Office of the EVP and Chief Financial Officer

PNB

Direct Lines: 573-4074 Fax: 526-3416
Trunk Lines: 526-3131 to 70/891-6040 to 70
Locals: 4074,4499

May 13, 2015

MS. JANET A. ENCARNACION
HEAD, DISCLOSURE DEPARTMENT
Philippine Stock Exchange
3/F The Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Dear Ms. Encarnacion:

In compliance with the reportorial requirements of Section 17 of the Securities Regulation Code (SRC) and Section 141 of the Corporation Code of the Philippines, we provide you the SEC Form 17-Q report of the Philippine National Bank as of March 31, 2015.

Thank you,

Very truly yours,

NELSON C. REYES
EVP & Chief Financial Officer

COVER SHEET

A	S	0	9	6	-	0	0	5	5	5	5

S.E.C. Registration Number

PHILIPPINE NATIONAL BANK

Company's Full Name)

9th Floor PNB Financial Center

Macapagal BLvd., Pasay City

(Business Address: No. Street City/Town/ Province)

MARLYN M. PABRUA

Contact Person

891-60-40

Company Telephone Number

3 **31**

Month *Day*

Fiscal Year

17 - Q

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SEC Number AS096-005555
File Number ______________

PHILIPPINE NATIONAL BANK
AND SUBSIDIARIES

(Company's Full Name)

PNB Financial Center,
Pres. Diosdado P. Macapagal Boulevard, Pasay City

(Company's Address)

(632) 891-6040 to 70

(Telephone Number)

(Calendar Year Ended)

SEC FORM 17-Q REPORT

Form Type

(Amendment Designation (if applicable)

MARCH 31, 2015

Period Ended Date

LISTED

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THESECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarter ended March 31, 2015

2. Commission Identification No. ASO96-005555

3. BIR Tax Identification No. 000-188-209-000

4. Exact name of issuer as specified in its charter: Philippine National Bank

5. Philippines .
Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
Industry Classification Code:

7. PNB Financial Center, Pres. Diosdado P. Macapagal Blvd, Pasay City — 1300
Address of principal office — Postal Code

8. (632)/891-60-40 up to 70 /(632)526-3131 to 70
Issuer's telephone number, including area code

9. not applicable .
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstandingand Amount of Debt Outstanding
Common Shares	1,249,139,678[1/]

11. Are any or all of these securities listed on a Stock Exchange:

Yes [√]   No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange — Common Stocks

12. Indicate by check mark whether the registrant:
   (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):
   Yes [√]   No [ ]
   (b) has been subject to such filing requirements for the past ninety (90) days.
   Yes [√]   No [ ]

[1] A total of 423,962,500 common shares were issued to the stockholders of Allied Banking Corporation (ABC) relative to the merger of PNB with ABC effective February 9, 2013. Said shares are for registration with the Securities and Exchange Commission (SEC) and to be listed to the Philippine Stock Exchange, Inc. (PSE).

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Philippine National Bank (PNB) and its Subsidiaries (the PNB Group) which comprise the consolidated statements of financial position as of March 31, 2015 and December 31, 2014 and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the three months ended March31, 2015 and March 31, 2014have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) and in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting.

The same accounting policies and methods have been followed in the preparation of the accompanying financial statements, consistent with the 2014 Audited Financial Statements except for the new, amendments and improvements to PFRS which became effective as of January 1, 2015.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A. Financial Condition

The Group's consolidated assets reached ₱620.6 billion as of March 31, 2015, slightly lower by ₱4.8 billion compared to ₱625.4 billion total assets reported by the Bank as of December 31, 2014. Changes (more than 5%) in assets were registered in the following accounts:

- Interbank Loans Receivable was at ₱8.6 billion as of March 31, 2015, an increase of ₱0.9 billion from ₱7.7 billion as of December 31, 2014 due mainly to interbank borrowings to various banks.

- Available for Sale Investments went up to ₱67.3 billion as of March 31, 2015, ₱4.2 billion or 6.7% higher than the ₱63.1 billion level as of December 31, 2014 due to acquisition of various securities.

- Financial Assets at Fair Value Through Profit or Loss at ₱16.3 billion went down by 6.3% or ₱1.1 billion from ₱17.4 billion attributed mainly to sale of various investment securities.

- Loans and Receivables stood at ₱310.9 billion or ₱5.4 billion lower than the ₱316.3 billion December 2014 level mainly due to P3.3 billion HDMF bonds booked under Time Loan – Unquoted which matured in February.

- Cash and Other Cash Items decreased by ₱3.5 billion from ₱14.6 billion to ₱11.1 billion. Due from Other Banks went down by ₱3.1 billion from ₱15.6 billion to ₱12.5 billion.

- Other assets were higher by ₱0.2 billion from ₱5.2 billion to ₱5.4 billion.

Consolidated liabilities decreased by ₱6.7 billion from ₱526.4 billion as of December 31, 2014 to ₱519.7 billion as of March 31, 2015. Major changes in liability accounts were as follows:

- Deposit liabilities totalled ₱441.0 billion, ₱6.6 billion lower compared to its year-end 2014 level of ₱447.6 billion. Time deposits increased by ₱0.8 billion from ₱52.9 billion to

₱53.7billion, while demand and savings deposits are lower by ₱3.0 billion and ₱4.4 billion, respectively, compared to the December 2014 levels.

- Bills Payable showed slight increase at ₱19.4 billion compared to the ₱19.1 billion level in December

- Income Tax Payable increased by ₱229 million from ₱85 million to ₱314 million coming from income tax provisions in the current year.

Total equity accounts now stood at ₱100.9 billion from ₱99.1 billion as of December 31, 2014, or an improvement of ₱1.8 billion mainly attributed to the first quarter income of ₱1.2 billion and from the ₱0.6 billion decline in net unrealized loss on AFS adjustments.

B. Results of Operations

- Consolidated net income reached ₱1.2 billion for the first three months of 2015, slightly lower compared to the ₱1.3 billion net income reported for the same period last year.

- Net interest income totalled ₱4.3 billion, or slightly lower by ₱0.2 billion compared to the net interest income for the same period last year as a result of non-recurring interest income from the redemption of non-performing assets in the first quarter of 2014.

- Fee-based and other income increased by ₱0.1 billion to ₱1.1 billion from ₱1.0 billion for the same period last year. The increase mainly came from net gains on sale or exchange of assets.

- Net service fees and commission income was unchanged at ₱0.6 billion while net insurance premiums doubled to ₱0.2 billion for the three months ended March 31, 2015.

- Administrative and other operating expenses totalled ₱4.5 billion for the three months ended March 31, 2015, ₱0.1 billion higher compared to the same period last year. Increases were registered in Compensation and Fringe Benefits by ₱0.5 billion. Taxes and Licenses also increased by ₱0.1 billion. These were however, partly offset by decreases in Provision for impairment and credit losses by ₱0.1 billion, miscellaneous expenses by ₱0.3 billion and depreciation and amortization by ₱0.1 billion.

- Total Comprehensive Income for the three months period ended December 31, 2014 amounted to ₱1.9 billion, ₱0.3 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 ₱1.2 billion and net unrealized gain on available-for-sale securities by ₱0.6 billion.

C. Key Performance Indicators

- Capital Adequacy

  The Group's consolidated risk-based capital adequacy ratio (CAR) and Tier 1 ratio computed based on BSP guidelines were 21.32 % and 18.09% respectively, as of March 31, 2015 and 20.61% and 17.43% respectively, as of December 31, 2014, consistently exceeding the regulatory 10% CAR.

- Asset Quality

  The Group's non-performing loans (gross of allowance) decreased to ₱9.3 billion as of March 31, 2015 compared to ₱9.9billion as of December 31, 2014. NPL ratios based on BSP guidelines are now 0.64% (net of valuation reserves) and 3.24% (at gross), from 0.92% and 3.42%, respectively in December 2014.

- Profitability

	Three Months Ended	
	3/31/2015	3/31/2014
Return on equity (ROE)[1/]	**5.0%**	**6.3%**
Return on assets(ROA)[2/]	**0.8%**	**0.9%**
Net interest margin(NIM)[3/]	**3.2%**	**3.5%**

[1/] Annualized net income divided by average total equity for the period indicated
[2/] Annualized net income divided by average total assets for the period indicated
[3/] Annualized net interest income divided by average interest-earning assets for the period indicated.

- Liquidity

  The ratio of liquid assets to total assets as of March 31, 2015 was 34.4% compared to 34.1% as of December 31, 2014. Ratio of current assets to current liabilities was at 46.4% as of March 31, 2015 compared to 45.3% as of December 31, 2014.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 70.6% for the three months ended March 31, 2015 compared to 66.8% for the same period last year.

- Other financial soundness indicators is shown in Annex A

D. Known trends, demands, commitments, events or uncertainties

There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity and continuing operations within the next twelve (12) months.

E. Events that will trigger direct or contingent financial obligation

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 such 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 material adverse effect on the financial statements.

F. Material off-balance sheet transactions, arrangements or obligations

The summary of various commitments and contingent accounts as of March 31, 2015 and December 31, 2014 at their equivalent peso contractual amounts is presented in Note 18 of the Selected Notesto Consolidated Financial Statements on page 53 of this report.

G. Capital Expenditures

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

H. Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Group for the three months endedMarch31, 2015and 2014came from its continuing operations.

I. Issuances, Repurchased and Prepayment of Debts and Equity Securities

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.

J. Seasonal Aspects

There are no seasonal aspects that had a material effect on the PNB Group's financial condition and results of operations.

K. Other Bank's Activities

A. Products and Services launched by the Bank during the 1st quarter of 2015:

- BancNet eGov

BancNet eGov is a web-based electronic filing and payment facility for the processing of payments between employers, government agencies and depository banks. This facility provides banks and corporate clients the convenience to pay for their employees' monthly contributions and loans to SSS, Pag-Ibig and Philhealth via Bancnet Online.

- Mag Padala, Mag Palipad Raffle Promo

Under this promotion, over 100 roundtrip tickets will be given away. Remittance from abroad through any PNB overseas branch or any of PNB's authorized agents excluding PNB Guam authorized agents entitles customers to a raffle entry for a chance to win one (1) free Philippine Airlines roundtrip ticket to the Philippines and two (2) Philippine Airlines domestic roundtrip tickets. One successful remittance is entitled to one raffle entry. Promotion runs from April 15, 2015 to August 15, 2015.

B. Other relevant activities of the Bank during the 1st quarter of 2015

- PNB Signs Loan Term Agreement with MORESCO 1 - PNB and Misamis Oriental 1 Rural Electric Service Cooperative, Inc. (MORESCO I) entered into a Loan Agreement of up to ₱1.2 Billion 10-Year Term Loan Facility which will be used to finance the construction of transmission lines, rehabilitation and upgrading of existing distribution lines and system loss reduction projects. The proposed capital expenditure projects were approved by the Energy Regulatory Commission (ERC) in December 2014 which aims to ensure distribution system reliability and efficiency. MORESCO I is registered with National Electrification Administration (NEA). It is rated AAA EC and categorized as Mega Large by NEA. MORESCO I was the first electric cooperative to be founded and organized in the Philippines on May 21, 1968. MORESCO I currently services the electricity needs of the southern part of Misamis Oriental consisting of 10 Municipalities, namely, Alubijid, El Salvador City, Gitagum, Initao, Laguindingan, Libertad, Lugait, Manticao, Naawan and Opol. It has more than 72,000 connected households as of December 2014.

- PNB iTax - PNB brings PNB iTax, the country's first online tax payment service for individuals that provides a convenient way for customers to pay taxes without going to a BIR authorized agent bank. The PNB iTax is in line with the Bureau of Internal Revenue's (BIR) eBIRForms project which aims to provide more convenient and accessible filing channels for taxpayers who are enrolled in the BIR Interactive Filing System (BIR-IAFS).

L. Other Matters

1. Adoption of PFRS 9 (Financial Instruments Recognition and Measurement) PFRS 9, Financial Instruments

In compliance with SEC Memorandum Circular No. 3 Series 2012, the Bank discloses the following information:

1. The Bank is still evaluating the effect of the early adoption of PFRS 9 and the impact on its financials; hence the interim financial statements do not reflect the impact of the said standard.

2. In case of early adoption of PFRS 9, the following accounts may be affected:

a. Loans and Receivables
b. Investment Securities
c. Financial Liabilities Designated at FVPL
d. Retained Earnings
e. Undivided Profits

2. National Steel Corporation

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.The Decision of the Singapore Court of Appeal will have a positive impact on the books of the Parent Company.

3. 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.

Other Disclosures

The PNB Group has nothing to disclose on the following:
- Change in estimates reported in prior interim periods and in prior financial years
- Dividends paid
- Material subsequent events subsequent to the end of the interim period
- Changes in the composition of the enterprise during the interim period, including business combinations, acquisitions and disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

PART II – OTHER INFORMATION

ITEM 1. List of submitted SEC FORM 17-C Reports duringthe First Quarterof 2015

DATE	PARTICULARS
01-30-15	Retirement of Mr. Zacarias E. Gallardo, Jr., First Senior Vice President, on December 31, 2014 and his engagement as a consultant effective on January 1, 2015; Resignation of Ms. Doris S. Te, Corporate Secretary, effective at the close of business hours of June 1, 2015.

02-27-15 Holding of Annual Stockholders' Meeting of the Bank on May 26, 2015 at the Century Park Hotel; Record date will be on April 27, 2015.

03-27-15 Notation of the end of management contract of Mr. Ramon L. Lim, First Senior Vice President of the Bank, effective as of the close of business hours of March 31, 2015.

03-31-15 Nominees for the Board of Directors of the Philippine National Bank for the year 2015-2016; Re-election of independent directors.

ITEM 2. Aging of Loans Receivables

The schedule of aging of loans receivables as required by Philippine Stock Exchange (PSE) in its Circular letter No. 2164-99 dated August 23, 2001 is shown on page 48 of this report.

PART III - INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of March 31, 2015
(With Comparative Audited Figures as of December 31, 2014)
(In Thousands)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Cash and Other Cash Items	**₱11,073,415**	₱14,628,489
Due from Bangko Sentral ng Pilipinas	**108,238,361**	105,773,685
Due from Other Banks	**12,538,753**	15,591,406
Interbank Loans Receivable	**8,585,190**	7,671,437
Securities Held Under Agreements to Resell	**–**	–
Financial Assets at Fair Value Through Profit or Loss	**16,311,271**	17,351,626
Available-for-Sale Investments	**67,307,316**	63,091,497
Held to Maturity Investments	**23,758,344**	22,970,306
Loans and Receivables	**310,873,972**	316,253,021
Property and Equipment	**19,633,483**	19,574,383
Investment Properties	**19,861,408**	20,248,482
Deferred Tax Assets	**1,396,371**	1,461,938
Intangible Assets	**2,209,629**	2,294,824
Goodwill	**13,375,407**	13,375,407
Other Assets	**5,445,939**	5,159,331
TOTAL ASSETS	**₱620,608,859**	₱625,445,832

LIABILITIES AND EQUITY

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
LIABILITIES		
Deposit Liabilities		
Demand	**₱98,515,235**	₱101,561,040
Savings	**288,792,213**	293,201,308
Time	**53,727,870**	52,881,409
	441,035,318	447,643,757
Financial Liabilities at Fair Value Through Profit or Loss	**10,932,113**	10,862,025
Bills and Acceptances Payable	**19,446,667**	19,050,058
Accrued Taxes, Interest and Other Expenses	**5,688,078**	5,441,349
Subordinated Debt	**9,973,596**	9,969,498
Income Tax Payable	**314,496**	85,505
Other Liabilities	**32,290,511**	33,332,758
TOTAL LIABILITIES	**519,680,779**	526,384,950

(Forward)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Capital Stock	**₱49,965,587**	₱49,965,587
Capital Paid in Excess of Par Value	**31,331,251**	31,331,251
Surplus Reserves	**529,941**	537,620
Surplus	**19,903,621**	18,702,394
Remeasurement Losses on Retirement Plan	**(2,296,236)**	(2,292,833)
Accumulated Translation Adjustment	**(80,270)**	(59,854)
Net Unrealized Gain (Loss) on Available-for-Sale Investments	**(1,701,648)**	(2,336,142)
Parent Company Shares Held by a Subsidiary	**–**	–
	97,652,246	95,848,023
NON-CONTROLLING INTERESTS	**3,275,834**	3,212,859
TOTAL EQUITY	**100,928,080**	99,060,882
TOTAL LIABILITIES AND EQUITY	**₱620,608,859**	₱625,445,832

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Earnings Per Share)

	For the Three Months Ended March 31	
	2015 (Unaudited)	2014 (Unaudited)
INTEREST INCOME ON		
Loans and receivables	**₱ 4,009,199**	**₱ 3,761,890**
Trading and investment securities	**903,896**	**813,105**
Deposits with banks and others	**297,753**	**782,073**
Interbank loans receivable	**7,414**	**3,424**
	5,218,262	**5,360,492**
INTEREST EXPENSE ON		
Deposit liabilities	**699,177**	**716,919**
Bills payable and other borrowings	**267,297**	**197,075**
	966,474	**913,994**
NET INTEREST INCOME	**4,251,788**	**4,446,498**
Service fees and commission income	**869,452**	**821,887**
Service fees and commission expense	**232,572**	**183,912**
NET SERVICE FEES AND COMMISSION INCOME	**636,880**	**637,975**
Net insurance premiums	**924,622**	**619,038**
Net insurance benefits and claims	**732,930**	**533,380**
NET INSURANCE PREMIUMS (BENEFITS AND CLAIMS)	**191,692**	**85,658**
OTHER INCOME		
Trading and investment securities gains - net	**207,921**	**237,346**
Foreign exchange gains – net	**292,438**	**343,754**
Net gain on sale or exchange of assets	**300,200**	**134,583**
Miscellaneous	**326,637**	**352,711**
TOTAL OPERATING INCOME	**6,207,556**	**6,238,525**
OPERATING EXPENSES		
Compensation and fringe benefits	**2,236,575**	**1,691,822**
Taxes and licenses	**532,638**	**475,119**
Occupancy and equipment-related costs	**317,411**	**349,976**
Depreciation and amortization	**375,717**	**412,439**
Provision for impairment, credit and other losses	**159,202**	**291,125**
Miscellaneous	**919,583**	**1,240,408**
TOTAL OPERATING EXPENSES	**4,541,126**	**4,460,889**
INCOME BEFORE INCOME TAX	**1,666,430**	**1,777,636**
PROVISION FOR INCOME TAX	**424,726**	**434,810**
NET INCOME	**1,241,704**	**1,342,826**
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	**1,201,227**	**1,339,675**
Non-controlling Interests	**40,477**	**3,151**
	₱1,241,704	**₱1,342,826**
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	**₱0.96**	**₱ 1.21**

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	For the ThreeMonths Ended March 31	
	2015 (Unaudited)	2014 (Unaudited)
NET INCOME	**₱1,241,704**	₱1,342,826
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that recycle to profit or loss in subsequent periods:		
Net unrealized loss on available-for-sale investments	**634,494**	401,052
Accumulated translation adjustment	**(20,416)**	(155,064)
Items that do not recycle to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement plan	**(3,403)**	–
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**610,675**	245,988
TOTAL COMPREHENSIVE INCOME FOR PERIOD	**₱1,852,379**	₱ 1,588,814
ATTRIBUTABLE TO:		
Equity Holders of the Parent Company	**₱1,789,404**	₱1,469,758
Non-controlling Interests	**62,975**	119,056
	₱1,852,379	₱1,588,814

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 14)	**Capital Paid in Excess of Par Value**	**Surplus Reserves**	**Surplus** (Note 2)	**Revaluation Increment on Land and Buildings**	**Accumulated Translation Adjustment**	**Net Unrealized Gain (Loss) on Available-for-Sale Investments**	**Equity in Net Unrealized Gain on AFS Investment of an Associate** (Note 10)	**Parent Company Shares Held by a Subsidiary** (Note 14)	**Remeasurement Losses on Retirement Plan** (Note 2)	**Total**	**Non-controlling Interests** (Note 2)	**Total Equity**
Balance at January 1, 2015, as previously reported	**₱49,965,587**	**₱31,331,251**	**₱537,620**	**₱18,702,394**	**₱–**	**(₱59,854)**	**₱ (2,336,142)**	**₱–**	**₱**	**₱ (2,292,833)**	**₱95,848,023**	**₱3,212,859**	**₱99,060,882**
Total comprehensive income (loss) for the period	–	–	–	**1,201,227**	–	**(20,416)**	**634,494**	–	–	**(3,403)**	**1,811,902**	**62,975**	**1,874,877**
Issuance of capital stock	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-controlling interest arising on a business combination	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfer to surplus reserves	–	–	**(7,679)**	–	–	–	–	–	–	–	**(7,679)**	–	**(7,679)**
Disposal of Parent Company shares held by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–
Balance at March 31, 2015`	**₱ 49,965,587**	**₱ 31,331,251**	**₱ 529,941**	**₱19,903,621**	**₱–**	**₱(80,270)**	**(₱1,701,648)**	**₱–**	**₱–**	**(₱2,296,236)**	**₱97,652,246**	**₱3,275,834**	**₱100,928,080**
Balance at January 1, 2014, as previously reported	₱43,448,337	₱26,499,909	₱524,003	₱12,432,838	₱2,489,722	₱291,371	₱(3,581,865)	₱-	₱-	(₱1,278,372)	₱80,825,943	₱3,071,685	₱83,897,628
Effect of restatement				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	–	291,371	(3,581,865)	–	–	(1,278,372)	79,260,725	3,071,685	82,332,410
Total comprehensive income (loss) for the period	–	–	–	1,339,675	–	(155,064)	401,052	–	–	–	1,585,663	119,056	1,704,719
Issuance of capital stocks	**1,328,734**	**922,247**									**2,250,981**	–	**2,250,981**
Transfer from surplus reserves	–	–	–	–	–	–	–	–	–	–	–	–	–
Balance at March 31, 2014	₱44,777,071	₱27,422,156	₱524,003	₱ 14,697,017	₱–	₱136,307	(₱3,180,813)	₱–	₱-	(₱1,278,372)	₱83,097,369	₱ 3,190,741	₱86,288,110

See accompanying Notes to Consolidated Financial Statements

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	Three Months Ended March 31	
	2015	2014
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,666,429**	₱1,777,636
Adjustments for:		
Realized trading gain on available-for-sale (AFS) investments	**(265,293)**	(151,928)
Depreciation and amortization	**375,717**	303,000
Amortization of premium on AFS investments	**57,860**	139,151
Provision for impairment, credit and other losses	**159,202**	291,125
Net gain/(loss) on sale or exchange of assets	**13,080**	(24,864)
Mark-to-market loss (gain) on derivatives		(63,754)
Amortization of intangibles	**85,195**	110,000
Loss (gain) on mark-to-market of financial liability designated at fair value through profit or loss (FVPL)	**-**	(857)
Amortization of capitalized transaction costs	**4,098**	2,754
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Financial assets at FVPL	**1,305,648**	(1,810,590)
Loans and receivables	**5,114,452**	3,036,610
Other assets	**(347,600)**	(2,265,009)
Increase (decrease) in amounts of:		
Financial assets at FVPL	**70,088**	278,922
Deposit liabilities	**(6,608,439)**	(9,494,916)
Accrued taxes, interest and other expenses	**246,729**	(99,128)
Other liabilities	**(1,053,330)**	5,333,689
Net cash generated from (used in) operations	**823,836**	(2,638,159)
Income taxes paid	**(195,735)**	143,183
Net cash provided by (used in) operating activities	**628,101**	(2,494,976)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
AFS investments	**11,078,570**	**12,965,581**
Investment properties	**430,321**	**382,922**
Property and equipment	**30,941**	**97,873**

(Forward)

	Three Months Period Ended March 31	
	2015 (Unaudited)	**2014 (Unaudited)**
Acquisitions of:		
AFS investments	**(₱14,679,470)**	(₱17,157,266)
Held to Maturity Investments	**(826,323)**	-
Property and equipment	**(288,048)**	(94,849)
Software cost		(118,236)
Net cash provided by (used in) investing activities	**(4,254,009)**	(3,923,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlement of bills and acceptances payable	**18,224,268**	(13,924,630)
Proceeds from bills and acceptances payable	**(17,827,658)**	7,235,457
Transaction cost attributable to issuance of shares	**-**	2,250,981
Net cash provided by (used in) financing activities	**396,610**	(4,438,192)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,229,298)**	(10,857,143)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**14,628,489**	11,804,746
Due from BSP	**105,773,685**	153,169,330
Due from other banks	**15,591,406**	14,881,541
Interbank loans receivable	**7,671,437**	8,405,250
Securities held under agreements to resell		–
	143,665,017	**188,260,867**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**11,073,415**	9,801,433
Due from BSP	**108,238,361**	132,017,882
Due from other banks	**12,538,753**	27,373,260
Interbank loans receivable	**8,585,190**	3,080,149
Securities held under agreements to resell	**-**	5,131,000
	₱140,435,719	**₱177,403,724**
OPERATIONAL CASH FLOWS FROM INTEREST ANDDIVIDENDS		
Interest received	**₱5,472,379**	₱7,794,353
Interest paid	**953,617**	930,327
Dividends received	**-**	4,115

See accompanying Notes to Consolidated Financial Statements.

PART IV - NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED 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.

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 660 domestic branches as of March 31, 2015. The Parent Company has the largest overseas network among Philippine banks with 74 branches, representative offices, remittance centers and subsidiaries as of March 31, 2015, in 15 locations in the United States, Canada, Europe, the Middle East and Asia.

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

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, representing 423,962,500 common shares at the fair value of ₱97.90 per share in exchange for the 100.00% voting interest in ABC at the share swap ratio of 130 Parent Company common shares for one ABC share and 22.763 Parent Company common shares for one ABC preferred share. The fair value of the shares was the published price of the shares of the Parent Company as of February 9, 2013. There were no contingent considerations arrangements as part of the merger. Following the Parent Company's stock rights offering in the first quarter of 2014, the LT Group Inc. (LTG) increased its indirect ownership in the Parent Company to 59.83% as of March 31, 2015 through its various holding companies. Director Lucio C. Tan directly owns 1.19% of the Parent Company's shares while the shareholders related to or who issue proxies/special powers of attorney in favor of Director Lucio C. Tan from time to time held a total of 17.95% of the Parent Company's shares. The remaining 21.03% of the Parent Company's shares are held by other stockholders.

2. Basis of Preparation and Changes to the Group's Accounting Policies

Basis of Preparation

The accompanying interim condensed consolidated financial statements of the Parent Company and its subsidiaries (the Group) as of March 31, 2015 and for the three months ended March 31, 2015 and 2014 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2014.

Amounts in the interim condensed consolidated financial statements are presented to the nearest thousand pesos (₱000) unless otherwise stated.

Seasonality or Cyclicality of Interim Operations

Seasonality or cyclicality of interim operations is not applicable to the Group's type of business.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the Group's annual financial statements as of and for the year ended December 31, 2014, except for the adoption of the following new, amendments and improvements to Philippine Financial Reporting Standards (PFRS) which became effective as of January 1, 2015.

Except as otherwise indicated, these changes in the accounting policies did not have any significant impact on the financial position or performance of the Group:

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group since none of the entities in the Group would qualify as an investment entity under PFRS 10.

PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance.

PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

Philippine Interpretation IFRIC 21, Levies
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 does not have material financial impact in the consolidated financial statements.

3. **Fair Value Hierarchy**

The Group has assets and liabilities that are measured at fair value on a recurring basis in the statement of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the statement of financial position at the end of each reporting period. These include financial assets and liabilities at FVPL, AFS investments and land and buildings measured at revalued amount.

The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique. These levels are based in the inputs that are used to determine the fair value and can be summarized in:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following 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:

	March 31, 2015 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value:				
Financial Assets				
Financial assets at FVPL:				
Financial assets at FVPL:				
Held-for-trading:				
Government securities	**₱4,238,721**	**₱822,227**	**₱–**	**₱5,060,948**
Derivative assets	**–**	**108,737**	**58,832**	**167,569**
Private debt securities	**209,848**	**7,766**	**–**	**217,614**
Equity securities	**210,369**	**–**	**–**	**210,369**
Designated at FVPL:				
Segregated fund assets	**6,310,050**	**–**	**5,329,542**	**11,639,592**
	₱10,968,988	**₱938,730**	**₱5,388,374**	**₱ 17,296,092**
AFS investments:				
Government securities	**₱ 29,663,596**	**₱7,496,997**	**₱–**	**₱ 37,160,593**
Other debt securities	**24,309,197**	**2,557,932**	**113,909**	**26,981,038**
Equity securities*	**2,018,302**	**52,486**	**–**	**2,070,788**
	₱66,960,083	**₱ 11,046,145**	**₱5,502,283**	**₱83,508,511**

	March 31, 2015 (Unaudited)			
	Level 1	Level 2	Level 3	Total Fair Value
Financial Liabilities				
Financial Liabilities at FVPL:				
Designated at FVPL:				
Segregated fund liabilities**	₱6,600,718	₱–	₱ 5,329,542	₱11,930,260
Derivative liabilities	–	114,991	–	114,991
	₱6,600,718	₱114,991	₱ 5,329,542	₱12,045,251
Assets for which fair values are disclosed:				
Financial Assets				
Held to Maturity Investments:				
Government securities	₱22,320,687	₱61,559		₱22,382,246
Loans and Receivables				
Receivables from customers	₱–	₱–	₱306,123,644	₱306,123,644
Unquoted debt securities	₱–	₱–	6,300,968	6,300,968
	₱22,320,687	₱61,559	₱312,424,612	₱312,424,612
Non-financial Assets				
Investment property***				
Land	₱–	₱–	₱28,392,588	₱28,392,588
Buildings and improvements	–	–	5,251,948	5,251,948
	₱–	₱–	₱33,644,535	₱33,644,535
Liabilities for which fair values are disclosed:				
Financial Liabilities				
Financial liabilities at amortized cost				
Time deposits	₱–	₱–	₱ 53,888,434	₱ 53,888,434
Bills payable			19,446,667	19,446,667
Subordinated debt	–	–	10,505,476	10,505,476
	₱–	₱–	₱83,840,577	₱83,840,577

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

	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

	Valuation Date	Carrying Value	Level 1	Level 2	Level 3	Total
		Consolidated				
		2014				
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**
Non-financial 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**
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*

***Based on the fair values from appraisal reports which are 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 March 31, 2015 and December 31, 2014, 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	
	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Financial assets		
Balance at beginning of year	**₱5,339,628**	₱5,545,916
Fair value changes recognized in profit or loss	**162,655**	(206,268)
Balanc at end of year	**₱5,502,283**	₱5,339,628
Balance at beginning of year	**₱5,268,468**	₱6,380,053
Fair value changes recognized in profit or loss	**61,074**	(111,585)
Balance at end of year	**₱5,329,542**	₱5,268,468

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.*

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.*

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:

<u>Valuation Techniques</u>

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.

<u>Significant Unobservable Inputs</u>

Price per square meter	Ranges from ₱800 to ₱100,000
Reproduction Cost New	The cost to create a virtual replica of the existing structure, employing the same design and similar building materials.
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
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.

Significant Unobservable Inputs

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.

4. **Financial Risk Management**

The bank's Capital Adequacy Ratio as of end of March 2015 stands at 21.318% on a consolidated basis while the bank's Risk Weighted Assets (RWA) as of end March 2015 amounted to ₱ 405,285 million composed of ₱ 362,078 million (Credit Risk Weighted Assets), ₱ 3,665 million (Market Risk Weighted Assets) and), ₱ 39,542 million (Operational Risk Weighted Assets).

The table below shows the comparative Bank's Capital Adequacy Ratio and Risk Weighted Assets:

Consolidated	March 31,2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31,2015
Capital Adequacy Ratio	19.49%	18.827%	21.131%	20.605%	21.318%
In millions					
Credit Risk Weighted Assets	₱ 333,038	₱348,339	₱349,821	₱367,569	₱ 362,078
Market Risk Weighted Assets)	4,000	4,954	4,746	4,532	3,665
Operational Risk Weighted Assets	38,235	38,235	38,235	38,235	39,542
Total Risk Weighted Assets	₱375,273	₱ 391,528	₱392,803	₱ 410,336	₱ 405,285

The Board and its Risk Oversight Committee operate as the highest level of PNB's risk governance. At management level, risk governance is undertaken by a structured hierarchy of committees each with specified accountabilities. The continues flow of information between the board and board-level committees and the corresponding management committees; allow for consistent evaluation of the risks inherent in the business, raise the alarms, if any, and manage the business effectively with strong adherence to process management guidelines and controls.

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 is independent from the business lines and is organized in 6 divisions: Credit Risk & BASEL Implementation Division, Market & 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. The policies also provide for the validation and audits 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.

At PNB, members of the senior management team play a pivotal role in the day-to-day running of the bank. Senior members of the 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 in these committees.

Risk Categories and Definitions

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

1. Cyber threats involving use of social engineering which may involve psychological manipulation of clients and personnel into performing actions and /or divulging confidential information. This can result to negative financial impact to both client and the bank. PNB has institutionalize various risk mitigating tools and activities to minimize, if not, eliminate the said cyber threats – installation of firewalls, IPS/IDS, enterprise security solution (anti-virus for endpoint, email and internet). 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.
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.
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. PNB's Credit Card Division continues to provide awareness memoranda, via various media channels 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. 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.

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 2014 program:

Risk Category	Risk Definition	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.	▪ VAR Limits ▪ Stop Loss Limits ▪ Potential Loss Alerts ▪ ROP Exposure Limit ▪ Limit to Structured Products ▪ 30-day AFS Holding Period ▪ Traders' Limit ▪ Exception Report on Rate Tolerance
Liquidity Risk	Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from an FI's inability to meet its obligations when they come due.	▪ 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)	▪ EAR Limits ▪ Stress Testing ▪ Balance Sheet Profiling ▪ Repricing Gap Analysis
Credit Risk (including Credit Concentration Risks and Counterparty Risks)	Credit risk is the risk to earnings or capital that arises from an obligor/s, customer/s or counterparty's failure to perform and meet the terms of its contract.	▪ 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.	▪ Country Risk Limits against benchmarks ▪ Limits to Exposures to ROPs ▪ Limits to exposures on CLNs and Structured Products
Operational Risk	Operational risk is the current and prospective risk to earnings or capital arising from fraud, error, and the inability to deliver products or services, maintain a competitive position, and manage	▪ Internal Control ▪ Board Approved Operating Policies and Procedures Manuals ▪ Board Approved Product

	information. It encompasses: product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.	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)	Information Technology Risk is a business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank (ISACA Risk IT Framework). IT Risk results to Information Security Risk since the risk would somehow result to non-preservation of any or all of the domains of information security; that is, confidentiality, integrity and availability of information asset (NIST IR 7298 Revision 2).	▪ Risk Asset Register ▪ Incident Reporting Management ▪ Information Security Policy Formulation
Strategic Risks	Strategic business risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.	▪ Management Profitability Reports ▪ Benchmarking vis-a-vis Industry, Peers ▪ Economic Forecasting
Legal Risk	Legal risk is the current and prospective impact on earnings or capital arising from legal sanctions against the Bank. It includes the risk of exposure to litigation, arbitration, mediation and other non-litigious courses of action.	▪ Status of Legal Cases >Ph50MM at risk ▪ Review of pending tax assessment/s ▪ Adequate provisioning for probable losses ▪ Issuance of circulars, tax guidelines and procedures
Customer Franchise (including Reputational Risks)	Reputational risk is the current and prospective impact on earnings or capital arising from negative public opinion. Customer franchise risk is defined as the failure to find, attract, and win new clients, nurture and retain those the Bank already has, and entice former clients back into the fold as well as the failure to meet client's expectation in delivering the Bank's products and services.	▪ Account Closures Report ▪ Service Desk Customer Issues Report ▪ Evaluation/ Risk Mitigation of negative media coverage ▪ Review of Stock Price performance
Human Resources Risk	Human resource risk covers the Bank's risk of financial loss due to risks in human capital acquisition, losses due to inadequate training, inexperience or illegal activities of risk-taking and other personnel.	▪ Attrition Analysis ▪ Internal Fraud Analysis ▪ Training Needs Programs ▪ Recruitment Turnaround and Fit Analysis

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

5. Segment Information

Business Segments

The Group's operating businesses are determined and managed separately according to the nature of services provided and the different markets served with each segment representing a strategic business unit. The Group's business segments follow:

Retail Banking - principally handling individual customer's deposits, and providing consumer type loans, credit card facilities and fund transfer facilities;

Corporate Banking - principally handling loans and other credit facilities and deposit accounts for corporate and institutional customers; and

Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of T-bills, government securities and placements and acceptances with other banks, through treasury and wholesale banking.

Other Segments - include but not limited to insurance, leasing, remittances and other support services. Other operations 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 a pool rate which approximates the marginal cost of funds.

For management purposes, business segment report is done on a quarterly basis. Business segment information provided to the BOD, chief operating decision maker (CODM) is based on the Regulatory Accounting Principles (RAP) submitted to the BSP in compliance with the reportorial requirements under the Financial Reporting Package (FRP) for banks, which differ from PFRS. Significant differences arose from the manner of provisioning for impairment and credit losses, measurement of investment properties and the fair value measurement of financial instruments. The report submitted to CODM represents only the results of operation for each of the reportable segment.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The Group has no significant customer which contributes 10.00% or more of the consolidated revenue.

Business segment information of the Group follows:

	Three Months Ended March 31, 2015					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Interest income	₱ 1,103,800	₱2,911,219	₱1,032,688	₱148,485	₱ 28,683	₱ 5,224,872
Interest expense	618,804	102,577	273,899	3,064	(25,259)	973,084
Net interest margin	484,996	2,808,642	758,789	145,421	53,942	4,251,788
Other income	686,977	585,015	336,641	1,327,175	(207,175)	2,728,634
Other expenses	1,766,371	212,979	50,060	911,512	59,974	3,000,895
Segment result	(594,398)	3,180,678	1,045,370	561,084	(213,207)	3,979,527
Inter-segment						
Imputed income	₱ 943,443	₱–	₱–	₱–	₱–	₱ 943,443
Imputed cost	–	(824,699)	(118,744)	–	–	(943,443)
Segment result to third party	₱349,045	₱2,355,979	₱ 926,625	₱561,084	₱(213,207)	3,979,527
Unallocated expenses						2,313,097

	Three Months Ended March 31, 2015					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Net income before share in net income of an associate and income tax						
Share in net income of an associate						
Net income before income tax						1,666,430
Income tax						424,726
Net income						1,241,704
Non-controlling interest						40,477
Net income for the year attributable to equity holders of the Parent Company						₱1,201,227
Other Segment Information						
Capital expenditures	₱ 219,715	₱ 3,080	₱ 1,332	₱ 63,921	₱-	₱ 288,048
Depreciation and amortization	₱ 95,887	₱38,851	₱ 1,894	₱176,576	₱ 38,523	₱351,731
Unallocated depreciation and amortization						23,986
Total depreciation and amortization						₱ 375,717
Provision for impairment, credit and other losses	₱ 17,673	₱ (343,791)	₱-	₱ 1,271	₱484,048	₱159,201

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

	As of March 31, 2015					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Segment assets	₱307,974,484	₱229,001,977	₱140,059,989	₱238,949,132	₱(297,400,394)	₱ 618,585,187
Unallocated assets						2,023,672
Total assets						₱ 620,608,859
Segment liabilities	₱491,277,997	₱39,648,816	₱43,866,916	₱170,790,627	₱(275,187,305)	₱ 470,397,049
Unallocated liabilities						49,283,730
Total liabilities						₱ 519,680,778

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

	Three Months Ended March 31, 2014					
	Retail Banking	Corporate Banking	Treasury	Others	Adjustments and Eliminations*	Total
Inter-segment						
Imputed income	₱ 945,292	₱–	₱–	₱–	₱–	₱ 945,292
Imputed cost	–	(723,322)	(221,971)	–	–	(945,292)
Segment result to third party	₱ 118,005	₱ 1,376,232	₱ 215,453	₱ 510,855	₱691,389	2,911,935
Unallocated expenses						1,134,299
Net income before share in net income of an associate and income tax						1,777,636
Share in net income of an associate						–
Net income before income tax						1,777,636
Income tax						434,810
Net income						1,342,826
Non-controlling interest						3,151
Net income for the period attributable to equity holders of the Parent Company						₱1,339,675
Other segment information						
Capital expenditures	₱ 291,028	₱ 22,751	₱ 39	₱ 89,212	₱–	₱ 403,030
Depreciation and amortization	₱ 43,162	₱ 34,156	₱ 1,875	₱ 181,594	₱ 89,325–	₱350,112
Unallocated depreciation and amortization						62,327
Total depreciation and amortization						₱412,438
Provision for (reversal of) impairment, credit and other losses	₱ 13,547	₱ (29,727)	₱–	₱1,656	₱ 305,649	₱ 291,125

**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*

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 and credit commitments items as of March 31, 2015 and December 31, 2014 and capitalized expenditures and revenues for the three-month periods ended March 31, 2015 and December 31, 2014 by geographic region of the Group follows:

	Assets		**Liabilities**		**Credit Commitments**	
	March 31, 2015	December 31, 2014	**March 31, 2015**	December 31, 2014	**March 31, 2015**	December 31, 2014
Philippines	**₱ 588,972,982**	₱ 592,574,950	**₱ 502,419,467**	**₱ 506,034,141**	**₱ 15,154,522**	**₱15,661,774**
Asia (excluding Philippines)	**23,690,385**	24,101,673	**13,446,922**	**15,572,732**	**276,701**	**467**
USA and Canada	**6,707,930**	7,050,528	**3,329,134**	**3,639,786**	**43**	**8,104**
United Kingdom	**1,577,222**	364,619	**824,917**	**1,138,291**	**–**	**–**
Other European Union Countries	**-**	1,354,062	**-**	**-**	**–**	**–**
	₱ 620,948,520	₱ 625,445,832	**₱ 520,020,440**	**₱ 526,384,950**	**₱ 15,431,266**	**₱15,670,345**

	Capital Expenditures		**Revenues**	
	March 31, 2015	March 31, 2014	**March 31, 2015**	March 31, 2014
Philippines	**₱285,103**	₱ 337,167	**₱ 6,681,743**	₱ 7,460,407
Asia (excluding Philippines)	**2,939**	15,331	302,572	2,283
USA and Canada	**6**	87	**139,585**	147,414
United Kingdom	**–**	50,445	**39,107**	46,649
Other European Union Countries	**–**	–	**–**	19
	₱ 288,048	₱ 403,030	**₱ 7,163,007**	₱ 7,656,772

The Philippinesis 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 business segments.

6. Due from BSP

As of March 31, 2015 and December 31, 2014, 33.35% and 29.35% of the Parent Company's Due from BSP are placed under the SDA with the BSP. Those SDAs bear interest at annual interest rates of 2.5% as of March 31, 2015 and annual interest ranging from 2.00% to 3.00% as of December 31, 2014.

7. Trading and Investment Securities

The Group has the following trading and investment securities:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Financial assets at FVPL	**16,311,271**	₱17,351,626
AFS investments	**67,307,316**	63,091,497
HTM investments	**23,758,344**	22,970,306
	107,376,931	₱103,413,429

Financial Assets at FVPL
This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Held-for-Trading:		
Government securities	**₱5,061,017**	₱6,131,278
Private debt securities	**217,614**	218,193
Derivative assets	**167,570**	136,551
Equity securities	**210,300**	210,834
	5,656,501	6,696,856
Designated at FVPL:		
Segregated fund assets	**10,654,770**	10,654,770
Private debt securities		–
	₱16,311,271	₱17,351,626

AFS Investments
This account consists of:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Government securities	**₱42,466,754**	₱37,145,450
Other debt securities	**23,548,165**	23,708,156
Equity securities - net of allowance for impairment losses of₱0.9 billion	**1,292,397**	2,237,891
	₱67,307,316	₱63,091,497

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

	Three Months Ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Financial assets at FVPL:		
Held-for-trading	₱(19,695)	₱ 22,521
Derivatives	(22,670)	63,754
Designated at FVPL	-	-

	Three Months Ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
AFS investments		
Government securities	136,023	72,315
Other debt securities	129,270	61,499
Equity securities	-	-
Financial liabilities at FVPL:		
Derivative liabilities	-	-
Designated at FVPL	-	-
	₱222,928	₱ 220,089

8. **Loans and Receivables**

This account consists of:

	March31, 2015 (Unaudited)	December 31, 2014 (Audited)
Receivable from customers:		
Loans and discounts	**₱284,905,658**	₱279,256,983
Customers' liabilities on acceptances, letters of credit and trust receipts	**9,362,467**	11,594,905
Bills purchased	**3,677,467**	4,878,682
Credit card receivables	**4,186,655**	4,390,966
Lease contracts receivable	**213,901**	3,324,277
	302,346,147	303,445,813
Less unearned and other deferred income	**1,267,974**	1,261,386
	301,078,173	302,184,427
Unquoted debt securities	**4,269,064**	8,044,272
Other receivables:		
Accounts receivable	**8,314,118**	8,993,706
Accrued interest receivable	**4,502,583**	4,756,699
Sales contract receivables	**4,628,656**	4,267,338
Miscellaneous	**446,317**	442,088
	17,891,674	18,459,831
	323,238,912	328,688,530
Less allowance for credit losses	**12,364,940**	12,435,509
	₱310,873,972	₱316,253,021

The table below shows the industry sector analysis of the Group's receivable from customers before taking into account the allowance for credit losses (amounts in millions):

	Consolidated			
	March 31, 2015		December 31, 2014	
	Carrying Amount	**%**	Carrying Amount	%
Primary target industry:				
Wholesale and retail	**₱45,496,866**	**15.05**	₱44,259,825	14.59
Electricity, gas and water	**39,034,219**	**12.91**	43,111,698	14.21
Manufacturing	**38,271,320**	**12.66**	40,789,519	13.44
Financial intermediaries	**22,052,846**	**7.29**	37,940,739	12.50
Public administration and defense	**35,229,499**	**11.65**	23,464,016	7.73
Transport, storage and communication	**20,767,676**	**6.87**	19,342,572	6.38
Agriculture, hunting and forestry	**4,833,759**	**1.60**	4,343,522	1.43
Secondary target industry:				
Real estate, renting and business activities	**35,194,150**	**11.64**	39,672,249	13.07
Construction	**8,386,450**	**2.77**	8,508,366	2.80
Others	**53,079,362**	**17.56**	42,013,307	13.85
	₱302,346,147	**100.00**	₱303,445,813	100.00

The information (gross of unearned and other deferred income) relating to receivable from customers as to secured and unsecured and as to collateral follows:

	March 31, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Carrying Amount	**%**	Carrying Amount	%
Secured:				
Real estate mortgage	**₱70,679,662**	**23.38**	₱68,910,935	22.71
Chattel mortgage	**12,194,853**	**4.03**	10,341,429	3.41
Bank deposit hold-out	**3,638,469**	**1.20**	6,336,908	2.09
Shares of stocks	**35,760**	**0.01**	35,776	0.01
Others	**38,528,417**	**12.74**	39,354,446	12.97
	73,188,781	**41.37**	124,979,494	41.19
Unsecured	**177,268,986**	**58.63**	178,466,319	58.81
	₱ 302,346,147	**100.00**	₱ 303,445,813	100.00

Non-performing Loans (NPLs) classified as secured and unsecured as reported to BSP follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Secured	**₱6,298,936**	₱6,960,289
Unsecured	**3,002,126**	2,960,524
	₱9,301,062	₱9,920,813

9. **Property and Equipment**

For the threemonths ended March 31, 2015, the Group purchased assets with a cost of ₱288.0 million and disposed assets with net book value of ₱50.5 million.

As of December 31, 2014, the Group purchased assets with a cost of ₱981.5 million and disposed assets with net book value of ₱697.0 million.

10. **Investment Properties**

For the three months ended March 31, 2015, the Group received foreclosed assets with a fair value of₱ 96.7 million as settlement of the NPLs. Also, assets with net book value of ₱508.8 million were disposed of by the Group during the three months ended March 31, 2015.

As of December 31, 2014, the Group received foreclosed assets with a fair value of ₱1.3billion and disposed assets with net book value of ₱2.2 billion.

As of March 31, 2015 and December 31, 2014, the balance of accumulated impairment losses on investment properties amounted to ₱3.7 billion.

The aggregate fair value of the Group's investment properties as of March 31, 2015 and December 31, 2014 amounted to ₱27.9 billion and ₱27.7 billion, respectively. The fair values of the Group's investment properties have been determined by the appraisal method on the basis of recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made.

11. **Financial Liabilities**

Bills and Acceptances Payable
Foreign currency-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.03% to 2.50% and from 0.03% to 2.50% as of March 31, 2015 and December 31, 2014, respectively.

Peso-denominated borrowings of the Group and the Parent Company bear annual interest ranging from 0.63% to 2.00%, from 0.63% to 2.00% as of March 31, 2015 and December 31, 2014, respectively.

The Parent Company's bills payable to BSP includes the transferred liabilities from Maybank amounting to ₱1.7 billion as of March 31, 2015 and December 31, 2014.

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.

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.

Subordinated Debt

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.

12. **Equity**

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares		Amount	
	March 31, 2015 (Unaudited) (Three Months)	December 31, 2014 (Audited) (One Year)	**March 31, 2015 (Unaudited) (Three Months)**	December 31, 2014 (Audited) (One Year)
Common - ₱40 par value				
Authorized	**1,750,000,001**	**1,750,000,001**	70,000,000,040	**70,000,000,040**
Issued and Outstanding				
Balance at the beginning of the period	**1,249,139,678**	**1,086,208,416**	**49,965,587,120**	**43,448,336,640**
Issued during the period	**-**	**162,931,272**	**-**	**6,517,250,480**
	1,249,139,678	**1,249,139,678**	**49,965,587,120**	**49,965,587,120**

Stock Rights Offering
The Parent Company has successfully completed its stock rights offering of common shares following the closure of the offer period on February 3, 2014. A total of 162,931,262 Rights Shares were issued to Eligible Shareholders at a proportion of fifteen Rights Share for every one hundred existing Common Shares held as of the record date of January 16, 2014 at the Offer price of ₱71.00 per Right Share.

33,218,348 common shares were listed on February 11, 2014 while the remaining shares were listed on July 25, 2014.

The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. The Offer strengthens the Group's capital position under the Basel III standards, which took effect on January 1, 2014.

Regulatory Qualifying Capital
On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

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%. The prudential REST limit which shall be complied at all times are 6% of CET1 ratio and 10% 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.

The Group and its individually regulated subsidiaries/operations have complied with all externally imposed capital requirement throughout the reporting period.

Restrictions to Amounts for Dividend Declaration
Surplus and Capital Paid in Excess of Par Value of the Parent Company amounting to ₱9.0 billion which represents the balances of accumulated translation adjustment 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 BSP.

Financial Performance

The following basic ratios measure the financial performance of the Group for the periods ended March 31, 2015 and March 31, 2014 (amounts in millions):

	March 31, 2015 (Unaudited) (Three Months)	March31, 2014 (Unaudited) (Three Months)
Return on average equity (a/b)	5.0%	6.3%
a.) Net income	₱1,242	₱1,343
b.) Average total equity 1/	99,995	85,876
Return on average assets (c/d)	0.8%	0.9%
c.) Net income	₱1,242	₱1,343
d.) Average total assets 1/	623,028	614,990
Net interest margin on average earning assets (e/f)	3.2%	3.5%
e.) Net interest income	₱4,252	₱4,446
f.) ADB of interest earning assets	544,180	510,568

1/ Average balances were the sum of beginning and ending balances of the respective statement of financial position accounts as of the end of the period divided by two.

13. **Miscellaneous Income and Expense**

Miscellaneous income consists of:

	Three Months Ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Rental and leasing income	**₱68,249**	₱172,751
Recoveries	**68,090**	12,959
Sales deposit forfeiture	**2,788**	1,111
Referral and trust fees	**27,233**	21,445
Others	**160,277**	144,445
	326,637	₱ 352,711

Miscellaneous income includes penalty charges, dividend income and other miscellaneous income.

Miscellaneous expenses consist of:

	Three Months Ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Insurance	**₱264,782**	₱238,662
Security, clerical, messengerial	**165,944**	136,758
Information technology	**112,503**	105,787
Management and professional fees	**38,913**	86,649
Transportation and travel	**40,564**	72,060
Stationery and supplies used	**25,177**	61,359
Litigation	**53,633**	11,986
Repairs and maintenance	**29,992**	22,733
Postage, telephone and telegram	**34,178**	31,681
Amortization of software costs	**-**	50,757
Marketing expenses	**67,538**	124,547
Others	**86,360**	297,429
	919,584	₱1,240,408

Miscellaneous - others include loss on property destroyed, periodicals and magazines, fines, penalties and other charges.

14. **Income Taxes**

Provision for income tax consists of:

	Three Months Ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
Current		
Regular	**₱ 295,854**	₱286,665
Final	**127,001**	164,058
	422,854	450,723
Deferred	**1,872**	(15,913)
	₱ 424,726	₱434,810

15. **Earnings Per Share**

The earnings per share of the Group, attributable to equity holders of the Parent Company, are calculated as follows:

	Three Months Ended	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
a) Net income attributable to equity holders of the Parent Company	**₱1,201,227**	₱1,339,675
b) Weighted average number of common shares for basic earnings per share	**1,249.140**	1,108.354
c) Basic and diluted earnings per share (a/b)	**₱0.96**	₱1.21

There are no potential common shares that would dilute the earnings per share.

16. **Related Party Transactions**

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 March 31, 2015 and December 31, 2014, the Parent Company was in compliance with such regulations.

The information relating to the DOSRI loans of the Group follows:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Total Outstanding DOSRI Accounts*	**₱12,645,339**	₱12,749,637
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**4.14%**	4.20%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**4.14%**	4.20%
Percent of DOSRI accounts to total loans	**4.14%**	4.20%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.02%**	0.01%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%

**Includes outstanding unused credit accommodations of ₱192.5 million as of March31, 2015 and ₱198.7 million as of December 31, 2014.*

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.

Details on significant related party transactions of the Group 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 of LTG.

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	March 31, 2015		
LTG			
Deposit liabilities		**₱ 1,084,202**	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	**₱ 12,121**		Interest expense on deposit liabilities
Subsidiaries:			
Receivables from customers		**₱ 1,760,000**	Revolving credit line with interest rates ranging from 3.10% to 3.35% and maturity terms of less than 90 days; Term loans maturing in 2017 with 3.85% nominal rate; Unsecured
Interbank loans receivable		**180,198**	Money Market Line
Due from other banks		**732,353**	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		**61,198**	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		**4,301**	Interest accrual on receivables from customers
Deposit liabilities		**4,810,896**	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		**4,010,018**	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		**153,861**	Clearing accounts funding and settlement of remittances
Accrued interest payable		**41,441**	Accrued interest on deposit liabilities and bills payable
Other liabilities		**56**	Mortgage Redemption Insurance
Interest income	**₱ 13,693**		Interest income on receivables from customers
Interest expense	**18,481**		Interest expense on deposit liabilities and bills payable
Rental income	**9,322**		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum
Securities transactions:			
Purchases	**673,769**		Outright purchase of securities
Sales	**50,406**		Outright sale of securities
Trading gains	**4,136**		Gain from sale of investment securities
Loan releases	**1,000,000**		Loan drawdowns
Loan collections	**815,000**		Settlement of loans and interest
Net deposits	**889,441**		Net deposits during the period
Affiliates			
Receivables from customers		**11,976,462**	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
Due from other banks		**5,551,989**	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		**15,292**	Interest accrual on receivables from customers
Operating lease		**203**	Advance rental deposits received for 2 years and 3 months
Deposit liabilities		**5,354,038**	With annual rates ranging from 0.02% to 1.73% and maturity terms ranging from 30 days to 1 year
Other liabilities		**745**	Charitable donations and liabilities for lease payments
Interest income	**27,920**		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	**4,408**		Interest expense on deposit liabilities

	March 31, 2015		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Rental income	**4,424**		Monthly rental income
Rental expense	**₱ 7,388**		Monthly rental payments with terms ranging from 24 to 240 months
Fees and commission expense	**26,015**		Expense on professional fees on service agreement
Other income	**106,576**		Premiums collected
Other expense	**4,663**		Claims expense, service and referral fees
Securities transactions:			
Purchases	**39,035**		Purchase of Investment Securities
Loan releases	**342,738**		Loan drawdowns
Loan collections	**659,219**		Settlement of loans and interest
Net withdrawals	**735,772**		Net withdrawals during the period
Key Management Personnel			
Loans to officers		**₱ 15,513**	Housing loans to senior officers; Secured and unimpaired
Loan releases	**170**		Loan drawdowns
Loan collections	**730**		Settlement of loans and interest
Officers			
Receivable from customers		**269,763**	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	**16,204**		Net loan collections for the period

	March 31, 2015		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Receivable from customers		**₱ 268,585**	Loans and advances of PNB GRF to PAL
Interest income	**₱23**		Interest earned by PNB GRF from the time deposits placed with PNB Hong Kong Branch.

	December 31, 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
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

	December 31, 2014		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
			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

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			December 31, 2014
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

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			December 31, 2014
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.

The related party transactions shall be settled in cash. There are no provisions for credit losses for the three-months ended March 31, 2015 and December 31, 2014 in relation to amounts due from related parties.

The Group accounts for its investments in OHBVI as a subsidiary although the Group holds less than 50.00% of OHBVI's issued share capital on the basis of the voting rights of 42.78% assigned by certain stockholders to the Parent Company under a voting trust agreement. There are no other transactions with OHBVI during the year.

The compensation of the key management personnel follows:

	Three Months Ended (In Thousand Pesos)	
	March 31, 2015 (Unaudited)	March31, 2014 (Unaudited)
Short-term employee benefits	**₱125,198**	₱84,916
Post-employment benefits	**11,961**	**11,845**
	₱137,159	₱9**6,761**

Members of the BOD are entitled to a per diem of ₱50,000 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.

The Parent Company and Eton Properties Philippines, Inc. (EPPI) signed two Joint Venture Agreements (JVA) for the development of two properties under 'Real estate under joint venture (JV) agreement' by the Parent Company with a total book value of ₱1.2 billion (presented under 'Investment properties' in the statements of financial position). 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 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 JVA. This JVA does not fall as joint venture arrangement under PFRS 11.

Transactions with Retirement Plans

Management of the retirement funds of the Group and the Parent Company is handled by the PNB Trust Banking Group (TBG). The fair values and carrying values of the funds of the Parent Company amounted to ₱3.8 billion and ₱3.6 billion as of March 31, 2015 and December 31, 2014, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets as of and for the three months ended March 31, 2015 and for the year ended December 31, 2014 follows:

	Consolidated (in millions)	
	March 31, 2015	**December 31, 2014**
Investment securities:		
Held for trading	**₱720,933**	**₱738,969**
Available-for-sale	**1,569,353**	**1,511,403**
Held-to-maturity	**–**	**–**
Deposits with other banks	**358,314**	**37,929**
Due from BSP	**1,115,570**	**1,283,981**
Deposits with PNB	**–**	**35**
Loans and other receivables	**10,206**	**12,653**
Total Fund Assets	**₱ 3,774,376**	**₱3,584,969**
Due to BIR	**91**	**119**
Accrued expense	**1,617**	**1,119**
Total Fund Liabilities	**1,708**	**1,238**

	March 31, 2015 (Unaudited) (Three Months)	**March 31, 2014 (Unaudited) (Three Months)**
Interest income	**₱24,029**	₱16,640
Trading gains	**–**	–
Dividend income	**360**	70
Unrealized loss on HFT	**(22,022)**	(17,900)
Other Income	**2,188**	**620**
Fund Income	**₱ 4,554**	₱990
Trust fees	**₱ 1,206**	₱660
Other expenses	**822**	240
Fund Expense	**₱2,028**	₱910

As of March 31, 2015 and December 31, 2014, 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 ₱1.2 million and ₱0.7 million for three months ended March 31, 2015 and 2014, respectively.

17. Contingent Liabilities and Other Commitments

The following is a summary of various commitments, contingent assets and contingent liabilities at their equivalent peso contractual amounts:

	Consolidated	
	March 31, 2015	December 31, 2014
Trust department accounts	**₱ 69,191,73**	₱65,817,031
Standby letters of credit	**10,913,726**	11,281,048
Deficiency claims receivable	**21,498,088**	21,292,747
Credit card lines	**14,405,978**	13,996,427
Shipping guarantees issued	**9,751**	32,732
Other credit commitments	**974,377**	974,377
Inward bills for collection	**676,610**	676,610
Other contingent accounts	**298,957**	326,693
Outward bills for collection	**303,553**	430,230
Confirmed export letters of credit	**87,513**	490,015
Unused commercial letters of credit	**206,541**	44,280
Items held as collateral	**47**	51

18. Events After Reporting Date

The Bank successfully closed and signed a USD150 million 3 year syndicated term loan facility with a large group of international and regional banks on April 24, 2015. Standard Chartered Bank acted as the sole Co-ordinating Bank,Mandated Lead Arranger and Bookrunner and fully underwrote the USD150 million Facility.

The Facility was launched at USD150 million and attracted total commitments of USD220 million at close of syndication, representing an oversubscription of 1.5 times with lending commitments received from 10 regional and international banks. CTBC Bank Co., Ltd. Singapore, ING Bank N.V., Manila Branch, KDB Asia Limited / The Korea Development Bank and United Overseas Bank Limited joined Standard Chartered Bank as sub-underwriters (together, the Mandated Lead Arrangers and Bookrunners) and The Hongkong and Shanghai Banking Corporation Limited further joined the Facility as a Mandated Lead Arranger at close of senior syndication.

PHILIPPINE NATIONAL BANK AND SUBSIDIARIES

SCHEDULE OF AGING OF LOANS RECEIVABLES*
(PSE Requirement per Circular No. 2164-99)
As of March 31, 2015
(In Thousand Pesos)

Current accounts (by maturity)	
Up to 12 months	**107,006,485**
over 1 year to 3 years	**33,247,570**
over 3 years to 5 years	**34,660,829**
over 5 years	**113,506,206**
Past due and items in litigations	**13,925,057**
Loans Receivables (gross)	**302,346,147**
Less:	
Unearned and Other deferred income	**(1,267,974)**
Allowance for credit losses	**(5,666,536)**
Loans Receivables (net)	**295,411,638**

* includes loans and discounts, bills purchased, customers' liability under acceptances, letters of credits and trust receipts, lease contract receivable and credit card accounts.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PHILIPPINE NATIONAL BANK
Issuer

REYNALDO A. MACLANG
President

NELSON C. REYES
Executive Vice President & Chief Financial Officer

Date: April 30, 2015

Annex A

Selected Financial Ratios
For the Periods Indicated

	03/31/2015		12/31/2014
Current Ratio	63.3%		64.7%
Liquid assets to total assets-net	34.4%		34.1%
Liquid assets to Liquid Liabilities	46.4%		45.3%
Debt to Equity	514.9%		531.0%
Assets to Equity	614.9%		631.0%
Book value per share	78.18	[2/]	74.77

	03/31/2015		03/31/2014
Interest Coverage	272.6%		294.5%
Profitability			
Return on average equity	5.0%	[1/]	6.3%
Return on average assets	0.8%		0.9%
Net interest margin	3.2%		3.5%
Cost efficiency ratio	70.6%		66.8%
Basic Earnings per share	0.96		1.21

[1/] ROE without goodwill - 0.8%

[2/] Book value per share without goodwill - ₱ 67.47