COVER SHEET

AS096-005555
S.E.C. Registration Number

PHILIPPINE NATIONAL BANK

Company's Full Name)

PNB FINANCIAL CENTER, PRESIDENT DIOSDADO MACAPAGAL BOULEVARD PASAY CITY

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

Valerie Anne D. Gonzales
Contact Person

8403783
Company Telephone Number

12 31
Month Day
Fiscal Year

AMENDED REGISTRATION STATEMENT
FORM TYPE

Last Tuesday of May
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
JUL 09 2015
8:35

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 12-1, *AS AMENDED*

AMENDED
REGISTRATION STATEMENT UNDER THE SECURITIES REGULATION CODE

1. SEC Identification Number: **AS096-005555**

2. **PHILIPPINE NATIONAL BANK**
Exact name of registrant as specified in its charter

3. **METRO MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization

4. **000-188-209-000**
BIR Tax Identification Number

5. **UNIVERSAL BANK**
General character of business of registrant.

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

7. **PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila, 1300 Telephone No. 8916040 to 70, 5263131 Telefax: (632) 834-0780**
Address, including postal code, telephone number, FAX number including area code, of registrant's principal offices

8. **N/A**
If registrant is not resident in the Philippines, or its principal business is outside the Philippines, state name and address including postal code, telephone number and FAX number, including area code, and email address of resident agent in the Philippines.

9. Fiscal Year Ending Date (Month and Day): **DECEMBER 31**

Computation of Registration Fee

Title of each class of securities to be registered	Amount to be registered	Proposed Maximum offering price per unit	Proposed maximum aggregate offering price	Amount of registration fee
Common Shares	423,962,500	₱70.00	₱29,677,375,000.00	₱8,061,662.19

SECURITIES AND EXCHANGE COMMISSION
JUL 09 2015
Sheryl 8:31

PHILIPPINE NATIONAL BANK

Primary Offer of 423,962,500 Common Shares at an Issue Price of ₱70.00 per share to be issued in favor of all of the shareholders of Allied Banking Corporation pursuant to the Plan of Merger of Philippine National Bank and Allied Banking Corporation as approved by the Securities and Exchange Commission on January 17, 2013 and to be listed and traded on the Philippine Stock Exchange, Inc.

This Prospectus is dated 8 July 2015.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

NOTICE TO THE PUBLIC

This Prospectus is being displayed on the website to make the Prospectus accessible to more investors. The Philippine Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in the Prospectus. Furthermore, the Philippine Stock Exchange makes no representation as to the completeness of the Prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the Prospectus.

PHILIPPINE NATIONAL BANK
9th Floor PNB Financial Center
President Diosdado Macapagal Boulevard
Pasay City, Metro Manila
Telephone Number- (632) 8916040 to 70/ 5263131
Facsimile Number (632) 8340780

This Prospectus relates to the offer and sale of 423,962,500 common shares (the "Shares") with a par value ₱40.00 per share of Philippine National Bank ("PNB" or the "Merged Bank"), a corporation organized under Philippine law. The Shares comprise of 423,962,500 new shares to be issued by PNB by way of a primary offer (the "Primary Offer") to the shareholders of Allied Banking Corporation ("Allied Bank"), whose Merger with PNB was approved by the Securities and Exchange Commission (the "SEC") on January 17, 2013, using the Exchange Ratio of 130 PNB common shares for each Allied Bank common share and 22.763 PNB common shares for each Allied Bank preferred share. The Shares will be listed and traded on The Philippine Stock Exchange, Inc.

Upon the approval of the Merger by the SEC, the Shares were deemed issued at a price of ₱70.00 per Share (the "Issue Price") in accordance with the Plan of Merger of the banks. The determination of the Issue Price is further discussed on page 37 of this Prospectus and is based on the share-swap ratio proposed by ING Bank, NV. As a result of the Merger, PNB will have a combined outstanding capital stock of 1,086,208,416 common shares, of which 423,962,500 new common shares are issued to the Allied Bank stockholders with an issue value of ₱29,677,375,000.00.

The Merger is intended to strengthen and consolidate PNB's and Allied Bank's long-term strategic business plans with PNB as the surviving bank. The Merger marks a special milestone for both PNB and Allied Bank. The synergies arising from the broadened network, diversified deposit base and improved scale will provide a compelling value proposition for their various stakeholders. In creating the country's fourth largest privately-owned bank, the Merged Bank will be in a prime position to improve customer experience and lead industry innovation. Moreover, it will yield substantial benefits for its customers and provide more opportunities for its employees.

As a result of the merger, PNB is 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.

While there are no cash proceeds from the Merger, it is expected to result in revenue enhancements and cost savings. Cost savings will potentially come from branch re-engineering, economies of scale, consolidation of overlapping systems and corporate indirect overheads, realignment of front offices and the optimization of back office processing and support functions. The Merger is further expected to support asset growth and enable the Bank to comply with the higher capital ratio requirements of Basel III beginning 2014, particularly on the prescribed capital conservation buffer of 2.5% for Common Equity T1 (CET1).

The accounting treatment for the Merger was made in accordance with PFRS 3. The Merger was accounted for under the Purchase Method, adopting the following main principles:

- Assets and liabilities, including unrecorded intangible assets and contingent liabilities of the "acquiree" will be taken up at fair value as of the date of the Merger in the books of the "acquirer"
- Prior years' financial statements will not be restated and the income statement will only incorporate the results of the "acquiree" from the date of merger
- Equity of the "acquirer" is increased by the amount of the acquisition cost, equivalent to the number of new shares of the "acquirer" to be issued multiplied by the issue price
- The difference between the acquisition cost and fair value of the net assets of the "acquiree" as of the date of the Merger will be recorded as goodwill.

There are no underwriters, brokers/dealers engaged for this transaction and no party will receive a transaction fee from PNB from the issuance of the Shares.

Each holder of Shares will be entitled to such dividends as may be declared by PNB's Board of Directors (the "Board"), provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of PNB's total outstanding capital stock; provided further that the Bangko Sentral ng Pilipinas (the "BSP") approves the declaration of dividends. Dividends may be declared only from PNB's unrestricted retained earnings. Please see a more detailed discussion of PNB's dividend policy under "Dividends Policy" on page 44 of this Prospectus.

The listing of the Shares is subject to the approval of the Philippine Stock Exchange, Inc. (the "PSE"). An application to list the Shares had been submitted to the PSE on November 29, 2013. Such an approval for listing is permissive only and does not constitute a recommendation or endorsement by the PSE or the SEC of the Shares.

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- risks related to PNB;
- risks relating to the Philippines;
- risks associated with the Shares; and
- risks relating to certain statistical information in this Prospectus

See the section entitled "Risks Factors" beginning on page 27 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risk, must be considered in connection with a purchase of the Shares.

An application is being made to the SEC to register the Shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) (the "SRC").

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY

KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AND OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

No representation is made by PNB regarding the legality of an investment in the Shares under any legal, investment or similar laws or regulations. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Shares. In making any investment decision regarding the Shares, prospective investors must rely on their own examinations of PNB and the terms of the share swap, including the merits and risks involved.

No person has been authorized to give any information or to make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by PNB. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of PNB since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Presentation of Financial Information

PNB's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("PFRS") issued by the Financial Reporting Standards Council of the Philippines.

The financial information for the year ended December 31, 2012, included in this Prospectus, represents the consolidated accounts of PNB and its subsidiaries. The financial information of PNB as of and for the period ended December 31 2014 and 2013 represent the accounts of PNB as the Merged Bank. Unless otherwise stated, all financial information relating to PNB contained herein is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

PNB's fiscal year begins on January 1 and ends on December 31 of each year. SGV & Co. has audited and rendered an unqualified report on PNB's financial statements as of and for the years ended December 31, 2014, 2013 and 2012.

Forward-Looking Statements

This Prospectus contains forward-looking statements that are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause PNB's actual results, performance or achievements to be materially different from any future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding PNB's present and future business strategies and the environment in which PNB will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- PNB's ability to successfully implement its strategies;

- PNB's ability to anticipate and respond to market trends;

- PNB's ability to successfully manage its growth;

- the condition of and changes in, the Philippine, Asian or global economies;

- any future political instability in the Philippines;

- PNB's ability to secure additional financing;

- Changes in interest rates, inflation rates and the value of the Peso against the U.S. dollar and other currencies;

- Changes in laws, rules and regulations, including tax laws and regulations and licensing requirements, in the Philippines; and

- Competition in the Philippine banking industry.

Additional factors that could cause PNB's actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus.

This Prospectus includes statements regarding PNB's expectations and projections for future operating performance and business prospects. The words "believe", "plan", "expect", "anticipate", "estimate", "project", "intend" and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in the Prospectus as to the opinions, beliefs and intentions of PNB accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although PNB gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from PNB's expectations. All subsequent written and oral forwarding-looking statements attributable to PNB or persons acting on PNB's behalf are expressly qualified in their entirety by the above cautionary statements.

TABLE OF CONTENTS

GLOSSARY

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

ABC/ALLIED BANK	Allied Banking Corporation
AFS	Audited Financial Statements
AMLC	Anti-Money Laundering Council
BAP	Bankers Association of the Philippines
BASEL III	"Basel III" is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector. These measures aim to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source improve risk management and governance and strengthen banks' transparency and disclosures.
BIR	Bureau of Internal Revenue
Board	Board of Directors of PNB
BSP	Bangko Sentral ng Pilipinas
Corporation Code	The Corporation Code of the Philippines, Batas Pambansa Blg. 68
DOSRI	Directors, Officers, Stockholders and their related interests
FCDU	Foreign Currency Deposit Unit
FVPL	Fair value through profit or loss
General Banking Law	The Philippine General Banking Law of 2000, RA 8791
Government	The Government of the Republic of the Philippines
ING	ING Bank, N.V.
Issue Price	₱70.00 /share is the price at which the Shares are issued pursuant to the Plan of Merger
LTNCD	Long Term Negotiable Certificates of Deposit

LTG	LT Group, Inc.
Manual	BSP Manual of Regulations for Banks
MCO	Maximum Cumulative Outflow
Metro Manila	the metropolitan area compromising the cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Pateros, Quezon, Valenzuela, Taguig, and San Juan, which comprise the National Capital Region and are commonly referred to as Metro Manila
New Central Bank Act	The New Central Bank Act, RA 7653
NPAs	Non-Performing Assets
NPLs	Non-Performing Loans
OBUs	Offshore Banking Units
Offer	the offer for sale of the Shares to the shareholders of Allied Bank
Other operating expenses	Total operating expenses excluding provision for impairment and credit losses
PAS	Philippine Accounting Standards
PCD	Philippine Central Depository
PCD Nominee	PCD Nominee Corporation, a corporation wholly-owned by the PDTC
PDEx	Philippine Dealing and Exchange Commission
PDS	the Philippine Dealing System
PDTC	the Philippine Depository and Trust Corporation, the central securities depository of, among others, securities listed and traded on the PSE
Pesos or P or ₱	the lawful currency of the Philippines
PFRS	Philippine Financial Reporting Standards
Philippines	Republic of the Philippines

PNB or the “Bank” or “Merged Bank”	Philippine National Bank, and except when the context otherwise requires, all its subsidiaries
PSE	Philippine Stock Exchange, Inc.
R.A.	Republic Act
SEC	Securities and Exchange Commission
UBS	UBS Investments Philippines, Inc.

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and its subject to, the more detailed information presented in this Prospectus, including PNB's financial statements and related notes included elsewhere in this Prospectus. Capitalized terms not defined in this summary are defined in the Glossary of Terms, Risk Factors, Business or elsewhere in this Prospectus.

Overview

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 as of December 31, 2014. 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.

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 respective shareholders of the Bank and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on March 6, 2012. The original Plan of Merger was approved on June 24, 2008 by the affirmative vote of ABC and the Bank's respective shareholders, representing at least two-thirds of the outstanding capital stock of both banks.

Last February 2014, the Bank 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 as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Bank. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Bank. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. The Offer strengthened the Bank's capital position under the Basel III standards which took effect on January 1, 2014.

The Bank continued to undertake its liability management exercise that is, sourcing long-term funds to support its growth and expansion plans. In March 2014, PNB redeemed ₱3.25 billion worth of Long Term Negotiable Certificate of Deposits (LTNCDs) with a coupon rate of 6.50% and in October 2014 likewise redeemed ₱3.5 billion worth of LTNCDs with a coupon rate of 7% issued by the ABC. These funds were replaced with an issuance of ₱7.0 billion worth of LTNCDs with a coupon rate of 4.125% which will mature in June 2020.

Effective August 1, 2014, PNB's consumer loan books were redirected to PNB's thrift bank subsidiary, Allied Savings Bank (ASB), to strengthen the Bank's bid to be a strong player in the consumer finance business particularly in the housing and motor vehicle market segments. In November 2014, ASB formally changed its name to PNB Savings Bank (PNBSB) to give credence to PNB's expansion and status as a major player in the consumer finance industry as well as to align the image of the savings bank with its mother bank and to capitalize on the brand equity of PNB in the banking industry.

Recognizing the importance of its branches as the Bank's primary platform for sales and service, PNB, through its consumer banking subsidiary PNBSB, continues to expand its branch network and improve delivery of services. PNBSB secured 28 approved licenses in 2014 and was able to open a branch in Batangas last November 10, 2014.

PNB remains at the forefront of the debt capital market as the Bank led 12 corporate finance deals worth more than ₱115 billion in the power, infrastructure, telecommunications and real estate industries in 2014. PNB continues to originate and deliver structured solutions to large corporates as the Bank participated in five big ticket deals to raise an aggregate ₱102 billion in funds. To manifest the Bank's commitment to nation-building, PNB was also actively involved in the ₱23.3 billion loan syndication for the Mactan-Cebu International Airport, a Public-Private Partnership Project that was rolled out in 2014.

PNB further strengthened its distinct franchise over the Global Filipino market segment. It maintains the widest network of overseas branches and offices serving as primary contact points for overseas Filipinos. The Bank has expanded its reach even further into non-traditional contact channels in the form of partner agent agreements and distribution through convenience stores and other similar retail outlets. It continued to innovate its remittance products and services with the launch of Phone Remit in 2012, a 24/7 toll free phone remittance platform servicing the Europe and US market. The Bank also launched the PNB Web Remit in the last quarter of 2013, a channel that enables customers to conduct online remittance transactions anywhere and anytime. The Bank continues to make headway in deepening its relationship with its Global Filipino customers by offering other products and services such as personal, home and auto loans, including credit cards. PNB has a strong affinity with the Global Filipino market and continues to enrich the lives of Filipinos worldwide. In order to further strengthen its foothold in the overseas market, the Bank partnered with Wells Fargo & Company to provide Filipinos in the US a new way of sending remittances to the Philippines. OFWs can now send money to their families and friends in the Philippines using Wells Fargo's extensive network of more than 9,000 stores and 12,500 ATMs across 39 states in the US.

In affirmation of the Bank's well-managed operations, PNB received awards from the Institute of Corporate Directors (ICD) and the Bangko Sentral ng Pilipinas (BSP). In 2011 and 2012, PNB was given the Silver Award for Good Corporate Governance by the ICD in recognition of its professional practice of corporate directorship in line with global principles of good governance. In 2012 and 2013, the 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 Hall of Fame Awardee for Best Commercial Bank Respondent on Overseas Filipino Remittances for having won the award for four straight years (2005-2008). In the 2014 BSP Stakeholders' Ceremony, the Bank was recognized as the Outstanding PhilPass REMIT Participant. In recognition of PNB's innovative products, the Bank, together with PNB Life, was also accorded the Excellence in Business Model Innovation Award during the 2014 Retail Banker International Asian Trailblazer Awards for its Healthy Ka Pinoy Emergency Card which was launched in 2013 in the market.

Acknowledging PNB's improving performance, Standard & Poor's Ratings Services hiked its outlook on PNB from "stable" to "positive" last March 2014, citing the gradual improvement in its asset quality following the merger with ABC. The positive outlook on PNB also reflects expectations that the Bank's asset quality could can keep improving, given the efforts to enhance its underwriting standards. In addition, Moody's Investors Service also raised the Bank's credit rating outlook from "stable" to "positive" last May 2014. Moody's likewise affirmed PNB's Ba2/NP local and foreign currency deposit ratings which reflect ongoing improvements in the credit profile of the Bank. Moreover, the ratings agency raised PNB's financial strength rating (BFSR)/ baseline credit assessment (BCA) to D-/ba3 from E+/b1, reflecting the improvement in the Bank's financial profile, following its merger with ABC in 2013.

Merger Developments

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 respective shareholders of the Bank and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on March 6, 2012. The original Plan of Merger was approved by the affirmative vote of ABC and the Bank's respective shareholders on June 24, 2008, representing at least two-thirds of the outstanding capital stock of both banks.

On March 26, 2012, the Bank submitted to the 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, 2014, the merged Bank has a combined distribution network of 657 branches and offices and 878 ATMs nationwide. Based on December 31, 2014 figures, 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.

Business Description

PNB, through its Head Office and 657 Domestic Branches and offices and 77 Overseas Branches and Representative Offices, provides a full range of banking and financial services to large corporate, middle-market, small 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 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.

Competition

In the Philippines, the Bank faces stiff competition in all its principal areas of business, from both Philippine (private and government-owned) 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, 2014, there were 36 universal and commercial banks, of which 17 are private domestic banks, 3 are government banks and 16 are branches or subsidiaries of foreign banks. Some competitor banks have greater financial resources, wider networks and greater market share than PNB. Said banks 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, Inc. and with its Government customers, as well as builds on relationships with the Bank's 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.

As of December 31, 2014, the Bank has a distribution network of 657 branches and offices and 878 ATMs nationwide. The Bank is 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.

New Products and Services

The Bank has launched the following products and services in 2014 and first quarter of 2015:

- **Electronic Remittance of Sickness, Maternity & Employees Compensation Benefit**
  PNB took the lead in the electronic remittance of employee benefits through the employer for further credit to the employee. This replaced the current disbursement method through check issuance. The new system involves the automated generation and transmission of report, with auto reversal of unsuccessful transactions.

- **BIR Interactive Form System (PNB i-Tax)**
  In partnership with the Bureau of Internal Revenue (BIR), individuals and non-large taxpayers who are account holders of the Bank are provided with the electronic channel to pay taxes due to the BIR through the PNB Internet Banking System.

- **Enhanced Internet Banking System**
  The PNB Internet Banking System (IBS) allows clients to avail of the "ATMSafe", a product which offers insurance protection against ATM robbery and theft. Clients who also wish to view the details of their loan accounts in real time may now enroll their loan accounts in the IBS. An enhanced security feature was also introduced for the online enrollment of third party accounts by using the One-Time-Password (OTP) sent through the client's registered mobile number every time a client accesses his account online.

- **Third Currency Savings and Time Deposit Accounts**
  PNB is accepting third currencies such as Chinese Yuan/Renminbi, Japanese Yen and Euro for both savings and time deposit accounts. The service is being offered in Metro Manila, Southern Luzon and Metro Cebu areas and will soon be implemented in all domestic branches.

- **BancNet eGov**

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

- **Mag Padala, Mag Palipad Raffle Promo**

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

Key Business Activities

PNB provides a 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, foreign exchange (FX) dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services.

PNB's banking activities are undertaken through the following groups, namely:

Institutional Banking Group

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

Retail Banking Group

The Retail Banking Group (RBG) principally focuses on retail deposit products (i.e., current accounts, savings accounts and time deposits and other accounts) and services. While the focal point is the generation of lower cost funding 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 (CFG) provides multi-purpose personal loans, home mortgage loans, motor vehicle financing and credit card services to the Bank's retail clients.

Effective August 1, 2014, PNB's thrift bank subsidiary took over the management of PNB's consumer loans.

Global Filipino Banking Group

The Global Filipino Banking Group ("GFBG") 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. It also provides consumer financing through the *Pangarap* Loan and Own a Philippine Home Loan which are available to OFWs. PNB has the largest overseas network among Philippine banks with 77 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 1,012 other banks and financial institutions worldwide.

Treasury Group

The Treasury Group ("TG") is principally responsible for managing the Bank's funding and liquidity requirements as well as its investment and trading portfolio. It engages in interbank borrowing and lending activities, fixed income securities trading and foreign exchange spot and swap dealing. It also oversees the Bank's long-term funding requirements and enters into derivative transactions for hedging requirements of some of the Bank's sophisticated corporate accounts.

Trust Banking Group

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

Credit Management Group

The Credit Management Group (CMG) is primarily responsible for providing credit management services in the form of credit rating and scoring, financial evaluation and credit risk assessment, credit policy formulation, credit investigation and appraisal and risk asset acceptance criteria development. It focuses on sound credit underwriting and monitoring guidelines and practices to ensure a healthy loan portfolio for the Bank.

Remedial Management Group

The Remedial Management Group (RMG) is primarily responsible for managing problem accounts and reducing the non-performing loans of the Bank. It determines and formulates the appropriate settlement plan for each work-out account for its immediate resolution.

Special Assets Management Group

The Special Assets Management Group (SAMG) is responsible for the overall supervision of the Bank's ROPA.

COMPETITIVE STRENGTHS

PNB considers the following to be its principal competitive strengths relative to the banking sector:

Well-positioned franchises in the robust Philippine banking sector

The Bank's scale, reach, business mix, product offerings and brand recognition has made it among the leading financial institutions in the Philippines. PNB is the Philippines' fourth largest private commercial bank in terms of total assets, deposits, net loans and receivables.

Extensive and strategically located distribution network

The Bank has one of the most extensive branch networks among its competitors in the Philippines. As of December 31, 2014, the Bank had 657 domestic branches and offices and 878 ATMs. The Bank's branches and ATMs are strategically located to maximize market potential and cover areas where competitors are less present, making financial services accessible to untapped customers and investment opportunities. The Bank's extensive distribution network allows for a strong deposit gathering capability and the ability to sell and distribute fee-generating product lines such as bancassurance, trust, fixed-income securities and credit cards. According to BSP data, the 657 domestic branches and offices of the Bank comprised approximately 11% of the total number of branches of all private commercial and universal banks in the Philippines. The 878 ATMs of the Bank represent about 7% of the total number of ATMs of commercial and universal banks.

Industry-leading OFW remittance business

As of December 31, 2014, the Bank's OFW remittance business accounted for approximately 19.0% market share by remittance volume, based on data from the BSP, making it one of the largest in the Philippines. The Bank's large-scale remittance business is supported by the Bank's extensive overseas network of 77 branches, representative offices and remittance centers across 16 countries in North America, Europe, the Middle East and Asia. As of December 31, 2014, the Bank also maintained correspondent relationships with 1,012 banks and financial institutions worldwide.

Diversified customer base

The Bank provides a full range of banking and other financial services to diversified customer bases including government entities, large corporate, middle-market, small and medium enterprise (SME) and retail customers, with the Bank having the distinction of being one of only five authorized government depository banks in the Philippines. The Bank believes that with the merger, additional customers contributed by ABC will strengthen the Bank's ability to withstand periods of volatile economic markets as compared to many of its peers.

Solid capitalization, improving asset quality and stable financial performance

The Bank's capital position is strong, with a consolidated Tier 1 ratio of 17.4% and consolidated CAR of 20.6% as of December 31, 2014 as reported to the BSP. The Bank's strong capital position gives it the flexibility to expand its business, invest in new products and services, information technology and other infrastructure required for the execution of its growth strategy. Moreover, the Bank has been committed to prudent credit approval and risk management processes, which have resulted in improving asset quality. As of December 31, 2014, the Bank recorded an NPL ratio of 0.9%, a net NPA ratio of 3.6% and an NPL coverage ratio of 99.2%.

Synergies from its strong shareholder group

As a member of the Lucio Tan Group, PNB continues to benefit from being part of one of the largest and most diverse conglomerates in the Philippines, with interests ranging from beverages, airlines, tobacco, property development, education and others. PNB has been able to achieve significant synergies with the Tan Companies, such as partnering with Philippine Airlines to introduce one of the most popular mileage rewards credit cards in the Philippine market, providing collection facilities through its nationwide branches for sellers of PMFTC's products and for other Lucio Tan companies, streamlining loan applications for end-buyers of Eton, and facilitating guarantees for ticketing agents of Philippine Airlines.

BUSINESS STRATEGIES

PNB aims to fortify its position as one of the leading banks in the Philippines, delivering strong profitability supported by a solid balance sheet. To achieve this corporate goal, the Bank will undertake the following strategic initiatives for 2014:

1. <u>Improve revenue mix</u>
   As part of the strategy to improve its profitability and at the same time minimize dependence on any specific revenue source, the Bank will take steps to modify its revenue mix towards a more stable stream of income. Along this line, The Bank will continue to determine the proper allocation of the use of funds between loans and investments to ensure a more stable level of accrued interest income and higher yields from loans versus the volatile movements in trading gains/losses from investment securities held for trading. Likewise, the Bank intends to further leverage on its strong franchise and increase fee-based income by intensifying its cross-selling efforts to its existing customers, including its OFWs customers. The Bank will also review its fee structure and align bank fees and service charges with market rates to remain competitive. With its bancassurance license from the BSP, the Bank plans to intensify its efforts in the marketing of bancassurance products.

2. <u>Shift loan portfolio mix in favor of SME and consumer segments</u>
   The Bank's lending strategy will entail a shift in marketing focus from large institutional accounts to SMEs and individuals. This shift in lending strategy by increasing the number of smaller accounts is intended to help the Bank in achieving higher lending margins as smaller accounts are less sensitive to changes in interest rates. The Bank intends to leverage on its extensive customer base of OFWs to expand its consumer lending business. The Bank's subsidiary, PNB Savings Bank will play a pivotal role in strengthening the bank's foothold on the retail and consumer segment.

3. <u>Strengthen leadership in the global Filipino Market</u>
   The Bank intends to further increase its share in the global Filipino market by going beyond merely providing them with remittance services to offering them a more diverse menu of financial services. The Bank will continue to enhance its products aimed at delivering optimum services, particularly by introducing electronic-remittance channels. In addition to its large global distribution network, the Bank will keep on partnering with companies that are considered leaders in their home markets to reinforce its overseas presence. The sustained focus on service quality, continued product innovation and marketing initiatives are expected to result in increased remittance volume and/or increased foreign currency business.

4. Rationalize cost of funds
   The Bank will leverage on the strength of its nationwide branch network to generate low-cost deposits from its existing and growing customer base. In support of the expansion in total assets, the Bank will also keep an acceptable level of high-cost deposits to complement the low-cost deposit base.

5. Maximize synergies from the merger
   The merger brings together a combined complementary client base ranging from large corporations, local government units, government-owned and controlled corporations, overseas Filipino workers and the Chinese-Filipino community to the provincial market. The merged bank will also be able to leverage and harness on the wide network of its major shareholder, the LT Group, Inc., one of the largest conglomerates in the Philippines. As the merged bank, PNB will have a better platform to offer a wide range of personal and corporate banking services and products, and become a leading player in its chosen markets.

   The merger is expected to create substantial revenue and cost synergies. Revenues should be enhanced as a result of new customers, increased business from existing customers, low funding cost from improved risk profile and greater opportunities for cross-selling bancassurance, trust, credit card and other products to a larger customer base via a wider distribution network. In addition, the merger will result in cost efficiency improvements through branch re-engineering, economies of scale, systems integration, realignment of front offices and optimization of back office processing and support functions.

6. Accelerate ROPA disposition
   Through its Special Asset Management Group (SAMG), the Bank will aggressively dispose of foreclosed assets as well as maximize recoveries from asset sales and income potential of acquired assets. Under the Bank's three-year business plan, SAMG will focus its efforts on the following: a) pursue implementation of development plans for selected ROPAS e.g., portfolio sale, joint-venture with developers, sale of small and medium ROPAs; b) collection of CARP accounts; c) strong marketing initiatives; d) efficient account management of SCR accounts; and e) more effective and efficient lease management practices.

Risks of Investing

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- Risks Relating to PNB's Business;
- Risks Relating to the Philippines;
- Risks Relating to the Shares; and
- Risks Relating to the Presentation of Information in this Prospectus.

The Bank is subject to a number of risks, the realization of which could have a material adverse effect on the Bank's business, financial condition and results of operations and cause the market price of the Shares to decline. For example, the merger between PNB and Allied Bank may not result in the expected synergies contemplated by PNB, PNB and Allied Bank may be subject to tax liabilities in relation to their merger, the Bank has faced and may continue to face significant levels of non-performing loans. The Bank is also subject to risks related to, among other things, the size, quality and concentration of its loan and investment portfolios, its provisioning policies, its ability to recover collateral, its exposure to the real estate industry, its reliance on gains from treasury operations and its ability to successfully monitor and manage certain decentralized business and risk management functions across its banking network. In addition, the Bank operates in a competitive and highly regulated industry and thus may be limited in its ability to expand and grow its customer base. As a Philippine bank, the Bank's results of operations and financial condition may also be adversely affected by political and economic developments in the Philippines. Investors may also face risks regarding liquidity of the Shares and fluctuations in the market price of the Shares.

Corporate Information

PNB is a Philippine corporation with registered office and principal executive offices located at PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City, Metro Manila. PNB's telephone number is (632) 8916040 to 71 or 5263131 while its fax number is (632) 8340780. Its corporate website is www.pnb.com.ph. The information on PNB's website is not incorporated by reference into and does not constitute part of this Prospectus.

SUMMARY OF THE OFFER

Issuer……………………………………	Philippine National Bank, a corporation organized under the Philippine law. The trading symbol is PNB.
The Offer……………………………….	Primary Offer of 423,962,500 Common Shares to be issued by PNB to all shareholders of Allied Banking Corporation at the Issue Price of ₱70.00 per share using the Exchange Ratio of 130 PNB common shares for each Allied Bank common share and 22.763 PNB common shares for each Allied Bank preferred share pursuant to the Plan of Merger.
Issue Price…………………………….	₱70.00 per Share
Use of Proceeds………………………..	There are no cash proceeds from the offering. As previously approved by the respective Board of Directors and shareholders of PNB and Allied Bank, the accounting treatment for the Merger will be in accordance with PFRS 3. The Merger will be accounted for under the Purchase Method. See “Use of Proceeds” on Page 26 for details of how the total net proceeds are expected to be applied.
Listing and Trading……………………	The Shares are expected to be listed on the PSE under the Symbol and company alias PNB at least fifteen days after the submission of the Listing Application with the PSE. Trading of the shares is expected to commence upon receipt of the notice of approval from the PSE.
Dividends………………………………	PNB is authorized to declare dividends. A cash dividend declaration requires approval from the Board. A stock dividend declaration requires the further approval of shareholders representing not less than two-thirds of PNB’s outstanding capital stock. Dividends may be declared only from unrestricted retained earnings and is subject to the approval of the BSP. PNB cannot provide assurance that it will pay any dividends in the future. See “Dividends Policy”.
Taxation …………………….	Documentary Stamp Tax for the primary issue of the Shares at the rate of ₱1.00 for every ₱200.00 of the par value shall be for the account of the Bank.
Expected Timetable………………….	The Timetable of the Offer is expected to be as follows: Filing of Amended Prospectus and Registration Statement – July 8, 2015

	Filing of Listing Application with the PSE - November 29, 2013
	Listing Date and Commencement of trading on the PSE – at least 15 days from submission of the Listing Application with the PSE and receipt of the formal notice from the PSE
	The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.
Risks of Investing……………………	Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Shares. Some of these risks are discussed in the section entitled "Risk factors" and include risks relating to PNB, risks relating to the Philippines, risks associated with the Shares and risks relating to certain statistical information in this Prospectus.

SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables set forth the selected financial information for PNB and should be read in conjunction with PNB's financial statements as audited by SGV & Co. for the years ending December 31, 2012 to 2014, including the notes thereto, and the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Prospectus. The following data is qualified in its entirety by reference to all of that information.

INTERIM CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Earnings Per Share)

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

STATEMENTS OF INCOME
(In Thousands, Except Earnings per Share)

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

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

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

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

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

See accompanying Notes to Consolidated Financial Statements.

STATEMENTS OF FINANCIAL POSITION
(In Thousands)

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

USE OF PROCEEDS

There are no cash proceeds from the offering. As previously approved by the respective Board of Directors and shareholders of PNB and ABC, the accounting treatment for the merger will be in accordance with PFRS 3. The merger will be accounted for under the Purchase Method, under which the following main principles will be followed:

- assets and liabilities, including unrecorded intangible assets and contingent liabilities of the “acquiree” will be taken up at fair value as of the date of the Merger in the books of the “acquiror”
- prior years’ financial statements will not be restated and the income statement will only incorporate the results of the “acquiree” from the date of merger
- equity of the “acquiror” is increased by the amount of the acquisition cost, equivalent to the number of new shares of the “acquiror” to be issued multiplied by the issue price
- difference between the acquisition cost and fair value of the net assets of the “acquiree” as of the date of the merger will be recorded as goodwill.

There are no expenses which will be deducted or paid out of the proceeds of the offering.

The merger of PNB and ABC has, however, elevated PNB as the fourth largest private commercial bank in terms of assets based on the Bank’s published Statement of Condition as of December 31, 2014. The infusion of ABC’s assets into PNB has improved its financial standing.

RISK FACTORS

Prior to making an investment decision, the prospective investors should carefully consider the risks described below, which are hereby presented in no order of importance, in addition to the other information set forth in this Prospectus including the Bank's financial statements and notes relating thereto included herein.

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide for future performance.

This risk disclosure does not purport to disclose all the risks and other significant aspects on investing in these securities. Any investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He may request information on the securities and the issuer thereof from the SEC which are available to the public.

RISKS RELATING TO PNB

PNB operates in a highly competitive environment, which could limit its ability to maintain or increase its market share and maintain or increase its profitability.

PNB competes against both local banks and branches of foreign banks that offer similar financial products and services. These include competitors which, in some instances, have greater financial and other capital resources, a greater market share, or greater name recognition in certain areas than PNB.

In the future, competition in the industry may further intensify. Continued expansion of Philippine banks can saturate markets that PNB intends to serves. Continued consolidation in the banking sector, alliance between domestic banks and foreign banks will create stronger institutions which are better positioned to compete against PNB. Entry of new players in the industry can also increase competition as they seek to gain market share.

There can be no assurance that PNB will be able to compete effectively in the face of such increased competition. Increased competition may make it difficult for PNB to increase the size of its loan portfolio and deposit base, sustain or increase its margins, and could have a material adverse effect on results of operations and financial condition.

PNB's business is closely monitored and regulated by the Government through policies that may significantly impact its operations and profitability.

PNB is regulated principally by the BSP through the regular and special examination and review of reports that all Philippines banks are required to submit. PNB is also subject to banking, corporate and other laws in effect in the Philippines. The regulatory and legal framework governing PNB differs in certain material respects from that in effect in other jurisdictions and may continue to change as the Philippine economy and commercial and financial markets evolve.

For example, the Government has imposed an agrarian reform and agriculture lending policy that requires Philippine banks to grant loans to agricultural sectors of the country and agrarian beneficiaries. Banks that fail to comply by falling below the specified level of loans granted to these sectors may be fined by the Government. There is no absolute guarantee that these fines will not be significantly changed by the Government, which may have a negative impact on the Bank's financial performance in the event of non-compliance with the regulation. Another example is the BSP's policy of prohibiting banks from having a financial exposure to any individual, entity or group of connected persons in excess of 25 per cent of its net worth, except when the transactions involve Government related entities or guaranteed by the Government, among others.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the capital adequacy of banks in the Philippines. PNB has embarked on initiatives in order to meet the requirements under Basel III. It is anticipated that the adoption of Basel III may result in the decline of capital ratios of banks in the Philippines, including PNB's. PNB may also have to comply with stricter regulations and guidelines issued by other regulatory authorities in the Philippines, such as the Bureau of Internal Revenue (BIR), the Anti-Money Laundering Council (the AMLC) and international bodies, such as the Financial Action Task Force. If additional rules or regulations are introduced, PNB may incur substantial compliance and monitoring costs, and if PNB is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties, face disruptions to its operations and face reputational damage, which could materially and adversely affect PNB's business, financial condition and results of operations.

PNB is exposed to credit, market, interest rate, foreign exchange, liquidity, operating, and other risks which may have an impact on its future financial performance and operations.

The inability of PNB to manage these various risks could have an adverse impact on its business, operations and financial performance. PNB's interest income and earnings depend on its ability to accurately gauge the credit worthiness of its borrowers, provide adequate allowance for credit losses and manage migrations in credit quality and risk concentration of its portfolio. PNB's existing and prospective lending policies, processes and controls may not adequately mitigate the risk of loan loss provisions and write-offs. The success of the Bank's treasury and trading strategies and operations depends upon its capacity to correctly identify and execute mark-to- market changes in the value of financial instruments caused by fluctuations in market value, interest rates and foreign exchange rates, among other factors. In the event that PNB's estimates differ significantly from actual results and critical assumptions prove inaccurate, it could incur losses that are higher than expected. Such losses may result in liquidity concerns which hamper the Bank's ability to settle obligations as they fall due, resulting in increased costs, loss of reputation, and other detrimental effects that can affect the Bank's performance and standing. Lastly, the Bank's operating controls, policies and processes may not be adequate to prevent losses from transaction failures, human error, fraud, breakdown of its IT systems, and other such events that have a negative impact on its operations and financial results.

Lending carries the risk of default by borrowers and PNB may face increasing levels of NPLs and provisions for impairment and credit losses on loans.

Any lending activity is exposed to credit risk arising from the risk of default by borrowers. PNB's results of operations may be negatively affected by the level of its NPLs. A number of factors affect PNB's ability to control and reduce its NPLs, such as volatile economic conditions in the Philippines, which may adversely affect many of PNB's customers, and may cause uncertainty regarding their ability to fulfill their loan obligations, and in effect increase PNB's exposure to credit risk. In addition, PNB is seeking to grow its business, particularly its earnings asset base, which would likely entail extending more loans to customers. While PNB has more than adequate loan provisions, these and other factors could result in an increased number of NPLs in the future and may require PNB to book additional provisions for impairment and credit losses on loans. While PNB regularly monitors its NPL levels and has strict credit processes in place, there can be no assurance that PNB will be successful in reducing its NPL levels or that the percentage of NPLs that PNB will be able to recover will be similar to PNB's historical recovery rates or that the overall quality of its loan portfolio will not deteriorate in the future. If PNB is not able to control and reduce its NPLs or recover expected amounts from NPLs, if the quality of collateral is lower than estimated or if there is a significant increase in its provisions for loan losses, PNB's operating costs, business, financial condition, results of operations and capital adequacy could be adversely affected.

PNB may experience significant losses if it is unable to fully recover the assessed value of collateral when its borrowers default on their obligations.

Most of PNB's secured loans receivable are collateralized by real estate properties. These collaterals plus PNB's holdings in real estate and other properties acquired (ROPA) give the Bank a considerable amount of exposure in the Philippine property market. The liquidation value of the collateral, the maximum amount that PNB will most likely get in the event of a sale of the property less the expenses incurred in such a sale held by PNB, may be below the value recorded at the time of the release of the loan. PNB liquidates part of its ROPA and other collateral through public auctions and negotiated transactions at ongoing market prices, which are heavily influenced by buyers. Property prices in the Philippines have generally been volatile and the property market has been highly cyclical. There is no certainty that PNB's loans can be sufficiently covered by the realized value of the attached collateral. The market value of real estate held as collateral can be significantly affected by events such as economic downturns. In some instances, the recorded value of the collateral may be out of date and not accurately mirror their current market value. There are also some circumstances wherein there are no buyers for a particular type of asset held as collateral and it may be difficult to liquidate such collateral at acceptable prices. Any possible decrease in the value of the collateral on PNB's loans, including future collateral received by PNB, would translate to insufficient provisions for credit losses that consequently forces PNB to increase such provisions. In the event that loans become non-performing, there is no certainty that the collateral securing any kind of loan will fully shield PNB from incurring partial or total losses. Any additional amount in PNB's provisions for credit losses would significantly impact its operational and financial performance as well as its capital adequacy ratio.

In addition, PNB may encounter problems and delays in the process of recovering value and liquidating collateral or collecting on any guarantee due to the inefficient enforcement of obligations by the Philippine legal system. Banks in the Philippines are required to undergo a mandated process and follow the steps identified by Philippine law when foreclosing on collateral or enforcing guarantees. This process is governed by administrative and bankruptcy law requirements that may make it more difficult to deal with compared to other regions and jurisdictions. The time delay caused by the bureaucratic process may last several years during which both the market value and physical condition of the collateral may significantly deteriorate, particularly inventory of goods or accounts receivables. In addition, collateral of this nature may not be insured. Taken together, these factors expose PNB to certain legal liabilities while the collateral is in PNB's possession. These factors may also substantially lower PNB's ability to unlock the value of its collateral and therefore reduce the comfort in taking security in exchange for granting loans. In some instances, PNB will need to spend on the maintenance of properties held as collateral in order to prevent or slow down their deterioration. The process of liquidating assets and properties held as collateral may also require PNB to pay legal fees and taxes.

PNB's trading activities are subject to volatility.

PNB engages in trading activities, primarily maintaining proprietary trading positions in Philippine and foreign government securities and some corporate debt securities. In recent years, PNB's gains from treasury operations have contributed significantly to PNB's operating income. PNB's trading gains are inherently volatile as trading securities and currencies are subject to economic, political and other conditions that may fluctuate from time to time. There can be no assurance that, in the future, PNB will be able to realize an amount of trading gains that is similar to the gains it realized historically, that it will not incur a loss from such trading or that it will not hold on to its trading and investment securities to realize interest income, any or all of which could have a material adverse effect on PNB's future net income. Risks arising both from its trading and investment strategy and general market volatility which are beyond its control could expose PNB to potential losses and may materially and adversely affect its business, financial condition and results of operations.

PNB is subject to interest rate risk and foreign exchange risk.

PNB realizes income from the margin between interest-earning assets and interest paid on interest-bearing liabilities. The business of PNB is subject to fluctuations in market interest rates as a result of mismatches in the re-pricing of assets and liabilities. These interest rate fluctuations are neither predictable nor controllable and may have a material adverse impact on the operations and financial condition of PNB. In a rising interest rate environment, if PNB is not able to pass along higher interest costs to its customers, it may negatively affect PNB's profitability. If such increased costs are passed along to customers, such increased rates may make loans less attractive to potential customers and result in a reduction in customer volume and hence operating revenues. In a decreasing interest rate environment, potential competitors may find it easier to enter the markets in which PNB operates and to benefit from wider spreads. As a result, fluctuations in interest rates could have an adverse effect on PNB's margins and volumes and in turn adversely affect PNB's business, financial condition and results of operations.

As a financial organization, PNB is exposed to foreign exchange risk. Movements in foreign exchange rates could adversely affect PNB's business, financial condition and results of operations. The foreign exchange transactions of Philippine banks are subject to stringent BSP regulation. Under BSP guidelines, PNB is required to provide 100.0% foreign asset cover for all foreign currency liabilities in its Foreign Currency Deposit Unit ("FCDU") books. The decline in the value of the peso against foreign currencies, in particular, the U.S. dollar may affect the ability of PNB's customers or the Government to service debt obligations denominated in foreign currencies and, consequently, increase NPLs. Conversely, increases in the value of the peso can depress the export market which can negatively affect the ability of certain PNB customers to repay their debt obligations or may reduce credit quality or demand. There can be no assurance that the peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an adverse effect on PNB.

PNB is exposed to the risk that fraud and other misconduct could be committed by employees or outsiders.

Banks have large amounts of cash flowing through their systems hence, reputation and client trust is integral to a bank's business. Incidents of fraud and other misconduct done by bank employees or third parties may damage a bank's reputation and could have severe repercussions to its business, profitability, financial standing and prospects. Moreover, these incidents could lead to administrative or regulatory sanctions by the BSP or other Government agencies in the form of suspensions or limitations to PNB's banking and business activities. Despite the fact that PNB has internal control procedures to prevent fraudulent activities, there can be no guarantee that PNB will be able to avoid and prevent incidents of fraud.

PNB's ability to retain and develop its employees and attract capable personnel has an effect on its current business, expansion plans, and future business performance.

The success of PNB, like any other company, rests on its management and employees. In the event that Bank is unable to retain its existing key officers or develop capable replacements for these individuals, the Bank's operations and business performance will suffer. The demand for competent and experienced bank personnel is increasing, not only from other financial institutions in the country but also from institutions outside the Philippines. The Bank's expansion plans will require it to attract and recruit new managers and employees and given the increasing competition, there is no assurance that the Bank will be able to employ such individuals or employ these at salary and compensation arrangements that are favorable to the Bank.

PNB's risk assessment and monitoring methods varies from those of its more developed and established counterparts.

PNB's risk assessment and monitoring methodologies may be different from other banks and financial institutions.

PNB's pertinent risk data such as the credit history and loan exposure of proposed borrowers may be incomplete or obsolete. Consequently, the effectiveness of PNB's risk management may not be at par with other banks. If PNB is unable to attain the necessary expertise and systems similar to its peers, PNB's ability to manage the risks inherent in its business, to expand its base of operations, to fortify its financial position and to enhance its profitability may be adversely affected.

PNB may fail to upgrade or effectively operate its information technology systems.

PNB's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume. The proper functioning of PNB's financial control, risk management, accounting or other data collection and processing systems, together with the communication networks connecting PNB's various branches and offices is critical to its business and its ability to compete effectively. PNB has centralized the database in respect of its domestic business through the adoption of a core banking system that provides the capability of online real-time transaction processing and accessible in various electronic channels, including ATMs, internet banking, and mobile banking. Any failure in PNB's systems or to implement new systems, particularly for retail products and banking transactions could have a negative effect on its business, financial condition and results of operations.

PNB's failure to manage risks associated with its information and technology systems could adversely affect its business.

PNB is subject to risks relating to its information and technology systems and processes. The hardware and software used by PNB in its information technology are vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses or the interruption or loss of support services from third parties such as internet service providers, ATM operators and telephone companies. Any disruption, outage, delay or other difficulties experienced by any of these information and technology systems could result in delays, disruptions, losses or errors that may result in loss of income and decreased consumer confidence in PNB. These may, in turn, adversely affect PNB's business, financial condition and results of operations.

PNB also seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by PNB's increased use of the internet. Computer break-ins and security breaches would affect the security of information stored in and transmitted through these computer systems and network infrastructure. PNB employs security systems and maintains operational procedures to prevent break-ins, damage and failures. The potential for fraud and securities problems is likely to persist and there can be no assurance that these security measures will be adequate or successful. The costs of maintaining such security measures may also increase substantially. Failure in security measures could have a material adverse effect on PNB's business, financial condition and results of operations.

PNB relies principally on short-term deposits for its funding needs.

PNB's funding needs are principally satisfied from demand, savings and time deposits, and to a smaller extent, borrowings from other banks. Although PNB's deposits have historically been a stable source of funding for PNB, no assurance can be given that this will continue to be the case in the future. In the event a substantial number of PNB's depositors withdraw, or do not roll over their deposits, or if other banks do not lend short term funds to PNB as they have in the past, PNB's liquidity position could be adversely affected, which could result in its inability to fund its loan portfolio and may require PNB to seek alternative sources of funding. PNB can provide no assurance as to the availability or terms of such funding. To the extent PNB is unable to obtain sufficient funding on acceptable terms or at all, PNB's liquidity and financial condition and results of operations will be adversely affected.

PNB could be materially and negatively affected by sudden and unfavorable changes in the Philippine banking industry.

PNB's financial condition and performance, like other local banks, is directly affected by trends and movements in the Philippine banking industry. Disruptions in the financial sector or in the general economic conditions of the Philippines may cause the Philippine banking industry, along with PNB, to encounter similar problems faced during the Asian economic crisis such as substantial increases in NPLs, liquidity issues, capital adequacy problems, and other challenges.

The current global economic climate could negatively impact PNB's business.

The global markets have been highly volatile in recent times due to the economic instability occurring in different areas of the world, particularly in Europe, that may continue to persist in the near future. Capital markets around the world, including in Asia, have reacted to these turbulent global economic conditions negatively and further volatility may adversely impact the Bank's business and performance. In addition, some economists have forecasted that the United States, China, and Europe will experience a slower pace of growth. All of these developments may significantly impact trade volumes with potentially untoward effects on the Philippines and eventually on the Bank's business.

There is no assurance that the volatility and uncertainty prevailing in global markets will not spill over and adversely affect credit markets in Asia, including in the Philippines. Any deterioration in the economic conditions in the Philippines as a result of the foregoing factors could materially and adversely affect the Bank's borrowers, clients and counter-parties. This, in turn, could materially and adversely affect the Bank's financial condition and results of operations, as well as the Bank's ability to implement its business strategy. There can also be no assurance that PNB and its operations will be protected against adverse developments arising from the global environment.

PNB is controlled by the LT Group, Inc. whose interests may significantly differ from other shareholders in the bank

As of December 31, 2014, the LT Group, Inc. (LTG) held indirect ownership of PNB shares amounting to about 59.83%. Shareholders related to or who issue proxies/special powers of attorney in favor of Mr. Lucio C. Tan from time to time held a total of about 17.95% of the bank's shares, while the latter held direct ownership over 1.19% of the bank's shares. The remaining 21.03% are owned by other stockholders.

The interests of Mr. Lucio C. Tan and LT Group, Inc. may differ significantly from the interests of the Bank and/or the other shareholders and there can be no assurance that Mr. Lucio C. Tan and LT Group, Inc. will exercise their influence over PNB in a manner that is in the best interests of all shareholders of PNB.

RISKS RELATING TO THE PHILIPPINES

PNB is exposed to risks associated with the Philippines because substantially all of the Bank's assets and business activities are based in the Philippines.

Historically, PNB has derived substantially all of its operating income from the Philippines. Hence, PNB's business is highly dependent on the state of the Philippine economy. Factors that may adversely affect the Philippine economy include:
- uncontrollable inflation and increasing interest rates;
- high unemployment, dwindling consumer confidence and low income;
- exchange rate fluctuations;
- slowdown in business, industrial, manufacturing and financial activities;
- credit scarcity resulting in lower consumer spending;
- changes in Government fiscal policy;
- re-emergence of epidemic diseases such as SARS and avian influenza;
- natural catastrophes;
- political instability, mutinies, acts of terrorism and military conflict.

There is no assurance that the country will attain strong economic fundamentals in the future. Any abrupt changes in the conditions in the country may adversely affect PNB's business, financial position and profitability.

Political instability in the Philippines may negatively impact PNB's business, financial standing and profitability.

In recent years, the Philippines has seen several unsuccessful military uprisings and, every so often, public protests are held. A turbulent political atmosphere diminishes investor confidence and may adversely affect PNB's business. Despite the high approval ratings of President Benigno S. Aquino III, there can be no assurance that the country will avoid political turmoil.

Terrorist acts and high-profile violent crimes threaten the country's stability and may have an adverse effect on PNB's business, financial standing and profitability.

In recent history, the country has been victim to numerous acts of terrorism. There have been several prominent kidnappings and slayings of foreigners. A number of bombings have occurred. And, most recently, the instability in certain parts of Mindanao and the growing threat of criminal groups like BIFF and terrorist groups like ISIS and their links to local rebel groups like MILF have adverse effects on investor confidence, and consequently, the Philippine economy.

Natural catastrophes may negatively affect PNB's business, financial standing and profitability.

The Philippines is plagued by typhoons and is hit by floods, earthquakes and volcanic eruptions from time to time. The occurrence of natural disasters may affect the capacity of PNB's clients to fulfill their obligations to PNB.

Also, despite the implementation of business continuity management measures, there can be no assurance that PNB will be fully capable to deal with these kinds of situations and that insurance will fully compensate PNB for the damage and economic losses brought about by these catastrophes.

Any future changes in PFRS may affect the financial reporting of PNB's business.

PFRS continues to evolve as standards and interpretations promulgated subsequent to December 31, 2011 come into effect. In 2011, the BSP approved the guidelines on the early adoption by banks and other BSP-supervised financial institutions of PFRS 9 Financial Instruments under Circular No. 708 s. 2011. In 2012, the provision of Circular No. 708 was amended by Circular No. 761. PFRS 9 is the local adoption of International Financial Reporting Standards (IFRS) 9 Financial Instruments, which is the first phase of the three-phase improvement project by the International Accounting Standards Board to ultimately replace International Accounting Standards (IAS) 39 Financial Instruments: Recognition and Measurement. Phases 2 and 3 of the project deal with accounting for the impairment of financial assets and hedge accounting, respectively. Phase 1 of IFRS 9, which deals with the classification and measurement of financial assets and financial liabilities, was adopted in the Philippines by the Financial Reporting Standards Council as PFRS 9. Mandatory application of IFRS 9 has been moved to January 1, 2015. Early application is permitted. PFRS 9 aims to improve and simplify the classification and measurement of financial instruments. It requires entities to classify and subsequently measure financial assets at either amortized cost or fair value on the basis of both (a) the entities' business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial assets. Among others, PFRS 9 eliminates "Available-for-Sale" (AFS) and "Held-to-Maturity" (HTM) categories, together with the "tainting rule", which requires entities to reclassify HTM securities to AFS securities in the event that any more than an insignificant amount of an instrument booked under the HTM category is sold or reclassified. PFRS 9 also eliminates the requirement to bifurcate embedded derivatives from financial assets host contracts. It also requires enhanced disclosures to help the users of financial statements better understand the risks and the likely cash flows from the financial assets.

In addition to the required compliance with the provisions of PFRS 9 by banks and other BSP-supervised entities, the newly approved guidelines also provide for certain prudential requirements, such as approval by the entities' board of directors or equivalent governing body of the early adoption and submission by early adopters of the prescribed additional reportorial requirements. Phase 2 deals with measurements of financial assets classified as amortized cost. This requires recognition of credit loss expectations which is significantly different from current accounting requirements under IAS 39. On the other hand, Phase 3 covers revision of hedge accounting requirements in IAS 39. There can be no assurance as to the implementation of new accounting standards in the Philippines and the significance of the impact it may have on the future financial statements of PNB's businesses.

Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.

There may be less publicly available information about Philippine public companies than is regularly made available by public companies in certain other countries. Philippine SEC and PSE requirements with respect to corporate governance standards may also be less stringent than those applicable in certain other jurisdictions. For example, the SRC requires publicly listed companies to have at least two independent directors or such number of independent directors as is equal to 20.0% of its board of directors, whichever is lower, but in no case less than two. Many other countries require significantly more independent directors. Further, rules against self-dealing and those protecting minority shareholders may be less stringent or developed in the Philippines. Such potentially lower standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of PNB's shareholders, particularly those of minority shareholders.

The sovereign credit ratings of the Philippines may adversely affect PNB's business.

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Recently, however, the Philippines' long-term foreign currency-denominated debt have been upgraded by Fitch and Standard & Poor's to the investment-grade rating of BBB Stable and Moody's upgraded its rating of the Philippines' sovereign debt to investment grade Baa2-Stable. These sovereign debt ratings may directly and adversely affect companies resident in the Philippines, as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance, however, can be given that Moody's, Standard & Poor's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including PNB. Any of such downgrades could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including PNB, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

RISKS ASSOCIATED WITH THE SHARES

The PNB shares are subject to market price fluctuations and liquidity risks.

The market price of securities fluctuates and no one can predict with certainty the behavior of the price of PNB shares. There is an inherent risk of loss attached to the PNB shares as downward price movement, even the total loss of its value, is a possibility. The Philippine securities markets are substantially smaller, less active, more volatile and less regulated than other more developed markets. Hence, an investor may not be able to sell his/her shares as quickly as he/she would desire at his/her desired price.

Despite the fact that the issue price has been determined after rigorous study, the PNB shares may trade at a significantly different price from the issue price subsequent to the completion of the issuance. PNB will apply for the listing of the issued shares on the PSE after registration. However, there can be no assurance that there will be an active trading market for the PNB shares or it will be sustained after the issuance and listing.

Future issuance of new PNB shares in the public market could adversely affect the prevailing market price of the shares and unfavorably impact the ownership of existing shareholders.

In the interest of business expansion, the Board may resort to raising capital through the issuance of new equity or equity-linked securities. This may cause existing shareholders to experience dilution and/or may result in their shares becoming subordinate to the newly issued securities. Furthermore, the market price of the shares may decline. The foregoing may affect PNB's ability to raise capital at a time and at a price it deems appropriate.

PNB may be unable to pay dividends on the shares.

There is no assurance that PNB can or will declare dividends on the shares in the future. Dividends, if any, are determined by the Board and will depend on PNB's performance, financial standing, capital requirements, loan obligations, legal, regulatory and contractual restrictions, and other factors the Board may deem pertinent.

DETERMINATION OF ISSUE PRICE

ING Bank, N.V., Financial Advisor to the majority shareholders of PNB and Allied Bank, proposed a share swap ratio between PNB and Allied Bank for approval by their respective Boards. The majority shareholders of PNB and Allied Bank considered several investment banks and selected ING on the basis of its qualifications and advisory track record in Philippine bank mergers and acquisitions.

ING is a Financial Advisor with a long track record in advising on merger and acquisition transactions in the Philippines. ING has advised in at least 20 M&A and advisory transactions involving banks and other financial institutions in the Philippines, including landmark deals such as the privatization of Philippine National Bank in 2005 and the merger between Banco de Oro and Equitable PCI Bank in 2008. ING acted as the Financial Advisor for the majority shareholders of PNB and Allied Bank in relation to the proposed merger from 2007 until its completion in 2013. ING is also accredited by the PSE to issue fairness opinions and valuation reports for listed companies and prospective listing applicants.

ING's recommendation was based solely on publicly available information and other information on Allied Bank and PNB provided to ING by the management teams of Allied Bank and PNB, Roxas de Los Reyes Laurel Rosario & Leagogo Law Offices and SGV & Co. (collectively known as "Management and Advisers"). In formulating the recommendation, ING relied on Management and Advisers to ensure that the information and facts supplied by them are true, accurate and complete in all material respects as of the date hereof and that all information which is or may be relevant, has been provided to ING. ING also relied on the discussions with members of the management of Allied Bank and PNB regarding their respective financial projections and other information provided to ING. ING did not independently verify such information nor conducted any independent in-depth investigation into the business, and the affairs, of Allied Bank, PNB, or the merged entity.

To determine the swap ratio, ING used contribution analysis to examine the relative contribution of PNB and Allied Bank to a hypothetical combined entity and thereby determine the ownership levels between both banks' shareholders in the enlarged entity.

Various methodologies were used, including (a) Relative "Fair Values" (e.g., Dividend Discount Model, Adjusted Net Asset Value, Comparables Analysis), (b) Relative Size (e.g., Total Assets, Interest-Earning Assets, Deposits, Stockholders' Equity), and (c) Relative Operating Performance (e.g., Interest Income, Net Interest Income, Net Interest Income + Non-Interest Income, Underlying Profit).

Each methodology yielded a certain relative contribution ratio between PNB and Allied Bank. Based on the relative contribution ratio and current outstanding capital stock of PNB, the required number of PNB common shares to be issued to Allied Bank shareholders, commensurate to Allied Bank's contribution to the enlarged entity, was computed. Such number of PNB common shares was, in turn, divided by the current outstanding capital stock of Allied Bank to arrive at an implied share swap ratio. After discussions with PNB and Allied Bank management and majority shareholders, ING proposed a specific share swap ratio within the range of implied share swap ratios for the various methodologies and presented such to PNB's and Allied Bank's Board of Directors for approval.

On April 30, 2008 and June 24, 2008, the Board of Directors and stockholders of PNB and Allied Bank, at separate meetings, approved the merger of both banks with PNB as the surviving entity. At that time, the stockholders of both banks approved the Exchange Ratio of 140 PNB common shares for one Allied Bank common share and 30.73 PNB common shares for one Allied Bank preferred share at the issue price of ₱55.00 per share. Thereafter, PNB sought for the approval of the merger with the BSP, the Philippine Deposit Insurance Corporation (PDIC) and the SEC, as well as foreign regulators for its operations abroad. Due to certain regulatory requirements, however, the merger was delayed. PNB has since complied with the same regulatory requirements.

Due to the passage of time since the Boards' and shareholders' approvals in 2008, both banks decided to review the exchange ratio for their respective shares. Upon the recommendation of ING, the following exchange ratio was proposed:

1. 130 PNB common shares for each Allied Bank common share
2. 22.763 PNB common shares for each Allied Bank preferred share.

The Issue Price was also recommended to be increased to ₱70.00 per share from ₱55.00 per share.

On December 16, 2011 and March 6, 2012, each of the Board of Directors and shareholders of PNB and Allied Bank, at separate meetings, approved the proposed a share swap ratio of 130 PNB common shares for each Allied Bank common share and 22.763 PNB common shares for each Allied Bank preferred share at an Issue Price of ₱70.00 per share.

On July 25, 2012, the PDIC granted its consent to the proposed merger of PNB and Allied Bank, with PNB as the surviving entity, pursuant to Sec. 21 (c) of R.A. 3591, as amended (the PDIC Charter), subject to certain conditions. This was followed by the BSP's approval of the Plan and Articles of Merger on August 13, 2012, subject also to certain conditions.

On January 17, 2013, the SEC approved the Plan and Articles of Merger.

Applying the Exchange Ratio, the stockholders of Allied Bank are entitled to the corresponding shares of PNB in the following amounts:

Name of Allied Bank Stockholder	Type of ABC Shares	Number of ABC Shares	Converted PNB Shares
1. Key Landmark Investments, Ltd.	Common	729,872	94,883,360
2. True Success Profits Ltd.	Common	449,152	58,389,760
3. Caravan Holdings Corporation	Common	449,152	58,389,760
4. Solar Holdings Corporation	Common	449,152	58,389,760
5. Prima Equities & Investments Corporation	Common	393,008	51,091,040
6. Infinity Equities, Inc.	Common	336,864	43,792,320
7. Virgo Holdings & Development Corporation	Common	52,617	6,840,210
8. Virgo Holdings & Development Corporation	Preferred	25,000	569,075
9. Jewel Holdings, Inc.	Common	77,005	10,010,650
10. Iris Holdings & Development Corporation	Common	46,937	6,101,810
11. Iris Holdings & Development Corporation	Preferred	25,000	569,075
12. Lucio C. Tan	Common	99,285	12,907,050
13. Ignacio B. Gimenez	Common	44,089	5,731,570
14. Willy S. Co	Common	38,768	5,039,840
15. Kings Investment & Development Corporation	Common	29,571	3,844,230
16. Mariano Tanenglian	Common	17,635	2,292,550
17. Ramon Lee	Common	17,635	2,292,550
18. Luz L. Siy	Common	8,759	1,138,670
19. Nelly S. Sy	Common	8,716	1,133,080
20. Domingo T. Chua	Common	3,511	456,430

21. Mariano Khoo	Common	440	57,200
22. Ramon L. Siy	Common	150	19,500
23. Mariano G. Ordonez	Common	142	18,460
24. James Ang Yiok Teck	Common	10	1,300
25. Manuel T. Gonzales	Common	10	1,300
26. P.O. Domingo	Common	10	1,300
27. Michael G. Tan	Common	1	130
28. Reynaldo A. Maclang	Common	1	130
29. Harry C. Tan	Common	1	130
30. Patrick L. Go	Common	1	130
31. Anthony Q. Chua	Common	1	130
TOTAL		**3,302,495**	**423,962,500**

DILUTION

The merger with Allied Bank was undertaken via a share-for-share swap transaction, where all the issued and outstanding common shares of Allied Bank were be converted to fully-paid and non-assessable common shares of PNB at a ratio of 130 PNB common shares for each issued Allied Bank common share and all the outstanding preferred stock of Allied Bank were converted to fully paid and non-assessable PNB common shares at a ratio of 22.763 PNB common shares for each Allied Bank preferred share, all at an issue price of ₱70.00 per PNB common share.

The book value attributable to PNB's common shareholders, based on PNB's audited financial statements as of December 31, 2012, was ₱36.5 billion, while the book value per share was at ₱55.16. The book value represents total equity attributable to equity holders of PNB. PNB's book value per share is computed by dividing the book value by the number of common shares outstanding less shares held by a subsidiary.

Dilution in book value per share to Allied Bank shareholders represents the difference between the issue price and the book value per share (excluding goodwill) as of December 31, 2014. The book value per share (excluding goodwill) represents total equity attributable to equity holders of PNB less goodwill, divided by the number of common shares outstanding post-merger less shares held by a subsidiary. This assumes that the Allied Bank shareholders fully participated in the stock rights offering completed in February 2014.

The following table illustrates dilution on a per share basis based on the issue price:

Issue price per share	₱ 70.00
PNB book value per share as of December 31, 2012	₱ 55.16
Difference in issue price per share and PNB book value per share as of December 31, 2012	₱ 14.84
Book value per share (excluding goodwill) as of December 31, 2014	₱ 66.02
Dilution in pro forma book value per share to Allied Bank shareholders	₱ 3.98

The following table sets forth the shareholdings and percentage of common shares outstanding of existing PNB shareholders and Allied Bank shareholders immediately after completion of the issuance, assuming full participation in the stock rights offering completed in February 2014:

	Common shares			
	Pre-stock rights offering	**Shares issued in stock rights offering**	**Total**	**%**
Existing PNB shareholders	662,245,916	99,336,887	761,582,803	61%
Allied Bank shareholders	423,962,500	63,594,375	487,556,875	39%
Total	1,086,208,416	162,931,262	1,249,139,678	100%

<u>**PLAN OF DISTRIBUTION**</u>

As the issuance of shares is limited to the shareholders of Allied Bank and only occurs by operation of law upon the SEC's approval of the Merger between Allied Bank and PNB, there is no underwriter or marketer engaged by PNB with respect to this offering, as such, there is no compensation to be paid to selling agents, underwriters or marketers with respect to this offering. There is likewise no compensation to be paid to selling agents or underwriters by PNB with respect to this offering. Further, there are no brokers/dealers or finders engaged for purposes of this offering.

Designated Shares and Allocations

The shares to be issued under this offering are issued on a limited basis to the shareholders of Allied Bank as part of the Merger which was undertaken via a share-for-share swap transaction. As contained in the Plan of Merger, all the issued and outstanding Common Stock of Allied Bank will be converted into fully-paid and non-assessable Common Stock of PNB at a ratio of 130 PNB Common Shares for each issued Allied Bank Common Share while all the issued and outstanding Preferred Stock of Allied Bank will also be converted into fully-paid and non-assessable PNB Common Shares at a ratio of 22.763 PNB Common Shares for each issued Allied Bank Preferred Share.

On January 17, 2013, the SEC approved the Merger of PNB and Allied Bank and simultaneously approved the amendment of the Articles of Incorporation of PNB reclassifying PNB's 195,175,444 Authorized Preferred Shares into Authorized Common Shares thereby increasing its Authorized Common Shares to 1,250,000,001 corresponding to its Authorized Capital Stock of ₱50,000,000,040.00. As a consequence of the approval of the Plan and Articles of Merger and by operation of law, PNB is then required to issue new PNB Common Shares out of its authorized and unissued capital stock at an Issue Price of ₱70.00 per share to swap for the outstanding Allied Bank Common Shares and Preferred Shares in accordance with the Plan of Merger.

Said new PNB Common Shares will be listed on the Philippine Stock Exchange (PSE).

In case of any resulting fractional shares from the above Exchange Ratio, each holder of Allied Bank Common Shares and Allied Bank Preferred Shares who would otherwise be entitled to such fractional share shall be entitled to an amount in cash, without interest, rounded to the nearest centavo equal to the product of (a) the amount of the fractional share interest in a PNB Common Share to which such holder is entitled and (b) the average of the closing sale prices for PNB Common Shares on the PSE for each of the thirty (30) consecutive trading days ending on the date of execution by the parties to the Amended Plan of Merger.

Applying the Exchange Ratio, all of the shareholders of Allied Bank are entitled to a corresponding number of PNB shares, as follows:

ALLIED BANK SHAREHOLDERS AND THEIR CORRESPONDING PNB SHARES:

Name of Allied Bank Stockholders	Type of ABC Shares	Number of ABC Shares	Converted PNB Shares
1. Key Landmark Investments, Ltd.	Common	729,872	94,883,360
2. True Success Profits Ltd.	Common	449,152	58,389,760
3. Caravan Holdings Corporation	Common	449,152	58,389,760
4. Solar Holdings Corporation	Common	449,152	58,389,760
5. Prima Equities & Investments Corporation	Common	393,008	51,091,040
6. Infinity Equities, Inc.	Common	336,864	43,792,320
7. Virgo Holdings & Development Corporation	Common	52,617	6,840,210
8. Virgo Holdings & Development Corporation	Preferred	25,000	569,075
9. Jewel Holdings, Inc.	Common	77,005	10,010,650
10. Iris Holdings & Development Corporation	Common	46,937	6,101,810
11. Iris Holdings & Development Corporation	Preferred	25,000	569,075
12. Lucio C. Tan	Common	99,285	12,907,050
13. Ignacio B. Gimenez	Common	44,089	5,731,570
14. Willy S. Co	Common	38,768	5,039,840
15. Kings Investment & Development Corporation	Common	29,571	3,844,230
16. Mariano Tanenglian	Common	17,635	2,292,550
17. Ramon Lee	Common	17,635	2,292,550
18. Luz L. Siy	Common	8,759	1,138,670
19. Nelly S. Sy	Common	8,716	1,133,080
20. Domingo T. Chua	Common	3,511	456,430
21. Mariano Khoo	Common	440	57,200
22. Ramon L. Siy	Common	150	19,500
23. Mariano G. Ordonez	Common	142	18,460
24. James Ang Yiok Teck	Common	10	1,300
25. Manuel T. Gonzales	Common	10	1,300
26. P.O. Domingo	Common	10	1,300
27. Michael G. Tan	Common	1	130
28. Reynaldo A. Maclang	Common	1	130
29. Harry C. Tan	Common	1	130
30. Patrick L. Go	Common	1	130
31. Anthony Q. Chua	Common	1	130
TOTAL		**3,302,495**	**423,962,500**

DESCRIPTION OF SECURITIES TO BE REGISTERED

Prior to the approval of the Merger, PNB's authorized capital stock amounted to ₱50,000,000,040.00 divided into 1,054,824,557 common shares at a par value of ₱40.00 per share and 195,175,444 preferred shares at a par value of ₱40.00 per share. In accordance with the Plan of Merger, the Bank re-classified all its preferred shares to common shares to accommodate the issuance of 423,962,500 shares to the shareholders of Allied Bank. On January 17, 2013, the Securities and Exchange Commission (SEC) approved the Plan of Merger and the Amended Articles of Incorporation including the re-classification of 195,175,444 preferred shares to common shares, thereby increasing the number of common shares to 1,250,000,001 common shares with a par value of ₱40.00 per share, of which 423,962,500 are issued to Allied Bank shareholders.

On July 18, 2014, the SEC approved the increase in the authorized capital of the Bank from 1,250,000,001 common shares to 1,750,000,001 common shares with par value of ₱40.00 per share.

As of March 15, 2015, the total number of shares issued and outstanding was 1,249,139,678 common shares, of which 1,143,230,002 (or 91.52139%) were held by Filipino-Private Stockholders while the remaining 105,909,676 common shares (or 8.47861%) were held by Foreign-Private Stockholders. The Bank has a total of ₱49,965,587,120.00 subscribed capital.

At each meeting of stockholders, every stockholder entitled to vote on a particular question involved is 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 Stock and Transfer Book 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.*"

The Articles of Incorporation of PNB provides that the shareholders have no pre-emptive right on any new issuance of shares.

DIVIDEND POLICY

PNB is authorized under Philippine law to declare dividends, subject to certain requirements. 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 Bangko Sentral ng Pilipinas (BSP) as provided under the Manual of Regulations for Banks (MORB) and subject to compliance with such financial regulatory requirements as may be applicable to the Bank at the time of such declaration.

As of the date of this Prospectus, PNB has not adopted a specific dividend policy which prescribes a minimum percentage of net earnings to be distributed to its shareholders. PNB, however, has adopted the following general policy on the declaration of dividends:

> "Dividends shall be declared and paid out of the surplus profits of the Bank at such times and in such amounts as the Board of Directors may determine in accordance with the provisions of law and the regulations of the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), subject to compliance with such financial regulatory requirements as may be applicable to the Bank."

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

INTEREST OF NAMED EXPERTS AND INDEPENDENT COUNSEL

There are no experts or independent counsel who will receive a direct or indirect interest in the Issuer or who was a promoter, underwriter, voting trustee, director, officer, or employee of the registrant.

Apart from normal professional fees payable to the following entities which assisted PNB and ABC with respect to the Merger and this Offer, no arrangement exists whereby any of the following will receive any fees, benefits, securities or any direct or indirect interest from PNB in connection with this Offer:

SGV & Co. audited the financial statements of the Registrant for the years ended December 31, 2012, 2013, and 2014 included in this prospectus. SGV & Co. does not have shareholdings in PNB nor any right to nominate persons or subscribe to PNB shares.

ING Bank, N.V., Financial Advisor to the majority shareholders of PNB and Allied Bank, proposed the share swap ratio between PNB and Allied Bank for approval by their respective Boards and for submission to the shareholders. ING has no direct or indirect interest in PNB.

Roxas de Los Reyes Laurel Rosario & Leagogo Law Offices was engaged as Transaction Counsel for the Merger. Roxas De Los Reyes Laurel Rosario & Leagogo Law Offices does not have any direct or indirect interest in PNB.

UBS Investments Philippines, Inc. (“UBS”) rendered a “Fairness Opinion” as to the valuation of the PNB Shares and the Exchange Ratio. UBS does not have any direct or indirect interest in PNB.

Atty. Joel C. Gammad rendered the Tax and Legal Opinion in support of the Registration Statement. Atty. Gammad does not have any direct or indirect interest in PNB.

<u>INFORMATION WITH RESPECT TO THE REGISTRANT</u>

DESCRIPTION OF BUSINESS OF PNB

A. Business Development

PNB, the country's first universal bank, is the fourth largest private local commercial bank in terms of assets as of December 31, 2014. 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.

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

Last February 2014, the Bank 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 as of the record date of January 16, 2014. The offer period was from January 27, 2014 to February 3, 2014. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Bank. The remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Bank. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. The Offer strengthened the Bank's capital position under the Basel III standards which took effect on January 1, 2014.

The Bank continued to undertake its liability management exercise that is, sourcing long-term funds to support its growth and expansion plans. In March 2014, PNB redeemed ₱3.25 billion worth of Long Term Negotiable Certificate of Deposits (LTNCDs) with a coupon rate of 6.50% and in October 2014 likewise redeemed ₱3.5 billion worth of LTNCDs with a coupon rate of 7% issued by the ABC. These funds were replaced with an issuance of ₱7.0 billion worth of LTNCDs with a coupon rate of 4.125% which will mature in June 2020.

Effective August 1, 2014, PNB's consumer loan books were redirected to PNB's thrift bank subsidiary, Allied Savings Bank (ASB), to strengthen the Bank's bid to be a strong player in the consumer finance business particularly in the housing and motor vehicle market segments. In November 2014, ASB formally changed its name to PNB Savings Bank (PNBSB) to give credence to PNB's expansion and status as a major player in the consumer finance industry as well as to align the image of the savings bank with its mother bank and to capitalize on the brand equity of PNB in the banking industry.

Recognizing the importance of its branches as the Bank's primary platform for sales and service, PNB, through its consumer banking subsidiary PNBSB, continues to expand its branch network and improve delivery of services. PNBSB secured 28 approved licenses in 2014 and was able to open a branch in Batangas last November 10, 2014.

PNB remains at the forefront of the debt capital market as the Bank led 12 corporate finance deals worth more than ₱115 billion in the power, infrastructure, telecommunications and real estate industries in 2014. PNB continues to originate and deliver structured solutions to large corporates as the Bank participated in five big ticket deals to raise an aggregate ₱102 billion in funds. To manifest the Bank's commitment to nation-building, PNB was also actively involved in the ₱23.3 billion loan syndication for the Mactan-Cebu International Airport, a public-private partnership project that was rolled out in 2014.

PNB further strengthened its distinct franchise over the Global Filipino market segment. It maintains the widest network of overseas branches and offices serving as primary contact points for overseas Filipinos. The Bank has expanded its reach even further into non-traditional contact channels in the form of partner agent agreements and distribution through convenience stores and other similar retail outlets. It continued to innovate its remittance products and services with the launch of Phone Remit in 2012, a 24/7 toll free phone remittance platform servicing the Europe and US market. The Bank also launched the PNB Web Remit in the last quarter of 2013, a channel that enables customers to conduct online remittance transactions anywhere and anytime. The Bank continues to make headway in deepening its relationship with its Global Filipino customers by offering other products and services such as personal, home and auto loans, including credit cards. PNB has a strong affinity with the Global Filipino market and continues to enrich the lives of Filipinos worldwide. In order to further strengthen its foothold in the overseas market, the Bank partnered with Wells Fargo & Company to provide Filipinos in the US a new way of sending remittances to the Philippines. OFWs can now send money to their families and friends in the Philippines using Wells Fargo's extensive network of more than 9,000 stores and 12,500 ATMs across 39 states in the US.

In affirmation of the Bank's well-managed operations, PNB received awards from the Institute of Corporate Directors (ICD) and the Bangko Sentral ng Pilipinas (BSP). In 2011 and 2012, PNB was given the Silver Award for Good Corporate Governance by the ICD in recognition of its professional practice of corporate directorship in line with global principles of good governance. In 2012 and 2013, the 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 Hall of Fame Awardee for Best Commercial Bank Respondent on Overseas Filipino Remittances for having won the award for four straight years (2005-2008). In the 2014 BSP Stakeholders' Ceremony, the Bank was recognized as the Outstanding PhilPass REMIT Participant. In recognition of PNB's innovative products, the Bank, together with PNB Life, was also accorded the Excellence in Business Model Innovation Award during the 2014 Retail Banker International Asian Trailblazer Awards for its Healthy *Ka Pinoy* Emergency Card which was launched in 2013 in the market.

Acknowledging PNB's improving performance, Standard & Poor's Ratings Services hiked its outlook on PNB from "stable" to "positive" last March 2014, citing the gradual improvement in its asset quality following the merger with ABC. The positive outlook on PNB also reflects expectations that the Bank's asset quality can keep improving, given the efforts to enhance its underwriting standards. In addition, Moody's Investors Service also raised the Bank's credit rating outlook from "stable" to "positive" last May 2014. Moody's likewise affirmed PNB's Ba2/NP local and foreign currency deposit ratings which reflect ongoing improvements in the credit profile of the Bank. Moreover, the ratings agency raised PNB's financial strength rating (BFSR)/ baseline credit assessment (BCA) to D-/ba3 from E+/b1, reflecting the improvement in the Bank's financial profile, following its merger with ABC in 2013.

Merger Developments

The respective shareholders of the Bank and ABC, representing at least two-thirds of the outstanding capital stock of both banks, approved the amended terms of the Plan of Merger of the two banks on March 6, 2012. The original Plan of Merger was approved by the affirmative vote of ABC and the Bank's respective shareholders on June 24, 2008, representing at least two-thirds of the outstanding capital stock of both banks.

On 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.

On February 9, 2013, the Bank concluded its planned merger with ABC as approved and confirmed by the Board of Directors of the Bank and of ABC on January 22 and January 23, 2013, respectively.

As of December 31, 2014, the merged Bank has a combined distribution network of 657 branches and offices and 878 ATMs nationwide. Based on December 31, 2014 figures, 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.

Recent Developments

In the Annual Stockholders' Meeting of PNB held on May 28, 2013, the stockholders of PNB approved 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. The same was approved by the Securities and Exchange Commission (SEC) on July 18, 2014.

On February 3, 2014, PNB has successfully completed its stock rights offering of 162,931,262 common shares (Rights Shares) to eligible shareholders at a proportion of fifteen Rights Share for every one hundred existing common shares held as of the record date of January 16, 2014 at the offer price of ₱71.00 per Right Share. A total of 33,218,348 Rights Shares were sourced from the existing authorized but unissued capital stock of the Bank. The remaining 129,712,914 Rights Shares were sourced from an increased in the authorized capital stock of the Bank. The Offer was oversubscribed and raised gross proceeds of ₱11.6 billion. The offer strengthens the Group's capital position under the Basel III standards, which took effect on January 1, 2014.

B. Business Description

1. Products and Services

PNB, as a Merged Bank, through its Head Office and 657 domestic branches and offices and 77 overseas branches and representative offices, 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, foreign exchange (FX) dealings, bills discounting, fund transfers/remittance servicing, asset management, treasury operations, comprehensive trust services, retail banking and other related financial services.

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

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

Retail Banking Group
The Retail Banking Group (RBG) principally focuses on retail deposit products (i.e., current accounts, savings accounts and time deposits and other accounts) and services. While the focal point is the generation of lower cost funding 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 (CFG) provides multi-purpose personal loans, home mortgage loans, motor vehicle financing and credit card services to the Bank's retail clients.

Effective August 1, 2014, PNB's thrift bank subsidiary took over the management of PNB's consumer loans.

Global Filipino Banking Group
The Global Filipino Banking Group (GFBG) 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. It also provides consumer financing through the *Pangarap* Loan and Own a Philippine Home Loan which are available to OFWs. PNB has the largest overseas network among Philippine banks with 77 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 1,012 other banks and financial institutions worldwide.

Treasury Group
The Treasury Group (TG) is principally responsible for managing the Bank's funding and liquidity requirements as well as its investment and trading portfolio. It engages in interbank borrowing and lending activities, fixed income securities trading and foreign exchange spot and swap dealing. It also oversees the Bank's long-term funding requirements and enters into derivative transactions for hedging requirements of some of the Bank's sophisticated corporate accounts.

Trust Banking Group

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

Credit Management Group

The Credit Management Group (CMG) is primarily responsible for providing credit management services in the form of credit rating and scoring, financial evaluation and credit risk assessment, credit policy formulation, credit investigation and appraisal and risk asset acceptance criteria development. It focuses on sound credit underwriting and monitoring guidelines and practices to ensure a healthy loan portfolio for the Bank.

Remedial Management Group

The Remedial Management Group (RMG) is primarily responsible for managing problem accounts and reducing the non-performing loans of the Bank. It determines and formulates the appropriate settlement plan for each work-out account for its immediate resolution.

Special Assets Management Group

The Special Assets Management Group (SAMG) is responsible for the overall supervision of the Bank's ROPA.

2. Competition

In the Philippines, the Bank faces stiff competition in all its principal areas of business, from both Philippine (private and government-owned) 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, 2014, there were 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. Said banks may also offer a wider range of commercial banking services and products, have larger lending limits and stronger balance sheets than the Bank. 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, Inc. and with its government customers, as well as builds on relationships with the Bank's 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.

As of December 31, 2014, the Bank has a combined distribution network of 657 branches and offices and 878 ATMs nationwide. The Bank is 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. The percentage contributions of the Bank's offices in Asia, the Canada and USA, United Kingdom and other European Union Countries to the Bank's revenue, for the years 2014, 2013, 2012 are as follows:

	2014	2013	2012
Asia (excluding the Philippines)/ Middle East	4%	3%	4%
Canada and USA	2%	3%	3%
United Kingdom & other European Union Countries	1%	1%	1%

Please refer to Note 6 of the Audited Financial Statements.

4. New Products and Services

The Bank launched the following products and services in 2014 and during the 1st Quarter of 2015:

- **Electronic Remittance of Sickness, Maternity & Employees Compensation Benefit**
  PNB took the lead in the electronic remittance of employee benefits through the employer for further credit to the employee. This replaced the current disbursement method through check issuance. The new system involves the automated generation and transmission of report, with auto reversal of unsuccessful transactions.

- **BIR Interactive Form System (PNB i-Tax)**
  In partnership with the Bureau of Internal Revenue (BIR), individuals and non-large taxpayers, who are account holders of the bank, are provided with the electronic channel to pay taxes due to the BIR through PNB Internet Banking System.

- **Enhanced Internet Banking System**
  The PNB Internet Banking System (IBS) allows clients to avail of the "ATMSafe", a product which offers insurance protection against ATM robbery and theft. Clients who also wish to view the details of their loan accounts in real time may now enroll their loan accounts in the IBS. An enhanced security feature was also introduced for the online enrollment of third party accounts by using the One-Time-Password (OTP) sent through the client's registered mobile number every time the client accesses his account.

- **Third Currency Savings and Time Deposit Accounts**
  PNB is accepting third currencies such as Chinese Yuan/Renminbi, Japanese Yen and Euro for both savings and time deposit accounts. The service is being offered in Metro Manila, Southern Luzon and Metro Cebu areas and will soon be implemented in all domestic branches.

- **BancNet eGov**

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

- **Mag Padala, Mag Palipad Raffle Promo**

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

5. Related Party Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as those of other individuals and businesses of comparable risk. The amount of direct credit accommodations to each of the Bank's DOSRI, 70% must be secured and should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's net worth or 15% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2014 and December 31, 2013, PNB is in compliance with the BSP regulations.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which include three (3) independent directors and 2 non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the committee is an independent director and appointed by the Board.

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.

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

The Bank provides adequate budget for the development of new products and services which includes hardware and system development, continuous education and market research. Estimated amount spent for 2014, 2013 and 2012 totaled ₱373.4 million, ₱363.0 million and ₱219.2 million, respectively.

9. Number of Employees

The total employees of the Bank as of December 31, 2014 are 8,585 wherein 3,692 are classified as Bank officers and 4,893 as rank and file employees, broken down as follows:

Officers:	Total
Vice President and up	148
Senior Assistant Vice President to Assistant Manager	3,544
Rank and File	4,893
Total	8,585

The Bank shall continue to pursue selective and purposive hiring strictly based on business requirements. The Bank has embarked on a number of initiatives to improve operational efficiency. Foremost among these initiatives are the upgrade of its Systematics core banking system and the new branch banking system which are expected to bring about a gradual reduction in the number of employees in the support group upon full implementation.

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: PNB Employees Union (PNBEU) 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

The year 2014 marks the 1st full year of the merged PNB. The activities involved the areas of bank policies, processes and systems together with the merged organizational structure. The risk management function was 1st among many that were fully integrated for the merged bank and accordingly elements of the risk management process applied on a uniform basis. Data sourcing remains to be a challenge but the increased knowledge of the data structure for the 2 core banking systems have provided for ease of complete data collection, albeit still on a manual basis for some areas. The bank also submitted (on time) its ICAAP (Internal Capital Adequacy Assessment Process) document in January 2014, just 6 months after it submitted the previous one in August 2013.

Under the Bank's Enterprise Risk Management (ERM) framework, all the risk-taking business units of the Bank, including its subsidiaries and affiliates, 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:

- Credit Risk (includes Counterparty and Country Risks)
- Market Risk
- Operational Risk

Pillar 2 Risks:

- Compliance Risk (includes Regulatory Risk)
- Credit Concentration Risk
- Human Resource Risk
- Information Technology Risk (includes Information Security Risk)
- Interest Rate Risk in Banking Book (IRRBB)
- Liquidity Risk
- Legal Risk
- Customer Franchise/ Reputational Risk
- Strategic Business Risk
- Post-Merger Integration Risk
- Acquired Asset Disposal Risk

Pillar 1 Risk Weighted Assets are computed based on the guidelines set forth in BSP Circular No. 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/ies 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 Circular No. 510, dated February 03, 2006).*

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 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, Bureau of Internal Revenue (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 commercial accounts with asset size of over ₱15 million and appropriate credit scoring program for small accounts with asset size of ₱15 million and below and 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 the interest rate, foreign exchange, equity, and commodities markets *(BSP Circular No. 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 one (1) day holding period (equities and FX VAR) to a ten (10) day holding period for fixed income VAR. Nonetheless, a one-day VAR is computed for each portfolio.

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 bookings. 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 bank'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 management 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.

5. Business Continuity Risk/Natural Events and Man-made Risk
   The Bank recognizes that risks relating to natural, function-specific and man-made threats like the possibility of terrorist activities are possible. Business continuity risk is defined as any event that has a negative impact on the bank operations which could result in operational interruption, loss of or damage to critical infrastructure and the like.

The Bank has formulated the Business Continuity Plan (BCP) both on an enterprise-wide level as well as business unit level with the objective to define the critical procedures to be followed to recover critical functions on an acceptable limited basis in the event of abnormal or emergency conditions and other crisis. This means that the plan should provide provisions to:

- Ensure safety and security of all personnel, customers and vital Bank records;
- Ensure that there will be minimal disruption in operations;
- Minimize financial loss through lost business opportunities or assets deterioration; and
- Ensure a timely resumption to normal operation.

The Bank's BCP is tested at least on an annual basis with the following activities involved:

- Business Impact Analysis
- Risk Assessment of Threats to Business
- Call Tree Test
- Table Top Test
- Alternate Site Test

6. Information Technology (IT)/Information Security (IS) Risk

The Bank recognizes the risk on IT/IS including the core banking implementation risk with the merger of PNB and Allied Bank. It is in this regard that constant monitoring is observed thru the creation of Project Management Office (PMO). Progress reports are submitted to/discussed with Senior Management and the Board monthly to provide updates and reasonable assurance that risks identified are mitigated if not fully controlled. Tools being used to conduct the assessment are as follows:

- IT Project Risk Assessment
- Project Health Check

With the implementation of policies under the Information Security Management System, the Bank provides assurance to its Stakeholders that the preservation of its information assets are observed to ensure the delivery of information to appropriate entity/person with confidentiality, integrity and required availability.

7. New Regulations Risk

New Regulations Risk is the current and prospective risk to earnings or capital arising from highly regulated jurisdiction and when rules and regulations are constantly changing. It is an important qualitative risk which must be monitored and managed, as regulatory sanctions from non-compliance, especially in extreme cases, may involve not just mere loss of reputation or financial penalties, but in extreme cases, a revocation of the banking charter or franchise (BAP Risk Manual, P103). At PNB, compliance to new circulars and memorandums by BSP is approached through an enterprise-wide engagement framework. Task Forces are constituted to discuss the gaps between current practices/process against the required deliverables. Further, overseas business units are also subject to host country regulations for which compliance must also be priority

8. Litigation Risk

Litigation risk is the likelihood or possibility that the Bank will suffer a financial loss due to payment of damages or other form of financial sanction as a result of losing a case, whether in a litigious or non-litigious setting. Litigation risk centers on the completeness and timeliness of filing of various pleadings before appropriate courts and other administrative or adjudicatory bodies in connection with cases or actions filed for and against the Bank.

The Bank has a framework to identify, assess, control and monitor litigation risk and legal risk in general that it may encounter in the course of its operations. The legal review process framework encompasses the validation of the existence, propriety and enforceability of documents, and review of the Bank's forms. It also embodies obtaining legal opinions on tax and regulatory compliance for new products and transactions, and ensuring that contracting entities have legal capacity or are duly empowered to enter into a contract.

Regulatory Capital Requirements under BASEL II – Pillar 1

The Bank's total regulatory requirements as of December 31, 2014 are as follows:

Consolidated(Amounts in ₱0.000 million)	Weighted Exposures
Total Credit risk-weighted assets	367,568.872
Total Market risk-weighted assets	4,532.456
Total Operational risk-weighted assets	38,234.751
Total Risk-Weighted Asset	410,336.079
Common Equity Tier 1 Ratio	17.427%
Capital Conservation Buffer	11.427%
Tier 1 Capital Ratio	17.427%
Total Capital Adequacy Ratio	20.605%

Credit Risk-Weighted Assets as of December 31, 2014

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

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

Market Risk-Weighted Assets as of December 31, 2014

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

Capital Requirements by Market Risk Type under Standardized Approach

(Amounts in ₱0.000Million)	Capital Charge	Adjusted Capital Charge	Market Risk Weighted Exposures
Interest Rate Exposures	279.978	349.972	3,499.724
Foreign Exchange Exposures	47.786	59.710	597.100
Equity Exposures	34.851	43.563	435.632
Total	362.615	453.245	4,352.456

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 ₱38.8M. Peso government securities represents 72% of the portfolio with zero risk weight while dollar denominated securities issued by the Republic of the Philippines (ROP) compose 24% of the portfolio with risk weight ranging from 1.0% and 1.6%. On the other hand, the Bank's holdings of all other debt securities/derivatives that are below BBB- is around 3% and attracts 8.00% risk weight.

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

General Market Risk – Peso

The Bank's General Market Risk of its Peso debt securities and interest rate derivative exposure is ₱159.3M. In terms of weighted position, the Bank's capital charge is highest under the Over 5 years to 7 years bucket at ₱44.7M (net) or 29% with risk weight at 3.25%. The Bank's portfolio under the Over 20 years' time band attracts 6% risk weight or ₱ 23.4M (net) representing 15% of the total Peso General Market Risk.

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

General Market Risk – US Dollar

The Bank's exposure on General Market Risk of the dollar-denominated HFT portfolio is ₱82.9M. In terms of weighted position, the Bank's capital charge is concentrated under the Over 5 to 7 years at ₱20.5M (net) and Over 10 to 15 years buckets at ₱24.5M, respectively, with risk weight ranging from 3.25% to 4.50%. The Bank's portfolio under the Over 20 years' time band attracts 6% risk weight or ₱16.0M representing 23% of the total risk weighted position.

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

General Market Risk – Third currencies

The Bank is likewise exposed to interest rate risks of third currencies arising from its forward contracts.

Shown below are the general market risks on third currencies (interest component):

PART IV.1d GENERAL MARKET RISK (Amounts in ₱0.000 million)										
Currency	Time Bands	Total Debt Securities & Debt Derivatives/Interest Rate Derivatives			Weighted Positions		Overall Net Open Position	Vertical dis allowance	Horizontal dis allowance within	Total General Market risk capital charge
		Long	Short	Risk Weight	Long	Short				
JPY	1 month or less	-	158.817	0.00%	-	-	-	.005	-	.005
	Over 1 months to 3 months	26.082	26.082	0.20%	0.052	0.052				
GBP	1 month or less	54.434	257.166	0.00%	-	-	-	-	-	-
EUR	1 month or less	10.641	158.027	0.00%	-	-	-	0.012	-	0.012
	Over 1 months to 3 months	5.545	5.545	0.20%	0.011	0.011				
	Over 3 months to 6 months	27.208	27.208	0.40%	0.109	0.109				
CAD	1 month or less	44.743	67.095	0.00%	-	-	-	-	-	-
AUD	1 month or less	7.251	29.006	0.00%	-	-	-	-	-	-
HKD	1 month or less	1,465.369	0.00%	-	-	1,465.369	2.05	-	-	2.025
	Over 1 months to 3 months	160.846	0.20%	-	0.322	160.846				
	Over 3 months to 6 months	425.852	0.40%	-	1.703	425.852				

Equity Exposures

The Bank's holdings are in the form of common stocks traded in the Philippine Stock Exchange with 8% risk weight both for specific and general market risk. The Bank's capital charge exposure to Equity Risk attracts adjusted capital charge of ₱43.6M or Risk weighted equity exposures of ₱435.6M. (as of December 31, 2014)

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

Foreign Exchange Exposures

The Bank's exposure to Foreign Exchange (FX) Risk carries a capital charge of ₱47.8M or Risk-Weighted FX exposure of ₱597.1M based on an 8% risk weight. Majority of the exposure comes from FX assets and FX liabilities in USD/PHP. The Bank also holds third currencies in Japanese yen (JPY), Swiss franc (CHF), Great Britain pound (GBP), European Monetary Union euro (EUR), Canadian dollar (CAD), Australian dollar (AUD), Singapore dollar (SGD) and other minor currencies.

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

Operational Risk – Weighted Assets

The Bank uses 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) Consolidated as of Dec 31, 2014	Gross Income	Capital Requirement (15% x Gross Income)
2011 (Year 3)	19,969.805	2,995.471
2012 (Year 2)	23,033.734	3,455.060
2013 (last year)	18,172.063	2,725.809
Average for 3 years		3,058.780
Adjusted Capital Charge	Average x 125%	3,823.475
Total Operational Risk weighted Asset		38,234.751

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:

<u>Domestic Subsidiaries</u>:

PNB Savings Bank (PNBSB) is a wholly-owned subsidiary of PNB as a result of the merger of PNB and Allied Banking Corporation (ABC). PNBSB traces its roots from First Malayan Development Bank which 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 the BSP granted a foreign currency deposit license. In 1998, First Allied Savings Bank changed its name to further establish its association with ABC. With the merger of PNB and ABC in 2013, Allied Savings Bank became a wholly-owned subsidiary of PNB. In November 2014, the Securities and Exchange Commission approved the change of name of Allied Savings Bank to PNB Savings Bank,

PNBSB closed the year 2014 with total resources of ₱20.9 billion, up 90% from the previous year largely due to increase in its capitalization of ₱10 billion. Total deposits closed the year with ₱9.7 billion, the bulk of which 73% were in high cost funds maintained in *Angat* Savings, a flagship product which is a tier-based passbook savings account with pre-set monthly withdrawal transaction limits. This product continues to attract new customers and fresh funds given its competitive pricing versus other banks' equivalent product lines. *Angat* Savings had ₱7.1 billion in deposit portfolio. Other deposit products are regular savings, demand deposit, checks plus, time deposit and NOW accounts. Cash Card was positioned for those segments of the market demanding a no maintaining balance account required for payroll, transfer of funds for allowances, and even remittances. Power Earner 5+1, a new time deposit product with a term of 5 years plus 1 day, offers very competitive yield and was launched in the first quarter of 2015.

Total loan portfolio registered ₱9.0 billion by the end of 2014 was significantly higher or 260% than ₱2.5 billion level in 2013. Of the total loan portfolio, 86% comprised of consumer loans which is the thrust of the bank as the lending arms of PNB, parent bank, for the consumer loans.

PNBSB posted a net income of ₱157 million in 2014, higher by ₱148.0 million than ₱9.0 million audited net income in 2013. Its net interest income of ₱656.0 million was up year-on-year by 155% while pre-tax profits improved by 391% to close at ₱177.0 million. Return-on-equity stood at 4.3% higher than 1% in 2013. PNB Savings Bank's capital adequacy ratio (CAR) reached 113% due to capital infusion and is well above the minimum required by the BSP. PNBSB ended the year with a network of 28 branches strategically located across Metro Manila, Southern & Northern Tagalog Regions, Bicol, Western Visayas and Northern Mindanao.

PNB General Insurers Co., Inc. (PNBGen) is a subsidiary of the Bank 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. PNBGen 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 ₱912.6 million, one of the highest in the industry. As of December 31, 2014, the total assets and total capital of PNBGen were at ₱8.10 billion and ₱1.1 billion, respectively.

For the period ended December 31, 2014, PNBGen posted a net income of P5.3 million, a complete turnaround from the ₱868.4 million net loss incurred in 2013. The net loss in 2013 was due primarily to claims losses because of typhoons *Maring*, *Santi* and *Yolanda* as well as the earthquake in Bohol.

PNBGen'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. PNBGen developed its own compliance program in recognition of its duty to adhere to relevant regulations based on a culture of accountability and transparency. PNBGen 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 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 20013, Allied Banking Corporation (ABC) acquired a minority interest in NYLIP and started offering bancassurance in its branches nationwide. In June 2007, New York Life International, LLC divested all its interest in NYLIP in favor of ABC.

In May 2008, NYLIP changed its corporate name to PNB Life to reflect the change in ownership and in anticipation of the merger of ABC and PNB. 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 Bank acquired a minority stake in PNB Life paving the way for the expansion of bancassurance operations of PNB Life to the PNB Life to the PNB branches nationwide.

In April 2013, 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.

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; Iloilo City to serve Western Visayas; Cebu City to serve East Visayas and Davao City to serve Eastern Mindanao. Cognizant of the Filipino-Chinese market, PNB Life maintains an RBC in Binondo.

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 today is a 100% Filipino owned and managed company with Dr. Lucio Tan as Chairman and Esther Tan as President and Vice-Chairman.

As of December 31, 2014, the total assets and total capital of PNB Life were ₱19.6 billion and ₱1.95 billion, respectively. For the 12-month period ended December 31, 2014, PNB Life's net income was ₱255.4 million.

PNB Capital and Investment Corporation (PNB Capital), a wholly-owned subsidiary of the Philippine National Bank, is a non-quasi bank investment house. It was incorporated on June 30, 1997 and commenced operations on October 8, 1997. It is licensed ti operate as an investment house by the SEC with the Certificate of Registration No. 01-2008-00234. It renewed its license on November 24, 2014.

As of December 31, 2014, PNB Capital had an authorized capital of ₱350.00 million consisting of 3,500,000 shares at ₱100.00 par value. Its principal business is to provide investment banking services which include debt and equity underwriting, private placement, loan arrangement, loan syndication, project financing and general financial advisory, among others. The company is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. 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.

Investment banking is a highly regulated industry. Regulatory agencies overseeing the company include the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and Bureau of Internal Revenue (BIR), as well as several affiliates, support units and regulatory commissions of such entities.

The primary risks of the company include underwriting, reputational and liability risks. First, underwriting risk pertains to the risk of market's non-acceptance of securities being offered and underwritten by PNB Capital. In such scenario, the company would have to purchase the offered securities for its own account. Second, reputational risk arises from the possibility that the company may not be able to close mandated deals as committed. Third, liability risk refers to the risk of being held liable for any losses incurred by the client due to non-performance of committed duties or gross negligence by the company. These primary risks are addressed by:

- Ensuring that the staff is well-trained and capable, at the functional and technical level, to provide the offered services;
- 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; and
- All transactions are properly documented and approved by the company's Investment Committee and/or Board of Directors.

PNB-IBJL Leasing and Finance Corporation (formerly Japan-PNB Leasing and Finance Corporation), was incorporated on April 24, 1996 under the auspices of the Provident Fund of the Bank as PF Leasing and Finance Corporation,. It 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.

On 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.

On November 28, 2014, PNB and IBJL entered into a Share Sale and Purchase Agreement covering the buy back by IBJL from PNB of 15% equity ownership in Japan-PNB Leasing with a closing date of January 30, 2015.

PNB-IBJL Leasing and Finance Corporation 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, PNB-IBJL Equipment Rentals Corporation), term loans (for productive capital expenditures secured by chattel mortgage), receivable discounting (purchase of short-term trade receivables and installment papers) and Floor Stock Financing (short-term loan against assignment of inventories, e.g., motor vehicles).

Majority of the principal products or services are in peso leases and loans. Foreign currency (US dollar and Japanese yen) leases and loans are mostly funded by IBJL.

As of December 31, 2014, PNB-IBJL Leasing and Finance Corporation 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. On April 3, 2014, its Board and stockholders approved the increase of the company's authorized capital to ₱1.0 billion, representing 10,000,000 shares, in preparation for the declaration of stock dividends. On June 27, 2014, PNB-IBJL Leasing and Finance Corporation's Board approved the declaration of 2 shares to 1 share stock dividends to stockholders of record as of June 30, 2014.

As of December 31, 2014, PNB-IBJL Leasing and Finance Corporation's total assets and total equity stood at ₱5.7 billion and ₱660.8 million, respectively. Its unaudited net income for the year ended December 2014 was ₱128.0 million.

On January 13, 2015, the Securities and Exchange Commission approved the increase in its authorized capital stock from ₱150.0 million (1.5 million shares) to ₱1.0 billion (10.0 million shares). Subsequently, the stock dividends declaration was implemented with the issuance of 300,000 new shares on January 23, 2015.

On January 30, 2015, the buyback of the 15% equity of Japan-PNB Leasing by IBJL from PNB was consummated, resulting to an equity ownership as follows: PNB - 75% and IBJL - 25%.

On March 27, 2015, the Securities and Exchange Commission approved the change of name of Japan-PNB Leasing and Finance Corporation to PNB-IBJL Leasing and Finance Corporation.

PNB-IBJL Equipment Rentals Corporation (formerly Japan-PNB Equipment Rentals Corporation) is a wholly-owned subsidiary of PNB-IBJL Leasing and Finance Corporation. 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.

As of December 31, 2014, it had a paid-up capital of ₱27.5 million and total capital of ₱48.1 million. Its total assets and unaudited net income for the year ended December 31, 2014 were ₱253.5 million and ₱9.8 million, respectively.

On March 11, 2015, the Securities and Exchange Commission approved the change of name from Japan-PNB Equipment Rentals Corporation to PNB-IBJL Equipment Rentals Corporation.

Allied Leasing and Finance Corporation (ALFC) became a majority-owned (57%) subsidiary of PNB by virtue of the merger between PNB and ABC in February 2013. It was incorporated on December 29, 1978. The company is authorized by the SEC to operate as a financing company in accordance with the provisions of Republic Act No. 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, 2014, ALFC's paid-up capital amounted to ₱152.50 million.

PNB Holdings Corporation (PHC), a wholly-owned subsidiary of the Bank, was established on May 20, 1920 as Philippine Exchange Co., Inc. The SEC approved the extension of the corporate life of PNB Holdings for another fifty (50) years effective May 20, 1970. In 1991, it was converted into a holding company and was used as a vehicle for the Bank to go into the insurance business.

As of December 31, 2014, PHC had an authorized capital of ₱500.0 million or 5,000,000 shares at ₱100 par value per share. As of December 31, 2014, the total paid-up capital of PHC was ₱255.1 million and additional paid-in capital was ₱3.6 million, while total assets and total capital were ₱332.9 million and ₱332.3 million, respectively, and net loss was ₱0.4 million (based on unaudited financial statements).

PNB Securities, Inc. (PNBSec), a wholly-owned subsidiary of the Bank which was incorporated on January 18, 1991, is engaged in buying and selling of all kinds of securities for its own account and in behalf of others.

As of December 31, 2014, its total paid-up capital was at ₱100.0 million. PNBSec is engaged in the stockbrokerage business that deals in the trading of shares of stocks listed at the stock exchange. As of December 31, 2014, total assets and total capital were ₱238.3 million and ₱170.8 million, respectively. Net loss for the year ended December 31, 2014 was ₱1.8 million.

Inherent to all trading participants (TPs) engaged in the stockbrokerage business, PNBSec is exposed to risks like operational risk, position risk, counterparty risk and large exposure risk. To address, identify, assess and manage the risks involved, PNBSec submits monthly to the SEC the required Risk Based Capital Adequacy (RBCA) Report which essentially measures the broker's net liquid capital, considering said risks.

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 ceased its operations in foreign currency trading as of January 1, 2006. It derives 100% of its revenues from interest income earned from the cash/funds held by the corporation. On December 16, 2013, PFI's Board of Directors approved the dissolution of the company. Last March 17, 2014, the Office of the City Treasurer of Pasay City approved the company's application for retirement of business. The company is now applying for tax clearance with the Bureau of Internal Revenue.

As of December 31, 2014, total assets and total capital of PFI were ₱91.4 million and ₱91.2 million, respectively. For the year ended December 31, 2014, net income was ₱1.1 million.

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 or 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.

Foreign Subsidiaries:

Allied Commercial Bank (ACB) became a majority-owned commercial bank subsidiary of PNB by virtue of the merger between PNB and 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. In 2003, ACB opened a branch in Chongqing, a southwestern industrial city in the province of Sichuan.

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) became a majority-owned (51%) commercial bank subsidiary of PNB by virtue of the merger between PNB and ABC in February 2013. 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 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 businesses are property mortgage loans, trade finance, deposits (not less than HK$500,000), remittances, foreign exchange and secretarial and nominee services.

PNB International Investments 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, 2014, PNB RCI had 20 branches in 6 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 7 branches in Canada as of year-end 2014.

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.

In April of 2014, PNBE was merged with Allied Bank Phils. (UK) Plc.

PNB Global Remittance & Financial Co. (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.

Effective August 2012, PNB Global launched its tie-up arrangement with Western Union, strengthening its cash pick-up services throughout the Philippines.

DESCRIPTION OF PROPERTY

PNB's corporate headquarters, the PNB Financial Center, is housed in a sprawling modern eleven (11)-storey building complete with all amenities, located at a well-developed reclaimed area of 99,999 square meters of land on the southwest side of Roxas Boulevard, Pasay City, Metro Manila, bounded on the west side by the Pres. Diosdado P. Macapagal Boulevard and on the north side by the World Trade Center building. The PNB Financial Center is located in a property where bustling cultural, financial and tourism activities converge. It also houses PNB's domestic subsidiaries. Some office spaces are presently leased to various companies/private offices. The said property is in good condition and has no liens and encumbrances.

Please Refer to Exhibit I for the list of Bank-owned properties as of 31 December 2014.

The Bank leases the premises occupied by some of its branches. Lease contracts are generally for periods ranging from 1 to 25 years and are renewable upon mutual agreement of both parties under certain terms and conditions.

Please refer to Exhibit II for the list of the Bank's branches that are under lease as of 31 December 2014.

The Bank does not have any current plans to acquire any property within the next twelve (12) months.

Information related to Property and Equipment is shown under Note 10 of the Audited Financial Statements of the Bank and Subsidiaries.

LEGAL PROCEEDINGS

The Bank and some of its subsidiaries or affiliates are parties to various legal proceedings which arose in the ordinary course of operations. None of such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Bank and its subsidiaries or affiliates or their financial condition.

MARKET PRICE AND DIVIDENDS ON COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Except for the shares subject of this Registration Statement, all the issued PNB common shares are listed and traded on the Philippine Stock Exchange, Inc. The high and low sales prices of PNB shares for each quarter for the last two (2) fiscal years and first quarter of 2015 are:

	2013		2014		2015	
	High	Low	High	Low	High	Low
Jan – Mar	107.60	87.40	87.20	75.57	87.50	76.70
Apr – Jun	117.00	75.95	94.95	81.50	79.00	62.00
Jul – Sep	91.00	65.00	91.50	85.95		
Oct - Dec	99.00	77.60	88.30	76.50		

The trading price of each PNB common share as of July 6, 2015 was ₱65.00.

There have been no adjustments on the par value of the PNB common shares during the foregoing periods.

Holders

There were 30,790 and 30,809 shareholders of common stock as of January 31, 2013 and February 9, 2013, respectively. The top twenty (20) holders of common shares, the number of shares held, and the percentage to total shares outstanding held by each as of January 31, 2013 are as follows:

BEFORE THE MERGER (As of 31 January 2013)			
No.	Stockholders	Number of Common Shares	Percentage
1	PCD Nominee Corporation (Filipino)	101,288,487	15.2946940937
2	PCD Nominee Corporation (Non-Filipino)	70,312,124	10.6172227418
3	Leadway Holdings, Inc.	46,495,880	7.0209387294
4	Pioneer Holdings Equities, Inc.	24,386,295	3.6823624594
5	Multiple Star Holdings, Corporation	21,925,853	3.3108324975
6	Donfar Management Ltd.	21,890,077	3.3054302746
7	Uttermost Success, Ltd.	21,523,715	3.2501091332
8	Mavelstone Int'l Ltd.	21,055,186	3.1793606410
9	Kenrock Holdings Corporation	18,522,961	2.7969913521
10	Fil-Care Holdings, Inc.	18,119,076	2.7360041885
11	Fairlink Holdings Corporation	17,945,960	2.7098634460
12	Purple Crystal Holdings, Inc.	17,374,238	2.6235326757
13	Kentron Holdings & Equities Corporation	17,343,270	2.6188564672
14	Fragile Touch Investment, Ltd.	16,157,859	2.4398578549
15	Pan Asia Securities Corporation	15,622,881	2.3590754767
16	Ivory Holdings, Inc.	14,780,714	2.2319071576
17	Allmark Holdings Corporation	14,754,256	2.2279119650

18	Profound Holdings, Inc.	12,987,043	1.9610604892
19	Fast Return Enterprises, Ltd.	12,926,481	1.9519155479
20	Merit Holdings & Equities Corporation	12,377,119	1.8689611670

Applying the Exchange Ratio, the number of common shareholders increased to 30,809 as of February 9, 2013, the effective date of merger. As of December 31, 2014, there were 30,167 common shareholders. 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:

AFTER THE MERGER (As of 31 December 2014)			
No.	Stockholders	Number of Common Shares	Percentage
1.	PCD Nominee Corporation (Filipino)	111,384,105	8.9168655004
2.	Key Landmark Investments, Ltd.	109,115,864	8.7352812437
3.	PCD Nominee Corporation (Non-Filipino)	105,653,011	8.4580622056
4.	True Success Profits Ltd.	67,148,224	5.3755576884
5.	Caravan Holdings Corporation	67,148,224	5.3755576884
6.	Solar Holdings Corporation	67,148,224	5.3755576884
7.	Prima Equities & Investments Corp.	58,754,696	4.7036129774
8.	Leadway Holdings, Inc.	53,470,262	4.2805670928
9.	Infinity Equities, Inc.	50,361,168	4.0316682663
10.	Pioneer Holdings Equities, Inc.	28,044,239	2.2450843163
11.	Multiple Star Holdings Corporation	25,214,730	2.0185676946
12.	Donfar Management Ltd.	25,173,588	2.0152740677
13.	Uttermost Success, Ltd.	24,752,272	1.9815455738
14.	Mavelstone Int'l Ltd.	24,213,463	1.9384111662
15.	Kenrock Holdings Corporation	21,301,405	1.7052860761
16.	Fil-Care Holdings, Inc.	20,836,937	1.6681030446
17.	Fairlink Holdings Corporation	20,637,854	1.6521654354
18.	Purple Crystal Holdings, Inc.	19,980,373	1.5995307292
19.	Kentron Holdings & Equities Corporation	19,944,760	1.5966797270
20.	Fragile Touch Investment, Ltd.	18,581,537	1.4875467754

Generally, there was a reduction on the ownership percentage of the stockholders of the Bank as a result of the issuance of the additional PNB common shares after the approval of the increase in the authorized capital of the Bank by the Securities and Exchange Commission on July 28, 2014.

(i) Before the issuance of additional shares, the bank had 3 stockholders owning more than 5% of the bank’s capital stock, two of whom were the PCD Nominee Corporation. After the issuance, the stockholders who owned more than 5% of the bank’s capital stock increased to six (6).

(ii) The directors own only minimal shares of stock in the bank. The percentage of ownership of Director Lucio Tan, however, has increased from 10 common shares to 12,907,060 (or 1.1882673537%) due to his Allied Bank common shares which were converted to PNB common shares. As of December 31, 2014, his stockholdings of PNB shares was 14,843,119 or 1.1882673540 as a result of his subscription to the stock rights offering of the Bank.

(iii) All directors and officers as a group also own minimal shares of stock in the bank. From 0.0254221273% as of January 31, 2013, the group (including the additional directors and Allied

Bank Senior Officers as a result of the merger of PNB and Allied Bank) owned 1.2096864475% of the total capital stock of the bank as of February 28, 2013. As of December 31, 2014, the Directors and Executive Officers owned 14,961,777 or 1.1977665319%.

(iv) As a result of the issuance of additional shares, the percentage owned by foreign stockholders had increased by almost 5% from 24.77805% in January 31, 2013 to 29.88311% as of February 28, 2013. The public ownership, on the other hand, has decreased from 31.15% in January 31, 2013 to 18.99% in February 28, 2013. As of 31 December 2014, the percentage owned by foreign stockholders stands at 8.47861% while the public ownership stands at 21.03%.

Dividends

The Bank has not declared any cash dividends on its common shares for the fiscal years 2012, 2013 and 2014.

The Bank's ability to pay dividends is contingent on its ability to set aside unrestricted retained earnings for dividend distribution. In addition, any declaration of dividends, including computation of unrestricted retained earnings, is subject to compliance with certain rules and regulations prescribed by the Bangko Sentral ng Pilipinas (BSP) as provided under the Manual of Regulations for Banks (MORB) and subject to compliance with certain regulatory requirements as may be applicable to the Bank at the time of such declaration.

Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction

The Bank 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 sourced from the existing authorized but unissued capital stock of the Bank while the remaining 129,712,914 Rights Shares were sourced from an increase in the authorized capital stock of the Bank, which were approved by the Securities and Exchange Commission on July 18, 2014. All the Rights Shares were listed in the Philippine Stock Exchange February 11, 2014 and July 25, 2014, respectively.

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.

Computation of Public Ownership

As of December 31, 2014, PNB's Public Ownership Level was at 21.03% which is above the minimum ten percent (10%) public ownership requirement for a listed company, in compliance with the requirement of the Philippine Stock Exchange (PSE).

Applying the Exchange Ratio, the public ownership level as of December 31, 2014, was at 21.03%, still above the minimum public ownership requirement of the PSE.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Condition

March 31, 2015 vs. December 31, 2014

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

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

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

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

  - Loans and Receivables stood at ₱310.9 billion or ₱5.4 billion lower than the ₱316.3 billion December 2014 level mainly due to ₱3.3 billion HDMF bonds booked under Time Loan – Unquoted which matured in February.

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

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

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

  - Deposit liabilities totalled ₱441.0 billion, ₱6.6 billion lower compared to its year-end 2014 level of ₱447.6 billion. Time deposits increased by ₱0.8 billion from ₱52.9 billion to ₱53.7 billion, while demand and savings deposits are lower by ₱3.0 billion and ₱4.4 billion, respectively, compared to the December 2014 levels.

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

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

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

2014 vs. 2013

- The Bank's consolidated assets reached ₱625.4 billion as of December 31, 2014, higher by ₱9.1 billion compared to ₱616.3 billion total assets reported by the Bank as of December 31, 2013. Changes (more than 5%) in assets were registered in the following accounts:

  - Loans and Receivables (L&R) expanded to ₱316.3 billion in December 2014, ₱42.0 billion or 15.3% higher as compared to its December 2013 level of ₱274.3 billion mainly due to loan releases implemented in the current year to various corporate borrowers.

  - Financial Assets at Fair Value Through Profit or Loss at ₱17.4 billion grew by 48.7% or ₱5.7 billion from ₱11.7 billion attributed mainly due to purchases of various investment securities and increase in segregated fund assets.

  - Interbank Loans Receivables was at ₱7.7 billion as of December 31, 2014, a decrease of ₱0.7 billion from ₱8.4 billion as of December 31, 2013 due mainly to maturing interbank lending transactions to various banks.

  - Available for Sale Investments went down to ₱63.1 billion as of December 31, 2014, ₱17.2 billion lower than the ₱80.3 billion level as of December 31, 2013 attributable mainly to the reclassification of ₱18.3 billion investment securities to Held to Maturity Investments two years after the sale of a significant amount of Held to Maturity Securities in October 2011. Held to Maturity Investments now stood at ₱23.0 billion.

  - Due from Bangko Sentral ng Pilipinas decreased by ₱47.4 billion from ₱153.2 billion to ₱105.8 billion accounted for by Special Deposit Accounts which dropped by₱51.5 billion to fund various loan releases. Cash and Other Cash Items increased by ₱2.8 billion from ₱11.8 billion to ₱14.6 billion. Due from Other Banks went up by ₱0.7 billion from ₱14.9 billion to ₱15.6 billion.

  - Investment Properties decrease by ₱1.2 billion from ₱21.5 billion to ₱20.3 billion due to disposal of foreclosed properties

  - Intangible assets were lower at ₱2.3 billion in view of the amortization of merger-related core deposits and customer relations intangibles.

  - Other Assets and Deferred Tax Assets were higher by₱1.8 billion and ₱0.1 billion from ₱3.4 billion to ₱5.2 billion and from ₱1.3 billion to ₱1.5 billion, respectively.

- Consolidated liabilities decreased by ₱7.5 billion from ₱533.9 billion as of December 31, 2013 to ₱526.4 billion as of December 31, 2014. Major changes in liability accounts were as follows:

  - Deposit Liabilities was lower by ₱14.8 billion from ₱462.4 billion to ₱447.6 billion. Demand deposits declined by ₱23.8 billion. The decline in deposits was due to a shift of funds by depositors to the stock rights offer of the Bank in the 1st quarter of this year. ₱6.75 billion LTNCD were redeemed in March and October 2014.

  - Financial liabilities at Fair value through profit or loss was higher at ₱10.9 billion from last year's ₱8.1 billion attributed to the increase in segregated fund liabilities of PNB Life.

- Bills and Acceptances Payable increased by ₱5.9 billion from ₱13.2 billion to ₱19.1 billion accounted for by interbank borrowings under repurchase agreement with foreign banks. Income Tax Payable increased by ₱38 million from ₱48 million to ₱86 million.

- Total equity accounts improved by ₱16.8 billion, from ₱82.3 billion as of December 31, 2013 to a high of ₱99.1 billion as of December 31, 2014 on significant increases attributed to the following:

  - ₱11.6 billion proceeds from the issuance of 162.9 million common shares in line with the stock rights offering in February 2014.

  - ₱5.5 billion net income for the twelve months period ended December 31, 2014.

  - ₱1.2 billion increase in net unrealized gain (loss) on AFS adjustments and ₱0.2 billion increase in non-controlling interests.

  offset by the ₱1.0 billion downward adjustment in remeasurement losses on Retirement Plan, ₱0.4 billion decline in FX translation.

2013 vs. 2012

- As of end of the first year of PNB-Allied Banking Corporation (ABC) merger, the Bank's consolidated assets expanded to ₱616.3 billion as of December 31, 2013, ₱288.0 billion or 87.7% higher compared to ₱328.3 billion of PNB as of December 31, 2012. The increase is inclusive of some ₱198.2 billion assets of the former ABC at fair values of February 9, 2013, the effective date of the merger. Changes (more than 5%) in assets were registered in the following accounts:

  - Cash, Due from BSP and Due from Banks totaled ₱179.9 billion, 284.4% or ₱133.1 billion higher compared to the December 31, 2012 level of ₱46.8 billion. The increase came from Deposits with the BSP which grew by ₱116.0 billion while the increases in Cash and Other Cash Items and Due from Banks accounts of ₱6.2 billion and ₱10.8 billion, respectively, pertain mainly to ABC accounts which were brought in to the Bank.

  - Interbank Loans Receivable is at ₱8.4 billion as of December 31, 2013 or a decrease of 27.0% compared to the December 31, 2012 level of ₱11.5 billion, due mainly to interbank lending transactions with various banks in December 2012.

  - Securities Held Under Agreements to Resell as of December 31, 2012 of ₱18.3 billion represents lending transactions of the Bank with the BSP.

  - Financial Assets at Fair Value Through Profit (FVPL) or Loss at ₱11.7 billion grew by ₱7.7 billion from ₱4.0 billion, accounted for by the ₱7.1 billion Segregated Fund Assets designated as financial asset at FVPL. This account refers to the considerations from unit-linked insurance contracts received by PNB Life Insurance, Inc. (PNB Life) in designated funds. Segregated fund assets and the corresponding segregated fund liabilities are designated as financial assets and liabilities at FVPL and are evaluated at fair value basis in accordance with a documented risk management or investment strategy.

  - Available for Sale Investments went up to ₱80.3 billion as of December 31, 2013, ₱13.3 billion or 19.9% higher than the ₱67.0 billion level as of December 31, 2012 considering net acquisition of various securities as well as AFS securities holdings from the former ABC.

- Loans and Receivables now stood at ₱274.3 billion, from ₱144.2 billion as of December 31, 2012, attributable mainly to the ₱92.3 billion total loans brought in by the former ABC to the merged Bank, of which more than 80% are corporate accounts. New loan releases to various corporate borrowers also contributed to the increase in Loans and Receivables.

- Investment Properties was at ₱21.5 billion, up by ₱6.0 billion from the ₱15.5 billion reported as of December 31, 2012. This came from the ₱5.7 billion ROPA accounts of the former ABC.

- Property and Equipment (PPE) amounted to ₱19.8 billion as of December 31, 2013, an increase of ₱6.4 billion from the December 31, 2012 level of ₱13.4 billion on account of the merged PPE accounts of former ABC.

- Investment in Associate had a zero balance as of December 31, 2013 compared to the ₱2.4 billion as of December 31, 2012, primarily due to the increase in ownership of PNB in Allied Commercial Bank (ACB) from 39% to 90% after the merger. Since ACB is now a subsidiary, the investment of PNB in ACB is now consolidated line-by-line in the financial statements. Moreover, the ₱5.0 million remaining investment in an associate as of December 31, 2013 was included under Other Assets.

- The ₱13.4 billion Goodwill as of December 31, 2013 represents the difference between the fair value of the identified ABC net assets and liabilities at the time of the merger and the market value of the 423.962 million PNB shares issued in line with the merger.

- Of the ₱2.4 billion Intangible Assets, ₱2.0 billion represents customer relationship and core deposits acquired by the Bank through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Bank.

- Other Assets and Deferred Tax Assets amounted to ₱3.4 billion and ₱1.3 billion as of December 31, 2013 compared to ₱1.8 billion and ₱2.9 billion as of December 31, 2012, respectively.

• The total consolidated liabilities of the Bank increased by ₱242.2 billion, from ₱291.7 billion as of December 31, 2012 to ₱533.9 billion as of December 31, 2013. Major changes in liability accounts were as follows:

  - Deposit Liabilities, representing 87% of total liabilities of the Bank stood at ₱462.4 billion, growing by ₱221.5 billion compared to the December 2012 level of ₱240.9 billion, attributed to ABC deposit balances. Demand, Savings and Time Deposits increased by ₱97.2 billion, ₱92.7 billion and ₱31.6 billion, respectively.

  - Financial Liabilities at FVPL increased by ₱1.6 billion to ₱8.1 billion as of December 31, 2013, from ₱6.5 billion as of December 31, 2012. The increase was primarily due to the ₱7.3 billion segregated fund liabilities from ABC subsidiary, PNB Life, partly offset by the redemption of the ₱6.0 billion subordinated notes issued on June 19, 2009. The subordinated note and segregated fund liabilities are part of a group of financial instruments that are managed on a fair value basis, in accordance with the Bank's documented risk management and investment strategy.

- Accrued Expenses Payable and Other Liabilities also increased from ₱3.9 billion and ₱17.3 billion to ₱5.5 billion and ₱34.8 billion, respectively, as of December 31, 2013. Increase in Other Liabilities of ₱17.7 billion came mainly from the other liabilities of the former ABC.

- Income Tax Payable decreased by ₱0.1 billion from ₱0.2 billion to ₱0.1 billion

• The consolidated equity stood at ₱82.3 billion as of December 31, 2013, an increase by ₱45.7 billion from ₱36.5 billion as of December 31, 2012. The increase in capital accounts was accounted for by the following:

  - ₱41.4 billion market value of 423,962,500 PNB common shares issued in line with the PNB-ABC merger
  - ₱5.2 billion net income for the year ended December 31, 2013
  - ₱1.3 billion increase in the accumulated translation adjustment account.
  - ₱3.0 billion increase in non-controlling interest

  partly offset by:

  - ₱4.6 billion mark-to-market loss on AFS
  - ₱0.5 billion additional actuarial losses taken up in compliance with PAS 19.

2012 vs. 2011

• The Bank's consolidated assets expanded to ₱328.3 billion as of December 31, 2012, ₱16.7 billion or 6.0% higher compared to ₱311.6 billion as of December 31, 2011. Significant changes (more than 5%) in assets were registered in the following accounts:

  - Loans and Receivables grew by 14.8% or ₱18.1 billion, from ₱125.6 billion to ₱144.2 billion, attributable mainly to new loan releases during the period.

  - Available for Sale Investments increased by ₱14.7 billion, from ₱52.3 billion to ₱67.0 billion, attributed mainly to purchases of government securities.

  - Investment Properties decreased from ₱18.5 billion to ₱15.5 billion, primarily due to sale of foreclosed properties and provision for loss on a certain property which was destroyed by fire.

  - Due from Other Banks decreased by ₱2.4 billion, from ₱6.4 billion to ₱4.0 billion.

  - Financial Assets at Fair Value Through Profit or Loss was lower by ₱2.9 billion, from ₱6.9 billion to ₱4.0 billion, attributed mainly to the sale of various investment securities.

  - Interbank Loans Receivable decreased by ₱5.6 billion, from ₱17.1 billion to ₱11.5 billion, in view of lower interbank lending.

  - Other Assets increased by ₱0.3 billion, from ₱2.1 billion to ₱1.8 billion.

• The consolidated liabilities increased by ₱14.0 billion, from ₱277.7 billion as of December 31, 2011 to ₱291.7 billion as of December 31, 2012. Major changes in liability accounts were as follows:

- Deposit Liabilities increased by ₱3.3 billion, from ₱237.5 billion to ₱240.8 billion, attributed mainly to the ₱8.1 billion increase in savings deposits partly offset by the ₱1.7 billion and ₱3.1 billion reductions in demand and time deposits.

- Bills and Acceptances Payable increased by ₱4.6 billion, from ₱8.5 billion to ₱13.1 billion, mainly accounted for by BSP rediscounting and various borrowings from other banks.

- Subordinated Debt increased by ₱3.5 billion, from ₱6.4 billion to ₱9.9 billion. On May 9, 2012, the Bank issued ₱3.5 billion of Unsecured Subordinated Notes to finance asset growth and strengthen the Bank's capital base.

- Other liabilities increased by ₱2.6 billion, from ₱14.7 billion to ₱17.3 billion, mainly due to the accrual of provision for loss on certain court cases, additional insurance liability of the Bank's subsidiary, PNB General Insurers Co., Inc., and increment in accounts payable on certain collection arrangements.

• The consolidated equity stood at ₱36.6 billion as of December 31, 2012, up by ₱4.7 billion from ₱31.9 billion as of December 31, 2011. The increase in capital accounts was accounted for mainly by the ₱4.7 billion net income for the year ended December 31, 2012. As mentioned in item 1 above, Surplus as of December 31, 2012 and December 31, 2011 are already net of SPV losses previously being deferred in accordance with the SPV Law.

Results of Operations

March 31, 2015 vs. March 31, 2014

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

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

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

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

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

• Total Comprehensive Income for the three months period ended December 31, 2014 amounted to ₱1.9 billion, ₱0.3 billion higher compared to the ₱1.6 billion for the same period last year. Current year's comprehensive income came mainly from the net income totaling ₱1.2 billion and net unrealized gain on available-for-sale securities by ₱0.6 billion.

2014 vs. 2013

- Consolidated net income reached ₱5.5 billion for the twelve months ended December 31, 2014, an improvement of ₱0.3 billion compared with the ₱5.2 billion net income reported for the same period last year.

- Net interest income for the current year at ₱16.9 billion went up significantly by ₱3.2 billion or 22.9% compared to ₱13.7 billion in 2013 as interest income posted an increase of ₱2.0 billion at ₱20.5 billion versus ₱18.5 billion primarily accounted for by interest on loans and receivables which increased by ₱2.1 billion, driven by significant expansion in the loan portfolio. On the other hand, interest expense which amounted to ₱4.7 billion last year dropped by ₱1.1 billion to ₱3.6 billion as the Bank continued to undertake its liability management exercise by raising long term deposits at lower interest rates. In March 2014, PNB redeemed ₱3.25 billion worth of LTNCDs with a coupon rate of 6.50% and in October 2014 likewise redeemed ₱3.5 billion worth of LTNCDs with a coupon rate of 7% issued by the ABC. These funds were replaced with an issuance of ₱7.0 billion worth of LTNCDs with a coupon rate of 4.125% which will mature in June 2020. Furthermore, interest on borrowings also declined as a result of the redemption of unsecured subordinated debts totaling ₱10.5 billion in 2013 (₱4.5 billion, 7.13% redeemed in March 2013 and ₱6.0 billion, 8.5% redeemed in June 2013).

- Fee-based and other income decreased by ₱1.7 billion to ₱6.2 billion from ₱7.9 billion for the same period last year. The decrease was attributed to lower gains from Trading and Investment Securities which declined by ₱3.4 billion, partly offset by the ₱0.1 billion, ₱0.9 billion and ₱0.7 billion increases in Foreign Exchange Gains, Net Gain on Sale or Exchange of Assets and Miscellaneous Income, respectively.

- Net service fees and commission income and net insurance premium were at ₱2.5 billion and ₱0.7 billion, respectively, for the period ended December 31, 2014.

- Administrative and other operating expenses totaled ₱19.5 billion for the year ended December 31, 2014, ₱2.4 billion more than last year's ₱17.1 billion. Increases were registered in Compensation and Fringe Benefits by ₱1.6 billion partly due to implementation of the 2014 Collective Bargaining Agreement effective July 2014. Provision for impairment and credit losses also increased by ₱1.4 billion to ₱2.2 billion from ₱0.8 billion last year. Partly offset by ₱0.2 billion decreases in depreciation and amortization and ₱0.5 billion miscellaneous expenses.

- Total Comprehensive Income for the twelve months period ended December 31, 2014 amounted to ₱5.4 billion, ₱3.8 billion higher compared to the ₱1.6 billion for the same period last year. Current year’s comprehensive income came mainly from the net income totaling ₱5.5 billion and net unrealized gain on available-for-sale securities by ₱1.2 billion, offset by ₱0.5 billion in accumulated translation adjustments, ₱1.0 billion re-measurement losses on retirement plan taken up in the current year.

2013 vs. 2012

- For the year 2013, the net income of the Bank reached ₱5.2 billion, ₱0.5 billion higher compared to ₱4.7 billion reported by PNB in 2012. The figure would have been much higher if not for the ₱865.5

million accrual on casualty losses (e.g., for typhoon Yolanda/Santi and for the Bohol earthquake) taken up in the later part of 2013.

- Net interest income amounted to ₱13.7 billion for the year ended December 31, 2013, almost double the ₱7.0 billion net interest income of PNB for the same period last year due to the expansion of the loan portfolio. Interest income was up by ₱7.1 billion, from ₱11.4 billion to ₱18.5 billion. Interest expense, however, was also higher, at ₱4.7 billion, or by ₱0.3 billion from ₱4.4 billion.

- Fee-based and other income was higher by ₱0.3 billion at ₱7.9 billion for the year ended December 31, 2013, from ₱7.6 billion for the same period last year. Increases were registered in Net Gain on Sale of Exchange of Assets, Foreign Exchange Gains and Miscellaneous by ₱159 million, ₱62 million and ₱843 million, respectively, while Trading and Investment Securities Gains declined by ₱746 million.

- Net service fees and commission income and net insurance premium were at ₱2.3 billion and (₱0.5 billion), respectively, for the period ended December 31, 2013.

- Administrative and other operating expenses of the Bank totaled ₱17.1 billion in 2013, ₱6.2 billion more than last year's ₱10.9 billion. Increases were registered in Compensation and Fringe Benefits by ₱2.3 billion, Taxes and Licenses by ₱0.6 billion, Occupancy and Equipment-related Costs by ₱0.5 billion, Depreciation and Amortization by ₱0.8 billion and Other Miscellaneous Expenses by ₱1.9 billion, respectively.

- Provision for Income Tax was at ₱1.2 billion and ₱0.9 billion for the years ended December 31, 2013 and 2012, respectively, with the increase primarily due to higher taxable revenues during the current period.

- Total Comprehensive Income for the year ended December 31, 2013 amounted to ₱1.6 billion, ₱3.1 billion lower compared to the ₱4.7 billion total comprehensive income reported for the period ending December 31, 2012. The comprehensive income came mainly from the net income totaling ₱5.2 billion and accumulated translation adjustments related to foreign operations which contributed ₱1.2 billion, reduced by the ₱4.4 billion decline in market value of Available-for-Sale securities and the ₱0.5 billion re-measurement losses on retirement plan taken up in the current year.

2012 vs. 2011

- The Bank posted a ₱4.7 billion consolidated net income for the year ended December 31, 2012, higher than the ₱4.6 billion net income for the same period last year.

- Net interest income stood at ₱7.0 billion in 2012, slightly lower by ₱0.2 billion compared to the net interest income for the same period last year. Interest income declined by ₱1.1 billion, from ₱12.5 billion to ₱11.4 billion. Interest expense decreased by ₱0.9 billion from ₱5.3 billion to ₱4.4 billion.

- Net service fees and commission income was slightly lower at ₱1.9 billion in 2012 compared to ₱2.1 billion reported for the same period last year.

- Fee-based and other income increased by ₱0.3 billion for the year ended December 31, 2012 to ₱7.6 billion, from ₱7.3 billion for the same period last year. The increase came from gains on Trading and Investment Securities which expanded by ₱1.8 billion from ₱3.6 billion to ₱5.4 billion, mainly attributed to gain on sale/redemption of Available-for-Sale securities.

- Net insurance premium (benefits and claim) is at P0.2 billion for the period ended December 31, 2012.

- Administrative and other operating expenses were lower by ₱0.2 billion, from ₱11.2 billion to ₱10.9 billion.

- Provision for income tax was maintained at ₱0.9 billion and ₱0.8 billion for the years ended December 31, 2012 and 2011, respectively.

Key Performance Indicators

- Capital Adequacy

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

- Asset Quality

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

- Profitability

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

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

- Liquidity

  The ratio of liquid assets to total assets as of March 31, 2015 was 34.4% compared to 34.1% as of December 31, 2014. Ratio of current assets to current liabilities was at 46.4% as of March 31, 2015 compared to 45.3% as of December 31, 2014.The Group is in compliance with the regulatory required liquidity floor on government deposits and legal reserve requirements for deposit liabilities.

- Cost Efficiency

  The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 70.6% for the three months ended March 31, 2015 compared to

66.8% for the same period last year.

- Other financial soundness indicators is shown in Annex A

- Capital Adequacy/Capital Management

The Bank's Capital Management (Sub-Committee of the Asset/Liability Committee) has been created to specifically handle policies and procedures pertaining to the capital planning and assessment as well as possible equity investments of the Bank.
The Sub-Committee shall be responsible for the following:

- Determine the appropriate level of capital that will support the attainment of the Bank's strategic objectives, meet the minimum regulatory requirements and cover all material risks that the Bank may encounter in the course of its business.

- Periodically monitor and assess the capital ratios of the Bank. Monitoring shall include capital ratios with and without the regulatory stress test prescribed by the regulators, based on both the consolidated and solo financial statements of the bank.

- Report to the ALCO the Bank's capital ratio and position based the consolidated and solo financial statements on a monthly basis and to the Board ICAAP Steering Committee on a quarterly basis.

- Inform the ALCO/ Board ICAAP Steering Committee on possible breach of ICAAP capital thresholds, particularly during period of stress and activating the Bank's capital contingency plan, if needed.

    - ➢ The Sub-Committee will evaluate and endorse to the Board the options to improve the Bank's capital adequacy as provided for in the Capital Contingency Plan

    - ➢ In case of capital sourcing, the Sub-Committee shall endorse to the Board ICAAP Steering Committee / Board the manner, the amount and time period for capital raising.

- Ensure that the capital ratios resulting from the three-year strategic business plan under the Bank's ICAAP shall meet the minimum regulatory requirement as well as the Bank's internal thresholds.

    - ➢ The Sub-Committee shall determine the Bank's internal thresholds and shall endorse same to the Board ICAAP Steering Committee / Board.

- Undertake the optimal allocation of the capital to the different business groups in accordance with the portfolio diversification policy and subject to the sustainability of earnings, risk weights of assets, among others.

The Bank and its individual regulatory operations have complied with all externally imposed capital requirements throughout the period.

<u>Regulatory Qualifying Capital</u>
Under existing BSP regulations, the determination of the Banks compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net

worth) reported to the BSP, which is determined on the basis of regulatory policies, which differ from PFRS in some respects.

As required under BSP Circular 781, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent bank and subsidiaries engaged in financial allied undertakings but excluding insurance companies). Other minimum ratios include Common Equity Tier (CET) 1 ratio and Tier 1 capital ratios of 6.0% and 7.5%, respectively. A conservation buffer of 2.5%, comprised of CET 1 capital is likewise imposed.

Banks and their subsidiaries are subject to the following risk-based capital adequacy ratios (CARs):

a. Common Equity Tier 1 – must be at least 6.0% of risk weighted assets at all time;
b. Tier 1 capital must be at least 7.5% of risk weighted assets at all times; and
c. Qualifying capital (Tier 1 Capital plus Tier 2 Capital) must be at least 10.0% of risk weighted assets at all times.

Qualifying capital consists of the sum of the following elements, net of required deductions:

a. Common equity Tier 1 capital consists of 1) Paid up common stock that meet the eligibility criteria, b) Common stock dividends distributable, additional paid in capital resulting from the issuance of common stock included in CET1 capital, Deposits for common stock subscription, Retained earnings, Undivided profits, other comprehensive income (net unrealized gains or losses on AFS and cumulative foreign currency translation), and minority interest on subsidiary banks which are less than wholly-owned

b. Additional Tier 1 capital consists of instruments issued by the bank that are not included in CET 1 capital that meet the criteria for inclusion in additional tier 1 capital, meet the required loss absorbency features for instrument classified as liabilities and loss absorbency feature at point of non-viability as defined in the BSP guidelines.

c. Tier 2 capital is composed of 1) instruments issued by the Bank (and are not included in AT1 capital) that meet criteria for inclusion in Tier 2 and meet the required loss absorbency feature at point of non-viability as defined in the guidelines, 2) Deposits for subscription of T2 capital, 3) appraisal increment reserves on bank premises as authorized by the Monetary Board, 4) general loan loss provision, limited to a maximum of 1.00% of credit risk weighted asset, and minority interest in subsidiaries which are less than wholly owned as defined in the guidelines.

A capital conservation buffer of 2.5% of risk weighted assets, comprised of CET 1 capital, shall be required. This buffer is meant to promote the conservation of capital and build up of adequate cushion that can be drawn down to absorb losses during period of financial and economic stress.

Under BSP Circular No. 360, effective July 1, 2003, the capital-to-risk assets ratio (CAR) is to be inclusive of a market risk charge. In August 2006, the BSP issued Circular No. 538 which contains the implementing guidelines for the revised risk-based capital adequacy framework to conform to Basel II recommendations. Under the revised framework, capital requirements for operational risk, credit derivatives and securitization exposures are to be included in the calculation of the Bank's capital adequacy. The revised framework also prescribes a more granular mapping of external credit ratings to the capital requirements and recognizes more types of financial collateral and guarantees as credit risk mitigants. Changes in the credit risk weights of various assets, such as foreign currency denominated exposures to the Philippine National Government, non-performing exposures and ROPA, were also made. Exposures shall be risk-weighted based on third party credit assessment of the individual exposure given by eligible external credit assessment institutions. Credit risk-weights range from 0.00% to 150.00%, depending on the type of exposure and/or credit assessment of the obligor. The new guidelines took effect last July 1, 2007.

The Bank's consolidated capital adequacy ratio for combined credit, market and operational risks computed based on BSP Circular No. 781 (for 2014) and BSP Circular No. 538 (for 2013 and 2012) were 20.6%, 19.7% and 18.1% as of December 31, 2014, 2013 and 2012, respectively, improving and well above the minimum 10% required by BSP. The following table sets the regulatory capital as reported to BSP as at December 31, 2014, 2013 and 2012 (amounts in billions):

Philippine National Bank
As of Dates Indicated
Amount in MM

	Consolidated			Solo		
	2014	2013	2012	2014	2013	2012
Tier 1 (core) Capital / CET1 under BASEL III	**93,899.128**	**81,927.249**	**29,950.780**	**90,782.607**	**79,100.512**	**30,744.150**
Common stock	49,965.587	43,448.337	26,489.837	49,965.587	43,448.337	26,489.837
Additional Paid In Capital	31,331.251	26,499.909	2,037.272	31,331.251	26,499.909	2,037.272
Retained Earnings	13,368.528	9,568.295	2,278.793	12,689.560	9,002.417	2,278.793
Other comprehensive income	(3,469.641)			(3,203.791)		
Cumulative Foreign Currency Translation		(209.578)	(909.161)		149.849	(61.752)
Undivided profits	-	-	-	-	-	-
Minority interest in subsidiary financial allied undertakings which are less than wholly-owned (for consolidated basis)	2,703.403	2,620.286	54.039	-	-	-
Deductions from Tier 1 Capital / CET1 under BASEL III	22,391.624	19,715.452	3,442.213	45,931.470	19,385.053	3,345.648
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	1.906	54.051	87.181	1.906	54.051	87.181
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates	1,575.000			1,575.000		
Deferred income tax	3,810.979	3,896.944	3,355.032	3,567.215	3,566.545	3,258.467
Goodwill	13,515.765	15,764.457		13,515.765	15,764.457	
Other intangible assets	2,033.313			1,938.996		
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-			24,066.287		
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	1,452.612			1,264.252		
Other equity investments in non-financial allied undertakings and non-allied undertakings	1.933			1.933		
Reciprocal investments in common stock of other banks/quasi-banks and financial allied undertakings including securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)	0.116			0.116		
Gross Tier 1 Capital / CET1 Capital under BASEL III	71,507.504	62,211.797	26,508.567	44,851.137	59,715.459	27,398.502
Additional Tier 1 Capital (AT1) under BASEL III	-			-		
TOTAL TIER 1 CAPITAL	71,507.504			44,851.137		
Upper Tier 2 Capital (BASEL II)		2,903.298	1,452.880		2,792.410	1,442.058
Appraisal Increment Reserve, Bank Premises auth. By MB	291.725	291.725	291.725	291.725	291.725	291.725
General loan loss provision (limited to 1.00% of credit risk-weighted assets computed per Part III, Item B.)	2,778.459	2,611.573	1,161.155	2,571.878	2,500.685	1,150.333
Lower Tier 2 Capital (limited to 50% of Tier 1 Capital) (BASEL II)		9,953.651	13,254.284		9,953.651	13,699.251
Unsecured Subordinated Debt	9,970.136	9,953.651	16,134.886	9,969.498	9,953.651	16,134.886
Total Tier 2 Capital	13,040.320	12,856.949	14,707.164	12,833.101	12,746.061	15,141.309
Deductions from Qualifying Capital (BASEL II)		623.123	3,122.668		14,735.834	9,472.213
Gross Tier 2 Capital (limited to 100% of Tier 1 Capital) under BASEL II / TOTAL TEIR 2 CAPITAL Under BASEL III	13,040.320	12,856.949	14,707.164	12,833.101	12,746.061	15,141.309
TOTAL QUALIFYING CAPITAL	**84,547.824**	**74,445.623**	**38,093.063**	**57,684.238**	**57,725.686**	**33,067.598**

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

Risk-weighted on:						
Balance sheet assets:	359,881.507	319,474.854	180,263.416	329,029.139	292,664.636	172,427.340
20%	3,948.319	3,365.582	3,346.152	3,845.662	2,438.801	3,316.012
50%	15,558.027	13,963.631	3,874.130	13,799.102	12,821.113	3,853.812
75%	14,282.083	15,492.672	3,509.684	13,705.209	15,028.768	3,509.684
100%	297,726.532	249,165.915	140,892.358	270,610.938	225,933.829	133,209.840
150%	28,366.547	37,487.054	28,641.092	27,068.228	36,442.125	28,537.992
Off-Balance sheet assets:	5,914.306	7,835.140	2,462.837	5,750.879	7,224.489	2,013.627
20%	64.024	34.381	74.208	64.024	34.381	74.208
50%	1,671.841	2,331.258	1,782.022	1,671.841	2,331.258	1,782.022
75%	442.532	519.572	-	442.532	519.572	-
100%	3,735.909	4,949.929	606.607	3,572.482	4,339.278	157.397
150%	-	-	-	-	-	-
Total Counterparty Risk-Weighted Assets in the Banking Book	1,497.381	599.806	673.881	1,497.381	599.806	673.881
Total Counterparty Risk-Weighted Assets in the Trading Book (Derivatives and Repo-style Transactions)	275.678	9.914	198.574	254.248	-	198.574
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	-	-	-	-	-	-
Total Risk-Weighted Securitization Exposures	-	-	-	-	-	-
General loan loss provision [in excess of the amount permitted to be included in Upper Tier 2]	-	-	-	-	-	-
Total Credit Risk Weighted Assets	367,568.872	327,919.714	183,598.708	336,531.647	300,488.931	175,313.422
Market Risk Weighted Assets	4,532.456	9,337.189	3,255.293	4,233.579	3,828.952	3,241.655
Operational Risk-Weighted Assets	38,234.751	40,938.779	23,385.190	34,261.055	36,178.156	20,306.580
Total Risk Weighted Assets	410,336.079	378,195.681	210,239.191	375,026.281	340,496.038	198,861.657
Capital Ratios						
CET1 Cpital (BASEL III)	**17.427%**			**11.959%**		
Capital Conversion Buffer (BASEL III)	**11.427%**			**5.959%**		
Tier 1 capital ratio	**17.427%**	**16.367%**	**11.866%**	**11.959%**	**15.374%**	**11.396%**
Tier 2 capital ratio (not disclosed under BASEL III)		**3.317%**	**6.253%**		**1.580%**	**5.232%**
CAR	**20.605%**	**19.684%**	**18.119%**	**15.381%**	**16.953%**	**16.628%**

- Asset Quality

  The Bank's non-performing loans (NPL) (gross of allowance) decreased to ₱9.9 billion as of December 31, 2014 compared to ₱10.7 billion as of December 31, 2013. NPL ratios based on BSP guidelines are now 0.92% (net of valuation reserves) and 3.42% (at gross), from 1.39% and 4.26%, respectively in December 2013.

- Profitability

	Year Ended	
	12/31/14	12/31/13
Return on equity (ROE)[1/]	6.1%	8.8%
Return on assets(ROA)[2/]	0.9%	1.1%
Net interest margin(NIM)[3/]	3.2%	3.4%

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

  ROE for the period ending December 31, 2014 is at 6.1% or 31.4% lower compared to the 8.8% ratio last year. The reduction was traced to higher average capital of the Bank in the previous year.

  ROA is at 0.9% compared to 1.1% last year.

  NIM ratio of the bank for December 2014 is at 3.2% based on net interest margin of ₱16.9 billion and total average interest-earning assets of ₱527.0 billion, 0.2 percentage point lower compared to the 3.4% NIM ratio of the same period last year.

- Liquidity

  The ratio of liquid assets to total assets as of December 31, 2014 was 35.8% compared to 45.5% as of December 31, 2013. Ratio of current assets to current liabilities was at 64.9% as of December 31, 2014 compared to 67.0% as of December 31, 2013.The Bank is in compliance with the regulatory required liquidity floor on government deposits and legal reserve requirements for deposit liabilities.

- Cost Efficiency

  The ratio of total operating expenses (excluding provision for impairment, credit and other losses) to total operating income resulted to 66.5% for the year ended December 2014 compared to 70.4% for the same period last year.

Known trends, demands, commitments, events and uncertainties

The Bank presently has more than adequate liquid assets to meet known funding requirements and there are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity.

Events that will trigger direct or contingent financial obligations

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities that are not presented in the financial statements, including several suits and claims which remain unsettled. No specific disclosures on such unsettled assets and claims are made because any such disclosures would prejudice the Bank's position with the other parties with whom it is in dispute. Such exemption from disclosures is allowed under PAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Bank and its legal counsel believe that any losses arising from these contingencies which are not specifically provided for will not have a material adverse effect on the financial statements.

Material off-balance sheet transactions, arrangements or obligations

The summary of various commitments and contingent accounts as of March 31, 2015 and December 31, 2014 at their equivalent peso contractual amounts is presented in Note 18 of the Selected Notes to Consolidated Financial Statements of the SEC 17-Q Report.

The following is a summary of various commitments and contingent liabilities of the Bank as of December 31, 2014 and December 31, 2013 at their equivalent peso contractual amounts:

	12/31/2014	12/31/2013
	(In Thousand Pesos)	
Trust department accounts	**₱ 65,817,031**	**₱ 56,334,549**
Standby Letters of Credit	**11,281,048**	**13,165,263**
Deficiency claims receivable	**21,292,747**	**11,722,138**
Credit Card Lines	**13,996,427**	**11,239,863**
Inward bills for collection	**676,610**	**660,197**
Shipping guarantees issued	**32,732**	**1,481,927**
Other credit commitment	**974,377**	**974,377**
Outward bills for collection	**430,230**	**477,220**
Unused commercial letters of credit	**44,280**	**66,664**
Other contingent accounts	**326,693**	**504,525**
Confirmed export letters of credit	**490,015**	**82,513**
Items held as collateral	**51**	**64**

Capital Expenditures

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

Significant Elements of Income or Loss

Significant elements of the consolidated net income of the Bank for the three months ended March 31, 2015 and 2014 came from its continuing operations.

Significant elements of the consolidated net income of the Bank for the years ended 31 December 2014 and 2013 came from its continuing operations.

Issuances, Repurchased and Prepayment of Debts and Equity Securities

Long-term Negotiable Certificates of Time Deposits
Time deposit includes the following Long-term Negotiable Certificates of Time Deposits (LTNCDs) issued by the Bank:

Issue Date	Maturity Date	Face Value	Coupon Rate	Interest Repayment Terms	Carrying Value 2014	Carrying Value 2013
December 12, 2014	June 12, 2020	₱7,000,000	4.13%	Quarterly	**₱6,957,175**	₱
October 21, 2013	April 22, 2019	4,000,000	3.25%	Quarterly	**3,976,133**	3,971,075
August 5, 2013	February 5, 2019	5,000,000	3.00%	Quarterly	**4,973,448**	4,968,004
November 18, 2011	February 17, 2017	3,100,000	5.18%	Quarterly	**3,090,564**	3,086,513
October 22, 2009	October 23, 2014	3,500,000*	7.00%	Quarterly	**–**	3,582,808
March 25, 2009	March 31, 2014	3,250,000	6.50%	Quarterly	**–**	3,248,369
		₱25,850,000			**₱18,997,320**	₱18,856,769

* *Acquired from business combination*

Other significant terms and conditions of the above LTNCDs follow:

(1) Issue price at 100.00% of the face value of each LTNCD.

(2) The LTNCDs bear interest rate per annum on its principal amount from and including the Issue Date thereof, up to but excluding the Early Redemption Date or Maturity Date (as the case may be).

Interest in respect of the LTNCD will be calculated on an annual basis and will be paid in arrears quarterly on the last day of each successive Interest Period.

(3) Unless earlier redeemed, the LTNCDs shall be redeemed by the Bank on maturity date at an amount equal to one hundred percent (100.00%) of the aggregate issue price thereof, plus any accrued and unpaid interest thereon. The LTNCDs may not be redeemed at the option of the holders.

(4) The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of the Parent Company, enforceable according to these Terms and Conditions, and shall at all times rank pari passu and without any preference or priority among themselves and at least pari passu with all other present and future direct, unconditional, unsecured, and unsubordinated obligations of the Issuer, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

(5) Subject to the "Events of Default" in the terms and conditions, the LTNCDs cannot be pre-terminated at the instance of any CD holder before Maturity Date. In the case of an event of default, none of the CD holders may accelerate the CDs on behalf of other CD holders, and a CD holder may only collect from the Bank to the extent of his holdings in the CDs. However, the Parent Company may, subject to the General Banking Law of 2000, Section X233.9 of the Manual of Regulations for Banks, Circular No. 304 Series of 2001 of the BSP and other related circulars and issuances, as may be amended from time to time, redeem all and not only part of the outstanding CDs on any Interest Payment Date prior to Maturity Date, at an Early Redemption Amount equal to the Issue Price plus

interest accrued and unpaid up to but excluding the Early Redemption Date.

(6) The LTNCDs are insured by the PDIC up to a maximum amount of ₱500,000 subject to applicable laws, rules and regulations, as the same may be amended from time to time.

(7) Each holder, by accepting the LTNCDs, irrevocably agrees and acknowledges that: (a) it may not exercise or claim any right of set-off in respect of any amount owed to it by the Bank arising under or in connection with the LTNCDs; and (b) it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Seasonal Aspects

There are no seasonal aspects that have material effect on the Bank's financial condition or results of operations.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the Group's annual financial statements as of and for the year ended December 31, 2013, except for the adoption of the following new, amendments and improvements to Philippine Financial Reporting Standards (PFRS) which became effective as of January 1, 2014.

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

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group since none of the entities in the Group would qualify as an investment entity under PFRS 10.

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

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

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

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

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

In compliance with SEC Rule 68, as amended, and BSP Circular 660, Series of 2009, there is no need at this time to change the audit partner of the Bank. Ms. Vicky B. Lee-Salas, SGV's Leader for Market Group 5 and one of the more experienced audit partners in the banking industry, was the audit partner-in-charge of the Bank for the year 2014.

EXTERNAL AUDIT FEES

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.:

2014

Audit

- ₱12.802 million engagement fee for the audit of the Bank's Financial Statements as of December 31, 2014 (inclusive of out-of-pocket expenses (OPE) but excluding Value Added Tax (VAT).

- ₱6.350 million engagement fee for the review of Financial Statements as of June 30, 2014 and engagement fee for the issuance of Comfort Letter related to the offering of PNB LTNCD Long Term Negotiable Certificates of Time Deposit (LTNCD) in June 2014.

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 Statements as of March 31, 2013 and 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 the Trust Banking Group for the year 2013.

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.

MANAGEMENT AND CERTAIN SECURITY HOLDERS

PROFILE OF DIRECTORS TOGETHER WITH THEIR BUSINESS EXPERIENCE COVERING AT LEAST THE PAST FIVE (5) YEARS

FLORENCIA G. TARRIELA, 68, Filipino, has been serving as Chairman of the Board of the Bank since May 24, 2005, and as an Independent Director since May 30, 2006. She also serves as Chairman/Independent Director of PNB Capital and Investment Corporation and Independent Director of PNB Life Insurance, Inc., PNB International Investments Corporation, and LT Group, Inc. She obtained her Bachelor of Science in Business Administration degree, Major in Economics, from the University of the Philippines and her Masters in Economics degree from the University of California, Los Angeles, where she topped the Masters Comprehensive Examination. Ms. Tarriela is currently a columnist for "Business Options" of the Manila Bulletin and "FINEX Folio" of Business World. She is a Life Sustaining Member of the Bankers Institute of the Philippines and FINEX where she is also a Director, and a Trustee of TSPI Development Corporation. Ms. Tarriela was formerly Undersecretary of Finance, and an alternate Board Member of the Monetary Board of the Bangko Sentral ng Pilipinas, Land Bank of the Philippines and the Philippine Deposit Insurance Corporation. She was formerly Deputy Country Head, Managing Partner and the first Filipino female Vice President of Citibank N. A. Ms. Tarriela is a co-author of several inspirational books - "Coincidence or Miracle? Books I, II, III ("Blessings in Disguise"), and IV ("Against All Odds"), and gardening books - "Oops-Don't Throw Those Weeds Away!" and "The Secret is in the Soil". She is an environmentalist and practices natural ways of gardening.

FELIX ENRICO R. ALFILER, 65, Filipino, was elected as Vice Chairman/Independent Director of the Bank effective on January 1, 2012. He completed his undergraduate and graduate studies in Statistics at the University of the Philippines in 1973 and 1976, respectively. He undertook various continuing education programs, including financial analysis and policy, at the IMF Institute of Washington, D.C. in 1981 and on the restructured electricity industry of the UK in London in 1996. He has published articles relating to, among others, the globalization of the Philippine financial market, policy responses to surges in capital inflows and the Philippine debt crisis of 1985. He is currently the Chairman/Independent Director of PNB RCI Holdings Co., Ltd. and an Independent Director of PNB-IBJL Leasing and Finance Corporation (formerly Japan-PNB Leasing and Finance Corporation), PNB Savings Bank and PNB International Investments Corp. He previously held various distinguished positions, namely: Philippine Representative to the World Bank Group Executive Board in Washington, D.C., Special Assistant to the Philippine Secretary of Finance for International Operations and Privatization, Director of the Bangko Sentral ng Pilipinas, Assistant to the Governor of the Central Bank of the Philippines, Advisor to the Executive Director at the International Monetary Fund, Associate Director at the Central Bank and Head of the Technical Group of the CB Open Market Committee. Mr. Alfiler was also the Monetary Policy Expert in the Economics Sub-Committee of the 1985-1986 Philippine Debt Negotiating Team which negotiated with over 400 private international creditors for the rescheduling of the Philippines' medium- and long-term foreign debts. In the private sector, Mr. Alfiler was an Advisor at Lazaro 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, 73, Filipino, has been serving as a Director of the Bank since May 30, 2006. A Certified Public Accountant, he obtained his degree in Bachelor of Science in Business

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

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

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

ESTELITO P. MENDOZA, 85, Filipino, was elected as a Director of the Bank on January 1, 2009. He obtained his Bachelor of Laws degree (cum laude) from the University of the Philippines and Master of Laws degree from the Harvard Law School. A practicing lawyer for more than sixty years, he has been consistently listed for several years as a "Leading Individual in Dispute Resolution" among lawyers in the Philippines in international/regional directories of lawyers. He has also been a Professional Lecturer of law at the University of the Philippines, and served as Undersecretary of Justice, Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He currently serves as a member of the Board of Directors of Philippine Airlines, Inc., San Miguel Corporation, and Petron Corporation. He has been awarded a Doctor of Laws degree (honoris causa) by Central Colleges of the Philippines, Hanyang University, University of Manila, Angeles University Foundation and the University of the East, and a Doctor of Humane Letters degree by the Misamis University. He is a recipient of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and the University of the Philippines Alumni Association's 1975 "Professional Award in Law" and 2013 "Lifetime Distinguished Achievement Award".

CHRISTOPHER J. NELSON, 55, British, was elected as Director of the Bank on May 26, 2015. He was previously appointed as Board Advisor of the Bank on May 27, 2014 after serving as Director since March 21, 2013. He holds Bachelor of Arts and Masters of Arts degrees in History from Emmanuel College, Cambridge University, U.K., and a Diploma in Marketing from the Institute of Marketing, Cranfield, U.K. He is currently a member of the Board of PNB Holdings Corporation and Chairman of Lux et Sal, the operating company of Domuschula International School, a duly certified International Baccalaureate (IB) World School. Prior to joining the Bank, he was President of Philip Morris Philippines Manufacturing, Inc., a position he held for 10 years. He has an extensive 31 years of experience in the tobacco business, 25 years of which were with Philip Morris International holding various management positions including Area Director for Saudi Arabia, Kuwait, Gulf Cooperation Council, Yemen, and Horn of Africa. Mr. Nelson is actively involved in various business and non-profit organizations that work for the social and economic upliftment of communities. He is a member of the Board of Trustees of American Chamber Foundation Philippines, Inc., British Chamber of Commerce of the Philippines, Philippine Band of Mercy and the Federation of Philippine Industries. He was also a former Trustee of Tan Yan Kee Foundation and Director of the American Chamber of Commerce of the Philippines, Inc. Mr. Nelson is a member of the Society of Fellows of the Institute of Corporate Directors.

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

Corporation and Certified Data Centre Professional. He is active in various professional and social organizations.

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

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

HARRY C. TAN, 69, Filipino, was appointed as a Director of the Bank on February 9, 2013 after serving as a Director of Allied Banking Corporation (ABC) since November 1999. He holds a Bachelor of Science degree in Chemical Engineering from Mapua Institute of Technology. Mr. Tan is currently the Chairman of Bulawan Mining Corporation and a Director of PNB Management Development

Corporation, PNB Savings Bank, Allied Commercial Bank and PNB Global Remittance and Financial Company (HK) Limited. He is also the Chairman of the Air Philippines Corporation and the President of Century Park Hotel and Landcom Realty Corporation. He is the Vice Chairman of Lucky Travel Corporation, Eton Properties Philippines, Inc., Tanduay Distillers, Inc., Belton Communities, Inc., and Eton City Inc. He is also the Vice Chairman and Treasurer of LT Group, Inc. He is the Managing Director/Vice Chairman of The Charter House Inc. and is a member of the Board of Directors of various private firms which include Asia Brewery, Inc., Dominium Realty and Construction Corporation, Progressive Farms, Inc., Shareholdings Inc., Himmel Industries, Inc., Tobacco Recyclers Corporation, Basic Holdings Corporation, Pan Asia Securities Inc., Absolut Distillers, Inc., Alliedbankers Insurance Corporation, Asian Alcohol Corporation, REM Development Corporation, Tanduay Brands International Inc., Foremost Farms, Inc., Grandspan Development Corporation, Manufacturing Services and Trade Corporation, PAL Holdings, Inc., and Philip Morris Fortune Tobacco Corporation, Inc. He is also the Chairman for the Tobacco Board of Fortune Tobacco International Corporation.

LUCIO C. TAN, 80, Filipino, has been serving as a Director of the Bank since December 8, 1999. He studied at Far Eastern University and later earned his Chemical Engineering degree from the University of Sto. Tomas (UST). In 2003, he earned the degree of Doctor of Philosophy, Major in Commerce, from UST. From humble origins, Dr. Tan became the Chairman of Allied Banking Corporation (ABC). He is presently the Chairman and CEO of LT Group, Inc., Philippine Airlines, Inc., Lucky Travel Corporation, Eton Properties Philippines, Inc., Alliedbankers Insurance Corporation, Tanduay Distillers, Inc. and PAL Holdings, Inc. He is the Chairman of Asia Brewery, Inc., Basic Holdings Corporation, Himmel Industries, Inc., Fortune Tobacco Corporation, Grandspan Development Corporation, PNB Life Insurance, Inc., Allied Leasing and Finance Corporation, Allied Commercial Bank, PNB Savings Bank and Allied Banking Corporation (HK) Ltd. Dr. Tan is also the Chairman/President of Tangent Holdings Corporation. Despite Dr. Tan's various business pursuits, he continues to share his time and resources with the community. In 1986, he founded the Tan Yan Kee Foundation, Inc., of which he is Chairman and President. He is likewise Chairman Emeritus of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. He is the founder and Vice Chairman of the Foundation for Upgrading the Standard of Education, Inc. Dr. Tan received various honorary degrees for his outstanding achievements and leadership in the Philippines and other parts of the world.

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

MICHAEL G. TAN, 49, Filipino, was elected as a Director of the Bank on February 9, 2013. He is the President/Director of LT Group, Inc., the holding firm of the Lucio Tan Group of Companies. He also served as a Director of Allied Banking Corporation (ABC) from January 30, 2008 until the ABC's merger with PNB on February 9, 2013. He is the Chairman of PNB Holdings Corporation and PNB Management and Development Corporation. He is also a Director of PNB Forex, Inc., Bulawan Mining Corporation, PNB Savings Bank, Allied Commercial Bank, PNB Global Remittance and Financial Company (HK) Ltd., and Alliedbankers Insurance Corp. He is a Director and the Chief Operating Officer of Asia Brewery, Inc. and a member of the Board of Directors of the following companies: Philippine Airlines Foundation, Inc., Air Philippines Corp., Philippine Airlines, Inc., PAL Holdings, Inc., Absolut Distillers, Inc., Eton Properties Phils., Inc., Shareholdings, Inc., Lucky Travel Corporation, Eton City, Inc., Abacus Distribution Systems Philippines, Inc., PMFTC, Inc., Tangent Holdings Corporation, and Victorias Milling Company. He holds a Bachelor of Applied Science degree in Civil Engineering from the University of British Columbia, Canada.

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

MAILA KATRINA Y. ILARDE, 32, Filipino, was appointed as Corporate Secretary of the Bank on June 26, 2015. She obtained her degree in Bachelor of Science in Legal Management in 2003 from De La Salle University and earned her Juris Doctor in 2007 from the Ateneo de Manila University School of Law. Prior to her appointment as Corporate Secretary, she was a Senior Associate in Roxas de los Reyes Laurel Rosario & Leagogo Law Offices and the Assistant Corporate Secretary of Ionics, Inc., a publicly-listed company.

BOARD OF ADVISORS:

JOSEPH T. CHUA, 58, was appointed as Board Advisor of the Bank on May 26, 2015. He was previously elected as Director of the Bank on May 27, 2014. He obtained his degrees in Bachelor of Arts in Economics and Bachelor of Science in Business Management from De La Salle University and his Masters in International Finance from the University of Southern California. He is presently the Chairman of the Board of Watergy Business Solutions, Inc., Cavite Business Resources, Inc. and J.F. Rubber Philippines. He is the President of Goodwind Development Corporation, MacroAsia Mining Corporation and MacroAsia Corporation, where he is also the CEO. He is a Director of PNB General Insurers Co., Inc., Bulawan Mining Corporation, PNB Management & Development Corp., Philippine Airlines and Eton Properties Philippines, Inc., where he also serves as the Officer-in-Charge. Previous to these, he was the Chairman of MacroAsia Mining Corporation, a Director/Chief Operating Officer of MacroAsia Corporation, and a Managing Director of Goodwind Development Corporation. He is a member of the Management Association of the Philippines, Philippine Chamber of Commerce and Industry, Chamber of Mines of the Philippines, German Philippine Chamber of Commerce and Rubber Association of the Philippines.

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

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

PROFILE OF SENIOR OFFICERS TOGETHER WITH THEIR BUSINESS EXPERIENCE COVERING AT LEAST THE PAST FIVE (5) YEARS:

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

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

HORACIO E. CEBRERO III, 53, Filipino, Executive Vice President, is Head of the Treasury Group. He obtained his Bachelor of Science degree in Commerce, Major in Marketing, from the De La Salle University. Prior to joining PNB, he was an Executive Vice President and the Treasurer of EastWest Banking Corporation. He also held the post of Senior Vice President and Deputy Treasurer of Rizal Commercial Banking Corporation, Vice President/Head of the Foreign Exchange Desk of Citibank Manila and Vice President/Chief Dealer of the Treasury Group of Asian Bank Corporation. He brings with him 32 years of experience in the banking industry starting from Loans and Credit, Branch Banking, Fixed Income Sales, Trust Banking, Foreign Exchange and Fixed Income Trading, Portfolio Management and other Treasury-related activities.

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

JOVENCIO B. HERNANDEZ, 62, Filipino, Executive Vice President, is Head of the Retail Banking Group. A Certified Public Accountant, he obtained his Bachelor of Science degree in Commerce, Major in Accounting, from the De La Salle College. Prior to joining PNB, he was a Senior Vice President and Head of the Consumer Banking Group of Security Bank. He was also a Senior Vice President for Retail Banking of Union Bank of the Philippines in 2004, Commercial Director of Colgate Palmolive in 1996, and Group Product Manager of CFC Corporation and Unilever in 1982 and 1980, respectively. He was formerly the President of Security Finance in 2004 and First Union Plans in 2003. He was also a Director of SB Forex and Security-Phil Am. He served as Treasurer, Director and Executive Committee Member of Bancnet from 2004 to 2006. He is presently a Director of Bancnet.

NELSON C. REYES, 51, Filipino, Executive Vice President, joined the Bank on January 1, 2015 as the Chief Financial Officer. Prior to joining the Bank, he was the Chief Financial Officer of the Hongkong and Shanghai Banking Corporation (HSBC), Ltd., Philippine Branch, a position he held since 2004. He was also a Director for HSBC Savings Bank Philippines, Inc. and HSBC Insurance Brokers Philippines, Inc. His banking career with HSBC spanned 28 years and covered the areas of Credit Operations, Corporate Banking, Treasury Operations and Finance. He gained international banking exposure working in HSBC offices in Australia, Thailand and Hong Kong. Mr. Reyes graduated from De La Salle University with a Bachelor of Science degree in Commerce, Major in Accounting, and is a Certified Public Accountant.

YOLANDA M. ALBANO, 64, 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 ABC Institutional Banking Group, comprised of the Account Management Division and the Merchant Banking Division. She joined ABC in 1977, starting off as an Account Officer at the Business Development Division and moving on as the 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 Group. 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 Bachelor of Arts degree in Economics in three (3) years with a Dean's Award for Academic Excellence from the University of the Philippines.

ALICE Z. CORDERO, 58, Filipino, First Senior Vice President, was appointed the Chief Compliance Officer of the Bank on June 16, 2010 with oversight on the Bank, including all subsidiaries, affiliates and foreign branches. She is concurrently the Corporate Governance Executive of the Bank. She obtained a Bachelor of Science degree in Business Economics from the University of the Philippines. She has earned units in Masters in Business Administration at the Ateneo Graduate School of Business. Prior to joining the Bank, she was the Chief Compliance Officer of ABC (2007-2010). She worked with Citibank N.A - Manila Branch (1988-2007) for nineteen (19) years and held various senior positions in the Consumer Banking Group, including Compliance and Control Director (1999-2005) and concurrent Regional Compliance and Control Director for Philippines and Guam (2004). Her 35 years of banking experience include working for ABC (1979-1983; 2007-2010), First National Bank of Chicago - Manila Branch (1983-1986), Far East Bank and Trust Company (1986-1988) and Citibank N.A. - Manila Branch (1988-2007), where she held department head positions in Credit Policy, Credit & Research Management, Financial Control, Corporate Regulatory Reporting, Asset Strategy, Business Development, Risk Management and Compliance.

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

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

RAMON L. LIM, 63, Filipino, is President and CEO of PNB Securities, Inc., a wholly-owned subsidiary of the Bank. A Certified Public Accountant, he obtained his Bachelor of Science degree in Commerce, 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; then, 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 the 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 from September 2004 to September 2006. He was re-assigned back to the Treasury Group as its Head in October 2006 until July 2010. He was designated as the Chief of Staff of the PNB President from May 2010 until July 2011, 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, 45, Filipino, First Senior Vice President, has been Head of the Global Operations Group since 2009. The group manages the Bank's operations and back-office support units in the Philippines and overseas branches in the United States, Asia-Pacific and Europe. He is also the Integration Director who coordinates all efforts to complete the operational merger of PNB with ABC. Mr. Medina has a Bachelor of Science degree in Industrial Engineering from the University of the Philippines and Masters in Business Administration from the Shidler College of Business at the University of Hawai'i at Manoa. He was an East-West Center Degree Fellow and the recipient of a full scholarship while at the University of Hawai'i. He also attended the Handelshøjskolen I Århus (the Aarhus School of Business), Pacific Asian Management Institute and the European Summer School for Advanced Management for additional graduate studies. Prior to joining PNB in 2004, he was a pioneer in the process and technology banking practice in the nineties when he helped transform the Asian operations of one of the largest multinational banks. He subsequently established a private consulting practice in the United States, helping set up operations and technology initiatives of large financial institutions. Mr. Medina also worked with Union Bank of the Philippines where he conceptualized and implemented electronic banking products and services.

EDGARDO T. NALLAS, 57, Filipino, is the President and CEO of PNB-IBJL Leasing and Finance Corporation and its subsidiary, PNB-IBJL Equipment Rentals Corporation. 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 Bachelor of Arts degree in Economics (Accelerated) from the De La Salle University in 1977 and has earned units in Masters in Business Administration 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, 62, 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 a Director of PNB (Europe) Plc. Mr. Oliva obtained his Bachelor of Science degree in Commerce, Major in Accounting (Cum Laude), from the De La Salle University. He started his career with FNCB Finance, Inc. where he held various junior managerial positions from 1973-1978. He moved to Jardine Manila Finance in 1978 as Vice President of the Metro Manila Auto Finance. In 1980, Mr. Oliva started his career as a banker at the State Investment Bank where he was Head of Corporate Sales Lending Division. In 1981, he moved to PCI Bank when he handled Corporate Banking. He joined Citibank, NA in 1988, where he exhibited his expertise in sales and headed different sales divisions (Loans, Cards and Citiphone Banking). He became a Director for various divisions such as Country Asset Sales, Credit Cards Business, Business Development and Personal Loans from November 1999 to January 2006. In January 2006, he was hired by Citibank Savings, Inc. as the Director for Personal Loans and moved back to Citibank, NA as Business Development Director in February 2007. He was rehired by Citibank Savings, Inc. as its President in December 2007. From June 2009 to July 2011, he held concurrent positions as Commercial Banking Director of Citibank NA and board member of Citibank Savings, Inc. In September 2011, he has been a designate Consultant for Consumer Banking of United Coconut Planters Bank. Mr. Oliva joined PNB on September 10, 2012.

AIDA M. PADILLA, 65, Filipino, is First Senior Vice President and Head of the Remedial Management Division. She is the chief strategist for problem and distressed accounts. A seasoned professional, she rose from the branch banking ranks at the Philippine Banking Corporation to become Vice President for

Marketing of its Corporate Banking Group. She obtained her Bachelor of Science degree in Com7merce, Major in Accounting, from St. Theresa's College.

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

EMMANUEL GERMAN V. PLAN II, 62, Filipino, First Senior Vice President, is 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 ABC. He concurrently held the position of Senior Vice President of State Investment Trust and State Properties Corporation. He also acted as Managing Director of Bear Stearns State Asia and Northeast Land Development Corporation. He has exposure in investment banking, account management, and credit and collection. He has been involved in acquired assets management and in real estate development since 1997. Mr. Plan is also into social, religious and charitable undertakings through his active involvement in different educational and religious foundations like Sambayan Educational Foundation, Inc., LSQC Scholarship Foundation, UST-EHSGAA and Magis Deo, to name a few.

EMELINE C. CENTENO, 56, Filipino, Senior Vice President, is Head of the Corporate Planning and Research Division. She obtained her Bachelor of Science degree in Statistics (Dean's Lister) and completed the coursework in Masters of Arts in Economics (on scholarship) from the University of the Philippines. She joined PNB in 1983, rose from the ranks and held various positions at the Department of Economics and Research, Product Development, Monitoring and Implementation Division and the Corporate Planning 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, 60, Filipino, Senior Vice President, is the Chief Audit Executive (CAE) of the Bank. A Certified Public Accountant, he holds a Bachelor of Science degree in Commerce, Major in Accounting, from the University of San Carlos-Cebu. He started his career in 1976 with SGV as a Staff Auditor and, after a year, was Field in Charge until 1978. He joined ABC in 1979 as a Junior Auditor. He rose from the ranks to become an Audit Officer in 1986, and was designated as Head of the Internal Audit Division in 2000, until his appointment as CAE of PNB on February 9, 2013. He also served as Compliance Officer of Allied Savings Bank (seconded officer) from August 2001 to August

2006. He served as a member of the Board of Directors of Rosehills Memorial Management (Philippines), Inc. in 2011 and 2013. He is a member of the Institute of Internal Auditors Philippines, Association of Certified Fraud Examiners-Philippines and Philippine Institute of Certified Public Accountants.

MARIA PAZ D. LIM, 54, Filipino, Senior Vice President, is the Corporate Treasurer. She obtained her Bachelor of Science degree in Business Administration, Major in Finance and Marketing, from the University of the Philippines, and Masters in Business Administration from the Ateneo de Manila University. She joined PNB on June 23, 1981, rose from the ranks and occupied various officer positions at the Department of Economics & Research, Budget Office and Corporate Disbursing Office prior to her present position.

NORMAN MARTIN C. REYES, 49, Filipino, Senior Vice President, is the Bank's Chief Marketing Officer and Head of the Marketing Group. He obtained his Bachelor of Arts degree, Major in Economics at the University of the Philippines and Masters in Business Management at the Asian Institute of Management. He has over 20 years of management experience in the field of product development, sales and marketing and process management, and has directly managed an extensive list of corporate and consumer services. He started his banking career in 1993, holding various positions at Citibank, Union Bank and Royal Bank of Scotland. Prior to joining PNB, he was Senior Vice President at United Coconut Planters Bank.

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

ROBERTO S. VERGARA, 63, Filipino, First Vice President, is the Chief Trust Officer and Head of the Trust Banking Group. He obtained his Bachelor of Arts degree, Major in Economics from Ateneo de Manila University. He began his career in 1973 and held various positions in trust, treasury, investment banking and global banking/overseas remittances. Prior to joining PNB, he was the Trust Officer of Hongkong and Shanghai Banking Corporation and then became the Trust Officer, Treasury Group Head and Global Banking/Overseas Remittance Group Head of the Land Bank of the Philippines. He is also a holder of Government Civil Service Career Executive Service Officer and Career Service Executive eligibility.

MODETTE INES V. CARIÑO, 44, Filipino, First Vice President, is Acting Head of the Consumer Finance Group. She obtained her Bachelor of Science degree in Commerce, Major in Accounting, from the De La Salle University. She started her career as a 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 the consumer loans business of the bank prior to joining PNB. She was hired by the Bank as Product Manager for Motor Vehicle Loans and was eventually appointed as Head of the 14 Regional Consumer Finance Centers prior to her present position.

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

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.

Family Relationships

Directors Harry C. Tan and Lucio C. Tan are brothers. Directors Lucio K. Tan, Jr. and Michael G. Tan are sons of Mr. Lucio C. Tan. Director Joseph T. Chua is a son-in-law of Mr. Lucio C. Tan.

Involvement in Certain Legal Proceedings

Neither the directors nor 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 Securities and Exchange 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.

Executive Compensation

(1) General

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. The total per diem given to the Board of Directors of the Bank for the years 2013 and 2014 amounted to ₱17.815 million and ₱44.325 million, respectively, due to the expanded roles and responsibilities as a result of the merger.

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

(2) Summary Compensation Table

Annual Compensation (In Pesos)					
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Others**	**Total**
Omar Byron T. Mier [1/] President & Chief Executive Officer (CEO) Reynaldo A. Maclang [2/] President Four most highly compensated executive officers other than the CEO 1. Cenon C. Audencial, Jr. 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 2013	30,364,256	7,705,872	-	38,070,128
	Actual 2014	50,690,483	12,041,581	-	62,732,064
	Projected 2015	60,800,000	14,500,000	-	75,300,000
All other officers and directors (as a group unnamed)	Actual 2013	1,573,877,191	516,977,906	-	2,090,855,097
	Actual 2014	2,606,668,197	843,788,872	-	3,450,457,069
	Projected 2015	3,128,000,000	1,012,500,000	-	4,140,500,000

[1/] *Retired effective May 26, 2014*
[2/] *Appointed as President effective May 27, 2014*

(3) 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.

(4) 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.

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 June 30, 2015)

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
All Seasons Realty Corporation - Makati City - 8,191,895 shares Shareholder	Majority-Owned and Controlled by LT Group, Inc.	Filipino	747,326,928	59.8273308551%
Allmark Holdings Corporation - Quezon City – 16,967,394 shares Shareholder		Filipino		
Caravan Holdings Corporation - Marikina City - 67,148,224 shares Shareholder		Filipino		

Donfar Management Ltd. - Makati City – 25,173,588 shares Shareholder		Filipino		
Dunmore Development Corp. (X-496) - Makati City - 12,395,850 shares Shareholder		Filipino		
Dynaworld Holdings, Inc. - Pasig City - 9,323,108 shares Shareholder		Filipino		
Fast Return Enterprises, Ltd. - Makati City - 14,865,453 shares Shareholder		Filipino		
Fil-Care Holdings, Inc. - Quezon City - 20,836,937 shares Shareholder		Filipino		
Fragile Touch Investment Ltd. - Makati City - 18,581,537 shares Shareholder		Filipino		

Ivory Holdings, Inc. - Makati City - 16,997,821 shares Shareholder		Filipino		
Kenrock Holdings Corporation - Quezon City – 21,301,405 shares Shareholder		Filipino		
Kentwood Development Corp. - Pasig City - 14,112,105 shares Shareholder		Filipino		
Key Landmark Investments, Ltd. - Makati City - 109,115,864 shares Shareholder		Filipino		
La Vida Development Corp. - Quezon City - 16,052,705 shares Shareholder		Filipino		
Leadway Holdings, Inc. - Quezon City – 53,470,262 shares Shareholder		Filipino		

Mavelstone International Ltd. - Makati City - 24,213,463 shares Shareholder		Filipino		
Merit Holdings and Equities Corporation - Quezon City – 14,233,686 shares Shareholder		Filipino		
Multiple Star Holdings Corp. - Quezon City – 25,214,730 shares Shareholder		Filipino		
Pioneer Holdings Equities, Inc. - Pasig City - 28,044,239 shares Shareholder		Filipino		
Profound Holdings, Inc. - Mandaluyong City - 14,935,099 shares Shareholder		Filipino		
Purple Crystal Holdings, Inc. - Mandaluyong City - 19,980,373 shares Shareholder		Filipino		

Safeway Holdings & Equities, Inc. - Quezon City - 9,864,499 shares Shareholder		Filipino		
Society Holdings Corporation - Quezon City - 14,162,708 shares Shareholder		Filipino		
Solar Holdings Corporation - Pasig City - 67,148,224 shares Shareholder		Filipino		
Total Holdings Corporation - Pasig City - 13,095,263 shares Shareholder		Filipino		
True Success Profits, Ltd. - Makati City - 67,148,224 shares Shareholder		Filipino		
Uttermost Success, Ltd. - Makati City - 24,752,272 shares Shareholder		Filipino		

Name & Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	Percentage of Ownership
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.[1] The Bank has not been advised otherwise	Filipino	224,181,238	17.9468510967%
Dreyfuss Mutual Investments, Inc. - Pasay City - 7,833,794 shares Shareholder		Filipino		
Fairlink Holdings Corporation - Makati City – 20,637,854 shares Shareholder		Filipino		
Infinity Equities, Inc. - Quezon City - 50,361,168 shares Shareholder		Filipino		
Integrion Investments, Inc. - Pasay City - 7,833,794 shares Shareholder		Filipino		
Iris Holdings & Development Corp. - Makati City - 7,671,517 shares Shareholder		Filipino		

1 *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. Domingo T. Chua is a brother-in-law of Mr. Lucio C. Tan.

Jewel Holdings, Inc. - Marikina City - 11,512,247 Shareholder		Filipino		
Kentron Holdings and Equities Corp. - Pasig City - 19,944,760 shares Shareholder		Filipino		
Local Trade and Development Corporation - Makati City – 6,711,575 shares Shareholder		Filipino		
Luys Securities Co., Inc. - Makati City - 17,898 shares Shareholder		Filipino		
Mandarin Securities Corporation - Makati City - 13,281 shares Shareholder		Filipino		
Opulent Land-Owners, Inc. - Quezon City - 5,921,109 shares Shareholder		Filipino		
Power Realty Development Corporation - Quezon City - 1,852,727 shares Shareholder		Filipino		

Prima Equities and Investments Corp. - Quezon City - 58,754,696 shares Shareholder		Filipino		
Virgo Holdings and Development Corp. - Makati City - 8,520,677 shares Shareholder		Filipino		
Lucio K. Tan, Jr. - Quezon City - 2,300 shares Shareholder		Filipino		
Witter Webber & Schwab Investment, Inc. - Pasay City - 7,833,795 shares Shareholder		Filipino		
Zebra Holdings, Inc. - Marikina City - 8,547,826 shares Shareholder		Filipino		

(2) Security Ownership of Management (*Individual Directors and Executive Officers as of June 30, 2015*)

Name of Beneficial Owner	Amount of Common Shares and Nature of Beneficial Ownership	Citizenship	Percentage of Ownership
Florencia G. Tarriela Chairman Independent Director	2 shares ₱80.00 (R)	Filipino	0.0000001601
Felix Enrico R. Alfiler Independent Director	10,215 shares ₱408,600.00 (R)	Filipino	0.0008177628
Florido P. Casuela Director	133 shares ₱5,3200.00 (R)	Filipino	0.0000106473
Leonilo G. Coronel Director	1 share ₱40.00 (R)	Filipino	0.0000000801
Reynaldo A. Maclang Director	155 shares ₱6,200.00 (R)	Filipino	0.0000124085
Estelito P. Mendoza Director	1,150 shares ₱46,000.00 (R)	Filipino	0.0000920634
Christopher J. Nelson Director	100 shares P4,000.00 (R)	British	0.0000080055
Federico C. Pascual Independent Director	39 shares ₱1,560.00 (R)	Filipino	0.0000031221
Cecilio K. Pedro Independent Director	5,000 shares ₱200,000.00 (R)	Filipino	0.0004002755
Washington Z. SyCip Director	39,111 shares ₱1,564,440.00 (R)	Filipino-American	0.0031310350

Harry C. Tan Director	230 shares ₱9,200.00 (R)	Filipino	0.0000184127
Lucio C. Tan Director	14,843,119 shares ₱593,724,760.00 (R)	Filipino	1.1882673540
Lucio K. Tan, Jr. Director	2,300 shares ₱92,000.00 (R)	Filipino	0.0001841267
Michael G. Tan Director	250 shares ₱10,000.00 (R)	Filipino	0.0000200138
Deogracias N. Vistan Independent Director	100 shares ₱4,000.00 (R)	Filipino	0.0000080055
Sub-total	14,901,905shares ₱596,076,200.00 (R)		1.1929734731
All Directors & Executive Officers as a Group	14,960,669 shares ₱598,426,760.00 (R)		1.1976778309

(3) Voting Trust Holders of 5% or More

There are no voting trust holders of 5% or more of PNB shares.

(4) Changes in Control

There has been no change in control of the Bank for the fiscal year 2014.

(d) Certain Relationships and Related Transactions.

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bank's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Parent Company's equity or 15.00% of the Bank's total loan portfolio, whichever is lower. As of March 31, 2015 and December 31, 2014, the Bank was in compliance with such regulations.

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

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

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

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of a bank's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

Details on significant related party transactions of the Group follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Parent Company has control. Transactions reported under other related parties represent companies which are under common control of LTG.

	March 31, 2015		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
LTG			
Deposit liabilities		**₱ 1,084,202**	Peso-denominated savings deposits with annual rates ranging from 1.56% to 1.75% and maturity terms ranging from 3 to 6 months
Interest expense	**₱ 12,121**		Interest expense on deposit liabilities

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	March 31, 2015		
Subsidiaries:			
Receivables from customers		**₱ 1,760,000**	Revolving credit line with interest rates ranging from 3.10% to 3.35% and maturity terms of less than 90 days; Term loans maturing in 2017 with 3.85% nominal rate; Unsecured
Interbank loans receivable		**180,198**	Money Market Line
Due from other banks		**732,353**	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		**61,198**	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		**4,301**	Interest accrual on receivables from customers
Deposit liabilities		**4,810,896**	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		**4,010,018**	Foreign currency-denominated bills payable with interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to banks		**153,861**	Clearing accounts funding and settlement of remittances
Accrued interest payable		**41,441**	Accrued interest on deposit liabilities and bills payable
Other liabilities		**56**	Mortgage Redemption Insurance
Interest income	**₱ 13,693**		Interest income on receivables from customers
Interest expense	**18,481**		Interest expense on deposit liabilities and bills payable
Rental income	**9,322**		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum
Securities transactions:			
Purchases	**673,769**		Outright purchase of securities
Sales	**50,406**		Outright sale of securities
Trading gains	**4,136**		Gain from sale of investment securities
Loan releases	**1,000,000**		Loan drawdowns
Loan collections	**815,000**		Settlement of loans and interest
Net deposits	**889,441**		Net deposits during the period
Affiliates			
Receivables from customers		**11,976,462**	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.75% to 10.00% with maturities terms ranging from 1 year to 15 years and payment terms ranging from monthly payments to quarterly payments
Due from other banks		**5,551,989**	With annual fixed interest rates ranging from 0.01% to 4.50% including time deposits with maturity terms of up to 90 days
Accrued interest receivable		**15,292**	Interest accrual on receivables from customers
Operating lease		**203**	Advance rental deposits received for 2 years and 3 months
Deposit liabilities		**5,354,038**	With annual rates ranging from 0.02% to 1.73% and maturity terms ranging from 30 days to 1 year
Other liabilities		**745**	Charitable donations and liabilities for lease payments
Interest income	**27,920**		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	**4,408**		Interest expense on deposit liabilities
Rental income	**4,424**		Monthly rental income

	March 31, 2015		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Rental expense	**₱ 7,388**		Monthly rental payments with terms ranging from 24 to 240 months
Fees and commission expense	**26,015**		Expense on professional fees on service agreement
Other income	**106,576**		Premiums collected
Other expense	**4,663**		Claims expense, service and referral fees
Securities transactions:			
Purchases	**39,035**		Purchase of Investment Securities
Loan releases	**342,738**		Loan drawdowns
Loan collections	**659,219**		Settlement of loans and interest
Net withdrawals	**735,772**		Net withdrawals during the period
Key Management Personnel			
Loans to officers		**₱ 15,513**	Housing loans to senior officers; Secured and unimpaired
Loan releases	**170**		Loan drawdowns
Loan collections	**730**		Settlement of loans and interest
Officers			
Receivable from customers		**269,763**	Loans with interest rates ranging from 0.50% to 8.00% and maturity terms ranging from 1 month to 25 years; Includes lease option on car plan agreements; Collateral includes bank deposit hold-out, real estate and chattel mortgages
Net loan collections	**16,204**		Net loan collections for the period

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

	December 31, 2014		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
LTG			
Deposit liabilities		**₱4,973,846**	Peso-denominated savings deposits with annual rates ranging from 1.56% to 1.75% and maturity terms ranging from 3 to 6 months
Interest expense	**₱90,717**		Interest expense on deposit liabilities
Trading gains	**735,385**		Sale of 161,978,996 common shares in VMC at current market price of ₱4.5 per share
Gain on sale of convertible notes	**608,433**		Gain on sale of VMC convertible notes at the minimum bid price of ₱3.5 per share
Subsidiaries:			
Receivables from customers		**₱1,575,000**	Revolving credit line with interest rates ranging from 3.10% to 3.35% and maturity terms of less than 90 days; Term loan maturing in 2017 with 3.85% nominal rate; Unsecured
Loan commitments		**745,618**	Loan commitments
Due from other banks		**708,388**	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		**107,630**	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		**4,181**	Interest accrual on receivables from customers
Deposit liabilities		**3,921,455**	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		**1,725,696**	Foreign currency-denominated bills payable with

	December 31, 2014		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
			interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days
Due to banks		**183,430**	Clearing accounts funding and settlement of remittances
Accrued interest payable		**28,511**	Accrued interest on deposit liabilities and bills payable
Interest income	**₱30,261**		Interest income on receivables from customers
Interest expense	**108,511**		Interest expense on deposit liabilities and bills payable
Rental income	**30,041**		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum
Securities transactions:			
Purchases	**2,022,150**		Outright purchase of securities
Sales	**535,877**		Outright sale of securities
Trading gains	**14,754**		Gain from sale of investment securities
Loan releases	**2,448,000**		Loan drawdowns
Loan collections	**1,473,000**		Settlement of loans and interest
Net withdrawals	**754,538**		Net withdrawals during the period
Affiliates			
Receivables from customers		**12,292,943**	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.75% to 10.00% with maturities terms ranging from 1 year to 15 years and payment terms ranging from monthly payments to quarterly payments
Loan commitments		**997,894**	Loan commitments
Due from other banks		**385,879**	With annual fixed interest rates ranging from 0.01% to 4.50% including time deposits with maturity terms of up to 90 days
Accrued interest receivable		**56,546**	Interest accrual on receivables from customers
Operating lease		**203**	Advance rental deposits received for 2 years and 3 months
Deposit liabilities		**6,089,810**	With annual rates ranging from 0.02% to 1.73% and maturity terms ranging from 30 days to 1 year
Other liabilities		**36,978**	Charitable donations and liabilities for lease payments
Interest income	**448,141**		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	**23,759**		Interest expense on deposit liabilities
Rental income	**30,942**		Monthly rental income

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2014		
Rental expense	**₱9,653**		Monthly rental payments with terms ranging from 24 to 240 months
Fees and commission expense	**9**		Expense on professional fees on service agreement
Other income	**170**		Premiums collected
Other expense	**4,024**		Claims expense, service and referral fees
Securities transactions:			
Purchases	**91,501**		Outright purchase of securities
Sales	**1,216**		Outright sale of securities
Trading gains	**2**		Gain from sale of investment securities
Loan releases	**14,772,677**		Loan drawdowns
Loan collections	**7,107,688**		Settlement of loans and interest
Net deposits	**1,163,388**		Net deposits during the period
Key Management Personnel			
Loans to officers		**₱16,073**	Housing loans to senior officers; Secured and unimpaired
Loan releases	**3,140**		Loan drawdowns
Loan collections	**5,621**		Settlement of loans and interest
Officers			
Receivable from customers		**285,967**	Loans with interest rates ranging from 0.50% to 8.00% and maturity terms ranging from 1 month to 25 years; Includes lease option on car plan agreements; Collateral includes bank deposit hold-out, real estate and chattel mortgages
Net loan collections	**86,470**		Net loan collections for the period

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2014		
Receivable from customers		**₱268,114**	Loans and advances of PNB GRF to PAL
Other liabilities		**386**	Insurance premium payable of PNB GRF to PNB Gen
Interest income	**₱23**		Interest earned by PNB GRF from the time deposits placed with PNB Hong Kong Branch.
Management fee expense	**8,958**		Bank service fee charged by PNB - HK Branch
Remittance IT expenses	**12,095**		IT equipment rental expenses and IT related fees charged by PNB Head Office based on remittance type and transaction volume.

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

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

The compensation of the key management personnel follows:

	Three Months Ended (In Thousand Pesos)	
	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)

Short-term employee benefits	**₱125,198**	₱84,916
Post-employment benefits	**11,961**	**11,845**
	₱137,159	**₱96,761**

Members of the BOD are entitled to a per diem of ₱50,000 for attendance at each meeting of the Board and of any committees and other non-cash benefit in the form of healthcare plans and insurance.

The Bank and Eton Properties Philippines, Inc. (EPPI) signed two Joint Venture Agreements (JVA) for the development of two properties under 'Real estate under joint venture (JV) agreement' by the Bank with a total book value of ₱1.2 billion (presented under 'Investment properties' in the statements of financial position). These two projects are among the Bank's strategies in reducing its non-performing assets.

The Bank contributed the aforementioned properties into the JV as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Bank is prohibited to contribute funds for the development of the JV. Hence, there are no receivables from each party with respect to the JV. Income from the sale of the properties under the JV will be shared by the Bank and EPPI in accordance with the terms of the JVA. This JVA does not fall as joint venture arrangement under PFRS 11.

Transactions with Retirement Plans

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

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

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

	March 31, 2015 (Unaudited) (Three Months)	**March 31, 2014 (Unaudited) (Three Months)**
Interest income	**₱24,029**	₱16,640
Trading gains	**–**	**–**

Dividend income	**360**	70
Unrealized loss on HFT	**(22,022)**	(17,900)
Other Income	**2,188**	**620**
Fund Income	**₱ 4,554**	₱990
Trust fees	**₱ 1,206**	₱660
Other expenses	**822**	240
Fund Expense	**₱2,028**	₱910

As of March 31, 2015 and December 31, 2014, the retirement fund of the Group and the Bank include 9,008,864 PNB shares and 7,833,795 PNB shares classified under HFT. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Bank's employee investment plans.

Other fund managed by TBG

The TBG manages the sinking fund established by PSC to secure its borrowings with the Bank. As of December 31, 2013, the sinking fund amounted to ₱5.3 billion. The PSC bonds being guaranteed by the sinking fund matured on February 15, 2014.

Trust fee income earned by TBG amounted to ₱1.2 million and ₱0.7 million for three months ended March 31, 2015 and 2014, respectively.

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain directors, officers, stockholders and related interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bank's DOSRI, 70.00% must be secured and should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15.00% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2014 and 2013, the Bank was in compliance with such regulations.

For proper monitoring of related party transactions (RPT) and to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders, the Bank created the Board Oversight RPT Committee (BORC). The BORC is composed of at least five (5) regular members which include three (3) independent directors and two (2) non-voting members (the Chief Audit Executive and the Chief Compliance Officer). The Chairman of the BORC is an independent director and appointed by the Board.

Information related to transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) is shown under Note 34 of the Audited Financial Statements of the Bank and Subsidiaries and Exhibit IV of the Supplementary Schedules Required by SRC Rule 68 Annex E.

Related Party Transactions

In the ordinary course of business, the Bank has loans and other transactions with its subsidiaries and affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRI). Under the Bank's policy, these loans and other transactions are made substantially on the same terms as with other individuals and businesses of comparable risks. The amount of direct credit accommodations to each of the Bank's DOSRI, 70.00% of which must be secured, should not exceed the amount of their respective deposits and book value of their respective investments in the Bank.

In the aggregate, DOSRI loans generally should not exceed the Bank's equity or 15.00% of the Bank's total loan portfolio, whichever is lower. As of December 31, 2014 and 2013, the Bank was in compliance with such regulations.

The information relating to the DOSRI loans of the Group and Parent Company follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Total Outstanding DOSRI Accounts*	**₱12,749,637**	₱3,557,857	**₱12,749,637**	₱3,557,857
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**4.20%**	1.40%	**4.48%**	1.45%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**4.20%**	1.40%	**4.48%**	1.45%
Percent of DOSRI accounts to total loans	**4.20%**	1.40%	**4.48%**	1.45%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.01%**	1.52%	**0.01%**	1.52%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%	**0.00%**	0.00%
Percent of nonaccruing DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%	**0.00%**	0.00%

**Includes outstanding unused credit accommodations of ₱198.7 million as of December 31, 2014 and ₱178.6 million as of December 31, 2013.*

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

On January 31, 2007, BSP Circular No. 560 was issued providing the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, total outstanding exposures to each of the bank's subsidiaries and affiliates shall not exceed 10.00% of a bank's net worth, the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank. BSP Circular No. 560 is effective on February 15, 2007.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;

- significant investors;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

Details on significant related party transactions of the Group and the Bank follow (transactions with subsidiaries have been eliminated in the consolidated financial statements). Transactions reported under subsidiaries represent companies where the Bank has control. Transactions reported under other related parties represent companies which are under common control.

	2014		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
LTG			
Deposit liabilities		**₱4,973,846**	Peso-denominated savings deposits with annual rates ranging from 1.56% to 1.75% and maturity terms ranging from 3 to 6 months
Interest expense	**₱90,717**		Interest expense on deposit liabilities
Trading gains	**735,385**		Sale of 161,978,996 common shares in VMC at current market price of ₱4.5 per share
Gain on sale of convertible notes	**608,433**		Gain on sale of VMC convertible notes at the minimum bid price of ₱3.5 per share
Subsidiaries			
Receivables from customers		**₱1,575,000**	Revolving credit line with interest rates ranging from 3.10% to 3.35% and maturity terms of less than 90 days; Term loan maturing in 2017 with 3.85% nominal rate; Unsecured
Loan commitments		**745,618**	Loan commitments
Due from other banks		**708,388**	With annual rates ranging from 0.01% to 4.55% including time deposits with maturity terms of up to 90 days
Accounts receivable		**107,630**	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Accrued interest receivable		**4,181**	Interest accrual on receivables from customers
Deposit liabilities		**3,921,455**	With annual rates ranging from 0.02% to 3.00% and maturity terms ranging from 30 days to 1 year
Bills payable		**1,725,696**	Foreign currency-denominated bills payable with interest rates ranging from 0.25% to 2.50% and maturity terms ranging from 30 to 729 days

	2014		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Subsidiaries			
Due to banks		**183,430**	Clearing accounts funding and settlement of remittances
Accrued interest payable		**28,511**	Accrued interest on deposit liabilities and bills payable
Interest income	**₱30,261**		Interest income on receivables from customers
Interest expense	**108,511**		Interest expense on deposit liabilities and bills payable
Rental income	**30,041**		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum
Securities transactions:			
Purchases	**2,022,150**		Outright purchase of securities
Sales	**535,877**		Outright sale of securities
Trading gains	**14,754**		Gain from sale of investment securities
Loan releases	**2,448,000**		Loan drawdowns
Loan collections	**1,473,000**		Settlement of loans and interest
Net withdrawals	**754,538**		Net withdrawals during the period
Affiliates			
Receivables from customers		**12,292,943**	Secured by hold-out on deposits, government securities, real estate and mortgage trust indenture; Unimpaired; With interest rates ranging from 2.75% to 10.00% with maturities terms ranging from 1 year to 15 years and payment terms ranging from monthly payments to quarterly payments
Loan commitments		**997,894**	Loan commitments
Due from other banks		**385,879**	With annual fixed interest rates ranging from 0.01% to 4.50% including time deposits with maturity terms of up to 90 days
Accrued interest receivable		**56,546**	Interest accrual on receivables from customers
Operating lease		**203**	Advance rental deposits received for 2 years and 3 months
Deposit liabilities		**6,089,810**	With annual rates ranging from 0.02% to 1.73% and maturity terms ranging from 30 days to 1 year
Other liabilities		**36,978**	Charitable donations and liabilities for lease payments
Interest income	**448,141**		Interest income on receivables from customers and due from other banks, including income earned from partial redemption of VMC convertible notes
Interest expense	**23,759**		Interest expense on deposit liabilities
Rental income	**30,942**		Monthly rental income
Rental expense	**₱9,653**		Monthly rental payments with terms ranging from 24 to 240 months
Fees and commission expense	**9**		Expense on professional fees on service agreement
Rental expense	**₱9,653**		Monthly rental payments with terms ranging from 24 to 240 months
Fees and commission expense	**9**		Expense on professional fees on service agreement
Other income	**170**		Premiums collected
Other expense	**4,024**		Claims expense, service and referral fees
Securities transactions:			
Purchases	**91,501**		Outright purchase of securities
Sales	**1,216**		Outright sale of securities
Trading gains	**2**		Gain from sale of investment securities
Loan releases	**14,772,677**		Loan drawdowns
Loan collections	**7,107,688**		Settlement of loans and interest
Net deposits	**1,163,388**		Net deposits during the period
Purchases	**91,501**		Outright purchase of securities
Sales	**1,216**		Outright sale of securities
Trading gains	**2**		Gain from sale of investment securities
Loan releases	**14,772,677**		Loan drawdowns
Loan collections	**7,107,688**		Settlement of loans and interest
Net deposits	**1,163,388**		Net deposits during the period

	2014		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Key Management Personnel			
Loans to officers		**₱16,073**	Housing loans to senior officers; Secured and unimpaired
Loan releases	**3,140**		Loan drawdowns
Loan collections	**5,621**		Settlement of loans and interest
Officers			
Receivable from customers		**285,967**	Loans with interest rates ranging from 0.50% to 8.00% and maturity terms ranging from 1 month to 25 years; Includes lease option on car plan agreements; Collateral includes bank deposit hold-out, real estate and chattel mortgages
Net loan collections	**86,470**		Net loan collections for the period

	2013		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
LTG			
Deposit liabilities		₱6,136,100	Peso-denominated demand deposits with rates ranging from 0.65% to 2.28%; due on demand
Interest expense	₱792		Interest expense on deposit liabilities
Subsidiaries			
Receivables from customers		600,000	Revolving credit lines with fixed annual interest rate of 4.25% and maturity of less than 90 days Unsecured and unimpaired.
Accounts receivable		56,236	Advances to finance deficit in pension liability, remittance cover and additional working capital; Non-interest bearing, unsecured, payable on demand
Deposit liabilities		4,675,993	With annual rates ranging from 0.10% to 3.00% and maturity ranging from 30 days to 1 year
Bills payable		2,340,539	Foreign currency-denominated bills payable with fixed annual interest rate of 1.03% and maturity term of 180 days; unsecured
Accrued interest payable		11,421	Interest on deposit liabilities and bills payable
Due to banks		178,614	Clearing accounts for funding and settlement of remittances
Due from other banks		435,055	With annual fixed rates ranging from 0.01% to 4.50% including time deposits with maturities of up to 90 days
Interest income	21,695		Interest income on receivables from customers
Interest expense	32,715		Interest expense on deposit liabilities and bills payable
Other income	19,485		Rental income from 3-year lease agreement, with escalation rate of 10.00% per annum
Other expense	2,188		Utilities expense
Securities transactions:			
Purchases	2,676,109		Outright purchase of securities
Sales	2,664,615		Outright sale of securities
Trading gains	169,021		Gain from sale of investment securities
Loan releases	₱4,038,000		Loan drawdowns
Loan collections	4,002,000		Settlement of loans and interests
Net deposits	4,123,696		Net deposits during the period
Affiliates			
Receivables from customers		₱4,627,954	USD Term Loan with repricing interest rates ranging from 3.75% to 4.79% and maturity terms from 3 to 7 years; Secured - ₱3.3 billion and unsecured - ₱1.3 billion with no impairment; Collaterals include bank deposits hold-out, government securities, real estates and chattel mortgages
Sales contract receivables		105,750	Receivables arising from sale of investment property; Non-interest bearing loan, payable within one year; Secured and unimpaired
Accrued interest receivables		10,193	Interest accrual on receivables from customers

Category	2013 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Bills payable		40,034	Foreign currency-denominated bills payable with fixed annual interest rate of 1.77% and maturity term of 181 days, no collateral
Deposit liabilities		4,926,422	With annual rates ranging from 0.38% to 1.73% and maturity terms ranging from 30 days to 1 year
Accrued interest payable		1,417	Interest on deposit liabilities and bills payable
Due from other banks		148,864	With annual fixed interest rates ranging from 0.01 % to 4.50 % including time deposits with maturities of up to 90 days and savings with interest rate of 13.00%
Interest income	186,041		Interest income on receivables from customers
Interest expense	27,153		Interest expense on deposit liabilities
Rental income	25,380		Rental income from 10-year agreement, with annual escalation rate of 5.00% starting on sixth year of the lease term
Rental expense	7,111		Monthly rental payments to related parties with term ranging from 24 to 240 months
Other income	33,104		Gain from sale of investment property
Other expense	2,784		Expense on professional fees on service agreement
Securities transactions:			
Purchases	11,959,458		Outright purchase of securities
Sales	1,748,599		Outright sale of securities
Trading gains	77,800		Gain from sale of investment securities
Loan releases	3,425,380		Loan drawdowns
Loan collections	7,273,098		Settlement of loans and interest
Net deposits	3,653,446		Net deposits during the period
Key Management Personnel			
Loans to officers		18,554	Housing loans to senior officers; Secured and unimpaired
Loan releases	4,880		Loan drawdowns
Loan collections	4,009		Settlement of loans and interest
Officers			
Receivables from customers		372,437	Loans with interest rates ranging from 0.50% to 16.50% and maturity terms ranging from 1 month to 25 years; Collateral includes bank deposit hold-out, real estate and chattel mortgages
Net loan collections	34,153		Net loan collections for the period

**Amount includes ₱2.51 billion receivables from customers booked in PNB-Makati (formerly, ABC). Loan amount before any loan releases and collections during the year amounts to ₱5.78 billion.*

Transactions of subsidiaries with other related parties

Category	**2014 Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Receivable from customers		**₱268,114**	Loans and advances of PNB GRF to PAL
Other liabilities		**386**	Insurance premium payable of PNB GRF to PNB Gen
Interest income	**₱23**		Interest earned by PNB GRF from the time deposits placed with PNB Hong Kong Branch.
Management fee expense	**8,958**		Bank service fee charged by PNB - HK Branch
Remittance IT expenses	**12,095**		IT equipment rental expenses and IT related fees charged by PNB Head Office based on remittance type and transaction volume.

Category	2013 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Receivable from customers		₱355,480	Short-term loans to PAL with interest rate of 5.25%; secured with chattel mortgage on PAL's airplane's spare parts, loan value of 50%
Other liabilities		86	Insurance premium payable of PNB GRF to PNB Gen

	2013		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Interest income	₱11		Interest earned by PNB GRF from the time deposits placed with PNB Hong Kong Branch.
Management fee expense	8,461		Bank service fee charged by PNB - HK Branch
Remittance IT expenses	12,611		IT equipment rental expenses and IT related fees charged by PNB Head Office based on remittance type and transaction volume.
Guarantee fees	11		Fee income received from the fellow subsidiary for a guarantee issued by PNB GRF
Dividends	17,529		Interim dividends declared was settled by offsetting against the inter-company receivable from PNB resulting from the transfers of Pangarap Loans

The '*Pangarap* Loans', which are all-purpose credit facilities fully secured by customer's deposits pledged with either PNB Hong Kong Branch or other PNB overseas branches, mainly comprise the consumer lending activity of PNB GRF. On March 19, 2004, the Bank and PNB GRF entered into an agreement where the Bank agreed to undertake all impaired *Pangarap* Loans of PNB GRF. PNB GRF transfers the impaired loans at their carrying values on a quarterly basis or when aggregate carrying value of the impaired loans amounts to HK$2.0 million, whichever comes earlier. Subject to BOD approval, PNB GRF regularly declares special dividends (recognized as a liability). These special dividends are being offset against the intercompany receivables from the Bank.

In June 2013, the Bank and PNB GRF agreed to amend the settlement procedure on defaulted *Pangarap* Loans. Under the new settlement procedure, the Bank, in which the pledged deposits of the defaulted *Pangarap* Loans are placed with, remit the corresponding defaulted amounts (including accrued interests, surcharges and other related charges) from the pledged deposits of the defaulted customers to PNB GRF. The remitted amounts are being offset against the intercompany receivables from the Parent Company.

As of December 31, 2014 and 2013, the Bank's financial assets at FVPL include equity securities traded through PNB Securities with a fair value of ₱210.5 million and ₱247.5 million, respectively. The Bank recognized trading gains amounting to ₱19.5 million in 2014, ₱35.1 million in 2013 and ₱194.5 million in 2012 from the trading transactions facilitated by PNB Securities.

The related party transactions shall be settled in cash. There are no provisions for credit losses in 2014, 2013 and 2012 in relation to amounts due from related parties.

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

Outsourcing Agreement between the Parent Company and PNB SB

Sale of ₱6.0 Billion Consumer Loans to PNB SB

On January 8, 2014, the Bank entered into a "Deed of Assignment" with PNB SB, for the sale, on a without recourse basis, housing (including contract-to-sell loans) and motor vehicle loans with a total value of ₱6.0 billion. The agreement includes the assignment of the promissory notes and other relevant credit documents as well as collateral/s and other accessory contract thereto.

The total consideration for the assigned loans amounted to ₱6.0 billion, which was paid by PNB SB in 2014. As of December 31, 2014, the outstanding balance of the assigned loans amounted to ₱5.1 billion.

Relative to the Deed of Assignment, the Parent Company and PNB SB executed a memorandum of agreement for the services agreed to be outsourced by the Bank, pertaining to the assigned loan portfolio to ensure the servicing and maintenance of the assigned loans will continue with the least inconvenience to the clients/borrowers.

PNB SB accrued service liabilities amounting to ₱5.7 million in connection with the services rendered by the Bank on the assigned loans. The balance remains to be unpaid as of December 31, 2014.

VMC Convertible Notes and Common Shares
As of December 31, 2013, the Bank holds convertible notes with face amount of ₱353.4 million, recorded under 'Unquoted debt securities' and 161,978,996 common shares, recorded under 'AFS investments', issued by VMC, an affiliate of the Group. Each of the investment has a carrying value of ₱ 1.0 (one peso). In March 2014, VMC redeemed a portion of the convertible notes for a total price of ₱ 330.3 million, the same amount of gain was recorded under 'Interest income' in the statement of income of the Bank. In April 2014, the Bank sold the remaining convertible notes to LTG at ₱3.50 for every ₱ 1.0 convertible note. The Bank recognized a gain on sale of convertible notes amounting to ₱608. 4 million, booked under 'Miscellaneous income' in the statement of income of the Parent Company (Note 28). Also in April 2014, the Bank sold its investment in common shares of VMC to LTG, at current market price of ₱4.54 per share resulting in a gain of ₱735.4 million recorded under 'Trading and investment securities gains - net' in the statement of income of the Bank. The sale of VMC shares to LTG was facilitated by PNB Securities.

Compensation of Key Management Personnel
The compensation of the key management personnel follows:

	Consolidated			**Parent Company**		
	2014	2013	2012	**2014**	2013	2012
›rt-term employee benefits (Not‹ 20)	**₱524,193**	₱366,873	₱135,347	**₱459,759**	₱316,922	₱118,187
Post-employment benefits	**47,844**	47,381	19,642	**47,844**	47,381	19,138
	₱572,037	₱414,254	₱154,989	**₱507,603**	₱364,303	₱137,325

Members of the BOD are entitled to a per diem of ₱0.05 million for attendance at each meeting of the Board and of any committees, and other non-cash benefit in the form of healthcare plans and insurance. In 2014 and 2013, total per diem given to the BOD amounted to ₱44.3 million and ₱17.8 million, respectively, recorded in 'Miscellaneous expenses' in the statements of income. Directors' remuneration covers all PNB Board activities and membership of committees and subsidiary companies.

Joint Ventures
The Bank and EPPI signed two Joint Venture Agreement (JVA) for the development of two real estate properties of the Parent Company included under 'Investment properties' and with carrying values of ₱ 1.2 billion. EPPI and the Group are under common control. These two projects are among the Bank's strategies in reducing its non-performing assets.

The Bank contributed the aforementioned properties into the Joint Venture (JV) as approved by BSP. EPPI, on the other hand, contributed its resources and technical expertise for the completion of the said JV. The Bank is prohibited to contribute funds for the development of the JV. Hence, there are no receivables from each party with respect to the JV. Income from the sale of the properties under the JV will be shared by the Bank and EPPI in accordance with the terms of the JVAs. These JVAs do not qualify as a joint venture arrangement under PFRS 11.

Transactions with Retirement Plans

Management of the retirement funds of the Group and Bank is handled by the PNB Trust Banking Group (TBG). The fair values and carrying values of the funds of the Bank amounted to ₱3.6 billion and ₱1.9 billion as of December 31, 2014 and 2013, respectively.

Relevant information on assets/liabilities and income/expense of the retirement plan assets as of and for the year ended December 31, 2014 and 2013 follows:

	Consolidated		Parent Company	
	2014	2013	**2014**	2013
Investment in PNB Shares	**₱720,709**	₱672,923	**₱720,709**	₱672,923
Deposits with PNB	**40,291**	24,217	**37,935**	24,158
Investment in UITF	**156,004**	98,056	**156,004**	98,056
Total Fund Assets	**₱917,004**	₱795,196	**₱914,648**	₱795,137
Unrealized loss on HFT (PNB shares)	**(₱30,945)**	(₱37,211)	**(₱30,945)**	(₱37,211)
Interest income	**991**	1,655	**989**	1,591
	(29,954)	(35,556)	**(29,956)**	(35,620)
Trust fees	**(3,870)**	(3,521)	**(4,714)**	(3,141)
Fund Loss	**(₱33,824)**	(₱39,077)	**(₱34,670)**	(₱38,761)

As of December 31, 2014 and 2013, the retirement fund of the Group and the Bank include 9,008,864 PNB shares and 7,833,795 PNB shares classified under HFT. There are no limitations and restrictions over the PNB shares while the corresponding voting rights are exercised by a trust officer or any of its designated alternate officer of TBG.

In addition to the regular retirement funds, TBG also manages the funds of the Bank's employee investment plans.

Other fund managed by TBG

The TBG manages the sinking fund established by PSC to secure its borrowings with the Bank. As of December 31, 2013, the sinking fund amounted to ₱5.3 billion. The PSC bonds being guaranteed by the sinking fund matured on February 15, 2014.

Trust fee income earned by TBG amounted to ₱0.2 million, ₱0.6 million and ₱0.2 million in 2014, 2013 and 2012, respectively.

CORPORATE GOVERNANCE

The Bank adheres to the highest principles of good corporate governance as embodied in its By-Laws and Articles of Incorporation, Code of Conduct and Corporate Governance Manual. It subscribes to the philosophy of integrity, accountability and transparency in its manner of doing business dealing fairly with its clients, investors, stockholders, the communities affected by the Bank's various activities. The Bank espouses professionalism among the members of its Board of Directors, executives and employees in managing the Bank, its subsidiaries and affiliates; and respect for laws and regulations. The Bank practices a philosophy of rational checks and balances and adopts a structured approach to its operating processes.

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

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

Board of Directors

PNB is led by its Board of Directors composed of fifteen members, including five (5) independent directors which include the Chairman. They are elected annually by the stockholders and primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk management strategy, corporate governance and corporate values.

The Board represents a combination of highly qualified business professionals, former bank presidents, and former senior officials affiliated with regulatory bodies and international organizations such as the IMF and the World Bank; individuals with distinct finance, audit and legal competencies. They collectively hold a broad range of expertise and related banking experience that provide value to the strengthening and upholding of good corporate governance practices in the Bank.

The Board of Directors and the key officers of the Bank and its subsidiaries undergo continuing training in corporate governance. The most recent seminar was conducted by the ICD in November 2014. There are two Directors inducted "fellow" by the Philippine Institute of Corporate Directors and one Director certified as a "fellow" by the Institute of Corporate Directors of Australia in recognition of their distinguished reputation and commitment to the highest standards of corporate governance principles, ethics and social responsibility.

Independent Directors

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

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

Chairman of the Board

The Chairman of the Board is Florencia G. Tarriela who has been serving in this role since 2005. Ms. Florencia G. Tarriela has an extensive background and experience in the banking industry and is an active member of numerous banking and non-profit institutions. Currently, she is a Life Sustaining Member of BAIPHIL, and a Trustee of Finex and TSPI Development Corporation. Her prior positions include Undersecretary of Finance; alternate board member of the Monetary Board of Bangko Sentral ng Pilipinas, Land Bank of the Philippines and Philippine Deposit Insurance Corporation; and Deputy Country Head, Managing Partner and the first Filipina Vice President of Citibank N.A., Philippines. As an Independent Director, Ms. Tarriela sits as member of six (6) board committees.

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

Board Committees

The ten (10) board committees have been instrumental in setting the tone for the corporate governance practices of the Bank, its subsidiaries and affiliates. They are the Board Credit and Policy Committee, Board Credit Committee, Board Audit and Compliance Committee, Risk Oversight Committee, Board ICAAP Steering Committee, Trust Committee, Corporate Governance/Nomination/Remuneration Committee, Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries, Board IT Governance Committee and Board Oversight RPT Committee.

The frequency of the board committee meetings is stated in their respective charters. Except for the Board Credit Committee (Board CreditCom) and Board Credit and Policy Committee (Board CPC) which meet weekly, meetings are generally held on a monthly basis and special board committee meetings are called as often as necessary. The board committee secretariats are responsible for ensuring that the regular agenda of the meetings are communicated prior to meetings and that the attendance of members and resource persons and the discussions are properly recorded and endorsed to the Board for approval.

In 2014, the board committees focused more on the strengthening and enhancement of the following:

The adopted BSP guidelines in assessing the quality of the framework of the Corporate Governance such as Governance Landscape, Risk Governance, Fitness and Propriety of Board and Management, and Controls and Independent Oversight.

- The Board Overseas Offices Oversight Committee which was expanded to include and cover domestic subsidiaries and renamed as "Board Oversight Committee – Domestic and Foreign Offices/Subsidiaries" (BOC) to provide oversight function to both domestic and foreign offices/subsidiaries to ensure their profitable operations and long-term viability consistent with the Bank's strategic goals.
- The Bank's Corebanking System Project for which PNB hired a seasoned banker as Project Director with extensive banking experience in bank operations and technology with foreign banks and management of migration systems with other local banks. The Corebanking Project Director has instituted enhancements to the Project Plan to ensure seamless execution per the project timeline in the areas of expanding the Project Table of Organization. A series of focused discussions on project timeliness and priorities are ongoing for full production live date of the new Corebanking System by February 2017.
- Strengthened and embedded RPT policies and procedures in the Operations Manuals of the respective business units of the Bank for guidance, ensuring transparency to eliminate potential conflicts of interest of management, the Board and shareholders.

Board Oversight RPT Committee (BORC)

The Board Oversight RPT Committee (BORC) was created in 2013 to assist the Board in performing its oversight functions in monitoring and managing potential conflicts of interest of management, board members and shareholders. The BORC's authority is to oversee the evaluation of related party transactions (RPT) that present the risk of potential abuse, ensure that processes and approvals are conducted at arm's length basis, exercise sound and objective judgment for the best interest of the bank, and review/endorse RPT to the Board for approval.

The BORC is composed of five (5) members of which three (3) are independent directors, including the Chairman and two (2) non-voting members (the Chief Audit Executive Officer and the Chief Compliance Officer).

The RPT policy has been formulated and adopted in accordance with the provisions of the SEC Code of Corporate Governance and BSP Circular No. 749, as amended, including the Code of Conduct and Business Ethics from which the Bank consistently adopts the policies and procedures of the following:

- Code of Conduct – It prescribes the moral code for the Bank employees which instills discipline among them and yield higher productivity at the workplace, and enhances and safeguards the corporate image of the Bank. Its overall intent is more of prevention of infractions rather than the administration of disciplinary measures. It also defines and provides the standards of conduct expected of all employees and enumerates the actions or omissions prejudicial to the interest of the Bank.

- Whistleblower Policy – This policy encourages the Bank employees to report internally any suspected or actual commission of theft/fraud, violation of ethical standard, law, rule or regulation and/or any misconduct by its directors, officers or staff in accordance with the Whistleblower Policy. It protects the employee/whistleblower against retaliation, discrimination, harassment or adverse personnel action, for reporting in good faith a suspected or actual violation.

- Policy on Soliciting and/or Receiving Gifts - All employees are expected to observe discretion and prudence in receiving gifts or donations whether in cash or in kind and other form of hospitality. Soliciting gifts/donations/sponsorship from clients, suppliers, and other business-related parties is strictly prohibited. However, employees may be allowed to receive gifts/donations/sponsorship/ financial assistance from clients, suppliers, and other business-related parties, provided that gifts/donations/sponsorships worth ₱2,000.00 and above must be reported to the Human Resource Group (HRG), declaring the value, the giver and action taken, e.g., kept for personal use or donated to charity.

On the other hand, gifts with estimated value of more than ₱5,000.00 shall be reported and turned over to HRG for donation to any legitimate charitable institution preferred by the concerned employee.

- Personal Investment Policy – Sets forth prudent standards of behavior for all employees when conducting their personal investment transactions. It provides minimum standards and specifies investment practices which are either prohibited or subject to special constraints. The employees may make investments for their personal accounts as long as these transactions are consistent with laws and regulations, and the personal investment policy of the Bank. These investments should not appear to involve a conflict of interest with the activities of the Bank or its customers. Employee investment decisions must be based solely on publicly available information, and should be oriented toward long-term investment rather than short-term speculation. As a general policy, all employees are prohibited from purchasing or selling any PNB securities if they possess material non-public information about PNB that, if known by the public, might influence the price of PNB securities. Employees may not purchase or sell PNB options or execute a short sale of PNB securities unless the transaction is effected as a bona-fide hedge.

The Corporate Governance and RPT frameworks are integral in the Bank's Compliance Awareness Training Program conducted regularly by the Global Compliance Group to sustain awareness of all bank personnel on good corporate governance and RPT compliance.

Operations Management

The responsibility of managing the day-to-day operations of the Bank and implementing the major business plans rests with the President and Chief Executive Officer. Critical issues, policies and guidelines are deliberated in the pertinent management committees: Senior Management Committee, Operations Committee, Asset and Liability Committee, Senior Management Credit Committee, IT Evaluation Committee, Acquired Assets Disposal Committee, Non-Performing Assets Committee, Promotions Committee, Product Committee, Bids and Awards Committee, Senior Management ICAAP Steering Committee, AML Review Committee , Administrative Investigation Committee, Branch Site Selection Committee, Selection Committee for Expatriate Personnel, Accreditation of Overseas Remittance Agent, and Committee on Decorum and Investigation. Committee meetings are conducted in a manner that ensures open communication, meaningful participation and timely resolution of issues.

The business plans, significant issues and their resolutions are escalated to the level of the Board as part of a strong culture of accountability and transparency embedded in the entire organization. Most of the management committees have the President as the Chairman, with the members composed of senior management of the Bank and key officers of the various business segments, including the Risk Management Group, Office of the Chief Legal Counsel, Internal Audit Group and Global Compliance Group. The composition and appointment of senior officers in the different management committees are assessed periodically and reorganized as necessary, in line with the business priorities.

Compliance System

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

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

Global Compliance Group continues to evolve the Bank's compliance system with a complement of five (5) major divisions, namely, Global AML Compliance Division, Regulatory Compliance Division, Business Vehicle Management Compliance Division, Compliance Testing Review Division and Corporate Governance Monitoring Division that provides support to the Corporate Governance/Nomination/ Remuneration Committee and the Board Oversight Related Party Transaction Committee.

The Bank's existing Compliance Program defines the seven (7) key elements of an effective compliance framework, with proactive Board and executive level oversight, effective compliance organizational structure, standardized policies and procedures across all businesses, periodic monitoring and assessment, robust MIS and compliance reporting, comprehensive compliance and AML awareness training and independent compliance testing reviews. The Compliance Program incorporates these new policies, laws and regulations and enhancements to the corporate standards of which PNB and its local and foreign subsidiaries and affiliates are required to be fully aware. The Compliance Program has been implemented consistently in the Bank.

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

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

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

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

FINANCIAL STATEMENTS

The Audited Financial Statements of the Bank for the Years ended 31 December 2012, 2013 and 2014 and SEC-17Q Report (Interim Financial Statements) for the 1st Quarter of 2015 are included as exhibits.

EXPENSES OF ISSUANCE AND DISTRIBUTION

All expenses relative to the issuance and listing of the Shares shall be for the account of PNB, estimated as follows:

Nature :	Amount
SEC Registration Fees	P 8,061,662.18
Documentary Stamp Taxes	84,792,500.00
Cost of Printing	50,000.00
Listing Fees	33,248,660.00

There are no premiums to be paid by PNB on any policy to insure or indemnify director or officers against any liabilities they may incur in the registration, offering or sale of these securities.

SIGNATURES

Pursuant to the requirements of the Code, this registration statement is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Pasay on 08 JUL 2015

By:

REYNALDO A. MACLANG
President

MAILA KATRINA Y. ILARDE
Corporate Secretary

NELSON C. REYES
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this 08 JUL 2015 day of 2015 affiants exhibiting to me their Competent Evidences of Identity, as follows:

Names	Competent Evidence of Identity/Date/Place of Issue
REYNALDO A. MACLANG	Phil. Passport No. EC0299319/Feb. 14, 2014/ DFA, Manila
NELSON C. REYES	Phil. Passport No. EC3050873/Dec. 20, 2014/DFA, NCR South
MAILA KATRINA Y. ILARDE	Phil. Passport No. EB8739835/July 22, 2013 /DFA, Manila

Doc. No. 130
Page No. 27
Book No. XXIV
Series of 2015

ATTY. RUTH PAMELA E. TANGHAL-MANUBAG
Commission No. 14-11/01-09-14; Roll No. 46369
Notary Public for Pasay City until 12/31/15
9th Floor PNB Financial Center
Pres. D.P. Macapagal Blvd., Pasay City
PTR No. 4203775/01-05-15
IBP No. 977992/01-05-15/PPLM

EXHIBITS

No.	Exhibit Description
1	Publication of Notice/Affidavit of Publication
2	Plan and Articles of Merger as approved by the SEC
3	Amended Articles of Incorporation and By-laws
4	Notarized Curriculum Vitae and Recent Photographs of Officers and Directors
5	Authorization to the Commission to access Registrant's Bank Account
6	Secretary's Certificate of Board Resolution approving: a. Officers to sign the Registration Statement b. Access to bank accounts c. Adoption of undertaking to allow SEC to resolve conflicting issue regarding independent directors d. Signatories to sign the Registration Statement e. Appointment of authorized representative to present a summary of the offering to the SEC f. The securities offering and authorizing the Filing of the RS g. Approving the disclosures contained in the RS and assuming liability for the information contained therein
7	Secretary's Certificate on the adoption of resolutions with respect to Manual of Corporate Governance
8	Secretary's Certificate on the adoption of resolutions with respect to the Fit and Proper Rule
9	Material Contracts
10	Annual Report
11	2012, 2013, 2014 Audited Financial Statements, SEC 17-Q (Interim Financial Statements) for the 1st Quarter of 2015 and Supplements
12	Legal and Tax Opinion
13	List of Subsidiaries of the Registrant
14	Consent of Experts and Independent Counsel
15	Fairness Opinion rendered by UBS Investments Philippines, Inc.
16	Valuation Report rendered by ING Bank as to valuation of the PNB shares and the exchange ratio
17	PNB Certification on its compliance with the required Financial Ratios of the BSP