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Depreciation and amortization	₱1,610,260	(₱36,326)	₱1,573,934
Provision for income tax	1,023,573	10,898	1,034,471
Other comprehensive income			
Net changes in revaluation increment on land and buildings	(467,486)	467,486	–
Income tax effect	140,246	(140,246)	–

	Parent Company		
	January 1, 2013		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Property and Equipment	₱16,324,014	(₱3,076,553)	₱13,247,461
Deferred Tax Assets	1,673,718	1,158,667	2,832,385
Surplus	5,288,941	899,076	6,188,017
Revaluation Increment on Land and Buildings	2,816,962	(2,816,962)	–

	Parent Company		
	For the year ended December 31, 2012		
	As previously reported	Effect of restatement	As restated
Statement of Comprehensive Income			
Statement of income			
Depreciation and amortization	₱794,196	(₱48,524)	₱745,672
Provision for income tax	871,224	14,557	885,781

	Parent Company		
	January 1, 2012		
	As previously reported	Effect of restatement	As restated
Statement of Financial Position			
Surplus	₱734,043	₱865,109	₱1,599,152
Revaluation Increment on Land and Buildings	2,816,962	(2,816,962)	–

Change in Presentation

The Group reclassified certain accounts in the comparative consolidated financial statements to conform to the 2014 presentation, which takes into account the nature of the transactions, as well as general financial statements preparation. The income and expense accounts directly related to the insurance business of PNB General Insurers, Inc. (PNB Gen) and PNB Life Insurance, Inc. (PNB LII) were reclassified from 'Miscellaneous income' and 'Miscellaneous expense' to 'Service fees and commission income', 'Service fees and commission expense', 'Net insurance premium' and 'Net insurance benefits and claims'. The change in presentation did not have any impact on the previously reported amounts in the consolidated statements of financial position and consolidated statements of cash flows.

The effects of change in presentation on the consolidated financial statements are as follows:

	December 31, 2013		
	As previously reported	Adjustments	As restated
Service fees and commission income	₱3,341,136	₱147,929	₱3,489,065
Service fees and commission expense	906,719	173,030	1,079,749
Net insurance premiums	–	1,816,110	1,816,110
Net insurance benefits and claims	–	2,306,086	2,306,086
Miscellaneous income	2,008,855	(517,875)	1,490,980
Miscellaneous expense	6,314,776	(1,032,952)	5,281,824

	December 31, 2012		
	As previously reported	Adjustments	As restated
Service fees and commission income	₱2,130,663	₱93,814	₱2,224,477
Service fees and commission expense	254,447	166,925	421,372
Net insurance premiums	–	526,404	526,404
Net insurance benefits and claims	–	302,656	302,656
Miscellaneous income	852,809	(150,637)	702,172

The total consolidated net income and earnings per share did not change after the reclassification.

Significant Accounting Policies

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred 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. 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 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 CGUs 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 CGU 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 this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU 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.

<u>Foreign Currency Translation</u>
The financial statements are presented in Php, which is also the Parent Company's functional currency. The books of accounts of the RBU are maintained in Php while those of the FCDU are maintained in USD. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's units or entities at their respective functional currency spot rates at the date the transaction qualifies for recognition. Foreign currency-denominated monetary assets and liabilities are translated to the entity's functional currency based on the closing exchange rate prevailing at end of year, and foreign currency-denominated income and expenses at weighted average exchange rate for the period. Foreign exchange differences arising from revaluation of foreign currency-denominated monetary assets and liabilities of the entities are credited to or charged against operations in the period in which foreign exchange 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. Non-monetary assets measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

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.

<u>Insurance Product Classification</u>
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.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable. Investment contracts mainly transfer financial risk but can also transfer insignificant insurance 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 has expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the 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 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.

<u>Cash and Cash Equivalents</u>
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. Due from BSP includes statutory reserves required by the BSP, which the Group considers as cash equivalents wherein drawings can be made to meet cash requirements.

<u>Fair Value Measurement</u>
The Group measures financial instruments such as financial assets and liabilities at FVPL and AFS investments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

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 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.

If an asset or a liability measured at fair value has a bid price and ask price, the price within the bid-ask spread is the most representative of fair value in the circumstance shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. A fair value measurement of a nonfinancial 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 in Note 5, based on the lowest level input that is significant to the fair value measurement as a whole.

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, the date that an asset is delivered to or by the Group. 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, held-to-maturity (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.

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 contracts 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 and currency swaps, 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.

Financial assets or financial liabilities held-for-trading
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 (HFT) 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 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 at least the following two financial years.

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 effective interest rate (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. 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’, ‘Due from BSP’, ‘Due from Other Banks’, ‘Interbank Loans Receivable’ and ‘Securities Held Under Agreements to Resell’.

These are non-derivative 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 Finance Corporation (Japan-PNB Leasing) and Allied Leasing and Finance Corporation (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 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. 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 change in 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 effective interest method. 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. 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.

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.

Reclassification of financial assets
The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading 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 AFS investments category 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.

For reclassifications from AFS, the fair value carrying amount at the date of reclassification becomes the new amortized cost and any previous gain or loss that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method.

<u>Derecognition of Financial Assets and Liabilities</u>
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 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', 'Due from 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 an 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 credit risk characteristics such 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 the 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 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 'Recoveries' under 'Miscellaneous income' in the statement of income.

The consumer loans and credit card receivables of the Group are assessed for impairment collectively because these receivables are not individually significant. The carrying amount of these receivables is reduced for impairment through the use of an allowance account and the amount of loss is recognized under 'Provision for impairment, credit and other losses' in the statement of income. Consumer loans and credit card receivables, together with the associated allowance accounts, are written off if the accounts are 360 days past due and 180 days past due, respectively. If a write-off is later recovered, any amounts formerly charged to allowance for credit losses are credited to 'Recoveries' under 'Miscellaneous income' in the statement of income. Past due accounts include accounts with no payments or with payments less than the minimum amount due on or before the due dates.

The allowance for credit losses of consumer loans and credit card receivables are determined based on the net flow rate methodology. Net flow tables are derived from account-level monitoring of monthly movements between different stage buckets, from 1-day past due to 180-days past due. The net flow rate methodology relies on the last 60 months for consumer loans and 24 months for credit card receivables of net flow tables to establish a percentage (net flow rate) of receivables that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 days past due) as of the reporting date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of the reporting date and the net flow rates determined for the current and each delinquency bucket.

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 the 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. The Group treats 'significant' generally as 20.00% or more and 'prolonged' greater than 12 months. 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.

Reinsurance assets
An impairment review is performed at each reporting period date 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.

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 on trade receivables are initially recognized in the financial statements at fair value under 'Bills and Acceptances Payable' or '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 statement of income in 'Miscellaneous expenses'. 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.

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'.

The aggregate reserve for life policies represents the accumulated total liability for policies in force as of 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 'Other 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.

Claims provision and IBNR losses
Outstanding claims provisions are based on the estimated ultimate cost to all claims incurred but not settled at the reporting date, whether reported or not, together with the 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 reporting date. 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 is discharged or cancelled or has expired.

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 Deferred Acquisition Cost (DAC). 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.

Investments in Subsidiaries and an 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). In the Parent Company's separate financial statements, investments in subsidiaries are carried at cost less impairment loss, if any.

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 while in the Parent Company financial statements, investment in an associate is accounted at cost less impairment loss, if any.

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 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.

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 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 FVPL and AFS investments, interest income is recorded using 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 'Interest 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, 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.

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, commissions, 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 the other participants.

Interchange fee and revenue from rewards redeemed
'Interchange fees' are taken up as income 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 redeemed. 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' 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 of 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 ends 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.

<u>Expenses</u>
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.

<u>Policy Loans</u>
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.

<u>Reinsurance</u>
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.

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

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 'Service fees and commission expense' in the 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

Land is stated at cost less any impairment in value and depreciable properties such as buildings, long-term leasehold land, leasehold improvements, and furniture, fixture and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

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. Long-term leasehold land is amortized over the term of the lease. Leasehold improvements are amortized over lease term and 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
Long-term leasehold land	46 - 50
Leasehold improvements	10 or the lease term, whichever is shorter

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.

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 reliably 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 10 to 25 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 CGU 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 derecognition 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 statement of income when the asset is derecognized.

Software costs
Software costs, included in '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 intangibles (CRI) and core deposit intangibles (CDI) 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.

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.

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 CGU 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. 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 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. After such 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
The Parent Company assesses at each reporting date whether there is any indication that its investment in subsidiaries 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 CGU's 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 CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated (or to the aggregate carrying amount of a group of CGUs to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the 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.

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 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 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.

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.

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. These amounts are calculated periodically by independent qualified actuaries.

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 government 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 the statement of income.

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.

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. For leave entitlements expected to be settled for more than twelve months after the reporting date, the estimated liability is actuarially determined and reported under 'Accrued Taxes, Interest and Other Expenses' in the statement of financial position.

<u>Provisions</u>
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 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.

<u>Contingent Liabilities and Contingent Assets</u>
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.

<u>Income Taxes</u>
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 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.

<u>Parent Company Shares Held by a Subsidiary</u>
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.

<u>Earnings per Share</u>
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.

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:

'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 (i.e. overseas branches and subsidiaries) 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.

PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
PFRS 9 (2010 version) 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. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

Philippine Interpretation IFRIC 15, *Agreements for the 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 FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Effective 2015
PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a performance condition must contain a service condition
- a performance target must be met while the counterparty is rendering service
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- a performance condition may be a market or non-market condition
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39. 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 are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective 2016
PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments

are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Parent Company is currently assessing the impact of adopting this standard.

PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016. This amendment is not expected to have any impact to the Group as the Group does not have any investment in associate or joint venture.

PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider these amendments for future acquisitions of joint operations.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective 2018
PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for nonfinancial items, provided that the risk component is

separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

PFRS 9 (2014 or final version)
In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach in measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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 leases

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.

Finance leases

Group as lessor

The Group, as lessor, 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 statement of financial position cannot be derived from active markets, they are determined using valuation techniques that include the use of mathematical models (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 (Note 35).

(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:

- 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);
- the currency in which funds from financing activities are generated; and
- 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 voting shareholders of the investee or rights arising from other contractual arrangements which give 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.

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 10 and 15 for the carrying values of loans and receivables and receivable from SPVs, respectively.

(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) *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 31.

(d) *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 on 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 37 for the details of the fair values of the identifiable assets and liabilities assumed from business combination.

(e) *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 29.

(f) *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 an 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.

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 an associate and other nonfinancial assets are disclosed in Notes 11, 12, 13, 14 and 15.

(g) *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 14 and 37.

(h) *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 (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.

The carrying value of aggregate reserves for life policies is included in the 'Insurance contract liabilities' disclosed in Note 22.

(i) *Valuation of insurance contracts*
Estimates have to be made both for the expected ultimate cost of claims reported 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.

The carrying values of total provisions for claims reported and claims IBNR are included in the 'Insurance contract liabilities' disclosed in Note 22.

(j) *Estimated useful lives of property and equipment, investment properties, intangibles and chattel mortgage properties*
The Group estimates the useful lives of its property and equipment, investment properties, intangibles and chattel mortgage properties.

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 chattel mortgage properties.

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

Refer to Notes 11, 13, 14 and 15 for the carrying values of property and equipment, investment properties, intangibles and chattel mortgage properties, 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 defines material risks (at group level) as those risks from any business activity large enough to threaten the Parent Company's capital position to drop below its desired level; resulting in either a ₱13.5 billion increase in risk weighted assets or a ₱2.0 billion reduction in earnings and/or qualifying capital which translate into a reduction in CAR by 50 bps.

Resulting from the assessments based on the premise identified above, the Parent Company agreed on the following thirteen (13) material risks, which are grouped under Pillar 1 and Pillar 2 risks, and shall be covered in the ICAAP document and required for monitoring.

Pillar 1 Risks:
1. Credit risk (includes counterparty and country risks)
2. Market risk
3. Operational risk

Pillar 2 Risks:
4. Credit concentration risk
5. Interest rate risk in banking book (IRRBB)
6. Liquidity risk
7. Reputational/customer franchise risk
8. Strategic business risk
9. Information technology risk (includes information security risk)
10. New regulations risk
11. Litigations risk
12. Process management risk
13. Natural events risk

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).

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

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.

Unit-linked financial assets
The Group issues unit-linked insurance policies. In the unit-linked business, the policy holder bears the investment risk in the assets held in the unit-linked funds as the policy benefits are directly linked to the values of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

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 - deposit hold outs, 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 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.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements for the Group and the Parent Company is shown below:

	Consolidated			
	2014			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Loans and receivables:				
Receivables from customers*:				
Business loans				
Fully Secured	₱45,941,480	₱142,034,872	₱–	₱45,941,480
Partially Secured	29,917,987	10,935,359	18,982,628	10,935,359
Unsecured	161,572,827	–	161,572,827	–
	237,432,294	152,970,231	180,555,455	56,876,839
Consumers				
Fully Secured	14,226,938	38,235,981	–	14,226,938
Partially Secured	5,295,459	2,222,707	3,072,752	2,222,707
Unsecured	9,719,100	–	9,719,100	–
	29,241,497	40,458,688	12,791,852	16,449,645
GOCCs and National Government Agencies (NGAs)				
Fully Secured	99,817	108,119	–	99,817
Partially Secured	3,076,563	114,750	2,961,813	114,750
Unsecured	17,074,926	–	17,074,926	–
	20,251,306	222,869	20,036,739	214,567
LGUs				
Fully Secured	263,445	674,728	–	263,445
Partially Secured	917,823	383,781	534,042	383,781
Unsecured	7,152,880	–	7,152,880	–
	8,334,148	1,058,509	7,686,922	647,226
Fringe benefits				
Fully Secured	306,374	876,681	–	306,374
Partially Secured	65,158	45,724	19,434	45,724
Unsecured	178,260	–	178,260	–
	549,792	922,405	197,694	352,098
Unquoted debt securities:				
Fully Secured	3,727,599	3,727,599	–	3,727,599
Unsecured	697,406	–	697,406	–
	4,425,005	3,727,599	697,406	3,727,599
Other receivables:				
Fully Secured	132,027	418,752	–	132,027
Partially Secured	4,223,664	3,124,673	1,098,991	3,124,673
Unsecured	11,100,256	–	11,100,256	–
	15,455,947	3,543,425	12,199,247	3,256,700
	₱315,689,989	₱202,903,726	₱234,165,315	₱81,524,674

**Receivables from customers exclude residual value of the leased asset (Note 10).*

	Consolidated 2013			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Loans and receivables:				
Receivables from customers*:				
Business loans				
Fully Secured	₱43,499,547	₱105,514,325	₱–	₱43,499,547
Partially Secured	19,411,725	7,195,963	12,215,762	7,195,963
Unsecured	124,243,974	–	124,243,974	–
	187,155,246	112,710,288	136,459,736	50,695,510
Consumers				
Fully Secured	17,235,038	25,969,907	–	17,235,038
Partially Secured	2,387,834	740,080	1,647,754	740,080
Unsecured	6,294,688	–	6,294,688	–
	25,917,560	26,709,987	7,942,442	17,975,118
GOCCs and NGAs				
Fully Secured	1,139	7,313	–	1,139
Unsecured	25,707,993	–	25,707,993	–
	25,709,132	7,313	25,707,993	1,139
LGUs				
Fully Secured	411,851	781,338	–	411,851
Partially Secured	976,322	427,045	549,277	427,045
Unsecured	7,122,447	–	7,122,447	–
	8,510,620	1,208,383	7,671,724	838,896
Fringe benefits				
Fully Secured	368,830	954,851	–	368,830
Partially Secured	76,459	51,664	24,795	51,664
Unsecured	140,259	–	140,259	–
	585,548	1,006,515	165,054	420,494
Unquoted debt securities:				
Fully Secured	6,800,775	6,800,775	–	6,800,775
Unsecured	494,756	–	494,756	–
	7,295,531	6,800,775	494,756	6,800,775
Other receivables:				
Fully Secured	7,564	11,870	–	7,564
Partially Secured	4,266,072	2,526,491	1,739,581	2,526,491
Unsecured	14,424,039	–	14,424,039	–
	18,697,675	2,538,361	16,163,620	2,534,055
	₱273,871,312	₱150,981,622	₱194,605,325	₱79,265,987

Receivables from customers exclude residual value of the leased asset (Note 10).

	Parent Company 2014			
	Gross Maximum Exposure	**Fair Value of Collateral**	**Net Exposure**	**Financial Effect of Collateral**
Loans and receivables:				
Receivables from customers:				
Business loans				
Fully Secured	**₱33,944,174**	**₱120,468,607**	**₱–**	**₱33,944,174**
Partially Secured	**29,784,049**	**10,839,496**	**18,944,553**	**10,839,496**
Unsecured	**162,651,145**	**–**	**162,651,145**	**–**
	226,379,368	**131,308,103**	**181,595,698**	**44,783,670**
Consumers				
Fully Secured	**12,499,585**	**33,846,367**	**–**	**12,499,585**
Partially Secured	**780,649**	**399,484**	**381,165**	**399,484**
Unsecured	**6,707,708**	**–**	**6,707,708**	**–**
	19,987,942	**34,245,851**	**7,088,873**	**12,899,069**
GOCCs and NGAs				
Fully Secured	**99,817**	**108,119**	**–**	**99,817**
Partially Secured	**3,076,563**	**114,750**	**2,961,813**	**114,750**
Unsecured	**17,074,926**	**–**	**17,074,926**	**–**
	20,251,306	**222,869**	**20,036,739**	**214,567**
LGUs				
Fully Secured	**263,445**	**674,728**	**–**	**263,445**
Partially Secured	**917,823**	**383,781**	**534,042**	**383,781**
Unsecured	**7,152,880**	**–**	**7,152,880**	**–**
	8,334,148	**1,058,509**	**7,686,922**	**647,226**
Fringe benefits				
Fully Secured	**306,374**	**876,681**	**–**	**306,374**
Partially Secured	**54,479**	**36,265**	**18,214**	**36,265**
Unsecured	**175,435**	**–**	**175,435**	**–**
	536,288	**912,946**	**193,649**	**342,639**
Unquoted debt securities:				
Fully Secured	**3,727,599**	**3,727,599**	**–**	**3,727,599**
Unsecured	**397,406**	**–**	**397,406**	**–**
	4,125,005	**3,727,599**	**397,406**	**3,727,599**
Other receivables:				
Partially Secured	**4,168,905**	**3,069,914**	**1,098,991**	**3,069,914**
Unsecured	**5,238,432**	**–**	**5,238,432**	**–**
	9,407,337	**3,069,914**	**6,337,423**	**3,069,914**
	₱289,021,394	**₱174,545,791**	**₱223,336,710**	**₱65,684,684**

	Parent Company			
	2013			
	Gross Maximum Exposure	Fair Value of Collateral	Net Exposure	Financial Effect of Collateral
Loans and receivables:				
Receivables from customers:				
Business loans				
Fully Secured	₱34,823,869	₱90,931,701	₱–	₱34,823,869
Partially Secured	18,921,111	6,895,392	12,025,719	6,895,392
Unsecured	123,805,519	–	123,805,519	–
	177,550,499	97,827,093	135,831,238	41,719,261
Consumers				
Fully Secured	15,108,890	21,660,526	–	15,108,890
Partially Secured	2,387,834	740,080	1,647,754	740,080
Unsecured	6,249,552	–	6,249,552	–
	23,746,276	22,400,606	7,897,306	15,848,970
GOCCs and NGAs				
Fully Secured	1,139	7,313	–	1,139
Unsecured	25,707,993	–	25,707,993	–
	25,709,132	7,313	25,707,993	1,139
LGUs				
Fully Secured	411,851	781,338	–	411,851
Partially Secured	976,322	427,045	549,277	427,045
Unsecured	7,122,447	–	7,122,447	–
	8,510,620	1,208,383	7,671,724	838,896
Fringe benefits				
Fully Secured	368,830	954,851	–	368,830
Partially Secured	76,459	51,664	24,795	51,664
Unsecured	126,085	–	126,085	–
	571,374	1,006,515	150,880	420,494
Unquoted debt securities:				
Partially Secured	6,800,775	6,800,775	–	6,800,775
Unsecured	112,134	–	112,134	–
	6,912,909	6,800,775	112,134	6,800,775
Other receivables:				
Fully Secured	–	–	–	–
Partially Secured	4,266,072	2,526,491	1,739,581	2,526,491
Unsecured	8,168,648	–	8,168,648	–
	12,434,720	2,526,491	9,908,229	2,526,491
	₱255,435,530	₱131,777,176	₱187,279,504	₱68,156,026

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 35 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:

	Consolidated			
	2014			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets****	**Total**
Philippines	**₱312,989,391**	**₱94,532,543**	**₱107,535,776**	**₱515,057,710**
Asia (excluding the Philippines)	**1,966,468**	**4,624,097**	**12,848,832**	**19,439,397**
USA and Canada	**668,259**	**1,087,170**	**5,920,686**	**7,676,115**
Other European Union Countries	**–**	**2,619,545**	**1,836,912**	**4,456,457**
United Kingdom	**9,531**	**550,074**	**1,921,417**	**2,481,022**
Middle East	**56,340**	**–**	**17,857**	**74,197**
	₱315,689,989	**₱103,413,429**	**₱130,081,480**	**₱549,184,898**

* *Loans and receivables exclude residual value of the leased asset (Note 10).*

** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Security deposits', Return checks and other cash items', 'Revolving fund and petty cash fund', 'Receivable from SPV' and 'Miscellaneous COCI'.*

	Consolidated			
	2013			
	Loans and receivables*	Trading and investment securities	Other financial assets**	Total
Philippines	₱266,286,268	₱83,052,661	₱160,506,228	₱509,845,157
Asia (excluding the Philippines)	7,052,789	3,651,120	10,789,699	21,493,608
USA and Canada	516,758	932,638	2,485,430	3,934,826
Other European Union Countries	–	4,377,078	1,450,518	5,827,596
United Kingdom	15,270	–	1,244,605	1,259,875
Middle East	227	–	247,972	248,199
	₱273,871,312	₱92,013,497	₱176,724,452	₱542,609,261

* *Loans and receivables exclude residual value of the leased asset (Note 10).*

** *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Security deposits', Return checks and other cash items', 'Revolving fund and petty cash fund', 'Receivable from SPV' and 'Miscellaneous COCI'.*

	Parent Company			
	2014			
	Loans and receivables	**Trading and investment securities**	**Other financial assets***	**Total**
Philippines	**₱288,201,556**	**₱74,794,208**	**₱99,066,079**	**₱462,061,843**
Asia (excluding the Philippines)	**218,189**	**4,623,475**	**3,878,634**	**8,720,298**
USA and Canada	**545,309**	**1,087,170**	**3,953,016**	**5,585,495**
Other European Union Countries	**–**	**2,619,545**	**1,804,225**	**4,423,770**
United Kingdom	**–**	**542,771**	**409,227**	**951,998**
Middle East	**56,340**	**–**	**17,856**	**74,196**
	₱289,021,394	**₱83,667,169**	**₱109,129,037**	**₱481,817,600**

* *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Security deposits', Return checks and other cash items', 'Revolving fund and petty cash fund', 'Receivable from SPV' and 'Miscellaneous COCI'.*

	Parent Company			
	2013			
	Loans and receivables	Trading and investment securities	Other financial assets*	Total
Philippines	₱254,949,662	₱68,027,162	₱152,858,259	₱475,835,083
Asia (excluding the Philippines)	135,410	3,517,502	3,810,775	7,463,687
USA and Canada	350,231	620,040	2,399,015	3,369,286
Other European Union Countries	–	4,377,078	1,406,217	5,783,295
United Kingdom	–	–	149,735	149,735
Middle East	227	–	247,972	248,199
	₱255,435,530	₱76,541,782	₱160,871,973	₱492,849,285

* *Other financial assets include the following financial assets: 'Due from BSP', 'Due from other banks', 'Interbank loans receivable', 'Securities held under agreements to resell', 'Security deposits', Return checks and other cash items', 'Revolving fund and petty cash fund', 'Receivable from SPV' and 'Miscellaneous COCI'.*

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.

	Consolidated			
	2014			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
Primary target industry:				
Financial intermediaries	**₱38,125,004**	**₱6,167,566**	**₱23,262,843**	**₱67,555,413**
Electricity, gas and water	**43,518,849**	**3,147,109**	**–**	**46,665,958**
Wholesale and retail	**43,900,100**	**–**	**–**	**43,900,100**
Manufacturing	**39,526,216**	**197,113**	**–**	**39,723,329**
Public administration and defense	**23,424,634**	**–**	**–**	**23,424,634**
Transport, storage and communication	**19,273,964**	**–**	**–**	**19,273,964**
Agriculture, hunting and forestry	**6,061,813**	**–**	**–**	**6,061,813**

(Forward)

	Consolidated			
	2014			
	Loans and receivables*	**Trading and investment securities**	**Other financial assets*****	**Total**
Secondary target industry:				
Government	**₱4,904,316**	**₱66,196,124**	**₱105,773,685**	**₱176,874,125**
Real estate, renting and business activities	**39,119,461**	**7,813,496**	**–**	**46,932,957**
Construction	**8,503,212**	**–**	**–**	**8,503,212**
Others**	**49,332,420**	**19,892,021**	**1,044,952**	**70,269,393**
	₱315,689,989	**₱103,413,429**	**₱130,081,480**	**₱549,184,898**

* *Loans and receivables exclude residual value of the leased asset (Note 10).*

** *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', 'Security deposits', Return checks and other cash items', 'Revolving fund and petty cash fund', 'Receivable from SPV' and 'Miscellaneous COCI'.*

	Consolidated			
	2013			
	Loans and receivables*	Trading and investment securities	Other financial assets***	Total
Primary target industry:				
Financial intermediaries	₱21,966,522	₱14,753,869	₱23,286,791	₱60,007,182
Electricity, gas and water	38,863,691	1,542,333	–	40,406,024
Wholesale and retail	42,697,115	–	–	42,697,115
Manufacturing	30,920,301	585,297	–	31,505,598
Public administration and defense	24,309,041	–	–	24,309,041
Transport, storage and communication	17,656,569	–	–	17,656,569
Agriculture, hunting and forestry	3,821,885	–	–	3,821,885
Secondary target industry:				
Government	7,918,042	60,858,662	153,169,330	221,946,034
Real estate, renting and business activities	35,717,259	5,184,884	–	40,902,143
Construction	6,931,473	–	–	6,931,473
Others**	43,069,414	9,088,452	268,331	52,426,197
	₱273,871,312	₱92,013,497	₱176,724,452	₱542,609,261

* *Loans and receivables exclude residual value of the leased asset (Note 10).*

** *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', 'Security deposits', Return checks and other cash items', 'Revolving fund and petty cash fund', 'Receivable from SPV' and 'Miscellaneous COCI'.*

	Parent Company			
	2014			
	Loans and receivables	**Trading and investment securities**	**Other financial assets****	**Total**
Primary target industry:				
Financial intermediaries	**₱39,724,106**	**₱5,168,555**	**₱12,684,794**	**₱57,577,455**
Electricity, gas and water	**43,503,088**	**2,272,092**	**–**	**45,775,180**
Wholesale and retail	**40,653,462**	**–**	**–**	**40,653,462**
Manufacturing	**36,055,675**	**23,573**	**–**	**36,079,248**
Public administration and defense	**23,424,634**	**–**	**–**	**23,424,634**
Transport, storage and communication	**17,592,017**	**–**	**–**	**17,592,017**
Agriculture, hunting and forestry	**5,756,854**	**–**	**–**	**5,756,854**

(Forward)

	Parent Company 2014			
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Secondary target industry:				
Government	₱4,505,316	₱62,241,630	₱95,415,467	₱162,162,413
Real estate, renting and business activities	31,604,945	7,323,927	–	38,928,872
Construction	7,264,299	–	–	7,264,299
Others*	38,936,998	6,637,392	1,028,776	46,603,166
	₱289,021,394	₱83,667,169	₱109,129,037	₱481,817,600

* *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', 'Security deposits', Return checks and other cash items', 'Revolving fund and petty cash fund', 'Receivable from SPV' and 'Miscellaneous COCI'.*

	Parent Company 2013			
	Loans and receivables	Trading and investment securities	Other financial assets**	Total
Primary target industry:				
Financial intermediaries	₱21,847,885	₱6,232,655	₱14,551,384	₱42,631,924
Electricity, gas and water	38,816,543	1,030,480	–	39,847,023
Wholesale and retail	40,692,819	–	–	40,692,819
Manufacturing	27,873,373	140,684	–	28,014,057
Public administration and defense	23,953,321	–	–	23,953,321
Transport, storage and communication	16,642,170	–	–	16,642,170
Agriculture, hunting and forestry	3,729,402	–	–	3,729,402
Secondary target industry:				
Government	7,569,042	58,331,613	146,079,249	211,979,904
Real estate, renting and business activities	31,768,214	4,696,535	–	36,464,749
Construction	6,405,132	–	–	6,405,132
Others*	36,137,629	6,109,815	242,340	42,489,784
	₱255,435,530	₱76,541,782	₱160,872,973	₱492,850,285

* *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', 'Security deposits', Return checks and other cash items', 'Revolving fund and petty cash fund', 'Receivable from SPV' and 'Miscellaneous COCI'.*

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 receivables 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.

Loans and Receivables

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.

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 receivables from customers, gross of allowance for credit losses and unearned and other deferred income, for each CRR as of December 31, 2014 and 2013, but net of residual values of leased assets.

	Consolidated			
	2014			
	Neither Past Due nor Individually Impaired	**Past Due and not Individually Impaired**	**Individually Impaired**	**Total**
Rated Receivables from Customers				
1 - Excellent	**₱3,657,571**	**₱–**	**₱–**	**₱3,657,571**
2 - Super Prime	**54,762,488**	–	–	**54,762,488**
3 - Prime	**44,606,966**	**2,888**	–	**44,609,854**
4 - Very Good	**12,837,284**	–	–	**12,837,284**
5 - Good	**28,228,002**	**282,709**	–	**28,510,711**
6 - Satisfactory	**42,311,285**	**188,422**	**92,201**	**42,591,908**
7 - Average	**24,743,740**	**182,178**	**128,080**	**25,053,998**
8 - Fair	**22,581,434**	**386,413**	**67,536**	**23,035,383**
9 - Marginal	**5,355,396**	**271,591**	**63,989**	**5,690,976**
10 - Watchlist	**10,361,643**	**98,829**	**9,559**	**10,470,031**
11 - Special Mention	**1,870,378**	**166,999**	**40,044**	**2,077,421**
12 - Substandard	**1,180,265**	**138,332**	**1,984,779**	**3,303,376**
13 - Doubtful	–	**216,519**	**1,289,539**	**1,506,058**
14 - Loss	–	**353,195**	**2,317,632**	**2,670,827**
	252,496,452	**2,288,075**	**5,993,359**	**260,777,886**
Unrated Receivables from Customers				
Consumers	**18,324,466**	**624,891**	**161,926**	**19,111,283**
Business Loans	**10,193,630**	**621,987**	**1,070,600**	**11,886,217**
LGUs	**8,142,342**	**168,926**	**78,855**	**8,390,123**
GOCCs and NGAs	**352,113**	**1,556**	**1,796,447**	**2,150,116**
Fringe Benefits	**532,407**	**10,832**	**23,917**	**567,156**
	37,544,958	**1,428,192**	**3,131,745**	**42,104,895**
	₱290,041,410	**₱3,716,267**	**₱9,125,104**	**₱302,882,781**

	Consolidated			
	2013			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivables from Customers				
1 - Excellent	₱2,631,979	₱–	₱–	₱2,631,979
2 - Super Prime	57,313,791	–	–	57,313,791
3 - Prime	33,357,538	–	13,737	33,371,275
4 - Very Good	4,364,430	–	38,360	4,402,790
5 - Good	19,464,368	4,927	1,601	19,470,896
6 - Satisfactory	24,369,358	69,158	69,999	24,508,515
7 - Average	29,620,870	78,085	135,311	29,834,266
8 - Fair	8,772,290	3,227	19,776	8,795,293
9 - Marginal	3,830,620	5,588	2,528	3,838,736
10 - Watchlist	12,906,920	15,517	1	12,922,438
11 - Special Mention	2,662,355	287,193	42,948	2,992,496
12 - Substandard	1,398,103	1,017,485	366,370	2,781,958
13 - Doubtful	5,252	42,718	1,416,375	1,464,345
14 - Loss	7	255,123	1,902,221	2,157,351
	200,697,881	1,779,021	4,009,227	206,486,129

(Forward)

	Consolidated 2013			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Unrated Receivables from Customers				
Consumers	₱20,484,872	₱600,867	₱195,408	₱21,281,147
Business Loans	12,396,490	403,756	3,120,331	15,920,577
LGUs	7,925,210	443,884	217,117	8,586,211
GOCCs and NGAs	456,981	–	1,556	458,537
Fringe Benefits	573,125	8,246	17,510	598,881
	41,836,678	1,456,753	3,551,922	46,845,353
	₱242,534,559	₱3,235,774	₱7,561,149	₱253,331,482

	Parent Company 2014			
	Neither Past Due nor Individually Impaired	**Past Due and not Individually Impaired**	**Individually Impaired**	**Total**
Rated Receivables from Customers				
1 - Excellent	₱3,657,571	₱–	₱–	₱3,657,571
2 - Super Prime	54,762,488	–	–	54,762,488
3 - Prime	44,523,797	2,437	–	44,526,234
4 - Very Good	12,827,900	–	–	12,827,900
5 - Good	28,170,284	279,126	–	28,449,410
6 - Satisfactory	28,099,674	150,445	11,330	28,261,449
7 - Average	19,915,688	182,178	128,080	20,225,946
8 - Fair	22,548,588	386,413	67,536	23,002,537
9 - Marginal	5,350,251	271,591	63,989	5,685,831
10 - Watchlist	10,190,059	48,419	–	10,238,478
11 - Special Mention	1,817,785	5,724	–	1,823,509
12 - Substandard	1,174,276	132,955	1,693,608	3,000,839
13 - Doubtful	–	177,857	1,260,247	1,438,104
14 - Loss	–	254,969	2,267,131	2,522,100
	233,038,361	1,892,114	5,491,921	240,422,396
Unrated Receivables from Customers				
Consumers	18,238,794	619,493	148,461	19,006,748
Business Loans	9,640,046	621,988	1,070,600	11,332,634
LGUs	8,142,342	168,926	78,855	8,390,123
GOCCs and NGAs	352,113	1,556	1,796,447	2,150,116
Fringe Benefits	518,899	10,832	23,917	553,648
	36,892,194	1,422,795	3,118,280	41,433,269
	₱269,930,555	₱3,314,909	₱8,610,201	₱281,855,665

	Parent Company 2013			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
Rated Receivables from Customers				
1 - Excellent	₱2,631,979	₱–	₱–	₱2,631,979
2 - Super Prime	57,313,791	–	–	57,313,791
3 - Prime	33,292,385	–	–	33,292,385
4 - Very Good	4,334,693	–	–	4,334,693
5 - Good	19,447,302	4,927	–	19,452,229
6 - Satisfactory	18,093,688	69,158	–	18,162,846
7 - Average	26,244,492	78,085	133,325	26,455,902

(Forward)

	Parent Company 2013			
	Neither Past Due nor Individually Impaired	Past Due and not Individually Impaired	Individually Impaired	Total
8 - Fair	₱8,756,456	₱3,227	₱19,775	₱8,779,458
9 - Marginal	3,827,110	5,588	–	3,832,698
10 - Watchlist	12,814,537	15,517	–	12,830,054
11 - Special Mention	2,662,314	287,193	42,726	2,992,233
12 - Substandard	1,397,885	901,642	349,756	2,649,283
13 - Doubtful	5,252	42,718	1,416,375	1,464,345
14 - Loss	7	209,944	1,865,126	2,075,077
	190,821,891	1,617,999	3,827,083	196,266,973
Unrated Receivables from Customers				
Consumers	20,390,741	597,118	179,994	21,167,853
Business Loans	10,443,505	403,756	3,120,331	13,967,592
LGUs	7,925,210	443,884	217,117	8,586,211
GOCCs and NGAs	456,981	–	1,556	458,537
Fringe Benefits	558,948	8,246	17,510	584,704
	39,775,385	1,453,004	3,536,508	44,764,897
	₱230,597,276	₱3,071,003	₱7,363,591	₱241,031,870

Under PFRS 7, a financial asset is past due when a counterparty has failed to make a payment when contractually due. The tables below show the aging analysis of past due but not individually impaired loans receivables per class.

	Consolidated 2014				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	₱1,564,077	₱158,535	₱281,636	₱844,243	₱2,848,491
Consumers	130,273	73,320	103,572	376,181	683,346
LGUs	61,776	–	–	110,266	172,042
GOCCs and NGAs	–	–	–	1,556	1,556
Fringe benefits	122	1,176	902	8,632	10,832
	₱1,756,248	₱233,031	₱386,110	₱1,340,878	₱3,716,267

	Consolidated 2013				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱157,220	₱129,079	₱1,375,119	₱370,334	₱2,031,752
Consumers	148,684	145,970	307,492	149,746	751,892
LGUs	341,257	68,859	–	33,768	443,884
Fringe benefits	751	675	575	6,245	8,246
	₱647,912	₱344,583	₱1,683,186	₱560,093	₱3,235,774

	Parent Company 2014				
	Less than 30 days	**31 to 90 days**	**91 to 180 days**	**More than 180 days**	**Total**
Business loans	₱1,546,858	₱59,113	₱75,730	₱814,934	₱2,496,635
Consumers	86,158	73,320	102,400	371,966	633,844
LGUs	61,776	–	–	110,266	172,042
GOCCs and NGAs	–	–	–	1,556	1,556
Fringe benefits	122	1,176	902	8,632	10,832
	₱1,694,914	₱133,609	₱179,032	₱1,307,354	₱3,314,909

	Parent Company 2013				
	Less than 30 days	31 to 90 days	91 to 180 days	More than 180 days	Total
Business loans	₱157,220	₱129,079	₱1,214,097	₱370,334	₱1,870,730
Consumers	145,568	145,970	306,859	149,746	748,143
LGUs	341,257	68,859	–	33,768	443,884
Fringe benefits	751	675	575	6,245	8,246
	₱644,796	₱344,583	₱1,521,531	₱560,093	₱3,071,003

Trading and Investment Securities and Other Financial Assets

In ensuring quality investment portfolio, the Bank uses the credit risk rating based on the external ratings of eligible external credit rating institutions (i.e., Moody's Investors Service) as follows:

Aaa to Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1 to A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.

Baa1 and below - represents those investments which fall under any of the following grade:

- Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
- Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.
- B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.
- Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.
- Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
- C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Below are the financial assets of the Group and the Parent Company, net of allowances, excluding receivables from customers, which are monitored using external ratings.

	Consolidated 2014					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[5/]**	**Total**
Due from BSP[1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱105,773,685**	**₱105,773,685**
Due from other banks	**2,488,321**	**3,970,843**	**4,687,276**	**11,146,440**	**4,444,966**	**15,591,406**
Interbank loans receivables	**3,565,703**	**3,136,915**	**–**	**6,702,618**	**968,819**	**7,671,437**
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**–**	**–**	**5,712,101**	**5,712,101**	**419,177**	**6,131,278**
Private debt securities	**–**	**–**	**–**	**–**	**218,193**	**218,193**
Equity securities	**284**	**–**	**69**	**353**	**210,481**	**210,834**
Derivative assets[2/]	**1,114**	**43,274**	**10,286**	**54,674**	**81,877**	**136,551**
Designated at FVPL:						
Segregated fund assets	**–**	**10,654,770**	**–**	**10,654,770**	**–**	**10,654,770**

(Forward)

	Consolidated 2014					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[5/]**	**Total**
AFS investments:						
Government securities	**₱541,582**	**₱82,920**	**₱34,668,594**	**₱35,293,096**	**₱1,852,354**	**₱37,145,450**
Private debt securities	**691,350**	**1,057,523**	**2,988,178**	**4,737,051**	**18,971,107**	**23,708,158**
Quoted equity securities	**40,090**	**–**	**162,618**	**202,708**	**1,871,492**	**2,074,200**
Unquoted equity securities	**–**	**–**	**481**	**481**	**163,210**	**163,691**
HTM investments:						
Government securities	**–**	**4,472**	**22,826,242**	**22,830,714**	**–**	**22,830,714**
Private debt securities	**–**	**50,000**	**–**	**50,000**	**89,592**	**139,592**
Loans and receivables:						
Unquoted debt securities[3/]	**–**	**–**	**349,224**	**349,224**	**4,075,781**	**4,425,005**
Others[4/]	**3,858**	**1,636**	**200,966**	**206,460**	**15,249,487**	**15,455,947**

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/ 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 (Note 23).

3/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).

4/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

5/ As of December 31, 2014 and December 31, 2013, financial assets that are unrated are neither past due nor impaired.

	Consolidated 2013					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱–	₱–	₱153,169,330	₱153,169,330
Due from other banks	1,580,459	4,131,347	4,835,615	10,547,421	4,334,120	14,881,541
Interbank loans receivables	399,554	4,489,610	3,285,230	8,174,394	230,856	8,405,250
Financial assets at FVPL:						
Held-for-trading:						
Government securities	–	–	2,834,559	2,834,559	236,115	3,070,674
Private debt securities	–	84	8,139	8,223	260,548	268,771
Equity securities	–	–	69	69	249,449	249,518
Derivative assets[2/]	7,215	29,364	20,099	56,678	202,019	258,697
Designated at FVPL:						
Segregated fund assets	–	7,861,688	–	7,861,688	–	7,861,688
AFS investments:						
Government securities	1,509,508	226,800	57,320,622	59,056,930	190,835	59,247,765
Private debt securities	897,771	1,043,574	5,098,095	7,039,440	12,177,304	19,216,744
Quoted equity securities	–	–	172,379	172,379	1,505,628	1,678,007
Unquoted equity securities	–	–	–	–	161,633	161,633
Loans and receivables:						
Unquoted debt securities[3/]	–	–	49,992	49,992	7,245,539	7,295,531
Others[4/]	1,349	–	195,864	197,213	18,500,462	18,697,675

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/ 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 (Note 23).

3/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).

4/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).

5/ As of December 31, 2014 and December 31, 2013, financial assets that are unrated are neither past due nor impaired.

	Parent Company 2014					
	Rated					
	Aaa to Aa3	**A1 to A3**	**Baa1 and below**	**Subtotal**	**Unrated[6/]**	**Total**
Due from BSP[1/]	**₱–**	**₱–**	**₱–**	**₱–**	**₱95,415,467**	**₱95,415,467**
Due from other banks	**1,063,178**	**2,320,424**	**1,253,345**	**4,636,947**	**376,410**	**5,013,357**
Interbank loans receivables	**3,565,703**	**3,136,915**	**–**	**6,702,618**	**968,819**	**7,671,437**

(Forward)

	Parent Company					
	2014					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[6/]	Total
Financial assets at FVPL:						
Held-for-trading:						
Government securities	₱–	₱–	₱5,712,101	₱5,712,101	₱419,177	₱6,131,278
Private debt securities	–	–	–	–	218,193	218,193
Equity securities	–	–	69	69	210,481	210,550
Derivative assets[2/]	1,114	42,652	10,286	54,052	81,877	135,929
AFS investments:						
Government securities	53,909	–	32,527,143	32,581,052	1,851,975	34,433,027
Private debt securities	533,148	950,699	2,983,073	4,466,920	15,893,523	20,360,443
Quoted equity securities	–	–	–	–	470,608	470,608
Unquoted equity securities	–	–	–	–	147,510	147,510
HTM investments:						
Government securities	–	4,472	21,555,159	21,559,631	–	21,559,631
Loans and receivables:						
Unquoted debt securities[3/]	–	–	49,224	49,224	4,075,782	4,125,006
Others[4/]	–	–	–	–	9,407,337	9,407,337

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/ 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 (Note 23).
3/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
4/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
5/ As of December 31, 2014 and December 31, 2013, financial assets that are unrated are neither past due nor impaired.

	Parent Company					
	2013					
	Rated					
	Aaa to Aa3	A1 to A3	Baa1 and below	Subtotal	Unrated[5/]	Total
Due from BSP[1/]	₱–	₱–	₱–	₱–	₱146,079,249	₱146,079,249
Due from other banks	826,484	2,656,819	1,094,269	4,577,572	1,568,562	6,146,134
Interbank loans receivables	399,555	4,489,609	3,285,230	8,174,394	230,856	8,405,250
Financial assets at FVPL:						
Held-for-trading:						
Government securities	–	–	2,834,559	2,834,559	236,115	3,070,674
Private debt securities	–	–	8,139	8,139	260,632	268,771
Equity securities	–	–	–	–	247,615	247,615
Derivative assets[2/]	7,215	29,364	20,099	56,678	201,935	258,613
AFS investments:						
Government securities	1,079,214	4,647	53,899,985	54,983,846	190,835	55,174,681
Private debt securities	771,487	829,560	5,027,223	6,628,270	9,997,719	16,625,989
Quoted equity securities	–	–	–	–	757,119	757,119
Unquoted equity securities	–	–	–	–	138,320	138,320
Loans and receivables:						
Unquoted debt securities[3/]	–	–	49,992	49,992	6,862,917	6,912,909
Others[4/]	–	–	–	–	12,438,167	12,438,167

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/ 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 (Note 23).
3/ Unquoted debt securities represent investments in bonds and notes issued by financial intermediaries, government and private entities that are not quoted in the market (Note 10).
4/ Loans and receivables - Others is composed of Accrued interest receivable, Accounts receivable, Sales contracts receivable and other miscellaneous receivables (Note 10).
5/ As of December 31, 2014 and December 31, 2013, financial assets that are unrated are neither past due nor impaired.

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 individually or together 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 arise 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.

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

Liquidity Risk and Funding Management

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.

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.

	Consolidated					
	2014					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets						
COCI	₱14,628,489	₱–	₱–	₱–	₱–	₱14,628,489
Due from BSP and other banks	116,184,508	4,910,205	1,225,629	152,790	1,420,914	123,894,046
Interbank loans receivable	7,406,871	86,457	179,037	–	–	7,672,365
Financial assets at FVPL:						
HFT:						
Government securities	3,858	26,681	252,547	242,633	7,889,921	8,415,640
Private debt securities	–	846	2,127	5,815	271,404	280,192
Equity securities	210,834	–	–	–	–	210,834
Derivative assets:						
Gross contractual receivable	4,094,309	145,455	61,912	–	566,494	4,868,170
Gross contractual payable	(4,074,679)	(138,707)	(57,565)	–	(460,668)	(4,731,619)
	19,630	6,748	4,347	–	105,826	136,551
Designated at FVPL						
Segregated fund assets	–	–	–	–	10,654,770	10,654,770
AFS investments:						
Government securities	130,676	587,215	1,313,252	1,087,497	44,142,188	47,260,828
Private debt securities	17,038	267,957	132,296	2,304,616	26,317,020	29,038,927
Equity securities	–	–	–	–	2,237,891	2,237,891
HTM investments:						
Government securities	17,407	162,811	221,300	627,002	35,936,853	36,965,373
Private debt securities	–	358	–	–	50,000	50,358
Loans and receivables:						
Receivables from customers	61,247,877	42,705,120	8,992,058	14,040,387	253,798,323	380,783,765
Unquoted debt securities	7,714	3,556,689	11,124	19,865	829,614	4,425,006
Other receivables	2,363,543	567,729	1,491,671	368,895	10,667,245	15,459,083
Other assets	943,966	–	–	–	100,986	1,044,952
Total financial assets	₱203,182,411	₱52,878,816	₱13,825,388	₱18,849,500	₱394,422,955	₱683,159,070
Financial Liabilities						
Deposit liabilities:						
Demand	₱101,561,040	₱–	₱–	₱–	₱–	₱101,561,040
Savings	210,066,893	33,071,856	16,375,209	13,484,009	22,428,474	295,426,441
Time	8,103,062	10,786,521	5,148,521	5,627,990	24,290,161	53,956,255
Financial liabilities at FVPL:						
Designated at FVPL:						
Segregated fund liabilities	–	–	–	–	10,817,122	10,817,122

(Forward)

	Consolidated					
	2014					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Derivative liabilities:						
Gross contractual payable	₱6,828,368	₱55,354	₱22,594	₱290,680	₱490,151	₱7,687,147
Gross contractual receivable	(6,811,552)	(54,560)	(20,630)	(290,155)	(465,347)	(7,642,244)
	16,816	794	1,964	525	24,804	44,903
Bills and acceptances payable	7,712,722	997,205	1,334,892	31,139	8,974,100	19,050,058
Subordinated debt	–	161,094	161,094	322,188	10,497,311	11,141,687
Accrued interest payable and accrued other expenses payable	822,353	133,596	1,108	509	1,555,418	2,512,984
Other liabilities	17,950,338	456,986	300,231	407,896	7,066,423	26,181,874
Total financial liabilities	₱346,233,224	₱45,608,052	₱23,323,019	₱19,874,256	₱85,653,813	₱520,692,364

	Consolidated					
	2013					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Assets						
COCI	₱11,804,746	₱–	₱–	₱–	₱–	₱11,804,746
Due from BSP and other banks	165,656,262	1,852,619	5,478,417	207,533	215,356	173,410,187
Interbank loans receivable	8,378,025	150,032	–	–	–	8,528,057
Financial assets at FVPL:						
HFT:						
Government securities	36,087	15,743	35,974	78,316	4,418,375	4,584,495
Private debt securities	–	1,964	3,873	6,613	316,366	328,816
Equity securities	249,518	–	–	–	–	249,518
Derivative assets:						
Gross contractual receivable	4,272,963	859,463	1,168,475	221,975	223,329	6,746,205
Gross contractual payable	(4,249,655)	(850,123)	(1,140,540)	(215,850)	(31,340)	(6,487,508)
	23,308	9,340	27,935	6,125	191,989	258,697
Designated at FVPL						
Segregated fund assets	–	–	–	–	7,861,688	7,861,688
AFS investments:						
Government securities	532,219	479,971	734,872	3,216,636	79,175,641	84,139,339
Private debt securities	304,099	258,624	213,906	470,018	22,261,211	23,507,858
Equity securities	–	–	–	–	1,839,640	1,839,640
Loans and receivables:						
Receivables from customers	78,051,502	43,095,934	16,441,547	15,044,301	231,268,667	383,901,951
Unquoted debt securities	90,468	2,822,756	10,960	93,862	4,962,423	7,980,469
Other receivables	2,430,867	3,523,843	2,127,156	481,515	10,457,386	19,020,767
Other assets	182,370	–	–	–	85,961	268,331
Total financial assets	₱267,739,471	₱52,210,826	₱25,074,640	₱19,604,919	₱363,054,703	₱727,684,559
Financial Liabilities						
Deposit liabilities:						
Demand	₱125,359,053	₱–	₱–	₱–	₱–	₱125,359,053
Savings	235,918,210	24,422,519	8,593,139	4,839,247	13,142,436	286,915,551
Time	13,289,930	13,359,646	4,438,640	6,938,847	20,387,352	58,414,415
Financial liabilities at FVPL:						
Designated at FVPL:						
Segregated fund liabilities	–	–	–	–	7,911,794	7,911,794
Derivative liabilities:						
Gross contractual payable	9,770,736	1,994,514	694,249	–	1,404,609	13,864,108
Gross contractual receivable	(9,654,758)	(1,979,037)	(675,876)	–	(1,391,336)	(13,701,007)
	115,978	15,477	18,373	–	13,273	163,101
Bills and acceptances payable	6,230,984	2,359,898	1,076,846	437,980	3,083,291	13,188,999
Subordinated debt	–	146,875	146,875	293,750	13,039,170	13,626,670
Accrued interest payable and accrued other expenses payable	1,024,626	337,233	–	–	1,555,418	2,917,277
Other liabilities	18,617,578	2,032,931	439,401	206,676	6,092,543	27,389,129
Total financial liabilities	₱400,556,359	₱42,674,579	₱14,713,274	₱12,716,500	₱65,225,277	₱535,885,989

	Parent Company 2014					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Assets						
COCI	₱13,865,078	₱–	₱–	₱–	₱–	₱13,865,078
Due from BSP and other banks	100,428,824	–	–	–	–	100,428,824
Interbank loans receivable	7,406,871	86,457	179,037	–	–	7,672,365
Financial assets at FVPL:						
HFT:						
Government securities	3,858	26,681	252,547	242,633	7,889,921	8,415,640
Private debt securities	–	846	2,127	5,815	271,404	280,192
Equity securities	210,550	–	–	–	–	210,550
Derivative assets:						
Gross contractual receivable	4,061,014	142,857	59,913	–	566,494	4,830,278
Gross contractual payable	(4,041,937)	(136,173)	(55,571)	–	(460,668)	(4,694,349)
	19,077	6,684	4,342	–	105,826	135,929
AFS investments:						
Government securities	127,914	566,071	1,250,462	1,067,278	41,522,808	44,534,533
Private debt securities	16,319	199,155	116,266	2,303,897	23,051,986	25,687,623
Equity securities	–	–	–	–	618,118	618,118
HTM investments:						
Government securities	16,625	73,928	185,895	576,167	33,985,398	34,838,013
Loans and receivables:						
Receivables from customers	58,870,339	42,138,186	8,516,073	13,317,620	237,005,081	359,847,299
Unquoted debt securities	7,714	3,256,689	11,124	19,865	829,614	4,125,006
Other receivables	931,896	441,818	1,186,144	59,625	6,787,855	9,407,338
Other assets	943,122	–	–	–	85,654	1,028,776
Total financial assets	₱182,848,187	₱46,796,515	₱11,704,017	₱17,592,900	₱352,153,665	₱611,095,284
Financial Liabilities						
Deposit liabilities:						
Demand	₱100,322,249	₱–	₱–	₱–	₱–	₱100,322,249
Savings	201,702,699	33,071,856	16,375,209	13,484,009	22,428,475	287,062,248
Time	5,403,728	7,561,927	3,164,797	5,211,736	27,019,957	48,362,145
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	6,780,719	54,347	15,000	290,680	490,151	7,630,897
Gross contractual receivable	(6,764,439)	(53,561)	(13,132)	(290,155)	(465,346)	(7,586,633)
	16,280	786	1,868	525	24,805	44,264
Bills and acceptances payable	7,114,721	240,205	59,892	28,530	11,082,695	18,526,043
Subordinated debt	56,750	461,094	161,094	322,188	10,497,311	11,498,437
Accrued interest payable and accrued other expenses payable	680,446	133,596	1,108	1,944	1,641,187	2,458,281
Other liabilities	12,023,817	423,937	165,079	148,918	837,895	13,599,646
Total financial liabilities	₱327,320,690	₱41,893,401	₱19,929,047	₱19,197,850	₱73,532,325	₱481,873,313

	Parent Company 2013					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
Financial Assets						
COCI	₱9,700,005	₱–	₱–	₱–	₱–	₱9,700,005
Due from BSP and other banks	152,251,906	–	–	–	–	152,251,906
Interbank loans receivable	8,378,025	150,032	–	–	–	8,528,057
Financial assets at FVPL:						
HFT:						
Government securities	36,087	15,743	35,974	78,316	4,418,375	4,584,495
Private debt securities	–	1,964	3,873	6,613	316,366	328,816
Equity securities	247,615	–	–	–	–	247,615
Derivative assets:						
Gross contractual receivable	2,975,643	859,463	1,168,475	221,975	223,421	5,448,977
Gross contractual payable	(2,952,511)	(850,123)	(1,140,540)	(215,850)	(31,340)	(5,190,364)
	23,132	9,340	27,935	6,125	192,081	258,613

(Forward)

	Parent Company 2013					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1year	Total
AFS investments:						
Government securities	₱525,030	₱449,533	₱724,154	₱3,168,729	₱74,892,074	₱79,759,520
Private debt securities	111,850	168,701	139,685	454,590	20,105,127	20,979,953
Equity securities	–	–	–	–	895,439	895,439
Loans and receivables:						
Receivables from customers	76,854,434	42,615,512	16,062,309	14,180,284	224,992,792	374,705,331
Unquoted debt securities	2,626	2,822,756	10,960	93,862	4,667,643	7,597,847
Other receivables	2,030,718	3,249,988	1,842,149	273,028	5,318,904	12,714,787
Other assets	182,080	–	–	–	59,260	241,340
Total financial assets	₱250,343,508	₱49,483,569	₱18,847,039	₱18,261,547	₱335,858,061	₱672,793,724
Financial Liabilities						
Deposit liabilities:						
Demand	₱118,010,984	₱–	₱–	₱–	₱–	₱118,010,984
Savings	232,850,354	24,422,519	8,593,139	4,839,247	13,142,436	283,847,695
Time	11,482,834	10,402,453	2,460,548	6,465,242	20,387,352	51,198,429
Financial liabilities at FVPL:						
Derivative liabilities:						
Gross contractual payable	9,770,719	1,994,514	694,249	–	1,404,609	13,864,091
Gross contractual receivable	(9,654,758)	(1,979,037)	(675,876)	–	(1,391,336)	(13,701,007)
	115,961	15,477	18,373	–	13,273	163,084
Bills and acceptances payable	8,825,277	2,089,456	834,788	302	1,750,670	13,500,493
Subordinated debt	–	146,875	146,875	293,603	13,039,170	13,626,523
Accrued interest payable and accrued other expenses payable	917,831	337,233	–	–	1,555,418	2,810,482
Other liabilities	11,628,257	1,862,497	285,709	148,111	692,066	14,616,640
Total financial liabilities	₱383,831,498	₱39,276,510	₱12,339,432	₱11,746,505	₱50,580,385	₱497,774,330

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. For internal monitoring of the risks in the trading portfolio, the Parent Company uses the Value at Risk as a risk measurement tool. It adopts both the Parametric Value-at-Risk (VaR) methodology and Historical Simulation Methodology (with 99% confidence level) to measure the Parent Company's trading market risk. These models were validated by an external independent validator. Volatilities used in the parametric are updated on a daily basis and are based on historical data for a rolling 260-day period while yields and prices in the historical VaR approach are also updated daily. 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 back tested 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.

Backtesting
The validity of the assumptions underlying the Parent Company's VaR model can only be checked by appropriate back testing procedures. The accuracy of a VaR model must be verified using model validation techniques such as back testing, stress testing, independent review and oversight. Back testing is a formal statistical framework that consists of verifying that actual losses are in line with the projected losses. The Parent Company adopts both the clean back testing and dirty back testing approaches approach In back testing. Clean back testing, consists of comparing the VaR estimates with some hypothetical P&L values of the portfolio, having kept its composition unchanged. In this case, the same portfolio is repriced or marked-to-market at the end of the time interval and the hypothetical P&L is then compared with the VaR. The other method, called dirty back testing, consists of comparing the VaR estimates with the actual P&L values at the end of the time horizon (for example, 1 day for daily VaR). This method, however, may pose a problem if the portfolio has changed drastically because of trading activities between the beginning and the end of the time horizon since VaR models assume that the portfolio is "frozen" over the horizon. The Parent Company uses the regulatory 3-zone (green, yellow and red) boundaries in evaluating the back testing results. For the year 2014, the number of observations which fell outside the VaR is within the allowable number of exceptions (green zone) to conclude that there is no problem with the quality and accuracy of the VaR models at 99% confidence level.

Stress Testing
To complement the VaR approximations, the Parent Company conducts stress testing on a quarterly basis, the results of which are being reported to the BOD. Scenarios used in the conduct of stress test are event driven and represent the worst one-off event of a specific risk factor. Results of stress testing are analyzed in terms of the impact to earnings and capital.

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.

The tables below show the trading VaR (in millions):

Trading Portfolio	**Foreign Exchange***	**Interest Rate**	**Equities Price**	**Total VaR****
December 29, 2014	**₱3.77**	**₱230.99**	**₱7.76**	**₱242.52**
Average Daily	**3.28**	**234,50**	**8.73**	**246.51**
Highest	**10.96**	**395.29**	**12.60**	**349.12**
Lowest	**0.07**	**110.74**	**6.43**	**160.66**

* *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*

Trading Portfolio	Foreign Exchange*	Interest Rate	Equities Price	Total VaR**
December 27, 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

* *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):

	2014	2013
End of year	**₱812.47**	₱2,283.45
Average Daily	**1,416.60**	1,963.52
Highest	**2,631.36**	2,909.73
Lowest	**812.47**	1,008.20

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 loan accounts are assessed based on next repricing date thus as an example if a loan account is scheduled to reprice three years from year-end report date, slotting of the account will be based on the date of interest repricing. Deposits with no specific maturity dates are excluded in the one-year repricing gap except for the portion of volatile regular savings deposits which are assumed to be withdrawn during the one year period and assumed to be replaced by a higher deposit rate.

The Parent Company uses the Earnings at Risk (EaR) methodology to measure the likely interest margin compression in case of adverse change in interest rates given the Parent Company's repricing gap. 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 EaR exposure tolerable to the Parent Company. EaR exposure and compliance to the EaR limit is monitored monthly by the RMG and subject to a quarterly stress test.

The following table sets forth the repricing gap position of the Group and the Parent Company as of December 31, 2014 and 2013:

	Consolidated 2014					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	**₱46,647,101**	**₱5,179,498**	**₱1,436,197**	**₱234,477**	**₱452,352**	**₱53,949,625**
Interbank loans receivable	**7,585,005**	**86,432**	–	–	–	**7,671,437**
Receivables from customers and other receivables - gross**	**109,681,648**	**52,668,132**	**10,239,290**	**10,042,060**	**30,295,753**	**212,926,883**
Total financial assets	**₱163,913,754**	**₱57,934,062**	**₱11,675,487**	**₱10,276,537**	**₱30,748,105**	**₱274,547,945**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱80,239,744**	**₱28,455,206**	**₱16,173,324**	**₱20,476,027**	**₱9,503,458**	**₱154,847,759**
Time	**13,973,220**	**6,782,382**	**5,619,511**	**4,134,468**	**3,374,672**	**33,884,253**
Bills and acceptances payable	**7,574,375**	**682,097**	**422,115**	**668,849**	**13,618,150**	**22,965,586**
Total financial liabilities	**₱101,787,339**	**₱35,919,685**	**₱22,214,950**	**₱25,279,344**	**₱26,496,280**	**₱211,697,598**
Repricing gap	**₱62,126,415**	**₱22,014,377**	**(₱10,539,463)**	**(₱15,002,807)**	**₱4,251,825**	**₱62,850,347**
Cumulative gap	**62,126,415**	**84,140,792**	**73,601,329**	**58,598,522**	**62,850,347**	–

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

	Consolidated 2013					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱110,636,185	₱–	₱–	₱–	₱–	₱110,636,185
Interbank loans receivable	6,187,702	148,546	–	–	–	6,336,248
Receivables from customers and	83,078,134	41,795,593	8,610,859	9,076,591	42,987,388	
other receivables - gross**						185,548,565
Total financial assets	₱199,902,021	₱41,944,139	₱8,610,859	₱9,076,591	₱42,987,388	₱302,520,998

(Forward)

	Consolidated 2013					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Liabilities*						
Deposit liabilities:						
Savings	₱91,077,817	₱17,726,021	₱10,074,856	₱5,978,991	₱4,182,146	₱129,039,831
Time	14,999,084	8,913,049	4,237,067	2,153,757	5,747,340	36,050,297
Bills and acceptances payable	9,220,248	902,290	242,057	437,678	1,279,040	12,081,313
Total financial liabilities	₱115,297,149	₱27,541,360	₱14,553,980	₱8,570,426	₱11,208,526	₱177,171,441
Repricing gap	₱84,604,872	₱14,402,779	(₱5,943,121)	₱506,165	₱31,778,862	₱125,349,557
Cumulative gap	84,604,872	99,007,651	93,064,530	93,570,695	125,349,557	–

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

	Parent Company 2014					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	**₱32,989,879**	**₱–**	**₱–**	**₱–**	**₱23,478**	**₱33,013,357**
Interbank loans receivable	**7,585,005**	**86,432**	–	–	–	**7,671,437**
Receivables from customers and other receivables - gross**	**109,681,648**	**52,668,132**	**10,239,290**	**10,042,060**	**30,295,753**	**212,926,883**
Total financial assets	**₱150,256,532**	**₱52,754,564**	**₱10,239,290**	**₱10,042,060**	**₱30,319,231**	**₱253,611,677**
Financial Liabilities*						
Deposit liabilities:						
Savings	**₱72,848,966**	**₱28,455,206**	**₱16,173,324**	**₱20,476,027**	**₱9,503,458**	**₱147,456,981**
Time	**12,324,946**	**5,251,048**	**3,621,637**	**3,717,842**	**3,374,672**	**28,290,145**
Bills and acceptances payable	**6,970,251**	**128,026**	–	–	**11,423,046**	**18,521,323**
Total financial liabilities	**₱92,144,163**	**₱33,834,280**	**₱19,794,961**	**₱24,193,869**	**₱24,301,176**	**₱194,268,449**
Repricing gap	**₱58,112,369**	**₱18,920,284**	**(₱9,555,671)**	**(₱14,151,809)**	**₱6,018,055**	**₱59,343,228**
Cumulative gap	**58,112,369**	**77,032,653**	**67,476,982**	**53,325,173**	**59,343,228**	–

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

	Parent Company 2013					
	Up to 1 Month	More than 1 Month to 3 Months	More than 3 Months to 6 Months	More than 6 Months to 1 Year	Beyond 1 year	Total
Financial Assets*						
Due from BSP and other banks	₱89,541,967	₱–	₱–	₱–	₱–	₱89,541,967
Interbank loans receivable	6,187,702	148,546	–	–	–	6,336,248
Receivables from customers and other receivables - gross**	82,843,545	41,312,497	8,495,498	8,894,682	42,264,835	183,811,057
Total financial assets	₱178,573,214	₱41,461,043	₱8,495,498	₱8,894,682	₱42,264,835	₱279,689,272
Financial Liabilities*						
Deposit liabilities:						
Savings	₱91,077,817	₱17,726,021	₱10,074,856	₱5,978,991	₱4,182,146	₱129,039,831
Time	13,270,991	5,892,481	2,253,820	1,677,406	5,747,340	28,842,038
Bills and acceptances payable	8,731,581	570,891	–	–	7,376	9,309,848
Total financial liabilities	₱113,080,389	₱24,189,393	₱12,328,676	₱7,656,397	₱9,936,862	₱167,191,717
Repricing gap	₱65,492,825	₱17,271,650	(₱3,833,178)	₱1,238,285	₱32,327,973	₱112,497,555
Cumulative gap	65,492,825	82,764,475	78,931,297	80,169,582	112,497,555	–

** Financial instruments that are not subject to repricing/rollforward were excluded.*
*** Receivables 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, 2014 and 2013:

	Consolidated			
	2014		2013	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	**₱248,104**	**₱248,104**	₱442,493	₱442,493
-50bps	**(248,104)**	**(248,104)**	(442,493)	(442,493)
+100bps	**496,208**	**496,208**	884,986	884,986
-100bps	**(496,208)**	**(496,208)**	(884,986)	(884,986)

	Parent Company			
	2014		2013	
	Statement of Income	Equity	Statement of Income	Equity
+50bps	**₱233,555**	**₱233,555**	₱370,497	₱370,497
-50bps	**(233,555)**	**(233,555)**	(370,497)	(370,497)
+100bps	**467,111**	**467,111**	740,994	740,994
-100bps	**(467,111)**	**(467,111)**	(740,994)	(740,994)

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. Cognizant of this requirement, the Parent Company has undertaken the initial activities such as identification of the business requirement and design of templates for each account and the inclusion of this requirement in the Asset Liability Management business requirement definition.

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.

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 Philippine peso equivalent).

	Consolidated		
	2014		
	USD	Others*	Total
Assets			
COCI and due from BSP	**₱236,413**	**₱300,271**	**₱536,684**
Due from other banks	**1,490,604**	**3,300,703**	**4,791,307**
Interbank loans receivable and securities held under agreements to resell	**2,043,978**	**432,160**	**2,476,138**
Loans and receivables	**7,172,786**	**688,378**	**7,861,164**
Financial assets at FVPL	**118,308**	**35,318**	**153,626**
AFS investments	**1,484,101**	**1,934,132**	**3,418,233**
Other assets	**90,953**	**54,013**	**144,966**
Total assets	**12,637,143**	**6,744,975**	**19,382,118**
Liabilities			
Deposit liabilities	**1,961,369**	**2,937,410**	**4,898,779**
Bills and acceptances payable	**2,977,373**	**112,963**	**3,090,336**
Accrued interest payable	**1,569,636**	**24,062**	**1,593,698**
Other liabilities	**2,357,493**	**144,011**	**2,501,504**
Total liabilities	**8,865,871**	**3,218,446**	**12,084,317**
Net Exposure	**₱3,771,272**	**₱3,526,529**	**₱7,297,801**

* *Other currencies include UAE Dirham (AED,) Australia dollar (AUD), Bahrain dollar (BHD), Brunei dollar (BND), Canada dollar (CAD), Swiss franc (CHF), China Yuan (CNY), Denmark kroner (DKK), Euro (EUR), UK pound (GBP), Hong Kong dollar (HKD), Indonesia rupiah (IDR), Japanese yen (JPY), New Zealand dollar (NZD), PHP, Saudi Arabia riyal (SAR), Sweden kroner (SEK), Singapore dollar (SGD), South Korean won (SKW), Thailand baht (THB) and Taiwan dollar (TWD).*

	Consolidated		
	2013		
	USD	Others*	Total
Assets			
COCI and due from BSP	₱1,015,888	₱485,359	₱1,501,247
Due from other banks	9,718,238	3,588,104	13,306,342
Interbank loans receivable and securities held under agreements to resell	1,005,298	999,969	2,005,267
Loans and receivables	10,267,403	5,269,016	15,536,419
AFS investments	4,255,162	2,077,813	6,332,975
Total assets	26,261,989	12,420,261	38,682,250
Liabilities			
Deposit liabilities	7,620,815	5,159,256	12,780,071
Bills and acceptances payable	6,437,969	140,964	6,578,933
Accrued interest payable	1,599,458	201,725	1,801,183
Other liabilities	4,676,906	491,788	5,168,694
Total liabilities	20,335,148	5,993,733	26,328,881
Net Exposure	₱5,926,841	₱6,426,528	₱12,353,369

* *Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.*

	Parent Company		
	2014		
	USD	**Others***	**Total**
Assets			
COCI and due from BSP	**₱236,413**	**₱300,271**	**₱536,684**
Due from other banks	**1,377,664**	**1,908,867**	**3,286,531**
Interbank loans receivable and securities held under agreements to resell	**2,043,978**	**432,160**	**2,476,138**
Loans and receivables	**6,635,805**	**274,499**	**6,910,304**
Financial assets at FVPL	**118,308**	**35,318**	**153,626**
AFS investments	**1,483,620**	**1,926,829**	**3,410,449**
HTM investments	**–**	**–**	**–**
Other assets	**27,376**	**9,696**	**37,072**
Total assets	**11,923,164**	**4,887,640**	**16,810,804**
Liabilities			
Deposit liabilities	**1,961,369**	**2,899,591**	**4,860,960**
Bills and acceptances payable	**2,486,218**	**15,029**	**2,501,247**
Accrued interest payable	**1,568,653**	**13,739**	**1,582,392**
Other liabilities	**2,357,448**	**103,314**	**2,460,762**
Total liabilities	**8,373,688**	**3,031,673**	**11,405,361**
Net Exposure	**₱3,549,476**	**₱1,855,967**	**₱5,405,443**

* *Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.*

	Parent Company		
	2013		
	USD	Others*	Total
Assets			
COCI and due from BSP	₱867,455	₱242,419	₱1,109,874
Due from other banks	1,761,205	2,256,719	4,017,924
Interbank loans receivable and securities held under agreements to resell	1,005,298	999,969	2,005,267
Loans and receivables	7,433,567	228,648	7,662,215
AFS investments	1,979,784	2,077,813	4,057,597
Total assets	13,047,309	5,805,568	18,852,877
Liabilities			
Deposit liabilities	2,132,839	2,951,446	5,084,285
Bills and acceptances payable	6,477,602	99,660	6,577,262
Accrued interest payable	1,564,139	463	1,564,602
Other liabilities	579,803	196,446	776,249
Total liabilities	10,754,383	3,248,015	14,002,398
Net Exposure	₱2,292,926	₱2,557,553	₱4,850,479

* *Other currencies include AED, AUD, BHD, BND, CAD, CHF, CNY, DKK, EUR, GBP, HKD, IDR, JPY, NZD, PHP, SAR, SEK, SGD, SKW, THB and TWD.*

The exchange rates used to convert the Group and the Parent Company's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2014 and 2013 follow:

	2014	2013
US dollar - Philippine peso exchange rate	**₱44.72 to USD1.00**	₱44.40 to USD1.00

The following tables set forth the impact of the range of reasonably possible changes in the US dollar-Philippine peso exchange rate on the Group and the Parent Company's income before income tax and equity (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2014 and 2013:

	2014			
	Consolidated		**Parent Company**	
	Statement of Income	**Equity**	**Statement of Income**	**Equity**
+1.00%	**₱22,873**	**₱37,713**	**₱20,659**	**₱35,495**
-1.00%	**(22,873)**	**(37,713)**	**(20,659)**	**(35,495)**

	2013			
	Consolidated		Parent Company	
	Statement of Income	Equity	Statement of Income	Equity
+1.00%	₱16,717	₱59,268	₱3,131	₱22,929
-1.00%	(16,717)	(59,268)	(3,131)	(22,929)

The Group and the Parent Company do not expect the impact of the volatility on other currencies to be material.

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 ₱313.0 million (sold) and ₱3.5 billion (bought) as of December 31, 2014 and ₱1.8 billion (sold) and ₱1.9 billion (bought) as of December 31, 2013.

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.

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., fixed capitalization requirements, risk-based capital requirements).

Capital management
PNB LII's and PNB Gen's capital management framework is aligned with the statutory requirements imposed by the IC. To ensure compliance with these externally imposed capital requirements, it is PNB LII's and PNB Gen's policy to assess its position against set minimum capital requirements.

Under the requirements of the IC and the Insurance Code, PNB LII and PNB Gen should meet the minimum levels set for the following capital requirements: Minimum Statutory Net Worth - ₱250.0 million, ₱550.0 million, ₱900.0 million and ₱1.3 billion with compliance dates of June 30, 2013, December 31, 2016, December 31, 2019 and December 31, 2022, respectively; and Risk-Based Capital (RBC) - 100.00% for both life and nonlife insurance companies.

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, SEC and PSE. PNB LII has fully complied with the relevant capital requirements having estimated statutory networth of ₱1.1 billion and ₱782.6 million as of December 31, 2014 and 2013, respectively, and RBC ratio of 145.29% and 151.24% as of December 31, 2014 and 2013, respectively. As of December 31, 2014 and 2013, PNB Gen has estimated statutory networth amounting to ₱1.1 billion and ₱494.9 million, respectively. PNB Gen's RBC ratio as of December 31, 2014 and 2013 is 30.23% and 6.04%, respectively.

Under Section D of IMC No. 7-2006, Mandatory Control Event shall occur if the RBC ratio of the company is less than 35%. Should this event occurs, the Commissioner is required to place the company under regulatory control under Sec. 247 (Title 13, *Suspension or Revocation of Authority*) of the Code. The Mandatory Control Event shall be deemed sufficient grounds for the Commissioner to take action under Sec. 247 of the Insurance Code.

The RBC ratio of PNB Gen improved in 2014 given the following actions taken by the Group:

(a) There was a ₱600.0 million capital infusion from the Parent Company signifying strong support and commitment of the Group to ensure the viability and stability of PNB Gen's operations.
(b) The Parent Company, through its various committees, closely oversees PNB Gen's performance and provides guidance and support to achieve profitability.

PNB Gen expects its financial performance to continue to improve in 2015 through strategy of profitable growth, effective claims management and more efficient collection of both premiums receivable and claims recoverable. These will have positive impact on the RBC ratio, not to mention on the new RBC formula which is presently under consideration.

If fronted accounts of ₱1.8 billion with highly rated counterparties were excluded from the denominator in determining the RBC ratio, the 2014 RBC ratio would be 48.42%.

The final amount of the RBC ratio can be determined only after the accounts of PNB Gen have been examined by the IC. Further, the IC has yet to finalize the new RBC Computation under the New Insurance Code.

5. Fair Value Measurement

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities 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 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 2.5% in 2014 and 3.0% in 2013 for peso-denominated receivables. For foreign currency-denominated receivables, discount rate used is 1.5% and 1.0% in 2014 and 2013, respectively.

Investment properties - The fair values of the Group and the Parent Company's 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.

Financial liabilities - Except for time deposit liabilities, bills payable with long-term maturity 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, bills payable with long-term maturity 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 1.00% to 4.71% and from 1.1% to 4.2% as of December 31, 2014 and 2013, 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 and AFS investments.

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 - valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level of input that is significant to their fair value measurement is unobservable

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					
	2014					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/29/2014	₱6,131,278	₱3,802,179	₱2,329,099	₱–	₱6,131,278
Private debt securities	12/29/2014	218,193	218,193	–	–	218,193
Equity securities	12/29/2014	210,834	210,674	160	–	210,834
Derivative assets	12/29/2014	136,551	–	65,391	71,160	136,551
Designated at FVPL:						
Segregated fund assets	12/29/2014	10,654,770	5,386,302	–	5,268,468	10,654,770
AFS investments:						
Government securities	12/29/2014	37,145,450	25,983,779	11,161,671	–	37,145,450
Private debt securities	12/29/2014	23,708,156	21,377,038	2,331,118	–	23,708,156
Equity securities*	12/29/2014	2,074,200	2,074,200	–	–	2,074,200
		₱80,279,432	₱59,052,365	₱15,887,439	₱5,339,628	₱80,279,432
Liabilities measured at fair value						
Financial Liabilities						
Financial liabilities at FVPL:						
Designated at FVPL:						
Segregated fund liabilities**	12/29/2014	₱10,654,770	₱5,386,302	₱–	₱5,268,468	₱10,654,770
Derivative liabilities	12/29/2014	44,903	–	44,903	–	44,903
		₱10,699,673	₱5,386,302	₱44,903	₱5,268,468	₱10,699,673
Assets for which fair values are disclosed						
Financial Assets						
HTM investments	12/29/2014	₱22,970,306	₱20,584,890	₱3,983,878	₱–	₱24,568,768
Loans and receivables:						
Receivables from customers	12/29/2014	296,372,069	–	–	316,486,735	316,486,735
Unquoted debt securities	12/29/2014	4,425,005	–	–	6,013,057	6,013,057
		₱323,767,380	₱20,584,890	₱3,983,878	₱322,499,792	₱347,068,560
Nonfinancial Assets						
Investment property:***						
Land	2014	₱18,217,858	₱–	₱–	₱24,326,385	₱24,326,385
Buildings and improvements	2014	2,030,624	–	–	3,355,569	3,355,569
		₱20,248,482	₱–	₱–	₱27,681,954	₱27,681,954

(Forward)

	Consolidated					
	2014					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Liabilities for which fair values are disclosed						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/29/2014	₱52,881,409	₱–	₱–	₱55,296,115	₱55,296,115
Bills payable	12/29/2014	18,683,205	–	–	18,340,370	18,340,370
Subordinated debt	12/29/2014	9,969,498	–	–	10,593,485	10,593,485
		₱81,534,112	₱–	₱–	₱84,229,970	₱84,229,970

** 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					
	2013					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/27/2013	₱3,070,674	₱1,977,066	₱1,093,608	₱–	₱3,070,674
Private debt securities	12/27/2013	268,771	217,808	50,963	–	268,771
Equity securities	12/27/2013	249,518	249,518	–	–	249,518
Derivative assets	12/27/2013	258,697	–	92,834	165,863	258,697
Designated at FVPL:						
Segregated fund assets	12/27/2013	7,861,688	2,481,635	–	5,380,053	7,861,688
AFS investments:						
Government securities	12/27/2013	59,247,765	33,571,430	25,676,335	–	59,247,765
Private debt securities	12/27/2013	19,216,744	19,150,981	65,763	–	19,216,744
Equity securities*	12/27/2013	1,678,007	1,678,007	–	–	1,678,007
		₱91,851,864	₱59,326,445	₱26,979,503	₱5,545,916	₱91,851,864
Liabilities measured at fair value						
Financial Liabilities						
Financial liabilities at FVPL:						
Designated at FVPL:						
Segregated fund liabilities**	12/27/2013	₱7,861,688	₱2,481,635	₱–	₱5,380,053	₱7,861,688
Derivative liabilities	12/27/2013	163,101	–	163,101	–	163,101
		₱8,024,789	₱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	12/27/2013	₱248,282,877	₱–	₱–	₱256,593,191	₱256,593,191
Unquoted debt securities	12/27/2013	7,295,531	–	–	8,733,369	8,733,369
		₱255,578,408	₱–	₱–	₱265,326,560	₱265,326,560
Nonfinancial Assets						
Investment property:***						
Land	2012 - 2013	₱19,624,274	₱–	₱–	₱24,176,727	₱24,176,727
Buildings and improvements	2012 - 2013	1,828,688	–	–	3,394,550	3,394,550
		₱21,452,962	₱–	₱–	₱27,571,277	₱27,571,277
Liabilities for which fair values are disclosed						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/27/2013	₱51,464,182	₱–	₱–	₱51,350,907	₱51,350,907
Subordinated debt	12/27/2013	9,953,651	–	–	10,584,755	10,584,755
		₱61,417,833	₱–	₱–	₱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*

	Parent Company					
	2014					
	Valuation Date	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	**12/29/2014**	**₱6,131,278**	**₱3,802,179**	**₱2,329,099**	**₱–**	**₱6,131,278**
Private debt securities	**12/29/2014**	**218,193**	**218,193**	**–**	**–**	**218,193**
Equity securities	**12/29/2014**	**210,550**	**210,550**	**–**	**–**	**210,550**
Derivative assets	**12/29/2014**	**135,929**	**–**	**64,769**	**71,160**	**135,929**
AFS investments:						
Government securities	**12/29/2014**	**34,433,027**	**23,271,399**	**11,161,628**	**–**	**34,433,027**
Private debt securities	**12/29/2014**	**20,360,443**	**18,039,535**	**2,320,908**	**–**	**20,360,443**
Equity securities*	**12/29/2014**	**470,608**	**470,608**	**–**	**–**	**470,608**
		₱61,960,028	**₱46,012,464**	**₱15,876,404**	**₱71,160**	**₱61,960,028**
Liabilities measured at fair value						
Financial Liabilities						
Derivative liabilities	**12/29/2014**	**₱44,264**	**₱–**	**₱44,264**	**₱–**	**₱44,264**
Assets for which fair values are disclosed						
Financial Assets						
HTM investments	**12/29/2014**	**₱21,559,631**	**₱19,660,347**	**₱3,443,695**	**₱–**	**₱23,104,042**
Loans and receivables:						
Receivables from customers	**12/29/2014**	**275,489,052**	**–**	**–**	**292,379,151**	**292,379,151**
Unquoted debt securities	**12/29/2014**	**4,125,005**	**–**	**–**	**5,713,057**	**5,713,057**
		₱301,173,688	**₱19,660,347**	**₱3,443,695**	**₱298,092,208**	**₱321,196,250**
Nonfinancial Assets						
Investment property:**						
Land	**2014**	**₱17,915,404**	**₱–**	**₱–**	**₱24,174,768**	**₱24,174,768**
Buildings and improvements	**2014**	**1,837,499**	**–**	**–**	**3,189,415**	**3,189,415**
		₱19,752,903	**₱–**	**₱–**	**₱27,364,183**	**₱27,364,183**
Liabilities for which fair values are disclosed						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	**12/29/2014**	**₱47,287,301**	**₱–**	**₱–**	**₱46,855,735**	**₱46,855,735**
Bills payable	**12/29/2014**	**18,159,191**	**–**	**–**	**17,816,356**	**17,816,356**
Subordinated debt	**12/29/2014**	**9,969,498**	**–**	**–**	**10,593,485**	**10,593,485**
		₱75,415,990	**₱–**	**₱–**	**₱75,265,576**	**₱75,265,576**

* *Excludes unquoted available-for-sale securities*
** *Based on the fair values from appraisal reports which is different from their carrying amounts which are carried at cost*

	Parent Company					
	2013					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets measured at fair value						
Financial Assets						
Financial assets at FVPL:						
Held-for-trading:						
Government securities	12/27/2013	₱3,070,674	₱1,977,066	₱1,093,608	₱–	₱3,070,674
Private debt securities	12/27/2013	268,771	217,808	50,963	–	268,771
Equity securities	12/27/2013	247,615	247,615	–	–	247,615
Derivative assets	12/27/2013	258,613	–	92,750	165,863	258,613
AFS investments:						
Government securities	12/27/2013	55,174,681	29,498,346	25,676,335	–	55,174,681
Private debt securities	12/27/2013	16,625,989	16,560,227	65,762	–	16,625,989
Equity securities*	12/27/2013	757,119	757,119	–	–	757,119
		₱76,403,462	₱49,258,181	₱26,979,418	₱165,863	₱76,403,462
Liabilities measured at fair value						
Financial Liabilities						
Financial liabilities at FVPL:						
Derivative liabilities	12/27/2013	₱163,084	₱–	₱163,084	₱–	₱163,084

(Forward)

	Parent Company					
	2013					
	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed						
Financial Assets						
Loans and receivables:						
Receivables from customers	12/27/2013	₱236,087,901	₱–	₱–	₱244,268,519	₱244,268,519
Unquoted debt securities	12/27/2013	6,912,909	–	–	8,350,923	8,350,923
		₱243,000,810	₱–	₱–	₱252,619,442	₱252,619,442
Nonfinancial Assets						
Investment property:**						
Land	2012 - 2013	₱19,505,306	₱–	₱–	₱23,798,941	₱23,798,941
Buildings and improvements	2012 - 2013	1,719,628	–	–	3,163,809	3,163,809
		₱21,224,934	₱–	₱–	₱26,962,750	₱26,962,750
Liabilities for which fair values are disclosed						
Financial Liabilities						
Financial liabilities at amortized cost:						
Time deposits	12/27/2013	₱47,698,807	₱–	₱–	₱47,585,532	₱47,585,532
Bills payable	12/27/2013	13,120,183	–	–	13,124,408	13,124,408
Subordinated debt	12/27/2013	9,953,651	–	–	10,584,755	10,584,755
		₱70,772,641	₱–	₱–	₱71,294,695	₱71,294,695

* *Excludes unquoted available-for-sale securities*
** *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.

As of December 31, 2014 and 2013, 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**	
	2014	2013	**2014**	2013
Financial assets				
Balance at beginning of year	**₱5,545,916**	₱59,044	**₱165,863**	₱59,044
Acquisitions arising from:				
Business combination	**–**	2,616,316	**–**	–
Purchases of investments	**–**	2,692,915	**–**	20,738
Fair value changes recognized in profit or loss	**(206,288)**	177,641	**(94,703)**	86,081
Balance at end of year	**₱5,339,628**	₱5,545,916	**₱71,160**	₱165,863

(Forward)

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Financial liabilities				
Balance at beginning of year	**₱5,380,053**	₱6,196,070	**₱–**	₱6,196,070
Acquisitions arising from:				
Business combination	**–**	2,616,316	**–**	–
Purchases of investments	**–**	2,672,177	**–**	–
Fair value changes recognized in profit or loss	**(111,585)**	(104,510)	**–**	(196,070)
Redemption of unsecured subordinated notes	**–**	(6,000,000)	**–**	(6,000,000)
Balance at end of year	**₱5,268,468**	₱5,380,053	**₱–**	₱–

Equity and/or Credit-Linked Notes are shown as 'Segregated fund assets' under 'Financial Assets at FVPL'.

The structured Variable Unit-Linked Notes can be decomposed into bond components and options components. The fair value of structured notes has been computed by counterparties using present value calculations and option pricing models, as applicable. The valuation requires management to make certain assumptions about the model inputs particularly the credit spread of the Issuer. The model also used certain market observable inputs including the counterparty's credit default swap (CDS), PHP interest rate swap (IRS) rates (for the Peso-denominated issuances) and ROP CDS rates (for the USD-denominated issuances).

Description of valuation techniques are as follows:

Structured Notes	**Valuation Methods**	**Significant Unobservable Inputs**	**Significant Observable Inputs**
Peso-denominated	DCF Method / Monte Carlo Simulation	Issuer's Funding rate / Issuer's CDS as proxy	PHP IRS
Dollar-denominated	DCF Method / Monte Carlo Simulation	Issuer's Funding rate / Issuer's CDS as proxy	ROP CDS / USD IRS

The sensitivity analysis of the fair market value of the structured notes as of December 31, 2014 and 2013 is performed for the reasonable possible movement in the significant inputs with all other variables held constant, showing the impact to profit and loss follows:

Sensitivity of the fair value measurement to changes in unobservable inputs:

2014			
Structured Investments	**Significant Unobservable Input**	**Range of Input**	**Sensitivity of the Input to Fair Value***
Peso-denominated	**Bank CDS Levels**	**44.00 - 95.67 bps**	**50 bps increase (decrease) in change inputs would result in a (decrease) increase in the market value of the note by ₱90,838,042**
Dollar-denominated	**Bank CDS Levels**	**35.21 - 78.08 bps**	**50 bps increase (decrease) in change inputs would result in a (decrease) increase in the market value of the note by ₱41,710,217**

* *The sensitivity analysis is performed only on the bond component of the Note.*

2013			
Structured Investments	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	Bank CDS Levels	43.80 - 138.89 bps	50 bps increase (decrease) in change inputs would result in a (decrease) increase in the market value of the note by ₱93,593,693
Dollar-denominated	Bank CDS Levels	43.80 - 138.89 bps	50 bps increase (decrease) in change inputs would result in a (decrease) increase in the market value of the note by ₱41,511,299

* *The sensitivity analysis is performed only on the bond component of the Note.*

Sensitivity of the fair value measurement to changes in observable inputs:

2014			
Structured Investments	**Significant Observable Input**	**Range of Input**	**Sensitivity of the Input to Fair Value***
Peso-denominated	**PHP IRS (3Y)**	**142.00 - 375.00 bps**	**50 bps increase (decrease) in change inputs would result in a (decrease) increase in the market value of the note by ₱90,838,042**
Dollar-denominated	**ROP CDS (5Y)**	**79.31 - 150.94 bps**	**50 bps increase (decrease) in change inputs would result in a (decrease) increase in the market value of the note by ₱41,710,217**

* *The sensitivity analysis is performed only on the bond component of the Note.*

2013			
Structured Investments	Significant Observable Input	Range of Input	Sensitivity of the Input to Fair Value*
Peso-denominated	PHP IRS (3Y)	103.00 - 410.00 bps	50 bps increase (decrease) in change inputs would result in a (decrease) increase in the market value of the note by ₱93,593,693.
Dollar-denominated	ROP CDS (5Y)	80.50 - 157.00 bps	50 bps increase (decrease) in change inputs would result in a (decrease) increase in the market value of the note by ₱41,511,299.

* *The sensitivity analysis is performed only on the bond component of the Note.*

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.

Description of the valuation techniques and significant unobservable inputs used in the valuation of the Group and Parent Company's investment properties are as follow:

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 ₱600 to ₱24,000
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.
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

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; and

Other Segments - include, but not limited to, insurance, leasing, remittances and other support services. Other support services of the Group comprise of the operations and financial control groups.

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is credited to or charged against business segments based on 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 are 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.

Segment revenues pertain to the net interest margin and other operating income earned by a segment in its operating activities 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:

	2014					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Net interest margin						
Third party	₱1,306,979	₱11,521,156	₱2,987,955	₱622,402	₱435,786	₱16,874,278
Inter-segment	3,928,385	(3,431,729)	(496,656)	–	–	–
Net interest margin after inter-segment transactions	5,235,364	8,089,427	2,491,299	622,402	435,786	16,874,278
Other income	2,026,365	4,062,801	1,122,246	4,663,841	(45,858)	11,829,395
Segment revenue	7,261,729	12,152,228	3,613,545	5,286,243	389,928	28,703,673
Other expenses	(7,131,047)	(3,677,796)	(217,934)	(3,983,837)	(628,280)	(15,638,894)
Segment result	₱130,682	₱8,474,432	₱3,395,611	₱1,302,406	(₱238,352)	13,064,779
Unallocated expenses						(6,159,274)
Net income before income tax						6,905,505
Income tax						(1,410,460)
Net income						5,495,045
Non-controlling interest						(136,376)
Net income for the year attributable to equity holders of the Parent Company						₱5,358,669
Other segment information						
Capital expenditures	₱744,394	₱25,454	₱1,404	₱291,118	₱32,553	₱1,094,923
Unallocated capital expenditure						271,486
Total capital expenditure						₱1,366,409
Depreciation and amortization	₱140,607	₱110,966	₱5,562	₱734,080	₱276,170	₱1,267,385
Unallocated depreciation and amortization						228,585
Total depreciation and amortization						₱1,495,970
Provision for (reversal of) impairment, credit and other losses	₱545,281	₱859,782	(₱11,766)	₱355,627	₱515,691	₱2,264,615

** The eliminations and adjustments column mainly represent the RAP to PFRS adjustments*

	2013 (As Restated - Note 2)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	₱648,331	₱9,659,791	₱2,435,438	₱529,670	₱475,309	₱13,748,539
Inter-segment	3,654,832	(2,860,774)	(794,058)	–	–	–
Net interest margin after inter-segment transactions	4,303,163	6,799,017	1,641,380	529,670	475,309	13,748,539
Other income	621,494	2,197,096	7,078,608	3,924,056	(657,048)	13,164,206
Segment revenue	4,924,657	8,996,113	8,719,988	4,453,726	(181,739)	26,912,745
Other expenses	(5,277,205)	(4,575,313)	(443,992)	(5,476,725)	(184,617)	(15,957,852)
Segment result	(₱352,548)	₱4,420,800	₱8,275,996	(₱1,022,999)	(₱366,356)	10,954,893
Unallocated expenses						(4,530,341)
Net income before share in net income of an associate and income tax						6,424,552
Share in net income of an associate						4,975
Net income before income tax						6,429,527
Income tax						(1,182,038)
Net income						5,247,489
Non-controlling interest						(101,174)
Net income for the year attributable to equity holders of the Parent Company						₱5,146,315
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	₱330,812	₱1,469,308
Unallocated depreciation and amortization						236,352
Total depreciation and amortization						₱1,705,660
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*

	2012 (As Restated - Note 2)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net interest margin						
Third party	(₱897,817)	₱5,993,722	₱1,516,222	₱195,159	₱168,420	₱6,975,706
Inter-segment	4,511,306	(2,096,482)	(2,414,824)	–	–	–
Net interest margin after inter-segment transactions	3,613,489	3,897,240	(898,602)	195,159	168,420	6,975,706
Other income	905,734	1,562,453	5,733,577	2,491,804	(352,277)	10,341,291
Segment revenue	4,519,223	5,459,693	4,834,975	2,686,963	(183,857)	17,316,997
Other expenses	(3,086,619)	(3,120,771)	(603,858)	(2,183,679)	281,606	(8,713,321)
Segment result	₱1,432,604	₱2,338,922	₱4,231,117	₱503,284	₱97,749	8,603,676
Unallocated expenses						(2,922,012)
Net income before share in net income of an associate and income tax						5,681,664
Share in net income of an associate						10,309
Net income before income tax						5,691,973
Income tax						(939,615)
Net income						4,752,358
Non-controlling interest						(9,831)
Net income for the year attributable to equity holders of the Parent Company						₱4,742,527
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	₱167,675	₱583,193
Unallocated depreciation and amortization						236,353
Total depreciation and amortization						₱819,546
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, 2014					
	Retail Banking	**Corporate Banking**	**Treasury**	**Others**	**Adjustments and Eliminations***	**Total**
Segment assets	**₱300,295,603**	**₱233,760,262**	**₱183,055,599**	**₱107,472,631**	**(₱200,620,538)**	**₱623,963,557**
Unallocated assets						**1,482,275**
Total assets						**₱625,445,832**
Segment liabilities	**₱432,785,391**	**₱42,364,978**	**₱39,121,272**	**₱141,501,009**	**(₱255,648,228)**	**₱400,124,422**
Unallocated liabilities						**126,260,528**
Total liabilities						**₱526,384,950**

** The eliminations and adjustments column mainly represent the RAP to PFRS adjustments*

	As of December 31, 2013 (As Restated - Note 2)					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱323,066,129	₱210,159,287	₱266,730,411	₱139,624,331	(₱324,690,870)	₱614,889,288
Unallocated assets						1,386,332
Total assets						₱616,275,620
Segment liabilities	₱389,311,223	₱46,909,951	₱54,329,592	₱267,453,559	(₱311,879,591)	₱446,124,734
Unallocated liabilities						87,811,933
Total liabilities						₱533,936,667

** The eliminations and adjustments column mainly represent the RAP to PFRS adjustments*

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:

	Non-current Assets		**Liabilities**		**Capital Expenditure**	
	2014	2013 (As Restated - Note 2)	**2014**	2013 (As Restated - Note 2)	**2014**	2013
Philippines	**₱338,962,435**	₱280,816,794	**₱506,034,141**	₱515,358,591	**₱1,338,759**	₱1,216,764
USA and Canada	**1,354,970**	1,747,128	**3,639,786**	2,112,914	**1,472**	29
Asia (excluding Philippines)	**1,153,246**	9,559,610	**15,572,732**	16,266,046	**14,897**	16,056
United Kingdom	**198,206**	40,032	**1,138,291**	10,160	**11,281**	6,570
Other European Union Countries	**–**	14,155	**–**	188,956	**–**	–
	₱341,668,857	₱292,177,719	**₱526,384,950**	₱533,936,667	**₱1,366,409**	₱1,239,419

	Credit Commitments		**External Revenues**		
	2014	2013	**2014**	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Philippines	**₱15,661,774**	₱26,392,845	**₱26,783,178**	₱25,038,394	₱15,821,873
USA and Canada	**467**	487	**534,838**	531,803	605,993
Asia (excluding Philippines)	**8,104**	1,754,756	**1,184,773**	1,169,644	771,601
United Kingdom	**–**	–	**200,884**	148,592	117,116
Other European Union Countries	**–**	–	**–**	29,287	10,723
	₱15,670,345	₱28,148,088	**₱28,703,673**	₱26,917,720	₱17,327,306

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. Due from Bangko Sentral ng Pilipinas

As of December 31, 2014 and 2013, 35.54% and 53.93% of the Group's Due from BSP are placed under the special deposit account (SDA) with BSP. Those SDAs bear interest at annual interest rates ranging from 2.00% to 2.50%, 2.00% to 3.00% and 3.66% to 4.69% in 2014, 2013 and 2012, respectively.

As of December 31, 2014 and 2013, 29.35% and 56.54% of the Parent Company's Due from BSP are placed under the SDA with the BSP. Those SDAs bear interest at annual interest rates ranging from 2.00% to 2.50%, 2.00% to 3.00% and 3.66% to 4.69% in 2014, 2013 and 2012, respectively.

8. Interbank Loans Receivable

Interbank loans receivable includes peso and foreign currency-denominated placements amounting to ₱1.5 billion and ₱6.2 billion, respectively, as of December 31, 2014 and nil and ₱8.4 billion, respectively, as of December 31, 2013. The Group's peso-denominated interbank loans receivable bears interest ranging from 3.00% to 3.19% in 2014 and nil in 2013 and 2012, and from 0.08% to 0.25%, from 0.04% to 1.15% and from 0.05% to 1.05% for foreign-currency denominated placements in 2014, 2013 and 2012, respectively.

The amount of the Group's and the Parent Company's interbank loans receivable considered as cash and cash equivalents follow:

	2014	2013
Interbank loans receivable	**₱7,671,437**	₱8,405,250
Less: Interbank loans receivable not considered as cash and cash equivalents	**(178,898)**	–
	₱7,492,539	₱8,405,250

9. **Trading and Investment Securities**

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Financial assets at FVPL	**₱17,351,626**	₱11,709,348	**₱6,695,950**	₱3,845,673
AFS investments	**63,091,497**	80,304,149	**55,411,588**	72,696,109
HTM investments	**22,970,306**	–	**21,559,631**	–
	₱103,413,429	₱92,013,497	**₱83,667,169**	₱76,541,782

Financial Assets at FVPL

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Held-for-trading:				
Government securities	**₱6,131,278**	₱3,070,674	**₱6,131,278**	₱3,070,674
Private debt securities	**218,193**	268,771	**218,193**	268,771
Equity securities	**210,834**	249,518	**210,550**	247,615
Derivative assets (Note 23)	**136,551**	258,697	**135,929**	258,613
	6,696,856	3,847,660	**6,695,950**	3,845,673
Designated at FVPL:				
Segregated fund assets (Note 18)	**10,654,770**	7,861,688	**–**	–
	₱17,351,626	₱11,709,348	**₱6,695,950**	₱3,845,673

For the years ended December 31, 2014 and 2013, unrealized loss on government and private debt securities recognized by the Group and the Parent Company amounted to ₱216.2 million and ₱237.1 million, respectively. For the year ended December 31, 2012, the Group and the Parent Company recognized unrealized gain amounting to ₱50.1 million from government and private debt securities.

The carrying amount of equity securities includes unrealized loss of ₱17.2 million, ₱30.5 million and ₱3.8 million as of December 31, 2014, 2013 and 2012, respectively, for the Group and unrealized loss of ₱17.3 million, ₱30.6 million and ₱4.3 million as of December 31, 2014, 2013 and 2012, respectively, for the Parent Company.

In 2014, 2013 and 2012, the nominal interest rates of government securities range from 2.75% to 8.88%, from 3.25% to 8.38% and from 2.63% to 8.00%, respectively.

In 2014, 2013 and 2012, the nominal interest rates of private debt securities range from 4.25% to 7.38%, from 3.88% to 7.38% and from 5.75% to 7.38%, 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, 2014 and 2013, the segregated fund assets consist of peso funds amounting to ₱8.7 billion and ₱6.0 billion, respectively. The dollar funds amount to ₱2.0 billion and ₱1.9 billion as of December 31, 2014 and 2013, respectively. 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 10.00% index.

AFS Investments

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
AFS investments:				
Government securities (Notes 19 and 33)	**₱37,145,450**	₱59,247,765	**₱34,433,027**	₱55,174,681
Private debt securities	**23,708,156**	19,216,744	**20,360,443**	16,625,989
Equity securities - net of allowance for impairment losses (Note 16)				
Quoted	**2,074,200**	1,678,007	**470,608**	757,119
Unquoted	**163,691**	161,633	**147,510**	138,320
	₱63,091,497	₱80,304,149	**₱55,411,588**	₱72,696,109

The Group and Parent Company recognized impairment losses on equity securities amounting to ₱1.4 million in 2014 (Note 16).

The movements in net unrealized gain (loss) on AFS investments of the Group are as follows:

	Consolidated								
	2014			2013			2012		
	Parent Company	**NCI**	**Total**	Parent Company	NCI	Total	Parent Company	NCI	Total
Balance at the beginning of the year	**(₱3,581,865)**	**₱158,990**	**(₱3,422,875)**	₱1,037,252	₱–	1,037,252	₱742,343	₱–	₱742,343
Acquired from business combination	–	–	–	–	(47,538)	(47,538)	–	–	–
Changes in fair values of AFS investments	**2,406,462**	**23,820**	**2,430,282**	(243,270)	206,904	(36,366)	4,558,895	–	4,558,895
Provision for impairment (Note 16)	**1,423**	–	**1,423**	–	–	–	–	–	–
Realized gains	**(1,171,221)**	**(2,932)**	**(1,174,153)**	(4,375,383)	(376)	(4,375,759)	(4,287,934)	–	(4,287,934)
	1,236,664	**20,888**	**1,257,552**	(4,618,653)	206,528	(4,412,125)	270,961	–	270,961
Income tax effect (Note 31)	**9,059**	–	**9,059**	(464)	–	(464)	23,948	–	23,948
Balance at end of year	**(₱2,336,142)**	**₱179,878**	**(₱2,156,264)**	(₱3,581,865)	₱158,990	(₱3,422,875)	₱1,037,252	₱–	₱1,037,252

The changes in the net unrealized gain (loss) on AFS investments of the Parent Company follow:

	Parent Company		
	2014	2013	2012
Balance at the beginning of the year	**(₱3,400,929)**	₱904,686	₱658,256
Changes in fair values of AFS investments	**2,242,418**	(113,065)	4,432,827
Provision for impairment	**1,423**	–	–
Realized gains	**(1,128,511)**	(4,183,617)	(4,205,426)
	1,115,330	(4,296,682)	227,401
Income tax effect (Note 31)	**9,098**	(8,933)	19,029
Balance at end of year	**(₱2,276,501)**	(₱3,400,929)	₱904,686

As of December 31, 2013, 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 (Note 19). 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, 2014 and 2013, 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 the BSP amounted to ₱8.5 billion and ₱2.7 billion, respectively (Note 19). 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 the Group's AFS investments are pledged securities for the Surety Bond with face value amount of ₱974.4 million issued by PNB Gen (Note 35). As of December 31, 2014 and 2013, the carrying value of these pledged securities amounted to ₱903.9 million and ₱928.3 million, respectively.

HTM Investments

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.

Beginning 2014, the Group is already allowed to classify investments as HTM as the tainting period, required by PAS 39, has lapsed. On March 3 and March 5, 2014, the Group reclassified certain AFS investment securities with fair values of ₱15.9 billion and ₱6.8 billion, respectively, back to its original classification, as HTM investments, as management has established that it continues to have the positive intention and ability to hold these securities to maturity. The reclassification was approved by the BOD on February 28, 2014. The previous fair valuation gains amounting to ₱2.7 billion that have been recognized in OCI shall be amortized to profit or loss over the remaining life of the HTM investments using effective interest rates ranging from 3.60% to 5.64%.

As of December 31, 2014, HTM investments of the Group comprise of government securities and private debt securities amounting to ₱22.9 billion and ₱50.0 million, respectively. HTM investments of the Parent Company consist of government securities amounting to ₱21.6 billion as of December 31, 2014.

As of December 31, 2014, the fair value of the HTM 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 ₱8.9 billion (Note 19).

Interest income on trading and investment securities

This account consists of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
AFS investments	**₱2,350,023**	₱3,102,464	₱2,627,530	**₱1,968,228**	₱2,755,886	₱2,532,161
HTM investments	**794,541**	–	–	**725,613**	–	–
Financial assets at FVPL	**244,886**	648,203	608,224	**244,886**	648,202	608,224
Derivatives	–	5,528	–	–	5,503	–
	₱3,389,450	₱3,756,195	₱3,235,754	**₱2,938,727**	₱3,409,591	₱3,140,385

Effective interest rates range from 2.58% to 5.62%, from 1.62% to 5.79% and from 2.35% to 5.95% in 2014, 2013 and 2012, respectively, for peso-denominated AFS investments.

Effective interest rates range from 2.06% to 5.83%, from 1.28% to 5.90% and from 1.66% to 5.90% in 2014, 2013 and 2012, respectively, for foreign currency-denominated AFS investments.

HTM investments bear effective annual interest rates ranging from 3.60% to 5.64% in 2014.

Trading and investment securities gains - net
This account consists of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Financial assets at FVPL:						
Held-for-trading	**₱197,224**	₱214,322	₱449,744	**₱196,597**	₱214,322	₱440,660
Designated at FVPL	**1,751**	79,955	31,240	**–**	(16,192)	31,240
AFS investments	**1,174,153**	4,375,759	4,287,934	**1,128,511**	4,183,617	4,205,426
Financial liabilities at FVPL:						
Designated at FVPL	**–**	104,510	283,100	**–**	196,070	283,100
Derivative financial instruments (Note 23)	**(90,761)**	(156,313)	312,791	**(90,761)**	(156,313)	312,791
	₱1,282,367	₱4,618,233	₱5,364,809	**₱1,234,347**	₱4,421,504	₱5,273,217

10. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Receivables from customers:				
Loans and discounts	**₱279,256,983**	₱233,536,374	**₱261,796,590**	₱224,041,113
Customers' liabilities on letters of credit and trust receipts	**11,233,400**	9,618,839	**10,910,584**	9,375,421
Bills purchased (Note 22)	**4,878,682**	3,781,305	**4,292,300**	3,387,627
Credit card receivables	**4,390,966**	3,763,087	**4,390,966**	3,763,087
Lease contracts receivable (Note 30)	**3,324,277**	2,677,235	**103,720**	105,209
Customers' liabilities on acceptances (Note 19)	**361,505**	359,413	**361,505**	359,413
	303,445,813	253,736,253	**281,855,665**	241,031,870
Less unearned and other deferred income	**1,261,386**	1,109,950	**867,933**	830,242
	302,184,427	252,626,303	**280,987,732**	240,201,628
Unquoted debt securities	**8,044,272**	11,254,187	**7,744,272**	10,871,565
Other receivables:				
Accounts receivable	**8,993,706**	10,186,605	**3,127,060**	3,924,203
Accrued interest receivable	**4,756,699**	7,229,913	**4,533,985**	7,040,322
Sales contract receivables	**4,267,338**	4,647,352	**4,184,697**	4,591,220
Miscellaneous	**442,088**	499,314	**389,790**	473,406
	18,459,831	22,563,184	**12,235,532**	16,029,151
	328,688,530	286,443,674	**300,967,536**	267,102,344
Less allowance for credit losses (Note 16)	**12,435,509**	12,167,591	**11,946,142**	11,666,814
	₱316,253,021	₱274,276,083	**₱289,021,394**	₱255,435,530

Below is the reconciliation of loans and receivables as to classes:

	Consolidated 2014							
	Receivables from Customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Receivables from customers:								
Loans and discounts	**₱224,312,212**	**₱20,089,224**	**₱8,410,900**	**₱25,938,669**	**₱505,978**	**₱–**	**₱–**	**₱279,256,983**
Customers' liabilities on letters of credit and trust receipts	**11,233,400**	**–**	**–**	**–**	**–**	**–**	**–**	**11,233,400**
Bills purchased (Note 22)	**4,527,330**	**351,352**	**–**	**–**	**–**	**–**	**–**	**4,878,682**
Credit card receivables	**68,455**	**–**	**–**	**4,261,332**	**61,179**	**–**	**–**	**4,390,966**
Lease contracts receivable (Note 30)	**3,323,512**	**–**	**–**	**765**	**–**	**–**	**–**	**3,324,277**
Customers' liabilities on acceptances (Note 19)	**361,505**	**–**	**–**	**–**	**–**	**–**	**–**	**361,505**
	243,826,414	**20,440,576**	**8,410,900**	**30,200,766**	**567,157**	**–**	**–**	**303,445,813**
Less unearned and other deferred income	**1,300,208**	**–**	**14,290**	**(53,368)**	**256**	**–**	**–**	**1,261,386**
	242,526,206	**20,440,576**	**8,396,610**	**30,254,134**	**566,901**	**–**	**–**	**302,184,427**
Unquoted debt securities	**–**	**–**	**–**	**–**	**–**	**8,044,272**	**–**	**8,044,272**
Other receivables:								
Accounts receivable	**–**	**–**	**–**	**–**	**–**	**–**	**8,993,706**	**8,993,706**
Accrued interest receivable	**–**	**–**	**–**	**–**	**–**	**–**	**4,756,699**	**4,756,699**
Sales contract receivables	**–**	**–**	**–**	**–**	**–**	**–**	**4,267,338**	**4,267,338**
Miscellaneous	**–**	**–**	**–**	**–**	**–**	**–**	**442,088**	**442,088**
	242,526,206	**20,440,576**	**8,396,610**	**30,254,134**	**566,901**	**8,044,272**	**18,459,831**	**328,688,530**
Less allowance for credit losses (Note 16)	**4,530,880**	**189,270**	**62,462**	**1,012,637**	**17,109**	**3,619,267**	**3,003,884**	**12,435,509**
	₱237,995,326	**₱20,251,306**	**₱8,334,148**	**₱29,241,497**	**₱549,792**	**₱4,425,005**	**₱15,455,947**	**₱316,253,021**

	Consolidated 2013							
	Receivables from Customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Receivables 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 letters of credit and trust receipts	9,617,851	988	–	–	–	–	–	9,618,839
Bills purchased (Note 22)	3,343,718	437,587	–	–	–	–	–	3,781,305
Credit card receivables	42,391	–	–	3,702,336	18,360	–	–	3,763,087
Lease contracts receivable (Note 30)	2,676,136	–	–	1,099	–	–	–	2,677,235
Customers' liabilities on acceptances (Note 19)	359,413	–	–	–	–	–	–	359,413
	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

	Parent Company							
	2014							
	Receivables from Customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Receivables from customers:								
Loans and discounts	₱216,170,658	₱20,089,224	₱8,410,900	₱16,633,338	₱492,470	₱–	₱–	₱261,796,590
Customers' liabilities on letters of credit and trust receipts	10,910,584	–	–	–	–	–	–	10,910,584
Bills purchased (Note 22)	3,940,948	351,352	–	–	–	–	–	4,292,300
Credit card receivables	68,455	–	–	4,261,332	61,179	–	–	4,390,966
Lease contracts receivable (Note 30)	103,720	–	–	–	–	–	–	103,720
Customers' liabilities on acceptances (Note 19)	361,505	–	–	–	–	–	–	361,505
	231,555,870	20,440,576	8,410,900	20,894,670	553,649	–	–	281,855,665
Less unearned and other deferred income	910,204	–	14,290	(56,817)	256	–	–	867,933
	230,645,666	20,440,576	8,396,610	20,951,487	553,393	–	–	280,987,732
Unquoted debt securities	–	–	–	–	–	7,744,272	–	7,744,272
Other receivables:								
Accounts receivable	–	–	–	–	–	–	3,127,060	3,127,060
Accrued interest receivable	–	–	–	–	–	–	4,533,985	4,533,985
Sales contract receivables	–	–	–	–	–	–	4,184,697	4,184,697
Miscellaneous	–	–	–	–	–	–	389,790	389,790
	230,645,666	20,440,576	8,396,610	20,951,487	553,393	7,744,272	12,235,532	300,967,536
Less allowance for credit losses (Note 16)	4,266,298	189,270	62,462	963,545	17,105	3,619,267	2,828,195	11,946,142
	₱226,379,368	₱20,251,306	₱8,334,148	₱19,987,942	₱536,288	₱4,125,005	₱9,407,337	₱289,021,394

	Parent Company							
	December 31, 2013							
	Receivables from Customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Receivables 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 letters of credit and trust receipts	9,374,433	988	–	–	–	–	–	9,375,421
Bills purchased (Note 22)	2,950,040	437,587	–	–	–	–	–	3,387,627
Credit card receivables	42,391	–	–	3,702,336	18,360	–	–	3,763,087
Lease contracts receivable (Note 30)	105,209	–	–	–	–	–	–	105,209
Customers' liabilities on acceptances (Note 19)	359,413	–	–	–	–	–	–	359,413
	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

Loans amounting to ₱219.1 million as of December 31, 2013 have been pledged to the BSP to secure the Parent Company's availments under the BSP rediscounting privileges which are included in Bills payable (Note 19). 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.

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 'Receivables from customers - Loans and discounts' and 'Accrued interest receivable') and liabilities in connection with the sale of the Parent Company's 60.00% equity in Maybank.

As of December 31, 2014 and 2013, the balance of these receivables amounted to ₱3.6 billion and the transferred liabilities (included under 'Bills payable to BSP and local banks' - Note 19 and 'Accrued interest payable' - Note 20) amounted to ₱3.3 billion. 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, 2014 and 2013. The remaining 40% equity ownership of the Parent Company in Maybank was sold in June 2000 (Note 35).

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, 2014 and 2013, 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, have filed a Petition to set aside the Partial Award with the Singapore High Court on July 9, 2012.

The Singapore High Court reversed its decision and granted in its entirety the Petition of the consortium banks to set aside the Partial Award on July 31, 2014. The SPV Companies filed a Notice of Appeal to the Singapore Court of Appeals on September 1, 2014. The first hearing was heard on January 26, 2015.

The Singapore Court of Appeal issued a Decision upholding the Singapore High Court's Decision in part on March 31, 2015. Parties are to file submissions before the Singapore Court of Appeal pertaining to the issue on cost and consequential order (Note 35).

As of December 31, 2013, unquoted debt instruments 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 accrued interest is guaranteed by a sinking fund managed by the Parent Company's Trust Banking Group (TBG) (Note 34). As of December 31, 2014 and 2013, the sinking fund amounted to nil and ₱5.3 billion, respectively, earning an average rate of return of 8.82% per annum. The bonds matured on February 15, 2014 and were settled through liquidation of the sinking fund.

Finance lease receivable

An analysis of the Group and the Parent Company's finance lease receivables is presented as follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Minimum lease payments				
Due within one year	**₱1,333,023**	₱1,010,882	**₱14,109**	₱2,809
Due beyond one year but not over five years	**1,369,711**	1,185,732	**31,100**	26,550
Due beyond five years	**58,511**	75,850	**58,511**	75,850
	2,761,245	2,272,464	**103,720**	105,209
Residual value of leased equipment				
Due within one year	**138,019**	135,309	–	–
Due beyond one year but not over five years	**425,013**	229,254	–	–
Due beyond five years	–	40,208	–	–
	563,032	404,771	–	–
Gross investment in finance lease receivables	**₱3,324,277**	₱2,677,235	**₱103,720**	₱105,209

Interest Income
Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Receivables from customers and sales contract receivables	**₱14,669,616**	₱12,902,015	₱7,372,918	**₱13,491,902**	₱12,358,412	₱7,235,499
Unquoted debt securities	**521,555**	216,449	78,434	**502,891**	200,297	78,434
	₱15,191,171	₱13,118,464	₱7,451,352	**₱13,994,793**	₱12,558,709	₱7,313,933

As of December 31, 2014 and 2013, 75.65% and 83.30%, respectively, of the total receivables from customers of the Group were subject to interest repricing. As of December 31, 2014 and 2013, 75.67% and 83.10%, respectively, of the total receivables from customers of the Parent Company were subject to interest repricing. Remaining receivables carry annual fixed interest rates ranging from 2.51% to 9.00% in 2014, from 4.80% to 9.00% in 2013 and from 2.30% to 13.00% in 2012 for foreign currency-denominated receivables, and from 0.03% to 23.04% in 2014, from 0.30% to 24.40% in 2013 and 0.90% to 18.50% in 2012 for peso-denominated receivables.

Sales contract receivables bear fixed interest rate per annum ranging from 5.1% to 21.0%, from 4.5% to 21.0% and from 1.8% to 15.0% in 2014, 2013 and 2012, respectively.

Interest income accrued on impaired loans and receivable of the Group and Parent Company amounted to ₱274.8 million in 2014, ₱289.1 million in 2013 and ₱302.8 million in 2012 (Note 16).

<u>BSP Reporting</u>
An industry sector analysis of the Group's and Parent Company's receivables from customers before taking into account the unearned and other deferred income and allowance for credit losses is shown below.

	Consolidated				Parent Company			
	2014		2013		**2014**		2013	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Primary target industry:								
Wholesale and retail	**₱44,259,825**	**14.59**	₱43,123,882	17.00	**₱40,978,531**	**14.54**	₱41,354,279	17.16
Electricity, gas and water	**43,111,698**	**14.21**	38,522,970	15.18	**43,093,083**	**15.29**	38,472,289	15.96
Manufacturing	**40,789,519**	**13.44**	31,991,543	12.61	**37,209,179**	**13.20**	28,864,617	11.97
Financial intermediaries	**37,940,739**	**12.50**	21,459,900	8.46	**39,537,227**	**14.03**	21,233,784	8.81
Public administration and defense	**23,464,016**	**7.73**	23,867,454	9.41	**23,464,016**	**8.32**	23,867,454	9.90
Transport, storage and communication	**19,342,572**	**6.38**	18,089,058	7.13	**17,615,089**	**6.25**	16,631,343	6.90
Agriculture, hunting and forestry	**4,343,522**	**1.43**	3,660,006	1.44	**4,031,492**	**1.43**	3,563,052	1.48
Secondary target industry:								
Real estate, renting and business activities	**39,672,249**	**13.07**	36,118,989	14.23	**32,141,232**	**11.40**	32,099,141	13.32
Construction	**8,508,366**	**2.80**	6,975,635	2.75	**7,235,094**	**2.57**	6,410,388	2.66
Others	**42,013,307**	**13.85**	29,926,816	11.79	**36,550,722**	**12.97**	28,535,523	11.84
	₱303,445,813	**100.00**	₱253,736,253	100.00	**₱281,855,665**	**100.00**	₱241,031,870	100.00

The information (gross of unearned and other deferred income and allowance for credit losses) relating to receivables from customers as to secured and unsecured and as to collateral follows:

	Consolidated				Parent Company			
	2014		2013		**2014**		2013	
	Carrying Amount	**%**	Carrying Amount	%	**Carrying Amount**	**%**	Carrying Amount	%
Secured:								
Real estate mortgage	**₱68,910,935**	**22.71**	₱59,124,844	23.30	**₱57,372,084**	**20.36**	₱52,102,346	21.62
Chattel mortgage	**10,341,429**	**3.41**	8,678,328	3.42	**9,054,565**	**3.21**	6,730,957	2.79
Bank deposit hold-out	**6,336,908**	**2.09**	3,572,618	1.41	**3,815,052**	**1.35**	3,486,259	1.45
Shares of stocks	**35,776**	**0.01**	–	–	**35,776**	**0.01**	–	–
Others	**39,354,446**	**12.97**	32,094,769	12.65	**36,933,777**	**13.11**	29,540,606	12.25
	124,979,494	**41.19**	103,470,559	40.78	**107,211,254**	**38.04**	91,860,168	38.11
Unsecured	**178,466,319**	**58.81**	150,265,694	59.22	**174,644,411**	**61.96**	149,171,702	61.89
	₱303,445,813	**100.00**	₱253,736,253	100.00	**₱281,855,665**	**100.00**	₱241,031,870	100.00

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:

	2014	2013
Secured	**₱6,960,228**	₱6,842,118
Unsecured	**2,960,524**	3,844,304
	₱9,920,752	₱10,686,422

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, 2014 and 2013, based on the revised definition of NPLs under Circular No. 772, NPLs of ₱9.9 billion and ₱10.7 billion, respectively which the Parent Company reported to the BSP are gross of specific allowance amounting to ₱7.3 billion and ₱7.2 billion, respectively. Most of these loans are secured by real estate or chattel mortgages.

As of December 31, 2014 and 2013, gross and net NPL ratios of the Parent Company were 3.4% and 0.9%, and 4.3% and 1.4%, respectively.

Restructured loans of the Group and the Parent Company as of December 31, 2014 amounted to ₱3.2 billion and ₱1.7 billion, 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.

11. Property and Equipment

The composition of and movements in property and equipment follow:

	Consolidated 2014						
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Long-term Leasehold Land**	**Construction In-progress**	**Leasehold Improvements**	**Total**
Cost							
Balance at beginning of year	**₱13,335,606**	**₱6,471,818**	**₱3,864,908**	**₱534,977**	**₱332,688**	**₱600,051**	**₱25,140,048**
Additions	**977**	**206,944**	**455,678**	**–**	**210,172**	**107,687**	**981,458**
Reclassifications (Note 13)	**34,488**	**52,219**	**–**	**–**	**–**	**–**	**86,707**
Disposals/others	**(76,342)**	**(14,412)**	**(293,417)**	**1,104**	**(304,777)**	**(5,134)**	**(692,978)**
Balance at end of year	**13,294,729**	**6,716,569**	**4,027,169**	**536,081**	**238,083**	**702,604**	**25,515,235**
Accumulated Depreciation and Amortization							
Balance at beginning of year	**–**	**2,123,604**	**2,704,481**	**4,490**	**–**	**297,171**	**5,129,746**
Depreciation and amortization	**–**	**227,215**	**455,343**	**4,901**	**–**	**121,645**	**809,104**
Reclassifications (Note 13)	**–**	**15,372**	**–**	**–**	**–**	**–**	**15,372**
Disposals/others	**–**	**(4,017)**	**(234,539)**	**65**	**–**	**(4,385)**	**(242,876)**
Balance at end of year	**–**	**2,362,174**	**2,925,285**	**9,456**	**–**	**414,431**	**5,711,346**
Allowance for Impairment Losses (Note 16)	**122,305**	**107,201**	**–**	**–**	**–**	**–**	**229,506**
Net Book Value at End of Year	**₱13,172,424**	**₱4,247,194**	**₱1,101,884**	**₱526,625**	**₱238,083**	**₱288,173**	**₱19,574,383**

	Consolidated 2013 (As Restated - Note 2)						
	Land	Building	Furniture, Fixtures and Equipment	Long-term Leasehold Land	Construction In-progress	Leasehold Improvements	Total
Cost							
Balance at beginning of year	₱9,919,864	₱4,522,902	₱3,121,098	₱–	₱175,973	₱458,529	₱18,198,366
Additions	17	34,949	577,940	–	173,542	74,864	861,312
Acquired from business combination (Note 37)	3,415,725	1,874,277	467,156	520,864	59,586	119,458	6,457,066
Disposals/others	–	39,690	(301,286)	14,113	(76,413)	(52,800)	(376,696)
Balance at end of year	13,335,606	6,471,818	3,864,908	534,977	332,688	600,051	25,140,048
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	1,890,656	2,410,507	–	–	232,045	4,533,208
Depreciation and amortization	–	296,265	476,149	4,291	–	112,152	888,857
Disposals/others	–	(63,317)	(182,175)	199	–	(47,026)	(292,319)
Balance at end of year	–	2,123,604	2,704,481	4,490	–	297,171	5,129,746
Allowance for Impairment Losses (Note 16)	183,876	61,300	–	–	–	–	245,176
Net Book Value at End of Year	₱13,151,730	₱4,286,914	₱1,160,427	₱530,487	₱332,688	₱302,880	₱19,765,126

	Consolidated 2012 (As Restated - Note 2)					
	Land	Building	Furniture, Fixtures and Equipment	Construction In-Progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱9,918,864	₱4,451,206	₱3,042,550	₱226,532	₱354,065	₱17,993,217
Additions	1,000	111,525	269,349	190,543	131,910	704,327
Disposals/others	–	(39,829)	(190,801)	(241,102)	(27,446)	(499,178)
Balance at end of year	9,919,864	4,522,902	3,121,098	175,973	458,529	18,198,366
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	1,785,540	2,330,703	–	199,900	4,316,143
Depreciation and amortization	–	127,118	237,322	–	60,853	425,293
Disposals/others	–	(22,002)	(157,518)	–	(28,708)	(208,228)
Balance at end of year	–	1,890,656	2,410,507	–	232,045	4,533,208
Allowance for Impairment Losses (Note 16)	191,450	46,536	–	–	–	237,986
Net Book Value at End of Year	₱9,728,414	₱2,585,710	₱710,591	₱175,973	₱226,484	₱13,427,172

	Parent Company 2014					
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Construction In-progress**	**Leasehold Improvements**	**Total**
Cost						
Balance at beginning of year	**₱13,333,173**	**₱6,404,804**	**₱3,324,856**	**₱332,688**	**₱498,572**	**₱23,894,093**
Additions	**977**	**206,943**	**310,312**	**210,172**	**106,748**	**835,152**
Reclassifications (Note 13)	**34,488**	**56,881**	**–**	**–**	**–**	**91,369**
Disposals/others	**(76,342)**	**(14,765)**	**(257,306)**	**(304,777)**	**(10,146)**	**(663,336)**
Balance at end of year	**13,292,296**	**6,653,863**	**3,377,862**	**238,083**	**595,174**	**24,157,278**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**2,103,385**	**2,412,816**	**–**	**243,496**	**4,759,697**
Depreciation and amortization	**–**	**225,692**	**347,441**	**–**	**101,832**	**674,965**
Reclassifications (Note 13)	**–**	**17,144**	**–**	**–**	**–**	**17,144**
Disposals/others	**–**	**(4,443)**	**(196,732)**	**–**	**(5,221)**	**(206,396)**
Balance at end of year	**–**	**2,341,778**	**2,563,525**	**–**	**340,107**	**5,245,410**
Allowance for Impairment Losses (Note 16)	**121,253**	**107,200**	**–**	**–**	**–**	**228,453**
Net Book Value at End of Year	**₱13,171,043**	**₱4,204,885**	**₱814,337**	**₱238,083**	**₱255,067**	**₱18,683,415**

	Parent Company 2013 (As Restated - Note 2)					
	Land	Building	Furniture, Fixtures and Equipment	Construction In-progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱9,919,864	₱4,522,902	₱2,746,618	₱175,973	₱373,208	₱17,738,565
Additions	–	34,716	478,675	173,542	66,838	753,771
Acquired from business combination (Note 37)	3,413,309	1,819,691	401,590	59,586	83,675	5,777,851
Disposals/others	–	27,495	(302,027)	(76,413)	(25,149)	(376,094)
Balance at end of year	13,333,173	6,404,804	3,324,856	332,688	498,572	23,894,093
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	1,890,657	2,192,580	–	169,881	4,253,118
Depreciation and amortization	–	283,967	394,071	–	90,119	768,157
Disposals/others	–	(71,239)	(173,835)	–	(16,504)	(261,578)
Balance at end of year	–	2,103,385	2,412,816	–	243,496	4,759,697
Allowance for Impairment Losses (Note 16)	183,876	61,300	–	–	–	245,176
Net Book Value at End of Year	₱13,149,297	₱4,240,119	₱912,040	₱332,688	₱255,076	₱18,889,220

	Parent Company 2012 (As Restated - Note 2)					
	Land	Building	Furniture, Fixtures and Equipment	Construction In-progress	Leasehold Improvements	Total
Cost						
Balance at beginning of year	₱9,918,864	₱4,451,206	₱2,638,258	₱226,532	₱251,243	₱17,486,103
Additions	1,000	111,525	207,446	190,543	126,137	636,651
Disposals/others	–	(39,829)	(99,086)	(241,102)	(4,172)	(384,189)
Balance at end of year	9,919,864	4,522,902	2,746,618	175,973	373,208	17,738,565

(Forward)

	Parent Company					
	2012 (As Restated - Note 2)					
	Land	Building	Furniture, Fixtures and Equipment	Construction In-progress	Leasehold Improvements	Total
Accumulated Depreciation and Amortization						
Balance at beginning of year	₱–	₱1,785,540	₱2,089,542	₱–	₱123,554	₱3,998,636
Depreciation and amortization	–	127,118	186,206	–	49,209	362,533
Disposals/others	–	(22,001)	(83,168)	–	(2,882)	(108,051)
Balance at end of year	–	1,890,657	2,192,580	–	169,881	4,253,118
Allowance for Impairment Losses	191,450	46,536	–	–	–	237,986
Net Book Value at End of Year	₱9,728,414	₱2,585,709	₱554,038	₱175,973	₱203,327	₱13,247,461

The Group and the Parent Company recovered previously recognized impairment loss on property and equipment of ₱4.3 million and ₱4.9 million, respectively, in 2014 and recognized provision for impairment loss amounting to ₱3.8 million in 2013 and ₱0.4 million in 2012.

The total recoverable value of certain property and equipment of the Group and the Parent Company for which impairment loss has been recognized or reversed amounted to ₱425.3 million and ₱110.9 million, as of December 31, 2014 and 2013, respectively.

Gain on disposal of property and equipment for the year 2014, 2013 and 2012 amounted to ₱12.1 million, ₱1.9 million, and ₱0.3 million, respectively, for the Group and ₱12.4 million, ₱1.3 million and ₱0.3 million, respectively, for the Parent Company (Note 13).

Depreciation and amortization consists of:

	Consolidated			Parent Company		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	**2014**	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Depreciation						
Property and equipment	**₱809,104**	₱888,857	₱425,293	**₱674,965**	₱768,157	₱362,533
Investment properties (Note 13)	**190,727**	286,923	227,802	**183,382**	279,147	225,768
Chattel mortgage	**23,455**	62,721	12,901	**23,281**	62,721	6,245
Amortization - Intangible assets (Note 14)	**472,684**	467,159	153,550	**460,582**	463,909	151,126
	₱1,495,970	₱1,705,660	₱819,546	**₱1,342,210**	₱1,573,934	₱745,672

Certain property and equipment of the Parent Company with carrying amount of ₱117.8 million, ₱52.2 million and ₱14.2 million are temporarily idle as of December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, 2013 and 2012, property and equipment of the Parent Company with gross carrying amounts of ₱1.2 billion, ₱0.9 billion and ₱0.7 billion, respectively, are fully depreciated but are still being used.

12. Investments in Subsidiaries

The consolidated financial statements of the Group include:

				Percentage of Ownership			
				2014		2013	
Subsidiaries	**Nature of Business**	**Country of Incorporation**	**Functional Currency**	**Direct**	**Indirect**	Direct	Indirect
PNB SB [(a)]	Banking	Philippines	Php	**100.00**	–	100.00	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	**100.00**	–	100.00	–
PNB Forex, Inc.	FX trading	- do -	Php	**100.00**	–	100.00	–
PNB Holdings Corporation (PNB Holdings)	Investment	- do -	Php	**100.00**	–	100.00	–
PNB Gen [(b)]	Insurance	- do -	Php	**65.75**	**34.25**	–	100.00
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	**100.00**	–	100.00	–
PNB Corporation - Guam	Remittance	USA	USD	**100.00**	–	100.00	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–	100.00	–
PNB Remittance Centers, Inc. (PNB RCC) [(c)]	Remittance	- do -	USD	–	**100.00**	–	100.00
PNB RCI Holding Co. Ltd. [(c)]	Holding Company	- do -	USD	–	**100.00**	–	100.00
Allied Bank Philippines (UK) Plc (ABUK)*	Banking	United Kingdom	GBP	**100.00**	–	100.00	–
PNB Europe PLC	Banking	- do -	GBP	**100.00**	–	100.00	–
PNB Remittance Co. (Canada) [(d)]	Remittance	Canada	CAD	–	**100.00**	–	100.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–	100.00	–
PNB Italy SpA (PISpA) [(g)]	Remittance	Italy	EUR	–	–	100.00	–
Allied Commercial Bank (ACB)*	Banking	People's Republic of China	USD	**90.41**	–	90.41	–
Japan-PNB Leasing	Leasing/Financing	Philippines	Php	**90.00**	–	90.00	–
Japan-PNB Equipment Rentals Corporation [(e)]	Rental	- do -	Php	–	**90.00**	–	90.00
PNB LII *	Insurance	- do -	Php	**80.00**	–	80.00	–
ALFC	Rental	- do -	Php	**57.21**	–	57.21	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL) *	Banking	Hong Kong	HKD	**51.00**	–	51.00	–
ACR Nominees Limited [(f)] *	Banking	- do -	HKD	–	**51.00**	–	51.00
Oceanic Holding (BVI) Ltd. (OHBVI) *	Holding Company	British Virgin Islands	USD	**27.78**	–	27.78	–

** Subsidiaries acquired as a result of the merger with Allied Banking Corporation*
[(a)] *Formerly Allied Savings Bank*
[(b)] *In 2014, the Parent Company made a direct capital infusion to PNB Gen, thus, acquiring the 65.75% ownership interest of the latter. Formerly wholly owned by PNB Holdings*
[(c)] *Owned through PNBIIC*
[(d)] *Owned through PNB RCI Holding Co. Ltd.*
[(e)] *Owned through Japan-PNB Leasing*
[(f)] *Owned through ABCHKL*
[(g)] *On November 19, 2014, PISpA was liquidated.*

The details of this account follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Acquisition cost of subsidiaries:				
PNB SB	**₱–**	₱–	**₱10,935,041**	₱935,041
ACB	**–**	–	**5,485,747**	5,485,747
PNB IIC	**–**	–	**2,028,202**	2,028,202
PNB LII	**–**	–	**1,327,083**	1,327,083
PNB Europe PLC	**–**	–	**1,006,537**	1,006,537
ABCHKL	**–**	–	**947,586**	947,586
PNB GRF	**–**	–	**753,061**	753,061
PNB Gen	**–**	–	**600,000**	–

(Forward)

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
PNB Holdings	**₱–**	₱–	**₱377,876**	₱377,876
PNB Capital	**–**	–	**350,000**	350,000
ABUK	**–**	–	**320,858**	320,858
OHBVI	**–**	–	**291,840**	291,840
Japan-PNB Leasing	**–**	–	**218,331**	218,331
ALFC	**–**	–	**148,400**	148,400
PNB Securities	**–**	–	**62,351**	62,351
PNB Forex, Inc.	**–**	–	**50,000**	50,000
PNB Corporation - Guam	**–**	–	**7,672**	7,672
PISpA	**–**	–	**–**	204,377
	–	–	**24,910,585**	14,514,962
Acquisition cost of associate:				
Balance at beginning of year	**–**	2,763,903	**–**	2,763,903
Reclassification of previously held interest in an associate due to step-up acquisition of control over investee	**–**	(2,763,903)	**–**	(2,763,903)
	–	–	**–**	–
Accumulated equity in net earnings:				
Balance at beginning of year	**–**	136,330	**–**	–
Equity in net earnings for the year (Note 28)	**–**	4,975	**–**	–
Reclassification of previously held interest in an associate due to step-up acquisition of control over investee	**–**	(141,305)	**–**	
	–	–	**–**	–
Less allowance for impairment losses (Note 16)	**–**	–	**807,973**	1,012,231
	₱–	₱–	**₱24,102,612**	₱13,502,731

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, 2014 and 2013, 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 2014, 2013 and 2012, the Parent Company's subsidiaries declared cash dividends amounting to ₱67.8 million, ₱77.3 million and ₱25.2 million, respectively. These are included under 'Miscellaneous income - others' (Note 28) in the Parent Company financial statements.

Material non-controlling interests

The financial information as of December 31, 2014 and 2013 of subsidiaries which have material NCI is provided below.

Proportion of equity interest held by non-controlling interests

	Principal Activities	**2014**	2013
ABCHKL	Banking	**49.00%**	49.00%
PNB LII	Insurance	**20.00%**	20.00%
ACB	Banking	**9.59%**	9.59%

	2014	2013
Accumulated balances of material NCI		
ABCHKL	**₱1,183,905**	₱1,129,967
ACB	**639,045**	640,268
PNB LII	**390,465**	320,629
Profit allocated to material NCI		
ABCHKL	**56,712**	44,152
ACB	**4,465**	4,882
PNB LII	**51,254**	38,749

The following tables present financial information of subsidiaries with material non-controlling interest:

	2014		
	PNB LII	**ABCHKL**	**ACB**
Statement of Financial Position			
Current assets	**₱6,643,684**	**₱5,358,423**	**₱8,408,683**
Non-current assets	**12,911,566**	**4,523,473**	**709,013**
Current liabilities	**6,412,619**	**7,465,764**	**2,454,036**
Non-current liabilities	**11,190,306**	**–**	**–**
Statement of Comprehensive Income			
Revenues	**2,100,673**	**338,240**	**286,478**
Expenses	**1,844,401**	**222,501**	**239,918**
Net income	**256,272**	**115,739**	**46,560**
Total comprehensive income	**1,365,316**	**66,228**	**(12,793)**
Statement of Cash Flows			
Net cash provided by (used in) operating activities	**1,535,951**	**(93,319)**	**1,661,045**
Net cash provided by (used in) investing activities	**(1,395,507)**	**132,299**	**(13,464)**
Net cash used in financing activities	**–**	**(5,920)**	**–**

	2013		
	PNB LII	ABCHKL	ACB
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
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

(Forward)

	2013		
	PNB LII	ABCHKL	ACB
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 Leasing 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 on April 30, 2013.

Investment in ACB
In August 2009, the Parent Company acquired 39.41% ownership in ACB in Xiamen China for a total consideration of CNY 394.1 million or USD 57.7 million (equivalent to ₱2.8 billion).

With its merger with ABC in 2013 (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. On June 4, 2014, the BSP approved the Parent Company's increase in equity investment in ACB subject to certain conditions.

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 on January 1, 2006. As of December 31, 2014, PNB Forex is still in the process of complying with the requirements of regulatory agencies to effect the dissolution.

PNB SB
On November 28, 2014, the Parent Company infused additional capital to PNB SB 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 PNB SB was approved by the BSP on February 28, 2014.

PNB Gen
The Parent Company contributed ₱600.0 million to PNB Gen in 2014 to acquire 65.75% interest ownership over the latter. In 2013, the Parent Company has indirect ownership over PNB Gen through PNB Holdings. The additional capital of PNB Gen is meant to strengthen the financial position of the subsidiary considering that it suffered a net loss in 2013.

PISpA
PISpA was liquidated on November 9, 2014. The Group will shift to an agent-arrangement to continue remittance business in Italy.

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 levels of regulatory capital. As of December 31, 2014 and 2013, the total assets of banking subsidiaries amounted to ₱41.6 billion and ₱29.9 billion, respectively; and ₱27.7 billion and ₱23.1 billion for insurance subsidiaries, respectively.

13. Investment Properties

The composition of and movements in this account follow:

	Consolidated		
	2014		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱22,253,685**	**₱4,527,376**	**₱26,781,061**
Additions	**958,957**	**360,712**	**1,319,669**
Reclassifications (Note 11)	**(34,488)**	**(52,219)**	**(86,707)**
Disposals/others	**(1,766,582)**	**(384,925)**	**(2,151,507)**
Balance at end of year	**21,411,572**	**4,450,944**	**25,862,516**
Accumulated Depreciation			
Balance at beginning of year	–	**2,109,108**	**2,109,108**
Depreciation (Note 11)	–	**190,727**	**190,727**
Reclassifications (Note 11)	–	**(15,372)**	**(15,372)**
Disposals/others	–	**(427,649)**	**(427,649)**
Balance at end of year	–	**1,856,814**	**1,856,814**
Allowance for Impairment Losses (Note 16)	**3,193,714**	**563,506**	**3,757,220**
Net Book Value at End of Year	**₱18,217,858**	**₱2,030,624**	**₱20,248,482**

	Consolidated		
	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 37)	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

(Forward)

	Consolidated 2013		
	Land	Buildings and Improvements	Total
Accumulated Depreciation			
Balance at beginning of year	₱–	₱2,112,673	₱2,112,673
Depreciation (Note 11)	–	286,923	286,923
Disposals/others	–	(290,488)	(290,488)
Balance at end of year	–	2,109,108	2,109,108
Allowance for Impairment Losses (Note 16)	2,629,411	589,580	3,218,991
Net Book Value at End of Year	₱19,624,274	₱1,828,688	₱21,452,962

	Parent Company 2014		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning balance	**₱21,976,781**	**₱4,335,703**	**₱26,312,484**
Additions	**922,661**	**322,553**	**1,245,214**
Reclassifications (Note 11)	**(34,488)**	**(56,881)**	**(91,369)**
Disposals/others	**(1,756,859)**	**(382,676)**	**(2,139,535)**
Balance at end of year	**21,108,095**	**4,218,699**	**25,326,794**
Accumulated Depreciation			
Balance at beginning of year	–	**2,074,941**	**2,074,941**
Depreciation (Note 11)	–	**183,382**	**183,382**
Reclassifications (Note 11)	–	**(17,144)**	**(17,144)**
Disposals/others	–	**(427,754)**	**(427,754)**
Balance at end of year	–	**1,813,425**	**1,813,425**
Allowance for Impairment Losses (Note 16)	**3,192,691**	**567,775**	**3,760,466**
Net Book Value at End of Year	**₱17,915,404**	**₱1,837,499**	**₱19,752,903**

	Parent Company 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 37)	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 11)	–	279,147	279,147
Disposals/others	–	(282,962)	(282,962)
Balance at end of year	–	2,074,941	2,074,941
Allowance for Impairment Losses (Note 16)	2,471,475	541,134	3,012,609
Net Book Value at End of Year	₱19,505,306	₱1,719,628	₱21,224,934

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 ₱141.5 million and ₱267.0 million, as of December 31, 2014 and 2013, 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 35, investment properties with an aggregate fair value of ₱300.0 million were mortgaged in favor of BSP in 2007. In 2013, these real estate collaterals were released as a result of settlement made by the Parent Company to the BSP.

The total recoverable value of certain investment properties of the Group and the Parent Company that were impaired amounted to ₱8.8 billion and ₱7.1 billion as of December 31, 2014 and 2013, respectively.

In 2014, properties with carrying value of ₱74.0 million were reclassified from investment properties to property and equipment (Note 11) due to management decision to use the properties as branches of the Parent Company. The Group also reclassified ₱2.9 million of property and equipment (Note 11) to investment properties in view of using these properties to earn rentals.

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 ₱26.4 million, ₱8.0 million and ₱44.5 million in 2014, 2013, and 2012, respectively. While direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱134.3 million, ₱180.8 million and ₱242.5 million in 2014, 2013, and 2012, 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 ₱23.3 million, ₱7.0 million and ₱39.2 million in 2014, 2013, and 2012, respectively. While direct operating expenses on investment properties that did not generate rental income included under 'Miscellaneous expenses - Others', amounted to ₱132.6 million, ₱179.1 million and ₱242.5 million in 2014, 2013, and 2012, respectively.

Net gains on sale or exchange of assets

This account consists of:

	Consolidated			**Parent Company**		
	2014	2013	2012	**2014**	2013	2012
Net gains from sale of investment property	**₱1,072,653**	₱226,789	₱474,121	**₱1,058,574**	₱224,281	₱474,121
Net gains (losses) from foreclosure and repossession of investment property	**368,341**	289,915	(114,470)	**364,745**	271,296	(114,470)
Net gains from sale of property and equipment	**12,053**	1,900	264	**12,407**	1,287	264
	₱1,453,047	₱518,604	₱359,915	**₱1,435,726**	₱496,864	₱359,915

14. Goodwill and Intangible Assets

As of December 31, 2014 and December 31, 2013, goodwill and intangible assets consist of:

	Consolidated 2014				
	Intangible Assets				
	Core Deposits	**Customer Relationship**	**Software Cost**	**Total**	**Goodwill**
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱871,184**	**₱3,160,916**	**₱13,375,407**
Additions	–	–	**384,951**	**384,951**	–
Write-offs	–	–	**(8,355)**	**(8,355)**	–
Cumulative translation adjustment	–	–	**6,563**	**6,563**	–
Balance at end of year	**1,897,789**	**391,943**	**1,254,343**	**3,544,075**	**13,375,407**

(Forward)

	Consolidated 2014				
	Intangible Assets				
	Core Deposits	Customer Relationship	Software Cost	Total	Goodwill
Accumulated Amortization					
Balance at beginning of year	**₱169,747**	**₱116,857**	**₱496,272**	**₱782,876**	**₱–**
Amortization (Note 11)	**189,778**	**130,648**	**152,258**	**472,684**	**–**
Write-offs	**–**	**–**	**(5,707)**	**(5,707)**	**–**
Cumulative translation adjustment	**–**	**–**	**(602)**	**(602)**	**–**
Balance at end of year	**359,525**	**247,505**	**642,221**	**1,249,251**	**–**
Net Book Value at End of Year	**₱1,538,264**	**₱144,438**	**₱612,122**	**₱2,294,824**	**₱13,375,407**

	Consolidated 2013				
	Intangible Assets				
	Core Deposits	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱–	₱–	₱692,739	₱692,739	₱–
Acquired from business combination (Note 37)	1,897,789	391,943	60,209	2,349,941	13,375,407
Additions	–	–	118,236	118,236	–
Balance at end of year	1,897,789	391,943	871,184	3,160,916	13,375,407
Accumulated Amortization					
Balance at beginning of year	–	–	315,717	315,717	–
Amortization (Note 11)	169,747	116,857	180,555	467,159	–
Balance at end of year	169,747	116,857	496,272	782,876	–
Net Book Value at End of Year	₱1,728,042	₱275,086	₱374,912	₱2,378,040	₱13,375,407

	Parent Company 2014				
	Intangible Assets				
	Core Deposits	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	**₱1,897,789**	**₱391,943**	**₱763,967**	**₱3,053,699**	**₱13,515,765**
Additions	**–**	**–**	**380,474**	**380,474**	**–**
Write-offs	**–**	**–**	**(3,247)**	**(3,247)**	**–**
Cumulative translation adjustment	**–**	**–**	**1,588**	**1,588**	**–**
Balance at end of year	**1,897,789**	**391,943**	**1,142,782**	**3,432,514**	**13,515,765**
Accumulated Amortization					
Balance at beginning of year	**169,747**	**116,857**	**486,959**	**773,563**	**–**
Amortization (Note 11)	**189,778**	**130,648**	**140,156**	**460,582**	**–**
Write-offs	**–**	**–**	**(2,395)**	**(2,395)**	**–**
Cumulative translation adjustment	**–**	**–**	**662**	**662**	**–**
Balance at end of year	**359,525**	**247,505**	**625,382**	**1,232,412**	**–**
Net Book Value at End of Year	**₱1,538,264**	**₱144,438**	**₱517,400**	**₱2,200,102**	**₱13,515,765**

	Parent Company 2013				
	Intangible Assets				
	Core Deposits	Customer Relationship	Software Cost	Total	Goodwill
Cost					
Balance at beginning of year	₱–	₱–	₱681,159	₱681,159	₱–
Acquired from business combination (Note 37)	1,897,789	391,943	–	2,289,732	13,515,765
Additions	–	–	82,808	82,808	–
Balance at end of year	1,897,789	391,943	763,967	3,053,699	13,515,765
Accumulated amortization					
Balance at beginning of year	–	–	309,654	309,654	–
Amortization (Note 11)	169,747	116,857	177,305	463,909	–
Balance at end of year	169,747	116,857	486,959	773,563	–
Net Book Value at End of Year	₱1,728,042	₱275,086	₱277,008	₱2,280,136	₱13,515,765

Core deposits and customer relationship

CDI and CRI are the intangible assets acquired through the merger of the Parent Company with ABC. CDI include the stable level of deposit liabilities of ABC which is considered as favorably priced source of funds by the Parent Company. CRI pertain to ABC's key customer base which the Parent Company expects to bring more revenue through loan availments.

Software cost

Software cost as of December 31, 2014 includes capitalized development costs amounting to ₱289.0 million related to the Parent Company's new core banking system which is expected to be completed and available for use by 2018.

Impairment testing of goodwill and intangible assets

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 ₱6.2 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 2014 and 2013 did not result in an impairment loss of goodwill of the CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount.

Key assumptions used in value in use calculations

The recoverable amounts 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 were applied to the cash flow projections:

	2014			2013		
	Retail Banking	**Corporate Banking**	**Treasury**	Retail Banking	Corporate Banking	Treasury
Pre-tax discount rate	**11.69%**	**14.80%**	**9.76%**	14.98%	17.53%	11.69%
Projected growth rate	**5.00%**	**5.00%**	**5.00%**	3.24%	3.24%	3.24%

The calculation of value in use for retail banking, corporate banking and treasury CGUs 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 rates 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	
	2014	2013	**2014**	2013
Financial				
Return checks and other cash items	**₱942,126**	₱180,550	**₱941,597**	₱180,336
Security deposits	**100,986**	85,961	**85,654**	59,260
Revolving fund and petty cash fund	**1,354**	978	**1,039**	902
Receivable from SPV	**500**	500	**500**	500
Miscellaneous COCI	**486**	842	**486**	842
	1,045,452	268,831	**1,029,276**	241,840
Nonfinancial				
Creditable withholding taxes	**2,896,783**	1,960,480	**2,893,567**	1,899,613
Deferred reinsurance premiums	**738,685**	245,157	**–**	–
Prepaid expenses	**290,697**	273,126	**246,640**	242,886
Deferred benefits	**155,476**	–	**155,476**	–
Stationeries and supplies	**84,672**	104,120	**78,962**	98,174
Other investments	**52,760**	25,167	**16,363**	17,128
Chattel mortgage properties-net of depreciation	**53,089**	120,615	**49,549**	119,907
Documentary stamps on hand	**44,884**	151,522	**34,724**	145,744
Retirement benefit asset (Note 29)	**5,709**	5,532	**–**	–
Shortages	**475**	815	**400**	815

(Forward)

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Postage stamps on hand	**₱214**	₱303	**₱214**	₱231
Miscellaneous	**248,581**	1,085,064	**126,108**	847,868
	4,572,025	3,971,901	**3,602,003**	3,372,366
	5,617,477	4,240,732	**4,631,279**	3,614,206
Less allowance for impairment losses (Note 16)	**458,146**	804,377	**452,824**	804,028
	₱5,159,331	₱3,436,355	**₱4,178,455**	₱2,810,178

Deferred reinsurance premiums
The deferred reinsurance premiums of the Group refer to portion of reinsurance premiums ceded that are unexpired as of December 31, 2014 and 2013.

Prepaid expenses
This represents expense prepayments expected to benefit the Group for a future period not exceeding one (1) year, such as insurance premiums, rent and interest on time certificates of deposits paid in advance which shall be amortized monthly.

Deferred benefits
This represents the share of the Group in the cost of transportation equipment acquired under the Group's car plan which shall be amortized monthly.

Chattel mortgage properties
As of December 31, 2014 and December 31, 2013, accumulated depreciation on chattel mortgage properties acquired by the Group and the Parent Company in settlement of loans amounted to ₱80.0 million and ₱77.8 million, respectively.

The total recoverable value of certain chattel mortgage properties of the Group and the Parent Company that were impaired amounted to ₱11.3 million and ₱54.3 million as of December 31, 2014 and 2013, respectively.

Receivable from SPV
The Group has receivable from SPV, OPII, which was deconsolidated upon adoption of PFRS 10 in 2013.

The ₱1.4 billion receivable from SPV, with outstanding balance of ₱0.5 million as of December 31, 2014 and 2013, 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 2014 and 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 was 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.

Miscellaneous
Miscellaneous assets of the Group include postages, refundable deposits, notes taken for interest and sundry debits.

As of December 31, 2014 and 2013, miscellaneous assets of the Group include a security fund amounting to ₱0.2 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

Provision for impairment, credit and other losses
This account consists of:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Provision for (reversal of) impairment losses	**₱293,384**	₱106,431	(₱561,791)	**₱495,674**	₱304,732	(₱566,471)
Provision for credit losses	**1,912,663**	727,153	551,233	**1,600,957**	649,089	527,318
Provision for other losses (Note 35)	**58,568**	–	834,259	**58,568**	–	834,259
	₱2,264,615	₱833,584	₱823,701	**₱2,155,199**	₱953,821	₱795,106

Changes in the allowance for impairment and credit losses on financial assets follow:

	Consolidated					
	2014			2013		
	AFS Investments	**Loans and Receivables**	**Other Assets***	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱928,408**	**₱12,167,591**	**₱500**	₱928,408	₱13,232,381	₱258,848
Provisions	**1,423**	**1,911,240**	–	–	727,153	–
Accretion (Note 10)	–	**(274,801)**	–	–	(289,096)	–
Accounts charged-off	–	**(1,879,083)**	–	–	(1,241,334)	–
Transfers and others	**50**	**510,562**	–	–	(261,513)	(258,348)
Balance at end of year	**₱929,881**	**₱12,435,509**	**₱500**	₱928,408	₱12,167,591	₱500

*Pertains to 'Receivable from SPV'

	Parent Company					
	2014			2013		
	AFS Investments	**Loans and Receivables**	**Other Assets***	AFS Investments	Loans and Receivables	Other Assets*
Balance at beginning of year	**₱928,408**	**₱11,666,814**	**₱500**	₱928,408	₱12,423,138	₱258,848
Provisions	**1,423**	**1,599,534**	–	–	649,089	–
Accretion (Note 10)	–	**(274,801)**	–	–	(289,096)	–
Accounts charged-off	–	**(1,780,302)**	–	–	(1,235,671)	–
Transfers and others	**50**	**734,897**	–	–	119,354	(258,348)
Balance at end of year	**₱929,881**	**₱11,946,142**	**₱500**	₱928,408	₱11,666,814	₱500

*Pertains to 'Receivable from SPV'

Movements in the allowance for impairment losses on nonfinancial assets follow:

	Consolidated							
	2014				2013			
	Property and Equipment	**Investment in Subsidiaries**	**Investment Properties**	**Other Assets**	Property and Equipment	Investment in Subsidiaries	Investment Properties	Other Assets
Balance at beginning of year	**₱245,176**	**₱–**	**₱3,218,991**	**₱803,877**	₱237,986	₱508,978	₱3,452,505	₱600,740
Provisions (reversals)	**(4,349)**	–	**485,186**	**(187,453)**	(3,789)	–	109,564	656
Disposals	**(11,994)**	–	**(363,915)**	–	(7,574)	–	(139,348)	–
Transfers and others	**673**	–	**416,958**	**(158,778)**	18,553	(508,978)	(203,730)	202,481
Balance at end of year	**₱229,506**	**₱–**	**₱3,757,220**	**₱457,646**	₱245,176	₱–	₱3,218,991	₱803,877

	Parent Company							
	2014				2013			
	Property and Equipment	**Investment in Subsidiaries**	**Investment Properties**	**Other Assets**	Property and Equipment	Investment in Subsidiaries	Investment Properties	Other Assets
Balance at beginning of year	**₱245,176**	**₱1,012,231**	**₱3,012,609**	**₱803,528**	₱237,986	₱1,372,532	₱3,452,505	₱595,296
Provisions (reversals)	**(4,949)**	–	**688,076**	**(187,453)**	(3,789)	–	108,713	199,808
Disposals	**(11,994)**	**(204,258)**	**(363,873)**	–	(7,574)	–	(139,348)	–
Transfers and others	**220**	–	**423,654**	**(163,751)**	18,553	(360,301)	(409,261)	8,424
Balance at end of year	**₱228,453**	**₱807,973**	**₱3,760,466**	**₱452,324**	₱245,176	₱1,012,231	₱3,012,609	₱803,528

The movements in allowance for credit losses for loans and receivables by class follow:

	Consolidated 2014							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Balance at beginning of year	₱3,695,863	₱76,429	₱85,008	₱455,503	₱30,623	₱3,958,656	₱3,865,509	₱12,167,591
Provisions (reversals)	2,007,544	–	17,483	288,528	3,148	(336,475)	(68,988)	1,911,240
Accretion on impaired loans (Note 10)	(245,497)	(171)	(17,261)	(11,513)	(359)	–	–	(274,801)
Accounts charged off	(1,056,457)	–	(18,211)	(218,696)	(17,750)	–	(567,969)	(1,879,083)
Transfers and others	129,427	113,012	(4,557)	498,815	1,447	(2,914)	(224,668)	510,562
Balance at end of year	₱4,530,880	₱189,270	₱62,462	₱1,012,637	₱17,109	₱3,619,267	₱3,003,884	₱12,435,509
Individual impairment	₱3,168,855	₱44,720	₱20,131	₱252,154	₱7,364	₱3,619,267	₱1,722,656	₱8,835,147
Collective impairment	1,362,025	144,550	42,331	760,483	9,745	–	1,281,228	3,600,362
	₱4,530,880	₱189,270	₱62,462	₱1,012,637	₱17,109	₱3,619,267	₱3,003,884	₱12,435,509
Gross amounts of loans and receivables subject to individual impairment	₱6,973,731	₱1,796,447	₱78,855	₱252,154	₱23,917	₱8,044,272	₱1,900,023	₱19,069,399

	Consolidated 2013							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
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)	469,486	–	14,400	194,689	(1)	–	48,579	727,153
Accretion on impaired loans (Note 10)	(196,748)	(171)	(16,261)	(74,900)	(1,016)	–	–	(289,096)
Accounts charged off	(436,189)	–	–	(206,356)	(59,224)	–	(539,565)	(1,241,334)
Transfers and others	(772,411)	5,869	(42,784)	(19,062)	76,116	(275)	491,034	(261,513)
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
Individual impairment	₱3,472,570	₱44,527	₱80,291	₱76,927	₱13,031	₱3,958,656	₱1,640,434	₱9,286,436
Collective impairment	223,293	31,902	4,717	378,576	17,592	–	2,225,075	₱2,881,155
	₱3,695,863	₱76,429	₱85,008	₱455,503	₱30,623	₱3,958,656	₱3,865,509	₱12,167,591
Gross amounts of loans and receivables subject to individual impairment	₱5,293,118	₱1,784,947	₱217,117	₱248,457	₱17,510	₱11,254,187	₱1,888,522	₱20,703,858

	Parent Company 2014							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
Balance at beginning of year	₱3,495,728	₱76,429	₱85,008	₱425,942	₱30,620	₱3,958,656	₱3,594,431	₱11,666,814
Provisions (reversals)	1,763,723	–	17,483	290,572	3,148	(336,475)	(138,917)	1,599,534
Accretion on impaired loans (Note 10)	(245,497)	(171)	(17,261)	(11,513)	(359)	–	–	(274,801)
Accounts charged off	(957,676)	–	(18,211)	(218,696)	(17,750)	–	(567,969)	(1,780,302)
Transfers and others	210,020	113,012	(4,557)	477,240	1,446	(2,914)	(59,350)	734,897
Balance at end of year	₱4,266,298	₱189,270	₱62,462	₱963,545	₱17,105	₱3,619,267	₱2,828,195	₱11,946,142
Individual impairment	₱3,126,873	₱44,720	₱20,131	₱238,689	₱7,364	₱3,619,267	₱1,722,656	₱8,779,700
Collective impairment	1,139,425	144,550	42,331	724,856	9,741	–	1,105,539	3,166,442
	₱4,266,298	₱189,270	₱62,462	₱964,545	₱17,105	₱3,619,267	₱2,828,195	₱11,946,142
Gross amounts of loans and receivables subject to individual impairment	₱6,472,294	₱1,796,447	₱78,855	₱238,689	₱23,916	₱7,744,272	₱1,900,023	₱18,254,496

	Parent Company 2013							
	Receivable from customers					Unquoted Debt Securities	Others	Total
	Business Loans	GOCCs and NGAs	LGUs	Consumers	Fringe Benefits			
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	404,436	–	14,400	194,567	–	–	35,686	649,089
Accretion on impaired loans (Note 10)	(196,748)	(171)	(16,261)	(74,900)	(1,016)	–	–	(289,096)
Accounts charged off	(436,189)	–	–	(200,693)	(59,224)	–	(539,565)	(1,235,671)
Transfers and others	(787,929)	5,869	(42,784)	(38,175)	76,117	(275)	906,531	119,354
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
Individual impairment	₱3,472,570	₱44,527	₱80,291	₱76,927	₱13,031	₱3,958,656	₱1,640,434	₱9,286,436
Collective impairment	23,158	31,902	4,717	349,015	17,589	–	1,953,997	2,380,378
	₱3,495,728	₱76,429	₱85,008	₱425,942	₱30,620	₱3,958,656	₱3,594,431	₱11,666,814
Gross amounts of loans and receivables subject to individual impairment	₱5,110,974	₱1,784,947	₱217,117	₱233,043	₱17,510	₱10,871,565	₱1,888,522	₱20,123,678

17. Deposit Liabilities

As of December 31, 2014 and 2013, noninterest-bearing deposit liabilities amounted to ₱24.8 billion and ₱32.6 billion, respectively, for the Group and ₱24.7 billion and ₱26.1 billion, respectively, for the Parent Company. The remaining deposit liabilities of the Group generally earned annual fixed interest rates ranging from 0.05% to 6.11% in 2014, from 0.00% to 8.40% in 2013, and from 0.29% to 6.02% in 2012 for peso-denominated deposit liabilities, and from 0.02% to 2.26% in 2014, from 0.02% to 3.80% in 2013, and from 0.02% to 2.72% in 2012 for foreign-currency denominated deposit liabilities. The remaining deposit liabilities of the Parent Company generally earned annual fixed interest rates ranging from 0.10% to 6.11% in 2014, from 0.13% to 8.40% in 2013, and from 0.29% to 6.02% in 2012 for peso-denominated deposit liabilities, and from 0.02% to 2.26% in 2014, from 0.02% to 3.80% in 2013, and from 0.02% to 2.72% in 2012 for foreign-currency 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.

BSP issued Circular Nos. 830 and 832 last March 27, 2014 and May 8, 2014, respectively, to approve the 1-point percentage increase in the reserve requirements of universal and commercials banks. Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company and PNB SB are subject to reserves equivalent to 20.00% and 8.00%, respectively. Available reserves follow:

	Consolidated*		**Parent Company**	
	2014	2013	**2014**	2013
Due from BSP	**₱68,176,685**	₱64,182,790	**₱67,415,467**	₱63,556,710
Unquoted debt securities	–	2,741,000	–	2,741,000
	₱68,176,685	₱66,923,790	**₱67,415,467**	₱66,297,710

** Pertains to Parent Company and PNB SB*

As of December 31, 2014 and 2013, the Parent Company and PNB SB were in compliance with such regulations.

Long-term Negotiable Certificates of Time Deposits
Time deposit includes the following Long-term Negotiable Certificates of Time Deposits (LTNCDs) issued by the Parent Company:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2014	Carrying Value 2013
December 12, 2014	June 12, 2020	₱7,000,000	4.13%	Quarterly	**₱6,957,175**	₱–
October 21, 2013	April 22, 2019	4,000,000	3.25%	Quarterly	**3,976,133**	3,971,075
August 5, 2013	February 5, 2019	5,000,000	3.00%	Quarterly	**4,973,448**	4,968,004
November 18, 2011	February 17, 2017	3,100,000	5.18%	Quarterly	**3,090,564**	3,086,513
October 22, 2009	October 23, 2014	3,500,000*	7.00%	Quarterly	–	3,582,808
March 25, 2009	March 31, 2014	3,250,000	6.50%	Quarterly	–	3,248,369
		₱25,850,000			**₱18,997,320**	₱18,856,769

** 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 (100.00%) 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 pari passu and without any preference or priority among themselves and at least pari passu 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 2014	Consolidated 2013	Consolidated 2012	Parent Company 2014	Parent Company 2013	Parent Company 2012
Savings	**₱1,680,386**	₱2,596,914	₱2,556,648	**₱1,677,129**	₱2,563,616	₱2,556,682
LTNCDs	**637,957**	592,205	380,515	**637,957**	592,205	380,515
Time	**354,016**	337,243	90,991	**196,795**	296,579	102,662
Demand	**116,041**	129,019	71,628	**103,075**	116,634	72,657
	₱2,788,400	₱3,655,381	₱3,099,782	**₱2,614,956**	₱3,569,034	₱3,112,516

In 2014, 2013 and 2012, interest expense on LTNCDs for both the Group and the Parent Company includes amortization of transaction costs amounting to ₱22.8 million, ₱19.4 million and ₱9.5 million, respectively. Unamortized transaction costs of the LTNCDs amounted to ₱102.7 million and ₱81.8 million as of December 31, 2014 and 2013, respectively.

18. Financial Liabilities at Fair Value Through Profit or Loss

This account consists of:

	Consolidated 2014	Consolidated 2013	Parent Company 2014	Parent Company 2013
Designated at FVPL:				
Segregated fund liabilities	**₱10,817,122**	₱7,911,794	**₱–**	₱–
Derivative liabilities (Note 23)	**44,903**	163,101	**44,264**	163,084
	₱10,862,025	₱8,074,895	**₱44,264**	₱163,084

As of December 31, 2014 and 2013, the balance of segregated fund liabilities consists of:

	2014	2013
Segregated funds (Note 9)	**₱10,654,770**	₱7,861,688
Additional subscriptions	**162,352**	50,106
Segregated fund liabilities	**₱10,817,122**	₱7,911,794

On June 19, 2008, the Parent Company issued a subordinated note due in 2018 amounting to ₱6.0 billion. 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 2.01% per annum or (ii) difference of interest rate and five-year PDST-F FXTN as of issue date multiplied by 150.00% 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	
	2014	2013	**2014**	2013
Bills payable to:				
BSP and local banks (Note 34)	**₱16,393,373**	₱8,696,511	**₱15,965,715**	₱7,954,485
Foreign banks	**1,027,442**	1,598,370	**492,733**	1,992,874
Others	**1,262,390**	2,512,823	**1,700,743**	3,172,824
	18,683,205	12,807,704	**18,159,191**	13,120,183
Acceptances outstanding (Note 10)	**366,853**	364,293	**366,853**	364,293
	₱19,050,058	₱13,171,997	**₱18,526,044**	₱13,484,476

Foreign currency-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.03% to 2.50%, from 0.12% to 0.99% and from 0.06% to 1.77% in 2014, 2013 and 2012, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.63% to 2.00%, from 1.09% to 3.50% and from 0.03% to 4.50% in 2014, 2013 and 2012, respectively.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.7 billion as of December 31, 2014 and 2013 (Note 10).

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, bills payable under the BSP rediscounting facility with a carrying value of ₱112.6 million is secured by a pledge of certain AFS investments and loans with fair values of ₱2.4 billion and ₱219.1 million, respectively (Notes 9 and 10).

As of December 31, 2014, bills payable with a carrying value of ₱14.1 billion is secured by a pledge of certain AFS and HTM investments with fair value of ₱8.5 billion and ₱8.9 billion, respectively (Note 9). As of December 31, 2013, bills payable with a carrying value of ₱2.2 billion is secured by a pledge of certain AFS investments with fair value of ₱2.7 billion (Note 9).

Following are the significant terms and conditions of the repurchase agreements with 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 three years;
(3) some borrowings bear a fixed interest rate while others have floating interest rate;
(4) the Parent Company has pledged its AFS and HTM investments, in the form of ROP Global bonds, in order to fulfill its collateral requirement;
(5) haircut from market value ranges from 15.00% to 25.00% depending on the tenor of the bond;
(6) certain borrowings are subject to margin call of up to USD 1.4 million; and
(7) 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		
	2014	2013	2012	**2014**	2013	2012
Subordinated debt* (Notes 18 and 21)	**₱757,000**	₱923,229	₱1,091,512	**₱139,741**	₱923,229	₱1,091,512
Bills payable	**94,741**	135,167	188,603	**660,222**	91,805	132,306
Others	**5,186**	17,717	5,005	**1,151**	12,090	3,872
	₱856,927	₱1,076,113	₱1,285,120	**₱801,114**	₱1,027,124	₱1,227,690

** 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	
	2014	2013	**2014**	2013
Accrued taxes and other expenses	**₱3,425,438**	₱3,476,677	**₱3,038,773**	₱2,989,915
Accrued interest	**2,015,911**	2,046,846	**1,996,383**	2,019,248
	₱5,441,349	₱5,523,523	**₱5,035,156**	₱5,009,163

Accrued taxes and other expenses consist of:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Financial liabilities:				
Information technology-related expenses	**₱186,621**	₱239,308	**₱185,638**	₱235,238
Promotional expenses	**136,963**	185,457	**131,963**	166,934
Management, directors and other professional fees	**92,743**	265,978	**85,769**	217,392
Rent and utilities payable	**67,910**	162,889	**68,154**	154,871
Repairs and maintenance	**12,836**	16,799	**12,836**	16,799
	497,073	870,431	**484,360**	791,234
Nonfinancial liabilities:				
Other benefits - monetary value of leave credits	**1,471,970**	975,814	**1,453,455**	948,605
PDIC insurance premiums	**436,320**	446,717	**426,144**	437,717
Taxes and licenses	**285,487**	205,506	**146,541**	118,008
Employee benefits	**241,426**	342,320	**239,057**	290,996
Reinstatement premium	**133,580**	152,734	**–**	–
Other expenses	**359,582**	483,155	**289,216**	403,355
	2,928,365	2,606,246	**2,554,413**	2,198,681
	₱3,425,438	₱3,476,677	**₱3,038,773**	₱2,989,915

'Other expenses' include janitorial, representation and entertainment, communication and other operating expenses.

21. Subordinated Debt

This account consists of:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2014	Carrying Value 2013
May 9, 2012	May 9, 2022	₱3,500,000	5.875%	Quarterly	**₱3,486,741**	₱3,481,691
June 15, 2011	June 15, 2021	6,500,000	6.750%	Quarterly	**6,482,757**	6,471,960
					₱9,969,498	₱9,953,651

5.875% ₱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. EIR on this note is 6.04%.

Significant terms and conditions of the subordinated notes follow:

(1) The 2012 Notes bear interest at the rate of 5.88% per annum from and including May 9, 2012 to but excluding May 9, 2022. Interest will be payable quarterly in arrears on the 9th of August, November, February and June of each year, commencing on May 9, 2012, unless the 2012 Notes are redeemed at a redemption price equal to 100.00% of the principal amount on May 10, 2017, call option date.

(2) 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.

6.75% ₱6.5 Billion Subordinated Notes

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. EIR on this note is 6.94%.

Significant terms and conditions of the subordinated notes follow:

(1) 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 redeemed at a redemption price equal to 100.00% of the principal amount on June 16, 2016, call option date.

(2) 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.

7.125% ₱4.5 Billion Subordinated Notes

On March 6, 2013, call option date, the Parent Company opted to redeem the 2018 Notes issued by ABC on March 6, 2008.

As of December 31, 2014 and 2013, the unamortized transaction cost of subordinated debt amounted to ₱30.5 million and ₱46.3 million, respectively.

In 2014, 2013 and 2012, amortization of transaction costs amounting to ₱15.8 million, ₱14.8 million and ₱12.2 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	
	2014	2013 (As Restated - Note 2)	**2014**	2013 (As Restated - Note 2)
Financial				
Insurance contract liabilities	**₱11,180,597**	₱11,546,043	**₱–**	₱–
Accounts payable	**6,703,874**	8,665,432	**6,057,924**	8,127,279
Bills purchased - contra (Note 10)	**4,230,348**	3,417,082	**4,222,235**	3,403,791
Manager's checks and demand drafts outstanding	**1,030,298**	1,028,301	**1,018,139**	1,021,982
Deposits on lease contracts	**685,745**	536,088	**34,374**	33,795
Dormant credits	**559,585**	437,715	**546,888**	436,555
Accounts payable - electronic money	**459,121**	450,585	**459,121**	450,585
Due to Treasurer of the Philippines	**366,841**	311,387	**366,841**	311,363
Payment order payable	**296,102**	194,628	**295,971**	194,628

(Forward)

	Consolidated		Parent Company	
	2014	2013 (As Restated - Note 2)	**2014**	2013 (As Restated - Note 2)
Due to other banks	**₱222,227**	₱58,288	**₱408,925**	₱157,825
Commission payable	**118,844**	128,984	**–**	–
Due to BSP	**101,172**	117,821	**101,172**	117,820
Margin deposits and cash letters of credit	**86,143**	393,006	**73,972**	347,253
Transmission liability	**76,893**	90,005	**–**	–
Deposit for keys on safety deposit boxes	**14,084**	13,764	**14,084**	13,764
	26,131,874	27,389,129	**13,599,646**	14,616,640
Nonfinancial				
Retirement benefit liabilities (Note 29)	**2,867,287**	3,388,863	**2,796,997**	3,323,955
Provisions (Note 35)	**1,640,648**	1,582,080	**1,640,648**	1,582,080
Reserve for unearned premiums	**1,539,590**	576,889	**–**	–
Withholding tax payable	**224,045**	211,529	**204,697**	198,928
Deferred tax liabilities (Note 31)	**139,699**	124,793	**–**	–
Unapplied advances	**97,392**	37,419	**97,392**	37,419
Advanced rentals on building, bank premises and equipment	**40,850**	41,187	**40,851**	41,187
SSS, Philhealth, Employer's Compensation Premiums and Pag-IBIG Contributions Payable	**29,330**	30,014	**23,695**	24,647
Miscellaneous	**622,043**	1,416,802	**225,247**	1,072,989
	7,200,884	7,409,576	**5,029,527**	6,281,205
	₱33,332,758	₱34,798,705	**₱18,629,173**	₱20,897,845

Miscellaneous liabilities of the Group and the Parent Company include interoffice floats, remittance - related payables, overages and sundry credits.

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, 2014 and 2013 and are not indicative of either market risk or credit risk (amounts in thousands, except average forward rate).

	Consolidated 2014			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	**₱5,620**	**₱2,246**	**44.81**	**77,300**
EUR	**1,686**	**535**	**1.25**	**2,507**

(Forward)

	Consolidated 2014			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
HKD	**₱539**	**₱532**	**7.75**	**82,156**
AUD	**81**	**–**	**0.82**	**200**
JPY	**13**	**567**	**0.37**	**312,776**
GBP	**6**	**–**	**1.56**	**150**
CAD	**–**	**47**	**1.16**	**1,614**
SELL:				
USD	**6,809**	**15,717**	**44.78**	**208,510**
EUR	**4,378**	**–**	**1.30**	**1,797**
GBP	**2,152**	**–**	**1.56**	**4,250**
JPY	**634**	**17**	**0.37**	**713,228**
AUD	**531**	**–**	**0.82**	**800**
SGD	**449**	**275**	**1.32**	**6,611**
HKD	**83**	**96**	**7.76**	**14,100**
CAD	**3**	**66**	**1.16**	**2,195**
Interest rate swaps	**42,407**	**24,805**		
Warrants	**71,160**	**–**		
	₱136,551	**₱44,903**		

** The notional amounts and average forward rates pertain to original currencies.*

	Consolidated 2013			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱61,867	₱1,198	43.36	126,462
EUR	76	673	1.36	989
JPY	98	113	0.01	15,000
GBP	–	26	1.64	102
CAD	–	4	1.07	1,065
SGD	23	–	35.02	1,200
SELL:				
USD	1,293	136,372	43.74	264,471
EUR	79	1,240	1.36	5,447
GBP	97	1,257	1.64	5,100
JPY	329	321	0.43	477,776
AUD	54	–	0.89	250
SGD	–	885	0.79	6,200
HKD	25	–	7.75	158,946
CAD	67	–	1.00	2,365
CHF	23	–	1.12	400
Interest rate swaps	28,803	21,012		
Warrants	165,863	–		
	₱258,697	₱163,101		

** The notional amounts and average forward rates pertain to original currencies.*

	Parent Company 2014			
	Assets	**Liabilities**	**Average Forward Rate***	**Notional Amount***
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	**₱5,620**	**₱2,246**	**44.81**	**77,300**
EUR	**1,686**	**–**	**1.26**	**1,797**
HKD	**–**	**524**	**7.75**	**50,356**
AUD	**81**	**–**	**0.82**	**200**
JPY	**13**	**567**	**0.37**	**312,776**
GBP	**6**	**–**	**1.56**	**150**
CAD	**–**	**47**	**1.16**	**1,614**
SELL:				
USD	**6,809**	**15,717**	**44.78**	**208,510**
EUR	**4,378**	**–**	**1.28**	**1,797**
GBP	**2,152**	**–**	**1.56**	**4,250**
JPY	**634**	**17**	**0.37**	**713,228**
AUD	**531**	**–**	**0.82**	**800**
SGD	**449**	**275**	**1.32**	**6,611**
CAD	**3**	**66**	**1.16**	**2,195**
Interest rate swaps	**42,407**	**24,805**		
Warrants	**71,160**	**–**		
	₱135,929	**₱44,264**		

** The notional amounts and average forward rates pertain to original currencies.*

	Parent Company 2013			
	Assets	Liabilities	Average Forward Rate*	Notional Amount*
Freestanding derivatives:				
Currency forwards and spots:				
BUY:				
USD	₱61,867	₱1,198	43.36	126,462
EUR	76	673	1.36	989
JPY	73	113	0.01	15,000
GBP	–	26	1.64	102
CAD	–	4	1.07	1,065
SGD	23	–	35.02	1,200
SELL:				
USD	1,259	136,372	43.74	264,468
EUR	79	1,223	1.36	5,447
GBP	97	1,257	1.64	5,100
JPY	329	321	0.43	477,776
AUD	54	–	0.89	250
SGD	–	885	0.79	1,200
CAD	67	–	1.00	2,365
CHF	23	–	1.12	400
Interest rate swaps	28,803	21,012		
Warrants	165,863	–		
	₱258,613	₱163,084		

** The notional amounts and average forward rates pertain to original currencies.*

As of December 31, 2014 and 2013, the Parent Company holds 306,405 shares of ROP Warrants Series B1 at their fair value of USD1.6 million and USD3.0 million, respectively.

The table below shows the rollforward analysis of net derivatives assets (liabilities) as of December 31, 2014 and 2013:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Balance at the beginning of the year:				
Derivative assets	**₱258,697**	₱454,501	**₱258,613**	₱454,501
Derivative liabilities	**163,101**	283,751	**163,084**	283,751
	95,596	170,750	**95,529**	170,750
Changes in fair value				
Currency forwards and spots*	**196,005**	(372,846)	**195,848**	(374,155)
Interest rate swaps and warrants**	**(90,761)**	(156,313)	**(90,761)**	(156,313)
	105,244	(529,159)	**105,087**	(530,468)
Availments (Settlements)	**(109,192)**	454,005	**(108,951)**	455,247
Balance at end of year:				
Derivative assets	**136,551**	258,697	**135,929**	258,613
Derivative liabilities	**44,903**	163,101	**44,264**	163,084
	₱91,648	₱95,596	**₱91,665**	₱95,529

* *Presented as part of 'Foreign exchange gains - net'.*
** *Recorded under 'Trading and investment securities gains - net'.*

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					
	2014			2013 (As Restated - Note 2)		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱14,628,489**	**₱–**	**₱14,628,489**	₱11,804,746	₱–	₱11,804,746
Due from BSP	**105,773,685**	**–**	**105,773,685**	153,169,330	–	153,169,330
Due from other banks	**15,591,406**	**–**	**15,591,406**	14,881,541	–	14,881,541
Interbank loans receivable	**7,671,437**	**–**	**7,671,437**	8,405,250	–	8,405,250
Financial assets at FVPL	**6,696,856**	**10,654,770**	**17,351,626**	3,847,660	7,861,688	11,709,348
AFS investments - gross (Note 9)	**4,383,175**	**59,638,203**	**64,021,378**	4,905,109	76,327,448	81,232,557
HTM investments	**61,374**	**22,908,932**	**22,970,306**	–	–	–
Loans and receivables - gross (Note 10)	**126,762,738**	**202,624,146**	**329,386,884**	124,292,165	162,856,688	287,148,853
Other assets - gross (Note 15)	**943,966**	**101,486**	**1,045,452**	182,370	86,461	268,831
	282,513,126	**295,927,537**	**578,440,663**	321,488,171	247,132,285	568,620,456
Nonfinancial Assets						
Property and equipment - gross (Note 11)	**–**	**25,515,235**	**25,515,235**	–	25,140,048	25,140,048
Investment properties - gross (Note 13)	**–**	**25,862,516**	**25,862,516**	–	26,781,061	26,781,061
Deferred tax assets	**–**	**1,461,938**	**1,461,938**	–	1,317,283	1,317,283
Goodwill (Note 14)	**–**	**13,375,407**	**13,375,407**	–	13,375,407	13,375,407
Intangible assets - gross (Note 14)	**–**	**3,544,075**	**3,544,075**	–	3,160,916	3,160,916
Residual value of leased assets (Note 10)	**–**	**563,032**	**563,032**	–	404,771	404,771
Other assets - gross (Note 15)	**1,263,849**	**3,308,176**	**4,572,025**	2,609,730	1,362,171	3,971,901
	1,263,849	**73,630,379**	**74,894,228**	2,609,730	71,541,657	74,151,387

(Forward)

	Consolidated					
	2014			2013 (As Restated - Note 2)		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Less: Allowance for impairment and credit losses (Note 16)			**₱17,810,262**			₱17,364,543
Unearned and other deferred income (Note 10)			**1,261,386**			1,109,950
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**8,817,411**			8,021,730
			₱625,445,832			₱616,275,620
Financial Liabilities						
Deposit liabilities	**₱403,844,601**	**₱43,799,156**	**₱447,643,757**	₱451,006,590	₱11,358,858	₱462,365,448
Financial liabilities at FVPL	**20,099**	**10,841,926**	**10,862,025**	149,828	7,925,067	8,074,895
Bills and acceptances payable	**10,075,958**	**8,974,100**	**19,050,058**	11,423,153	1,748,844	13,171,997
Subordinated debt	**–**	**9,969,498**	**9,969,498**	–	9,953,651	9,953,651
Accrued interest payable (Note 20)	**460,493**	**1,555,418**	**2,015,911**	491,428	1,555,418	2,046,846
Accrued other expenses payable (Note 20)	**497,073**	**–**	**497,073**	870,431	–	870,431
Other liabilities (Note 22):						
Insurance contract liabilities	**5,564,978**	**5,615,619**	**11,180,597**	6,587,131	4,958,912	11,546,043
Accounts payable	**6,703,874**	**–**	**6,703,874**	8,665,432	–	8,665,432
Bills purchased - contra	**4,230,348**	**–**	**4,230,348**	3,417,082	–	3,417,082
Managers' checks and demand drafts outstanding	**1,030,298**	**–**	**1,030,298**	1,028,301	–	1,028,301
Deposit on lease contracts	**46,761**	**638,984**	**685,745**	61,913	474,175	536,088
Dormant credits	**114,606**	**444,979**	**559,585**	89,646	348,069	437,715
Accounts payable - electronic money	**459,121**	**–**	**459,121**	450,585	–	450,585
Due to TOP	**–**	**366,841**	**366,841**	–	311,387	311,387
Payment order payable	**296,102**	**–**	**296,102**	194,628	–	194,628
Due to other banks	**222,227**	**–**	**222,227**	58,288	–	58,288
Commission payable	**118,844**	**–**	**118,844**	128,984	–	128,984
Due to BSP	**101,172**	**–**	**101,172**	117,821	–	117,821
Margin deposits and cash letters of credit	**86,143**	**–**	**86,143**	393,006	–	393,006
Transmission liability	**76,893**	**–**	**76,893**	90,005	–	90,005
Deposit for keys on safety deposit boxes	**14,084**	**–**	**14,084**	13,764	–	13,764
	433,963,675	**82,206,521**	**516,170,196**	485,238,016	38,634,381	523,872,397
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	**963,233**	**1,965,132**	**2,928,365**	994,543	1,611,703	2,606,246
Income tax payable	**85,505**	**–**	**85,505**	48,448	–	48,448
Other liabilities (Note 22)	**3,528,602**	**3,672,282**	**7,200,884**	1,057,406	6,352,170	7,409,576
	4,577,340	**5,637,414**	**10,214,754**	2,100,397	7,963,873	10,064,270
	₱438,541,015	**₱87,843,935**	**₱526,384,950**	₱487,338,413	₱46,598,254	₱533,936,667

	Parent Company					
	2014			2013 (As Restated - Note 2)		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Financial Assets						
COCI	**₱13,865,078**	**₱–**	**₱13,865,078**	₱9,700,005	₱–	₱9,700,005
Due from BSP	**95,415,467**	**–**	**95,415,467**	146,079,249	–	146,079,249
Due from other banks	**5,013,357**	**–**	**5,013,357**	6,146,134	–	6,146,134
Interbank loans receivable	**7,671,437**	**–**	**7,671,437**	8,405,250	–	8,405,250
Financial assets at FVPL	**353,835**	**6,342,115**	**6,695,950**	3,845,673	–	3,845,673
AFS investments - gross (Note 9)	**3,699,094**	**52,642,375**	**56,341,469**	3,517,647	70,106,870	73,624,517
HTM investments	**–**	**21,559,631**	**21,559,631**	–	–	–
Loans and receivables - gross (Note 10)	**118,062,018**	**183,773,451**	**301,835,469**	110,678,875	157,253,711	267,932,586
Other assets - gross (Note 15)	**943,122**	**86,154**	**1,029,276**	182,080	59,760	241,840
	245,023,408	**264,403,726**	**509,427,134**	288,554,913	227,420,341	515,975,254
Nonfinancial Assets						
Property and equipment - gross (Note 11)	**–**	**24,157,278**	**24,157,278**	–	23,894,093	23,894,093
Investment properties - gross (Note 13)	**–**	**25,326,794**	**25,326,794**	–	26,312,484	26,312,484
Deferred tax assets	**–**	**1,029,423**	**1,029,423**	–	1,063,337	1,063,337
Investment in Subsidiaries and an Associate - gross (Note 12)	**–**	**24,910,585**	**24,910,585**	–	14,514,962	14,514,962
Goodwill (Note 14)	**–**	**13,515,765**	**13,515,765**	–	13,515,765	13,515,765
Intangible assets - gross (Note 14)	**–**	**3,432,514**	**3,432,514**	–	3,053,699	3,053,699
Residual value of leased assets (Note 10)	**–**	**–**	**–**	–	–	–
Other assets - gross (Note 15)	**1,203,083**	**2,398,920**	**3,602,003**	2,506,902	865,464	3,372,366
	1,203,083	**94,771,279**	**95,974,362**	2,506,902	83,219,804	85,726,706

(Forward)

	Parent Company					
	2014			2013 (As Restated - Note 2)		
	Less than Twelve Months	**Over Twelve Months**	**Total**	Less than Twelve Months	Over Twelve Months	Total
Less: Allowance for impairment and credit losses (Note 16)			**₱18,125,739**			₱17,669,266
Unearned and other deferred income (Note 10)			**867,933**			830,242
Accumulated amortization and depreciation (Notes 11, 13 and 14)			**8,291,247**			7,608,201
			₱578,116,577			₱575,594,251
Financial Liabilities						
Deposit liabilities	**₱385,631,811**	**₱46,814,852**	**₱432,446,663**	₱436,727,134	₱11,705,381	₱448,432,515
Financial liabilities at FVPL	**19,460**	**24,804**	**44,264**	149,811	13,273	163,084
Bills and acceptances payable	**7,443,348**	**11,082,696**	**18,526,044**	11,735,632	1,748,844	13,484,476
Subordinated debt	**–**	**9,969,498**	**9,969,498**	–	9,953,651	9,953,651
Accrued interest payable (Note 20)	**440,965**	**1,555,418**	**1,996,383**	463,830	1,555,418	2,019,248
Accrued other expenses payable (Note 20)	**484,360**	**–**	**484,360**	791,234	–	791,234
Other liabilities (Note 22):						
Accounts payable	**6,057,924**	**–**	**6,057,924**	8,127,279	–	8,127,279
Bills purchased - contra	**4,222,235**	**–**	**4,222,235**	3,403,791	–	3,403,791
Managers' checks and demand drafts outstanding	**1,018,139**	**–**	**1,018,139**	1,021,982	–	1,021,982
Dormant credits	**110,208**	**436,680**	**546,888**	89,647	346,908	436,555
Accounts payable - electronic money	**459,121**	**–**	**459,121**	450,585	–	450,585
Due to other banks	**408,925**	**–**	**408,925**	157,825	–	157,825
Due to TOP	**–**	**366,841**	**366,841**	–	311,363	311,363
Payment order payable	**295,971**	**–**	**295,971**	194,628	–	194,628
Due to BSP	**101,172**	**–**	**101,172**	117,820		117,820
Margin deposits and cash letters of credit	**73,972**	**–**	**73,972**	347,253	–	347,253
Deposit on lease contracts	**–**	**34,374**	**34,374**	–	33,795	33,795
Deposit for keys on safety deposit boxes	**14,084**	**–**	**14,084**	13,764	–	13,764
	406,781,695	**70,285,163**	**477,066,858**	463,792,215	25,668,633	489,460,848
Nonfinancial Liabilities						
Accrued taxes and other expenses (Note 20)	**811,742**	**1,742,671**	**2,554,413**	846,721	1,351,960	2,198,681
Income tax payable	**70,001**	**–**	**70,001**	6,186	–	6,186
Other liabilities (Note 22)	**1,911,194**	**3,118,333**	**5,029,527**	462,490	5,818,715	6,281,205
	2,792,937	**4,861,004**	**7,653,941**	1,315,397	7,170,675	8,486,072
	₱409,574,632	**₱75,146,167**	**₱484,720,799**	₱465,107,612	₱32,839,308	₱497,946,920

25. Equity

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares		Amount	
	2014	2013	**2014**	2013
Common - ₱40 par value				
Authorized	**1,750,000,001**	1,250,000,001	**₱70,000,000**	₱50,000,000
Issued and outstanding				
Balance at the beginning of the year	**1,086,208,416**	662,045,804	**43,448,337**	26,401,832
Issued during the year	**162,931,262**	423,962,500	**6,517,250**	16,958,500
Reissuance of Parent Company shares held by a subsidiary	**–**	200,112	**–**	8,005*
	1,249,139,678	1,086,208,416	**₱49,965,587**	₱43,368,337

** Cost of treasury shares previously held by a subsidiary amounted to ₱4.7 million.*

The Parent Company's shares are listed in the PSE. As of December 31, 2014 and 2013, the Parent Company had 30,167 and 30,469 stockholders, respectively. As of December 31, 2014 and 2013, the Group has no treasury shares.

Pursuant to the 1986 Revised Charter of the Parent Company, the Parent Company's authorized capital stock was ₱10.0 billion divided into 100,000,000 common shares with a par value of ₱100.0 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	₱100.0	₱100.0	250,000,000 common shares	36,011,569 common shares
April 1992	Second Public Offering	8,033,140 common shares	₱100.0	₱265.0	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	₱100.0	₱260.0	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 ₱25.0 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 rights 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	₱100.0	₱137.8	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	₱100.0	₱60.0	833,333,334 common shares	206,220,257 common shares
February 2014	Stock Rights Offering	162,931,262 common shares	Fifteen (15) Right Shares for every 100 common shares	₱40.0	₱71.0	1,750,000,001 common shares	1,249,139,678 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 ₱100.0 per share to ₱15.0 billion divided into 250,000,000 common shares with a par value of ₱60.0 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 ₱60.0 per share to ₱50,000,000,040 divided into 833,333,334 shares with a par value of ₱60.0 per share.

On July 23, 2002, the SEC approved the decrease of the capital stock of the Parent Company from ₱50,000,000,040.0 divided into 833,333,334 shares with a par value of ₱60.0 per share to ₱33,333,333,360.0 divided into 833,333,334 shares with a par value of ₱40.0 per share. On the same day, the SEC also approved the increase of the capital stock of the Parent Company from ₱33,333,333,360.0 divided into 833,333,334 shares with a par value of ₱40.0 per share to ₱50,000,000,040.0 divided into 1,054,824,557 common shares and 195,175,444 preferred shares both with a par value of ₱40.0 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 ₱59.0 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.

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 Parent Company shall offer new common shares for subscription, in such number corresponding to the number of shares being offered.

Last February 2014, the Parent Company successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of ₱40.0 per share at a price of ₱71.0 each. The Rights Shares were offered to all eligible shareholders of the Parent Company at the proportion of fifteen (15) Rights Shares for every one hundred (100) common shares as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Parent Company. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Parent Company. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. It also strengthened the Parent Company's capital position under the Basel III standards, which took effect on January 1, 2014.

Surplus amounting to ₱7.7 billion and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱2.2 billion as of December 31, 2014 and 2013 which represent the balances of accumulated translation adjustment (₱1.6 billion), accumulated equity in net earnings (₱0.6 billion) and revaluation increment from land (₱7.7 billion) 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:

	2014	2013
Reserve for trust business (Note 33)	**₱457,620**	₱444,003
Reserve for self-insurance	**80,000**	80,000
	₱537,620	₱524,003

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.

The details of CAR, as reported to the BSP, as of December 31, 2014 and 2013 based on Basel III and Basel II, respectively, follow (amounts in millions):

	2014		2013	
Consolidated	**Actual**	**Required**	Actual	Required
Tier 1 capital	**₱71,507.5**		₱62,211.8	
Tier 2 capital	**13,040.3**		12,856.9	
Gross qualifying capital	**84,547.8**		75,068.7	
Less required deductions	**–**		623.1	
Total qualifying capital	**₱84,547.8**	**₱41,033.6**	₱74,445.6	₱37,819.6
Risk weighted assets	**₱410,336.1**		₱378,195.7	
Tier 1 capital ratio	**17.43%**		16.45%	
Total capital ratio	**20.60%**		19.68%	

	2014		2013	
Parent Company	**Actual**	**Required**	Actual	Required
Tier 1 capital	**₱44,851.1**		₱59,715.4	
Tier 2 capital	**12,833.1**		12,746.1	
Gross qualifying capital	**57,684.2**		72,461.5	
Less required deductions	**–**		14,735.8	
Total qualifying capital	**₱57,684.2**	**₱37,502.6**	₱57,725.7	₱34,049.6
Risk weighted assets	**₱375,026.3**		₱340,496.0	
Tier 1 capital ratio	**11.96%**		17.54%	
Total capital ratio	**15.38%**		16.95%	

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 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% 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.

On June 27, 2014, the BSP issued Circular No. 839, *Real Estate Stress Test (REST) Limit for Real Estate Exposure*, which set a prudential limit for real estate exposures and other real estate properties of universal, commercial and thrift banks. REST will be undertaken for real estate exposure at an assumed write-off of 25.00%. The prudential REST limit which shall be complied at all times are 6.00% of CET1 ratio and 10.00% of CAR. The Circular is effective July 19, 2014.

The Parent Company 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.

Surplus
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 ₱9.9 billion as of December 31, 2014 and 2013 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 Parent Company's surplus available for dividend declaration.

In the consolidated financial statements, a portion of the Group's surplus corresponding to the net earnings of the subsidiaries amounting to ₱2.7 billion, ₱1.7 billion and ₱2.0 billion as of December 31, 2014, 2013 and 2012, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

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 Parent Company 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 Parent Company's operations by ensuring that the Parent Company 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 Parent Company 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 Parent Company has in place a risk management framework that involves a collaborative process for assessing and managing identified Pillar 1 and Pillar 2 risks. The Parent Company 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:

	Consolidated			Parent Company		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	**2014**	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Return on average equity (a/b)	**6.06%**	8.83%	13.89%	**5.17%**	9.52%	13.93%
a) Net income	**₱5,495,045**	₱5,247,489	₱4,752,358	**₱4,419,349**	₱5,379,415	₱4,598,536
b) Average total equity	**90,699,918**	59,456,656	34,214,726	**85,521,555**	56,500,721	33,016,153
Return on average assets (c/d)	**0.89%**	1.11%	1.49%	**0.77%**	1.20%	1.46%
c) Net income	**₱5,495,045**	₱5,247,489	₱4,752,358	**₱4,419,349**	₱5,379,415	₱4,598,536
d) Average total assets	**620,860,726**	472,274,243	318,936,216	**576,855,414**	449,380,024	314,327,110
Net interest margin on average earning assets (e/f)	**3.22%**	3.46%	2.64%	**3.21%**	3.42%	2.62%
e) Net interest income	**₱16,901,278**	₱13,748,539	₱6,975,706	**₱15,180,084**	₱12,752,068	₱6,762,029
f) Average interest earning assets	**525,417,739**	397,360,801	264,092,981	**472,679,584**	372,448,575	258,436,737

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. Service Fees and Commission Income

This account consists of:

	Consolidated			Parent Company		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	**2014**	2013	2012
Deposit-related	**₱1,252,798**	₱993,632	₱860,606	**₱1,228,456**	₱968,127	₱860,606
Commissions	**701,907**	830,285	602,059	**599,837**	669,469	499,995
Remittance	**406,472**	406,465	330,164	**15,097**	131,340	7,774
Credit-related	**387,535**	133,691	82,414	**374,698**	122,803	82,413
Trust fees (Note 33)	**230,111**	189,874	134,690	**230,111**	189,874	134,690
Interchange fees	**203,501**	246,188	–	**203,501**	246,188	–
Underwriting fees	**136,265**	307,348	101,389	**–**	–	–
Awards revenue	**84,899**	32,435	–	**84,899**	32,435	–
Miscellaneous	**141,875**	349,147	113,155	**135,563**	251,046	20,758
	₱3,545,363	₱3,489,065	₱2,224,477	**₱2,872,162**	₱2,611,282	₱1,606,236

Commissions include those income earned for services rendered on opening of letters of credit, handling of collection items, domestic/export/import bills and telegraphic transfers and sale of demand drafts, traveler's checks and government securities.

Interchange fees and awards revenue were generated from the credit card business acquired by the Parent Company through merger with ABC (Note 37).

27. Net Insurance Premium and Benefits and Claims

Net insurance premium
This account consists of:

	2014	2013	2012
Gross earned premiums	**₱3,296,925**	₱2,977,320	₱1,358,141
Reinsurers' share of gross earned premiums	**(1,284,152)**	(1,161,210)	(831,737)
	₱2,012,773	₱1,816,110	₱526,404

Net insurance benefits and claims
This account consists of:

	2014	2013	2012
Gross insurance contract benefits and claims paid	**₱1,886,445**	₱1,371,887	₱412,605
Reinsurers' share of gross insurance contract benefits and claims paid	**(1,112,415)**	(417,518)	(182,595)
Gross change in insurance contract liabilities	**(254,152)**	4,111,508	982,128
Reinsurers' share of change in insurance contract liabilities	**767,619**	(2,759,791)	(909,482)
	₱1,287,497	₱2,306,086	₱302,656

28. Miscellaneous Income and Expenses

Miscellaneous income
This account consists of:

	Consolidated			Parent Company		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	**2014**	2013	2012
Rental income (Note 30)	**₱634,397**	₱442,993	₱335,079	**₱363,956**	₱273,132	₱180,126
Gain on sale/redemption of notes (Note 34)	**622,983**	28,373	–	**622,983**	28,373	–
Recoveries (Note 35)	**209,419**	374,812	111,469	**206,751**	345,329	111,469
Referral fees	**97,715**	55,124	–	**–**	–	–
Sales deposit forfeiture	**12,250**	12,254	1,398	**12,250**	12,254	1,398
Customs fees	**11,702**	13,774	14,595	**11,702**	13,774	14,595
Gain from step up acquisition	**–**	63,605	–	**–**	–	–
Share in net income of an associate (Note 12)	**–**	4,975	10,309	**–**	–	–
Others	**654,060**	495,070	229,322	**201,948**	312,001	88,571
	₱2,242,526	₱1,490,980	₱702,172	**₱1,419,590**	₱984,863	₱396,159

In 2014, 'Recoveries' include collections on 'Receivable from SPV' amounting to ₱27.0 million.

The gain on step-up acquisition of ₱63.6 million in 2013 arose from the step-up acquisition of investment in PNB LII which was 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 consists of:

	Consolidated			Parent Company		
	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)	**2014**	2013	2012
Secretarial, janitorial and messengerial	**₱1,035,803**	₱931,281	₱516,836	**₱997,624**	₱898,765	₱504,642
Insurance	**952,240**	897,130	592,239	**913,679**	869,000	579,664
Marketing expenses	**558,712**	752,459	397,119	**523,658**	701,248	361,744
Information technology	**407,074**	355,751	191,982	**375,945**	331,400	147,398
Management and other professional fees	**340,559**	330,036	217,111	**266,756**	264,109	159,090
Travelling	**230,560**	237,472	191,799	**201,922**	218,589	171,110
Litigation expenses	**229,886**	267,614	309,760	**216,741**	264,768	309,589
Postage, telephone and cable	**188,800**	195,113	116,611	**135,873**	141,187	78,214
Entertainment and representation	**151,419**	214,900	142,481	**126,698**	174,091	118,058
Repairs and maintenance	**79,664**	94,710	110,954	**79,664**	71,902	77,271
Fuel and lubricants	**54,721**	117,637	21,140	**54,027**	109,600	20,431
Freight	**46,723**	63,660	31,206	**35,043**	53,015	31,206
Others	**537,467**	824,061	580,198	**23,252**	729,878	531,901
	₱4,813,628	₱5,281,824	₱3,419,436	**₱3,950,882**	₱4,827,552	₱3,090,318

29. 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 liability in the statements of financial position follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Retirement liabilities (included in 'Other Liabilities')	**₱2,867,287**	₱3,388,863	**₱2,796,997**	₱3,323,955
Net plan assets (included in 'Other Assets')	**(5,709)**	(5,532)	**–**	–
	₱2,861,578	₱3,383,331	**2,796,997**	₱3,323,955

The Group'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. The retirement plan provides each eligible employer with a defined amount of retirement benefit dependent on one or more factors such as age, years of service and salary.

As of December 31, 2014, the Parent Company has two separate retirement plans for the employees of PNB and ABC.

The changes in the present value obligation and fair value of plan assets are as follows:

Consolidated 2014

		Net benefit costs*					Remeasurements in other comprehensive income					
	January 1, 2014	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2014
Present value of pension obligation	₱5,364,975	₱393,876	₱45,767	₱242,375	₱682,018	(₱543,913)	₱–	₱920,585	₱113,397	₱1,033,982	₱–	₱6,537,062
Fair value of plan assets	1,981,644	–	–	89,936	89,936	(543,913)	9,915	–	–	9,915	2,137,902	3,675,484
Retirement liability	₱3,383,331	₱393,876	₱45,767	₱152,439	₱592,082	₱–	(₱9,915)	₱920,585	₱113,397	₱1,024,067	(₱2,137,902)	₱2,861,578

** Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income.*

Consolidated 2013

			Net benefit costs					Remeasurements in other comprehensive income					
	January 1, 2013	Assumed from business combination (Note 37)	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2013
Present value of pension obligation	₱3,242,671	₱1,589,861	₱401,578	₱1,700	₱256,974	₱660,252	(₱471,475)	₱–	₱1,014,870	(₱671,204)	₱343,666	₱–	₱5,364,975
Fair value of plan assets	1,389,396	839,976	–	–	113,758	113,758	(471,475)	(160,055)	–	–	(160,055)	270,044	1,981,644
Retirement liability	₱1,853,275	₱749,885	₱401,578	₱1,700	₱143,216	₱546,494	₱–	₱160,055	₱1,014,870	(₱671,204)	₱503,721	(₱270,044)	₱3,383,331

** Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income.*

Parent Company 2014

		Net benefit costs					Remeasurements in other comprehensive income					
	January 1, 2014	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2014
Present value of pension obligation	₱5,219,927	₱411,097	₱45,767	₱236,463	₱693,327	(₱539,947)	₱–	₱895,421	₱101,747	₱997,168	₱–	₱6,370,475
Fair value of plan assets	1,895,972	–	–	85,888	85,888	(539,947)	10,237	–	–	10,237	2,121,328	3,573,478
Retirement liability	₱3,323,955	₱411,097	₱45,767	₱150,575	₱607,439	₱–	(₱10,237)	₱895,421	₱101,747	₱986,931	(₱2,121,328)	₱2,796,997

** Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income.*

Parent Company 2013

			Net benefit costs					Remeasurements in other comprehensive income					
	January 1, 2013	Assumed from business combination (Note 37)	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan asset excluding amount included in net interest	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions by employer	December 31, 2013
Present value of pension obligation	₱3,141,154	₱1,589,861	₱374,409	₱–	₱251,983	₱626,392	(₱467,949)	₱–	₱1,005,443	(₱674,974)	₱330,469	₱–	₱5,219,927
Fair value of plan assets	1,317,810	839,976	–	–	109,766	109,766	(467,949)	(158,593)	–	–	(158,593)	254,962	1,895,972
Retirement liability	₱1,823,344	₱749,885	₱374,409	₱–	₱142,217	₱516,626	₱–	₱158,593	₱1,005,443	(₱674,974)	₱489,062	(₱254,962)	₱3,323,955

** Net benefit costs is included in 'Compensation and fringe benefits' in the statements of income.*

The Group expects to contribute ₱698.0 million to its defined benefit plan in 2015.

The average duration of the retirement liability at December 31, 2014 is 15.0 years.

The latest actuarial valuations for these retirement plans were made on December 31, 2014. The following table shows the actuarial assumptions as of December 31, 2014 and 2013 used in determining the retirement benefit obligation of the Group:

	Consolidated		Parent Company ABC		Parent Company PNB	
	2014	2013	**2014**	2013	**2014**	2013
Discount rate	**4.10% - 5.27%**	4.90% - 5.98%	**4.53%**	4.90%	**4.53%**	5.67%
Salary rate increase	**5.00% - 8.00%**	5.00% - 10.00%	**5.00%**	5.00%	**5.00%**	5.00%
Estimated working lives	**4.15 - 12.03**	4.39 - 12.00	**10.56**	9.73	**12.03**	12.00

Shown below is the maturity analysis of the undiscounted benefit payments:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Less than one year	**₱473,409**	₱337,180	**₱454,659**	₱331,096
More than one year to five years	**1,663,591**	345,114	**1,620,445**	310,723
More than five years to 10 years	**2,984,475**	1,319,837	**2,891,956**	1,259,757
More than 10 years to 15 years	**4,299,687**	816,579	**4,102,677**	666,924
More than 15 years	**3,850,317**	1,624,257	**3,614,751**	1,282,757

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Cash and cash equivalents	**₱1,351,299**	₱404,082	**₱1,318,530**	₱373,216
Equity investments:				
Financial institutions	**723,663**	682,552	**720,709**	681,086
Others	**35,319**	42,338	**17,410**	36,935
Debt investments:				
Private debt securities	**1,074,737**	252,643	**1,056,841**	237,783
Government securities	**308,021**	459,218	**292,613**	445,768
Unit investment trust funds	**156,004**	98,056	**156,004**	98,056
Loans and receivables	**19,765**	39,210	**3,465**	19,737
Interest and other receivables	**9,413**	4,765	**9,144**	4,116
	3,678,221	1,982,864	**3,574,716**	1,896,697
Accrued expenses	**(2,737)**	(1,220)	**(1,238)**	(725)
	₱3,675,484	₱1,981,644	**₱3,573,478**	₱1,895,972

All equity and debt investments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an 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, 2014 and 2013 includes investments in the Parent Company shares of stock with fair value amounting to ₱720.7 million and ₱672.9 million, respectively (Note 34).

The plan assets have diverse investments and do not have any concentration risk.

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:

2014

	Consolidated		Parent Company	
	Possible fluctuations	**Increase**	**Possible fluctuations**	**Increase**
Discount rate	**-1.00%**	**₱765,225**	**-1.00%**	**₱744,541**
Salary increase rate	**+1.00%**	**748,047**	**+1.00%**	**728,821**
Employee turnover rate	**+10.00%**	**25,083**	**+10.00%**	**18,939**

2013

	Consolidated		Parent Company	
	Possible fluctuations	Increase	Possible fluctuations	Increase
Discount rate	-1.00%	₱637,118	-1.00%	₱578,273
Salary increase rate	+1.00%	580,737	+1.00%	569,095
Employee turnover rate	+10.00%	26,994	+10.00%	24,241

Full actuarial valuations were performed to test the sensitivity of the defined benefit obligation to a 1.00% increment in salary increase rate, 1.00% decrement in the discount rate and a 10.00% improvement in the employee turnover rate. The results also provide a good estimate of the sensitivity of the defined benefit obligation to a 1.00% decrement in salary increase rate, 1.00% increment in the discount rate and a 10.00% increase in the employee turnover rate but with reverse impact.

The Group and 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 Group and 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 Group's and the Parent Company's failure to contribute in accordance with its general funding strategy.

30. Leases

Operating Leases

Parent Company as Lessee

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 10.00%.

Rent expense charged against current operations (included in 'Occupancy and equipment-related costs' in the statements of income) amounted to ₱1.1 billion, ₱820.3 million and ₱387.2 million in 2014, 2013 and 2012, respectively, for the Group, of which ₱705.3 million in 2014, ₱672.3 million in 2013 and ₱268.6 million in 2012 pertain to the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Within one year	**₱546,418**	₱562,255	**₱418,022**	₱428,693
Beyond one year but not more than five years	**1,156,258**	936,730	**767,527**	755,109
More than five years	**111,790**	34,368	**34,350**	30,860
	₱1,814,466	₱1,533,353	**₱1,219,899**	₱1,214,662

Parent Company as Lessor

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 5.00% per year). In 2014, 2013 and 2012, total rent income (included under 'Miscellaneous income') amounted to ₱634.4 million, ₱443.0 million and ₱335.1 million, respectively, for the Group and ₱364.0 million, ₱273.1 million and ₱180.1 million, respectively, for the Parent Company (Note 28).

Future minimum rentals receivable under non-cancelable operating leases follow:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Within one year	**₱120,394**	₱164,704	**₱28,059**	₱69,003
Beyond one year but not more than five years	**123,850**	121,707	**30,994**	56,979
More than five years	**11,709**	13,557	**11,709**	13,557
	₱255,953	₱299,968	**₱70,762**	₱139,539

Finance Lease

Group as Lessor

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	
	2014	2013	**2014**	2013
Within one year	**₱1,470,290**	₱1,146,191	**₱14,120**	₱2,809
Beyond one year but not more than five years	**1,795,487**	1,414,986	**31,100**	26,550
More than five years	**58,500**	116,058	**58,500**	75,850
Gross investment in finance lease contracts receivable (Note 10)	**3,324,277**	2,677,235	**103,720**	105,209
Less amounts representing finance charges	**390,019**	311,421	**58,504**	67,000
Present value of minimum lease payments	**₱2,934,258**	₱2,365,814	**₱45,216**	₱38,209

31. 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 30.00% and interest allowed as a deductible expenses shall be reduced by 33.00% of interest income subjected to final tax.

MCIT of 2.00% 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 are 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 10.00% 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		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	**2014**	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
Current						
Regular	**₱777,253**	₱699,535	₱269,678	**₱652,067**	₱604,240	₱205,490
Final	**741,989**	490,487	637,167	**674,058**	430,879	621,892
	1,519,242	1,190,022	906,845	**1,326,125**	1,035,119	827,382
Deferred	**(108,782)**	(7,984)	32,770	**43,082**	(648)	58,399
	₱1,410,460	₱1,182,038	₱939,615	**₱1,369,207**	₱1,034,471	₱885,781

The components of net deferred tax assets reported in the statements of financial position follow:

	Consolidated			Parent Company		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2	**2014**	2013 (As Restated - Note 2)	2012 (As Restated - Note 2
Deferred tax asset on:						
Allowance for impairment, credit and other losses	**₱4,851,051**	₱4,989,951	₱4,298,106	**₱4,669,376**	₱4,836,632	₱4,279,273
Accumulated depreciation on investment properties	**551,609**	635,280	623,627	**549,171**	632,108	623,627
NOLCO	**252,461**	97,466	63,483	–	–	–
Provision for IBNR	**18,000**	4,500	4,500	–	–	–
Net retirement liability	**16,333**	7,245	2,360	–	–	–
Accrued expenses	**10,094**	8,066	12,882	–	–	–
Excess of net provision for unearned premiums per PFRS over tax basis	**8,248**	13,055	4,162	–	–	–
Deferred reinsurance commission	**3,850**	10,035	6,616	–	–	–
MCIT	**1,265**	1,266	1,265	–	–	–
Unrealized foreign exchange losses	**44**	38,943	81	–	38,210	–
Others	**10,442**	301,109	290,583	**10,442**	301,109	280,184
	5,723,397	6,106,916	5,307,665	**5,228,989**	5,808,059	5,183,084
Deferred tax liability on:						
Fair value adjustment on investment properties	**2,061,668**	2,494,206	1,988,219	**2,052,971**	2,486,946	1,988,219
Fair value adjustments due to business combination	**1,223,767**	1,351,766	–	**1,223,767**	1,351,766	–
Revaluation increment on land and buildings	**736,436**	736,436	–	**736,436**	736,436	–
Unrealized foreign exchange gains	**75,456**	–	–	**75,456**	–	–
Unrealized trading gains on financial assets at FVPL	**38,549**	77,584	141,835	**38,549**	77,584	141,835
Lease income differential between finance and operating lease method	**36,546**	18,655	–	–	–	–
Deferred acquisition cost	**16,654**	19,393	16,762	–	–	–
Unrealized gains on AFS investments	**2,025**	10,730	1,833	**2,029**	11,127	1,833
Others	**70,358**	80,863	219,667	**70,358**	80,863	218,812
	4,261,459	4,789,633	2,368,316	**4,199,566**	4,744,722	2,350,699
	₱1,461,938	₱1,317,283	₱2,939,349	**₱1,029,423**	₱1,063,337	₱2,832,385

The components of the Group's net deferred tax liabilities included in 'Other Liabilities' (Note 22) follow:

	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
Deferred tax liability on:			
Fair value adjustments due to business combination	**₱148,338**	₱148,338	₱–
Accelerated depreciation on property and equipment	**6,237**	5,743	–
Rent receivables	**66**	80	83
Unrealized gains on AFS investments	**32**	386	8,856
Lease income differential between finance and operating lease method	–	1,999	18,655
Fair value adjustment on investment properties	–	1,513	97
Net retirement asset	–	1,269	–
Others	–	–	13,166
	154,673	159,328	40,857
Deferred tax asset on:			
NOLCO	**13,173**	30,277	30,143
Allowance for impairment, credit and other losses	**1,801**	4,257	–
Unrealized foreign exchange losses	–	1	–
Net retirement liability	–	–	6,163
Accumulated depreciation on investment properties	–	–	678
	14,974	34,535	36,984
	₱139,699	₱124,793	₱3,873

Provision for deferred tax charged directly to OCI during the year follows:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Net unrealized losses (gains) on AFS investments	**₱9,059**	(₱464)	₱23,948	**₱9,098**	(₱8,933)	₱19,029
Remeasurement losses on retirement plan	**9,334**	3,253	1,938	**–**	–	–

The movements in the net deferred tax assets of the Group include impact of CTA amounting to ₱2.6 million and ₱9.9 million in 2014 and 2013, respectively. The movements in the net deferred tax asset of the Parent Company include impact of CTA amounting to ₱0.1 million and ₱2.6 million in 2014 and 2013, respectively.

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 ₱5.2 billion and ₱5.8 billion as of December 31, 2014 and 2013, 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	
	2014	2013	**2014**	2013
Allowance for impairment and credit losses	**₱1,640,999**	₱847,463	**₱1,601,551**	₱794,874
Retirement liability	**839,099**	997,186	**839,099**	997,187
Accrued expenses	**436,037**	277,271	**436,037**	276,835
NOLCO	**211,606**	206,860	**–**	–
Derivative liabilities	**13,279**	48,925	**13,279**	48,925
MCIT	**–**	7,110	**–**	–
Others	**187,172**	173,114	**118,901**	38,690
	₱3,328,192	₱2,557,929	**₱3,008,867**	₱2,156,511

Details of the NOLCO of the Parent Company and its domestic subsidiaries follow:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2010	₱256	₱256	₱–	2013
2011	85,165	85,165	–	2014
2012	115,521	–	115,521	2015
2013	948,078	–	948,078	2016
2014	185,999	–	185,999	2017
	₱1,335,019*	₱85,421	₱1,249,598	

**Balance includes NOLCO amounting to ₱277,952 acquired from business combination*

Unrecognized Deferred Tax Liabilities

As of December 31, 2014, there was a deferred tax liability of ₱569.6 million (₱561.2 million in 2013) for temporary differences of ₱1.9 billion (₱1.9 billion in 2013) 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 applied MCIT of the Parent Company and its domestic subsidiaries follow:

Year Incurred	Amount	Used	Balance	Expiry Year
2010	₱75,036	₱75,036	₱–	2013
2011	125,782	125,782	–	2014
2012	137,872	134,175	3,697	2015
2013	3,621	–	3,621	2016
2014	5,630	–	5,630	2017
	₱347,941	₱334,993	₱12,948	

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		
	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)	**2014**	2013 (As Restated - Note 2)	2012 (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	**(6.05)**	(5.16)	(14.21)	**(7.20)**	(5.17)	(14.74)
Net non-deductible expenses	**16.34**	7.43	6.64	**23.14**	7.15	5.39
Optional standard deduction	**0.02**	(0.27)	(0.09)	**–**	–	–
Tax-exempt income	**(7.09)**	(19.14)	(7.57)	**(8.14)**	(18.83)	(6.34)
Tax-paid income	**(4.14)**	(0.14)	(0.24)	**(3.54)**	0.24	(0.59)
Net unrecognized deferred tax assets	**(8.65)**	5.66	1.98	**(10.61)**	2.74	2.43
Effective income tax rate	**20.43%**	18.38%	16.51%	**23.65%**	16.13%	16.15%

Current tax regulations define expenses to be classified as entertainment, amusement and recreation and set a limit for the amount that is deductible for tax purposes. Entertainment, amusement and recreation expenses are limited to 1.00% of net revenues for sellers of services. EAR charged against current operations (included in 'Miscellaneous expense' in the statements of income) amounted to ₱151.4 million in 2014, ₱214.9 million in 2013, and ₱142.5 million in 2012 for the Group, and ₱126.7 million in 2014, ₱174.1 million in 2013, and ₱118.1 million in 2012 for the Parent Company (Note 28).

32. Earnings Per Share

The earnings per share of the Group, attributable to equity holders of the Parent Company, are calculated as follows:

	2014	2013 (As Restated - Note 2)	2012 (As Restated - Note 2)
a) Net income attributable to equity holders of the Parent Company	**₱5,358,669**	₱5,146,315	₱4,742,527
b) Weighted average number of common shares for basic earnings per share (Note 25)	**1,163,938**	1,067,822	672,785
c) Basic earnings per share (a/b)	**₱4.60**	₱4.82	₱7.05

33. 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 ₱65.8 billion and ₱56.3 billion as of December 31, 2014 and 2013, respectively (Note 35). In connection with the trust functions of the Parent Company, government securities amounting to ₱711.8 million and ₱1.3 billion (included under 'AFS Investments') as of December 31, 2014 and 2013, respectively, are deposited with the BSP in compliance with trust regulations.

Trust fee income in 2014, 2013 and 2012 amounting to ₱230.1 million, ₱189.9 million and ₱134.7 million, respectively, is included under 'Service fees and commission income' (Note 26).

In compliance with existing banking regulations, the Parent Company transferred from surplus to surplus reserves the amounts of ₱13.6 million, ₱9.5 million and ₱9.7 million in 2014, 2013 and 2012, 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. In 2013, 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.

34. 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 15.00% of the Parent Company's total loan portfolio, whichever is lower. As of December 31, 2014 and 2013, 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	
	2014	2013	**2014**	2013
Total Outstanding DOSRI Accounts*	**₱12,749,637**	₱3,557,857	**₱12,749,637**	₱3,557,857
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**4.20%**	1.40%	**4.48%**	1.45%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**4.20%**	1.40%	**4.48%**	1.45%
Percent of DOSRI accounts to total loans	**4.20%**	1.40%	**4.48%**	1.45%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.01%**	1.52%	**0.01%**	1.52%

(Forward)

	Consolidated		Parent Company	
	2014	2013	2014	2013
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 ₱198.7 million as of December 31, 2014 and ₱178.6 million as of December 31, 2013.*

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 10.00% of a bank's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% 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.

	2014		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
LTG			
Deposit liabilities		**₱4,973,846**	Peso-denominated savings deposits with annual rates ranging from 1.56% to 1.75% and maturity terms ranging from 3 to 6 months
Interest expense	**₱90,717**		Interest expense on deposit liabilities
Trading gains	**735,385**		Sale of 161,978,996 common shares in VMC at current market price of ₱4.5 per share
Gain on sale of convertible notes	**608,433**		Gain on sale of VMC convertible notes at the minimum bid price of ₱3.5 per share

(Forward)

	2014		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Receivables from customers		**₱1,575,000**	Revolving credit line with interest rates ranging from 3.10% to 3.35% and maturity terms of less than 90 days; Term loan maturing in 2017 with 3.85% nominal rate; Unsecured
Loan commitments		**745,618**	Loan commitments
Due from other banks		**708,388**	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		**107,630**	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		**4,181**	Interest accrual on receivables from customers
Deposit liabilities		**3,921,455**	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		**1,725,696**	Foreign currency-denominated bills payable with interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to banks		**183,430**	Clearing accounts funding and settlement of remittances
Accrued interest payable		**28,511**	Accrued interest on deposit liabilities and bills payable
Interest income	**₱30,261**		Interest income on receivables from customers
Interest expense	**108,511**		Interest expense on deposit liabilities and bills payable
Rental income	**30,041**		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum
Securities transactions:			
Purchases	**2,022,150**		Outright purchase of securities
Sales	**535,877**		Outright sale of securities
Trading gains	**14,754**		Gain from sale of investment securities
Loan releases	**2,448,000**		Loan drawdowns
Loan collections	**1,473,000**		Settlement of loans and interest
Net withdrawals	**754,538**		Net withdrawals during the period
Affiliates			
Receivables from customers		**12,292,943**	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.75% to 10.00% with maturities terms ranging from 1 year to 15 years and payment terms ranging from monthly payments to quarterly payments
Loan commitments		**997,894**	Loan commitments
Due from other banks		**385,879**	With annual fixed interest rates ranging from 0.01% to 4.50% including time deposits with maturity terms of up to 90 days
Accrued interest receivable		**56,546**	Interest accrual on receivables from customers
Operating lease		**203**	Advance rental deposits received for 2 years and 3 months
Deposit liabilities		**6,089,810**	With annual rates ranging from 0.02% to 1.73% and maturity terms ranging from 30 days to 1 year
Other liabilities		**36,978**	Charitable donations and liabilities for lease payments
Interest income	**448,141**		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	**23,759**		Interest expense on deposit liabilities
Rental income	**30,942**		Monthly rental income

(Forward)

	2014		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Rental expense	**₱9,653**		Monthly rental payments with terms ranging from 24 to 240 months
Fees and commission expense	**9**		Expense on professional fees on service agreement
Other income	**170**		Premiums collected
Other expense	**4,024**		Claims expense, service and referral fees
Securities transactions:			
Purchases	**91,501**		Outright purchase of securities
Sales	**1,216**		Outright sale of securities
Trading gains	**2**		Gain from sale of investment securities
Loan releases	**14,772,677**		Loan drawdowns
Loan collections	**7,107,688**		Settlement of loans and interest
Net deposits	**1,163,388**		Net deposits during the period
Key Management Personnel			
Loans to officers		**₱16,073**	Housing loans to senior officers; Secured and unimpaired
Loan releases	**3,140**		Loan drawdowns
Loan collections	**5,621**		Settlement of loans and interest
Officers			
Receivable from customers		**285,967**	Loans with interest rates ranging from 0.50% to 8.00% and maturity terms ranging from 1 month to 25 years; Includes lease option on car plan agreements; Collateral includes bank deposit hold-out, real estate and chattel mortgages
Net loan collections	**86,470**		Net loan collections for the period

	2013		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
LTG			
Deposit liabilities		₱6,136,100	Peso-denominated demand deposits with rates ranging from 0.65% to 2.28%; due on demand
Interest expense	₱792		Interest expense on deposit liabilities
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 and unimpaired.
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 0.10% to 3.00% and maturity ranging from 30 days to 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
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 4.50% including time deposits with maturities of up to 90 days
Interest income	21,695		Interest income on receivables from customers
Interest expense	32,715		Interest expense on deposit liabilities and bills payable
Other income	19,485		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum
Other expense	2,188		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

(Forward)

	2013		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Loan releases	₱4,038,000		Loan drawdowns
Loan collections	4,002,000		Settlement of loans and interests
Net deposits	4,123,696		Net deposits during 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 terms from 3 to 7 years; Secured - ₱3.3 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	Receivables arising from sale of investment property; Non-interest bearing loan, payable within one year; Secured and unimpaired
Accrued interest receivables		10,193	Interest accrual 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 terms ranging from 30 days to 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 deposits with maturities of up to 90 days and savings with interest rate of 13.00%
Interest income	186,041		Interest income on receivables 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 5.00% starting on sixth year of the lease term
Rental expense	7,111		Monthly rental 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 during 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
Officers			
Receivables from customers		372,437	Loans with interest rates ranging from 0.50% to 16.50% and maturity terms ranging from 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 receivables from customers booked in PNB-Makati (formerly, ABC). Loan amount before any loan releases and collections during the year amounts to ₱5.78 billion.*

Transactions of subsidiaries with other related parties

	2014		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Receivable from customers		**₱268,114**	Loans and advances of PNB GRF to PAL
Other liabilities		**386**	Insurance premium payable of PNB GRF to PNB Gen
Interest income	**₱23**		Interest earned by PNB GRF from the time deposits placed with PNB Hong Kong Branch.
Management fee expense	**8,958**		Bank service fee charged by PNB - HK Branch
Remittance IT expenses	**12,095**		IT equipment rental expenses and IT related fees charged by PNB Head Office based on remittance type and transaction volume.

	2013		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Receivable from customers		₱355,480	Short-term loans to PAL with interest rate of 5.25%; secured with chattel mortgage on PAL's airplane's spare parts, loan value of 50%
Other liabilities		86	Insurance premium payable of PNB GRF to PNB Gen
Interest income	₱11		Interest earned by PNB GRF from the time deposits placed with PNB Hong Kong Branch.
Management fee expense	8,461		Bank service fee charged by PNB - HK Branch
Remittance IT expenses	12,611		IT equipment rental expenses and IT related fees charged by PNB Head Office based on remittance type and transaction volume.
Guarantee fees	11		Fee income received from the fellow subsidiary for a guarantee issued by PNB GRF
Dividends	17,529		Interim dividends declared was settled by offsetting against the inter-company receivable from PNB resulting from the transfers of Pangarap Loans

The 'Pangarap Loans', which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. On March 19, 2004, the Parent Company and PNB GRF entered into an agreement where the Parent Company agreed to undertake all impaired Pangarap Loans of PNB GRF. PNB GRF transfers the impaired loans at their carrying values on a quarterly basis or when aggregate carrying value of the impaired loans amounts to HK$2.0 million, whichever comes earlier. Subject to BOD approval, PNB GRF regularly declares special dividends (recognized as a liability). These special dividends are being offset against the intercompany receivables from the Parent Company.

In June 2013, the Parent Company and PNB GRF agreed to amend the settlement procedure on defaulted Pangarap Loans. Under the new settlement procedure, the Parent Company, in which the pledged deposits of the defaulted Pangarap Loans are placed with, remit the corresponding defaulted amounts (including accrued interests, surcharges and other related charges) from the pledged deposits of the defaulted customers to PNB GRF. The remitted amounts are being offset against the intercompany receivables from the Parent Company.

As of December 31, 2014 and 2013, the Parent Company's financial assets at FVPL include equity securities traded through PNB Securities with a fair value of ₱210.5 million and ₱247.5 million, respectively. The Parent Company recognized trading gains amounting to ₱19.5 million in 2014, ₱35.1 million in 2013 and ₱194.5 million in 2012 from the trading transactions facilitated by PNB Securities.

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2014, 2013 and 2012 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.

Outsourcing Agreement between the Parent Company and PNB SB

Sale of ₱6.0 Billion Consumer Loans to PNB SB

On January 8, 2014, the Bank entered into a "Deed of Assignment" with PNB SB, for the sale, on a without recourse basis, housing (including contract-to-sell loans) and motor vehicle loans with a total value of ₱6.0 billion. The agreement includes the assignment of the promissory notes and other relevant credit documents as well as collateral/s and other accessory contract thereto.

The total consideration for the assigned loans amounted to ₱6.0 billion, which was paid by PNB SB in 2014. As of December 31, 2014, the outstanding balance of the assigned loans amounted to ₱5.1 billion.

Relative to the Deed of Assignment, the Parent Company and PNB SB executed a memorandum of agreement for the services agreed to be outsourced by the Parent Company, pertaining to the assigned loan portfolio to ensure the servicing and maintenance of the assigned loans will continue with the least inconvenience to the clients/borrowers.

PNB SB accrued service liabilities amounting to ₱5.7 million in connection with the services rendered by the Parent Company on the assigned loans. The balance remains to be unpaid as of December 31, 2014.

VMC Convertible Notes and Common Shares

As of December 31, 2013, the Parent Company holds convertible notes with face amount of ₱353.4 million, recorded under 'Unquoted debt securities' and 161,978,996 common shares, recorded under 'AFS investments', issued by VMC, an affiliate of the Group. Each of the investment has a carrying value of ₱1.0 (one peso). In March 2014, VMC redeemed a portion of the convertible notes for a total price of ₱330.3 million, the same amount of gain was recorded under 'Interest income' in the statement of income of the Parent Company. In April 2014, the Parent Company sold the remaining convertible notes to LTG at ₱3.50 for every ₱1.0 convertible note. The Parent Company recognized a gain on sale of convertible notes amounting to ₱608. 4 million, booked under 'Miscellaneous income' in the statement of income of the Parent Company (Note 28). Also in April 2014, the Parent Company sold its investment in common shares of VMC to LTG, at current market price of ₱4.54 per share resulting in a gain of ₱735.4 million recorded under 'Trading and investment securities gains - net' in the statement of income of the Parent Company. The sale of VMC shares to LTG was facilitated by PNB Securities.

Compensation of Key Management Personnel
The compensation of the key management personnel follows:

	Consolidated			Parent Company		
	2014	2013	2012	**2014**	2013	2012
Short-term employee benefits (Note 20)	**₱524,193**	₱366,873	₱135,347	**₱459,759**	₱316,922	₱118,187
Post-employment benefits	**47,844**	47,381	19,642	**47,844**	47,381	19,138
	₱572,037	₱414,254	₱154,989	**₱507,603**	₱364,303	₱137,325

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2014 and 2013, total per diem given to the BOD amounted to ₱44.3 million and ₱17.8 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all PNB Board activities and membership of committees and subsidiary companies.

Joint Ventures
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 Parent Company'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 EPPI in accordance with the terms of the JVAs. These JVAs do not qualify as a 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 ₱3.6 billion and ₱1.9 billion as of December 31, 2014 and 2013, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets as of and for the year ended December 31, 2014 and 2013 follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Investment in PNB Shares	**₱720,709**	₱672,923	**₱720,709**	₱672,923
Deposits with PNB	**40,291**	24,217	**37,935**	24,158
Investment in UITF	**156,004**	98,056	**156,004**	98,056
Total Fund Assets	**₱917,004**	₱795,196	**₱914,648**	₱795,137
Unrealized loss on HFT (PNB shares)	**(₱30,945)**	(₱37,211)	**(₱30,945)**	(₱37,211)
Interest income	**991**	1,655	**989**	1,591
	(29,954)	(35,556)	**(29,956)**	(35,620)
Trust fees	**(3,870)**	(3,521)	**(4,714)**	(3,141)
Fund Loss	**(₱33,824)**	(₱39,077)	**(₱34,670)**	(₱38,761)

As of December 31, 2014 and 2013, the retirement fund of the Group and the Parent Company include 9,008,864 PNB shares and 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.

In addition to the regular retirement funds, TBG also manages the funds of the Parent Company's employee investment plans.

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, the sinking fund amounted to ₱5.3 billion. The PSC bonds being guaranteed by the sinking fund matured on February 15, 2014.

Trust fee income earned by TBG amounted to ₱0.2 million, ₱0.6 million and ₱0.2 million in 2014, 2013 and 2012, respectively.

35. 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 60.00% 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 50.00% 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.

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 (Note 13).

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 ₱43.5 million and ₱306.1 million were recognized by the Parent Company as income in 2014 and 2013, respectively, under 'Miscellaneous income' in the statements of income.

NSC Loan
As discussed in Note 10, 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 (41.00%) 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.

On July 31, 2014, the Singapore High Court issued a Judgment in favor of the bank consortium setting aside the Arbitral Award in its entirety. On September 01, 2014, the SPV companies filed before the Singapore Court of Appeal a Notice of Appeal. On January 26, 2015, the case was heard.

On March 31, 2015, Singapore Court of Appeal issued a Decision upholding the Singapore High Court's Decision in part, i.e., setting aside the monetary portions of the Arbitral Award that rendered the bank consortium not liable for certain sums of money. Parties to file submissions before the Singapore Court of Appeal pertaining to the issue on cost and consequential order.

Movements of provisions for legal claims both for the Group and the Parent Company are as follows:

	2014	2013	2012
Balance at beginning of the year	**₱1,582,080**	₱1,575,270	₱874,950
Acquired from business combination	–	195,971	–
Provisions (Note 16)	**58,568**	–	834,259
Reclassification and settlements	–	(189,161)	(133,939)
	₱1,640,648	₱1,582,080	₱1,575,270

Tax Assessment
In the ordinary course of the Group's operations, certain entities within the Group have pending tax assessments/claims which are in various stages of protest/appeal with the tax authorities, the amounts of which cannot be reasonably estimated. Management believes that the bases of said protest/appeal are legally valid such that the ultimate resolution of these assessments/claims would not have material effects on the consolidated financial position and results of operations.

BSP Reporting
The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Trust department accounts (Note 33)	**₱65,817,031**	₱56,334,549	**₱65,817,031**	₱56,334,549
Standby letters of credit	**11,281,048**	13,165,263	**11,117,621**	13,097,044
Deficiency claims receivable	**21,292,747**	11,722,138	**21,276,212**	11,712,687
Credit card lines	**13,996,427**	11,239,863	**13,996,427**	11,239,863
Shipping guarantees issued	**32,732**	1,481,927	**32,732**	939,494
Other credit commitments	**974,377**	974,377	**974,377**	974,377
Inward bills for collection	**676,610**	660,197	**675,050**	657,007
Other contingent accounts	**326,693**	504,525	**298,329**	416,802
Outward bills for collection	**430,230**	477,220	**91,333**	195,893
Confirmed export letters of credit	**490,015**	82,513	**490,015**	82,513
Unused commercial letters of credit	**44,280**	66,664	**44,280**	66,664
Items held as collateral	**51**	64	**37**	50

36. 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

2014

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]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative assets (Notes 9 and 23)	**₱1,083,714**	**₱–**	**₱1,083,714**	**₱50,360**	**₱–**	**₱1,033,354**

2013

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]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
Derivative assets (Notes 9 and 23)	₱7,853,279	₱7,760,445	₱92,834	₱678	₱–	₱92,156

Financial liabilities

2014

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]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Fair value of financial collateral**	**Net exposure [c-d]**
	[a]	**[b]**	**[c]**	**[d]**		**[e]**
Derivative liabilities (Note 18)	**₱663**	**₱–**	**₱663**	**₱625**	**₱–**	**₱38**
Securities sold under agreements to repurchase (Notes 9 and 19)*	**14,085,961**	**–**	**14,085,961**	**–**	**17,352,674**	**–**
Total	**₱14,086,624**	**₱–**	**₱14,086,624**	**₱–**	**₱17,352,674**	**₱38**

** Included in bills and acceptances payable in the statements of financial position*

2013

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]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: Financial instruments	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria: 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 9 and 19)*	2,246,319	–	2,246,319	–	2,739,206	–
Bills payable (Notes 9, 10 and 19)	112,646	–	112,646	–	2,585,532	–
Total	₱16,429,566	₱13,907,534	₱2,522,032	₱678	₱5,324,738	₱162,389

** 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.

37. Business Combination

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 (Note 1). 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 final fair values of the identifiable assets and liabilities of ABC and its subsidiaries as at the date of acquisition follow:

	Fair value of the net assets recognized on acquisition date	
	Consolidated	Parent Company
Assets		
Cash and other cash items	₱3,138,220	₱2,855,899
Due from BSP	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 FVPL	6,502,108	2,664,734
AFS 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 11)	6,457,066	5,777,851
Investment properties (Note 13)	6,707,094	6,415,074
Deferred tax assets	104,819	–
Intangible assets (Note 14)	2,349,941	2,289,732
Other assets	731,583	655,859
Total assets	₱198,256,540	₱173,312,960
Liabilities		
Deposit liabilities		
Demand	₱52,098,658	₱50,621,429
Savings	61,989,407	59,568,536
Time	27,090,192	20,443,446
	141,178,257	130,633,411
Financial liabilities at FVPL	3,877,768	38,358
Bills and acceptances payable	3,480,045	3,420,045
Accrued taxes, interest and other expenses	1,679,656	1,474,622
Subordinated debt*	4,498,919	4,498,919
Deferred tax liabilities	1,835,101	1,684,989
Other liabilities	8,336,264	3,572,454
Total liabilities	164,886,010	145,322,798
Fair values of net identifiable assets and liabilities assumed	₱33,370,530	₱27,990,162

**On March 6, 2013 the Parent Company exercised 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	2,768,380
Acquisition-date fair value of previously held interest in subsidiaries	2,471,630
Less: Fair values of net identifiable assets and liabilities assumed	33,370,530
Goodwill	₱13,375,407

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 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 tax reporting purposes, the total gross contractual amount of receivables acquired by the Group as of February 9, 2013 was ₱97.5 billion, while the corresponding allowance for credit losses and unearned interest discount amounted to ₱5.1 billion and ₱0.2 billion, respectively. For financial reporting purposes, the acquired loans and receivables were initially carried at fair value. Deferred tax liability on fair value adjustments amounted to ₱1.4 billion, of which, ₱0.2 billion was offset against the deferred tax asset carried by the Parent Company.

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 (Note 1).

From the date of acquisition up to December 31, 2013, 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 inflow from the business combination	₱64,360,076

On April 26, 2013, the Group filed a request for a ruling from the 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, 2014, 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, 2014, the Group had submitted the required merger documents and other documents pertaining to the assets and liabilities transferred to the BIR.

38. Events After Reporting Date

Issuance of syndicated term loan
The Parent Company is looking to raise term funding as part of its liability management initiatives and in preparation for Basel III requirements on liquidity coverage and net stable funding ratios. The proceeds of the loan will also finance long-term asset growth in line with its three-year strategic plan. The Parent Company has appointed a Bank to arrange a US$150.0 million three-year syndicated term loan in this regard. It may increase the deal size in case of an oversubscription.

Sale of partial interest ownership in Japan-PNB Leasing
On January 2015, the Parent Company entered into a share sale purchase agreement with IBJ Leasing Co. Ltd. (IBJ) to sell its 15.00% interest ownership for a total consideration of ₱102.6 million. Such agreement is subject to warranties and closing conditions, as agreed by the parties, which may warrant the adjustment on the consideration. The Parent Company recognized gain from sale amounting to ₱66.2 million from the transaction. Management assessed that the partial disposal of interest ownership in Japan-PNB Leasing did not result in loss of control.

39. 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 March 27, 2015.

40. Notes to Statements of Cash Flows

The Group applied creditable withholding taxes against its income tax payable amounting to ₱582.6 million, ₱132.7 million and ₱195.3 million in 2014, 2013 and 2012, respectively. In 2013, the Group applied MCIT against its income tax payable amounting to ₱468.5 million.

In 2014, the Group and the Parent Company reclassified some of its AFS investment securities, which were previously classified as HTM investments, back to its original classification amounting to ₱22.7 billion and ₱21.3 billion, respectively (Note 9).

In 2014, properties with carrying value of ₱3.0 million were reclassified by the Parent Company from property and equipment to investment property while ₱74.0 million were reclassified by the Group from investment property to property and equipment (Notes 11 and 13).

For the Group, investment properties acquired through foreclosure and rescission amounted to ₱1.3 billion, ₱2.4 billion and ₱806.3 million in 2014, 2013 and 2012, respectively. For the Parent Company, investment properties acquired through foreclosure and rescission amounted to ₱1.2 billion, ₱2.2 billion and ₱806.3 million in 2014, 2013 and 2012, respectively.

The interest income received by the Group for year ended December 31, 2013 includes collection of accrued interest receivable, amounting to ₱1.1 billion, acquired from business combination.

The interest expense paid by the Group for the year ended December 31, 2013 includes settlement of accrued interest payable, amounting to ₱220.5 million, assumed from business combination.

In 2013, the merger of the Parent Company and ABC resulted in the acquisition of net assets amounting to ₱33.4 billion and ₱28.0 billion by the Group and the Parent Company, respectively (Note 37).

Depreciation and amortization expenses include fair value amortization of property and equipment, investment properties and intangible assets amounting to ₱648.9 million and ₱417.3 million for the years ended December 31, 2014 and 2013, respectively.

41. 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 paid or accrued the following types of taxes for the tax period January to December 2014 (in absolute amounts).

1. Taxes and licenses

	Amount
Gross receipts tax	₱925,240,787
Documentary stamp taxes	561,529,564
Real estate tax	123,292,935
Local taxes	39,183,068
Others	44,660,590
	₱1,693,906,944

2. Withholdings taxes

	Amount
Expanded withholding taxes	₱171,164,416
Final income taxes withheld on interest on deposits and yield on deposit substitutes	295,455,095
Withholding taxes on compensation and benefits	1,026,318,087
VAT withholding taxes	1,041,132
Other final taxes	26,809,047
	₱1,520,787,777

Tax Cases and Assessments
As of December 31, 2014, the Parent Company has no final tax assessment but 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, 2014. 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 largest number of overseas offices 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 and the United Kingdom; banking services in Hong Kong; and a number of diversified financial and related businesses such as remittance servicing in the United States, Canada, Hong Kong, and France; 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).

Financial Condition

2014 vs. 2013

The Group's consolidated assets reached ₱625.4 billion as of December 31, 2014, higher by ₱9.1 billion compared to ₱616.3 billion total assets reported by the Group as of December 31, 2013. Changes (more than 5%) in assets were registered in the following accounts:

- Loans and Receivables (L&R) expanded to ₱316.3 billion in December 2014, ₱42.0 billion or 15.3% higher as compared to its December 2013 level of ₱274.3 billion mainly due to loan releases implemented in the current year to various corporate borrowers.

- Financial Assets at Fair Value Through Profit or Loss at ₱17.4 billion grew by 48.7% or ₱5.7 billion from ₱11.7 billion attributed mainly to purchases of various investment securities and increase in segregated fund assets.
- Interbank Loans Receivable was at ₱7.7 billion as of December 31, 2014, a decrease of ₱0.7billion from ₱8.4 billion as of December 31, 2013 due mainly to maturing interbank lending transactions to various banks.

- Available for Sale Investments went down to ₱63.1 billion as of December 31, 2014, ₱17.2 billion lower than the ₱80.3 billion level as of December 31, 2013 attributable mainly to the reclassification of ₱22.7 billion investment securities to Held to Maturity Investments two years after the sale of a significant amount of Held to Maturity Securities in October 2011. Held to Maturity Investments now stood at ₱23.0 billion.

- Due from BangkoSentralngPilipinas decreased by ₱47.4 billion from ₱153.2 billion to ₱105.8 billion accounted for by Special Deposit Accounts which dropped by ₱45 billion to fund various loan releases. Cash and Other Cash Items increased by ₱2.8 billion from ₱11.8 billion to ₱14.6 billion. Due from Other Bankswent up by ₱0.7 billion from ₱14.9 billion to ₱15.6 billion.

- Investment Properties decreased by₱1.2 billion from ₱21.5 billion to ₱20.3 billion due to disposal of foreclosed properties

- Intangible assets were lower at ₱2.3 billion in view of the amortization of merger-related core deposits and customer relations intangibles.

- Other assets and Deferred Tax Assets were higher by ₱1.8 billion and ₱0.1 billion from ₱3.4 billion to ₱5.2 billion and from ₱1.3 billion to ₱1.5 billion, respectively.

Consolidated liabilities decreased by ₱7.5 billion from ₱533.9 billion as of December 31, 2013 to ₱526.4 billion as of December 31, 2014. Major changes in liability accounts were as follows:

- Deposit Liabilities was lower by ₱14.8 billion from ₱462.4 billion to ₱447.6 billion. Demand deposits declined by ₱23.8 billion. The decline in deposits was due to a shift of funds by depositors to the stock rights offer of the Bank in the 1st quarter of this year.₱6.75 billion

LTNCD were redeemed in March and October 2014.

- Financial liabilities at Fair value through profit or loss was higher at ₱10.9 billion from last year's ₱8.1 billion attributed to the increase in segregated fund liabilities of PNB Life.

- Bills and Acceptances Payable increased by ₱5.9 billion from ₱13.2 billion to ₱19.1 billion accounted for by interbank borrowings under repurchase agreement with foreign banks.Income Tax Payable increased by ₱38 million from ₱48million to ₱86million

Total equity accounts improved by ₱16.8 billion, from ₱82.3 billion as of December 31, 2013 to a high of ₱99.1 billion as of December 31, 2014 on account of significant increases attributed to the following:

- ₱11.6 billion proceeds from the issuance of 162.9 million common shares in line with the stock rights offering in February 2014
- ₱5.5 billion net income for the twelve months period ended December 31, 2014
- ₱1.2 billion increase in net unrealized gain(loss) on AFS adjustments and ₱0.2 billion increase in non-controlling interests.

offset by the ₱1.0 billion downward adjustment in remeasurement losses on Retirement Plan, ₱0.4 billion decline in FX translation.

2013 vs. 2012

As of end of the first year of PNB-Allied Bank merger, the Group's consolidated assets expanded to ₱616.3 billion as of December 31, 2013, ₱288.0 billion or 87.7% higher compared to ₱328.3 billion of PNB as of December 31, 2012. The increase is inclusive of some ₱198.2 billion assets of the former Allied BankingCorporation (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 ValueThrough 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 Life) in designated funds. Segregated fund assets and the corresponding segregated fund liabilities are designated as financial assets and liabilities at FVPL and are evaluated at fair value basis in accordance with a documented risk management or investment strategy.
- Available for Sale Investments went up to ₱80.3 billion as of December 31, 2013, ₱13.3 billion or 19.9% higher than the ₱67.0 billion level as of December 31, 2012 considering net acquisition of various securities as well as AFS securities holdings from 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 ₱5.7 billion ROPA accounts of the former ABC.
- Property and Equipment (PPE) amounted to ₱19.8 billion as of December 31,2013, an increase of ₱6.4 billion from the December 31, 2012 level of ₱13.4 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 P2.4 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 P5.0 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 ₱1.3 billion as of December 31, 2013 compared to ₱1.8 billion and ₱2.9 billion as of December 31, 2012, respectively.

- The total consolidated liabilities of the merged bank increased by ₱242.2 billion from ₱291.7 billion as of December 31, 2012 to ₱533.9 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 P7.3 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 P34.8 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.
  - Income Tax Payable decreased by ₱0.1 billion from ₱0.2billion to ₱0.1billion

- The consolidated equity now stood at ₱82.3 billion as of December 31, 2013, up by ₱45.7 billion from ₱36.5 billion as of December 31, 2012. The increase in capital accounts was accounted for by the following:

- ₱41.4 billion market value of 423,962,500 PNB common shares issued in line with the PNB-ABC merger
- ₱5.2 billion net income for the year ended December 31, 2013
- ₱1.3 billion increase in the accumulated translation adjustment account.
- ₱3.0 billion increase in non-controlling interest

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.

2012 vs. 2011

- The Group's consolidated assets expanded to ₱328.3 billion as of December 31, 2012, ₱16.7 billion or 6.0% higher compared to ₱311.6 billion as of December 31, 2011. Significant changes (more than 5%) in assets were registered in the following accounts:

  - Loans and Receivables grew by 14.8% or ₱18.1 billion, from ₱125.6 billion to ₱144.2 billion, attributable mainly to new loan releases during the period.

  - Available for Sale Investments increased by ₱14.7 billion, from ₱52.3 billion to ₱67.0 billion, attributed mainly to purchases of government securities.
  - Investment Properties decreased from ₱18.5 billion to ₱15.5 billion, primarily due to sale of foreclosed properties and provision for loss on a certain property which was destroyed by fire.
  - Due from Other Banks decreased by ₱2.4 billion, from ₱6.4 billion to ₱4.0 billion.
  - Financial Assets at Fair Value Through Profit or Loss was lower by ₱2.9 billion, from ₱6.9 billion to ₱4.0 billion, attributed mainly to the sale of various investment securities.
  - Interbank Loans Receivable decreased by ₱5.6 billion, from ₱17.1 billion to ₱11.5 billion, in view of lower interbank lending.
  - Other Assets declined by ₱0.3 billion, from ₱2.1 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 ₱14.7 billion to ₱17.3 billion, mainly due to the accrual of provision for loss on certain court cases, additional insurance liability of the Bank's subsidiary PNB Gen. Insurers, and increment in accounts payable on certain collection arrangements.

- The consolidated equity stood at ₱36.6 billion as of December 31, 2012, up by ₱4.7 billion from ₱31.9 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.

Results of Operations

2014 vs. 2013

- Consolidated net income reached ₱5.5 billion for the twelve months ended December 31, 2014, an improvement of ₱0.3 billion compared with the ₱5.2 billion net income reported for the same period last year.

- Net interest income for the current year at ₱ 16.9 billion went up significantly by ₱3.2 billion or 22.9% compared to ₱13.7 billion in 2013 as interest income posted an increase of ₱2.0 billion at ₱20.5 billion vs₱18.5 billion primarily accounted for by interest on loans and receivables which increased by ₱2.1 billion, driven by significant expansion in the loan portfolio. On the other hand, interest expense which amounted to ₱4.7 billion last year dropped by ₱1.1 billion to ₱3.6 billion as the Bank continued to undertake its liability management exercise by raising long term deposits at lower interest rates. In March 2014, PNB redeemed P3.25 billion worth of LTNCDs with a coupon rate of 6.50% and in October 2014 likewise redeemed P3.5 billion worth of LTNCDs with a coupon rate of 7% issued by the ABC. These funds were replaced with an issuance of P7.0 billion worth of LTNCDs with a coupon rate of 4.125% which will mature in June 2020.Furthermore, interest on borrowings also declined as a result of the redemption of unsecured subordinated debts totaling ₱10.5 billion in 2013 (₱4.5 billion, 7.13% redeemed in March 2013 and ₱6.0 billion, 8.5% redeemed in June 2013).

- Fee-based and other income decreased by ₱1.7 billion to ₱6.2 billion from ₱7.9 billion for the same period last year. The decrease was attributed to lower gains from Trading and Investment Securities which declined by ₱3.4 billion, partly offset by the ₱0.1 billion, ₱0.9 billion and ₱0.7 billion increases in Foreign Exchange Gains, Net gain on sale or exchange of assets and Miscellaneous Income, respectively.

- Net service fees and commission income and net insurance premium were at ₱2.5 billion and ₱0.7 billion, respectively, for the period ended December 31, 2014.

- Administrative and other operating expenses totaled ₱19.5 billion for the year ended December 31, 2014, ₱2.4 billion more than last year's ₱17.1 billion. Increases were registered in Compensation and Fringe Benefits by ₱1.6 billion partly due to implementation of the 2014 Collective Bargaining Agreement effective July 2014. Provision for impairment and credit losses also increased by ₱1.4 billion to ₱2.2 billion from ₱0.8 billion last year. Partly offset by ₱0.2 billion decreases in depreciation and amortization and ₱0.5 billion miscellaneous expenses.

- Total Comprehensive Income for the twelve months period ended December 31, 2014 amounted to ₱5.4 billion, ₱3.8 billion higher compared to the ₱1.6 billion for the same period last year.Current year's comprehensive income came mainly from the net income totaling ₱5.5 billion and net unrealized gain on available-for-sale securities by ₱1.2 billion, offset by ₱0.5

billion in accumulated translation adjustments, ₱1.0 billion re-measurement losses on retirement plan taken up in the current year.

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 for the same period last year due to the expansion of the loan portfolio. Interest income was up by ₱7.1 billion from ₱11.4 billion to ₱18.5 billion. Interest expense however was also higher at ₱4.7billion or by ₱0.3 billion from ₱4.4 billion last year.
- Fee-based and other income was higher by ₱0.3 billion at ₱7.9 billion for the year ended December 31, 2013 from ₱7.6 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 ₱843million, respectively, while Trading and Investment Securities Gains declined by ₱746 million.
- Net service fees and commission income and net insurance premium were at ₱2.3 billion and (₱0.5 billion), respectively, for the period ended December 31, 2013.
- Administrative and other operating expenses of the merged bank totaled ₱17.1 billion in 2013, ₱6.2 billion more than last year's ₱10.9 billion. Increases were registered in Compensation and Fringe Benefits by ₱2.3 billion, Taxes and Licenses by ₱0.6 billion, Occupancy and Equipment-related Costs by P0.5 billion, Depreciation and Amortization by P0.8 billion and Other Miscellaneous Expenses by P1.9 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 ₱1.6 billion, ₱3.1 billion lower compared to the ₱4.7 billion total comprehensive income reported for the period ending December 31, 2012. 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 ₱4.4 billion decline in market value of available-for-sale securities and the ₱0.5 billion re-measurement losses on retirement plan taken up in the current year.

2012 vs. 2011

- The Bank posted a ₱4.7 billion consolidated net income for the year ended December 31, 2012, higher than the ₱4.6 billion net income for the same period last year.
- Net interest income stood at ₱7.0 billion in 2012, slightly lower by ₱0.2 billion compared to the net interest income for the same period last year. Interest income declined by ₱1.1 billion, from ₱12.5 billion to ₱11.4 billion. Interest expense decreased by ₱0.9 billion from ₱5.3 billion to ₱4.4 billion.
- Net service fees and commission income was slightly lower at ₱1.9 billion in 2012 compared to ₱2.1 billion reported for the same period last year.
- Fee-based and other income increased by ₱0.3 billion for the year ended December 31, 2012 to ₱7.6 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.
- Net insurance premium (benefits and claim) is at₱0.2 billionfor the period ended December 31, 2012.
- Administrative and other operating expenses were lower by ₱0.2 billion from ₱11.2 billion to ₱10.9 billion.
- Provision for income tax was at ₱0.9 billion and ₱0.8 billion for the years ended December 31, 2012 and 2011, respectively.

Key Performance Indicators

- Capital Adequacy/Capital Management

The Parent Company's Capital Management (Sub-Committee of the Asset/Liability Committee)has been created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.

The Sub-Committee shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business
- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the bank.
- Report to the ALCO the Bank's capital ratio and position based the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis.
- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed.

  - The Sub-Committee will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan

  - In case of capital sourcing, the Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising.
- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds.

  - The Sub-Committee shall determine the Bank's internal thresholds and shall endorse same to the Board ICAAP Steering Committee / Board.
- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

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.

As required under BSP Circular 781, 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). Other minimum ratios include Common Equity Tier (CET) 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A conservation buffer of 2.5%, comprised of CET 1 capital is likewise imposed.

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all time;
b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

a. Common equity Tier 1 capital consists of 1) Paid up common stock that meet the eligibility criteria, b) Common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, Deposits for common stock subscription, Retained earnings, Undivided profits, other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation), and minority interest on subsidiary banks which are less than wholly-owned
b. Additional Tier 1 capital consists of instruments issued by the bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines.
c. Tier 2 capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) Deposits for subscription of T2 capital, 3) appraisal increment reserves on bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

A capital conservation buffer of 2.5% of risk weighted assets, comprised of CET 1 capital, shall be required. This buffer is meant to promote the conservation of capital and build up of adequate cushion that can be drawn down to absorb losses during period of financial and economic stress.

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. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 20.6%, 19.7% and 18.1% as of December 31, 2014, 2013 and 2012, 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, 2014, 2013 and 2012 (amounts in billions):

Philippine National Bank
As of Dates Indicated
Amount in MM

	Consolidated			Solo		
	2014	2013	2012	2014	2013	2012
Tier 1 (core) Capital / CET1 under BASEL III	**93,899.128**	**81,927.249**	**29,950.780**	**90,782.607**	**79,100.512**	**30,744.150**
Common stock	49,965.587	43,448.337	26,489.837	49,965.587	43,448.337	26,489.837
Additional Paid In Capital	31,331.251	26,499.909	2,037.272	31,331.251	26,499.909	2,037.272
Retained Earnings	13,368.528	9,568.295	2,278.793	12,689.560	9,002.417	2,278.793
Other comprehensive income	(3,469.641)			(3,203.791)		
Cumulative Foreign Currency Translation		(209.578)	(909.161)		149.849	(61.752)
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,703.403	2,620.286	54.039	-	-	-
Deductions from Tier 1 Capital / CET1 under BASEL III	22,391.624	19,715.452	3,442.213	45,931.470	19,385.053	3,345.648
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1.906	54.051	87.181	1.906	54.051	87.181
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	1,575.000			1,575.000		
Deferred income tax	3,810.979	3,896.944	3,355.032	3,567.215	3,566.545	3,258.467
Goodwill	13,515.765	15,764.457		13,515.765	15,764.457	
Other intangible assets	2,033.313			1,938.996		
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-			24,066.287		
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	1,452.612			1,264.252		
Other equity investments in non-financial allied undertakings and non-allied undertakings	1.933			1.933		
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	0.116			0.116		
Gross Tier 1 Capital / CET1 Capital under BASEL III	71,507.504	62,211.797	26,508.567	44,851.137	59,715.459	27,398.502
Additional Tier 1 Capital (AT1) under BASEL III	-			-		
TOTAL TIER 1 CAPITAL	71,507.504			44,851.137		
Upper Tier 2 Capital (BASEL II)		2,903.298	1,452.880		2,792.410	1,442.058
Appraisal Increment Reserve, Bank Premises auth. By MB	291.725	291.725	291.725	291.725	291.725	291.725
General loan loss provision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)	2,778.459	2,611.573	1,161.155	2,571.878	2,500.685	1,150.333
Lower Tier 2 Capital (limited to 50% of Tier 1 Capital) (BASEL II)		9,953.651	13,254.284		9,953.651	13,699.251
Unsecured Subordinated Debt	9,970.136	9,953.651	16,134.886	9,969.498	9,953.651	16,134.886
Total Tier 2 Capital	13,040.320	12,856.949	14,707.164	12,833.101	12,746.061	15,141.309
Deductions from Qualifying Capital (BASEL II)		623.123	3,122.668		14,735.834	9,472.213
Gross Tier 2 Capital (limited to 100% of Tier 1 Capital) under BASEL II / TOTAL TEIR 2 CAPITAL Under BASEL III	13,040.320	12,856.949	14,707.164	12,833.101	12,746.061	15,141.309
TOTAL QUALIFYING CAPITAL	**84,547.824**	**74,445.623**	**38,093.063**	**57,684.238**	**57,725.686**	**33,067.598**

The risk-weighted assets of the Group and Parent Company as of December 31, 2014, 2013 and 2012 are as follows:

Risk-weighted on:						
Balance sheet assets:	359,881.507	319,474.854	180,263.416	329,029.139	292,664.636	172,427.340
20%	3,948.319	3,365.582	3,346.152	3,845.662	2,438.801	3,316.012
50%	15,558.027	13,963.631	3,874.130	13,799.102	12,821.113	3,853.812
75%	14,282.083	15,492.672	3,509.684	13,705.209	15,028.768	3,509.684
100%	297,726.532	249,165.915	140,892.358	270,610.938	225,933.829	133,209.840
150%	28,366.547	37,487.054	28,641.092	27,068.228	36,442.125	28,537.992
Off-Balance sheet assets:	5,914.306	7,835.140	2,462.837	5,750.879	7,224.489	2,013.627
20%	64.024	34.381	74.208	64.024	34.381	74.208
50%	1,671.841	2,331.258	1,782.022	1,671.841	2,331.258	1,782.022
75%	442.532	519.572	-	442.532	519.572	-
100%	3,735.909	4,949.929	606.607	3,572.482	4,339.278	157.397
150%	-	-	-	-	-	-
Total Counterparty Risk-Weighted Assets in the Banking Book	1,497.381	599.806	673.881	1,497.381	599.806	673.881
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	275.678	9.914	198.574	254.248	-	198.574
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	-	-	-	-	-	-
Total Credit Risk Weighted Assets	367,568.872	327,919.714	183,598.708	336,531.647	300,488.931	175,313.422
Market Risk Weighted Assets	4,532.456	9,337.189	3,255.293	4,233.579	3,828.952	3,241.655
Operational Risk-Weighted Assets	38,234.751	40,938.779	23,385.190	34,261.055	36,178.156	20,306.580
Total Risk Weighted Assets	410,336.079	378,195.681	210,239.191	375,026.281	340,496.038	198,861.657
Capital Ratios						
CET1 Cpital (BASEL III)	**17.427%**			**11.959%**		
Capital Conversion Buffer (BASEL III)	**11.427%**			**5.959%**		
Tier 1 capital ratio	**17.427%**	**16.367%**	**11.866%**	**11.959%**	**15.374%**	**11.396%**
Tier 2 capital ratio (not disclosed under BASEL III)		**3.317%**	**6.253%**		**1.580%**	**5.232%**
CAR	**20.605%**	**19.684%**	**18.119%**	**15.381%**	**16.953%**	**16.628%**

- Asset Quality

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

- Profitability

	Year Ended	
	12/31/14	12/31/13
Return on equity (ROE)[1/]	6.1%	8.8%
Return on assets(ROA)[2/]	0.9%	1.1%
Net interest margin(NIM)[3/]	3.2%	3.4%

[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*

ROE for the period ending 31 December 2014 is at 6.1% or 31.4% lower compared to the 8.8% ratios last year. The reduction was traced to higher average capital of the Bank in the previous year.

ROA is at 0.9% compared to 1.1% last year.

NIM ratio of the bank for December 2014 is at 3.2% based on net interest margin of ₱16.9 billion and total average interest-earning assets of ₱527.0 billion, 0.2 percentage point lower compared to the 3.4% NIM ratio of the same period last year.

- Liquidity

The ratio of liquid assets to total assets as of 31 December 2014 was 35.8% compared to 45.5% as of 31 December 2013. Ratio of current assets to current liabilities was at 64.9% as of 31 December 2014 compared to 67.0% as of 31 December 2013.The Group is in compliance with the regulatory required liquidity floor on government deposits and legal reserve requirements for deposit liabilities.

- Cost Efficiency

The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 66.5% for the year ended December 2014 compared to 70.4% for the same period last year.

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Emmanuel German V. Plan, II

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Florencio C. Lat
Nixon S. Ngo

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Stall 3S-04, 168 Shopping Mall
Sta. Elena, Soler St.
Binondo, Manila
Tel. Nos. 254-5279 / 254-7479

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789 A. Bonifacio Ave. Brgy. Pag-Ibig sa Nayon, Balintrawak, Quezon City
Tel. No. 415-6002
Fax No. 363-6052

ACROPOLIS
251 TriQuetra Bldg.
E. Rodriguez Jr. Ave.
Brgy. Bagumbayan, Quezon City
Tel. Nos. 395-5118 / 421-0405
421-0425
Fax No. 395-5117

ADRIATICO
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

AGUILAR AVENUE-LAS PIÑAS
G/F, Las Piñas Doctors' Hospital
Aguilar Ave., Citadella Subd.
Las Piñas City
Tel. Nos. 826-9706 / 826-9716
826-9734

ALABANG
G/F, Page 1 Building
1215 Acacia Avenue
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. Nos. 772-2709
Fax No. 772-2706

ALI MALL
Alimall II Bldg., Gen. Romulo Ave.,
cor P. Tuazon Blvd., Cubao
Quezon City
Tel. Nos. 912-1655 / 912-6655

ALMANZA
Hernz Arcade, Alabang-Zapote Road
Almanza, Las Piñas City 1750
Tel. Nos. 800-0597 / 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
Telefax 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
Tel. Nos. 733-2671 / 733-2691
733-2677

AURORA BLVD.-KATIPUNAN
Aurora Blvd., near PSBA
Bgy. Loyola Heights, Quezon City
Tel. Nos. 421-2331 / 421-2330

AYALA AVENUE
G/F, VGP Center,
6772 Ayala Avenue, Makati City
Tel. Nos. 894-1432 / 817-9936
817-6119

BALIC-BALIC
AGB Bldg., 1816 G. Tuason cor.
Prudencio Sts., Balic-Balic,
Sampaloc, Manila
Tel. Nos. 781-3010 / 781-3011

BAMBANG MASANGKAY
G/F, ST Condominium
1480 G. Masangkay St.
Sta. Cruz, Manila
Tel. Nos. 254-2506 / 254-2530
Fax No. 254-2503

BANAWE
210 Banawe St. Tatalon
Quezon City
Tel. Nos. 712-9630 / 743-9164
743-3678
Fax No. 712-9502

BANAWE-N.ROXAS
395 Prosperity Bldg., Center
Banawe cor. N. Roxas Street
Quezon City
Tel. Nos. 712-9727 / 743-7565
743-7566

BANGKAL
G/F, E. P. Hernandez Bldg.
1646 Evangelista St., Bangkal
Makati City
Tel. Nos. 889-0395 / 889-0396
889-0389

BATASANG PAMBANSA
Main Entrance, Batasan Pambansa
Complex, Constitutional Hills
Quezon City
Tel. Nos. 951-7590 / 9517591

BAYANAN-MUNTINLUPA
Allied Bank Building
National Road, Bayanan
Muntinlupa City
Tel. Nos. 862-0430 / 862-0431
862-0432

BEL-AIR MAKATI
52 Jupiter St., Bel-Air, Makati City
Tel. Nos. 519-8042 / 519-8276

BELLEVUE-FILINVEST
G/F, Bellevue Hotel, North Bridgeway
Northgate Cyberzone
Filinvest Corporate City
Alabang, Muntinlupa City
Tel. Nos. 771-2421 / 771-2427
771-2429

BENAVIDEZ
Unit G-1D, G/F BSA Mansion
108 Benavidez St., Legaspi Village
Makati City
Tel. Nos. 840-3039 / 840-3040

BETTER LIVING
50 ABC Bldg., Doña Soledad Ave.
Better Living Subd., Parañaque City
Tel. Nos. 824-3472 / 822-6086
Fax No. 822-6084

BF HOMES
43-C President Avenue
BF Homes, Parañaque City
Tel. Nos. 807-3540 / 809-2523
Fax No. 809-2524

BF HOMES-PHASE 3
CFB Building, 322 Aguirre Avenue,
BF Homes, Parañaque
Tel. Nos. 808-6408 / 808-6563
Fax No. 856-4021

BF HOMES-AGUIRRE AVENUE
47 Aguirre Ave. corner Tirona St.
B.F. Homes, Parañaque City 1718
Tel. Nos. 478-8878 / 808-1145

BICUTAN
VCD Building, 89 Doña Soledad
Avenue 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 City
Tel. Nos. 403-9198 / 511-7193
511-1890

BINONDO
452 San Fernando St. cor. Elcano St.
Binondo, Manila
Tel. Nos. 244-8950 / 242-8450
242-8449

BINONDO CENTER
Alliance Bldg., 410 Quintin Paredes St.
Binondo, Manila
Fax No. 241-2285
Tel. Nos. 241-2384 / 241-2284
241-2277 / 241-2356

BLUMENTRITT
Citidorm Blumentritt
1848 Blumentritt corner Leonor
Rivera Sts., Sta. Cruz, Manila
Tel. Nos. 732-7150 / 732-7156

BLUMENTRITT-RIZAL AVE. EXT.
2229-2231 Rizal Avenue
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
Shop 2, The Luxe Residences
28th St. cor 4th Ave.
Bonifacio Global City, Taguig
Tel. Nos. 808-0721 / 808-1454

BSP SU
G/F, Cafetorium Building,
BSP Complex, A. Mabini cor. P.
Ocampo Sts. Malate, Manila
Tel. Nos. 708-7680 / 708-7682
521-5583

BSP SUB-SERVICE UNIT
Bangko Sentral ng Pilipinas
Security Plant Complex
East Avenue, 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 Bldg.
Km. 18 Ortigas Avenue 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

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Gen. San Miguel St., Brgy. 4
Zone 1, Sangandaan, Dist. II
Caloocan City
Tel. Nos. 288-2450 / 288-2446

CALOOCAN-A.MABINI
451 A. Mabini cor. J.
Rodriguez St., Caloocan City
Tel. Nos. 288-6486 / 288-6729

CALOOCAN CENTER
1716 Rizal Ave. Ext. cor. L.
Bustamante St., Caloocan City
Tel. Nos. 361-0287 / 366-8416
366-8414
Fax No. 361-0286

CARTIMAR-TAFT
SATA Corp. Bldg.
2217 Cartimar-Taft Avenue
Pasay City
Tel. Nos. 834-0765 / 833-2268

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., 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

COA
COA Building, Commonwealth
Avenue, Quezon City
Tel. Nos. 932-9027 / 932-9026

CONGRESSIONAL
149 Congressional Ave.
Project 8, Quezon City
Tel. Nos. 926-1586 / 926-1656
Fax No. 926-1630

COMMONWEALTH
G/F, LC Square Bldg.,
529 Commonwealth Avenue.,
Quezon City
Tel. Nos. 932-1891 / 951-4893

C. PALANCA
201 C. Palanca corner Quezon
Blvd., Quiapo, Manila
Tel. Nos. 733-1730 / 733-1960
Fax No. 733-1821

CUBAO
cor Gen. Araneta St. and Aurora
Blvd., Cubao, Quezon City
Tel. Nos. 911-2916 / 912-1938
912-1942

CUBAO-HARVARD
SRMC Bldg., 901 Aurora Blvd.
cor. Harvard & Stanford Sts.
Cubao, Quezon City
Tel. Nos. 912-2577 / 912-3070

DAPITAN
1710 Dapitan St. near cor. M. dela
Fuente St., Sampaloc, Manila
Tel. Nos. 741-7672 / 741-9829
Fax No. 731-5925

DASMA-MAKATI
2284 Allegro Center, Chino Roces
Avenue Extension, Makati City
Tel. Nos. 897-0980 / 897-0982

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116 Del Monte Ave. cor. D. Tuazon St.
Bgy. Maharlika, Quezon City
Tel. Nos. 742-3360 / 742-3361
742-3364

DELTA
101-N dela Merced Bldg.,
West Avenue cor. Quezon Avenue
Quezon City
Tel. Nos. 372-1539 / 372-1540
372-1541

DIVISORIA
869 Sto. Cristo St., Binondo, Manila
Tel. Nos. 242-6319 / 242-8135
247-4470

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 / 243-5845
706 708

DIVISORIA-STO. CRISTO
767 Sto. Cristo cor. M. delos Santos Sts.
Divisoria, Manila
Tel. Nos. 242-6264 / 242-6266
Fax No. 241-1326

DOMESTIC AIRPORT
G/F, PAL Data Center Bldg.
Domestic Airport Road, Pasay City
Tel. Nos. 851-4375 / 851-4377
Fax No. 851-4374

DON ANTONIO HEIGHTS
30 G/F, Puno Foundation Bldg.,
Brgy. Holy Spirit, Quezon City
Tel. Nos. 931-0121 / 952-2741
Fax No. 952-2740

EARNSHAW
1357 Earnshaw corner 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. No. 961-0514

EDISON-BUENDIA
Visard Bldg, #19 Sen. Gil Puyat Ave.
Makati City
Tel. Nos. 843-5889 / 844-9958
844-9956

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337-339 EDSA cor., Don Vicente
Ang St., Caloocan City
Tel. Nos. 366-9407 / 364-2646

EDSA-CALOOCAN
462 G/F, Insular Life Bldg., cor.
B. Serrano, EDSA, Caloocan City
Tel. Nos. 366-5988 / 366-8413
Fax No. 366-5989

EDSA-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 EDSA Extension cor. Loring St.
Pasay City
Tel. Nos. 659-5586 / 551-2728
Fax No. 833-8620

EDSA ROOSEVELT
1024 Global Trade Center Bldg.
EDSA, Quezon City
Tel. Nos. 3323014 / 3323067

ERMITA
1337 A. Mabini St.
Ermita, Manila
Tel. Nos. 254-7631 / 254-7630
254-7632 / 254-7634
Fax No. 254-7635

ERMITA-U.N.
Physician's Tower, 533 U.N. Avenue,
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. Talaton
Quezon City 1102
Tel. Nos. 740-7875 to 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
Ground Floor Regina Bldg.
Escolta, Manila
Tel. Nos. 241-4279 / 241-4239
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. 740-4982 / 731-3207
731-3145 / 740-7639
Fax No. 740-4983

ETON-CORINTHIAN
Unit 78 E-Life, Eton Cyberpod
Corinthian, EDSA cor. Ortigas Ave.
Brgy. Ugong Norte, Quezon City
Tel. No. 470-6264

EVER GOTESCO
Lower G/F, Stall No. 20
Ever Gotesco Commonwealth
Quezon City
Tel. Nos. 932-6633 / 951-7342

FAIRVIEW
No. 41, Regalado Ave.
West Fairview, Quezon City
Tel. Nos. 939-8003 / 938-7429
431-2955

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 Avenue, Brgy. San Isidro
Cainta, Rizal 1900
Tel. Nos. 645-7361 / 645-7341
645-6026

FILINVEST AVENUE
BC Group Center
Filinvest Avenue & 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. No. 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 (fax)

FTI
Lot 55, G/F Old Admin Bldg.
FTI Complex,Taguig City
Tel. Nos. 822-2012 / 822-2013

GALAS
20 A. Bayani St., cor. Bustamante
Galas, Quezon City
Tel. Nos. 781-9475 / 781-9476
781-9477

G. ARANETA
1-B Dolores Go Buidling
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 St.
Brgy. Gen. T. de Leon
Valenzuela City
Tel. Nos. 921-9486 / 921-8223
Fax No. 921-4030

GILMORE
Gilmore IT Center No. 08
Gilmore Ave., cor 1st St.
New Manila, Quezon City
Tel. Nos. 722-2324 / 722-2479

GOV. PASCUAL
157 Gov. Pascual Avenue
Acacia, Malabon City
Tel. Nos. 288-5107 / 287-1156
Fax No. 288-5106

GRACE PARK
354 A-C 10th Ave., Grace Park
Caloocan City
Tel. Nos. 365-8578 / 365-6173

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-3RD AVE.
126 Rizal Avenue Ext., Between
2nd and 3rd Avenue, Grace Park
Caloocan City
Tel. Nos. 990-3449 / 990-7977

GRACE PARK-7TH AVE.
322 Rizal Ave. Ext. near cor.
7th Avenue, 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
725-5084

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. No. 524-9851 / 525-2462
525-2489

INTRAMUROS
G/F, Marine Technology Bldg. cor.
A Soriano Ave. & Arzobispo Sts.
Intramuros, Manila
Tel. Nos. 527-7385 / 527-1255
527-7380

INTRAMUROS-CATHEDRAL
707 Shipping Center
Condominium, A. Soriano Jr. St.
Intramuros, Manila
Tel. Nos. 527-5994 / 527-5694
Fax No. 527-5693

JADE ORTIGAS
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 Ground Floor, Topaz Bldg.
Kamias Road, Quezon City
Tel. Nos. 924-8920 / 928-3659

KAMUNING
118 Kamuning Road, Quezon City
Tel. Nos. 922-5804 / 924-8917
928-0117

KAPASIGAN
Emiliano A. Santos Bldg.
A. Mabini cor. Dr. Sixto Antonio Ave.
Pasig City
Tel. No. 643-6225

KATIPUNAN
335 Agcor Bldg., Katipunan Ave.
Loyola Heights, Quezon City
Tel. Nos. 929-8814 / 433-2021
433-2022

KATIPUNAN-ST.IGNATIUS
G/F, Linear Building
142 Katipunan Road, Quezon City
Tel. Nos. 911-8163 / 912-8077
912-8078 / 913-5409

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,
Bgy. 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
G/F Marlow Bldg., 2120 Leon
Guinto St., Malate Manila
Tel. Nos. 559-8956 / 559-8955
567-4548

LUNETA
National Historical Institute (NHI)
Compound., 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. 891-6040 to 70
526-3131
locals: 2317 / 4681
4689 / 4639 / 2226
2048 / 4693 / 2042
4691

MACEDA-LAONG LAAN
G/F, Maceda Place Bldg.
Laong-Laan cor. Maceda St.
Sampaloc, Manila
Tel. Nos. 732-9617 / 749-0038
743-1355

MAKATI CENTER
G/F Allied Bank Center, 6754 Ayala
Ave. cor. Legazpi St., Makati City
Tel. Nos. 816-3311 to 50
Fax No. 813-7168

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

MAKATI POBLACION
1204 JP Rizal St., cor. Angono &
Cardona Streets, Makati City
Tel. No. 899-1430

MALABON
F. Sevilla Blvd., Brgy. Tañong
Malabon City
Tel. Nos. 281-3154 / 281-4727

MALABON-RIZAL AVE.
701 Rizal Avenue Ext., cor.
Magsaysay St., Malabon City
Tel. Nos. 281-5859 / 281-3230
Fax No. 281-3338

MALATE-TAFT
Mark 1 Bldg. 1971 Taft Ave., Manila
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

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. corner W. Paz St.
Sta. Elena, Marikina City 1800
Tel. Nos. 681-0701 / 681-0702
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. Nos. 291-2742 / 444-6263

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
Telefax 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 Avenue
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 / 453-7748
Fax No. 456-8582

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. Nos. 361-6448 / 364-0906

MORAYTA
929 Consuelo Building, Nicanor
Reyes St., Sampaloc, Manila
Tel. Nos. 735-1227 / 733-3511
Fax No. 735-4572

MUNTINLUPA
G/F, Arbar Building
National Highway, Poblacion
Muntinlupa City
Tel. Nos. 861-2988 / 861-2990

MWSS
MWSS Compound, Katipunan
Road, Balara, Quezon City
Tel. Nos. 927-5443 / 922-3765
922-3764

NAGA ROAD-LAS PIÑAS
Lot 2A, Naga Road corner DBP
Extension, Pulang Lupa Dos
Las Piñas City
Tel. Nos. 804-1021 / 804-1022

NAIA
Arrival Area Lobby, NAIA Complex,
Pasay City
Tel. Nos. 879-6040 / 831-2640

NAIA 1
Departure Area, NAIA Terminal
Bldg., Imelda Ave., Parañaque,
Metro Manila
Tel. No. 832-2660
Fax No. 832-2606

NAIA 2
NAIA Centennial Terminal II
Northwing Level Departure In-
tl.,Bldg., Pasay City
Tel. Nos. 879-5946 / 879-5949
Fax No. 879-5947

NAIA 3
Arrival Area Lobby
NAIA Terminal 3 Complex
Pasay City
Tel. No. 8777-888
(MIAA Trunk line)
loc. 8272 / 785-6018
(direct line)

NAVOTAS
865 M. Naval St., Navotas
Metro Manila
Tel. Nos. 281-8934 / 281-9001
Fax No. 282-4021

NAVOTAS-FISH PORT
Bulungan cor Daungan Ave.
Navotas Fish Port Complex
North Bay Boulevard South
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 Avenue, Quezon City
Tel. Nos. 928-4274 / 928-3604

NIA
EDSA corner 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. Nos. 984-6505 / 984-5946
984-0024

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. Avenue,
Quezon City
Tel. Nos. 731-7987 / 413-0566
413-0568 / 731-7991

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 Avenue
Ortigas Center, Pasig City
Tel. Nos. 635-3719 / 633-8189

ORTIGAS CENTER-GARNET
Unit 104, Taipan Place Building
Emerald Ave., Ortigas Center
Pasig City
Tel. Nos. 637-5851 / 637-9061
Fax No. 637-5852

OYSTER PLAZA
Unit D1, Oyster Plaza Bldg.
Ninoy Aquino Ave.
Brgy. San Dionisio, Paranaque City
Tel. Nos. 829-0710 / 829-0711
Fax No. 829-1937

P. TUAZON
279 P. Tuazon Blvd., Cubao
Quezon City
Tel. Nos. 913-3347 / 913-3344
913-3346
Fax No. 911-9909

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.,
Ermita, Manila
Tel. Nos. 526-4461
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. Nos. 847-9373 / 847-9010

PANDACAN
Jesus Street, Cor. T. San Luis
Pandacan, Manila
Tel. Nos. 564-02-17 / 564-0870
563-1031

PARANG
105 B.G. Molina St., Parang Mariki-
na City
Tel. Nos. 941-6802 / 941-9686
941-2779 / 941-3290

PASAY
2976 Mexico Avenue, Pasay City
Tel. Nos. 832-0391 / 832-0394
831-5264

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
Fax No. 551-2369

PASAY-TAFT
2482 Taft Avenue, Pasay City
Tel. Nos. 833-2413 / 833-2414
Fax No. 831-5986

PASIG
G/F, Westar Bldg., 611 Shaw Blvd.
Pasig City 1600
Tel. No. 636-7465

PASIG-ORTIGAS EXT.
103 B. Gan Building
Ortigas Ave. Ext., Rosario, Pasig City
Tel. Nos. 641-0704 / 641-0706
6410705

PASIG RIVERSIDE
G/F, CTIP Compound
Ortigas Avenue Extension
Rosario, Pasig City
Tel. Nos. 656-9570 / 656-9199
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 Avenue
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

PETRON MEGA PLAZA
G/F, Petron Mega Plaza Bldg.
358 Sen. Gil Puyat Avenue
Makati City
Tel. No. 886-3379

PGH
PGH Compound, Taft Avenue Ermi-
ta, Manila
Tel. Nos. 524-3565 / 523-9110
524-3558

PIONEER
G/F, B. Guerrero Complex
123 Pioneer St., Mandaluyong City
Tel. Nos. 638-9310 / 638-9565

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 Avenue., Project 8
Quezon City
Tel. Nos. 426-2236 / 924-2563

QUADRANGLE
Unit I, Paramount Bldg.
EDSA corner 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 corner 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. Nos. 732-9067 / 415-8020

RIZAL AVENUE
Rizal Avenue 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, Pasig City
Tel. Nos. 656-1235 / 656-9126

ROXAS BLVD.
Suite 101, CTC Building
2232 Roxas Boulevard
Pasay City
Tel. Nos. 832-3901 / 832-3902
551-0238

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

SALCEDO VILLAGE
G/F, LPL Mansions Condominium,
122 L.P. Leviste St., Salcedo Village
Makati City 1227
Tel. Nos. 848-2593 / 848-2574

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 St.
San Andres, Manila
Tel. Nos. 524-6632 / 525-6673
Fax No. 522-2057

SAN JUAN
213 F. Blumentritt St. cor.
Lope K. Santos, San Juan City
Tel. Nos. 727-3643 / 724-6717

SAN LORENZO
G/F, Jackson Bldg.
926 A. Arnaiz Avenue, Makati City
Tel. No. 894-4165

SAN NICOLAS
534 Gedisco Towers, Asuncion St.
San Nicolas, Manila
Tel. Nos. 243-3329 / 244-8963
244-8964

SAN LORENZO-ARNAIZ
G/F, Power Realty Bldg.
1012 A. Arnaiz Avenue
Brgy. San Lorenzo, Makati City
Tel. Nos. 887-7770 / 887-7771
Fax No. 887-7772

SAN MATEO
19 Gen. Luna St., Bgy. 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
726-7351 (fax)
Tel. Nos. 726-7389 / 726-1832
726-9258

SHAW BLVD.-PRINCETON
G/F, Sun Plaza Bldg.
1505 Princeton St. cor. Shaw Blvd.
Mandaluyong City
Tel. Nos. 661-9466 / 570-3134

SSS DILIMAN
G/F, SSS Building.
East Avenue Diliman, Quezon City
Tel. Nos. 927-2804 / 927-3106
433-1688 / 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 Avenue
Sucat, Parañaque
Tel. No. 826-1931

SUCAT-EVACOM
G/F, AC Raftel Center
8193 Dr. A. Santos Ave.
Sucat Road, Paranaque City
Tel. Nos. 820-0180 / 820-0181

T. ALONZO
905 T. Alonzo cor. Ongpin Sts.
Sta. Cruz, Manila
Tel. Nos. 733-9572 / 733-9571
Fax No. 734-3239

TAFT AVENUE
G/F, One Archers' Place
Condominium, 2311 Taft Avenue
Malate, Manila
Tel. No. 708-0147
Fax No. 708-2203

TANAY
Tanay New Public Market Road,
Brgy. Plaza Aldea, Tanay, Rizal
Tel. Nos. 654-0211 / 654-0221
693-1191

TANDANG SORA
102 cor. San Miguel Village
and Tandang Sora Ave.,
Brgy. Pasong Tamo, Quezon City
Tel. Nos. 939-5094 / 935-9481
454-4773

TAYTAY
Ilog Pugad National Road
Brgy. San Juan, Taytay, Rizal
Tel. No. 781-8223

THE FORT BURGOS CIRCLE
Unit GF-4, The Fort Residences
30th St., corner 2nd Avenue
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 / 373-9043
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. Avenue,
Ermita, Manila
Tel. Nos. 521-4826 / 524-6723
521-7637

UNITED PARAÑAQUE
Iba corner Malugay Sts.
East Service Road
Brgy. San Martin de Porres
United Parañaque, Metro Manila
Tel. Nos. 551-0508 / 824-3891
Fax No. 821-3087

UP CAMPUS
No. 3 Apacible St., UP Campus
Diliman, Quezon City 1101
Tel. Nos. 927-0452 / 927-4713

URATEX-EAST SERVICE ROAD
Uratex Bldg., Km. 23
East Service Road, Brgy. Cupang
Muntinlupa City
Tel. Nos. 403-2598 / 823-6635

VALENZUELA
313 San Vicente St. cor.
Mc Arthur Highway, Karuhatan,
Valenzuela City
Tel. Nos. 292-9131 / 291-2826
291-2827

VALENZUELA-MC ARTHUR
101 McArthur Hi-way, Bo. Marulas,
Valenzuela City
Tel. Nos. 291-6574 / 291-6568
Fax No. 291-6567

VILLAMOR AIR BASE
G/F Airmens Mall Bldg. cor.
Andrews & Sales Sts.
Villamor Air Base, Pasay City
Tel. Nos. 854-0055 / 854-1675

VISAYAS CONGRESSIONAL
#22 RTS Building
Congressional Ave., Quezon City
Tel. Nos. 426-7300 / 426-2429

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
Fax No. 717-0898

WEST AVENUE
92 West Ave., Quezon City
Tel. Nos. 929-3185 / 921-1915

WEST TRIANGLE
1396 Quezon Ave., Quezon City
"373-8613 (fax)
Tel. Nos. 373-0770 / 373-0763
373-8612 /413-8541
413-8540

ZABARTE
1131 Quirino Hi-way
Bgy. 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. Nos. 871-4106 / 873-6758
873-6748
Fax No. 871-4105

Luzon Branches

ABANAO
90 NRC Bldg., Abanao St.
Baguio City
Tel. Nos. (074) 447-3509
(074) 447-3360

AGOO
Verceles St., Consolacion
Agoo, La Union
Tel. No. (072) 710-0057

AGOO-SAN ANTONIO
National Highway, San Antonio
Agoo, La Union 2504
Tel. No. (072) 710-0191
Fax No. (072) 521-0030

ALAMINOS
Quezon Avenue, Poblacion
Alaminos City, Pangasinan
Tel. Nos. (075) 551-2196
(075) 552-7028

ALBAY CAPITOL
ANST Bldg. II, Rizal St., Brgy. 14
Albay District., Legaspi City
Tel. Nos. (052) 480-3497

ANGELES
730 Sto. Rosario St., Angeles City,
Pampanga 2009
Tel. Nos. (045) 888-8811
(045) 888-8800

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) 879-0082

APARRI
J.P.Rizal St., Aparri, Cagayan 3515
Tel. Nos. (078) 888-2115

ATIMONAN
Our Lady of the Angels Parish
Compund, 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
Barangay Panapaan I, Bacoor, Cavite
Tel. Nos. (046) 417-3089
(046) 417-3101
Fax No. (046) 417-3189

BAGUIO
51 Session Road,Corner Upper
Mabini St., Baguio City
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 corner Peñarrubia Sts.
Zone 4, Bangued, Abra , 2800
Tel. Nos. (074) 752-8440
(074) 752-8441

BANGUED-MAGALLANES
Taft cor. Magallanes Sts.
Zone 5, Bangued, Abra
Tel. Nos. (074) 752-8435
Fax No. (074) 752-8436

BALAGTAS
G/F D & A Bldg., Mc Arthur Highway
San Juan, Balagtas, Bulacan
Tel. Nos. (044) 769-1398
(044) 693-1680

BALANGA
Zulueta St., Poblacion, Balanga,
Bataan 2100
Tel. Nos. (047) 237-3218
(047) 791-1204

BALAYAN
147 Plaza Mabini, Balayan, Batangas
Tel. Nos. (043) 407-0230

BALIUAG
015 Rizal St., San Jose
Baliuag, Bulacan
Tel. Nos. (044) 766-2454
(044) 673-1950

BASCO
NHA Bldg., Caspo Fiesta Road Kay-
chanarianan, Basco, Batanes
Tel. No. 0998-9841005

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-PALLOCAN WEST
GF, MAJ Bldg., National Highway
Pallocan West, Batangas City
Tel. Nos. (043) 318-2376
(043) 318-2356"

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.
Marivels, Bataan 2106
Tel. Nos. (047) 935-4070
(047) 935-4071

BIÑAN
Ammar Commercial Center
Nepa National Highway
Brgy. Sto. Domingo, Biñan, Laguna
Tel. Nos. (049) 411-3785
(02) 429-4813

BIÑAN-CARMONA
9767 Brgy. Maduya
Carmona, Cavite
Tel. Nos. (046) 413-2700
(046) 413-0007

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, Poblacion, Bontoc
Bontoc, Mountain Province
Tel. Nos. (074) 462-4008
0939-9250807

BULAN
Zone 4, Tomas de Castro St.
Bulan, Sorsogon
Tel. Nos. (056) 411-1156
(056) 555-2222
(056) 411-1219
Fax No. (056) 555-2223

CABANATUAN
Cor. Paco Roman and Del Pilar Sts.
Cabanatuan City, Nueva Ecija
Tel. Nos. (044) 463-2048
(044) 600-4832

CABANATUAN-MAHARLIKA HIGHWAY
Km. 114 Maharlika Highway
Cabanatuan, 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

CALAMBA
Burgos St., Calamba City
Tel. Nos. (049) 545-1865
(049) 545-1864

CALAMBA-BUCAL
GF, Prime Unit 103 Carolina Center
Bldg. cor. Ipil-ipil St., Brgy.Bucal,
Calamba, Laguna
Tel. Nos. (049) 502-6189
(049) 502-6188

CALAMBA CROSSING
G/F, Unit Building
J. Alcasid Business Center
Crossing Calamba City, Laguna
Tel. Nos. (049) 508-0986
(049) 834-2409

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

CALAPAN
J.P.Rizal St. Camilmil
Calapan City, Oriental Mindoro
Tel. No. (043) 441-0081

CAMILING
Poblacion G., Camiling, Tarlac
Tel. Nos. (045) 934-1485
(045) 934-0111

CAMILING-RIZAL
Rizal St., Camiling, Tarlac
Tel. Nos. (045) 934-0499
(045) 934-0169
Fax No. (045) 934-0888

CANDELARIA
National Road, Poblacion
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

CAUAYAN
Maharlika Hi-way cor. Cabanatuan Rd.
Cauayan, Isabela 3305
Tel. No. (078) 652-2125

CAUAYAN-MAHARLIKA HI-WAY
Disston Bldg., Maharlika Highway
Bgy. San Fermin, Cauayan, Isabela
Tel. Nos. (078) 652-4200
(078) 652-2144
Fax No. (078) 652-2243

CAVITE
P. Burgos Avenue, Caridad
Cavite City
Tel. Nos. (046) 431-0136
(046) 431-2026

CAVITE-DASMARIÑAS
G/F LCVM Bldg., Aguinaldo Hi-Way
Zone IV, Dasmariñas, Cavite City
Tel. Nos. (046) 416-7046
(046) 402-2016

CENTRO ILAGAN
J. Rizal St., Centro
Ilagan City, Isabela 3300
Tel. No. (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. Nos. (045) 599-2228
(045) 599-3043

CONCEPCION
A. Dizon St., San Nicolas
Concepcion, Tarlac 2316
Tel. Nos. (045) 923-0690
(045) 923-0153

DAET
Carlos II St., Brgy. 3, Daet
Camarines Norte
Tel. No. (054) 440-3390

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. Nos. (075) 522-2371
(075) 529-0892
(075) 522-2371

DAGUPAN-FERNANDEZ
A. B. Fernandez Ave., cor. Noble St.
Dagupan City, Pangasinan
Tel. Nos. (075) 515-3792
(075) 522-5494

DARAGA
Baylon Compound, Market Site,
Rizal St., Daraga, Albay
Tel. No. (052) 824-1792
Fax No. (052) 483-3703

DASMARINAS-AGUINALDO
G/F, Amada-Felix Bldg.
Aguinaldo Hi-way
Dasmariñas, Cavite
Tel. Nos. (046) 416-5803
(046) 416-5806
(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) 860-1145

EAST GATE CITY WALK
East Gate CW Commercial Center
Olongapo Gapan Rd., San Jose,
City of San Fernando, Pampanga
Tel. No. (045) 966-3436

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
129 Governor's Drive, Manggahan
General Trias, Cavite
Tel. Nos. (046) 416-3081
(046) 416-3082
(046) 416-3084
Fax No. (02) 813-7168

GOA
Juan Go Bldg.,
cor. Rizal & Bautista Sts.
Goa, Camarines sur
Tel. No. (054) 453-1150

GUAGUA
PNB Guagua Bldg.
Brgy. Sto. Cristo, Guagua
Pampanga 2003
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. Nos. (047) 811-1586
(047) 811-2721

ILAGAN
Old Capitol Site Calamagui 2,
Ilagan City, Isabela 3300
Tel. No. (078) 624-2136

IMUS
GF, 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 Bldg.
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, Camarines Sur
Tel. Nos. (054) 456-1622
(054) 299-2408

KAWIT
Allied Bank Bldg.
Gen. Tirona Highway, Balsahan
Binakayan, Kawit, Cavite
Tel. No. (046) 434-1617
Fax No. (046) 434-7264

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. 0917-8574610
0926-9334630

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
Corner 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
(02) 820-3847
(052) 480-7645
(052) 214-3368
Fax No. (052) 480-6133

LEMERY
Humarang Bldg., Corner Ilustre Ave.
and P. De Joya St., Lemery Batangas
Tel. Nos. (043) 740-0443
(043) 214-2273

LIGAO
San Jose St., Dunao
Ligao City, Albay
Tel. No. (052) 485-2974

LINGAYEN
Avenida Rizal East cor. Maramba
Blvd., Lingayen, Pangasinan
Tel. Nos. (075) 542-6020
(075) 662-0238

LIPA
B. Morada Ave., Lipa City, Batangas
Tel. Nos. (043) 756-1119
(043) 756-1116

LIPA - AYALA HI-WAY
K-Pointe Plaza, Ayala Hi-way, Brgy.
Sabang, Lipa City, Batangas
Tel. Nos. (043) 981-1949
(043) 757-2144
(043) 312-3303

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 corner 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) 625-4911

MACABEBE
Y N CEE Commercial Bldg.
Poblacion, San Gabriel
Macabebe, Pampanga
Tel. Nos. (045) 435-0147
(045) 435-0932

MAGSAYSAY AVENUE
G/F, Lyman Ogilby Centrum Bldg.
358 Magsaysay Ave.
Baguio City 2600
Tel. Nos. (074) 445-2248
(074) 300-3163

MAHARLIKA
Kadiwa Center Building
Poblacion, Sta. Cruz, Marinduque
Tel. No. (042) 321-1380

MALLIG PLAINS
Cor. Don Mariano Marcos Ave. &
Bernabe Sts., Roxas, Isabela 3320
Tel. No. 0917-8737855

MALOLOS
Sto. Niño, Malolos City, Bulacan
Tel. Nos. (044) 662-4974
(044) 791-0494

MALOLOS-MC ARTHUR
FC Bldg., Km 40, McArthur Hi-way,
Sumapang Matanda
Malolos City, Bulacan
Tel. Nos. (044) 791-6408
(044) 791-6413

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 corner M.H. Del Pilar Sts.
Brgy. 6, San Jose
Occidental Mindoro 5100
Tel. No. (043) 491-1834

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

MEYCAUAYAN-ESPERANZA
G/F, Stalls 8 & 9, Esperanza Mall
McArthur Highway, Brgy. Calvario
Meycauayan, Bulacan
Tel. Nos. (044) 769-6171
(044) 769-0492
Fax No. (044) 228-2130

MOLINO
I.K. Commercial Bldg.
Villa Maria Subd., Molino Highway
Molino III, Bacoor 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 Muñoz, Nueva Ecija
Tel. Nos. (044) 456-0283
(044) 456-0142"

NAGA
Gen. Luna St., Brgy. Abella
Naga City, Camarines Sur
Tel. No. (054) 473-9072

NAGA-MAGSAYSAY
G/F, G. Square Bldg.
Magsaysay Ave. cor. Catmon II St.
Balatas, Naga City, Camarines Sur
Tel. Nos. (054) 473-5558
(054) 472-3088

NAGA-PANGANIBAN
DECA Corporate Center
Panganiban Drive, Brgy. Tinago
Naga City, Camarines Sur
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 corner F. Alix Sts.
Nasugbu, Batangas
Tel. Nos. (043) 416-0065
(043) 416-0070

NORTH ZAMBALES
Brgy. Hall, Poblacion South
Sta. Cruz, Zambales
Tel. Nos. (047) 831-2468
(047) 831-1063

ODIONGAN
#15 J.P. Laurel St., cor M. Formilleza St.
Ligaya, Odiongan, Romblon
Tel. No. (042) 567-5220
loc.6452

OLONGAPO
2440 Rizal Ave., East Bajac-Bajac
Olongapo City, Zambales 2200
Tel. Nos. (047) 222-8343
(047) 223-4989

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. Nos. (047) 431-3445
(047) 431-1378

PACITA COMPLEX
"JRJ Building, National Highway
Brgy. Nueva, San Pedro, Laguna
Tel. Nos. 808-6252 / 808-6253
808-6254
Fax No. 808-6251

PANIQUI
M.H. Del Pilar St., cor. Mc Arthur
Hi-way, Paniqui Tarlac
Tel. No. (045) 931-0383

PEREZ BLVD.-DAGUPAN
Orient Pacific Building, Perez Blvd.
cor. Rizal Ext., Dagupan City
Tel. Nos. (075) 522-8729
(075) 515-3321

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, Poblacion 1
Pasuquin, Ilocos Norte
Tel. No. (077) 775-0119

PILI
Cu Bldg., Old San Roque, Pili
Camarines Sur
Tel. No. (054) 477-7179

PINAMALAYAN
Mabini St., Zone IV
Pinamalayan, Oriental Mindoro
Tel. No. (043) 284-3254

PLARIDEL
Cagayan Valley Road
Banga 1st, Plaridel, Bulacan
Tel. No. (044) 795-0090
Fax No. (044) 795-0274

POLANGUI
National Road, Ubaliw
Polangui, Albay
Tel. No. (052) 486-2114

PUERTO PRINCESA
Valencia St. cor. Rizal Avenue
Brgy. Tagumpay
Puerto Princesa City, Palawan
Tel. Nos. (048) 434-3742
(048) 433-2421

PUERTO PRINCESA-RIZAL AVE.
Rizal Ave., Brgy. Mangahan
Puerto Princesa City, Palawan
Tel. Nos. (048) 433-6617
(048) 433-6618
Fax No. (048) 723-6617

ROBINSONS PULILAN
Robinsons Mall Pulilan
Maharlika Highway
Cutcut, Pulilan, Bulacan
Tel. Nos. (044) 815-4234
(044) 676-0391

ROMBLON
SAL Building, Republika St.
Brgy. 1, Romblon, Romblon
Tel. No. 0917-8737668

ROSALES
MC Arthur Highway, Carmen East,
Rosales, Pangasinan
Tel. No. (075) 632-1765

SAN AGUSTIN
G/F, Tagle Bldg., McArthur Hi-way
Bgy. San Agustin
City of San Fernando, Pampanga
Tel. Nos. (045) 435-2305
(045) 455-3684
(045) 860-2171

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. Nos. (045) 961-2419
(045) 860-0485
(045) 860-0486

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., Mc Arthur Highway
Brgy. Dolores, City of San Fernando
Pampanga
Tel. No. (045) 961-2608
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

SAN PABLO
M. Paulino St.
San Pablo City, Laguna
Tel. Nos. (049) 5624522
(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. 808-4275 / 847-5120
847-5121
Fax No. 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

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. No. (078) 305-1627
Fax No. (078) 682-8276

SILANG
166 J.P. Rizal St., Silang, Cavite
Tel. Nos. (046) 414-0660
(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) 421-5207

SORSOGON-MAGSAYSAY
Doña Neneng, Magsaysay St.
Sorsogon City 4700
Tel. Nos. (056) 211-1485
(056) 211-2027
(056) 421-5648
(056) 421-5205
Fax No. (056) 211-5205

STA. CRUZ
Pedro Guevarra Avenue
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. MARIA
Jose Corazon De Jesus St.
Poblacion, Sta. Maria, Bulacan
Tel. Nos. (044) 893-0589
(044) 641-1555

STA. ROSA
National Highway
Balibago City of Sta. Rosa Laguna
Tel. Nos. (049) 837-2602
(049) 520-8160

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-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

SUBIC
Lot 5 Retail 2
Times Square Mall, Sta. Rita Road
Subic Bay Freeport Zone
Olongapo City, Zambales 2220
Tel. Nos. (047) 252-7963
(047) 252-7964

TABACO
Ziga Avenue, Cor. Bonifacio St.
Tayhi, Tabaco City
Tel. No. (052) 487-5053

TABUK
Lua Bldg., Mayangao St.
Tabuk, Kalinga 3800
Tel. No. 0917-5751722

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) 413-0143
(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. No. (046) 481-8892
Fax No. (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 Bldg.
Zaragoza Street, Poblacion
Tayug, Pangasinan 2445
Tel. Nos. (075) 572-4428
(075) 572-3710

TUAO
GF, Villacete Bldg.
National Highway, Pata
Tuao, Cagayan
Tel. Nos. (078) 373-1162
(078) 373-1163
0917-6203695

TUGUEGARAO
Bonifacio St., Tuguegarao City,
Cagayan 3500
Tel. Nos. (078) 844-1832
(078) 844-0225

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. No. (075) 568-2451

URDANETA-ALEXANDER
AAG Bldg. 2, Alexander St.
Urdaneta City, Pangasinan
Tel. Nos. (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
Tel. Nos. 0917-8574602 (BM)
0917-8219248 (SSH)
0999-5937856

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. Nos. (034) 433-0931
(034) 432-0398

ANTIQUE
T. Fornier St., Bantayan
San Jose, Antique 5700
Tel. Nos. (036) 540-8469
(036) 540-9587

BACOLOD
10th Lacson St., Bacolod City
Tel. Nos. (034) 434-8007
(034) 432-0605

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 HILADO
Hilado corner L.N. Agustin Sts.
Bacolod City
Tel. Nos. (034) 433-4047
(034) 704-2280

BACOLOD-LIBERTAD
Penghong Bldg., 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. Nos. (035) 402-9343
(035) 402-8214

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. Nos. (032) 352-5143
(032) 316-5564
Fax No. (032) 460-9275

BAYAWAN
National Highway cor. Mabini St.
Brgy. Suba, Bayawan City
Tel. Nos. (035) 430-0351
(035) 531-0282

BAYBAY
Baybay Multipurpose Gym
Magsaysay Ave., Baybay City, Leyte
Tel. Nos. (053) 563-9330
(053) 335-2455
(053) 563-9936

BAYBAY-MAGSAYSAY
148 R. Magsaysay Ave.
Baybay, Leyte
Tel. No. (053) 563-9709
Fax No. (053) 335-2013

BINALBAGAN
Don Pedro R. Yulo St., Binalbagan,
Negros Occidental 6107
Tel. Nos. (034) 388-8261
(034) 388-8271

BOGO
Cor. R. Fernan & San Vicente Sts.
Bogo City, Cebu
Tel. No. (032) 434-8721

BORACAY
Brgy. Balabag, Boracay Island,
Malay, Aklan

FX Counter I - Oro Beach Resort,
Station III, Boracay Island
Malay, Aklan
FX Counter I: (036) 288-3607

FX Counter II - Plazoleta, Station II
Boracay Island, Malay, Aklan
Tel. Nos. (036) 288-3026
(036) 288-3412
Fax No. (036) 288-3048
FX Counter II: (036) 288-3669

BORONGAN
Real St., Brgy. Songco
Borongan City, Samar
Tel. Nos. (055) 560-9041
(055) 261-2013

CADIZ
Cor. Luna and Cabahug Sts.
Cadiz City, Negros Occidental 6121
Tel. Nos. (034) 720-7846
(034) 493-1217

CALBAYOG
Maharlika Highway, Brgy. Obrero,
Calbayog City, Leyte
Tel. Nos. (055) 533-9011
(055) 209-1250

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
Nothern Samar
Tel. Nos. (055) 209-1250
(055) 251-8453
(055) 500-9003

CATBALOGAN
Imelda Park Site, Catbalogan
Western Samar 6700
Tel. Nos. (053) 543-8399
(053) 251-2034

CATBALOGAN-DEL ROSARIO
Del Rosario St. cor. Allen Ave.
Catbalogan City, Samar
Tel. Nos. (055) 251-2007
(055) 543-8001

CEBU
Corner M.C. Briones and
Jakosalem Streets, Cebu City
Tel. Nos. (032) 412-2804
(032) 253-8537
(032) 255-1699

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

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. No. (032) 253-0728
Fax No. (032) 416-8794

CONSOLACION
Cansaga Road, Consolacion, Cebu
Tel. No. (032) 423-9243
Fax No. (032) 564-2426

DANAO
Juan Luna St., Danao City, Cebu
Tel. Nos. (032) 343-0074
(032) 343-0077

DE LEON
ATM Bldg., corner Jalandoni and
Ledesma Sts., Iloilo City
Tel. Nos. (033) 337-4978
(033) 338-1189
(033) 508-6339

DOWNTOWN TACLOBAN
G/F, Washington Trading Bldg.
Rizal Ave., Tacloban City
Leyte 6500
Tel. Nos. (053) 325-8123
(053) 523-7895

DUMAGUETE
Siliman Avenue cor Real St.
Dumaguete City, Negros Oriental
Tel. Nos. (035) 422-9176
(035) 422-9658

DUMAGUETE-LOCSIN
33 Dr. V. Locsin St.
Dumaguete City, Negros Oriental
Tel. Nos. (035) 422-6181
(035) 225-3903
(035) 225-0520

DUMAGUETE-SOUTH ROAD
Manhattan Suites, South Rd.
Calindagan, Dumaguete City
Negros Oriental
Tel. Nos. (035) 420-5017
(035) 420-5018

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) 234-0215
Fax No. (032) 412-2274

GUIHULNGAN
New Guihulngan Public Market
S. Villegas St., Guihulngan
Negros Oriental
Tel. Nos. (035) 336-1038
(035) 410-4171
(035) 231-3060

GUIUAN
Cor. San Nicolas & Guimbaolibot Sts.
Guiuan, Eastern Samar 6809
Tel. No. (055) 271-2165

ILOILO
Cor. Gen Luna & Valeria Sts.
Iloilo City
Tel. Nos. (033) 337-2476
(033) 337-1705

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
Tel. Nos. (033) 508-7128
(033) 337-7933
(033) 337-6756
(033) 508-7128
Fax No. (033) 338-0628

ISLAND CITY MALL-TAGBILARAN
Upper Ground Floor 33-34
Island City Mall, Dampas District
Tagbilaran City
Tel. Nos. (032) 411-0155
(032) 411-0156
(032) 501-0056

JAKOSALEM
D. Jakosalem cor. Legaspi Sts.
Cebu City
Tel. Nos. (032) 253-7234
(032) 412-1114
(032) 412-1115
Fax No. (032) 256-3356
Frad: 2051

JARO
#8 Lopez Jaena St., Jaro, Iloilo City
Tel. Nos. (033) 329-0750
(033) 508-7235

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
Tel. Nos. (034) 471-2429
(034) 471-2193
(034) 746-7028

KALIBO
0508 G. Pastrana St., Kalibo, Aklan
Tel. Nos. (036) 268-7471
(036) 262-4811

KALIBO-MARTELINO
0624 S. Martelino St., Kalibo, Aklan
Tel. No. (036) 500-8220
Fax No. (036) 268-8220

LA CARLOTA
Corner La Paz and Rizal Sts.
La Carlota City
Tel. Nos. (034) 460-2222
(034) 460-3330

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. Nos. (033) 320-1506
(033) 501-9950

LAPU-LAPU *
Manuel L. Quezon National
Highway, Pajo, Lapulapu City
Tel. Nos. (032) 340-5571
(032) 340-8351
(032) 340-8347

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
Tel. Nos. (034) 434-7706
(034) 433-2476

MAASIN
Cor. Allen & Juan Luna Sts.
Brgy. Tunga-tunga
Maasin City, Leyte
Tel. No. (053) 570-9625

MAMBALING
G/F, Supermetro Mambaling
F. Llamas St., cor. Cebu South Road
Basak, San Nicolas, Cebu City
Tel. Nos. (032) 414-6037
(032) 261-5845

MANDAUE
JD Bldg., Lopez Jaena St.,
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

MEPZ
1st Ave., MEPZ 1, Mactan Island
Lapu-Lapu City, Cebu 6015
Tel. Nos. (032) 340-1589
(032) 340-0072

MIAEO (MACTAN INT'L AIRPORT EXT. OFFICE)
Lower G/F, Waterfront Mactan
Casino Hotel Bldg., Airport Rd.
Pusok, Lapulapu, Cebu
Tel. No. (032) 340-0029

MIAG-AO
One TGN Bldg., Cor. Noble
& Sto. Tomas Sts., Miagao., Iloilo
Tel. Nos. (033) 315-8201
(033) 513-7440

MINGLLANILLA
Ward 4, Poblacion
Minglanilla Cebu
Tel. No. (032) 490-8802
Fax No. (032) 272-8781

NAVAL
Cor. Caneja & Ballesteros Sts.
Naval, Biliran Province 6543, Leyte
Tel. Nos. (053) 500-9025
(053) 500-9024

NORTH ROAD-MANDAUE
Insular Square, 31 JP Rizal St.
Mandaue City
Tel. No. (032) 328-0177

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
Tel. Nos. (053) 561-2526
(053) 561-9757

ORMOC-REAL
Narcisa Codilla Building, Real St.
Ormoc City., Leyte
Tel. Nos. (053) 255-5237
(053) 325-1230
Fax No. (053) 561-9578

PALOMPON
G/F, Municipal Bldg.
Rizal St., Palompon, Leyte
Tel. Nos. (053) 555-9041
(053) 338-2104

PASSI
5037 F. Palmares Street
Passi City, Iloilo
(beside St. William Parish Church)
Tel. Nos. (033) 311-5466
(033) 508-6339
(033) 536-8220

PLAZA LIBERTAD
JM Basa Street, Iloilo City 5000
Tel. Nos. (033) 338-0818
(033) 338-0819
(033) 336-9144

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) 494-0029
Fax No. (032) 340-5626

ROXAS
Cor. CM Recto & G. Del Pilar Sts.
Brgy. III, Roxas City, Capiz 5800
Tel. Nos. (036) 522-9330
(036) 621-2484

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
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
Tel. Nos. (034) 795-2050
(034) 495-2050
(034) 495-4984

STA. BARBARA
Liz Complex, Bangga Dama
Brgy. Bolong Oeste
Sta. Barbara, Iloilo
Tel. Nos. (033) 523-9258
(033) 523-9248

TABUNOK
Paul Sy Bldg., National Highway
Tabunok, Talisay City
Tel. Nos. (032) 272-6434
(032) 491-7077
(032) 272-6435

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
Tel. No. (053) 523-3611

TACLOBAN-ZAMORA
111 Zamora St., Tacloban City, Leyte
Tel. Nos. (053) 325-5147
Fax No. (053) 523-2210

TAGBILARAN
C. P. Garcia Ave. cor. J. A. Clarin St.
Poblacion, Tagbilaran City, Bohol
Tel. Nos. (038) 5019540
(038) 412-3355
(038) 411-5432

TAGBILARAN-DEL PILAR
C.P. Garcia Ave., cor. MH del Pilar St.
Tagbilaran City, Bohol
Tel. Nos. (038) 411-3355
Globeline : (038) 501-9472
Fax No. (038) 411-5432

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
Corner Cabangbang Avenue &
Jesus Vaño Street, Centro
Tubigon, Bohol
Tel. Nos. (038) 508-8228
(038) 508-8027

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. Nos. (032) 415-5711
(032) 253-1662

VICTORIAS
Cor. Ascalon and Montinola Sts.
Victorias City
Tel. Nos. (034) 399-2907
(034) 399-2716

Mindanao Branches

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. Nos. (082) 224-2474
(082) 224-2479

BANGOY
Roman Paula Bldg.
35-37 C. Bangoy Street, Davao City
Tel. Nos. (082) 221-9539
(082) 221-9540
(082) 221-9538

BANKEROHAN
Units 101-102, JLF Parkway Bldg.
cor. Quirino & Magallanes Sts.
Davao City, Davao del Sur
Tel. Nos. (082) 221-8047
(082) 221-8024

BASILAN
Strong Blvd., Isabela, Basilan
Tel. Nos. (062) 200-3350
local 7608
(062) 200-3351

BASILAN- ROXAS
Roxas Ave., Isabela City
Basilan Province
Tel. Nos. (062) 200-7259
(062) 200-7265

BAYUGAN
358 Narra Avenue, Poblacion
Bayugan City
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) 853-2244
(086) 628-2333

BUUG
National Highway, Poblacion
Buug, Zamboanga, Sibugay
Fax No. (062) 344-8131

BUTUAN
Montilla Blvd., Brgy. Dagohoy
Butuan City, Agusan del Norte
Tel. Nos. (085) 342-5800
(085) 342-5801

BUTUAN-J.C. AQUINO
J.C. Aquino Avenue
Butuan City, Agusan del Norte
Tel. No. (085) 342-5365
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
(088) 857-5684

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.
Cagayan de Oro City
Misamis Oriental
Tel. Nos. (088) 857-1911
(08822) 726-443
(08822) 722-246
Fax No. (088) 857-5804

CDO-DIVISORIA
Tiano Brothers cor. Cruz Taal Sts.
Cagayan de Oro City
Misamis Oriental
Tel. Nos. (08822) 722-816
(088) 856-1146
Fax No. (08822) 722-861

CDO-LAPASAN
Lim Ket Kai Drive, Lapasan
Cagayan de Oro City
Misamis Oriental
Tel. No. (08822) 723-992
Fax No. (088) 856-4732

CLIMACO
JNB Bldg., Buenavista St.
Zamboanga City, Zamboanga del Sur
Tel. Nos. (062) 993-1033
(062) 991-1643

COTABATO
39 Makakua St., Cotabato City
Maguindanao
Tel. Nos. (064) 421-8756
(064) 421-5272
Fax No. (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. Nos. (083) 302-5283
(083) 302-5281
Fax No. (083) 553-5283

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
(082) 226-2541

DAVAO-CALINAN
LTH Building, Davao-Bukidnon
Highway, Calinan, Davao City
Tel. Nos. (082) 285-4564
(082) 285-4569

DAVAO-CM RECTO
CM Recto St., Davao City
Tel. Nos. (082) 222-2180
(082) 221-7475
(082) 226-2790
(Area Head)
Fax No. (082) 221-1467

DAVAO-DIVERSION ROAD
Doors 2 & 3, Gimenes Bldg.
Carlos Garcia Hi-way
(Diversion Road) Buhangin
Davao City
Tel. Nos. (082) 241-1988
(082) 241-0970

DAVAO-LANANG
Km. 7, Lanang, Davao City
Tel. Nos. (082) 235-0116
(082) 235-0117
Fax No. (082) 235-0118

DAVAO-SAN PEDRO
San Pedro St., Davao City
Tel. Nos. (082) 227-2621
(082) 221-7977
Fax No. (082) 221-2230

DIGOS
Quezon Avenue, Digos
Davao del Sur
Tel. Nos. (082) 553-2187
(082) 553-3889

DIGOS-GEN. LUNA
Gonzales Bldg., Gen. Luna St.
Digos City, Davao del Sur
Tel. No. (082) 553-7296
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
Fax No. (065) 212-2557

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
City Hall, Dr. Osmena St.
General Santos City, South Cotabato
Tel. Nos. (083) 552-3254
(083) 552-3261

GENERAL SANTOS-ACHARON
Pedro Acharon Blvd.
General Santos City, South Cotabato
Tel. Nos. (083) 553-6626
(083) 301-5108
Fax No. (083) 552-4201

GINGOOG
National Highway, Brgy. 23
Gingoog City, Misamis Oriental
Tel. Nos. (088) 427728
(088) 861-0210
(088) 427455

ILIGAN
Cor. Gen. Aguinaldo & Labao Sts.
Poblacion, Iligan City
Lanao del Norte
Tel. Nos. (063) 223-8182
(063) 221-2803

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) 333-2240
Fax No. (062) 333-2343

ISULAN
Aristoza Bldg., National Highway
Isulan, Sultan Kudarat
Tel. Nos. (064) 201-3427
(064) 201-3428

JOLO
Serantes St., Jolo, Sulu
Tel. Nos. (085) 341-8911
loc. 2168

JOLO-AROLAS
Gen. Arolas corner 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. Nos. (064) 288-5118
(064) 288-1696
(064) 288-1695

KORONADAL
Morrow St., Koronadal
South Cotabato
Tel. Nos. (083) 228-6059
(083) 228-3726
Fax No. (083)228-3727

KORONADAL-POBLACION
Gen. Santos Drive, Brgy. Zone 1
Koronadal City, South Cotabato
Tel. No. (083) 228-2652
Fax No. (083) 228-2651

LILOY
Chan Bldg., Baybay
Liloy, Zamboanga del Norte
Tel. No. (065) 906-9095

LIMKETKAI CENTER
Limketkai Center, Lapasan
Cagayan de Oro City
Misamis Oriental
Tel. Nos. (08822) 722-872
(088) 856-3696

LIMKETKAI MALL-NORTH CONCOURSE
G/F, North Concourse
Limketkai Mall, Limketkai Center
Lapasan, Cagayan de Oro City
Misamis Oriental
Tel. Nos. (088) 857-4149
(088) 857-5682

MALAYBALAY
Flores Bldg., cor. Rizal & Tabios Sts.
Brgy. 5, Malaybalay City, Bukidnon
Tel. Nos. (088) 813-2459

MALAYBALAY-FORTICH
Fortich cor. Kapitan Juan Sts., Brgy.
7, Malaybalay City, Bukidnon
(088) 221-2167 (fax)
Tel. Nos. (088) 221-3336
(088) 813-2051
(088) 221-2117

MAMBAJAO
Cor. Gen. Aranas & Burgos Sts.
Brgy. Poblacion
Mambajao, Camiguin
Tel. Nos. (088) 387-1080
(088) 387-1081

MARANDING
National Highway
Maranding Lala, Lanao del Norte
Tel. Nos. (063) 388-7156
(063) 496-0161
Fax No. (063) 388-7155

MARAWI
Perez St., Poblacion
Marawi City, Lanao del Sur
Tel. No. (063) 876-0014

MATI
Rizal Ext., Brgy. Central
Mati, Davao Oriental
Tel. Nos. (087) 388-3799
(087) 388-3366

MATINA
HIJ Bldg., Mc Arthur Highway, Brgy.
Matina, Davao City
Tel. Nos. (082) 299-2852
(082) 299-2850

MATINA CROSSING
80 Lua Building
Mc Arthur Highway
Matina, Davao City
Tel. Nos. (082) 297-5637
(082) 297-5638
Fax No. (082) 297-5537

MIDSAYAP
Quezon Avenue, Midsayap
North Cotabato
Tel. Nos. (064) 229-8539
(064) 229-8459
Fax 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. No. (082) 222-0514
(082) 225-5895

MONTEVERDE-BANGOY
42 T.Monteverde cor.
S. Bangoy Sts., Davao City
Tel. No. (082) 226-2753
Fax No. (082) 226-2687

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. No. (062) 215-1162

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. Nos. (063)221-3206
(063) 223-8183"

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
Tel. Nos. (082) 233-0584
(082) 233-0585

SINDANGAN
Corner Rizal & Bonifacio Sts.
Poblacion, Sindangan
Zamboanga del Norte
Tel. Nos. (065) 224-2017
(065) 224-2018

SK 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. Nos. (082) 221-1851
(082) 226-3145

STA. ANA-MAGSAYSAY
R. Magsaysay Ave. cor. Lizada St.
Davao City
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. Nos. (086) 826-4335
(086) 231-7822

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) 562-0112
Fax No. (064) 200-3471

TAGUM
Rizal St., Magugpo, Poblacion
Tagum City, Davao del Norte
Tel. Nos. (084) 271-3624
(084) 400-2493
(084) 655-6550
(084) 216-9371

TAGUM-APOKON
GL 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. Nos. (086) 211-2558
(086) 211-3695

TAWI-TAWI
Bagay St., Poblacion
Bongao, Tawi-Tawi
Tel. Nos. (068) 268-1200
(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. Nos. (062) 992-4481
(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, Bukidnon
Tel. Nos. (088) 222-2148
(088) 828-2318

VALENCIA-MABINI
Tamaylang Bldg., Mabini St.
Poblacion, Valencia City, Bukidnon
Tel. Nos. (088) 222-2695
Fax No. (088) 828-1313

YLLANA BAY EXTENSION OFFICE
G/F, Gaisano Capital Pagadian
Rizal Avenue, San Pedro District
Pagadian City
Tel. No. (062) 215-2760

ZAMBOANGA
J.S. Alano St., Zamboanga City
Zamboanga del Sur
Tel. Nos. (062) 991-6098
(062) 991-5031
(062) 992-4813

ZAMBOANGA-CANELAR
G/F, Blue Shark Hotel
Mayor Jaldon St., Canelar
Zamboanga City
Tel. Nos. (062) 991-1584
(062) 991-9876

ZAMBOANGA-GUIWAN
MCLL Hi-way, Guiwan
Zamboanga City
Tel. No. (062) 992-7647
Fax No. (062) 992-7648

ZAMBOANGA-NUÑEZ EXT.
Ciudad Medical
Zamboanga Nuñez Ext.
Camino Nuevo, Zamboanga City
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
MANUEL LABAYNE

East Metro
CARINA SALONGA

South Metro
ADELIA JOSON (concurrent)

West Metro
CESAR EVASCO

Central Luzon
BLAS PEDRO S. DAVID

Northern Luzon
ROGER COLOBONG

Southern Luzon
CHRISTIAN JEROME DOBLES

Visayas
JANE GOCUAN

Western Mindanao
TERESITA SEBASTIAN

Eastern Mindanao
ELMER MONSALE

AREA HEADS

NORTH METRO MANILA

Metro 1 Minerva Duran
Metro 2 Alain Dimaunahan
Metro 3 Shirley Ching
Metro 4 Juanito Pineda
Metro 5 Blesilda Reyes

EAST METRO MANILA

Metro 6 Edilberto Ramos
Metro 7 Marie Therese Montecer
Metro 8 Nelly Chua
Metro 9 Dwight 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 Lolit Chu

WEST METRO

Metro 16 Cristina Co
Metro 17 Myrna Chua
Metro 18 Narciso Capito
Metro 19 Josephine V. Diaz
Metro 20 Ma. Lelis Singson

CENTRAL LUZON

CEL 1 Laura Federizo
CEL 2 Ma. Lourdes Valencia
CEL 3 Ernesto Catacutan
CEL 4 Ramir Garbo

NORTHERN LUZON

NOL 1 Mariquita Ortega
NOL 2 Marie Christine Rillera
NOL 3 Nicolas Diaz
NOL 4 Nestor Bagunu

SOUTHERN LUZON

SOL 1 Alvin Lista
SOL 2 Jay B. Pesigan
SOL 3 Ana Maria A. Gonzales (concurrent)
SOL 4 Vicente Longno
SOL 5 Vito Antonio Rubio
SOL 6 Carlito Lacanlale

VISAYAS

Central Metro Cebu
Gino Gonzales

North Metro Cebu
Carlo Dimaala

South Metro Cebu & Bohol
John Salas

Negros Occidental
Russel N. Lau

Negros Oriental
Albert Lopez

Panay 1
Jaybert Jose A. Ong (OIC)

Panay 2
Alfonso C. Go III

Samar- Leyte
Cesar Engcoy Jr.

MINDANAO

North Western Mindanao
Rommel T. Remotigue

Northern Mindanao
Roderick T. Enriquez

South Western Mindanao
Anastasia N. Angeles

Central Mindanao
Leonilla Coquilla

North Eastern Mindanao
Edgardo R. Tan

South Eastern Mindanao
Ariel V. Roca

Southern Mindanao
Ma. Jessica Reyes

COMMERCIAL BANKING GROUP

METRO MANILA

MAKATI BUSINESS CENTER
5th Flr., Allied Bank Center
6754 Ayala Avenue cor. Legaspi Street
Makati City
Tel No.: (02) 894-18-16

VP Jaime L. Del Barrio, Jr.
Head

BINONDO BUSINESS CENTER
Manila Dowtown Office, Alliance Building, 410 Q. Paredes Street, Binondo, Manila
Tel No. (02) 241-23-77

SVP Lee Eng Y. So
Head

CALOOCAN BUSINESS CENTER
PNB Caloocan Branch
1716 Rizal Avenue Extension
Corner L. Bustamante Street
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Position: *President & CEO*

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