



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Meeting of Stockholders of the Philippine National Bank will be held on May 27, 2014 at 8:00 a.m. at the Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, Manila.

The Agenda for the Meeting is as follows:

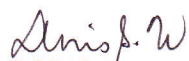
1. Call to Order
2. Secretary's Proof of Notice and Quorum
3. Approval of the Minutes of the 2013 Annual Stockholders' Meeting held on May 28, 2013
4. Report of the President on the Results of Operations for the Year 2013
5. Approval of the 2013 Annual Report
6. Approval of the Amendment of Article II of the Articles of Incorporation and Section 1.1, Article I of the Amended By-Laws in compliance with SEC Memorandum Circular No. 6, Series of 2014, to state the specific address of the principal office of the Bank
7. Approval of the Amendment of Section 4.2, Article IV of the Amended By-Laws in accordance with Section 51 of the Corporation Code, to allow the bank to hold its stockholders' meetings anywhere in Metro Manila
8. Ratification of All Acts, Resolutions and Proceedings of the Board of Directors and Corporate Officers since the 2013 Annual Stockholders' Meeting
9. Election of Directors
10. Appointment of External Auditor
11. Other Matters
12. Adjournment

Minutes of the 2013 Annual Stockholders' Meeting as well as the resolutions of the Board of Directors from the last stockholders' meeting held on May 28, 2013 up to the present are available for examination during office hours at the Office of the Corporate Secretary located at the 9th Floor, PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City.

Only stockholders of record as of April 28, 2014 will be entitled to notice of and to vote at the meeting. Registration will begin at 6:00 a.m. on May 27, 2014.

If you cannot personally attend the meeting, you may designate your authorized representative by submitting a PROXY of your choice not later than 5:00 p.m. on May 22, 2014 to the Office of the Corporate Secretary at PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City. All proxies received will be validated by the Bank's Corporate Secretary on May 23, 2014 at 2:30 p.m. at the office of the stock transfer agent at Allied Bank Center, 6754 Ayala Avenue, Makati City.

Pasay City, March 26, 2014.


DORIS S. TE
Corporate Secretary



SEC FORM 20-IS

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

A. GENERAL INFORMATION

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

- (a) The Annual Stockholders' Meeting of the Philippine National Bank (hereafter, PNB or the "Bank") will be held on May 27, 2014 at 8:00 a.m. at the Grand Ballroom, Upper Lobby, Century Park Hotel, 599 Pablo Ocampo, Sr. St., Malate, Manila, Philippines. The Bank's complete address is PNB Financial Center, President Diosdado Macapagal Blvd., Pasay City, Philippines.
- (b) The Definitive Information Statement, together with the Notice of Meeting, will be sent to qualified stockholders not later than May 6, 2014.

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

Item 2. DISSENTER'S RIGHT OF APPRAISAL

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

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

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

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

- (a) No person who has been a director of the Bank from the beginning of fiscal year 2013, or any associate of any of the foregoing, has any interest in any matter to be acted upon in the meeting other than election to office.
- (b) The Bank has not received any information from any director that he/she intends to oppose any matter to be acted upon in the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) The total number of common shares outstanding as of February 28, 2014 is 1,119,426,764^{2/} with a par value of ₱40.00 per share. Total foreign equity ownership is 98,176,675 common shares.

Pursuant to Article IV, Section 4.9 of the Bank's Amended By-Laws, every stockholder shall be entitled to one (1) vote for each share of common stock standing in his name in the books of the Bank as of April 28, 2014 (the "Record Date").

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

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

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5% of any class of voting securities as of February 28, 2014)

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	All Seasons Realty Corp. - Makati City - 7,123,387 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino	649,849,512	58.0519899022
Common	Allmark Holdings Corporation - Quezon City - 14,754,256 shares Shareholder		Filipino		
Common	Caravan Holdings Corporation - Marikina City - 58,389,760 shares Shareholder		Filipino		

^{2/} This includes the 423,962,500 common shares (the "Shares") issued to the stockholders of ABC relative to the merger of PNB and ABC as approved by the SEC on January 11, 2013. The shares are the subject of the Registration Statement filed with SEC and for listing with the Philippine Stock Exchange.

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Donfar Management Limited - Makati City - 21,890,077 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Common	Dunmore Development Corporation (X-496) - Pasig City - 10,779,000 shares Shareholder		Filipino		
Common	Dynaworld Holdings, Incorporated - Pasig City - 8,107,051 shares Shareholder		Filipino		
Common	Fast Return Enterprises, Limited - Makati City - 12,926,481 shares Shareholder		Filipino		
Common	Fil-Care Holdings, Incorporated - Quezon City - 18,119,076 shares Shareholder		Filipino		
Common	Fragile Touch Investment Limited - Makati City - 16,157,859 shares Shareholder		Filipino		
Common	Ivory Holdings, Inc. - Makati City - 14,780,714 shares Shareholder		Filipino		

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Kenrock Holdings Corporation - Quezon City - 18,522,961 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Common	Kentwood Development Corp. - Quezon City - 12,271,396 shares Shareholder		Filipino		
Common	Key Landmark Investments, Limited - British Virgin Islands - 94,883,360 shares Shareholder		Filipino		
Common	La Vida Development Corporation - Quezon City - 13,958,874 shares Shareholder		Filipino		
Common	Leadway Holdings, Incorporated - Quezon City - 46,495,880 shares Shareholder		Filipino		
Common	Mavelstone International Limited - Makati City - 21,055,186 shares Shareholder		Filipino		

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Merit Holdings and Equities Corp. - Quezon City - 12,377,119 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Common	Multiple Star Holdings Corp. - Quezon City - 21,925,853 shares Shareholder		Filipino		
Common	Pioneer Holdings Equities, Inc. - Pasig City - 24,386,295 shares Shareholder		Filipino		
Common	Profound Holdings, Inc. - Marikina City - 12,987,043 shares Shareholder		Filipino		
Common	Purple Crystal Holdings, Inc. - Manila City - 17,374,238 shares Shareholder		Filipino		
Common	Safeway Holdings & Equities, Inc. - Quezon City - 8,577,826 shares Shareholder		Filipino		
Common	Society Holdings Corporation - Quezon City - 12,315,399 shares Shareholder		Filipino		

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Solar Holdings Corp. - Pasig City - 58,389,760 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino		
Common	Total Holdings Corp. - Quezon City - 11,387,186 shares Shareholder		Filipino		
Common	True Success Profits, Limited - British Virgin Islands - 58,389,760 shares Shareholder		Filipino		
Common	Uttermost Success, Limited - Makati City - 21,523,715 shares Shareholder		Filipino		
Common	Domingo T. Chua - Quezon City - 210,220 shares Shareholder	The records in the possession of the Bank show that the beneficial ownership of these companies/ individuals belongs to the shareholders of record of said companies or to the individual himself, as the case may be. ^{3/} The Bank has not been advised otherwise.	Filipino	194,971,999	17.4171285939
Common	Dreyfuss Mutual Investments, Inc. - Pasay City - 7,833,794 shares Shareholder		Filipino		
Common	Fairlink Holdings Corporation - Makati City – 17,945,960 shares Shareholder		Filipino		

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Infinity Equities, Incorporated - Quezon City - 43,792,320 shares Shareholder	The records in the possession of the Bank show that the beneficial ownership of these companies /individuals belongs to the shareholders of record of said companies or to the individual himself, as the case may be. ^{3/} The Bank has not been advised	Filipino		
Common	Integrion Investments, Inc. - Pasay City - 7,833,794 shares Shareholder		Filipino		
Common	Iris Holdings and Development Corporation - Makati City - 6,670,885 shares Shareholder		Filipino		
Common	Jewel Holdings, Inc. - Marikina City - 10,010,650 shares Shareholder		Filipino		
Common	Kentron Holdings and Equities Corporation - Pasig City - 17,343,270 shares Shareholder		Filipino		
Common	Local Trade and Development Corp. - Makati City - 5,836,153 shares Shareholder		Filipino		
Common	Lucio K. Tan, Jr. - Quezon City - 2,300 shares Shareholder/Director		Filipino		

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Luys Securities Co., Inc. - Makati City - 17,898 shares Shareholder	The records in the possession of the Bank show that the beneficial ownership of these companies /individuals belongs to the shareholders of record of said companies or to the individual himself, as the case may be. ^{3/} The Bank has not been advised	Filipino		
Common	Mandarin Securities Corporation - Makati City - 13,281 shares Shareholder		Filipino		
Common	Opulent Land-Owners, Inc. - Quezon City - 4,105,313 shares Shareholder		Filipino		
Common	Power Realty & Development Corp. - Quezon City - 589,268 shares Shareholder		Filipino		
Common	Prima Equities and Investments Corp. - Quezon City - 51,091,040 shares Shareholder		Filipino		
Common	Virgo Holdings and Development Corporation - Makati City - 7,409,285 shares Shareholder		Filipino		
Common	Witter Webber & Schwab Investment, Inc. - Pasay City - 7,833,795 shares Shareholder		Filipino		

Title of Class	Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Zebra Holdings, Inc. - Marikina City - 6,432,773 shares Shareholder	The records in the possession of the Bank show that the beneficial ownership of these companies /individuals belongs to the shareholders of record of said companies or to the individual himself, as the case may be. ^{3/} The Bank has not been advised otherwise.	Filipino		

^{3/} The companies issue proxies/special powers of attorney (SPAs) to Mr. Lucio C. Tan as their authorized proxy/attorney-in-fact to vote their shares during stockholders' meetings. Said proxies/special powers of attorney are renewed by the foregoing shareholders on a year-to-year basis. Other than the proxies/SPAs mentioned above, the Bank is not aware of any other relationship between Mr. Tan and the above-stated companies. Mr. Lucio K. Tan, Jr. and Domingo T. Chua are the son and brother-in-law, respectively, of Mr. Lucio C. Tan

(2) Security Ownership of Management (Individual Directors and Executive Officers as of February 28, 2014)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Florencia G. Tarriela Chairperson Independent Director	2 shares ₱80.00 (R)	Filipino	0.0000001787
Common	Felix Enrico R. Alfiler Vice Chairman Independent Director	115 shares ₱4,600.00 (R)	Filipino	0.0000102731
Common	Florido P. Casuela Director	133 shares ₱5,320.00 (R)	Filipino	0.0000118811
Common	Leonilo G. Coronel Director	1 ₱40.00 (R)	Filipino	0.0000000893

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Common	Reynaldo A. Maclang Director	155 ₱6,200.00 (R)	Filipino	0.0000138464
Common	Estelito P. Mendoza Director	1,150 shares ₱46,000.00 (R)	Filipino	0.0001027312
Common	Omar Byron T. Mier Director	138,215 shares ₱5,528,600.00 (R)	Filipino	0.0123469444
Common	Christopher J. Nelson Director	100 shares ₱4,000.00 (R)	British	0.0000089331
Common	Cecilio K. Pedro ^{4/} Independent Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0004466572
Common	Washington Z. SyCip Director	39,111 shares ₱1,564,440.00 (R)	American	0.0034938418
Common	Harry C. Tan Director	230 ₱9,200.00 (R)	Filipino	0.0000205462
Common	Lucio C. Tan Director	12,907,060 ₱516,282,400.00 (R)	Filipino	1.1530062006
Common	Lucio K. Tan, Jr. Director	2,300 shares ₱92,000.00 (R)	Filipino	0.0001841267
Common	Michael G. Tan Director	250 shares ₱10,000.00 (R)	Filipino	0.0000200138
Common	Deogracias N. Vistan Independent Director	100 shares ₱4,000.00 (R)	Filipino	0.0000080055
Common	Subtotal	13,093,922 ₱523,756,880.00 (R)		1.1696988513
Common	All Executive Officers & Directors as a Group	13,153,737 ₱526,149,480.00 (R)		1.1750422112

^{4/} On February 28, 2014, Mr. Cecilio K. Pedro was elected as Independent Director of PNB, filling the vacancy left by Mr. Anthony Q. Chua who retired effective September 1, 2013.

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

On March 26, 2012, the Bank submitted to the Bangko Sentral ng Pilipinas (BSP) and Philippine Deposit Insurance Corporation (PDIC) applications for consent to the merger. On April 12, 2012, the application for the merger was filed with the Securities and Exchange Commission (SEC). On July 25, 2012, the Bank received notice that the PDIC had given its consent to the merger. Likewise, on August 2, 2012, the Monetary Board of the BSP issued a resolution giving its consent to the merger. Finally, on January 17, 2013, the SEC granted its approval to the merger. In addition, with respect to ABC's overseas subsidiaries, the Bank has also filed notices in relation to the merger with various relevant foreign regulatory agencies; and as of January 17, 2013, had received all necessary approvals to effectuate the merger.

As of December 31, 2013, the merged Bank had a combined distribution network of 656 branches and offices and 854 ATMs nationwide. Based on the December 31, 2013 figures, the merged Bank was the fourth largest private domestic bank in the Philippines in terms of local branches and the fourth largest in terms of consolidated total assets (P606.1 billion), net loans and receivables (P258.2 billion) and deposits (P454.0 billion). In addition, it has the widest international footprint among Philippine banks spanning Asia, Europe, the Middle East and North America.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

On May 28, 2013, the Bank reported to the Bangko Sentral ng Pilipinas (BSP) the election of fifteen (15) members of the Board of Directors at the 2013 Annual Stockholders' Meeting. Ms. Florencia G. Tarriela, Mr. Felix Enrico R. Alfiler and Mr. Deogracias N. Vistan were re-elected as Independent Directors.

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

Pursuant to Bangko Sentral ng Pilipinas (BSP) Circular No. 758 dated May 11, 2012, the re-election of the following directors of PNB for the ensuing year 2013-2014 was exempted from confirmation since they were already previously confirmed under Monetary Board (MB) Resolution No. 174.A dated February 2, 2012 and MB Resolution No. 1977 dated November 29, 2012:

Florencia G. Tarriela
Omar Byron T. Mier
Felix Enrico R. Alfiler
Estelito P. Mendoza

Washington Z. SyCip
Lucio C. Tan
Lucio K. Tan, Jr.
Deogracias N. Vistan

On January 16, 2014, the BSP confirmed the election of Mr. Reynaldo A. Maclang and Mr. Christopher J. Nelson under MB Resolution No. 100.

On February 28, 2014, Mr. Cecilio K. Pedro was elected as Independent Director of PNB, filling the vacancy left by Mr. Anthony Q. Chua who retired effective September 1, 2013. The same was disclosed and is subject to the approval of the regulators.

In compliance with Subsection X141.4 of the Manual of Regulations for Banks of the BSP, a letter-request for confirmation of the election of Mr. Pedro as an Independent Director of PNB was sent to the BSP on March 14, 2014. Likewise, a Certification of Independent Director duly signed by Mr. Pedro was submitted to the Securities and Exchange Commission on March 13, 2014.

For the Independent Directors, the Bank will ensure compliance with SEC Memorandum Circular No. 9, Series of 2011 re: Term Limits of Independent Directors and SEC Notice to All Independent Directors re: Certificate of Qualification dated October 20, 2006 requiring Independent Directors to submit certification, under oath, that they possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

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

The following are the Directors of the Bank:

FLORENCIA G. TARRIELA, 67, Filipino, first elected as a Director on May 29, 2001, has been serving as Chairman of the Board of the Bank since May 24, 2005, and as Independent Director since May 30, 2006. She also serves as an Independent Director of PNB Capital and Investment Corporation, PNB Life Insurance, Inc., PNB (Europe) Plc and LT Group, Inc. She is also a member of the Board of Advisors of PNB Remittance Centers, Inc. She obtained her Bachelor of Science in Business Administration degree, Major in Economics, from the University of the Philippines and her Masters degree in Economics, from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination. Ms. Tarriela is currently a columnist for "Business Options" of the Manila Bulletin. She is a Life Sustaining Member of the Bankers Institute of the Philippines (BAIPHIL), and Trustee of Finex and TSPI Development Corporation. She was formerly an Independent Director of the Philippine Depository and Trust Corporation, the Philippine Dealing and Exchange Corporation and the Philippine Dealing System Holding Corporation. Ms. Tarriela was also former Undersecretary of Finance, and an alternate Member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), Land Bank of the Philippines (LBP) and the Philippine Deposit Insurance Corporation (PDIC). She was formerly Deputy Country Head, Managing Partner and the first Filipino lady Vice President of Citibank N. A., Philippine Branch. Ms. Tarriela is a co-author of several inspirational books - "Coincidence or Miracle? Books I, II, III ("Blessings in Disguise"), and IV ("Against All Odds"), and gardening books - "Oops-Don't Throw Those Weeds Away!" and "The Secret is in the Soil". She is an environmentalist and practices natural ways of gardening.

FELIX ENRICO R. ALFILER, 64, Filipino, was elected as Independent Director of the Bank effective on January 1, 2012. He completed his undergraduate and graduate studies in Statistics at the University of the Philippines in 1973 and 1976, respectively. He undertook various continuing education programs, including financial analysis and policy, at the IMF Institute of Washington, D.C. in 1981 and on the restructured electricity industry of the UK in London in 1996. He has published articles relating to, among others, the globalization of the Philippine financial market, policy responses to surges in capital inflows and the Philippine debt crisis of 1985. He is currently an Independent Director of Japan-PNB

Leasing and Finance Corporation, Allied Savings Bank, PNB International Investments Corporation and PNB Global Remittance & Finance Company, (HK) Ltd. where he also sits as Chairman. He is also a member of the Board of Advisors of PNB Remittance Company (Nevada) and PNB Remittance Centers, Inc. He previously held various distinguished positions, namely: Philippine Representative to the World Bank Group Executive Board in Washington, D.C., Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization, Director of the Bangko Sentral ng Pilipinas, Assistant to the Governor of the Central Bank of the Philippines, Advisor to the Executive Director at the International Monetary Fund, Associate Director at the Central Bank and Head of the Technical Group of the CB Open Market Committee. Mr. Alfiler was also the Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts. In the private sector, Mr. Alfiler served as Advisor at Lazaro Tiu and Associates, Inc., President of Pilgrims (Asia Pacific) Advisors, Ltd., President of the Cement Manufacturers Association of the Philippines (CeMAP), Board Member of the Federation of Philippine Industries (FPI), and Vice President of the Philippine Product Safety and Quality Foundation, Inc. and Convenor for Fair Trade Alliance.

FLORIDO P. CASUELA, 72, Filipino, has been serving as a Director of the Bank since May 30, 2006. A Certified Public Accountant, he obtained his degree in Bachelor of Science in Business Administration, Major in Accounting, and his Masters in Business Administration from the University of the Philippines. He took the Advanced Management Program for Overseas Bankers conducted by the Philadelphia National Bank in conjunction with the Wharton School of the University of Pennsylvania. Mr. Casuela was one of the ten (10) awardees of the 2001 Distinguished Alumni Award of the UP College of Business Administration. He is currently the Chairman of PNB Securities, Inc. and an Independent Director of PNB Holdings Corporation. He is also a Director of Allied Savings Bank, PNB Global Remittance & Finance Co. (HK) Ltd., PNB RCI Holdings Co., Inc., PNB International Investments Corporation, PNB Remittance Company (Canada) and Surigao Micro Credit Corporation. He is a Senior Consultant of the Bank of Makati, Inc. and a Director of Sagittarius Mines, Inc. as well as its subsidiaries, namely, Tampakan Mineral Resources Corporation, PacificRim Land Realty Corporation and Hillcrest, Inc., where he is also the Chairman. He is a Trustee of the LBP Countryside Development Foundation, Inc. He was formerly the President of Maybank Philippines, Inc. from February 1992 to July 1993, Land Bank of the Philippines from July 1998 to August 2000, and Surigao Micro Credit Corporation from June 2001 to November 2004. He was formerly a BSP Consultant/Senior Adviser for the Philippine National Bank and the Chairman of the National Livelihood Support Fund, LBP Countryside Development Foundation, Inc., LBP Insurance Brokerage, Inc., LBP Leasing Corporation, LBP Realty Development Corporation, Masaganang Sakahan, Inc., LBP Financial Services SpA, and Republic Planters Bank Venture Capital. He served as Vice Chairman of the Land Bank of the Philippines, People's Credit Finance Corporation and Westmont Forex. Mr. Casuela was also a Member of the Board of Directors of the Cotton Development Authority, National Food Authority, Philippine Crop Insurance Corporation, Asean Finance Corporation, Ltd. (Singapore), Manila Electric Company, All Asia Capital and Trust Corporation, Petrochemical Corporation of Asia Pacific, Pacific Cement Corporation, EBECOM Holdings, and Westmont Securities, Inc.

LEONILLO G. CORONEL, 67, Filipino, was elected as a Director of the Bank on May 28, 2013. He obtained his Bachelor of Arts, Major in Economics degree from the Ateneo de Manila University in 1967 and finished the Advance Management Program of the University of Hawaii in 1977. He became a Fellow of the Australian Institute of Company Directors in 2002. Presently, he is an Independent Director of the following PNB subsidiaries: Japan-PNB Leasing and Finance Corporation, Japan-PNB Rentals Corporation, PNB General Insurers Co., Inc., and PNB Global Remittance (HK) Ltd. He is an Independent Director of Megawide Construction Corporation, DBP-Daiwa Capital Markets Phil., and Electronic Network Cash Tellers. He is also a Director of Software Ventures International, the Executive Director of RBB Foundation and a Managing Director of the BAP-Credit Bureau, Inc. Prior to his present positions, Mr. Coronel was Executive Director of the BAP. He also

previously served as the Treasurer of Philippine Depository & Trust Corporation, a Director of the Philippine Clearing House Corporation, the Philippine Dealing System and the Philippine Depository & Trust Corporation, a Trustee/Treasurer and member of the Capital Market Development Council Institute, a member of the Executive Committee of the Philippine Business for Social Progress and the President of Cebu Bankers Association. He previously worked with Citibank, Manila for twenty (20) years, occupying various positions.

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

ESTELITO P. MENDOZA, 84, Filipino, was elected as a Director of the Bank effective January 1, 2009. He obtained his Bachelor of Laws degree from the University of the Philippines and Master of Laws degree from the Harvard Law School. A practicing lawyer for more than sixty years, he has been consistently listed for several years as a "Leading Individual in Dispute Resolution" among lawyers in the Philippines in the following directories/journals: "The Asia Legal 500", "Chambers of Asia" and "Which Lawyer?" yearbooks. He was also a Professional Lecturer of law at the University of the Philippines, and served as Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He currently serves as a member of the Board of Directors of Philippine Airlines, Inc., San Miguel Corporation, Meralco, and Petron Corporation. He is a recipient of the Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns on June 28, 2010 and he was also awarded by the University of the Philippines Alumni Association (UPAA) its 2013 "Lifetime Distinguished Achievement Award."

OMAR BYRON T. MIER, 67, Filipino, was first appointed as the Bank's President and Chief Executive Officer on May 25, 2005 up to May 24, 2010. He was reappointed on February 9, 2013 after serving as Acting President since July 17, 2012. He has previously served as Chairman of the Executive Committee and has been a Director of the Bank since May 25, 2005. Mr. Mier, a Certified Public Accountant, obtained his degrees in Bachelor of Science in Business Administration, Major in Accounting, and Bachelor of Arts in Economics from the University of the Philippines. He is currently Chair of PNB Capital and Investment Corporation, Japan-PNB Leasing and Finance Corporation, Japan-PNB Equipment Rentals Corporation, PNB (Europe) Plc. and PNB International Investments Corporation. He is also a Director of PNB Forex, Inc., PNB General Insurers Co., Inc., PNB Securities, Inc., PNB Management and Development Corporation, Bulawan Mining Corporation, PNB Global Remittance and Financial Co., HK, Ltd., PNB RCI Holdings Co., Ltd., PNB Remittance Company (Canada) and LGU Guaranty Corporation. He was formerly the Chairman of Victorias Milling Company, Inc. and a Director of Citra Metro Manila Tollways Corporation and Credit Information Corporation. Prior to his election as a member of the Board of the Bank, he served as Executive Vice President and Chief Credit Officer from August 16, 2002 to April 10, 2005, then was appointed as Acting President on April 11, 2005. He worked with Citibank N.A. (Manila and Malaysia) for 24 years where he held the positions of Country Risk Manager/Senior Credit Officer and Head of the Risk Management Group and World Corporation Group. Before joining the Bank in 2002, he served as Deputy General Manager & Corporate Banking Department Head of Deutsche Bank, Manila from 1995 to 2001.

CHRISTOPHER J. NELSON, 54, British, was elected as a Director of the Bank on March 21, 2013. He holds Bachelor of Arts and Masters of Arts degrees in History from Emmanuel College, Cambridge University, U.K., and a Diploma in Marketing from the Institute of

Marketing, Cranfield, U.K. He is currently a member of the Board of PNB Holdings Corporation and PNB Global Remittance and Financial Company (HK) Limited. Prior to joining the Bank, he was President of Philip Morris Fortune Tobacco Corporation, Inc. (PMFTC, Inc.) for 2 years and concurrently Managing Director of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years. He has an extensive 31 years of experience in the tobacco business, 25 years of which were with Philip Morris International holding various management positions including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa. Mr. Nelson is actively involved in various business and non-profit organizations that work for the social and economic upliftment of communities. He is a member of the Board of Trustees of American Chamber Foundation Phils., Inc., Philippine Band of Mercy and Tan Yan Kee Foundation. He is also a Director of the American Chamber of Commerce of the Philippines, Inc. and serves as Adviser to the Board of the Federation of Philippine Industries.

CECILIO K. PEDRO, 61, Filipino, was elected as Director of the Bank on February 28, 2014. He obtained his Bachelor of Science degree in Business Management from the Ateneo de Manila University in 1975 and Honorary Doctorate of Philosophy in Technological Management from the Technological University of the Philippines in March 2006. He is the Chief Executive Officer (CEO)/President of Lamoayan Corporation. He is also the Chairman and CEO of Pneumatic Equipment Corporation and Action Container, Inc. and a Director of CATS Motors. He was formerly the CEO/President of Aluminum Container, Inc. from 1977 to 1985. Over the years, Mr. Pedro received various distinguished awards, namely: Ten Outstanding Young Men in the field of Business Entrepreneurship (1991), Aurelio Periquet Award on Business Leadership (2003), Ateneo Sports Hall of Fame (2003), CEO Excel Award (2009), Ozanam Award for service (Ateneo de Manila University - 2004), Entrepreneur of the Year for Social Responsibility (SGV Foundation - 2005), Ten Outstanding Manileños (Office of the Mayor, City of Manila - 2005), and PLDT SME Nation and Go Negosyo's Grand MVP Bossing Award (2011). He was also recognized by the House of Representative for his Exemplary Accomplishment in the Promotion of the Welfare of the Deaf Community on October 16, 2012. Under his leadership as CEO and President of Lamoayan Corporation, the company was acknowledged as the Most Outstanding Toothpaste Manufacturer by the Consumer's Union of the Philippines (1990, 1993, 1995, 1996, 1997, 2001 and 2002). The company was also the 1993 Apolinario Mabini Awardee for Employer of the Year, was recognized by the Personnel Management Association of the Philippines as having the Most Outstanding Program for Equal Employment in 1993 and given the 2012 Advocacy Marketing by Philippine Marketing Association, Agora Awards on October 16, 2012. He is currently involved in various socio-civic organizations. Dr. Pedro is the Chairman of the Deaf Evangelistic Alliance Foundation, Inc., Asian Theological Seminary, and Legazpi Hope Christian School and the Vice Chairman of Ateneo Scholarship Foundation. He is also the Vice President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. and an Elder of the United Evangelical Churches of the Philippines. He is a board member of the Philippine Business for Social Progress, Philippine Secondary School Basketball Championship, Ten Outstanding Young Men Foundation, Manila Doctors Hospital, Asian Marketing Federation and Commanderie de Bordeaux (Philippine Chapter).

WASHINGTON Z. SYCIP, 92, American, has been serving as a Director of the Bank since December 8, 1999. He is the founder of SGV Group, the Philippines' largest professional services firm. He is also one of the founders and Chairman Emeritus of the Asian Institute of Management; a member of the Board of Overseers of the Graduate School of Business at Columbia University; Honorary Chairman of the Euro-Asia Centre of INSEAD in Fontainebleau, France; and Honorary Life Trustee of The Asia Society. He is presently an Independent Director of Belle Corporation, Lopez Holdings, Commonwealth Foods, Inc., First Philippine Holdings Corp., Highlands Prime, Inc., Philippine Equity Management, Inc., Philippine Hotelier, Inc., Philamlife, Realty Investment, Inc., the PHINMA Group, Stateland, Inc. and Century Properties, Inc. He is the Chairman of Cityland Development Corporation, Lufthansa Technik Philippines, Inc., MacroAsia Corporation, STEAG State Power, Inc. and State Properties Corporation. He is a member of the Board of Directors of a number of other major corporations in the Philippines and other parts of the world. Mr. SyCip has served as President of the International Federation of Accountants (1982-1985), a member of the International Advisory Board of the Council on Foreign Relations (1995-

2010), Vice Chairman of the Board of Trustees of The Conference Board (2000-2004), and Chairman of the Asia Pacific Advisory Committee of the New York Stock Exchange (1997-2004). He also served on the International Boards of the American International Group, AT&T, Australia & New Zealand Bank, Caterpillar, Chase Manhattan Bank, Owens-Illinois, Pacific Dunlop and United Technologies Corporation, among others. He was a member of the Board of Trustees of Ramon Magsaysay Award Foundation (2005-2008) and Eisenhower Exchange Fellowship (1999-2010). Among his awards are the Order of Lakandula, Rank of Grand Cross, conferred by Philippine President Benigno S. Aquino, III on June 30, 2011; Lifetime Achievement Award given by Columbia Business School in 2010 and Asia Society in 2012; Ramon Magsaysay Award for International Understanding in 1992; the Management Man of the Year given by the Management Association of the Philippines in 1967; the Officer's Cross of the Order of Merit given by the Federal Republic of Germany in 2006; Star of the Order of Merit Conferred by the Republic of Australia in 1976; and the Officer First Class of the Royal Order of the Polar Star awarded by H.M. the King of Sweden in 1987.

HARRY C. TAN, 68, Filipino, was appointed as a Director of the Bank on February 9, 2013 after serving as a Director of Allied Banking Corporation since November 1999. He holds a Bachelor of Science degree in Chemical Engineering from Mapua Institute of Technology. Mr. Tan is currently the Chairman of Director of Bulawan Mining Corporation and a Director of PNB Management Development Corporation, Allied Savings Bank, Allied Commercial Bank and Allied Banking Corporation (HK) Ltd. He is also the President of Century Park Hotel and Landcom Realty Corporation. He is the Vice Chair of Lucky Travel Corp., and Vice Chairman/Director of Eton Properties Philippines, Inc., Eton City Inc., and Belton Communities, Inc. He is also the Vice Chairman/Director/Treasurer of LT Group, Inc. (formerly Tanduary Holdings, Inc.). He is the Managing Director/Vice Chair of The Charter House Inc. and is a member of the Board of Directors of various private firms which include Asia Brewery, Inc., Dominion Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Tobacco Recyclers Corporation, Basic Holdings Corporation, Pan Asia Securities Inc., Absolut Distillers, Inc., Allied Bankers Insurance Corporation, Asian Alcohol Corp., REM Development Corporation, Tanduary Brands International Inc., Foremost Farms, Inc., Grandspan Development Corp., Manufacturing Services and Trade Corporation, Philippine Airlines, Inc., PAL Holdings, Inc., Philip Morris Fortune Tobacco Corporation, Inc. (PMFTC), and Tangent Holdings Corporation where he is also the Treasurer. He is also a Director/Chairman for the Tobacco Board of Fortune Tobacco Corporation.

LUCIO C. TAN, 80, Filipino, has been serving as a Director of the Bank since December 8, 1999. He studied at Far Eastern University where he earned his degree in Chemical Engineering. In 2003, he earned the degree of Doctor of Philosophy, Major in Commerce, from the University of Santo Tomas. From humble origins, Dr. Tan became the Chairman of Allied Banking Corporation from 1977 to 1999. He is presently the Chairman and CEO of LT Group, Inc. (formerly Tanduary Holdings, Inc.), Philippine Airlines, Inc., and PAL Holdings, Inc. He is the Chairman of Asia Brewery, Inc., Basic Holdings Corporation, Himmel Industries, Inc., Eton Properties Philippines, Inc., Fortune Tobacco Corporation, Grandspan Development Corporation, Tanduary Distillers, Inc., PMFTC, Inc., PNB Life Insurance, Inc., Allied Leasing and Finance Corporation, Allied Commercial Bank and Allied Banking Corporation (Hong Kong) Ltd. Dr. Tan is also the Chairman/President of Tangent Holdings Corporation and Lucky Travel Corporation. Despite Dr. Tan's various business pursuits, he continues to share his time and resources with the community. In 1986, he founded the Tan Yan Kee Foundation, Inc., of which he is the Chairman and President. He is likewise Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII). He is also the founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. (FUSE). He is the Adviser/Benefactor of the medical scholarship program of Asia Brewery, Inc. and Benefactor/Honorary Adviser of other professional and socio-civic groups. For his outstanding achievements and leadership, Dr. Tan received the following honorary degrees: Doctor of Humane Letters, University of Guam (Guam, USA); Doctor of Applied Agriculture, Central Luzon State University (Muñoz, Nueva Ecija); Doctor of Technology Management, Western Visayas College of Science and Technology (La Paz, Iloilo), Doctor of Science in International Business and

Entrepreneurship, Cavite State University (Cavite); Doctor of Humanities, Western Mindanao State University (Zamboanga); Doctor of Business Management, St. Paul University Philippines (Tuguegarao, Cagayan); Doctor of Institutional Development and Management, Isabela State University (Cauayan, Isabela); Doctor of Humanities, University of Mindanao (Davao City); Doctor of Business and Industrial Management Engineering, Central Philippine University (Iloilo City); Doctor of Humanities in Business and Entrepreneurship, Lyceum-Northwestern University (Dagupan City, Pangasinan); and Doctor of Humanities, San Beda College (Manila). He was chosen as a Lifetime Achievement Awardee by the Dr. Jose P. Rizal Awards for Excellence, adopted to the Ancient Order of the Chamorro and designated Ambassador-at-Large of the U.S. Island-territory of Guam, and conferred the Diploma of Merit by the Socialist Republic of Vietnam, one of the highest honors conferred by the Vietnamese Government on foreign nationals. Dr. Tan was named Outstanding Manilan for the year 2000 by the City Government of Manila and conferred the UST Medal of Excellence in 1999, the highest award given by the Pontifical and Royal University of Santo Tomas. Aside from being named Most Distinguished Bicolano Business Icon in 2005, Dr. Tan was also conferred the following awards: "2003 Most Outstanding Member Award" by the Philippine Chamber of Commerce and Industry (PCCI) in recognition of his altruism and philanthropy, business acumen, hard work and perseverance in his numerous business ventures; Award of Distinction by the Cebu Chamber of Commerce and Industry; Award for Exemplary Civilian Service of the Philippine Medical Association; Honorary Mayor and Adopted Son of Bacolod City; and Adopted Son of Cauayan City, Isabela. He was named Entrepreneurial Son of Zamboanga, awarded as distinguished fellow during the 25th Conference of the ASEAN Federation of Engineering Association, and conferred the 2008 achievement award for service to the chemistry profession during the 10th Eurasia Conference on Chemical Sciences. In recognition of his achievements, the City of San Francisco, U.S.A. declared May 11 of each year as Dr. Lucio Tan's Day in the Bay area. The island-territory of Guam also celebrates Lucio Tan Day on November 2 of every year.

LUCIO K. TAN, JR., 47, Filipino, has been serving as a Director of the Bank since September 28, 2007. He obtained his degree in Bachelor of Science in Civil Engineering (Minors in classical Chinese Mandarin and Mathematics) from the University of California Davis in 1991. He completed the academic requirements for his MBA at the J.L. Kellogg School of Management of Northwestern University and the School of Business and Management of the Hong Kong University of Science and Technology in 2006. He also attended courses in Basic and Intermediate Japanese Language. He works with MacroAsia Corporation, where he held the rank of President and Chief Executive Officer for 7 years. Mr. Tan is currently the President of Tanduy Distillers, Inc. He is a member of the Board of Directors of Bulawan Mining Corporation, PNB Capital and Investment Corporation, PNB Forex, Inc., PNB Management and Development Corporation, Allied Commercial Bank, Phillip Morris Fortune Tobacco Corporation (PMFTC), Inc., Philippine Airlines, Inc., PAL Holdings, Inc., Air Philippines Corporation, MacroAsia Corporation, LT Group, Inc. (Tanduy Holdings, Inc.), Allied Bankers Insurance Corporation, Foremost Farms, Inc. and Eton Properties Phils., Inc., where he is also the OIC. He is an Executive Director of Dynamic Holdings Limited, and Executive Vice President (EVP) and Director of Fortune Tobacco Corporation.

MICHAEL G. TAN, 47, Filipino, was elected as a Director of the Bank on February 9, 2013. He is the President/Director of LT Group, Inc., the holding firm of the Lucio Tan Group of Companies. He also served as a Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013. He is the Chairman of PNB Holdings Corporation and a Director of PNB Forex, Inc., Allied Savings Bank and Allied Banking Corporation (HK) Ltd. He is also the Director/Chief Operating Officer of Asia Brewery, Inc. and a member of the Board of Directors of the following companies: Bulawan Mining Corporation, PNB Management and Development Corporation, Allied Commercial Bank, Abacus Distribution Systems Phils., Inc., Allied Bankers Insurance Corporation, Absolut Distillers, Inc., Air Philippines Corporation, Philippine Airlines, Inc., Philippine Airlines (PAL) Foundation, Inc., PAL Holdings, Inc., Lucky Travel Corporation, Eton Properties Philippines, Inc., Grandway Construct, Inc., Eton City, Inc., PMFTC Inc., Shareholdings, Inc., Tangent Holdings Corporation, and Victorias Milling Company, Inc. He

holds a Bachelor of Applied Science in Civil Engineering degree from the University of British Columbia, Canada.

DEOGRACIAS N. VISTAN, 69, Filipino, was elected as Independent Director of the Bank on August 1, 2011. He obtained his AB and BSBA degrees from the De La Salle University and earned his MBA from Wharton Graduate School, University of Pennsylvania. A seasoned banker, Mr. Vistan's extensive banking experience includes being Chair of United Coconut Planters Bank (2003-2004), Vice Chair of Metropolitan Bank and Trust Company (2000-2001), and President of Equitable-PCI Bank (2001-2002), Solidbank Corporation (1992-2000) and Land Bank of the Philippines (1986-1992). He also served as President of FNCB Finance (1979-1980). Mr. Vistan likewise held various management positions in Citibank Manila, Cebu and New York (1968-1986). He is a former Presidential Consultant on Housing (2002-2003) and President of the Bankers Association of the Philippines (1997-1999). He is currently an Independent Director of PNB Capital and Investment Corporation, PNB (Europe) Plc, PNB International Investments Corporation, and Lorenzo Shipping Corporation. He is also a member of the Board of Directors of U-Bix Corporation and is a member of the Board of Advisors of PNB Remittance Centers, Inc. and PNB Remittance Company (Nevada). He is the Chairman of Creamline Daily Corporation, Landbank Countryside Development Foundation, Inc. and Pinoy Micro Enterprise Foundation, Inc. He is currently a member of the Board of Trustees of the Ramon Magsaysay Award Foundation.

DORIS S. TE, 33, Filipino, was appointed as Corporate Secretary of the Bank on January 20, 2012. She obtained her degree in Bachelor of Science in Business Management in 2001 and earned her Juris Doctor in 2005 from the Ateneo de Manila University. She began her law career as a Junior Associate in Zambrano & Gruba Law Offices and in Quiason Makalintal Barot Torres Ibarra & Sison Law Office. She joined the Bank in 2009. Prior to her appointment, she was Assistant Corporate Secretary and later Acting Corporate Secretary of the Bank. Presently, she also serves as a Director and Corporate Secretary of Valuehub, Inc., a family-owned distribution company.

Board of Advisors:

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

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

The following constitute the Bank's Corporate Governance Committee for the year 2013-2014:

- | | | |
|-------------------------|---|-------------------------|
| Florencia G. Tarriela | - | Committee Chairman |
| Florido P. Casuela | - | Committee Vice Chairman |
| Felix Enrico R. Alfiler | - | Committee Member |
| Reynaldo A. Maclang | - | Committee Member |

Omar Byron T. Mier	-	Committee Member
Christopher J. Nelson	-	Committee Member
Harry C. Tan	-	Committee Member
Lucio K. Tan, Jr.	-	Committee Member
Michael G. Tan	-	Committee Member
Deogracias N. Vistan	-	Committee Member

The following constitute the Bank's Board Audit and Compliance Committee for the year 2013-2014:

Deogracias N. Vistan	-	Committee Chairman
Florido P. Casuela	-	Committee Member
Leonilo G. Coronel	-	Committee Member
Reynaldo A. Maclang	-	Committee Member
Estelito P. Mendoza	-	Committee Member
Florencia G. Tarriela	-	Committee Member

The following are the Executive Officers of the Bank:

OMAR BYRON T. MIER

(Please refer to page 16 of this Information Statement for the profile of Mr. Mier.)

CENON C. AUDENCIAL, JR., 55, Filipino, Executive Vice President, is Head of the Institutional Banking Group. Before joining the Bank in 2009, he headed the Institutional and Corporate Bank of ANZ, prior to which he was a Senior Relationship Manager of Corporate Banking and Unit Head of Global Relationship Banking for Citibank N.A. He previously served as Vice President and Unit Head of Standard Chartered Bank's Relationship Management Group, and was a Relationship Manager in Citytrust Banking Corporation. Before his 20-year stint as a Relationship Manager, he was a Credit Analyst for Saudi French Bank and AEA Development Corporation. Mr. Audencial obtained his Bachelor of Arts in Economics degree from the Ateneo de Manila University.

HORACIO E. CEBRERO III, 52, Filipino, Executive Vice President, is Head of the Treasury Group. He obtained his Bachelor of Science in Commerce degree, Major in Marketing, from the De La Salle University. Prior to joining PNB, he was an Executive Vice President and the Treasurer of EastWest Banking Corporation. He also held the post of Senior Vice President and Deputy Treasurer of Rizal Commercial Banking Corporation, Vice President Head of the Foreign Exchange Desk of Citibank Manila and Vice President/Chief Dealer of the Treasury Group of Asian Bank Corporation. He brings with him 30 years of experience in the banking industry starting from Loans and Credit, Branch Banking, Fixed Income Sales, Trust Banking, Foreign Exchange and Fixed Income Trading, Portfolio Management and other Treasury-related activities.

CHRISTOPHER C. DOBLES, 70, Filipino, Executive Vice President, is Head of the Corporate Security Group and designated as the Bank's Chief Security Officer. He is also the concurrent Chief Security Officer of Allied Savings Bank. He serves as the Chairman of the Administrative and Investigation Committee, the Committee on Decorum and Investigation and Member of the Labor Management Committee, PNB Regular Retirement Board and Promotions Committee A and B. He was also the former Head of Allied Bank's Credit Investigation and Appraisal Department and was appointed as the Internal Affairs Officer of the Anti Fraud Committee. He was a member of the Allied Bank's Senior Management Committee and the Promotions Committee. He holds a Bachelor of Arts degree from the University of Sto. Tomas and took up units in Masters in Business from the Ateneo Graduate School. He was a commissioned officer with the rank of Major in the Philippine Constabulary Reserve Force. Prior to becoming Bank Security Officer, he held key positions with the Allied Banking Corporation including Head of the Corporate Affairs. He was with Allied Bank since 1977 starting as Assistant Manager of the Corporate Affairs and Security Department. He was a former President of the Bank Security Management

Association (BSMA) and was consistently elected as a member of the Association's Board of Director up to present.

JOVENCIO B. HERNANDEZ, 61, Filipino, Executive Vice President, is Head of the Retail Banking Group. A Certified Public Accountant, he obtained his Bachelor of Science in Commerce degree, Major in Accounting, from the De La Salle College. Prior to joining PNB, he was a Senior Vice President and Head of the Consumer Banking Group of Security Bank and was also Senior Vice President for Retail Banking of Union Bank of the Philippines in 2004, Commercial Director of Colgate Palmolive in 1996, Senior Country Operations Officer of Citibank in 1995, and Group Product Manager of CFC Corporation and Unilever in 1982 and 1980, respectively. He was formerly the President of Security Finance in 2004 and First Union Plans in 2003. He was also a Director of SB Forex and Security-Phil Am. He served as Treasurer, Director and Executive Committee Member of Bancnet in 2004.

RAMON EDUARDO E. ABASOLO, 50, Filipino, First Senior Vice President (FSVP), is Head of the Flexcube Operations Division. He obtained his Bachelor of Science in Management Engineering degree from the Ateneo de Manila University. He began his career in technology in 1985 with Citibank Philippines and worked in Citibank Tokyo from 1990 to 1998. He served as Country Technology Head for Citibank Philippines and Country Technology Infrastructure Head for Citibank Indonesia. Before joining PNB in 2010, he was Senior Vice President for IT in Banco de Oro.

YOLANDA M. ALBANO, 63, Filipino, First Senior Vice President, is Head of the Bank's Commercial Banking Group. She was previously the First Senior Vice President and Head of Allied Bank's Institutional Banking Group, comprised of the Account Management Division and the Merchant Banking Division. She joined Allied Bank in 1977, starting off as an Account Officer at the Business Development Division and moving on as Head of the Credit and Research Department, concurrent Head of the Corporate Affairs Department, Head of the Account Management Division, and ultimately, Head of the Institutional Banking Division. At present, she is a member of the Financial Executives Institute of the Philippines (FINEX). She is a past President of the Bank Marketing Association of the Philippines (BMAP) and the Credit Management Association of the Philippines (CMAP). She is also a past President of the College of the Holy Spirit Alumnae Foundation. Ms. Albano completed her AB-Economics degree in three (3) years with a Dean's Award for Academic Excellence from the University of the Philippines.

ALICE Z. CORDERO, 57, Filipino, First Senior Vice President, was appointed Chief Compliance Officer of the Bank on June 16, 2010 with oversight on the Parent Bank including all subsidiaries, affiliates and foreign branches. She is concurrently the Corporate Governance Executive of the Bank. She obtained her degree of Bachelor of Science in Business Economics from the University of the Philippines-Diliman, Q.C. She has earned units in Masters in Business Administration at the Ateneo Graduate School of Business. Prior to joining the Bank, she was the Chief Compliance Officer of Allied Banking Corporation (2007-2010). She worked with Citibank N.A - Manila Branch (1988-2007) for nineteen (19) years and held various senior positions in the Consumer Banking Group, including Compliance and Control Director (2000-2005) and concurrent Regional Compliance and Control Director for Philippines and Guam (2004). Her 31 years of banking experience include working for Allied Banking Corporation (1979-1983; 2007-2010), First National Bank of Chicago - Manila Branch (1983-1986), Far East Bank and Trust Company (1986-1988) and Citibank N.A. - Manila Branch (1988-2007), holding department head positions in Credit Policy, Credit & Research Management, Financial Control, Corporate Regulatory Reporting, Asset Strategy, Business Development, Risk Management and Compliance.

SOCORRO D. CORPUS, 62, Filipino, First Senior Vice President, is Head of the Human Resource Group. A graduate of the Assumption College with a Bachelor of Arts degree, Major in Psychology as well as an Associate in Commercial Science degree, she has been an HR practitioner for almost 40 years. She started her career with China Banking Corporation in 1973 as an HR specialist prior to joining the Allied Banking Corporation in

1977 as an Assistant Manager. Her professional affiliations include the following: founding member and a Board Member of the Organization Development Professional Network (ODPN), past President and member of the Bankers' Council for People Management, member of the Personnel Management Association of the Philippines, and the regular Bank representative to the Banking Industry Tripartite Council.

ZACARIAS E. GALLARDO, JR., 64, Filipino, First Senior Vice President, was appointed as Chief Financial Officer and Head of the Financial Management and Controllershship Group of the Bank on October 1, 2012. Mr. Gallardo, a Certified Public Accountant, obtained his degree of Bachelor of Science in Commerce (Summa Cum Laude) from the Far Eastern University in 1969. He has earned units for his Masters in Business Administration degree at De La Salle College, Bacolod City. He served the Central Bank of the Philippines for 24 years where he was extensively exposed to all phases of banking. He worked with consultancy firms and published a reference book on Regulations on Trust and Fiduciary Business and Investment Management Activities. He joined Allied Bank in 1996 and served as the bank's Controller from 2001 until he joined PNB in 2012. He also headed the Allied Bank's ICAAP Core Team and Business Continuity unit.

MIGUEL ANGEL G. GONZALEZ, 55, Filipino, First Senior Vice President, is the Chief Credit Officer and Head of the Credit Management Group. He entered the Bank in March 2010 as Senior Vice President for Commercial Banking Group. He obtained his Bachelor of Science in Industrial Engineering degree from the University of the Philippines and Masters in Business Management degree from Asian Institute of Management. He started his banking career with Citibank NA in 1984. He then headed the Branch Banking Group of Land Bank of the Philippines in 1989 then joined Union Bank of the Philippines in 1994 where he was Senior Vice President and head of Credit and Market Risk Group. In 2007, he became the Country Manager for Genpact Services LLC.

RAMON L. LIM, 62, Filipino, is the President and CEO of PNB Securities, Inc., a wholly-owned subsidiary of the Bank. A Certified Public Accountant, he obtained his Bachelor of Science in Commerce degree, Major in Accounting (Magna Cum Laude), from the University of San Carlos in April 1971. He completed his Masters in Business Management at the Asian Institute of Management (AIM) in 1980 as a full scholar under the Post-graduate Scholarship Program of Citibank Manila where he worked from 1975 to 1993. He began his overseas postings at Citibank's Head Office in New York in 1984; next, at its Taipei Branch as Vice President and Deputy Treasurer; and finally, at its Hong Kong Regional Office as Senior Trader and Currency Fund Manager. He then moved to become the Managing Director of Solid Pacific Finance Ltd., Hong Kong from 1993 to 1995, and Investment Manager of MHK Properties and Investment Ltd, HK from 1996 to 1997. He was Treasurer, then Business Manager of the Trust Group of Union Bank of the Philippines from 1997 to 2002. He joined the Bank in November 2002 as Deputy Head of the Treasury Group. He was designated as Head of International and Branch Offices Sector in 2005 and 2006. He was re-assigned back to the Treasury Group as its Head in January 2007 until July 2010. He was designated the Chief of Staff of the PNB President from May 2010 until July 2011, at that time, in concurrent capacity as President and CEO of PNB Securities, Inc. He has been a Fellow of the Institute of Corporate Directors since May 2011.

JOHN HOWARD D. MEDINA, 44, Filipino, First Senior Vice President, has been the Head of the Global Operations Group since 2009. The Group manages the operations and back-office support units in the Philippines and overseas branches in the United States, Asia-Pacific and Europe. He is also the Integration Director who coordinates all efforts to complete the operational merger of PNB with Allied Banking Corporation. Mr. Medina has a Bachelor of Science in Industrial Engineering from the University of the Philippines and an MBA from the Shidler College of Business at the University of Hawai'i at Manoa. He was an East-West Center Degree Fellow and the recipient of a full scholarship while at the University of Hawai'i. He also attended the Handelshøjskolen i Århus (The Aarhus School of Business), Pacific Asian Management Institute and the European Summer School for Advanced Management for additional graduate studies. Prior to joining PNB in 2004, he was a pioneer in the process and technology banking practice in the nineties when he helped transform the Asian operations of one of the largest multinational banks. He

subsequently established a private consulting practice in the United States, helping set up operations and technology initiatives of large financial institutions. Mr. Medina also worked with Union Bank of the Philippines where he conceptualized and implemented electronic banking products and services.

EDGARDO T. NALLAS, 56, Filipino, is the President and CEO of Japan-PNB Leasing and Finance Corporation (JPNBL) and its subsidiary, Japan-PNB Equipment Rentals Corporation (JPNBERC). He has 35 years of experience in various areas of banking particularly in Human Resources Management, Account Management and Branch Banking. He was formerly the Head of PNB Human Resources Group with the rank of First Senior Vice President. He obtained his degree in AB Economics (Accelerated) from the De La Salle University in 1977 and has earned units in Masters in Business Administration (MBA) from said school. He started his career in Human Resource in 1977 with PhilBanking Corporation. Prior to PNB, he held various HR positions at SolidBank Corporation (1992–1995), BA Savings Bank (1997) and Philippine Bank of Communications (1998–2005).

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

AIDA M. PADILLA, 64, Filipino, is First Senior Vice President and Head of the Remedial Management Division. She is chief strategist for problem and distressed accounts. A seasoned professional, she rose from the branch banking ranks at the Philippine Banking Corporation to become Vice President for Marketing of its Corporate Banking Group. She obtained her Bachelor of Science in Commerce degree, Major in Accounting, from St. Theresa's College.

CARMELA A. PAMA, 57, Filipino, First Senior Vice President, is the Bank's Chief Risk Officer. A Certified Public Accountant, she obtained her Bachelor of Science in Business Administration and Accountancy degree from the University of the Philippines and Masters in Business Administration degree from the Stern School of Business, New York University. She started her banking career with Citibank N.A. (Phils.) where she held various positions in the areas of Treasury Trading and Marketing, and Operations and Quality Development. She left Citibank with the rank of Vice President and moved to Banco Santander to open its operations in the Philippines. She moved back to Citibank, N.A. (Phils.) in 1996 to head various operation units. Prior to joining PNB on October 9, 2006, she was a Consulting Services Practice Manager at Oracle Corporation (Phils.) from 1999 to 2005. Her stint as CRO of the Bank since October 2006 has developed her proficiency in all facets of banking operations and has rounded off her skills in enterprise risk management. In 2010, she co- led the implementation of the Bank's ICAAP (Internal Capital Adequacy Assessment Process) and has successfully institutionalized the process. She has worked closely with the Bank's board level Risk Oversight Committee in the effective oversight of the various risks faced by the Bank. She has also been closely involved in the merger/integration activities for

PNB and Allied Bank. Her 30 years of corporate experience has provided her with a well-rounded expertise in the operations, technology and risk management areas of the Bank.

EMMANUEL GERMAN V. PLAN II, 61, Filipino, First Senior Vice President, is Head of the Special Assets Management Group. He holds a Bachelor of Science Degree in Commerce, Major in Accounting, from the University of Santo Tomas and took up Masteral Studies at the Letran College. Prior to joining the Bank, he was Senior Vice President of the Special Assets Group of Allied Banking Corporation. He concurrently held the position of Senior Vice President of State Investment Trust and State Properties Corporation. He also acted as Managing Director of Bear Stearns State Asia and Northeast Land Development Corporation. He has exposure in investment banking, account management, credit and collection. He has been involved in acquired assets management and in real estate development since 1997. Mr. Plan is also into social, religious and charitable undertakings through his active involvement in different educational and religious foundations like Sambayan Educ. Foundation, Inc., LSQC Scholarship Foundation, UST-EHSGAA and Magis Deo, to name a few.

ELFREN ANTONIO S. SARTE, 54, Filipino, First Senior Vice President, is the President/Director of Allied Savings Bank. He used to Head the Consumer Finance Group and the Consumer Credit and Collection Division of PNB. He obtained his Bachelor of Science in Industrial Management Engineering degree, Minor in Mechanical Engineering, from the De La Salle University. From 1995 to 2010, he was connected with the Union Bank of the Philippines, holding various positions the latest of which was First Vice President and Head of Retail Risk Management Division responsible for the management and approval of consumer loan portfolio such as Housing Loans, Auto Loans and Credit Cards. He was also concurrent Head of Retail Collections (2008-2009). From 1983 to 1995, he was the Business Unit Manager of Credit Information Bureau, Inc. (CIBI). He was also a Rating Analyst with the Credit Rating Division of CIBI.

RAFAEL Z. SISON, JR., 58, Filipino, holds a Bachelor of Science in Business Administration degree, Major in Management, from the Ateneo de Davao University. He was appointed as First Senior Vice President and Head of the Branch Banking Group in February 2013 when Allied Bank became Philippine National Bank. He has an extensive experience in both Branch Banking sales and operations. He started his career in the Bank of the Philippine Islands in 1978 and went up the corporate ladder in various banks with stints at Citytrust Banking Corporation (1987-1994), Solid Bank (1994-2000), United Overseas Bank (2000), Rizal Commercial Banking Corporation (2000-2002), Chinatrust Commercial Bank Corporation (2002-2006), and Philippine National Bank (2006-2010), Allied Banking Corporation (2010-2011), Planters Development Bank (2011), and Allied Banking Corporation (2011-2013).

EMELINE C. CENTENO, 55, Filipino, Senior Vice President, is Head of the Corporate Planning and Research Division. She obtained her Bachelor of Science in Statistics degree (Dean's Lister) and completed the coursework in Master of Arts in Economics (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division and the Corporate Planning Division before assuming her present position as Head of the merged Corporate Planning and Research Division. Ms. Centeno was awarded as one of the Ten Outstanding Employees of the Bank in 1987.

DIOSCORO TEODORICO L. LIM, 58, Filipino, Senior Vice President, is Chief Audit Executive (CAE) of the Bank. A Certified Public Accountant, he holds a Bachelor of Science in Commerce degree, Major in Accounting, from the University of San Carlos-Cebu. He started his career in 1976 with SGV as a Staff Auditor, and after a year was Field in Charge until 1978 before joining Allied Banking Corporation in 1979 as a Junior Auditor. He rose from the ranks to become an Audit Officer in 1986, and in 2000, was designated as Head of the Internal Audit Division until his appointment as CAE of PNB on February 9, 2013. He also served as Compliance Officer of Allied Savings Bank (seconded officer) from August 2001 to August 2006. He is a member of the Institute of Internal Auditors (IIA) Philippines,

Association of Certified Fraud Examiners (ACFE)-Philippines and Philippine Institute of Certified Public Accountants.

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

MANUEL C. BAHENA, JR., 51, Filipino, First Vice President, is the Officer-in-Charge of the Legal Group. He joined PNB in 2003 and was appointed as Head of Documentation and Research Division of the Legal Group in 2009. Before joining PNB, he was the Corporate Secretary and Vice President of the Legal Department of Multinational Investment Bancorporation. He also formerly served as Corporate Secretary and Legal Counsel of various corporations, among which are: the Corporate Partnership for Management in Business, Inc., Orioxy Investment Corporation, Philippine Islands Corporation for Tourism and Development, Cencorp (Trade, Travel and Tours), Inc., and Central Bancorporation General Merchants, Inc. He obtained his Bachelor of Science in Business Administration degree from Lyceum of the Philippines in 1981 and his Bachelor of Laws degree from Arellano University in 1987.

JOSEPHINE E. JOLEJOLE, 52, Filipino, First Vice President, is the Bank's Officer-in-Charge of the Trust Banking Group. She obtained her Bachelor of Science in Business Economics from the University of the Philippines' School of Economics. Likewise, she finished her Bachelor of Laws from University of the Philippines' College of Law. She has been in the banking industry for 26 years in various fields such as Account Management for both Corporate Banking and Retail Banking, Compliance and Risk Management, Marketing, Portfolio Management and Legal for Trust. Prior to joining the Bank, she was the Trust Officer and Head of Trust Banking at Union Bank of the Philippines. She is a member of the Board of Trustees of the Trust Institute Foundation of the Philippines and a lecturer at the One Year Course on Trust Operations and Management, a BSP-accredited training program on trust business, since 2006.

CONSTANTINO T. YAP, 50, Filipino, Vice President, is Head of the Information Technology Group. He was hired by Allied Banking Corporation on October 1, 2007 as Assistant Vice President for the Special Projects Section of the IT Division. Prior to joining Allied Bank, he was the Dean of the College of Engineering and College of Computer Studies and Systems at the University of the East (Manila campus) from May 2005 to May 2007, and was the Assistant Dean of the College of Computer Studies at Lyceum of the Philippines from May 2004 to May 2005. He worked as an IT Consultant for various call centers and B2B firms from August 2002 to May 2004. He was the Technical Consultant for the horse racing totalizator project at Manila Jockey Club and as Vice President for Betting Operations at the Philippine Racing Club from 1996 to 2000. From 1994 to 1996, he helped managed their family's construction business. While living in the US from 1988 to 1994, he was a computer telephony programmer and systems analyst that provided promotions and marketing services running on IVRS (interactive voice response systems) for Phoneworks, Inc., American Network Exchange Inc., and Interactive Telephone Inc. He obtained a degree of Bachelor of Engineering in Electrical from Pratt Institute, Brooklyn, New York, USA in 1984 and earned his Master of Science in Electrical Engineering at Purdue University, West Lafayette, Indiana, USA in 1986.

JANETTE Y. ABAD SANTOS, 44, Filipino, Vice President, is Acting Head of the Marketing Services Group. She obtained her Bachelor of Science in Management Engineering degree from the Ateneo de Manila University. She started her career in 1991 and held various positions in product development, marketing, advertising, and sales at San Miguel Foods, Inc., Lintas Advertising, Shopping Network, Inc., Shangri-la Mall, among others. Prior to joining PNB, she also had an entrepreneurial business on exports worldwide as well as nationwide sales and marketing via TV shopping and text-on-TV.

MODETTE INES V. CARIÑO, 42, Filipino, Vice President, is Acting Head of the Consumer Finance Group. She obtained her Bachelor of Science in Commerce, Major in Accounting, from the De La Salle University. She started her career as Marketing Assistant for Consumer Loans in 1994 and has joined several financial institutions such as Bank of Southeast Asia, International Exchange Bank and Union Bank. She was connected with Security Bank as Auto Loans Head to establish consumer loans business of the bank prior to joining PNB. She was hired by the Bank as Product Manager for Motor Vehicle Loans and eventually appointed as Head of the 14 Regional Consumer Finance Centers.

(b) Identify Significant Employees

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

(c) Family Relationships

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

(d) Involvement in Certain Legal Proceedings

None of the Directors or any of the Executive Officers have, for a period covering the past five (5) years, reported:

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

(e) Certain Relationships and Related Transactions

In the ordinary course of business, the Bank has loans and other credit accommodations and guarantees granted to its subsidiaries, affiliates, and Directors, Officers, Stockholders and Related Interest (DOSRI). These loans and other related party transactions are made substantially on the same terms as other individuals and businesses of comparable risk. The individual ceiling of the total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI are limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank, provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI individuals shall not exceed 30% of their respective total loans, other credit accommodations and guarantees. In aggregate, DOSRI loans should not exceed 15% of the Bank's total loan portfolio or 100% of net worth,

whichever is lower. As of December 31, 2013 and December 31, 2012, the Bank is in compliance with such regulations.

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) Executive Compensation

(a) General

The annual compensation of executive officers consists of a 16-month guaranteed cash emolument. Directors, on the other hand, are entitled to a reasonable per diem for each Board or Board Committee meeting attended. Total per diem given to the Board of Directors of the Bank for the years 2012 and 2013 amounted to ₱4.275 million and ₱17.815 million, respectively.

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

(b) Summary Compensation Table

Annual Compensation (In Pesos)					
Name and Principal Position	Year	Salary	Bonus	Others	Total
Omar Byron T. Mier President & Chief Executive Officer (CEO)					
Four most highly compensated executive officers other than the CEO					
1. Anthony Q. Chua ^{1/} Senior Executive Vice President					
2. Horacio E. Cebrero III Executive Vice President					
3. Christopher C. Dobles Executive Vice President					
4. Jovencio B. Hernandez Executive Vice President					
CEO and Four (4) Most Highly Compensated Executive Officers	Actual 2012	24,864,276	7,990,083	-	32,854,359
	Actual 2013	30,364,256	7,705,872	-	38,070,128
	Projected 2014	36,400,000	9,300,000	-	45,700,000
All other officers and directors (as a group unnamed)	Actual 2012	794,199,788	271,592,114	-	1,065,791,902
	Actual 2013 ^{2/}	1,573,877,191	516,977,906	-	2,090,855,097
	Projected 2014	1,888,600,000	620,400,000	-	2,509,000,000

^{1/} Resigned effective September 1, 2013

^{2/} Including data of former Allied Banking Corporation

(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

(d) Warrants and Options Outstanding: Repricing

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

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

The auditing firm of SyCip Gorres Velayo & Co. (SGV & Co.) is the incumbent external auditor of the Bank for the fiscal year 2013. The Bank intends to retain SGV & Co. as its external auditor for the year 2014. This requires the endorsement of the Board Audit and Compliance Committee with the approval of the Board of Directors and ratification by the stockholders during the Annual Stockholders' Meeting of the Bank.

Ms. Vicky B. Lee-Salas is the SGV & Co. partner in charge of the Bank last year. In accordance with the amended SRC Rule 68 (3)(b)(ix), there is no need at this time to change the audit partner for the Bank.

The representatives of SGV & Co. are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they so desire, and/or to respond to appropriate questions.

There were no changes in, or disagreement with, the Bank's accountants on any accounting and financial disclosure during the two most recent fiscal years or any subsequent interim period.

OTHER MATTERS

Item 8. AMENDMENT OF THE ARTICLES OF INCORPORATION AND BY-LAWS

The following will be presented for approval of the stockholders during the Annual Stockholders' Meeting, viz:

1. Approval of the Amendment of Article II of the Articles of Incorporation and Section 1.1, Article I of the Amended By-Laws in compliance with SEC Memorandum Circular No. 6, Series of 2014, to state the specific address of the principal office of the Bank; and
2. Approval of the Amendment of Section 4.2, Article IV of the Amended By-Laws in accordance with Section 51 of the Corporation Code, to allow the Bank to hold its stockholders' meetings anywhere in Metro Manila.

Item 9. ACTION WITH RESPECT TO REPORTS

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

1. Approval of the Minutes of the 2013 Annual Stockholders' Meeting held on May 28, 2013

Among others, the salient matters approved at the meeting of the stockholders in 2013 are as follows:

- a. Approval of the increase in authorized capital stock of the bank from ₱50,000,000,040.00 divided into 1,250,000,001 common shares with a par value of forty pesos (₱40.00) per share to ₱70,000,000,040.00 divided into 1,750,000,001 common shares with a par value of forty pesos (₱40.00) per share
- b. Approval of the amendment of Article VII of the Articles of Incorporation to reflect the aforementioned increase in the authorized capital stock of the Bank
- c. Election of Directors
- d. Appointment of External Auditor

2. Approval of the 2013 Annual Report

A copy of the 2013 Annual Report will be made available at the venue of the Annual Stockholders' Meeting.

3. Ratification of all Acts and Proceedings of the Board of Directors and Corporate Officers since the 2013 Annual Stockholders' Meeting

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

Copies of the Minutes of the Meetings of the Board of Directors may be examined by the stockholders of record as of April 28, 2014 at the Office of the Corporate Secretary during business hours.

Item 10. OTHER ACTIONS

(a) Election of Directors

Fifteen (15) Directors will be elected for the year 2014.

(b) Appointment of External Auditor

The Bank intends to retain SyCip Gorres Velay (SGV) & Co. as its external auditor for the year 2014. This requires the endorsement of the Board Audit and Compliance Committee with the approval of the Board of Directors and ratification by the stockholders during the Annual Stockholders' Meeting of the Bank.

SGV has the advantage of having historical knowledge of the business of PNB and its subsidiaries and affiliates, having been the appointed external auditor of PNB in 2013 and prior years.

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

Item 11. VOTING PROCEDURES

The affirmative vote of the stockholders present in person or by proxy representing at least a majority of the stockholders present at the meeting shall be sufficient to carry the vote for any of the matters submitted to a vote at the Annual Stockholders' Meeting, except for Items 6, 7 and 9 of the Agenda, on the amendment of the Articles of Incorporation, By-Laws and election of directors.

For Item 6, on the amendment of Articles of Incorporation and By-Laws, the favorable vote of the stockholders representing at least 2/3 of the outstanding capital stock of the Bank is required. For Item 7, on the amendment of the Bank's By-Laws, the favorable vote of the stockholders representing at least a majority of the outstanding capital stock of the Bank is required.

For Item 9, on election of directors, the fifteen (15) nominees garnering the highest number of votes from the stockholders present or represented by proxy shall be elected directors for the ensuing year.

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

- a) Every stockholder entitled to vote shall have the right to vote, either in person or by proxy, the number of shares registered in his name on record as of the close of business hours on April 28, 2014. Only written proxies, signed by the stockholders and duly presented to the Corporate Secretary on or before May 22, 2014 for inspection and recording, shall be honored for purposes of voting.
- b) For purposes of electing directors, the system of cumulative voting shall be followed. Each stockholder has a number of votes equal to the number of shares he owns, times the number of directors to be elected. Under this voting system, the stockholder has the option to (i) cast all his votes in favor of one (1) nominee, or (ii) distribute those votes under the same principle among as many nominees as he shall see fit. Only candidates duly nominated shall be voted upon by the stockholders entitled to vote or by their proxies.
- c) Unless required by law, or upon motion by any stockholder, voting need not be by ballot and may be done by show of hands.
- d) The manner of election and the counting of the votes to be cast shall be under the supervision of the Corporate Secretary.

Item 12. CORPORATE GOVERNANCE

PNB fully believes in and abides by the core tenets of good corporate governance: accountability, transparency and integrity. This is clearly and meticulously stipulated in the Bank's Amended By-Laws and Articles of Incorporation, Code of Conduct and Corporate Governance Manual. PNB's perpetual observance of best practices and business ethics are also highly evident in the Bank's approach and relationships with its clients, investors, stockholders, external parties and companies which have dealings with the Bank, the communities affected by the Bank's activities and its various publics; the staunch professionalism exhibited by its Board of Directors, senior management team and other officers in proficiently managing the organization, its subsidiaries and affiliates; and its unwavering respect for the laws and regulations of the countries affecting the Bank's overseas businesses.

PNB steadfastly adheres to a philosophy of rational checks and balances. As testament to this thrust, the Bank's operations is managed through a well-instituted organizational structure and stringent policies and procedures, both of which are thoroughly articulated in the manuals approved by the management committees and the Board. These manuals are consistently subjected to periodic review in order to be up-to-date with contemporary laws and regulations and to conform with current international standards. The Bank's Corporate Governance and Related Party Transaction (RPT) frameworks are embodied in the Corporate Governance Manual and aligned with the recently issued regulatory guidelines and the latest reportorial disclosures for entities within the group structure and significant transactions among related parties. PNB has formulated and adopted the Policy on Related Party Transaction (RPT) in accordance with the provisions of the Revised Code of Corporate Governance and Securities Regulation Code.

The Bank is a proud recipient of the Silver Award for Good Corporate Governance from the Institute of Corporate Directors (ICD) for two consecutive years (2011- 2012). This award recognizes PNB's existing organization composed of upstanding corporate directors and a dedicated senior management team devoted to the professional practice of corporate directorship in line with global principles of modern corporate governance.

Board of Directors

The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance, and corporate values. The Board exercises firm objectivity in handling all transactions including those

under DOSRI and other related parties and ensures that dealings on related party transactions are conducted at arms length basis and with the best interests of the Bank in mind.

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

The 15-member Board of Directors, which includes four (4) Independent Directors, is comprised of highly qualified business professionals with excellent scholastic credentials. In the board, two (2) directors were inducted “fellows” while one was certified as an “associate” by the Institute of Corporate Directors (ICD) in recognition of their distinguished reputations and commitment to the highest standards of corporate governance principles, ethics and social responsibility. The Board collectively holds a broad range of expertise and related banking experiences. In order to further hone these competencies, its members undergo continuous training so as to further provide value to the strengthening and upholding of the Bank’s good corporate governance practices.

Recognizing the importance of neutrality in the Board, an independent director (Florencia G. Tarriela) has been serving as Chairman of the Board since 2005. Moreover, independent directors also act as Chairman of various Board Committees such as: the Board Credit & Policy Committee (formerly Executive Committee), the Corporate Governance/Nomination/Remuneration Committee, the Board ICAAP Steering Committee, the Board Overseas Offices Oversight Committee, the Board Audit and Compliance Committee, the Trust Committee and the Board Oversight RPT Committee. The Board’s independent directors also serve as members of the Risk Oversight Committee, wherein the Chairman is a non-executive director and the former president of a specialized government bank with a universal banking license. In these Board committees, the independent directors play an active role in the formulation of the business strategies and priorities of the Bank as stipulated in the Board-approved Five Year Strategic Business Plan of the Bank, its subsidiaries and affiliates. The Board and its committees regularly review and improve PNB’s corporate governance policies to provide consistency in the corporate governance framework of the Bank, its subsidiaries and affiliates.

Board Committees

The eight (8) Board Committees have been instrumental in setting the tone for the corporate governance practices of the Bank.

- The Board Credit & Policy Committee (formerly Executive Committee) was created to perform all the functions and duties that the Board may confer upon it in accordance with law and the By-Laws of the Bank.
- The Board Audit and Compliance Committee is tasked to oversee the integrity of the Bank’s financial statements, internal controls and compliance with legal and regulatory requirements.
- The Board Overseas Offices Oversight Committee, created in June 2012, oversees the Banks’ international operations and is tasked to preserve its long-term viability consistent with the Bank’s strategic goals.
- The Risk Oversight Committee has the primary task of assisting the Board in the management of potential risks which the Bank may be exposed to, as well as the development of risk management strategies in order to prevent losses and minimize financial impact of losses.
- The Corporate Governance/Nomination/Remuneration Committee ensures the Board’s effectiveness and adherence to corporate governance principles and guidelines; the selection of members of the Board, as well as senior executives of the Bank; and the appointment of Board members in the respective Board committees.

- The Board ICAAP Steering Committee was created to perform periodic evaluation and approval of the Bank's capital planning and risk assessment policies and procedures and to provide active oversight on the consistent adoption of the Bank's ICAAP Program.
- The Trust Committee provides direction for PNB's trust business and management of its trust assets, fiduciary accounts, investments and trust services.
- The Board Oversight RPT Committee was created in September 2013 to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders.

Operations Management

The responsibility of managing the day-to-day operations of PNB, as well as the implementation its major business plans, rests in the competent hands of the Bank's President and Chief Executive Officer. Meanwhile, the deliberation of critical issues, policies and guidelines are designated to the following management committees: Senior Management Committee, Asset and Liability Committee, Senior Management Credit Committee, Information Technology Governance Committee, Non-Performing Assets Committee, Acquired Assets Disposal Committee, Promotions Committee, Operations Committee, Product Committee, Bids and Awards Committee, Information Technology Evaluation Committee, Senior Management ICAAP Steering Committee, AML Review Committee and Integration Monitoring Committee. A majority of the aforementioned management committees has the President as its Chairman, with the committee members being composed of the Bank's Senior Management Team and key officers of the various business segments such as the Risk Management Group, the Office of the Chief Legal Counsel, the Internal Audit Group and the Global Compliance Group. The composition and appointment of these senior officers in these respective management committees are assessed periodically and reorganized as necessary in line with PNB's business priorities. Meetings of these management committees are conducted in a manner that promotes open communication and participation and ensures the timely resolution of issues. The Bank's business plans, as well as significant issues affecting the Bank and its consequent resolutions, are discussed during such meetings. After deliberation in management committee meetings, these matters are then escalated to the level of the Board in line with the strong culture of accountability and transparency embedded in PNB.

Compliance System

The Bank's compliance system ensures the security and reliability of PNB's operations. This system, which is supported by a comprehensive compliance program, fully adheres to banking laws, rules and regulations and systematically maintains an environment that is governed by the highest standards of good corporate governance.

The Chief Compliance Officer is directly responsible for the effective implementation and management of the enterprise compliance system covering PNB – as the parent bank – and its subsidiaries and affiliates. As appointed by the Board of Director, the Chief Compliance Officer also serves as Corporate Governance Executive tasked to assist the Board and the Corporate Governance Committee in the discharge of their corporate governance oversight functions in order to further uphold good corporate governance.

The Global Compliance Group, which reports directly to the Board Audit and Compliance Committee, is primarily responsible for promoting adherence and compliance of corporate policies and procedures, international best practices, and the laws and regulations of different jurisdictions. The Group is strategically divided into five (5) major divisions: the Global AML Compliance Division, the Regulatory Compliance Division, the Business Vehicle Compliance Division, the Global Compliance Testing Review Division and the Corporate Governance Monitoring Division, which directly assists the Chairman of the Board in compliance-related matters.

PNB's existing Compliance Program defines the seven (7) key elements of an effective compliance framework as the following: a proactive Board and executive level oversight, an

effective compliance organizational structure, standardized policies and procedures across all businesses, periodic monitoring and assessment, robust Management Information Services (MIS) and compliance reporting, comprehensive compliance and AML awareness training, and independent compliance testing reviews. This program has been properly disseminated to all concerned parties – PNB (the parent bank), its local and foreign subsidiaries and affiliates – and is consistently being implemented in the various banking units, branches and business vehicle entities.

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

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

UNDERTAKING TO PROVIDE ANNUAL REPORT

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

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

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasay on March 26, 2014.

PHILIPPINE NATIONAL BANK

by:


DORIS S. TE
Corporate Secretary



MANAGEMENT REPORT

Item 1. Business

A. Business Development

The Philippine National Bank (PNB or the “Bank”), the country’s first universal bank, is the fourth largest private local commercial bank in terms of assets based on PNB’s published Statement of Condition as of December 31, 2013. The Bank was established as a government-owned banking institution on July 22, 1916. As an instrument of economic development, the Bank led the industry through the years with its agricultural modernization program and trade finance support for the country’s agricultural exports, pioneering efforts in the Overseas Filipino Workers (OFW) remittance business, as well as the introduction of many innovations such as Bank on Wheels, computerized banking, ATM banking, mobile money changing, domestic traveler’s checks, and electronic filing and payment system for large taxpayers. PNB has the widest overseas office network and one of the largest domestic branch networks among local banks.

In 2011 and 2012, PNB was given the Silver Award for Good Corporate Governance from the Institute of Corporate Directors (ICD) in recognition of its professional practice of corporate directorship in line with global principles of good governance.

In 2012 and 2013, the Bangko Sentral ng Pilipinas (BSP) awarded PNB as the Top Commercial Bank in Generating Remittances from Overseas Filipinos for two years in a row. PNB was also elevated by the BSP as a Hall of Fame Awardee for Best Commercial Bank Respondent on Overseas Filipino Remittances for having won the award for four straight years (2005-2008).

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

B. Business Description

1. Product and Services

PNB, through its Head Office and 656 domestic branches/offices and 80 overseas branches, and representative offices, remittance centers and subsidiaries, provides a full range of banking and financial services to large corporate, middle-market, small and medium enterprises (SMEs) and retail customers, including OFWs as well as to the Philippine National Government, national government agencies (NGAs), local government units (LGUs) and government owned and controlled corporations (GOCCs) in the Philippines. PNB’s principal commercial banking activities include deposit-taking, lending, trade financing, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, and comprehensive trust, retail banking and other related financial services.

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

Institutional Banking Group

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

Retail Banking Group

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

Consumer Finance Group

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

Global Filipino Banking Group

The Global Filipino Banking Group covers the Bank's overseas offices which essentially provide convenient and safe remittance services to numerous OFWs abroad and full banking services in selected jurisdictions. PNB has the largest overseas network among Philippine banks with 80 branches, representative offices, remittance centers and subsidiaries in the United States of America (USA), Canada, Europe, the Middle East and Asia. PNB also maintains correspondent relationships with 1,120 other banks and financial institutions worldwide.

Treasury Group

The Treasury Group is principally responsible for managing the Bank's funding and liquidity requirements as well as its investment and trading portfolio. The Treasury Group engages the treasury operations of the Bank and its subsidiaries. It also monitors PNB's compliance with the reserve requirements and guidelines of the BSP. It further engages in inter-bank lending/borrowing, investment in peso and foreign exchange denominated bonds and securities, currency trading, equities trading and investment in structured products.

Trust Banking Group

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

Remedial and Credit Management Group

The Remedial and Credit Management Group was established to focus on reducing the level of the Bank's non-performing loans (NPLs) to within the industry average.

Special Asset Management Group

The main objective of the Special Assets Management Group is the disposal and/or lease of the Bank's real and other properties acquired (ROPA) and bank-owned properties.

2. Competition

In the Philippines, the Bank faces competition in all its principal areas of business, from both Philippine and foreign banks, as well as finance companies, mutual funds and investment banks. The competition that the Bank faces from both domestic and foreign banks was in part a result of the liberalization of the banking industry by the National Government in 1994 which allowed the entry of more foreign banks and the recent mergers and consolidations in the banking industry. As of December 31, 2013, there are 36 universal and commercial banks in the Philippines, of which 17 are private domestic banks, 3 are government banks and 16 are branches or subsidiaries of foreign banks. In some instances, some competitor banks have greater financial resources, wider networks and greater market share. These banks may also offer a wider range of commercial banking services and products, have larger lending limits

and stronger balance sheets than PNB. To maintain its market position in the industry, the Bank offers diverse products and services, invests in technology, leverages on the synergies within the LT Group of Companies and with its government customers, as well as builds on relationships with other key customers.

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

As of December 31, 2013, the merged Bank has a combined distribution network of 656 branches and offices and 859 ATMs nationwide. The merged entity was the fourth largest local private commercial bank in the Philippines in terms of local branches and the fourth largest in terms of consolidated total assets, net loans and receivables, capital and deposits. In addition, it has the widest international footprint among Philippine banks, spanning Asia, Europe, the Middle East and North America with its overseas branches, representative offices, remittance centers and subsidiaries.

3. Revenue Derived from Foreign Operations

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Philippines	93%	93%	91%
Asia (excluding the Philippines)/ Middle East	3%	3%	4%
Canada and USA	3%	3%	4%
United Kingdom & Other European Union Countries	1%	1%	1%
Total	100%	100%	100%

4. New Products and Services

The Bank launched the following products and services in 2013:

- Enhanced Internet Banking System
- PNB Web Remit
- Healthy Ka Pinoy (HKP) Emergency Card
- PNB UITF Online and PNB Auto Invest Plan

5. Related Party Transactions

In the ordinary course of business, the Bank has loans and other credit accommodations and guarantees granted to its subsidiaries, affiliates, and those classified as "directors, officers, stockholders and related interests" (DOSRI). These loans and other related party transactions are made substantially on the same terms as other individuals and businesses of comparable risk. The individual ceiling of the total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank, provided, however, that unsecured loans, other credit accommodations and guarantees to each of the Bank' DOSRI individuals shall not exceed 30% of their respective total loans, other credit accommodations and guarantees. In the aggregate, DOSRI loans should not exceed 15% of the Bank's total portfolio or 100% of its net worth, whichever is lower. As of

December 31, 2013 and December 31, 2012, the Bank is in compliance with such regulations.

Information related to transactions with related parties and with certain DOSRI is shown under Note 32 of the Audited Financial Statements of the Bank and Subsidiaries.

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

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

The Bank has licenses to use the following IT softwares and systems in its operations:

- Corebanking System (FLEXCUBE) (July 01, 2013 to June 30, 2014) – Provides support services to various bank operations for workflow development.
- IBM Websphere MQ Processor (July 1, 2013 to June 30, 2014) – As part of the requirement for the Flexcube implementation, this software is vital for in-house and other third party systems connecting directly to Flexcube.
- OPICSPPLUS3.1– This system is used for Treasury supporting foreign exchange, money market, securities and Reuters interface; implemented on February 28, 2011. License is perpetual. The annual maintenance agreement is for five (5) years.
- Anti-Virus Software Sophos (July 17, 2013 to March 16, 2016) – Unless revoked by the PNB, the agreement will automatically be renewed on a year-to-year basis.
- IBM Lotus Domino Enterprise Server Processor Value Unit (PVU) License SW Subscription and Support for 12 months (January 1, 2014 to October 31, 2014) – Unless revoked by the Bank, the agreement shall automatically be renewed on a year-to-year basis.
- Trust Application Processing Management System (License term is perpetual and scope of use is for one (1) Production Database, thirty five (35) Pro-IV Runtime Licenses) with the following breakdown: thirty (30) concurrent users for production, three (3) concurrent users in UAT and two (2) concurrent users in DR. Provides support for trust transactions. There is continuous payment of annual maintenance fees.
- Phonebanking System – Provides support for PNB's phonebanking system. The PNB Version has reached its end of life and a project to replace it has been initiated.
- Internet Banking System – Provides support for the Internet Banking System of the Bank. License term is perpetual. There is a continuous payment of annual maintenance fees.
- GIFTSWEBB and Enhanced Due Diligence System (November 5, 2013 to November 5, 2014) – Provides support services to various bank operations for workflow development.
- Cash Management System License (Perpetual renewal starting August 9, 2009) – Provides support services to various bank operations for workflow development. There is a continuous payment of annual maintenance fees.
- ASG Zena – Job Scheduler (December 22, 2013 to December 21, 2014) – Provides support services to various bank operations for workflow development.
- Microsoft MS Premiere Support Agreement – 180 hours (December 28, 2013 to December 27, 2014) – Provides support services, problem resolution and technical advice on issues/problems on all Microsoft software products.

- PNB Public IP Address and Autonomous System Number (February 1, 2014 to January 31, 2015) – Enables the Bank to have its own Internet identity in the World Wide Web and helps achieve a lower latency response by maintaining a standard routing system in the Internet.
- Security/Network Devices – Purchase of McAfee Nitro Solution to deliver a full Security Information and Events Management (SIEM) function approved in January 2013. The solution will initially handle 34 security/network devices and 185 Windows servers. The benefit of acquiring this solution will enhance the Bank's security capability.
- Enterprise Monitoring System (January 1, 2014 to December 1, 2015) – OpenView support maintenance.
- Oracle Adaptive Access Manager (November 9, 2013 to November 8, 2014) – Maintenance support for OAAM Authentication System.
- ePLDT (formerly MySecuresign)
 - Verisign Global Server ID (IBS Internet) – IBS, PNB.COM.PH (March 13, 2013 to March 12, 2015)
 - Verisign Global Server ID for MDC GCash Servers (GCASH.PNB.COM.PH and CGASH2.PNB.COM.PH) (October 9, 2013 to October 7, 2015)
 - Verisign Global Server ID (128-bit Encryption Strength) Verisign Digital Server License – Portal OAAM (July 6, 2012 to July 6, 2014)
 - Verisign Global Server ID (128-bit Encryption Strength) Verisign Digital Server License – IRS World Application (October 4, 2012 to October 4, 2014)
 - Verisign Global Server ID for CMS (September 5, 2012 to September 5, 2014)

7. Government Approval of Principal Products or Services

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

8. Estimate of Amount Spent for Research and Development Activities

This is not applicable to the Bank.

9. Number of Employees

The total number of employees of the Bank as of 31 December 2013 is 8,634 wherein 3,541 are classified as Bank officers and 5,093 as rank and file employees. The Bank shall continue to pursue selective and purposive hiring strictly based on business requirements.

The Bank anticipates a gradual reduction in the number of employees on a per group basis based on identified milestones.

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

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

10. Risk Management

In February 9, 2013, Allied Banking Corporation and Philippine National Bank implemented the BSP- and SEC-approved merger. The process of harmonizing began in 2008 when the respective Board of Directors of PNB and Allied Banking Corporation (ABC) passed resolutions approving the plan to merge the two banks.

The risk management function is embedded in all levels of the organization. Headed by the Chief Risk Officer (CRO) and reporting to the Risk Oversight Committee, the Risk Management Group (RMG) is primarily responsible for the risk management functions to ensure that a robust organization is maintained. The RMG, independent from the business lines, is organized into 4 divisions: (i) Credit Risk and BASEL II and ICAAP Implementation Division, (ii) Market & ALM Division, (iii) Operational & Information Technology Security Risk Management, and (iv) Business Intelligence Division.

Each division maintains, monitors, and enhances, as needed, 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 audits to measure the effectiveness and suitability of the risk management structure. In line with these basic policies, the RMG continues to implement risk management tools and reporting requirements to strengthen and enhance the Bank's risk management system and address the volatile risk environment.

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

In line with the integration of the ICAAP and risk management processes, PNB currently monitors 14 Material Risks (three for Pillar 1 and eleven for Pillar 2). These material risks are as follows:

Pillar 1 Risks:

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

Pillar 2 Risks:

4. Compliance Risk (includes Regulatory Risk)
5. Credit Concentration Risk
6. Human Resource Risk
7. Information Technology Risk (includes Information Security Risk)
8. Interest Rate Risk in Banking Book (IRRBB)
9. Liquidity Risk
10. Legal Risk
11. Customer Franchise/ Reputational Risk
12. Strategic Business Risk
13. Post-Merger Integration Risk
14. Acquired Asset Disposal Risk

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP circular 538 using the Standard Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risks. Discussions that follow below are for Pillar 1 Risks:

Credit Risk

Credit risk is the risk to earnings or capital that arises from an obligor's, customer's or counterparty's failure to perform and meet the terms of its contract. It arises any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet (*BSP Circ. 510, dated February 03, 2006*).

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

Country 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.

1. Credit Policies and Procedures

All credit risk policies issued by the regulatory bodies (i.e., BSP, SEC, PDIC, BIR, etc.) automatically form part of the Bank's board-approved risk policies. These risk policies reflect the Bank's lending profile and focus on:

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

2. Credit Risk Functional Organization

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

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

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

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

3. Credit Limit Structure

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

4. Stringent Credit Evaluation

Repayment capacity of prospective borrowers is evaluated using an effective internal risk rating model for corporate and micro, small and medium enterprise (MSME) accounts and appropriate credit scoring program for consumer loans. These models are validated to determine predictive ability.

5. Reporting System

An effective management information system (MIS) is in place and, at a minimum, has the capacity to capture accurate credit risk exposure/position of the Bank in real time. A monthly credit dashboard is used as the reporting tool for appropriate and timely risk management process.

6. Remedial Management System

A work-out system for managing problem credits is in place. Among others, these are renewals, extension of payment, restructuring, take-out of loans by other banks, and regular review of the sufficiency of valuation reserves.

7. Event-driven Stress Testing

Techniques are conducted to determine the payment capacity of affected borrowers' accounts. A Rapid Portfolio Review Program is in place to quickly identify possible problem credits on account of evolving events, both domestic and global. Results of the stress testing show minimum impact and have no material effect on the Bank's NPL ratio and capital adequacy ratio (CAR).

Market Risk

Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments, products and transactions in an institution's overall portfolio, both on and off balance sheet and contingent financial contracts. Market risk arises from market-making; dealing and position taking in interest rate, foreign exchange, equity, and commodities market (*BSP Circular 544 Series of 2006*).

1. Price Risk in the Trading Portfolio

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

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

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

2. Structural Market Risk

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

3. Liquidity and Funding Risk

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

Operational Risk

1. People Risk

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

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

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

2. Process Risk

In financial institutions, most processes are designed with audited fail-safe features and checking procedures. Since processes interact with other risky variables - the external environment, business strategy and people - it is difficult to sound the all-clear. However, processes can make the institution vulnerable in many ways. To address this risk, the Bank has documented policies and procedures duly approved by the Board. The Internal Audit Group, as well as the various officers tasked with the review function, regularly monitors the implementation of these documented policies and procedures.

3. Business Strategy Risk

Strategic Risk can arise when the direction/strategy of a bank can lead to non-achievement of business targets. This results from a new focus of a business sector without consolidating it with the Bank's overall business plan and strategy. At PNB, strategy risk is managed through each business sector performing “actual vs. targets” sessions with and reporting to the Board of Directors through regular management profitability reporting sessions. In addition, coordination between business sectors is done through regular meetings by the Senior Management Team to ensure that overall business targets are continually revisited.

4. Business Environment Risk

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

New competitive threats such as faster delivery channels, new products, new entrants and the ever-increasing rationalization of the banking industry are driving banks to become much more nimble-footed. The flexibility required to remain in the game leads some banks to take shortcuts that eventually expose them to some new source of operational risk.

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

Regulatory Capital Requirements under BASEL II – Pillar 1

The Bank's total regulatory requirements as of December 31, 2013 are as follows:

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

Credit Risk-Weighted Assets

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

	Exposure, Net of Specific Provision	Exposures covered by Credit Risk Mitigants*	Net Exposure	0%	20%	50%	75%	100%	150%
Cash & Cash Items	10,940		10,940	10,539	401				
Due from BSP	153,271		153,271	153,271					
Due from Other Banks	17,143		17,143		6,377	3,337		7,429	
Financial Asset at FVPL	2		2					2	
Available for Sale	79,775	18,908	60,867	30,025	3,182	11,172		16,488	
Unquoted Debt Securities	9,308		9,308					4,120	5,188
Loans & Receivables	257,139	28,843	228,296		6,868	13,418	20,657	184,057	3,296
Sales Contracts Receivable	3,519		3,519					2,564	955
Real & Other Properties Acquired	15,552		15,552						15,552
Other Assets	34,507		34,507					34,507	
Total On-Balance Sheet Asset	581,156	47,751	533,405	193,835	16,828	27,927	20,657	249,167	24,991
Risk Weighted Asset - On-Balance Sheet			319,475	0	3,366	13,964	15,493	249,167	37,485
Total Off-Balance Sheet Asset			10,648	171	172	4,662	693	4,950	0
Total Risk Weighted Off-Balance Sheet Asset			7,835	0	34	2,331	520	4,950	0
Counterparty Risk Weighted Asset in Banking Book			600		2	428		170	
Counterparty Risk Weighted Asset in Trading Book			10					10	

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

Market Risk-Weighted Assets

- For market risk, the Bank's regulatory capital requirements uses the standardized approach ("TSA") under which a *general market risk* charge for trading portfolio is calculated based on the instrument's coupon and remaining maturity with risk weights ranging from 0% for items with very low market risk (i.e., tenor of less than 30 days) to a high of 12.5% for high-risk items (i.e., tenor greater than 20 years). Further, capital requirements for *specific risk* are also calculated for exposures with risk weights ranging from 0% to 8%, depending on the issuer's credit rating.

Capital Requirements by Market Risk Type under Standardized Approach

(Amounts in ₱0.000Million)	Capital Charge	Adjusted Capital Charge	Market Risk Weighted Exposures
Interest Rate Exposures	200.627	250.784	2,507.836
Foreign Exchange Exposures	506.741	633.426	495.090
Equity Exposures	39.607	49.509	6,334.263
Total	746.975	933.719	9,337.189

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

Interest Rate Exposures Specific Risk

- Specific Risk from the held for trading (HFT) portfolio is ₱43.296M. ROPs compose 51% of the portfolio with risk weight ranging from 1.0% and 1.6%, 45% of the portfolio are peso government bonds with zero risk weight and 6% are unrated corporate bonds with attract 8.00% risk weight.

Part IV.1a INTEREST RATE EXPOSURES – SPECIFIC RISK (Amounts in ₱0.000 million)	Risk Weight					
	0.00%	0.25%	1.0%	1.60%	8.00%	Total
PHP-denominated debt securities issued by the Philippine National Government (NG) and BSP	1,441.747			-	-	1,441.747
FCY-denominated debt securities issued by the Philippine NG/BSP	-	9.997	210.155	1,445.776	-	1,665.928
Debt securities/derivatives with credit rating of AAA to BBB-issued by other entities	-	-		35.707	-	35.707
Subtotal	1,441.747	9.997	210.155	1,481.483	218.320	3,361.702
Specific Risk Capital Charge for Credit Default Swaps	-			-	-	-
SPECIFIC RISK CAPITAL CHARGE FOR DEBT SECURITIES AND DEBT DERIVATIVES	-	0.025	2.102	23.704	17.466	43.296

General Market Risk –Peso

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

Currency: PESO							
PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)							
Zone	Times Bands		Individual Positions		Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Total			Long	short
			Long	Short			
1	1 month or less	1 month or less	1.538	-	0.00%	-	-
	Over 1 month to 3 months	Over 1 month to 3 months	-	-	.20%	-	-
	Over 3 months to 6 months	Over 3 months to 6 months	0.024	-	0.40%	-	-
	Over 6 months to 12 months	Over 6 months to 12 months	12.498	-	0.70%	0.087	-
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	25.631	-	1.25%	0.320	-
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	50.357	-	1.75%	0.881	-
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	22.778	-	2.25%	0.513	-
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	9.434	-	2.75%	0.259	-
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	407.539	-	3.25%	13.245	-
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	434.965	-	3.75%	16.311	-
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	90.942	-	4.50%	4.092	-
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	111.032	-	5.25%	5.829	-
	Over 20 years	Over 10.6 years to 12 years	310.717	-	6.00%	18.643	-
		Over 12 years to 20 years	-	-	8.00%	-	-
		Over 20 years	-	-	12.50%	-	-
Total			1,477.455	-		60.182	-
Overall Net Open Position						60.182	-
Vertical Disallowance						-	-
Horizontal Disallowance						-	-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE						60.182	-

General Market Risk – US Dollar

The Bank's exposure on General Market Risk of the dollar denominated HFT portfolio is ₱96.801M caused by debt securities, forward contracts and dollar-denominated interest rate swaps. Approximately 82% of dollar denominated debt securities have an average remaining maturity ranging from 5 years to over 20 years, thus attracting a risk weight of 3.25% to 6%. On the other hand, the IRS attracts risk weight of 3.25% under the "Over 5 to 7 years" bucket while the Bank's forward contracts have less than one year remaining maturity, thus, attracting a risk weight of less than 1%.

PART IV.1d GENERAL MARKET RISK (Amounts in P0.000 million)											
Currency: USD											
Maturity Method 1/											
Zone	Times Bands		Individual Positions						Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Debt Securities & Debt Derivatives		Interest Rate Derivatives		Total			Long	Short
			Long	Short	Long	Short	Long	Short			
1	1 month or less	1 month or less	9.997	-	11,080.514	1,473.098	11,090.511	1,473.098	0.00%	-	-
	Over 1 month to 3 months	Over 1 month to 3 months	-	-	2,426.187	-	2,426.187	-	0.20%	4.852	
	Over 3 months to 6 months	Over 3 months to 6 months	-	-	1,876.845	-	1,876.845	-	0.40%	7.507	
	Over 6 months to 12 months	Over 6 months to 12 months	-	-	221.975	-	221.975	-	0.70%	1.554	
2	Over 1 year to 2 years	Over 1.0 year to 1.9 years	210.155	-	-	-	-	-	1.25%	2.627	
	Over 2 years to 3 years	Over 1.9 years to 2.8 years	94.013	-	-	-	-	-	1.75%	1.645	
	Over 3 years to 4 years	Over 2.8 years to 3.6 years	25.446	-	-	-	-	-	2.25%	0.573	
3	Over 4 years to 5 years	Over 3.6 years to 4.3 years	-	-	-	-	-	-	2.75%	-	
	Over 5 years to 7 years	Over 4.3 years to 5.7 years	170.453	-	1,452.086	1,444.295	1,622.539	1,444.295	3.25%	52.733	46.940
	Over 7 years to 10 years	Over 5.7 years to 7.3 years	417.258	-	-	-	417.258	-	3.75%	15.647	
	Over 10 years to 15 years	Over 7.3 years to 9.3 years	224.347	-	-	-	224.347	-	4.50%	10.096	
	Over 15 years to 20 years	Over 9.3 years to 10.6 years	285.461	-	-	-	285.461	-	5.25%	14.987	
	Over 20 years	Over 10.6 years to 12 years	447.118	-	-	-	447.118	-	6.00%	26.827	
		Over 12 years to 20 years	-	--	--	--	--	-	8.00%		
	Over 20 years	-	--	--	--	--	-	12.50%			
Total			1,884.248	-	17,057.607	2,917.393	18,941.855	2,917.393		139.047	46.940
Overall Net Open Position											92.107
Vertical Disallowance											4.694
Horizontal Disallowance											-
TOTAL GENERAL MARKET RISK CAPITAL CHARGE											96.801

General Market Risk - AUD

The Bank's exposure on General Market Risk- AUD is at ₱0.261M, representing forward contracts under the "Over 1 months to 6 months" category.

PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)											
Currency: AUD											
Maturity Method 1/											
Zone	Times Bands		Individual Positions						Risk Weight	Weighted Positions	
	Coupon 3% or more	Coupon less than 3%	Debt Securities & Debt Derivatives		Interest Rate Derivatives		Total			Long	Short
			Long	Short	Long	Short	Long	Short			
1	1 month or less	1 month or less	-	-	886.850	11.000	886.850	11.000	0.00%	-	-
	Over 1 month to 3 months	Over 1 month to 3 months	-	-	43.359	-	43.539	-	0.20%	0.087	
	Over 3 months to 6 months	Over 3 months to 6 months	-	-	43.539	-	43.539	-	0.40%	0.174	
Total			-	-	973.928	11.000	973.928	11.000		0.261	
Overall Net Open Position										0.261	
Vertical Disallowance										-	
Horizontal Disallowance										-	
TOTAL GENERAL MARKET RISK CAPITAL CHARGE										0.261	

General Market Risk – HKD

The Bank's exposure on General Market Risk- HKD is minimally at ₱0.087M, representing forward contracts under the "Over 1 month to 3 months" category.

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

Equity Exposures

- The Bank's exposure to Equity Risk attracts an adjusted capital charge of ₱49.509M or risk-weighted equity exposures of ₱495.09M. The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange, with 8% risk weight both for specific and general market risk.

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

Foreign Exchange Exposures

- The Bank's exposure to Foreign Exchange (FX) Risk carries an adjusted capital charge of ₱633.426M or risk-weighted FX exposures of ₱6.334B based on 8% risk weight. The exposure arises mostly from FX assets and FX liabilities in USD/PHP. The Bank also holds third currencies in JPY, CHF, GBP, EUR, CAD, AUD, SGD and other minor currencies.

Part IV. 3 FOREIGN EXCHANGE EXPOSURES							
Item	Nature of Item	Currency	In Million USD Equivalent			Closing Rate USD/PHP:	44.398
			Net Long/(Short) Position (excluding options)		Net Delta-Weighted Positions of FX Options	Total Net Long/(Short) Positions	Total Net Long/(Short) Position
			Banks	Subsidiaries /Affiliates			
			1	2	3	4=1+2+3	5
A.10	Sum of net long positions						6,334.263
A.11	Sum of net short positions						(42.533)
B.	Overall net open positions						6,334.263
C.	Risk Weight						8%
D.	Total Capital Charge For Foreign Exchange Exposures (B. times C.)						506.741
E.	Adjusted Capital Charge For Foreign Exchange Exposures (D. times 125%)						633.426
F.	Total Risk-Weighted Foreign Exchange Exposures, Excluding Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (E. times 10)						6,334.263
G.	Incremental Risk-Weighted Foreign Exchange Exposures Arising From NDF Transactions (Part IV.3a, Item F)						--
H.	Total Risk-Weighted Foreign Exchange Exposures (Sum of F. and G.)						6,334.263

Operational Risk – Weighted Assets

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

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

C. Business Development/Description of Significant Subsidiaries

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

The following represent the Bank's significant subsidiaries:

Domestic Subsidiaries:

PNB Capital and Investment Corporation (PNB Capital), a wholly-owned subsidiary of the Bank, is an investment house with a non-quasi-banking license. It was incorporated on July 30, 1997 and commenced operations on October 08 in the same year. Its principal business is to provide investment banking services which include debt and equity underwriting, private placements, loan arrangements, loan syndications, project financing, and general financial advisory services, among others. PNB Capital is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. Based on its audited financial statements for the year 2013, fees from investment banking services accounted for approximately 93% of revenues, while the remaining 7% consisted primarily of interest income from interest-bearing securities, special deposit accounts (SDAs), and peso time deposit.

PNB Capital distributes its structured and packaged debt and equity securities by tapping banks, trust companies, insurance companies, retail investors, brokerage houses, funds, and other entities that invest in such securities. It is licensed to operate as an investment house by the SEC with the Certificate of Registration No. 01-2008-00234. It renewed its license on November 29, 2013.

The main competitors of PNB Capital are other investment houses and consultancy/financial advisory firms. PNB Capital's principal competitors are BDO Capital & Investment Corporation, First Metro Investment Corporation, BPI Capital Corporation, SB Capital Investment Corporation, and RCBC Capital Corporation. To compete with these firms, PNB Capital builds on the quality of its services and its ability to provide valuable analysis and advice to clients. It also leverages its synergies with the Bank to tap the latter's funding capability and other banking services. Moreover, PNB Capital depends on services provided by a number of the Bank's departments, including Human Resources, Legal, Risk Management, Compliance, Security, and Maintenance, among others.

Investment banking is a highly regulated industry. Regulatory agencies overseeing PNB Capital include the BSP, SEC, and BIR, as well as several affiliates, support units and regulatory commissions of these entities.

The primary risks in the business include underwriting risk, reputational risk, and liability risk. Underwriting risk pertains to the risk of unacceptance by the market of securities being offered and underwritten by PNB Capital. PNB Capital would have to purchase the securities it offers for its own account in this case. Reputational risk arises from the possibility that PNB Capital may not be able to close mandated deals as committed. Liability risk arises from being held liable for any losses incurred by the client due to non-performance of committed duties, or gross negligence.

These risks are addressed by:

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

As of December 31, 2012 and December 31, 2013, the total assets of PNB Capital were ₱584.8 million and ₱560.3 million, respectively, while total capital was ₱436.0 million and ₱548.1 million, respectively. For the years ended December 31, 2012 and 2013, net income was ₱35.8 million and ₱118.6 million, respectively.

PNB Forex, Inc. (PFI), a wholly-owned subsidiary of the Bank which was incorporated on October 13, 1994 as a trading company, was engaged in the buying and selling of foreign currencies in the spot market for its own account and on behalf of others. The company temporarily ceased its operations in foreign currency trading as of January 1, 2006. It currently derives 100% of its revenues from interest income earned from the cash/funds held by the corporation. On December 16, 2013, the PFI's Board of Directors approved the dissolution of the company.

PNB Holdings Corporation (PHC), formerly Philippine Exchange Co., Inc., is a wholly-owned subsidiary of the Bank established on May 20, 1920. PHC is the parent company of PNB General Insurers Co., Inc. (PNB Gen).

PNB General Insurers Co., Inc. (PNB Gen) is a wholly-owned subsidiary of PNB Holdings Corporation established in 1991. It is a non-life insurance company that offers fire and allied perils, marine, motor car, aviation, surety, engineering, accident insurance and other specialized lines. PNB Gen is a dynamic company providing and continuously developing a complete range of highly innovative products that will provide total protection to its customers at competitive terms. It started operations with an initial paid-up capital of ₱13 million. To date, PNB Gen's paid-up capital is ₱312.6 million, one of the highest in the industry. As of December 31, 2013, total assets and total capital of PNB Gen was at ₱8.2 billion and ₱430.14 million, respectively.

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

PNB Securities, Inc. (PNBSec), a wholly-owned subsidiary of the Bank, was incorporated on January 18, 1991. PNBSec is engaged solely in the stock brokerage business primarily for its customers and for its own account.

It ranked 45th among the 134 active members of the Philippine Stock Exchange with a 0.19% market share in terms of value turn-over as of December 31, 2013. The areas of competition have been identified as commission rate and quality of service. PNBSec's main source of income is the commission earned from its stock brokerage business, which accounted for 41% of its total revenues in 2013 with a client base of close to 7,000 customer accounts. The gain on sale of Available for Sale Investments for the same year contributed 37% of total revenues, while Trading Gains from its Proprietary Trading Account and interest revenues on Fixed Income Investments and Deposit with Banks accounted for almost 10% and 7%, respectively.

Relative to its competitors, PNBSec's strength lies in the brand name of PNB and its branch network nationwide. The newly merged PNB (with Allied Bank) is a universal bank with consolidated resources of up to ₱616.6 billion as of December 31, 2013.

Inherent to all engaged in the stock brokerage business, PNBSec is primarily exposed to the following risks: settlement risk, operations risk, compliance and regulatory risks, and reputation risk. To address, identify, assess and manage these risks, PNBSec submits monthly to the Securities and Exchange Commission (SEC) the required Risk Based Capital Adequacy (RBCA) Report, which essentially measures the firm's Net Liquid Capital. Further, a Risk Manual is being followed and observed that conforms to the stringent internal control standards of its parent company, PNB.

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

JPNB Leasing operates as a financing company under Republic Act No. 8556 (the amended Finance Company Act). Its major activities are Financial Lease (Direct Lease, Sale-Leaseback, Lease-sublease and Foreign Currency Leasing), Operating Lease (through wholly-owned subsidiary, JPNB Rentals), Term Loans (for productive Capital Expenditures secured by Chattel Mortgage), Receivable Discounting (purchase of short-term trade receivables and installment papers with chattel mortgage security).

Majority of the principal products or services came from peso leases and loans. Leasing and lending activities of JPNB Leasing are in the domestic and foreign market.

JPNB Leasing's personnel complement as of December 2013 is comprised of 3 management level – President, Vice President, Finance Head/Treasurer, 5 middle management, 10 Assistant Managers & Account Officers and 23 clerical employees.

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

As of December 31, 2013, JPNB Leasing had an authorized capital of ₱150.0 million, represented by 1,500,000 shares with a par value of ₱100 per share, which are fully subscribed and paid up. As of December 31, 2013 (tentative FS), JPNB Leasing's total assets and total equity stood at ₱3.7 billion and ₱593.6 million, respectively. Its net income for the year ended December 2012 and 2013 were ₱60.2 million and ₱102.9 million, respectively.

Japan-PNB Equipment Rentals Corporation is a wholly-owned subsidiary of Japan-PNB Leasing and Finance Corporation, which in turn is 90% owned by PNB. It was incorporated in the Philippines on July 3, 2008 as a rental company and started commercial operations on the same date. It is engaged in the business of renting all kinds of real and personal properties.

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

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

Allied Savings Bank (ASB) traces its roots from First Malayan Development Bank which Allied Banking Corporation (ABC) bought in 1986 to reinforce its presence in the countryside. In January 17, 1996, it was renamed First Allied Savings Bank following the grant of license to operate as a savings bank. It was in the same year that the Monetary Board of BSP granted a foreign currency deposit license to ASB. Another name change to Allied Savings Bank followed in 1998 to further establish its association with its then Parent Company, ABC.

ASB closed the year 2013 with total resources of ₱ 10.9 billion, up 160% from the previous year largely due to an increase in its deposit portfolio by 215% or ₱ 6.7 Billion. Total deposits closed the year with ₱9.9 Billion, the bulk of which, or 82%, were in low cost funds maintained in regular savings and checking accounts. Its flagship product, Angat Savings – a tier-based passbook savings account with pre-set monthly withdrawal transaction limits, continued to attract new customers and fresh funds given its competitive pricing versus other banks' equivalent product lines. Angat Savings had ₱1.7 billion in deposit portfolio. Before the year ended, ASB launched its own Cash Card positioned for those segments of the market demanding for a no maintaining balance account required for payroll, transfer of funds for allowances, and even remittances.

Total loan portfolio registered ₱2.3 billion by the end of 2013 and was relatively flat year-on-year but certainly much improved by 58% when compared to the three-year ago level of ₱1.5 billion. Over the years, lending to corporate and middle/SME markets accounted for 83% of ASB's loan portfolio given the present infrastructure and make-up of the branches and Loan Acquisition Units.

ASB posted an unaudited net income of ₱9.4 billion in 2013. Its net interest income of ₱257 million was up year-on-year by 31% while pre-tax profits improved by 80% to close ₱36 million. Return-on-equity stood at 1% which is expected to significantly improve with the planned transformation and initiatives moving into 2014. ASB's Capital Adequacy Ratio (CAR) of 26% is well above the minimum required by the Bangko Sentral ng Pilipinas (BSP). ASB ended the year with a network of 27 branches spread across Metro Manila, Southern & Northern Tagalog Regions, Bicol, Western Visayas and Northern Mindanao.

Before the year 2013 ended, the business plan to transform Allied Savings Bank into a strong consumer bank arm of PNB was put in place. The recommendation for the infusion of additional capital/equity of ₱10 billion in Allied Savings Bank (ASB) was approved by both PNB and ASB Board of Directors last December 2013. This followed the earlier approval of the increase in authorized capital stock of ASB to ₱15 billion; the 3-year business plan; and the change of name to PNB Savings Bank, all of which are subject to regulatory clearances and approvals. The financial plan for the savings bank is for it to reach ₱40 billion in loans, ₱20 billion in deposits, and expand to 100 branches in the next 3 years.

Work on setting up the required consumer organization infrastructure and the creation/alignment of consumer loan products, namely, Home Loan, Home-Flexi Loan, Motor Vehicle, CTS Financing, and Multi-Purpose Loans, was set in motion. In the first two months of 2014, ASB would have fully implemented the purchase of ₱6 billion worth of consumer loan receivables from PNB in line with the overall conversion/transformation plan. This purchase will increase ASB's earning assets and improve accrual income which is needed to temper the effect of the potential increase in operating expenses upon the transfer of the present consumer organization of PNB to the savings bank. Likewise, it will help support the planned expansion of branches.

PNB Life Insurance Inc. (PNB Life), traces its roots to New York Life Insurance Philippines, Inc. (NYLIP), the Philippine subsidiary of US-based New York Life International, LLC. NYLIP commenced operations in the Philippines in August 2001.

In February 2003, Allied Banking Corporation acquired a minority interest in NYLIP and started bancassurance operations in its branches nationwide.

In June 2007, New York Life International, LLC divested all its interests in NYLIP in favor of Allied Bank and its principals, making the company a majority-owned subsidiary of Allied Bank.

In May 2008, NYLIP changed its corporate name to PNB Life Insurance Inc. to reflect the change in ownership and in anticipation of the merger of Allied Bank and Philippine National Bank. This change in branding demonstrates the new owners' commitment to the Philippine life insurance market and its dynamism and growth prospects.

In October 2009, the Philippine National Bank acquired a minority stake in PNB Life, paving the way for the expansion of bancassurance operations of PNB Life to the PNB branches nationwide.

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

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

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

PNB Life Insurance today is a 100% Filipino owned and managed company with Dr. Lucio Tan as Chairman and Esther Tan as President and Vice-Chairperson. We are a proud member of the Lucio Tan Group of Companies.

Allied Leasing and Finance Corporation was incorporated on December 29, 1978. The Company is authorized by the Securities and Exchange Commission to operate as a financing company in accordance the provisions of R.A 5980, as amended by R.A. 8856, otherwise known as the Financing Company Act. It started operations on June 25, 1980. On October 16, 1996, the authorized capital was increased to ₱500 million divided into 5 million shares with ₱100.00 par value per share. As of December 31, 2013, ALFC's paid-up capital amounted to ₱152.50 million.

Foreign Subsidiaries:

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

PNB IIC owns **PNB Remittance Centers, Inc. (PNB RCI)** which was incorporated in California on October 19, 1990. PNB RCI is a company engaged in the business of transmitting money to the Philippines. As of December 31, 2013, PNB RCI has 20 branches in 9 states. PNB RCI owns **PNB RCI Holding Company, Ltd.** which was incorporated in California on August 18, 1999 and

PNB Remittance Company, Nevada (PNB RCN) which was incorporated in Nevada on June 12, 2009. PNB RCN is engaged in the business of transmitting money to the Philippines. PNB RCI Holding Company, Ltd. is the holding company for **PNB Remittance Company Canada (PNB RCC)**. PNB RCC is also a money transfer company incorporated in Canada on April 26, 2000. PNB RCC has 8 branches in Canada as of year-end 2013.

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

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

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

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

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

PNB Global's major competitors are the remittance subsidiaries of Metrobank, BDO, RCBC, BPI, and DBP and non-bank competitors such as Frankie Money Changer, Czarina, Kabayan, I-Remit and LBC. Effective August 2012, PNB Global launched its tie-up arrangement with Western Union, strengthening its cash pick-up services throughout the Philippines.

Allied Commercial Bank (ACB) became a commercial bank subsidiary of PNB by virtue of the merger between Philippine National Bank (PNB) and the former Allied Banking Corporation (ABC) in February 2013.

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

ACB maintains its head office in Xiamen, in Fujian province, a southeastern commercial city of China. Xiamen is one of the four original special economic zones to open up to the outside world in the early eighties in what is now considered in history as China's greatest modern day reform initiatives. Xiamen was also home to a good number of ascendants of Chinese-Filipinos.

In 2003, ACB opened a branch in Chongqing, a southwestern industrial city in the province of Sichuan. It is one of China's four chartered cities and is considered the gateway to western China. It is a hub for industry, commerce, transport and culture.

The commercial banking license granted to ACB allows it to offer full banking services in foreign currency to resident and non-resident foreign enterprises, non-resident natural persons including

compatriots from Hong Kong, Macau and Taiwan. It also allows ACB to service foreign trade and loan requirements of enterprises owned by local residents.

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

Allied Bank Philippines (UK) Plc. (ABUK), a wholly-owned subsidiary of the Bank, formally commenced operations in 1992 after functioning as ABC's representative office in the 1970s and as a branch in the mid-1980s. ABUK was the first Philippine private commercial bank in London to be granted the status of licensed deposit taker by the Bank of England under the Financial Services and Markets Act 2000. It is being regulated by the Financial Conduct Authority (FCA) and is authorized and regulated by the Prudential Regulation Authority (PRA) (previously the Financial Services Authority). ABUK mainly operates to facilitate trade between the Philippines and the United Kingdom, service the banking requirements of the growing Filipino population in the United Kingdom and other European countries, and promote foreign investments to the Philippines. It has remittance partner banks in Germany, Ireland and Luxembourg. Its main business are remittances, deposit taking (GBP and USD savings accounts), passporting, advice and confirmation of letters of credit (LC) opened by ABC in favor of beneficiaries located in the UK, and, when nominated, ABUK acts as paying and reimbursing bank for LCs opened by ABC.

Item 2. Directors and Executive Officers

Please refer to pages 14 to 27 of the Information Statement.

Item 3. Audited Consolidated Financial Statements

The Audited Financial Statements (AFS) of the Bank and its Subsidiaries, which comprise the Statements of Financial Position as of December 31, 2013 and 2012, and January 1, 2012 and the Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for each of the three (3) years in the period ended December 31, 2013 and a Summary of Significant Accounting Policies and other explanatory information, Notes to Financial Statements, Independent Auditors' Report and the Statement of Management's Responsibility are filed as part of this Management Report.

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

A. Audit and Other Related Fees

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

2013

Audit

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

Other related fees

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

2012

Audit

- ₱7.5 million engagement fee for the audit of the Bank's Financial Statement as of December 31, 2012 (inclusive of OPEs but excluding VAT).

Other related fees

- ₱0.995 million for the professional services rendered relative to the issuance of ₱3.50 billion Subordinated Notes, as Tier 2 Capital in May 2012.

B. Tax Fees

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

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

C. Changes in Accounting Policies

PNB and its subsidiaries (hereafter referred to as the "Group") applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, PFRS 10, *Consolidated Financial Statements*, PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*, PFRS 12, *Disclosure of Interests with Other Entities*, PFRS 13, *Fair Value Measurement* and PAS 19, *Employee Benefits (Revised)*.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The accounting policies adopted are consistent with those of the previous financial years except that the Group has adopted the following policies: Philippine Financial Reporting Standards, amendments to Philippine Accounting Standards (PAS) and Philippine Interpretations effective last January 1, 2012 and did not have significant impact in the financial position or performance of the Group.

New Standards and Interpretations

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

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

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

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

Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

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

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for

annual periods beginning on or after July 1, 2014. The amendments have no significant impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle)

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

PFRS 2, Share-based Payment – Definition of Vesting Condition

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues.

This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendments have no impact on the Group's financial position or performance.

PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014.

PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

PFRS 13, Fair Value Measurement – Short-term Receivables and Payables

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

PAS 16, Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

The amendment is effective for annual periods beginning on or after July 1, 2014.

The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

The amendments will not have any significant impact on the Group's financial position or performance.

PAS 24, *Related Party Disclosures – Key Management Personnel*

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively.

PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

The amendments are effective for annual periods beginning on or after July 1, 2014.

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'*

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

PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

PFRS 13, *Fair Value Measurement – Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

PAS 40, *Investment Property*

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

PFRS 9, *Financial Instruments*

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology.

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed.

D. Disagreements with Accountants

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

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

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

The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*, PFRS 10, *Consolidated Financial Statements*, PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*, PFRS 12, *Disclosure of Interests with Other Entities*, PFRS 13, *Fair Value Measurement* and PAS 19, *Employee Benefits (Revised)*.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

New and Revised Standards and Interpretations

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

Improvements to PFRSs (2009-2011 cycle)

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

The nature and the impact of each new standard and amendment are described below:

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

The Group disclosed the requirements of the amendments regarding the information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32.

Refer to Note 35 for the details and the tabular format of the required offsetting disclosures which the Group retrospectively applied.

PFRS 10, Consolidated Financial Statements

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

consolidated by a parent, compared with the requirements in PAS 27. Refer to Note 3 for the significant judgment made by management in identifying entities for consolidation.

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

Before the effectivity of PFRS 10, OPII is consolidated by PNB based on the provisions of SIC 12. Under SIC 12, control over an SPE may exist even in cases where an entity owns little or none of the SPE's equity, such as when an entity retains majority of the residual risks related to the SPE in order to obtain benefits from its activities. Beginning January 1, 2013, the Group adopted PFRS 10 which supersedes SIC 12. PFRS 10 establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. Based on management's assessment, the Parent Company should no longer consolidate OPII since it failed to demonstrate control over OPII.

PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)

The Group applied amendments to PAS 1 and changed the grouping of items presented in OCI either:

- items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon de-recognition or settlement). These include 'Accumulated Translation Adjustment', 'Net Unrealized Gain (Loss) on Available-for-Sale Investments' and 'Equity in Net Unrealized Gain on AFS Investment of an Associate'; or
- items that will never be recycled to profit or loss. These include 'Remeasurement Losses on Retirement Plan'.

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

PFRS 12, Disclosure of Interests with Other Entities

PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The Group has no significant interests in joint arrangements, associates and structured entities that require disclosures. None of the majority owned subsidiaries are held by non-controlling interests that are considered material to the Group and which will require additional disclosures by PFRS 12. Refer to Basis of Consolidation, Notes 3 and 12 for disclosures related to subsidiaries and associates.

PFRS 13, Fair Value Measurement

PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard has no significant impact in the fair value measurement of financial assets and liabilities at FVPL, AFS investments, land and buildings. Refer to Note 5 for the disclosures required by the standard.

PAS 19, Employee Benefits (Revised)

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

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

Item 6. Market Price, Holders and Dividends

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

1. Market Price

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

	2012		2013	
	High	Low	High	Low
Jan – Mar	75.95	56.25	107.60	87.40
Apr – Jun	77.80	67.40	117.00	75.95
Jul – Sep	76.55	68.75	91.00	65.00
Oct - Dec	96.20	70.20	99.00	77.60

The trading price of each PNB common share as of February 28, 2014 was ₱86.30.

2. Holders

The Bank has 30,420 shareholders as of February 28, 2014. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each are as follows:

No.	Stockholders	Common Shares ^{1/}	Percentage To Total Outstanding Capital Stock
1	PCD Nominee Corporation (Filipino)	110,208,404	9.8450749566
2	PCD Nominee Corporation (Non-Filipino)	97,919,086	8.7472525358
3	Key Landmark Investments, Limited	94,883,360	8.4760667738
4	Caravan Holdings Corporation	58,389,760	5.2160410915
5	Solar Holdings Corp.	58,389,760	5.2160410915
6	True Success Profits Limited	58,389,760	5.2160410915
7	Prima Equities & Investments Corp.	51,091,040	4.5640359551
8	Leadway Holdings, Incorporated	46,495,880	4.1535437150
9	Infinity Equities, Incorporated	43,792,320	3.9120308187
10	Pioneer Holdings Equities, Inc.	24,386,295	2.1784627440
11	Multiple Star Holdings Corp.	21,925,853	1.9586679277
12	Donfar Management Limited	21,890,077	1.9554720062
13	Uttermost Success, Limited	21,523,715	1.9227443628
14	Mavelstone International Limited	21,055,186	1.8808899945
15	Kenrock Holdings Corporation	18,522,961	1.6546826997
16	Fil-Care Holdings, Incorporated	18,119,076	1.6186030728
17	Fairlink Holdings Corporation	17,945,960	1.6031383720
18	Purple Crystal Holdings, Inc.	17,374,238	1.5520656249
19	Kentron Holdings & Equities Corporation	17,343,270	1.5492992090
20	Fragile Touch Investment, Limited	16,157,859	1.4434047425

^{1/} This includes the 423,962,500 common shares (the "Shares") issued to the stockholders of Allied Banking Corporation (ABC) relative to the merger of PNB and ABC as approved by the Securities and Exchange Commission (SEC) on January 11, 2013.

3. Dividends

The Bank has not declared any cash dividends on its common equity for the fiscal years 2012 and 2013.

The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, the Bank's declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the BSP as provided under the Manual of Regulations for Banks (MORB).

4. Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

The Bank has recently successfully completed its Stock Rights Offering (Offer) of 162,931,262 common shares (Rights Shares) with a par value of ₱40.00 per share at a price of ₱71.00 each. The Rights Shares were offered to all eligible shareholders of the Bank at the proportion of fifteen (15) Rights Shares for every one hundred (100) common shares held as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014.

A total of 33,218,348 Rights Shares were already issued and listed with the Philippine Stock Exchange. This is an exempt transaction under Section 10.1 of the Securities Regulation Code as confirmed by the Securities and Exchange Commission (SEC). The Rights Shares were sourced from the existing authorized but unissued capital stock.

The remaining 129,712,914 Rights Shares will be sourced from an increase in authorized capital stock of the Bank, which the Bank will apply for with the SEC after receipt of the endorsement of the Bangko Sentral ng Pilipinas. The listing of the said shares will be accordingly announced as soon as the SEC approves the increase in the Bank's authorized capital stock.

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

5. Computation of Public Ownership

As of December 31, 2013, PNB's Public Ownership Level is 22.37%, which is above the minimum percentage of ten percent (10%) public ownership requirement for a listed company, in compliance with the requirement of the Philippine Stock Exchange (PSE).

B. Description of PNB's Securities

- As of February 28, 2014, PNB's authorized capital stock amounted to ₱50,000,000,040.00 divided into 1,250,000,001 common shares having a par value of ₱40.00 per share. This will be increased to ₱70,000,000,040.00 divided into 1,750,000,001 common shares with a par value of ₱40.00 per share, subject to the endorsement of the Bangko Sentral ng Pilipinas and eventual approval of the SEC.
- The total number of common shares outstanding as of February 28, 2014 is 1,119,426,764. This includes the 423,962,500 common shares issued relative to the merger of PNB and Allied Banking Corporation subject of the Registration Statement filed with the Securities and Exchange Commission and for listing with the Philippine Stock Exchange. An additional 129,712,914 common shares have been subscribed and will be issued upon the approval of the Bank's increase in authorized capital stock by its regulators.

- As of February 28, 2014, a total of 1,021,250,089 common shares (or 91.2297%) are held by Filipino-Private Stockholders while the remaining 98,176,675 common shares (or 8.7703%) are held by Foreign-Private Stockholders. PNB has a total of ₱ 44,777,070,560 outstanding capital.
- The Bank's stockholders have no pre-emptive right to subscribe to any new or additional issuance of shares by the Bank, regardless of the class of shares, whether the same are issued from the Bank's unissued capital stock or in support of an increase in capital. (*Article Seven of PNB's Amended Articles of Incorporation*)
- At each meeting of the stockholders, every stockholder entitled to vote on a particular question involved shall be entitled to one (1) vote for each share of stock standing in his name in the books of the Bank at the time of the closing of the transfer books for such meeting or on the record date fixed by the Board of Directors. (Section 4.9 of PNB's Amended By-Laws).
- Section 24 of the Corporation Code of the Philippines provides that "*x x x every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed by the by-laws, in his own name on the stock books of the corporation x x x and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal x x x.*"

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

Please refer to pages 31 to 34 of the Information Statement

Item 8. Undertaking

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

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