

ANNUAL REPORT 2014

A New Chapter at

75



PBCOM

PHILIPPINE BANK OF COMMUNICATIONS

Vision

We will be the bank-of-choice in every market we serve and most admired for customer care.

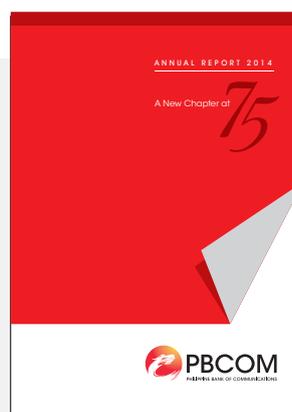
We are meaningful and relevant to our communities and are the employer of choice.

We consistently deliver profitable and sustainable growth.

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About the Cover



PBCOM celebrated its 75th year in 2014, achieving what is traditionally called a Diamond Jubilee, as it continues to grow amidst an ever-changing landscape.

As it reaches one milestone after another, it remains focused on its transformation initiatives and on delivering positive financial results that exceed expectations. PBCOM's Diamond Year saw increasing expansion of its business units and its nationwide footprint. The Bank also surpassed its regulatory commitments all while keeping in mind and heart, that what really matters is customer care and customer satisfaction.

PBCOM looks to the next 75 years and beyond with renewed vigor and energy, setting its sights on excellence and a leadership position in the industry. A strong foundation has been built. The Bank is now primed for what lies ahead.

Financial Highlights (Consolidated)



Net Income
(in Php millions)



Resources
(in Php millions)



Deposits
(in Php millions)

Operating Results	2014	2013
Total Income	3,088,969	4,021,632
Total Expenses	2,674,570	1,991,702
Net Income	111,512	1,632,884
Earnings Per Share (Basic)	.37	5.87

Balance Sheet	2014	2013
Total Resources	71,934,726	62,598,655
Loans & Receivables	33,545,766	24,997,424
Non-Performing Loans	1,949,237	1,240,948
Deposits	59,111,221	47,280,497
Capital Funds	7,226,915	4,073,615

Ratios	2014	2013
ROA	0.16%	3.01%
ROE	1.76%	38.58%



Letter to the Shareholders

DEAR SHAREHOLDERS:

2014 was a very important year for PBCOM. As we celebrated our 75th anniversary in 2014, we built the franchise, strengthened the brand and put in place a foundation for future growth. We also found a strategic partner to help us on our way forward with the entry of Mr. Lucio Co as an investor, as his entry not only fortifies our capital position but also presents a most exciting opportunity to further grow PBCOM.

WE BUILT THE FRANCHISE.

By the end of 2014, the Bank had grown its network to 76 branches and 9 Other Banking Offices (OBOs). We further enhanced our footprint through our acquisition of two rural banks in 2014: Banco Dipolog in the Visayas and Mindanao Regions, and the Rural Bank of Nagcarlan in the CALABARZON Region. We also grew our ATM network to 170.

Expanding our physical presence is, however, but one element of building a strong franchise. As such, we also expanded our product offerings. Our consumer lending arm has grown to a profitable Php 5.2Bn portfolio in less than two years. In May 2014, we incorporated PBCOM Insurance Services Agency Inc., a wholly-owned subsidiary that is now engaged in offering insurance products issued by PruLife UK to our client base. In July of the same year, PBCOM became a Licensed Government Securities Broker Dealer, and this was followed by the Bank's introduction as a Brokering Participant in the Fixed Income Securities Market by the Philippine Dealing System (PDS) in November. 2014 also saw the launch of our new Cash Management business, which aims to serve the transactional needs of businesses and corporations.

WE STRENGTHENED THE BRAND.

Earlier, we unveiled a new corporate identity – a new logo and a new look for PBCOM. The logo features a dragon – a timeless symbol of power, strength and good fortune, symbolizing the transformation that would allow PBCOM to soar to new heights, vibrant and proud. As we rolled out our rebranding efforts, the market took notice

and recognized the change. Our efforts culminated in an advertising campaign that we launched across major broadsheets, just in time for our 75th Anniversary in 2014. In parallel with our branding and advertising efforts, we strengthened our relationships with key media players, leading to much positive coverage about PBCOM.

WE PUT IN PLACE A FOUNDATION FOR FUTURE GROWTH.

We have made great strides in delivering on our regulatory commitments. Our capital-raising efforts have allowed us to meet the capital requirements for commercial banks under the new BASEL III guidelines. In March 2014, we successfully exited our 10-year Financial Assistance Agreement with the PDIC, paying back the Php 7.6Bn loan in full. Through efforts to grow our deposit and loan portfolios, we were able to restore our balance sheet to year-end 2013 levels within one quarter from our repayment to PDIC. We also made critical investments in infrastructure, the most significant of which was our migration to T24 in February 2014 – this new core banking platform equips us with an infrastructure to support faster new product implementation, lower operating costs and a superior client experience.

WE FOUND A STRATEGIC PARTNER TO HELP US ON OUR WAY FORWARD.

In September 2014, BSP approved P.G. Holdings, Inc.'s investment in PBCOM. The entry of Mr. Lucio Co and his retail enterprise not only brought in Php 5.98Bn in fresh capital but also complemented and multiplied our efforts to thrive in the SME Banking space. This put PBCOM in a very unique and strong position for growth.

With more than 3,000 suppliers and over 300,000 loyal customers of Puregold Price Club, Inc. and Cosco Capital, Inc., there is a multitude of opportunities that PBCOM is currently working on to make itself the preferred bank of this very distinct network. As we focused on building our capabilities, we also recognized the need to right-size the organization in order to manage expenses and take full advantage of the synergies that

“ As we celebrated our 75th anniversary in 2014, we built the franchise, strengthened the brand and put in place a foundation for future growth. ”

– Eric O. Recto



can be tapped with the Puregold Group. These are efforts that we believe will make PBCOM better prepared for the competitive challenges brought about by the ongoing consolidation of the banking industry.

FINANCIAL HIGHLIGHTS

Our 2014 financial results are as follows:

- Net Income was at Php 111.512Mn as a result of lower trading and securities gains
- Total Resources increased by 15% to Php 71.93Bn brought about by the increase in the level of liquid assets and due from bank accounts amounting to Php 4.996Bn
- Deposits grew by 25% to Php 59.11Bn from 2013’s Php 47.28Bn, attributable to our branch network expansion as well as more active sales efforts of our branches within their respective trade areas
- Loans and Receivables improved by 34% to Php 33.55Bn as a result of our renewed sales efforts both on the consumer finance and corporate banking fronts
- Total Equity improved by 111.54% or Php 4.54Bn primarily due to the payment of the 30% subscription of PG Holdings, Inc.

We are confident that we are more than prepared to meet the challenges of 2015. The PBCOM team is fully committed to unveiling several new products and platforms within the year, further delivering on our promise to optimize shareholder value.

We would like to thank Nina D. Aguas who was President and CEO of the Bank until February 2015 and was the driving force behind the Bank’s transformation strategy. We are grateful for her leadership during her tenure.

Finally, we would like to thank the Board of Directors, Officers and Staff, as well as our Shareholders and Clients for the support and trust you have put in PBCOM to make it what it is today. We are hopeful that our growth will continue to be yours, too, in the years to come.


ERIC O. RECTO
 Chairman


HENRY Y. UY
 Acting President



Board of Directors



Eric O. Recto

Chairman
and Director



Lucio L. Co

Executive
Committee
Chairman
and
Director



**Leonardo B.
Dayao**

Vice
Chairman
and
Director



Henry Y. Uy

Vice
Chairman
and
Director



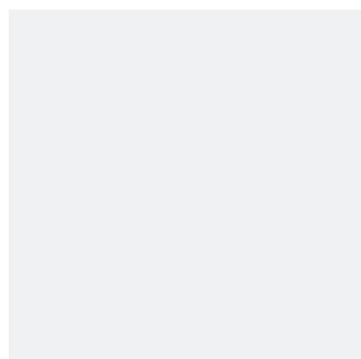
**Patrick Sugito
Walujo**

Director



**Gregorio T.
Yu**

Director



**Jesus S.
Jalandoni, Jr.**

Independent
Director



Susan P. Co



Director

Levi B. Labra



Independent Director

Bunsit Carlos G. Chung



Director

Ralph C. Nubla, Jr.



Director

Roberto Z. Lorayes



Independent Director

David L. Balangue



Independent Director

Carmen G. Huang



Executive Director

Emmanuel Y. Mendoza



Independent Director

ERIC O. RECTO**Chairman of the Board, Director**

Mr. Recto was elected Director and Vice Chairman of the Board on July 26, 2011, appointed Co-Chairman of the Board on January 18, 2012 and Chairman of the Board on May 23, 2012. He is the Chairman and CEO of ISM Communications Corporation; Chairman and President of Bedfordbury Development Corporation; Vice Chairman of Atok-Big Wedge Co., Inc.; President and Director of Q-Tech Alliance Holdings, Inc.; a Director of Petron Corporation; and a member of the Board of Supervisors of Acentic GmbH. Prior to joining the Bank, Mr. Recto served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005, in charge of handling both International Finance Group and the Privatization Office. Before his stint with the government, he was Chief Finance Officer of Alaska Milk Corporation and Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from Johnson School, Cornell University.

LEONARDO B. DAYAO**Vice Chairman, Director**

Mr. Dayao was elected Director on September 29, 2014 and Co-Vice Chairman on October 24, 2014. He is the President of Puregold Price Club, Inc. and Cosco Capital, Inc. He is also the Chairman of PSMT Philippines, Inc. and Catuiran Hydropower Corporation; President of Alcorn Petroleum & Minerals Corporation; Vice Chairman of Liguigaz Philippines Corporation, CHMI Hotels and Residences, Puregold Finance Inc., Puregold Duty Free (Subic) Inc., Union Energy Corporation, San Jose City I Power Corp., and NE Pacific Shopping Centers Corporation and Vice-President of Ellimac Prime Holdings, Inc., Bellagio Holdings, Inc., Puregold Properties, Inc.; and Vice President of VFC Land Resources, Inc., Union Equities, Inc., 118 Holdings, Inc., Alerce Holdings, Bellagio Holdings, Ellimac Prime Holdings, Puregold Duty Free, KMC Realty Corporation, and Puregold Properties. Mr. Dayao is also a Director of Entenso Equities, Inc., Puregold Realty Leasing and Management, Inc., Fontana Development Corporation, Fontana Resort and Country Club, 118 Holdings, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corporation, and Nation Realty, Inc. Mr. Dayao was the Vice President of Ayala Investment and Development Company from 1980 to 1984, and Vice President of the Bank of the Philippine Islands from 1984 to 1994. Mr. Dayao received a Bachelor of Science in Commerce from Far Eastern University. He is a Certified Public Accountant, completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

BUNSIT CARLOS G. CHUNG**Director**

Mr. Chung was elected Director on June 17, 1997. He is President of Supima Holdings, Inc. and Director of Hambrecht & QUIST (Phils.), La Suerte Cigar & Cigarette Factory, Century Container Corporation, Bicutan Container Corporation, Tosen Foods Corporation, PBCOM Finance Corporation, State Land, Inc., State Investment, Inc. and State Properties, Inc. He is also a member of the Board of Trustees of Xavier School Inc., Mother Ignacia National Social Apostolate Center, Seng Guan Temple and Kim Siu Ching Family Association. Mr. Chung has a degree in Economics from De La Salle University as well as an MBA from the University of Southern California.

LUCIO L. CO**Executive Committee Chairman and Director**

Mr. Co was elected Director on September 29, 2014. He has been an entrepreneur for 40 years and is the Chairman of the Board of Puregold Price Club, Inc., Cosco Capital, Inc. and Da Vinci Capital Holdings Inc.

HENRY Y. UY**Vice Chairman, Director**

Mr. Uy was elected Director on July 18, 1986 and Vice Chairman of the Board on August 29, 2012. He served as the Bank's President and CEO from October 15, 2010 to July 31, 2012. He is the Chairman of the Board of PBCOM Finance Corporation and Banco Dipolog, Inc. Vice President of Echague Realty Corporation. He graduated magna cum laude in Business Administration and has an MBA from De La Salle University.

SUSAN P. CO**Director**

Mrs. Co was elected Director on September 29, 2014. She is currently Director of Puregold Price Club, Inc. and Cosco Capital, Inc. She is the Chairman of Cosco Price, Inc. and Star Alliance, Inc., and Treasurer of Luis Co Chi Kiat Foundation, Alcorn Petroleum & Minerals Corporation, Union Energy Corporation, Union Equities, Inc., and Bellagio Holdings, Inc. She is also a Director of Kareila Management Corporation, 118 Holdings, Inc., CHMI Hotels and Residences, PPCI-Subic, Inc., Ellimac Prime Holdings, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Illido Management Corporation, PG Holdings, Inc., San Jose City I Power Corp., League One, Inc., Patagonia Holdings Corp., Premier Wine and Spirits, Inc., Pure Petroleum Corp., Forbes Company, KMC Realty Company, Puregold Duty Free, Inc., Puregold Duty Free (Subic), Inc., NE Pacific Shopping Centers Corporation, Puregold Realty Leasing and Management Inc., and Puregold Properties, Inc. Ms. Co received a Bachelor of Science in Commerce from the University of Santo Tomas.

RALPH C. NUBLA, JR.**Director**

Mr. Nubla was elected Director on March 24, 1982. He is a Director of PBCOM Finance Corporation, and Director and President of R. Nubla Securities, Echague Realty Corporation and RN Realty Corporation. He was an Executive Director of the Bank in 2004; Senior Vice President in 1982; Vice Chairman in 2000; and Chairman of the Board in 2010. He has more than 30 years of experience in banking. He was also President of CNC Investment Inc. He graduated from Ateneo de Manila University with a Bachelor of Science in Commerce.

PATRICK SUGITO WALUJO**Director**

Mr. Walujo was elected Director in July 26, 2011. He is a co-founder and co-managing director of Northstar Equity Partners, a leading private equity fund with a primary focus on Indonesia. Northstar is the Indonesian Partner of TPG Capital, one of the world's leading private equity funds. Before co-founding Northstar, he was Senior Vice President of Pacific Century Group in Tokyo, Japan. Prior to working at Pacific Century Group Japan, he was an associate at the investment banking division of Goldman, Sachs & Co. in London and New York. Mr. Walujo holds a degree in Bachelor of Science in Operations Research and Industrial Engineering from Cornell University, USA and is Ernst & Young Indonesia's 2009 Young Entrepreneur of the Year.

GREGORIO T. YU**Director**

Mr. Yu was elected Director on July 26, 2011. He is Chairman of the Board of CATS Motors, Inc., CATS Automobile Corporation and American Motorcycles, Inc.; Vice Chairman of the Board & Chairman of the Executive Committee of Sterling Bank of Asia; and a member of the Board of Trustees of the Government Service Insurance System. He is Director of the Philippine National Reinsurance Corporation, iRemit, Inc., Philequity Fund, Inc., Prople BPO, Inc. (formerly Summersault, Inc.), Jupiter Systems, Inc., CATS Asian Cars, Inc., Philippine Airlines, Inc., Unistar Credit and Finance Corporation, GlyphStudios, Inc., Nexus Technologies, Inc., Wordtext Systems, Inc., Yehey, Inc., R.S. Lim and Co., Inc., Domestic Satellite Corporation of the Philippines, Lucky Star Network Communications Corporation, i-Ripple, Inc.; Trustee of Xavier School, Inc.; Chairman, Ways and Means of Xavier School Educational and Trust Fund, Inc.; Board Member of Ballet Philippines and Manila Symphony Orchestra; and Director & Treasurer of CMB Partners, Inc. He was previously the President and CEO of Belle Corporation, Pacific Online Systems Corporation, and Sinophil Corporation; Vice Chairman of APC Group, Inc.; and Director of Cebu Holding, Inc. Mr. Yu graduated summa cum laude with a Bachelor of Arts in Economics from De La Salle University and holds a Master of Business Administration from the University of Pennsylvania (The Wharton School).

CARMEN G. HUANG**Executive Director**

Ms. Huang was elected director on April 29, 2015. She obtained both her Bachelor of Arts in Mathematics and Bachelor of Science in Accountancy at St. Scholastica's College Manila, and completed the academic requirements for Master in Business Administration at the Ateneo Professional School. In the past, she held various critical management positions in both government and private financial institutions. Ms. Huang is a Certified Public Accountant.

DAVID L. BALANGUE**Independent Director**

Mr. Balangue was elected Independent Director on April 7, 2014. He is a Director of Manufacturer's Life Insurance (Philippines), Inc., Manulife Financial Plans, Inc., Trans-Asia Oil and Energy Development Corporation, Trans-Asia Power Generation Corporation, Roxas Holdings, Inc., Maybank ATR Kim Eng Capital Partners, Inc., Unistar Credit & Finance Corporation, and Omnipay, Inc., and Director and Trustee of Habitat for Humanity (Philippines) Foundation. He is also Chairman of Philippine Financial Reporting Standards Council and Coalition Against Corruption; Acting Chairman of National Movement for Free Elections (NAMFREL); Chairman and President of Makati Commercial Estate Association, Manila Polo Club, Inc. and Philippine Council for Population and Development; and President of Makati Parking Authority, Inc. Previously, he served as the Chairman and Managing Partner of Sycip, Gorres Velayo & Co. He graduated magna cum laude with a Bachelor of Science in Commerce with a major in Accounting at the Manuel L. Quezon University and his Master in Management (with distinction) at the Kellogg School of Management, Northwestern University in Evanston, Illinois, USA. Mr. Balangue is a Certified Public Accountant.

JESUS L. JALANDONI**Independent Director**

Mr. Jalandoni was elected Independent Director on January 28, 2013. He is currently Director of Liberty Flour Mills, JM & Co., Inc., as well as Managing Director of Alegria Development Corporation. He is also Executive Vice President of Enterprise Leasing Corporation, and President of LFM Properties Corporation. He is Vice President of Kanlaon Development Corporation and Kanlaon Farms, Inc. Mr. Jalandoni holds a Bachelor of Science degree in Business Management major in Economics at Simon Fraser University, Burnaby, British Columbia.

LEVI B. LABRA**Independent Director**

Mr. Labra was elected Independent Director on October 24, 2014. He is also a Director of Cosco Capital, Inc. Mr. Labra graduated cum laude with a Bachelor of Science in Business Administration at the University of San Carlos, Cebu City.

ROBERTO Z. LORAYES**Independent Director**

Mr. Lorayes was elected Director on October 24, 2014. He is Director and Chairman of the Board of PhilEquity Management, Inc., and Director of I-Vantage Corporation, E-biz Corporation, Strategic Equities Corporation, and Director & Trustee of House with No Steps Foundation. Mr. Lorayes obtained a Bachelor of Science in both Commerce and Liberal Arts at the De La Salle University and a Master in Business Management at Ateneo de Manila University.

EMMANUEL Y. MENDOZA**Independent Director**

Mr. Mendoza was elected Independent Director on December 19, 2014. He is currently the Managing Partner of Mendoza Querido & Co., (a member firm of Moore Stephens International Limited), President of MQ Agri Unlimited Inc., Treasurer of Two Delta Holdings, Inc. and Pacific Harbour Investment Holding. He is Director of Crossgate Holdings, Pinoyfoods and Beverages Corporation, Leyte Export and Trading Corporation, F. Mendoza Realty Development Corporation. He obtained his Bachelor in Business Administration in Accountancy at the University of the Philippines and a Master in Management at the Asian Institute of Management. Mr. Mendoza is a Certified Public Accountant.

ANGELO PATRICK F. ADVINCULA**Corporate Secretary**

Mr. Advincula was elected Corporate Secretary on October 24, 2014. He is currently a Partner of Zambrano and Gruba Law Offices, Director of Da Vinci Capital Holdings, Inc., and ZG Global Advisors Corporation. Mr. Advincula holds a Bachelor of Arts degree in Philosophy and a Bachelor of Laws both from the University of the Philippines. He is a Member of the Philippine Bar.

MICHAEL STEPHEN H. LAO**Asst. Corporate Secretary and Corporate Information Officer**

Mr. Lao was elected Assistant Corporate Secretary on November 17, 2014. He is currently an Associate of Zambrano and Gruba Law Offices. He holds a Juris Doctor degree from the Ateneo de Manila Law School and a Bachelor of Science in Business Administration from the College of St. Benilde. He is a Member of the Philippine Bar.



Business Segments

CORPORATE BANKING

The Corporate Banking Group serves large institutional clients, as well as small to medium scale enterprises, which are generally characterized as businesses with potential to become bigger enterprises in the future. The Group seeks to support these businesses as a financial partner, offering products and services that meet the needs of the business and its employees. Corporate Banking provides flexible and holistic solutions that range from loans and corporate lending facilities, to cash management and payroll services, tailor fit to clients' individual business needs and cycles.

BRANCH BANKING

The Branch Banking Group consists of Branch Sales handled by Branch Managers and Relationship Managers from all over the country, as well as support personnel specializing in Franchise Management, Branch Marketing, Cash Management, Deposit Product Development, and Training. The group is focused on deposit portfolio management, Branch sales, Cash Management sales, and overall growth and development of the Branch franchise nationwide.

CONSUMER FINANCE

The Consumer Finance Group provides Loan solutions for individual clients' financial needs through personalized account management and end-to-end processing assistance with an emphasis on excellent client service. Consumer Finance also extends Loans to Branch Banking, Corporate Banking clients, and employees of business or corporate clients.

TREASURY

The Treasury Group ensures the Bank's adequate liquidity at reasonable cost, coordinating with Corporate Banking and Branch Banking Groups to arrive at market-driven competitive pricing. Treasury likewise serves clients' foreign exchange requirements. Also a revenue generator, the Treasury Group takes position and trades in Philippine Peso and US Dollar-denominated bonds and undertakes proprietary foreign exchange trading. It exercises prudent and skillful management of the Bank's Philippine Peso and US Dollar trading portfolios under the governance of policies approved by the Board of Directors.

TRUST & WEALTH MANAGEMENT

The Trust & Wealth Management Group provides financial solutions to individual and institutional clients by understanding their unique investment objectives and risk tolerance. Customers may choose to open an account focused on investment management, escrow or retirement depending on their needs. For those who wish to take advantage of the expertise of professional fund managers, the Trust and Wealth Management Group also has three Unit Investment Trust Funds (UITFs), which invest in various financial instruments, such as money market securities, bonds and equities.

Other Banking Offices



In line with the Bank's commitment to increase its network and expand market reach, the Philippine Bank of Communications (PBCOM) opened its first two Other Banking Offices (OBOs)—one located in Pasay Road, Makati City and the other on Shaw Boulevard, Mandaluyong City—on July 25, 2014. This was followed by the opening of 7 more OBOs before year end.

PBCOM's OBOs undertake purely non-transactional banking related activities, primarily concentrating on marketing and support services for retail loans, SME loans and deposit products. Its activities include the following:

- Offering of Market Consumer and SME loans products, deposits and other bank products and services;

- Acceptance of loan applications;
- Performance of credit support services;
- Receipt of account opening documents;
- Assistance in account activation and other customer inquiries

To maximize accessibility, PBCOM OBOs are located in high foot traffic areas where potential clients work, live, shop, and eat. Compared to a regular branch, each OBO is smaller in space; however, clients can be assured of the same level of customer service as each location is manned by seasoned Relationship Managers.

This initiative has enabled the Bank to offer products and services to clients through a wider distribution network, and is one of PBCOM's key elements in achieving scale and providing better, and more accessible services to its growing clientele in the years to come.

Senior Management Team

REVENUE SEGMENT HEADS

Victor Q. Lim, EVP
Branch Banking Group Head

Ricardo R. Mendoza, FVP
Consumer Finance Group Head

Evangeline Y. Qua, FVP
Corporate Banking Group
Officer-In-Charge

Filemon A. Cabungcal, FVP
Trust & Wealth Management Head and
Chief Trust Officer

Helen G. Oleta, SVP
Treasurer



ENABLEMENT SEGMENT HEADS

Arlene M. Datu, SVP
Finance Group Head

Leo G. Montes, FVP
Operations Group Head

Eriene C. Lao, FVP
Information Systems Group Head

Editha N. Bautista, VP
Expenditures Control, Procurement,
New Builds and Bank Properties Sales &
Leases Group Head

Maria Cristina M. Bonifacio, FVP
Human Resources Group Head

Maria Teresita R. Dean, SVP
Credit Management Group Head and
Chief Credit Officer

Jason J. Alba, FVP
Legal Services Group Head

Hilda Fatima F. Godinez, FVP
Marketing & eBusiness Group Head

GOVERNANCE SEGMENT HEADS

Rose Margaret T. Cuatico, VP
Compliance Head and
Chief Compliance Officer

Jeruel N. Lobien, FVP
Internal Audit Group Head

Evelyn D. Vinluan, FVP
Enterprise Risk Management Head and
Chief Risk Officer



Risk and Capital Management

BASEL COMPLIANCE FRAMEWORK

PBCOM's strategic plans and corporate governance incorporate the three pillars of the Basel Capital Accord. These pillars include:

- **Pillar One** that involves computing for the amount of capital the Bank will need to carry to cover minimum requirements set by regulators through weighting of the Bank's assets for credit risk, market risk and operational risk;
- **Pillar Two** that involves assessment of what is necessary to sustain the Bank's growth and return targets through an analysis of the relationship between the risks attendant to the Bank's business strategy and the changes in business direction and business environment that may affect either the Bank's available capital or the Bank's requirements for capital and;
- **Pillar Three** that involves communication of the profile of the risks the Bank has taken to achieve its growth and return as well as the process by which the Bank mitigates, manages and absorbs these risks in order to provide depositors, creditors and shareholders information on the ability of the bank to continue supporting its strategic business objectives.

All figures presented are in millions of Philippine Pesos except those in percentage.

RISK MANAGEMENT OVERVIEW

PBCOM applies risk management across the entire organization – from the Board of Directors, Senior Management, Business Segments and Groups, Business Centers, support units, and to individual employees; as well as in specific functions, programs, projects and activities. Implementation of PBCOM's Enterprise Risk Management (ERM) framework contributes to strengthening management practices, decision making and resource allocation, and increasing shareholder value, while protecting the interest of its clients, maintaining trust and confidence, and ensuring compliance with regulations.

The Risk Oversight Committee approved the Financial Risk and Capital Management (FRCM), an ERM sub-framework, to inter-connect the sub-frameworks monitoring the risks for Credit, Market, Liquidity and Interest Rate in the Banking Books. FRCM also includes Financial Risk and Business

Intelligence, a new unit that handles MIS and data integrity checks for financial risks. ERM is the framework of policies, processes and systems, effected by an entity's Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite to provide reasonable assurance regarding the achievement of entity objectives.

ENTERPRISE RISK MANAGEMENT (ERM) CONTROL FRAMEWORK MODEL

PBCOM builds on the concepts of the COSO Enterprise Risk Management Integrated Framework as its model for the Bank's ERM system.

BUSINESS OBJECTIVE AND ERM COMPONENTS

The ERM framework for PBCOM's goals can be summarized as the Management setting the strategic objectives, selecting the strategy and laying down more specific objectives throughout PBCOM; guided by its mission and vision. The overall objectives can be categorized into:

- **Strategic** – high-level goals, aligned with and supporting its mission
- **Operations** – effective and efficient use of its resources
- **Reporting** – reliability of reporting
- **Compliance** – compliance with applicable laws and regulations.

GOVERNANCE, RISK AND COMPLIANCE (GRC)

GRC is the general term encompassing PBCOM's approach to Corporate Governance, Enterprise Risk Management and Corporate Compliance with applicable laws and regulations.

- **Corporate Governance** – The system whereby shareholders, creditors, and other stakeholders of PBCOM ensure that Management enhances the value of the Bank as it conducts business in an increasingly competitive global marketplace. It is the framework of rules, systems and processes in and of PBCOM that governs the performance by the Board of Directors and Management in conducting their respective duties and responsibilities to the shareholders.



- **Risk Management** – The process, effected by PBCOM’s Board of Directors, Management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the Bank. The process is also designed to manage risk to be within the Bank’s risk appetite in order to provide reasonable assurance regarding the achievement of the Bank’s objectives. It also refers to the architecture that is used to manage risk; that includes Risk Management principles, a Risk Management framework and a Risk Management process.
- **Compliance** – Adherence to applicable laws, regulations, directives, rules of professional conduct and related or similar matters.

The interrelated functions primarily involved in the implementation of the PBCOM’s Governance and Risk & Control system are Compliance Group, Internal Audit Group and Enterprise Risk Management Group.

RISK VISION STATEMENT

To protect and optimize PBCOM’s enterprise value through effective risk management.

RISK MISSION STATEMENT

To develop risk awareness and a risk/return consciousness in the Bank in order to protect deposits, preserve capital and ensure adequate return on capital.

ERM PHILOSOPHY

PBCOM recognizes that ERM is fundamental for its safe and sound operation and sustainable growth. It ensures business success through balanced risk and reward, operational excellence and conformance to the highest ethical standards and regulatory requirements.

ERM in PBCOM is aligned to its business objectives and strategies. It operates at all levels and in all units of PBCOM that continually manage risk in an environment fostered by an appropriate governance structure, a strong “control culture” and a proactive process of identification,

understanding, assessment and mitigation of all its material risks.

ERM OBJECTIVES

- Identify, measure, manage and control risks inherent in PBCOM’s activities or embedded in its portfolio.
- Define and disseminate risk management philosophy and policies.
- Assist risk-taking business and operating units in understanding and measuring risk/return profiles.
- Develop a risk management infrastructure that includes policies and procedures, organization, limits and approval authorities, MIS and reporting, systems and risk models.
- Promote a risk awareness and strong “control culture” in PBCOM.

CAPITAL MANAGEMENT FRAMEWORK

PBCOM’s capital management framework involves providing shareholders optimal returns through strategic capital allocation and at the same time ensuring adequacy of capital to protect the interests of all the Bank’s stakeholders. The framework involves monitoring both capital requirements and capital resources to ensure:

- Qualified capital remains above minimum requirements of 10% of risk weighted assets;
- Quality of capital resources aligns with the risks present or to be taken to achieve growth and return and;
- Prudent balance between the growth and return required of strategic plans and the continuing institutional strength of the Bank.

PBCOM consistently maintains a ratio of qualified capital to risk weighted assets that are in excess of the 10% minimum requirements of Philippine Banking Regulations.

The Bank also conducts an annual Internal Capital Adequacy Assessment Process (ICAAP), alongside its strategic planning exercise. The ICAAP provides the bank the opportunity to:

- Articulate its strategic growth and return targets;
- Identify the businesses, products and services the Bank will pursue or use to achieve the targets;
- Define and measure the risks each business, product or service will create;
- Consider how the Bank will mitigate and manage the identified risks;
- Determine the amount and the quality of the capital resources necessary to sustain financial strength through a risk event;
- Conduct stress tests to aid in identifying break points and vulnerabilities; and
- Develop capital build-up and contingency plans.

The ICAAP is a collaborative effort of the Board of Directors and Management. PBCOM submits the documentation of the results of its ICAAP to the supervisory review and examination of the Bangko Sentral ng Pilipinas.

DEVELOPMENTS AFFECTING CAPITAL MANAGEMENT

Basel III Implementation

PBCOM, in keeping with what is required of the entire Philippine banking industry, implemented the capital adequacy standards of the Basel III accord.

The new regulations on capital look to improve confidence in the stability of the banking industry by:

- Establishing higher standards for qualified capital resources;
- Requiring banks to hold levels of high-quality capital that protect depositors and senior creditors while banks pursue growth and profit objectives and;
- Ensuring banks are conscious of the requirements to retain capital required to sustain strategic objectives while ensuring depositors and senior creditors remain protected through sustained shocks to the economy.

Adoption of PFRS 9

PBCOM opted in 2014 to adopt Philippine Financial Reporting Standards (PFRS) 9, the new financial reporting standards governing the recognition and measurement of financial instruments ahead of schedule.

Recognition and measurement standards of PFRS 9 give greater weight to the relationship of the instruments acquired or originated by the Bank to what the Bank looks to do as a business, as compared to PAS 39, the Bank's previous measurement standard. Adopting the new standard will ensure that the Bank's financial statements reporting condition and performance properly reflects the current and forecasted condition and performance of the Bank.

The standard lends greater weight to both the nature of the cash flows of the financial instrument, as well as to the business model in which the Bank uses the instrument than did the previous standard.

The adoption of the new financial reporting standards permits the Bank to present condition and performance of the financial instruments on the balance sheet in a way that can better inform readers of the cash flows the Bank can expect from these instruments.

The Bank elected to apply the limited exemption available to early adopters of the standard not to restate comparative financial information. This section will present figures for 2014 year-end initially in under the previous financial reporting

standards and under the presently adopted ones in order to facilitate understanding of the impact of adoption on the ability to take and absorb risks.

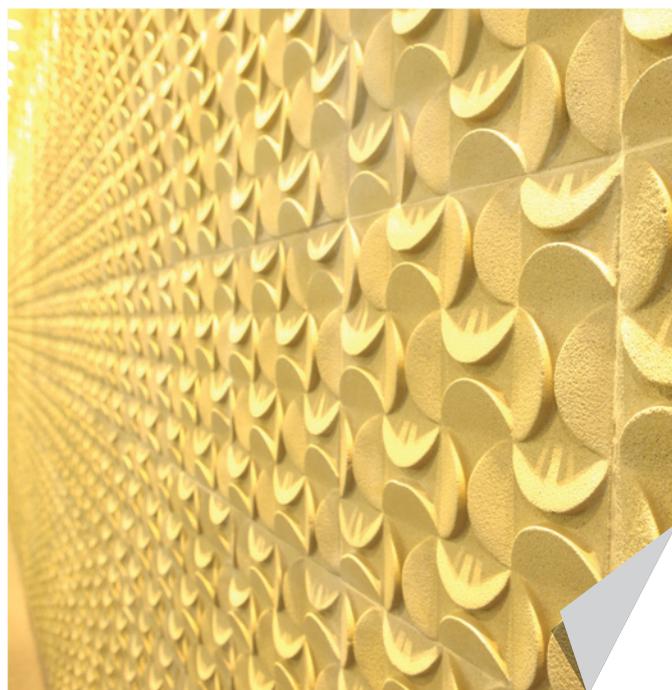
Subsidiaries and Affiliates

PBCOM in 2014 entered into transactions to either acquire or incorporate subsidiaries. These include:

- PBCOM acquired the Rural Bank of Nagcarlan, Inc. (RBNI) and took control of management and daily operations on September 1, 2014. PBCOM controls all of the voting stock of RBNI and reports full consolidation of the rural bank.
- PBCOM acquired Banco Dipolog, Inc. (BDI) and took control of management and daily operations on September 9, 2014. PBCOM controls all of the voting stock of BDI and reports full consolidation of the rural bank.
- PBCOM Insurance Services Agency Inc. (PISAI) is a general insurance sales agency wholly-owned by PBCOM with incorporation approved by the Securities and Exchange Commission on May 9, 2014. PBCOM controls all of the voting stock of PISAI but reports the subsidiary through equity method (one-line) consolidation as required by RAP.

These subsidiaries joined the PBCOM group that already included the following affiliate:

- PBCOM Finance Corporation (PBCOM Finance) is a financing company incorporated by PBCOM in 1980. PBCOM owns 40% of the voting stock of the company but exercises no management control over the company and reports the subsidiary through equity method (one-line) consolidation.



CAPITAL STRUCTURE AND ADEQUACY REPORTING

PBCOM, as required by regulation, computes for and reports its capital adequacy using Philippine Regulatory Accounting Principles (RAP). These may differ from Philippine Financial Reporting Standards used to present the annual financial statements resulting in temporary differences between the figures reported under each accounting standard.

The Bank reports on its compliance with capital adequacy regulation both on a solo basis and on a consolidated basis.

Capital Structure and Adequacy – Consolidated Basis

PBCOM as a consolidated entity reported a capital adequacy ratio of 15.91% at the end of 2014. This ratio exceeded the 10% minimum required according to Philippine Banking Regulations.

Qualified Capital resources totaled nearly Php 8.0Bn comprised of:

- Tier One Capital that comprises the Bank’s core capital resources, which are immediately available to sustain the financial stability of the group. Components of Tier One Capital include:
 - a. Core-Equity Tier One or CET-1 includes paid-in shares of common stock, retained earnings and accumulated other comprehensive income. CET-1 must be the predominant form of Tier One Capital.

CET-1 absorbs all deductions to capital mandated by regulation. These deductions include capital invested in affiliates, net deferred tax assets, intangible assets and goodwill items.

PBCOM reported Php 6.0Bn in CET-1 capital on a consolidated basis based on the standards of Basel represented coverage



for 12.02% of total risk weighted assets. This ratio exceeded the 6.0% minimum required according to Philippine Banking Regulations.

- b. Alternative Tier One or AT-1 includes other equity type claims on a Bank’s balance sheet that are sufficiently subordinate to the claims of depositors and senior creditors and whose cash flow distributions are not committed and cancellable at the option of the Bank. PBCOM reported no AT-1 instruments at the consolidated level in 2013 or 2014.
- Tier Two Capital that includes auxiliary items that supplement Tier One Capital in sustaining the financial stability of the Bank. These include the general loan loss provision and appraisal increment reserves on investment property. PBCOM reported Php 1.9Bn in total Tier Two Capital on a consolidated basis based on the standards of Basel III and following the adjustments to adopt PFRS 9, representing 24% of total qualified capital resources.

Adequacy Ratios	Consolidated	Parent	Subsidiaries & Affiliates
Core-Equity, Tier One Ratio <i>(Adjusted CET-1 Capital/Total Risk Weighted Assets)</i>	12.02%	12.00%	36.25%
Tier One Ratio <i>(Adjusted Tier One Capital/Total Risk Weighted Assets)</i>	12.02%	12.00%	36.25%
Capital Adequacy Ratio <i>(Total Capital/Total Risk Weighted Assets)</i>	15.91%	16.03%	36.73%
Capital Conservation Buffer <i>(Excess Adjusted CET-1/Total Risk Weighted Assets)</i>	4.52%	4.50%	26.73%

Capital Resources (in Php millions)	Consolidated	Parent	Subsidiaries
CORE EQUITY - TIER ONE	6,032	5,781	727
Total Paid-in Preference Shares	0	0	4
Total Paid-in Common Shares	10,095	10,095	150
Deposit for Stock Subscription	0	0	300
Retained Surplus (Deficit)	(3,455)	(3,432)	274
Accumulated Other Comprehensive Income	13	13	0
Non-Controlling Interest in Subsidiaries	0	0	0
Adjust for:			
Investments in Subsidiaries	(13)	(741)	0
Investments in Affiliates	(12)	(12)	0
Intangible Assets	(334)	(71)	0
Goodwill	(263)	(71)	0
ALTERNATIVE TIER ONE CAPITAL	0	0	0
TIER TWO CAPITAL	1,953	1,943	10
Valuation Increment Reserves on PBCOM Tower	1,553	1,553	0
General Loan Loss Provision	399	390	10
QUALIFYING CAPITAL	7,984	7,724	737
Tier One	6,032	5,781	727
Core Equity	6,032	5,781	727
Alternative Tier One	0	0	0
Tier Two	1,953	1,943	10

Investments in Subsidiaries and Affiliates (in Php millions)	
Subsidiaries (Fully Consolidated)	727
(One-line Consolidation)	13
Affiliates	12
TOTAL	753

Capital Structure and Adequacy – Solo Basis

PBCOM reported a capital adequacy ratio of 16.03% at the end of 2014 on a solo basis based on the standards of Basel III and following the adjustments to adopt PFRS 9. This ratio exceeded both the 13.19% the Bank would have reported at the end of 2013 under the same standard and the 10% minimum required according to Philippine Banking Regulations.

Adequacy Ratios	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
Core-Equity, Tier One Ratio <i>(Adjusted CET-1 Capital/Total Risk Weighted Assets)</i>	12.00%	10.38%	8.68%
Tier One Ratio <i>(Adjusted Tier One Capital/Total Risk Weighted Assets)</i>	12.00%	10.38%	8.68%
Capital Adequacy Ratio <i>(Total Capital/Total Risk Weighted Assets)</i>	16.03%	14.47%	13.19%
Capital Conservation Buffer <i>(Excess Adjusted CET-1/Total Risk Weighted Assets)</i>	4.50%	2.88%	1.18%

Qualified Capital resources totaled Php 7.7Bn comprised of:

- Tier One Capital that comprises the Bank's core capital resources, which are immediately available to sustain the financial stability of the Bank. Components of Tier One Capital include:

- a. Core-Equity Tier One or CET-1 includes paid-in shares of common stock, retained earnings and accumulated other comprehensive income. CET-1 must be the predominant form of Tier One Capital.

CET-1 absorbs all deductions to capital mandated by regulation. These deductions include capital invested in subsidiaries and affiliates, net deferred tax assets, intangible assets and goodwill items.

PBCOM reported Php 5.8Bn in CET-1 capital on a solo basis based on the standards of Basel III and following the adjustments to adopt PFRS 9. This represented 12.00% of total risk weighted assets. This ratio exceeded both the 8.68% the Bank would have reported at the end of 2013 under the same standard and the 6.0% minimum required according to Philippine Banking Regulations.

- b. Alternative Tier One or AT-1 includes other equity type claims on a Bank's balance sheet that are sufficiently subordinate to



the claims of depositors and senior creditors and whose cash flow distributions are not committed and cancellable at the option of the Bank. PBCOM reported no AT-1 instruments in 2013 or 2014.

- Tier Two capital that includes auxiliary items, which supplement Tier One Capital in sustaining the financial stability of the Bank. These include the general loan loss provision and appraisal increment reserves on investment property. PBCOM reported Php 1.9Bn in Total Tier Two Capital on a solo basis based on the standards of Basel III and following the adjustments to adopt PFRS 9 representing 25% of total qualified capital resources.

Capital Resources (in Php millions)	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
CORE EQUITY - TIER ONE	5,781	4,933	3,296
Total Paid-in Common Shares	10,095	10,095	8,303
Retained Surplus (Deficit)	(3,432)	(3,444)	(3,665)
Accumulated Other Comprehensive Income	13	(824)	(1,292)
Adjust for:			
Investments in Subsidiaries	(741)	(741)	0
Investments in Affiliates	(12)	(12)	(13)
Intangible Assets	(71)	(71)	(37)
Goodwill	(71)	(71)	0
ALTERNATIVE TIER ONE CAPITAL	0	0	0
TIER TWO CAPITAL	1,943	1,943	1,714
Valuation Increment Reserves on PBCOM Tower	1,553	1,553	1,539
General Loan Loss Provision	390	390	175
QUALIFIED CAPITAL	7,724	6,876	5,010
Tier One	5,781	4,933	3,296
Core Equity	5,781	4,933	3,296
Alternative Tier One	0	0	0
Tier Two	1,943	1,943	1,714

The table below shows reconciliation between Philippine Financial Reporting Standards (PFRS) capital, capital under Philippine Regulatory Accounting Principles and Qualifying Capital under Basel III (Parent Only):

RECONCILIATION OF REPORTED CAPITAL RESOURCES	2014 (PFRS 9)	2013 (PAS 39)
PFRS Capital	7,224	4,052
Deposit for Stock Subscription	0	0
Differences in Accounting Principles Recycled to P&L & Retained as Earnings	(600)	(685)
Differences in Comprehensive Income (Loss) on Debt Securities	0	(0)
Differences in Comprehensive Income (Loss) on FX Forwards used as Hedge	0	(75)
Differences in Comprehensive Income (Loss) on Equity Securities	0	0
Differences in Appraisal Increment Reserves	1,306	1,329
Differences in Cumulative Translation Adjustment	30	25
Actuarial loss on Post-Retirement Benefits (PAS 19R)	270	237
RAP Capital	8,230	4,885
General Loan Loss Provision	390	175
Investment in Subsidiaries and Affiliates	(753)	(13)
Intangible Assets and Goodwill	(142)	(37)
Qualified Capital for Minimum Adequacy Compliance under Basel III	7,724	5,010

CAPITAL REQUIREMENTS BY QUALITY AND BY CLASS OF RISK

Minimum Capital Requirements

Minimum capital requirements of Philippine Banking Regulations for each level of capital are:

- Core Equity Tier One – 6%
- Tier One Capital – 7.5%
- Total Capital – 10%

Classes of Risk

Minimum capital requirements apply to these three classes of risk that regulators determine as the major components of a Bank's risk profile:

- **Credit risk** is the risk on a financial instrument where one party may fail to discharge an obligation and cause the other party to incur a financial loss.

- **Market risk** is the risk of loss with respect to future earnings, fair value, or future cash flows which may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market conditions.
- **Operational risk** includes all risks involving the conduct of personnel, the soundness and the strength of technology, events external to the bank or any residual risk factor causing financial losses.

Capital Requirements by Quality and by Class of Risk - Consolidated Basis

The breakdown of capital requirements by quality for each class of risk on a consolidated basis is as follows:

TOTAL RISK WEIGHTED ASSETS (in Php millions)	Consolidated	Parent	Subsidiaries & Affiliates
Credit Risk			
On-Balance Sheet	43,793	41,787	2,007
Off-Balance Sheet Commitments to Lend	1,382	1,382	0
Total	45,175	43,168	2,007
Market Risk			
Interest Rate Risk on the Trading Books	895	895	0
Foreign Exchange Risk	22	22	0
Total	917	917	0
Operational Risk	4,087	4,087	0
TOTAL RISK WEIGHTED ASSETS	50,179	48,172	2,007

TOTAL CORE EQUITY TIER-1 (in Php millions)	Consolidated	Parent	Subsidiaries & Affiliates
Credit Risk			
On-Balance Sheet	2,628	2,507	120
Off-Balance Sheet Commitments to Lend	83	83	0
Total	2,711	2,590	120
Market Risk			
Interest Rate Risk on the Trading Books	54	54	0
Foreign Exchange Risk	1	1	0
Total	55	55	0
Operational Risk			
Total	245	245	0
REQUIRED CET-1 CAPITAL COVERAGE	3,011	2,890	120
TOTAL QUALIFIED RESOURCES	6,032	5,781	727
Excess (Shortfall)	3,021	2,891	607

TOTAL TIER-1 (in Php millions)	Consolidated	Parent	Subsidiaries & Affiliates
Credit Risk			
On-Balance Sheet	3,285	3,134	151
Off-Balance Sheet Commitments to Lend	104	104	0
Total	3,388	3,238	151
Market Risk			
Interest Rate Risk on the Trading Books	67	67	0
Foreign Exchange Risk	2	2	0
Total	69	69	0
Operational Risk			
Total	306	306	0
REQUIRED TIER ONE CAPITAL COVERAGE	3,763	3,613	151
TOTAL QUALIFIED RESOURCES	6,032	5,781	727
Excess (Shortfall)	2,268	2,168	577

TOTAL CAPITAL REQUIREMENTS (in Php millions)	Consolidated	Parent	Subsidiaries & Affiliates
Credit Risk			
On-Balance Sheet	4,379	4,179	201
Off-Balance Sheet Commitments to Lend	138	138	0
Total	4,518	4,317	201
Market Risk			
Interest Rate Risk on the Trading Books	90	90	0
Foreign Exchange Risk	2	2	0
Total	92	92	0
Operational Risk			
Total	409	409	0
REQUIRED CAPITAL COVERAGE	5,018	4,817	201
TOTAL QUALIFIED RESOURCES	7,984	7,724	737
Excess (Shortfall)	2,967	2,907	536

PBCOM, its subsidiaries and its affiliates collectively carry sufficient capital resources to cover requirements.

Capital Requirements by Quality and by Class of Risk - Solo Basis

The breakdown of capital requirements by quality for each class of risk on a solo basis is as follows:

RISK WEIGHTED ASSETS (in Php millions)	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
Credit Risk			
On-Balance Sheet	41,786.50	41,970.35	32,666.03
Off-Balance Sheet Commitments to Lend	1,381.69	1,123.77	1,445.78
Total	43,168.19	43,094.11	34,111.81
Market Risk			
Interest Rate Risk on the Trading Books	895.45	308.41	73.19
Foreign Exchange Risk	21.91	21.91	35.81
Total	917.36	330.32	108.99
Operational Risk			
Total	4,086.62	4,086.62	3,760.75
TOTAL RISK WEIGHTED ASSETS	48,172.17	47,511.05	37,981.55

TOTAL CORE EQUITY TIER-1 (in Php millions)	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
Credit Risk			
On-Balance Sheet	2,507	2,518	1,960
Off-Balance Sheet Commitments to Lend	83	67	87
Total	2,590	2,586	2,047
Market Risk			
Interest Rate Risk on the Trading Books	54	19	4
Foreign Exchange Risk	1	1	2
Total	55	20	7
Operational Risk			
Total	245	245	226
REQUIRED CET-1 CAPITAL COVERAGE	2,890	2,851	2,279
TOTAL QUALIFIED RESOURCES	5,781	4,933	3,296
Excess (Shortfall)	2,891	2,082	1,017

TOTAL TIER-1 (in Php millions)	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
Credit Risk			
On-Balance Sheet	3,134	3,148	2,450
Off-Balance Sheet Commitments to Lend	104	84	108
Total	3,238	3,232	2,558
Market Risk			
Interest Rate Risk on the Trading Books	67	23	5
Foreign Exchange Risk	2	2	3
Total	69	25	8
Operational Risk			
Total	306	306	282
REQUIRED TIER ONE CAPITAL COVERAGE	3,613	3,563	2,849
TOTAL QUALIFIED RESOURCES	5,781	4,933	3,296
Excess (Shortfall)	2,168	1,369	448

TOTAL CAPITAL REQUIREMENTS (in Php millions)	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
Credit Risk			
On-Balance Sheet	4,179	4,197	3,267
Off-Balance Sheet Commitments to Lend	138	112	145
Total	4,317	4,309	3,411
Market Risk			
Interest Rate Risk on the Trading Books	90	31	7
Foreign Exchange Risk	2	2	4
Total	92	33	11
Operational Risk			
Total	409	409	376
REQUIRED CAPITAL COVERAGE	4,817	4,751	3,798
TOTAL QUALIFIED RESOURCES	7,724	6,876	5,010
Excess (Shortfall)	2,907	2,125	1,212

PBCOM carries sufficient capital resources to cover requirements as a solo entity.

Capital Conservation Buffer

Banking regulations recommend that banks accumulate and hold capital resources in addition to minimum requirements. The recommendation places constraints on the ability of a bank to transfer or return capital and encourages banks to accumulate and retain earnings during normal market conditions. This added buffer helps conserve a bank's capital and extend compliance with minimum capital requirements during periods of market-wide shock.

Philippine regulations recommend that banks retain earnings to sustain a buffer that is equivalent to 2.5% of risk weighted assets. This buffer must be in the form of Core-Equity Tier One Capital.

A bank that sustains full coverage of the capital conservation enjoys unrestricted transfer of capital while remaining above compliance. Those that maintain buffers between 1.25% to 2.5% of risk weighted assets must retain 50% of after-tax income until the bank reaches full coverage of the buffer. Those that maintain buffers below 1.25% of risk weighted assets must retain all after tax income.

PBCOM, its subsidiaries and affiliates collectively carry sufficient capital resources to cover the required buffer at the consolidated level. PBCOM also carries sufficient capital resources on a solo basis to cover the required buffer required as a single entity.

CAPITAL CONSERVATION BUFFER (Consolidated, Php millions)	Consolidated	Parent	Subsidiaries & Affiliates
Excess (Deficiency) in Levels of Buffer (in Php MM)	2,268	2,168	536
Excess (Deficiency) in Levels of Buffer (as Percentage of Risk Weighted Assets)	4.52%	4.50%	26.73%

CAPITAL CONSERVATION BUFFER (Solo, Php millions)	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
Excess (Deficiency) in Levels of Buffer (in Php MM)	2,168.36	1,369.45	447.64
Excess (Deficiency) in Levels of Buffer (as Percentage of Risk Weighted Assets)	4.50%	2.88%	1.18%

CREDIT RISK

Credit Risk Management Process

Credit risk is the primary financial risk in the banking system and exists in all revenue generating activities. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk arises any time when the Bank's funds are extended, committed, invested or exposed through actual or implied contractual agreements. Capital depletion through loan losses has been the ultimate cause of most institutions' failures. The Bank's credit risk arises from its lending and trading of securities and foreign exchange activities.

The Credit Management Group (CMG) is responsible for the overall management of the Bank's credit risk, achieved through various functions embedded within the Group. The Bank, in recognition of the importance of identifying and rating credit risk as the initial step towards its effective management, has put in place a comprehensive set of policies and established underwriting processes, as approved by the Board of Directors. Regular analysis of the ability of potential and existing borrowers to meet interest and capital repayment obligations is made, including amendment of lending limits when appropriate. The Bank is thus able to continually manage credit-related risks in its risk asset portfolio through objective assessments/evaluations of credit proposals prior to presentation to the appropriate approval authority, ensuring the highest standards of credit due diligence and independence. The Bank's approval matrix begins at carefully reviewed and selected individual limit delegations, working its way up to the Management Credit Committee (MCC), the Executive Committee (EXCOM) and the Board of Directors as appropriate.

Banking regulations mandate the implementation of an internal credit risk rating system that is consistent with global ratings standards, compliant with Basel II requirements and appropriate to a bank's nature, complexity and scale of activities. For purposes of measuring credit risk for every exposure in a consistent and accurate manner for purposes of business and financial decision making, the Bank acquired several solutions systems in 2013. In May 2013, the Bank replaced the in-house-developed risk rating system with Moody's Analytics Risk Origins, a robust, enterprise-wide browser-based credit risk management system that collects, analyzes and stores financial and non-financial information, providing a comprehensive solution for managing and analyzing corporate loan accounts. For consumer loan accounts, the Bank acquired in April 2013 the INDUS Loans Originations System, a loan applications processing solution covering the entire process from submission of applications to disbursements. Also, the Bank acquired in December 2013, FICO's Expert Origination Model for decision-making purposes. The foregoing risk rating systems shall



be monitored for their predictive capability and model performance.

Credit Exposure Limits

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual borrowers and groups of borrowers. The Bank also sets limits on large exposures, maturity, industry/geographical concentrations, real estate loan ceilings, secured/unsecured exposures, related exposures and mandatory lending to agricultural/agrarian entities as well as small and medium-sized enterprises. Such risks are monitored on a regular basis and subjected to annual or more frequent reviews, when considered necessary. Limits on large exposures and credit concentrations are approved by the Board of Directors. The exposure to any one borrower is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored regularly. The Bank likewise makes use of a comprehensive management information system (MIS) to monitor the performance of its loan products against business goals, including validation of risk criteria and policies.

Collateral and Other Credit Enhancements

Exposure to credit risk is also managed in part by obtaining collateral. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. In order to minimize credit loss, additional collateral shall be sought from the borrower when impairment indicators are observed for the relevant individual loans and advances. The Bank implements guidelines on the acceptability and valuation parameters of specific classes of collateral for credit risk mitigation. The main types of collateral obtained are as follows: (i) for securities lending and reverse repurchase transactions: cash or securities; (ii) for commercial lending: mortgages over real estate properties, machineries, inventory and trade receivables; and (iii) for retail lending: mortgages over residential properties and vehicles. It is the Bank's policy to dispose of repossessed properties in an orderly fashion wherein the proceeds are used to reduce

or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank also has in place an independent review of the loan portfolio quality and credit process that allows it to continuously identify and assess the risks on credit exposures and take corrective actions. This function is carried out by the Credit Review Division under the Bank's Internal Audit Group.

The Bank also measures credit risk exposure in terms of regulatory capital requirement using a standardized approach. Under this method, credit exposures are risk-weighted to reflect third-party credit assessment of the individual exposure from acceptable external credit rating agencies and allow the use of eligible collaterals to mitigate credit risk. All documentation used in the collateralized transactions and for guarantees are binding on all parties and legally enforceable in the relevant jurisdiction.

While CMG manages credit risks at individual credit or transaction levels, the Credit Risk Management Unit (CRMU) under Enterprise Risk Management Group (ERMG) manages credit risk at both strategic and portfolio levels. Regular reporting and stress-testing is conducted by CRMU to ensure that Senior Management and the ROC are properly informed of the various aspects with regards to the Bank's loan portfolio.

The management of the credit portfolio is subject to internal and regulatory limits, which serve to control the magnitude of credit risk exposures and preserve the quality of the portfolio. CRMU also monitors large exposures and credit risk concentrations in accordance with BSP Circular 414.

The ERMG credit risk management function also involves the identification of inherent risks related to transactions or processes executed with respect to all lending-related activities. In line with this function, the Risk and Control Self-Assessment (RCSA) and Key Risk Indicators

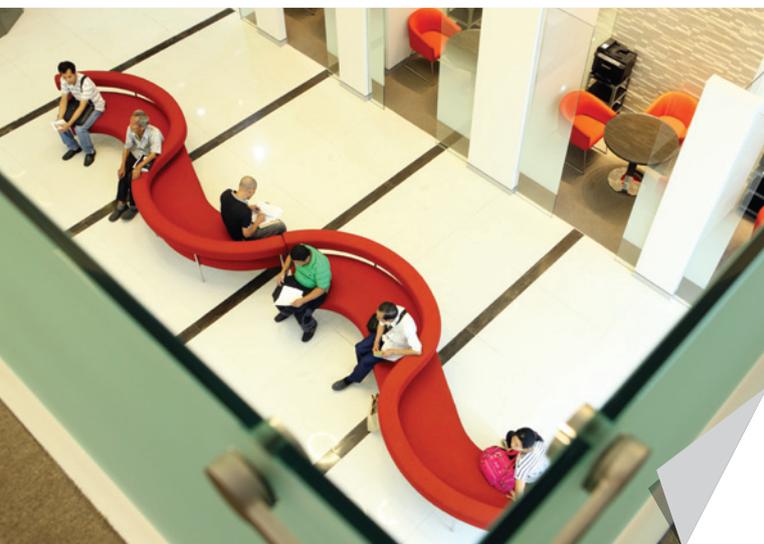
Report (KRIR) serve as tools in monitoring the risk profile of the Bank's business units (e.g. lending and support groups) and establishing internal loss and key risk indicator databases.

CREDIT RATINGS BY ASSET CLASS

Loans and Receivables

Description of the internal credit risk ratings (ICRR) used by the Bank to classify corporate loan accounts are as follows:

- **High Grade (ICRR 1 to 7)**
Under this category, the borrower has the apparent ability to satisfy its obligations in full and, therefore, no loss in ultimate collection is anticipated. These loans or portions thereof are secured by hold-outs on deposit(s) substitute, margin deposits or government-supported securities, other readily marketable collateral or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.
- **Standard Grade (ICRR 8 to 10)**
Under this category are accounts not considered adversely classified but require close supervision/monitoring due to some warning signals such as start-up business, substantial changes in the business affecting operation or management, three continuous years of substantial decline in income (exclusive of extraordinary income/losses).
- **Substandard Grade (ICRR 11 to 14)**
Under this category are loans, which exhibit unfavorable record or unsatisfactory characteristics, or where existing facts, conditions and values, make collection or liquidation in full improbable. Positive and vigorous management action is required to avert or minimize loss. These risk ratings are mapped to the following BSP loan classifications: (i) Loans Especially Mentioned (loans that have potential weaknesses that deserve management's close attention, with such weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase the credit risk of the Bank); (ii) Substandard (loans which appear to involve a substantial degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics, exhibiting well-defined weaknesses which may include adverse trends or development of a financial, managerial, economic or political nature, or a significant deterioration in collateral); (iii) Doubtful (loans which have the weaknesses similar to those of the substandard classification with added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and substantial loss is probable); and (iv) Loss (loans considered uncollectible and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value).



Due From Other Banks, Interbank Receivables and Government Securities

The Bank follows an internally developed risk rating system for local banks and external risk ratings (e.g. Standard and Poor's for foreign banks and government securities).

• Local Banks

Description of the risk ratings for local banks is as follows:

High Grade (Tier 1)

Tier 1 - Banks categorized under this tier are capable of withstanding very difficult market conditions for two to three years without deteriorating to a substandard credit classification by virtue of their size, reputation and ranking in the industry.

Standard Grade (Tier 2 to Tier 3)

These are accounts that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the financial instrument thus increase credit risk to the Bank.

Tier 2 - Banks categorized under this tier may deteriorate to substandard within one to two years under very difficult market conditions.

Tier 3 - Banks categorized under this tier may deteriorate to substandard within one year under very difficult market conditions. These are banks, which fall short relative to size, in view of perceived concern of uncertainty about their portfolio, earnings, or market condition. Banks with total net worth of Php 3.0Bn to less than Php 4.5Bn and net income of Php 200Mn to less than Php 400Mn are included in this category.

Substandard Grade (Tier 4)

Tier 4 - These are banks, which fall short relative to size, in view of perceived concern of uncertainty about their portfolio, earnings, or market condition. Banks with total net worth of Php 1.50Bn to less than Php 3.0Bn and net income of Php 70Mn to less than Php 200Mn are included in this category.

• Foreign Banks and Other Government Securities

Description of the risk ratings for government securities, foreign banks and foreign corporate investment outlets:

AAA - Obligor's capacity to meet its financial commitment is extremely strong.

AA - Obligor's capacity to meet its financial commitment is very strong. It differs from the highest-rated obligors at a minimal degree.

A - Obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors rated in higher-rated categories.



BBB - Obligation rated 'BBB' has adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB - Obligation is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B - Obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC - Obligation is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC - Obligation is currently highly vulnerable to nonpayment.

C - Obligations are currently highly vulnerable to nonpayment, payment arrearages allowed by the terms of the documents, and subject of a bankruptcy petition or similar action which have not experienced a payment default. Among others, the 'C' rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument's terms or when preferred stock is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

D - Obligation is in payment default. Payments on an obligation are not made on the date due even if the applicable grace period has not expired. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation's rating is lowered to 'D' upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

Loan classification and credit risk ratings are an integral part of the Bank's management of credit risk. On an annual basis, loans are reviewed, classified and rated based on internal and external factors that affect its performance. On a quarterly basis, loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions. For consumer loan accounts, the INDUS Collections System was acquired in September 2013 to serve as an automated platform for streamlining and recording the consumer collections process.

Counterparty Credit Risk

PBCOM engages in bilateral transactions to acquire or dispose of assets or to purchase or sell foreign exchange from counterparties. These transactions give rise to a risk that the counterparty may default on its obligations to the Bank.

The Bank does not calculate capital charges for counterparties for transactions that settle in any of the following cases:

- *Interest Rate Transactions*
Any transaction that settles the regular way or

within the normal settlement cycle for similar transactions in the capital market where the manner of settlement is delivery-versus-payment

- *Foreign Exchange Transactions*
Spot foreign exchange transactions that settle by the next business day for USD-Php transactions or the second business day following trade date for other currency pairs; and

Forward foreign exchange contracts that involve any currency pair whose original settlement date was within fourteen calendar days from the trade date.

Minimum Capital Requirements to Cover Credit Risk Exposures

PBCOM computes for capital requirements to cover credit risk exposures using the standardized approach.

The Bank applies risk weights to credit exposures based on ratings made available by External Credit Assessment Institutions (ECAIs). ECAIs whose ratings have received accreditation for use in establishing requirements for capital coverage include: Standard & Poor's Financial Services, LLC; Moody's Investor Services; and Fitch Ratings, Inc. The national government of the Philippines and the Bangko Sentral ng Pilipinas receive a credit risk weight equivalent to that of an AAA borrower in exposures denominated in Philippine Pesos.

The Bank determined it had nearly Php 43.2Bn in weighted exposures to credit risk at the end of 2014. Exposures reflected on the balance sheet totaled Php 41.7Bn. Those proceeding from off-balance sheet commitments to lend totaled nearly Php 1.4Bn.

	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	Below B-	Unrated
Sovereigns	0%	0%	20%	50%	100%	100%	150%	100%
Banks (Except Interbank Call Loans)	20%	20%	50%	50%	100%	100%	150%	100%
Interbank Call Loans					20%			
Corporate Borrowers	20%	20%	50%	50%	100%	100%	150%	100%
Housing Loans, First Mortgage Occupied by Borrower								50%
Consumer Credit								
(Other than First Mortgage)								100%
ROPA								150%
Other Assets								100%

CREDIT RISK WEIGHTED ASSETS (in Php millions)	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
Credit Risk Exposures On Balance Sheet	41,787	41,970	32,666
Off-Balance Sheet Commitments To Lend	1,382	1,124	1,446
TOTAL CREDIT RISK WEIGHTED ASSETS	43,168	43,094	34,112

Credit risk exposures on balance sheet requiring capital coverage are the product of the carrying value appearing on the balance sheet and the risk weight applicable to the exposure.

CREDIT RISK EXPOSURES ON BALANCE SHEET	Risk Weight	2014 (PFRS 9)		2014 (PAS 39)		2013 (PAS 39)	
		Before Risk Weighting	After Risk Weighting	Before Risk Weighting	After Risk Weighting	Before Risk Weighting	After Risk Weighting
Cash and Other Clearing Items	0%	1,158	0	1,158	0	740	0
Due from Bangko Sentral ng Pilipinas	0%	12,508	0	12,508	0	9,573	0
Due from Banks		1,919	917	1,919	917	819	437
Rated AAA through AA	20%	499	100	499	100	92	18
Rated A through BBB	50%	1,204	602	1,204	602	618	309
Unrated	100%	215	215	215	215	109	109
Securities Portfolio (Excluding Trading Books Positions)		13,855	1,558	13,416	1,717	22,104	1,261
Sovereign		13,855	1,558	13,416	1,717	22,104	1,261
Rated AAA through AA(Including Domestic Currency Php NG Debt)	0%	10,739	0	9,982	0	19,582	0
Rated A	20%	0	0	0	0	0	0
Rated BBB	50%	3,116	1,558	3,434	1,717	2,522	1,261
Rated Below BBB	100%	0	0	0	0	0	0
Corporates		0	0	0	0	0	0
Rated AAA through AA	20%	0	0	0	0	0	0
Rated A through BBB	50%	0	0	0	0	0	0
Rated below BBB or Unrated	100%	0	0	0	0	0	0
Loan Portfolio (Net of Specific Provisions for Loss)		32,318	30,995	32,318	30,995	24,932	24,724
Sovereign	0%	0	0	0	0	0	0
Interbank		289	129	289	129	45	9
Qualified	20%	200	40	200	40	45	9
Non-Qualified	100%	89	89	89	89	0	0
Corporate		26,419	25,975	26,419	25,975	22,558	22,617
Current	100%	25,294	25,294	25,294	25,294	22,439	22,439
Secured	0%	671	0	671	0	0	0
Non-Current	150%	454	681	454	681	119	178
Consumer - First Mortgage		1,483	764	1,483	764	510	278
Current	50%	1,439	719	1,439	719	463	232
Non-Current	100%	44	44	44	44	46	46
Consumer - Other than First Mortgage		4,126	4,126	4,126	4,126	1,820	1,820
Current	100%	4,126	4,126	4,126	4,126	1,820	1,820
Non-Current	150%	0	0	0	0	0	0
Sales Contracts Receivable		203	216	203	216	105	117
Current	100%	177	177	177	177	80	80
Non-Current	150%	26	39	26	39	25	37
Real & Other Properties Acquired	150%	424	636	424	636	248	373
Other Assets	100%	7,465	7,465	7,490	7,490	5,755	5,755
TOTAL CREDIT RISK EXPOSURES ON BALANCE SHEET		69,849	41,787	69,435	41,970	64,277	32,666

Credit risk exposures from off-balance sheet commitments to lend involve computing for a loan equivalent for the exposure. This equivalent considers the nature of the commitment and determines the size of a balance sheet loan that would result in similar exposure. Required capital coverage is the product of the loan equivalent of the commitment and the risk weight applicable to the beneficiary of the commitment.

OFF-BALANCE SHEET COMMITMENTS TO LEND (in Php millions)	Credit Conversion Factor	Risk Weight	2014 (PFRS 9)			2014 (PAS 39)			2013 (PAS 39)		
			Notional	Loan Equivalent	Risk Weighted	Notional	Loan Equivalent	Risk Weighted	Notional	Loan Equivalent	Risk Weighted
Direct Commitments	100%	100%	1,124	1,124	1,124	1,124	1,124	1,124	1,156	1,156	1,156
Transaction- Related Commitments	50%	100%	0	0	0	0	0	0	0	0	0
Trade-related Commitments (8 others of original maturity up to one (1) year)	20%	100%	1,290	258	258	1,290	258	0	1,450	290	290
Cancellable Commitments	0%	100%	6,611	0	0	6,611	0	0	5,954	0	0
TOTAL OFF- BALANCE COMMITMENTS			9,025	1,382	1,382	9,025	1,382	1,124	8,559	1,446	1,446

PBCOM, at the end of 2014, had no counterparty risk exposures requiring capital coverage.

MARKET RISK ON THE TRADING BOOK

Managing Market Risk on the Trading Book

The trading business of the Bank centers on exposures to interest rates from the portfolio of debt securities and from the currency mismatches on and off the balance sheet.

Market risk on the trading book proceeds from the potential impact of adverse movements in market conditions either eroding asset values or increasing liabilities resulting in financial losses. These principally include:

- Changes in prevailing interest rates eroding the values of securities and foreign exchange contracts and
- Changes in prices affecting the values of positions in foreign currency.

Management of market risk in the trading book begins at the level of the portfolio managers in Treasury that execute trading strategies. These portfolio managers are responsible for the results of their execution, including financial performance, adherence to limits and compliance with regulation. The Treasurer discusses the condition and performance of trading books exposures at the meetings of the Bank's Asset and Liability Committee (ALCO).

Risk control functions ensure that the exposures taken on the trading books remain consistent with those approved by and acceptable to the Board of Directors.

- The market risk management function sets the risk framework and conducts an independent revaluation of all risk exposures to ensure adherence to the limits approved by the Board. They report their findings in each of the monthly meetings of the Board's Risk Oversight Committee.

- Financial control and operations ensure that all exposures are recognized, reported and re-measured according to proper financial reporting standards. The Chief Executive Officer reports the financial condition and performance to Senior Management and the Board of Directors.
- Compliance ensures that both risk-taking and risk management actions remain consistent with the requirements of regulations. They report any issues to the Board's Corporate Governance Committee.

The internal audit (IA) function conducts reviews of the effectiveness of the governance and risk infrastructure supporting the trading business and recommends solutions to further strengthen the ability of the whole business to properly achieve its objectives. Independent reviews of the market risk measurement system also cover assessments of the assumptions, parameters, and methodologies used. IA reports their findings to the Board's Audit Committee.

Valuation

PBCOM carries and reports all of its trading books exposures at fair value. The Bank revalues all exposures at the end of each business day to reflect their market values. All changes in the values of the exposures form part of current operating performance.

The fair value of financial instruments traded in active markets at the statement of financial position date is based on their quoted market prices or dealer price quotations (bid price for long positions and asking price for short positions), without any deduction for transaction costs. Where the current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using valuation techniques, which includes discounted cash flow technique and comparison to similar instruments for which observable market prices exist.

Accumulated losses in the market value of trading positions are subject to Management Action Trigger (MAT) and Stop Loss Limits. Risk managers investigate any observed excesses in exposure over the limit or any unusual changes to exposure and escalate these for proper disposition.

Value-at-Risk

PBCOM internally monitors its market risk exposures proceeding from financial instruments using Value-at-Risk (VaR).

VaR is a statistical measure of the probable loss an exposure may incur under prevailing market conditions. PBCOM measures its VaR using statistical parameters reflective of current market conditions over a ten-day period with 99% confidence. The resulting measure reflects a level of loss that has a 1% chance of being exceeded under prevailing market conditions.

PBCOM does not use the internal VaR as basis for setting up capital requirements to comply with Pillar One requirements.

Starting February 2014, changes were made in the VaR computation for USD ROPs and Foreign Exchange Rates to take into account foreign exchange rate risk between US dollar and Peso.

A summary of the VaR position of Dollar Bond exposures of the Parent Company to changes in market conditions is as follows:

	Interest Rate and Foreign Exchange		Interest Rate
	USD ROP from February to December 2014 (in PHP MM)	USD ROP for January 2014 (in USD MM)	USD ROP 2013 (in USD MM)
31 December	128.66		2.42
Average Daily	116.45	2.22	1.90
Highest	151.15	2.45	2.83
Lowest	84.42	1.95	1.22

A summary of the VaR position of Peso government securities exposures of the Parent Company to changes in market conditions is as follows:

	Interest Rate	
	Peso GS 2014 (in Peso MM)	Peso GS 2013 (in Peso MM)
31 December	404.05	550.78
Average Daily	495.42	435.95
Highest	679.09	636.36
Lowest	370.44	187.59

Since VaR is designed to describe risk in normal market conditions (i.e. 99.00 percent of the time) it may not capture potential losses in the extreme that occur following movements outside the prevailing market trend. The Bank conducts simulation and scenario stress tests to analyze the potential impact of a severe movement in market prices on the Bank's financial condition.

Market Risk Limit Framework for the Trading Books

The risks on the trading book originate from the exposure of the Bank and are affected by the changes in market conditions. These exposures may include:

- Interest Rates
 - a. Specific risk in relationship to interest rate exposures arises from a probable deterioration in the value of a financial instrument due to circumstances unique to the issuer or principal.
 - b. General market risk in relationship to interest rate exposures arises from a probable deterioration in the value of a financial instrument due to changes in interest rates.
- Foreign Exchange Rates
 - c. Foreign exchange risk arising from mismatches in currencies between assets and liabilities.

PBCOM puts in place a system of limits whose objectives are to constrain the exposures to market risk within the willingness of the bank to incur such risk. These limits include:

- a) Nominal Position Limits which constrain the size of the exposure the Bank may take;
- b) Stop-Loss Limits which prescribe maximum tolerable deterioration in the value of an asset or liability in the trading books at which point the bank will cut its losses and end the exposure and;
- c) VaR that sets a limit to the size of the statistical potential loss that the Bank may carry at any point in time.

PBCOM calibrates its risk limits based on levels which can sustain the objectives of its trading business. The Board's Risk Oversight Committee reviews and approves all limits and endorses for confirmation of the Board of Directors. Utilization of these limits forms part of the regular discussions at the meetings of the Bank's Asset and Liability Committee.

Minimum Capital Requirements to Cover Market Risk Exposures on the Trading Book

PBCOM computes for capital requirements to cover market risk exposures using standardized approaches for each market risk exposure. The Bank determined it had Php 917Mn in weighted exposures to credit risk at the end of 2014. Exposures to interest rates totaled Php 895Mn. Those proceeding from foreign exchange rates totaled Php 22Mn.

MARKET RISK WEIGHTED ASSETS (in Php MM)	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
Interest Rate Risk	895	308	73
Specific	377	0	0
General Market	519	308	73
Foreign Exchange Risk	22	22	36
Total	917	330	109

Interest Rate Exposures – Specific Risk

The Bank applies risk weights to specific risk exposures based on ratings made available by External Credit Rating Institutions (ECAIs). ECAIs whose ratings have received accreditation for use in establishing requirements for capital coverage include: Standard & Poor's Financial Services, LLC; Moody's Investor Services; and Fitch Ratings Inc.

The national government of the Philippines and the Bangko Sentral ng Pilipinas receive a credit risk weight equivalent to that of an AAA borrower in exposures denominated in Philippine Pesos.

Sovereigns	Corporates	Unadjusted Weight
AAA through AA-		0.00%
A+ through BBB-	AAA through BBB-	
Residual Maturity less than 6 Mos	Residual Maturity less than 6 Mos	0.25%
Residual Maturity of 6 Mos to 2 Yrs	Residual Maturity of 6 Mos to 2 Yrs	1.00%
Residual Maturity more than 2 Yrs	Residual Maturity more than 2 Yrs	1.60%
Other Exposures	Other Exposures	8.00%

PBCOM at the end of 2014 had no specific risk exposures that required capital coverage.

Interest Rate Exposures – General Market Risk

The Bank applies risk weights to exposures to general market risk based on their remaining term to maturity to arrive at the capital charge for general market risk.

Foreign Exchange Exposures

The Bank applies an 8% risk weight to the sum of its net open positions to foreign exchange movements (expressed in Philippine Pesos)

to maturity to arrive at the capital charge for foreign exchange risk.

Philippine Banking Regulations apply a capital coverage requirement that is 1.25 times higher than other regulators resulting in Philippine banks having to adjust capital charges for market risk by a factor of 1.25.

The equivalent risk weighted asset is ten times the adjusted capital charge.

CHARGES FOR MARKET RISK EXPOSURES BY SOURCE	2014 (PFRS 9)		2014 (PAS 39)	2013 (PAS 39)	
	Before Risk Weighting	After Risk Weighting	After Risk Weighting	Before Risk Weighting	After Risk Weighting
Debt Securities Portfolio					
Specific Risk	685	30	0	0	0
General Market Risk	685	42	25	105	6
Foreign Exchange Risk					
Net FX Delta	22	2	2	36	3

MARKET RISK ON THE BANKING BOOK

Managing Market Risk on the Banking Book

The banking business of the Bank centers on its core business to source funding and extend credit. Exposures in the banking book arise from mismatches in the structure of its transactions that result in assets and liabilities re-pricing at differing times.

The risks on the banking book originate from the structure of both the balance sheet and other

obligations to pay and are affected by changes in market conditions. Risks from exposures may include:

- Spread-compression risk when assets and liabilities re-price at different times leading either to the yield of assets dropping or the cost of liabilities rising resulting in compression of interest rate spreads;
- Yield-curve risks where sudden changes in the relative spreads between short-term and long-term interest rates may erode the profitability of

- the funding strategies of the Bank;
- Basis risks where the re-pricing characteristics of assets and liabilities do not perfectly correlate resulting in adverse changes to interest spreads;
- Foreign exchange risk that occurs when adverse changes in exchange rates erode the Philippine Peso value of interest income in foreign currency generated by the Bank and;
- Price risk when adverse changes in interest rates erode the values of marketable securities resulting in the total return on the investment (interest plus fair value gain) falling below the cost of the funds dedicated.

PBCOM structures its balance sheet and prices its funds to maximize the interest rate spreads between assets and liabilities. The structure of the balance sheet and the pricing of funds form part of the regular discussions at the meetings of the Bank's Asset and Liability Committee.

Risk control functions ensure that the exposures taken on the banking books remain consistent with those approved by and acceptable to the Board of Directors.

- The market risk management function sets the risk framework and conducts an independent measurement of all risk exposures to ensure adherence to the limits approved by the Board.
- Financial control and operations ensure that all exposures are recognized, reported and re-measured according to proper financial reporting standards.
- Compliance ensures that both risk taking and risk management remains consistent with the requirements of regulation.

The internal audit function conducts reviews of the effectiveness of the governance and risk infrastructure supporting the business and recommends solutions to further strengthen the ability of the whole business to properly achieve its objectives.

Valuation

PBCOM generally carries and reports all of its banking books exposures at their fair amortized costs.

The Bank may occasionally store liquidity in a portfolio of marketable debt securities. The Bank carries these securities at their fair

value and reports changes to these values by marking these exposures to market at the end of each business day. The Bank accumulates any changes in the values of the exposures in securities as other comprehensive income that recycles to operating income should the Bank sell the asset.

Market Risk Measurement Framework

The Bank's management of market risk on its banking books centers on interest rate re-pricing gap reports. The liquidity risk management function prepares these reports, one per currency, reflecting the interest rate sensitive assets and liabilities of the Bank in each of a series of time bands that begin at one week and stretch out to non-maturity. The assumptions used to position the assets and liabilities in the time band are:

- Actual or contractual maturity when there is a definite schedule in payment of interest and principal where the stipulated interest will not change through maturity
- Re-pricing date when there is a definite schedule in payment of interest and principal where the stipulated interest is subject to periodic re-price or change
- Behavioral when there is no specified timing of payment. Designation of time bands depends on the earliest time the interest could possibly change

The Bank measures risk exposure to interest rates on the banking book using the following models:

- Earnings at Risk (EaR) that is a statistical measure of the probable loss in net interest income under prevailing market conditions should the spread between yield on assets and cost of liabilities compress. The resulting measure reflects a level of loss in net interest income for the year that has a 1% chance of being exceeded under prevailing market conditions.
- Economic Value of Equity (EVE) that is a financial measure of the value of the Bank's equity reflected as the difference between the present value of all of the bank's assets and the present value of the Bank's liabilities. The resulting measure reflects how changes in interest rates will affect the value of the Bank's equity.

The Bank determined its exposures to be as follows:

Interest Rate Gap 2014

PH Peso (in Php millions)	1-30 D	31-60 D	61-90 D	91 D - 1 Y	> 1 -2 Y	2 Y+	Total
Interest Rate Sensitive Assets	3,643.55	2,899.29	2,643.99	5,596.31	2,910.82	21,312.68	39,006.63
Interest Rate Sensitive Liabilities	21,893.23	9,988.98	3,253.68	1,740.78	1,004.98	3,216.46	41,098.10

US Dollar (in US\$ millions)	1-30 D	31-60 D	61-90 D	91 D - 1 Y	> 1 -2 Y	2 Y+	Total
Interest Rate Sensitive Assets	38.36	3.89	2.82	0.80	0.84	125.56	172.27
Interest Rate Sensitive Liabilities	80.01	35.77	15.14	30.65	-	-	161.58

in Php MM for RBU and in \$ MM for FCDU	2014		2013	
	RBU	FCDU	RBU	FCDU
Earnings-at-Risk				
at +25bps	(56.82)	(0.22)	(36.47)	(0.20)
at +50bps	(113.65)	(0.44)	(72.94)	(0.39)
at +100bps	(227.30)	(0.89)	(145.89)	(0.79)
at +300bps	(681.89)	(2.66)	(437.66)	(2.36)
at +400bps	(909.18)	(3.55)	(583.55)	(3.15)
at +500bps	(1,136.48)	(4.44)	(729.44)	(3.49)
EVE Sensitivity				
at +25bps	(0.21)	(0.02)	(2.95)	(0.02)
at +100bps	(8.06)	(0.07)	(11.81)	(0.06)
at +300bps	(24.17)	(0.21)	(35.42)	(0.18)
at +500bps	(40.28)	(0.35)	(59.03)	(0.30)

The Bank also employs stress testing particular to market risk on the banking books and relates the result to the capital and to current and target net interest income to assess the impact of changes in net interest income on the ability of the Bank to sustain both profitability and adequate capital cover.

Market Risk Limit Framework for the Banking Books

In addition, the Bank puts in place a system of limits whose objectives are to constrain the exposures to market risk within the willingness of the Bank to incur such risk. These limits include:

- Maximum Cumulative Outflows that constrain the size of excess projected pay-outs of funds over expected cash receipts
- Earnings-at-Risk (EaR) limits that prescribe maximum tolerable compression of spread between the cost of funds and the return on assets

PBCOM calibrates its risk limits based at levels that can sustain the objectives of its lending business. The Board's Risk Oversight Committee reviews and approves all limits and endorses for confirmation of the Board of Directors.

OPERATIONAL RISK

Managing Operational Risk

All business lines have a role in executing PBCOM's strategy; thus, operational risk pervades in every unit in the Bank in varying scales. To ensure operational support for strategies, all employees are educated on risk management. On their first day in PBCOM, personnel are introduced to the Bank's risk management philosophies, policies and tools to achieve a consistent enterprise-wide "balanced-risk" attitude through the PBCOM Onboarding of New Employees (P-ONE). As an ongoing effort to ensure all employees adhere to and are updated on the prescribed risk

management philosophies, policies and tools, the risk culture is sustained through the Continuing Education Program that focuses on Compliance and Risk Management. In effect, possible risks between human resource and attainment of company objectives are addressed by instilling how risk management can contribute to their daily work.

In February 2014, the Bank transitioned to its new Core Banking System and ATM System in line with its objective to implement a Core Banking Platform. This enables the use of new technologies needed to support PBCOM's business transformation initiatives, such as:

- Reduction of go-to-market timeline of new products and services;
- Re-engineering of operations with Straight-Through Processing to improve turnaround time and achieve efficiencies;
- Implementation of system support for new technologies that will enable our clients to bank anytime, anywhere.

In terms of risk management, the Bank continued to: review and streamline procedures; examine processes in business centers (including on-site verification) to identify transaction bottlenecks; negate inefficiencies and improve internal controls; and evaluate new product and service specifications prior to launch. These activities contributed to upgrading the quality levels with respect to client transaction processing as well as improved operational controls. The Bank also conducted its Risk and Control Self-Assessment and risk aggregation to ensure appropriate management of enterprise residual risks.

The quantitative component of operational risk management is based on the assessment of historical data on internal events captured in the Internal Operational Loss Database and used as input for operational risk capital calculation.

Operational risk exposures are reported to the ROC on a periodic basis through the Internal Operational Loss Database Report, Profile of Complaints, the Legal Case Profile and the Fraud Report.

Fraud Prevention

To manage risks relative to PBCOM's growing business, the Bank anticipated that added protection must be given to its resources and customers; thus, a Fraud Prevention program was established to:

- Foster a Control Environment
- Establish the Fraud Risk Management framework
- Perform Fraud Risk Assessment
- Design and implement anti-fraud Control activities
- Timely capture, analyze, monitor and report fraud risks
- Monitor activities

Under the Fraud Prevention Program, information and policies were shared within the enterprise and fraud databases were also acquired for eventual integration with the various systems. As a result, the Bank ably prevented the use of its facilities for underhanded schemes and saved a significant amount in averted potential losses.

Capacity building within the Fraud Risk Management Unit was established to facilitate and provide consolidated support in aid of institutionalizing risk mitigating initiatives to all products and services across the Bank. Since its inception in 2013, the Unit has initiated proactive detection and the identification of probable sources of fraud to the Bank and its clients and provides immediate resolution concerning fraud risks. Holistically, Fraud Risk Unit's functionalities are in sync with the overall risk governance culture of the Bank promoted by Enterprise Risk, Information Security, Operational Risk, Internal Audit, Legal and Compliance.

Relevant programs of the Fraud Risk Management Unit were manifested in the following accomplished initiatives:

- **Prevention Strategy**
Established the following fraud database/MIS and are shared with stakeholders of the Bank:
 - a. Fraud Applications database
 - b. ATM Cardholder Fraud database
 - c. Company Watchlist/Blacklist database
 - d. List of Disaffiliated Direct Sales Agents/ Agency
 - e. List of Negative Addresses/Telephone numbers
 - f. List of identified Point of Compromise ATM Terminals
- **Detection Strategy**
Established key process improvements on the following:
 - a. Fraud Referrals of high risk applications
 - b. Legitimacy of submitted Financial Statements
- **Investigation**
Established process for handling of customer disputes through the following:
 - a. Fraud validations
 - b. Customer challenge
 - c. Network with industry colleagues in the timely identification of Point of Compromise ATM terminals/locations.
- **Deterrence**
 1. The Unit facilitated training across the various business units (in coordination with the CISO, HR Training and Branch Operations via its Training Academy) with focus on Fraud Risk Awareness and Branch Operations Fraud Awareness. The training module is concentrates on bank fraud mitigation processes, KYC and Customer Due Diligence, Credit Investigations and Fraud Risk Management.

2. The Unit established a network and nominated a liaison with local Anti-Fraud forums and symposia (i.e., Mastercard Security, Anti-Fraud Committee-Bancnet, and Credit Card Association of the Philippines) to facilitate active participation and sharing of best industry practices.
3. The Unit facilitated an internal credit forum to enhance awareness and knowledge of key credit officers who handle credit investigation functions.

Technology Transformation

In 2014, the Bank implemented significant technology improvements to support its revenue generating initiatives and further enhance its position in the market. Throughout the year, it further developed its resiliency and business center connectivity, increased its personnel mobility and productivity, and strengthened its security infrastructure.

In view of these developments, the Bank's Technology Risk Management Framework continues to provide a strengthened foundation and guidance on how the Bank should effectively manage emerging technology risks. A more frequent and comprehensive risk assessment and profiling methodologies for both IT functions and application systems were instituted to identify, monitor and control technology risks. Risk identification and assessments over project management were enhanced from project initiation to implementation. A control validation process was incorporated in technology risk assessments to ensure effectiveness of established risk mitigation strategy. New risk management policies were also developed to provide additional risk mitigants on new initiatives. The Bank's risk management team continues to play an active role in providing risk insights and assessments during launch of new products, technology and services.



Information Security (InfoSec)

Existing InfoSec procedures were updated and new measures were established with the introduction of new technologies and processes. InfoSec played a key role in ensuring data integrity and protection in the Bank's system migration, new products and services and in initiatives involving third-party services. Existing Information Security policies include:

- Enterprise Information Security Policy
- Enterprise Incident Management Policy
- Third Party Information Security Assessment
- External Vulnerability Assessment
- Risk and Control Self-Assessment Control Validation
- Information Security Standards
- Secure Workplace Guidelines
- Role-Based Access Control Policy
- Revised E-Banking Policy

InfoSec was also involved in the following ventures:

- Internet Banking System
- Internal and External Vulnerability Assessment
- Risk Control and Compliance Officer function roll-out
- Outsourcing of selected bank services
- Updating of the Code of Conduct
- ATM Malware / Electronic Banking Security Management
- Information Technology Asset Inventory
- Project Insight – an upgrade to core banking system report generation
- On-site inspections of contracted third-party services
- Information Security initial assessment of acquired rural bank
- Feasibility of PBCOM POS Terminals
- Third-Party Information Security Assessment
- Cash Management System
- Debit Card and Prepaid Card Project
- IT Control Checklist for Bank Applications
- Data Classification

The Enhanced Information Security Awareness program continued the regular communication of critical information to employees through the employee onboarding process (P-ONE), the Continuing Education Program and in updating bank employees through its internal email campaign called InfoSec Bytes, which provides information security developments needing urgent attention of all employees like ATM Skimming and other fraudulent activities, and dissemination of information security policy and procedure updates.

The Bank's Chief Information Security Officer (CISO) spearheads compliance to pertinent regulations and resolution to noted issues by internal and external reviewers. The CISO also contributes as part of the Management Investigation Committee.

Business Continuity Management

The Bank has a Business Continuity Management Framework in place that provides guidance for continuous operations in the event of any disruptions, and proactive mechanisms designed to prevent interruptions to critical business functions and improve the Bank's resiliency. Benchmarked with industry best practices, the Bank's business continuity planning process follows the four-step industry approach of business impact analysis, risk assessment, risk management and risk reporting. In line with this, the Bank conducted the annual review, testing and update of its Business Continuity Plan (BCP) and related procedures (e.g. general guidelines, testing program, outage impact analysis and call tree mechanism) to ensure appropriate assessments and responses, are made in the event of contingencies. Technology investments were initiated to provide a more resilient disaster recovery infrastructure and a more robust environment for business continuity. Business continuity seminars were held for Bank personnel to imbibe a culture of awareness and preparedness in times of emergency.

TRUST RISK MANAGEMENT

The Trust and Wealth Management Group adopted the components and standards of the new Trust Rating System of BSP in conducting its own risk assessment of pertinent fiduciary activities. It is intended to complement the risk-focused supervision of the BSP and to comprehensively evaluate the administration of Trust Group's fiduciary activities. The results of the exercise



will determine effectiveness of the Group's risk management practices and capability to handle its fiduciary dealings.

It is the Group's policy that their fiduciary activities and risk management practices are in accordance

with the Basic Standards and Risk Management Guidelines for Trust, other fiduciary and investment management activities. To ensure it identifies, measures, monitors the various risks that may arise in its operations, the Group adopted and observe the Bank's policy on risk management process, monitoring and reporting system. The primary objective is to ensure that exposures are within the Group's capacity to manage risks and consistent with the approved risk tolerance levels.

Minimum Capital Requirements to Cover Operational Risk Exposures

PBCOM computes for capital requirements to cover operational risk exposures using the basic indicator approach.

Under this approach to operational risk, banks must maintain 15% of average positive gross income over the previous three years as capital buffer for losses due to operations. Philippine Banking Regulations apply a capital coverage requirement that is 1.25 times higher than other regulators resulting in Philippine banks having to carry 18.75% of previous three years as capital buffer for losses due to operations.

The equivalent risk weighted asset is ten times the capital charge.

The Bank determined it had Php 4.09Bn in weighted exposures to operational risk at the end of 2014.

OPERATIONAL RISK EXPOSURE (in Php millions)	2014 (PFRS 9)	2014 (PAS 39)	2013 (PAS 39)
Average Gross Income (Previous 3 Years)	2,180	2,180	2,006
Capital Charge (Ave. Gross Income times 18.75%)	409	409	376
Risk Weighted Asset (Capital Charge times 10)	4,087	4,087	3,761



Corporate Governance

EVERYONE'S RESPONSIBILITY

The Board of Directors and Management, employees and shareholders, believe that Corporate Governance is a necessary component of what constitutes sound strategic business management. Thus, the Bank has undertaken every effort necessary to create awareness for this within its organization. All Directors and personnel are required to attend its annual continuing education program on Corporate Governance and Risk awareness.

The Board, Senior Management and all employees conduct themselves with utmost honesty and integrity in the discharge of their duties, functions and responsibilities, thus nurturing the continuing success of the Bank and securing its competitiveness in the best interest of the Bank, its shareholders and other stakeholders.

Bank Officers promote the good governance practices within the Bank by ensuring that policies on governance are consistently adopted across the organization, with measurable standards, initiatives and specific responsibilities and accountabilities for each personnel.

Consistent with global best practice good Corporate Governance, the Bank's overriding commitment to a culture of good governance is seen through the following underlying principles:

1. It is the Bank's objective to enhance shareholders' value by making the most efficient use of resources. Its human capital strategy is one of its vital focus areas, as it is a principal indicator for the company's success.
2. The Bank's Governance Committee, through its Nominations Sub-Committee, ensures the quality of its leadership, consistent with its "fit and proper" rule when selecting its Directors and Senior Management Team.
3. Its Board Committees, namely Governance, Audit and Risk Management Committees are all chaired by Independent Directors and with at least one other Independent Director as member; all of whom have a good understanding of the business.

4. Transparency in its Annual Reports is ensured and reflect true and fair accounting information prepared in accordance with applicable standards; disclose and discuss all material risks; and disclose and explain the rationale for all material estimates. Disclosures are all completed in a timely manner.
5. To ensure that all act in the best interest of the Bank, full disclosure by its Directors, Officers and Employees on any actual or expected conflict of interest is required.
6. The Bank's Code of Ethics and Code of Conduct clearly states Management's philosophy and compliance standards.

PBCOM IS AMONG THE PHILIPPINES' TOP 50 IN ASEAN CORPORATE GOVERNANCE SCORECARD

The Philippine Bank of Communications (PBCOM) ranked among the 50 highest-scoring Philippine companies in the ASEAN Corporate Governance Scorecard, according to a 2014 Asian Development Bank (ADB) report. The Bank was evaluated against 252 publicly listed companies in the country.

At PBCOM, a strong culture of governance is a necessary component of sound business management. The Bank's commitment to Corporate Governance reflects its recognition of the responsibility it has to shareholders and stakeholders. This is a responsibility that is shared by every member of the organization, and it is of primary importance that everyone in PBCOM conducts himself or herself with utmost honesty and integrity.

The scorecard was established in 2004 by the ASEAN Capital Market Forum (ACMF) in hopes of raising corporate governance standards of publicly listed companies in the region, as well as increasing their credibility and visibility to foreign investors and external fund managers.

The scorecard examines corporate governance in six ASEAN countries—Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam—and evaluates publicly listed companies based on five categories: Rights of the Shareholders; Equitable Treatment of Shareholders; Role of



Stakeholders; Disclosure and Transparency; and Responsibility of the Board.

Companies are assessed primarily on information from annual reports and company websites. Domestic ranking bodies are appointed to apply the scorecard to rank companies in each country. Recently, a peer-evaluation component was added to the assessment methodology, creating a check-and-balance process that improves the accuracy of results.

The ADB report lists the 50 highest-scoring companies in each country. PBCOM finds itself in good company, along with the Philippines' most respected blue chip corporations.

EXECUTIVE COMMITTEE

The Executive Committee is composed of 7 members chosen from among the members of the Board of Directors. The Board may also appoint such number of alternate members (from among the remaining members of the Board) as it may desire. The Committee has the power to exercise functions and prerogatives of the Board of Directors during intervals between Board meetings except for matters the Board has specifically reserved for itself by law or under the Bank's by-laws. The Committee has its own rules and procedures. Minutes of all meetings of the Executive Committee are kept and carefully preserved as a record of all business transacted. The

minutes of the meeting of the Committee are also submitted at the regular meetings of the Board of Directors for the Board's review and approval. A quorum at any meeting of the Executive Committee consists of a majority of all members thereof. A majority of members present, constitutes a quorum, can decide any question that may come before the Committee during the meeting. The Corporate Secretary and the Assistant Corporate Secretary also act as the Secretary of the Executive Committee during its meetings.

Name	Attendance
Lucio L. Co, Chairman	6/6
Eric O. Recto, Vice Chairman	13/22
Leonardo B. Dayao, Vice Chairman	3/3
Nina D. Aguas	18/22
Ralph C. Nubla, Jr.	14/16
Bunsit Carlos G. Chung	13/16
Henry Y. Uy	16/16
Gregorio T. Yu ¹	18/19
Mario J. Locsin ²	12/15
Imelda S. Singzon ³	3/6
Roberto M. Macasaet, Jr.	6/6
Raul O. Serrano	6/6

¹ Resigned as of November 17, 2014

² Resigned as of September 15, 2014

³ Resigned as of March 26, 2014

TRUST COMMITTEE

The Trust Committee is composed of five members: three members of the Board of Directors, one of whom is an Independent Director; the President/CEO; and the Trust Officer. The Trust Committee acts within the authorities and powers delegated by the Board of Directors, and in compliance with the requirements under the BSP Manual of Regulations for Banks for the practices on Investment Management Activities, Trust and Other Fiduciary Business. The Trust Committee shall be responsible for the oversight of all Trust activities. Further, the Committee also ensures that Trust policies and procedures remain relevant to ensure that proper risk management and internal controls are enforceable for the prudent administration and management of Trust activities.

Name	Attendance
Eric O Recto, Chairman	6/6
Nina D. Aguas, President, Member	6/6
Ralph C. Nubla, Jr., Member/Director	6/6
Roberto M. Macasaet, Jr., Member/Director	2/2
Patrick D. Cheng, Member/Chief Trust Officer	6/6
Jesus S. Jalandoni, Member/Director	3/4

AUDIT COMMITTEE

The Audit Committee is composed of four members of the Board of Directors, two of whom are Independent Directors.

The Audit Committee has a written charter, which includes its purpose, objectives, duties and responsibilities, duly approved by the Board. The Committee assists the Board of Directors in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, including financial reporting practices, information technology security, accounting policies, and auditing.

Name	Attendance
Luis Y. Benitez (Chairman) ¹	11/11
Emmanuel Y. Mendoza (Chairman) ²	NA
Levi B. Labra ³	3/3
Bunsit Carlos G. Chung	9/14
Henry Y. Uy	14/14
Raul O. Serrano (Chairman) ⁴	3/3
Teresita A. See ⁵	11/11
Imelda S. Singzon ⁴	0/3

¹ Resigned December 12, 2014

² Elected December 19, 2014

³ Elected October 24, 2014

⁴ Resigned March 26, 2014

⁵ Resigned October 24, 2014

RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee is composed of six members of the Board of Directors who possess adequate knowledge of the Bank's risk exposures. The Chairman of the Committee is an independent director, while the Secretary of the Committee is the Chief Risk Officer. It assists the Board of Directors in the execution of its function in overseeing the risk management program of the Bank. An effective risk management program is a critical component of financially sound Bank operations. It is a key element in achieving PBCOM's goal and objectives, optimizing growth and capital while minimizing losses to the Bank.

Name	Attendance
David L. Balangue (Chairman) ¹	9/9
Jesus S. Jalandoni, Jr. ²	8/9
Luis Y. Benitez ³	7/9
Nina D. Aguas	11/13
Ralph C. Nubla Jr.	13/13
Henry Y. Uy	13/13
Carlos G. Chung Bunsit	4/4
Roberto M. Macasaet, Jr. (Chairman)	4/4
Gregorio T. Yu	0/4
Imelda S. Singzon ⁴	0/4

¹ Appointed ROC Chairman April 7, 2014

² Appointed April 7, 2014

³ Appointed April 7, 2014;
Resigned December 12, 2014

⁴ Resigned March 26, 2014

GOVERNANCE COMMITTEE

The Governance Committee acts as the primary arm of the Board of Directors in determining the structure, charter, policies and practices of the Board and its Committees. The Committee is currently composed of five members of the Board of Directors, two of whom are Independent Directors, and under the chairmanship of an Independent Director.

Its mandate covers the organization of the Board of Directors, screening of new members, assessing the propriety of business strategies and determining how the corporation operates, makes decisions and builds its relationships with shareholders and the public at large.

The Corporate Governance function ensures that accountability is enforced at all levels and that the Bank always acts in the best interest of the company, its shareholders and stakeholders.

The Committee ensures that such purposes are met by creating a climate of transparency in the Bank where shareholders are fully informed of business decisions and long-term business plans.

One of the primary responsibilities of the Committee is to evaluate and recommend amendments to the Articles of Incorporation and by-laws, as well as to set up Corporate Governance guidelines including, but not limited to:

- Size (number of members) of the Board
- Criteria for membership (e.g. Qualifications, Stock Ownership, Diversity)
- Mix of management and Independent Directors
- Prevention of conflicts of interest
- Compensation and benefits program of managing and non-managing members of the Board and Senior Management
- Structure and Charter of Board Committees
- Rotation of Committee members and chairs
- Performance evaluation of CEO and members of the Board
- Succession Planning and Development Program for Senior Management and Directors

The Governance Committee oversees the programs of the following sub-committees:

Nomination Sub-Committee

- The Nomination Sub-Committee identifies, evaluates and recommends individuals qualified to become Directors of the Bank based on factors such as probity of character, extent of business experience and expertise and maturity or judgment. The Sub-Committee also exercises oversight functions in the selection, nomination and appointment of members of Senior Management.

Compensation and Remuneration Sub-Committee

- This Committee oversees the implementation of the compensation and benefits program for Directors and Senior Management to attract and retain the best talents by benchmarking against other leading financial institutions.

Performance Evaluation Sub-Committee

- The Sub-Committee oversees the implementation of performance management program for Senior Management and the members of the Board.



The Governance Committee meets monthly or whenever necessary. In 2014, a total of twelve (12) meetings were held and attendance at these meetings is summarized below:

Name	Attendance
Jose P. Leviste, Jr. ¹	3 / 4
Eric O. Recto	10 / 12
Raul O. Serrano ²	4 / 4
Teresita Ang See ³	10 / 11
Ralph C. Nubla	12 / 12
Mario J. Locsin ⁴	4 / 4
David L. Balangue ⁵	6 / 8
Roberto Z. Lorayes ⁶	1 / 1
Leonardo B. Dayao ⁷	0 / 1

¹ Chairman until 28 March 2014

² Resigned 28 March 2014

³ Chairman, 28 March – 21 October 2014

⁴ 26 May – 15 September 2014

⁵ Appointed July 2014

⁶ Chairman, 18 December to present

⁷ Appointed December 2014



Products and Services

DEPOSITS

Regular Checking Account
Value Check Account
IntegrALL Account
Quick Cash ATM Account
Regular Peso Savings Account
US Dollar Savings Account
Euro Savings Account
Peso Certificate of Time Deposit
Passbook Time Deposit
Premium Time Deposit
(One, Two or Three-year Terms)
Regular Dollar Time Deposit
Maxi Dollar Time Deposit
Euro Time Deposit
Sure Earner Time Deposit

CASH MANAGEMENT SERVICES

Deposit Pick-up and Cash Delivery Service
Post Dated Check Warehousing
Checkwriting Facility
Payroll Service
Payroll Software Solution
Facilities via BancNet for Business Accounts

- Taxlink or BIReFPS
- SSSNet
- Point of Sale (POS)
- Bills Payment
- e-Shopping

ANCILLARY SERVICES

Safe Deposit Boxes
Manager's Checks
Gift Checks
Demand Draft

CREDIT AND LOAN FACILITIES

Short Term Working Capital Loans
Term Loan
Trade Check Discounting Line
Letter of Credit / Trust Receipt Line
Trade Finance Receivable Line
Condotel Loan
Domestic Bills Purchase Line
Commercial Loans
Foreign Currency Loans
Export Packing Credit
Trade Financing
Trust Receipt Financing
Real Estate Development Loan
Project Finance

CONSUMER LOANS

Personal Loans
Auto Loans
Home Loans

TREASURY

Philippine Sovereign Instruments

- Treasury Bills
- Retail Treasury Bonds
- Fixed Rate Treasury Notes
- Republic of the Philippines Bonds

Philippine Corporate Bonds
Deposit Substitutes

- Promissory Notes
- Repurchase Agreements

Foreign Exchange

- Spot Contracts
- Forward Contracts



REMITTANCES

Outgoing Telegraphic Transfer
Incoming Telegraphic Transfer
Domestic USD Dollar Transfer (PDDTS)
Domestic Peso Transfer (RTGS)
Incoming OFW Transfer (Philpass Remit)

TRUST PRODUCTS & SERVICES

Investment Management Accounts
Escrow Accounts
Retirement Fund
Unit Investment Trust Funds (UITFs)

- Signature Trust Fund
- Best Balanced Fund
- Value Equity Fund

TRADE-RELATED SERVICES

Import and Domestic Letters of Credit
Foreign and Domestic Standby Letter of Credit
 Bank Guaranty/Shipside Bond
Trust Receipts
Export Bills Purchase
Clean and Documentary Financing
Import Bills/Customer's Liability under
 Acceptance Trade Financing of
 Receivable and Payables



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830-7000 loc. 2700, 2702, 2703, 2704, 2705,
(045) 625-8712, 888-9650
angeles@pbcom.com.ph

BAGUIO

GF Unit 105, 106 & 106-B Baguio Holiday Villas
No. 10 Legarda Road, Baguio City
(074) 637-5993, (074) 637-5979,
830-7000 loc. 2603, 2607
Baguio@pbcom.com.ph

BATANGAS

Diego Silang St., Batangas City, Batangas
(043) 723-7801, 723-4208, 723-4207,
830-7000 loc. 2750, 2751, 2752, 2753
batangas@pbcom.com.ph

CABANATUAN

G/F SAM Bldg., Along Maharlika Highway
Cabanatuan City
(044) 464-7674, (044) 464-7368,
830-7000 loc. 2630, 2631, 2632
Cabanatuan@pbcom.com.ph

CALAMBA

G/F Walter Mart, National Highway cor. Real St.
Calamba Laguna
(049) 530-3430, (049) 530-3393, (049) 530-3269,
830-7000 loc. 2643, 2645, 2646
Calamba@pbcom.com.ph

CAUAYAN

Mateo-Patricia Bldg., Along Rizal Avenue Extension
Cauayan, Isabela
(078) 652-0552, 6520553,
830-7000 loc. 2621, 2622, 2623
cayauan@pbcom.com.ph

DAGUPAN

Balingit Bldg., M.H. Del Pilar St., Dagupan City
(075) 515-2097, 523-6862, 523-6954,
830-7000 loc. 2820, 2822, 2825, 2828
dagupan@pbcom.com.ph

DASMARIÑAS

EVY Bldg., Molino-Paliparan Road Salawag
Dasmariñas, Cavite
(046) 481-5268, 481-7250,
830-7000 loc. 2780, 2781
dasmarinas@pbcom.com.ph

IMUS

P. Nueño St., cor. Gaerlan St., Imus, Cavite
830-7000 loc. 2390, 2392, 2393,
(046) 471-4349, 471-3368
imus@pbcom.com.ph

LA UNION

G/F, CJ Arch Bldg. Quezon Avenue
San Fernando City, La Union
830-7000 loc. 2610, 2613, 2614,
(072) 888-2044, 888-2741, 888-2740
launion@pbcom.com.ph

LIPA

G/F, ATDRMAM Laguna Corp. Bldg.
Ayala Highway, Mataas na Lupa
Lipa City, Batangas
830-7000 loc. 2790, 2791, 2792, 2793,
(043) 757-3258, 757-3261, 09175564314
lipa@pbcom.com.ph

LUCENA

G/F, VCII Bldg., Merchan St. Lucena City
Quezon Province
830-7000 loc. 2740, 2741, 2744,
(042) 373-6462, 373-6464, 373-6465
lucena@pbcom.com.ph

MALOLOS

Malolos Shopping Arcade, Paseo Del Congreso
Brgy. San Agustin, Malolos, Bulacan
830-7000 loc. 2720, (044) 790-6536, 662-0896
malolos@pbcom.com.ph

MEYCAUAYAN

Mancon Bldg., McArthur Highway
Barrio Calvario, Meycauayan, Bulacan
(044) 840-4496, 815-2501, 815-2502,
480-3476, 830-7000 loc. 2460
meycauayan@pbcom.com.ph

NAGA

G/F Rodriguez Bldg., 956 Panganiban St.
Cor. Balintawak St., Naga City
(054) 881-2427, 881-2489,
830-7000 loc. 2650, 2651
Naga@pbcom.com.ph

OLONGAPO

Ground Floor, YBC Centre Mall
Rizal Avenue Extension, Olongapo City
(047) 222-3479, 222-4381,
830-7000 loc. 2560, 2561

SAN FERNANDO - PAMPANGA

McArthur Highway, Dolores
San Fernando City, Pampanga
(045) 963-6784, 860-1890, 963-6785,
830-7000 loc. 2710, 2713, 2717
sanfernando@pbcom.com.ph

SAN PABLO

65 Rizal Ave., Poblacion, San Pablo, Laguna
(049) 561-1186, 561-1187, 561-1188,
830-7000 loc. 2680, 2681, 2683
sanpablo@pbcom.com.ph

SAN PEDRO - PACITA COMPLEX

Unit 20 & 21 Bldg. 2, Centro Pacita
Pacita Complex Phase 2, San Pedro, Laguna
808-6083, 808-6081, 808-6082
sanpedro-pacita@pbcom.com.ph

STA. ROSA

Unit No. 2, Paseo 5, Phase 2
Paseo de Sta. Rosa Greenfield City
Sta. Rosa, Laguna
(049) 502-6693, 508-0266,
830-7000 loc. 2673, 2678
sta.rosa@pbcom.com.ph

VISAYAS REGION

BACOLOD

Units A-E, Ground Floor, Sorrento Bldg.
Lacson St., Bacolod City
830-7000 loc. 2960, 2961, 2963, 2964,
(034) 433-0404, 435-0690, 433-0402
bacolod@pbcom.com

CEBU BUSINESS PARK

Unit 1, Ground Floor, Creativo 2 Bldg.
Mindanao Avenue, Cebu Business Park, Cebu City
(032) 260-8913, 266-0924, 830-7000 loc. 2862
CebuBusinessPark@pbcom.com.ph

CEBU - MAGALLANES

Magallanes near cor. Manalili St., Cebu City
830-7000 loc. 2900, 2908, (032) 318-2487,
253-2851, 253-2761, 255-3286, 253-2740,
0917-5541404
cebu@pbcom.com.ph

CEBU - MANDAUE

National Highway, Mandaue, Cebu City
830-7000 loc. 2940, 2943, (032) 344-1078,
318-2489, 346-5110, 346-5109, 0917-5541420
mandaue@pbcom.com.ph

CEBU - MANDAUE - BASAK

Co Tiao King Bldg. Cebu North Road Basak
Mandaue City
830-7000 loc. 2801, (032) 318-3506,
346-2709, 0917-5541422
mandaue.basak@pbcom.ph

CEBU - MANGO

General Maxillom Mango Ave., Cebu City
830-7000 loc. 2950, 2951, (032) 318-2488,
253-1419, 253-2326, 0917-5541416
mango@pbcom.com.ph

DUMAGUETE

Unit No. 6, Yala Bldg., Calindagan, Dumaguete City
(035) 522-0401, 522-0650,
830-7000 loc. 2591, 2594
Dumaguete@pbcom.com.ph

ILOILO

Ledesma cor. Valeria St., Iloilo City
830-7000 loc. 2930, 2931, 2932, (033) 337-3668,
336-8989, 337-3594, 336-8987, 335-1181
iloilo@pbcom.com.ph

TAGBILARAN

G/F LTS Bldg., No. 20 Carlos P. Garcia Ave.
Tagbilaran City, Bohol
(03) 411-1076, 411-1097, 830-7000 loc. 2580, 2581
TagbilaranBusinessCenter@pbcom.com.ph

MINDANAO REGION

CAGAYAN DE ORO

Tiano Bros. cor. Hayes St.
Cagayan De Oro City
830-7000 loc. 2920, 2921, (088) 726-519,
857-1558, 857-1559
cdo@pbcom.com.ph

DAVAO - BAJADA

G/F, RAQ Bldg., J.P. Laurel Ave. Bajada, Davao City
830-7000 loc. 2810, 2811, (082) 330-7987,
222-0060, 222-0061, 0917-5564308
DavaoBajada@pbcom.com.ph

DAVAO - MONTEVERDE

42 Monteverde Ave., Davao City
830-7000 loc. 2910, 2912, (082) 221-2140
221-2141, 330-7985, 0917-5564457
davao@pbcom.com.ph

DAVAO - QUIRINO

111 E. Quirino Ave., Davao City
Davao Del Sur
830-7000 loc. 2880, 2881, (082) 222-4161
330-7986, 222-4160, 0917-5564459
quirino.davao@pbcom.com.ph

GENERAL SANTOS

Santiago Blvd., General Santos City
830-7000 loc. 2980, 2981,
(083) 552-8167, 301-8445
gensan@pbcom.com.ph

ILIGAN

M.H. Del Pilar cor. M. Badelles St.
J. Luna St., Iligan City
830-7000 loc. 2840, (063) 223-2702, 223-2703
iligan@pbcom.com.ph

KORONADAL

General Santos Drive, Koronadal, South Cotabato
830-7000 loc. 2891, (083) 228-3917, 228-3919
koronadal@pbcom.com.ph

TAGUM

Pioneer, Tagum, Davao Del Norte
830-7000 loc. 2970, 2971,
(084) 655-7185, 655-9550
tagum@pbcom.com.ph

ZAMBOANGA - VALDEROSA

G/F, Interco Bldg., N. S. Valderosa St.
Zamboanga City
830-7000 loc. 2850, (062) 992-6437,
992-6435, 992-6438
zamboanga@pbcom.com.ph

ZAMBOANGA - VETERANS

BSC Tower (formerly Zamsulu Bldg.)
Ground Floor, Door 5-7, Veterans Avenue
Zamboanga City
830-7000 loc. 2870, 2871, 2872, 2873, 2876,
(062) 991-1865, 991-6162, 991-6194
zamboanga.veteran@pbcom.com.ph

PBCOM Insurance Services Agency Inc. (PISAI)



PBCOM Insurance Services Agency Inc. (PISAI) was established in 2014 and is a wholly owned subsidiary of PBCOM that engages in the business of soliciting and promoting insurance products. PISAI offers a full range of insurance agency services including Life

and Investment Linked products to meet customers' wealth management and risk protection needs.

British life insurer Pru Life UK and PBCOM announced on October 10, 2014 an agreement to begin a five-year alliance to distribute Pru Life UK's comprehensive array of life, health and protection products to PBCOM's network of customers in the Philippines through PISAI.

Through the partnership, PISAI builds a strong portfolio of insurance products to complement PBCOM's suit of financial solutions. PBCOM is able to provide a more comprehensive set of financial solutions and reach clients in a more holistic manner.

In 2014, after only three months of operations, PISAI already generated new sales of Php 107Mn.

Rural Bank Acquisitions

BSP approved PBCOM's acquisition of the Rural Bank of Nagcarlan (RBNI) on July 31, 2014. The acquisition, which was first disclosed after the signing of the agreement between PBCOM and RBNI in March 2014, added 6 branches to PBCOM's footprint located in Nagcarlan, Los Baños, Calamba, Biñan, Cabuyao and San Pablo.

On September 9, 2014, BSP approved PBCOM's acquisition of Banco Dipolog, Inc (BDI), a 13-branch rural bank based in Northern Zamboanga. Located in various

cities across Visayas and Mindanao, the acquisition of BDI brought PBCOM's rural bank footprint to a total of 19 branches.

These rural bank acquisitions are key to PBCOM's strategy in strengthening its franchise in the SME banking space. Presence in the countryside not only allows PBCOM to expand its network; it also enables PBCOM to contribute to the development and strengthening of small businesses, which comprise a significant portion of the underserved market in the Philippines.





Statement of Management's Responsibility

The management of Philippine Bank of Communications (the Company) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014, 2013, and 2012, including the additional components attached therein, in accordance with the prescribed Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the Stockholders.

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

ERIC O. RECTO
Chairman

HENRY Y. UY
Acting President

ARLENE M. DATU
Finance Group Head

Independent Auditors' Report



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

THE STOCKHOLDERS AND THE BOARD OF DIRECTORS PHILIPPINE BANK OF COMMUNICATIONS

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Philippine Bank of Communications and subsidiaries (the Group) and the parent company financial statements of Philippine Bank of Communications (the Parent Company), which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group and of the Parent Company as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014, in accordance with Philippine Financial Reporting Standards.

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

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

SYCIP GORRES VELAYO & CO.


Josephine Adrienne A. Abarca

Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-2 (Group A),
February 4, 2013, valid until February 3, 2016
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751251, January 5, 2015, Makati City
March 25, 2015

Statements of Financial Position

	Consolidated		Parent Company	
	December 31			
	2014	2013	2014	2013
	(Amounts in Thousands)			
ASSETS				
Cash and Other Cash Items	₱1,181,592	₱740,012	₱1,153,418	₱740,012
Due from Bangko Sentral ng Pilipinas (Notes 20 and 21)	12,522,613	9,573,407	12,463,067	9,573,407
Due from Other Banks	1,636,641	661,308	1,375,645	661,308
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Note 9)	832,604	202,550	832,604	202,550
Financial Assets at Fair Value through Profit or Loss (Note 10)	684,219	104,909	684,219	104,909
Equity Securities at Fair Value through Other Comprehensive Income (Note 11)	42,975	-	42,975	-
Available-for-Sale Investments (Note 12)	-	20,090,082	-	20,090,082
Investment Securities at Amortized Cost (Note 13)	13,270,864	-	13,256,310	-
Loans and Receivables (Note 14)	33,545,766	24,997,424	32,306,710	24,997,424
Investments in Subsidiaries and an Associate (Note 8)	11,645	11,284	854,841	2,000
Property and Equipment (Note 15)				
At cost	1,401,991	1,329,540	1,320,698	1,329,540
At appraised value	489,039	417,029	441,307	417,029
Investment Properties (Note 16)				
Condominium units for lease	3,959,178	3,341,665	3,959,178	3,341,665
Foreclosed properties	780,036	482,554	566,058	482,554
Goodwill (Note 7)	162,547	-	-	-
Intangible Assets (Note 17)	823,392	333,533	554,742	333,533
Other Assets (Note 18)	589,624	313,358	579,546	313,358
TOTAL ASSETS	₱71,934,726	₱62,598,655	₱70,391,318	₱62,589,371
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 20 and 33)				
Demand	₱9,221,026	₱7,183,260	₱9,450,291	₱7,183,260
Savings	4,228,369	3,089,981	3,487,510	3,089,981
Time	45,661,826	37,007,256	44,818,420	37,007,256
	59,111,221	47,280,497	57,756,221	47,280,497
Bills Payable (Note 21)	3,425,427	9,458,241	3,421,652	9,458,241
Outstanding Acceptances	25,620	43,188	25,620	43,188
Manager's Checks	211,130	173,501	211,130	173,501
Accrued Interest, Taxes and Other Expenses (Note 22)	531,803	507,545	521,673	507,545
Income Tax Payable	25,258	-	8,770	-
Deferred Tax Liabilities (Note 32)	746,556	524,116	621,893	524,116
Other Liabilities (Note 23)	636,272	537,952	600,824	537,952
TOTAL LIABILITIES	64,713,287	58,525,040	63,167,783	58,525,040

(Forward)

	Consolidated		Parent Company	
	December 31			
	2014	2013	2014	2013
	(Amounts in Thousands)			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common stock (Note 25)	7,489,114	7,489,114	7,489,114	7,489,114
Subscribed common stock - net (Note 25)	1,792,698	-	1,792,698	-
Additional paid-in capital (Note 25)	813,601	813,601	813,601	813,601
Surplus reserves (Note 25)	105,772	105,772	105,772	105,772
Deficit (Note 25)	(2,947,623)	(3,076,034)	(2,951,928)	(3,085,318)
Net unrealized loss on available-for-sale investments (Note 12)	-	(1,219,413)	-	(1,219,413)
Unrealized gain on equity securities carried at fair value through other comprehensive income (Note 11)	24,354	-	24,354	-
Revaluation increment on land and condominium properties (Notes 15 and 16)	247,743	209,546	247,743	209,546
Cumulative translation adjustment	(27,392)	(11,611)	(27,392)	(11,611)
Remeasurement losses on defined benefit liability (Note 29)	(271,352)	(237,360)	(270,427)	(237,360)
	7,226,915	4,073,615	7,223,535	4,064,331
NON-CONTROLLING INTERESTS	(5,476)	-	-	-
TOTAL EQUITY	7,221,439	4,073,615	7,223,535	4,064,331
TOTAL LIABILITIES AND EQUITY	₱71,934,726	₱62,598,655	₱70,391,318	₱62,589,371

See accompanying Notes to Financial Statements.

Statements of Income

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	2014	2013	2012
(Amounts in Thousands)						
INTEREST INCOME						
Loans and receivables (Notes 14 and 33)	₱2,084,877	₱1,275,529	₱1,100,749	₱2,036,406	₱1,275,529	₱1,100,749
Investment securities (Note 28)	798,169	1,256,063	1,295,874	798,154	1,256,063	1,295,874
Deposits with other banks	27,368	27,703	15,223	27,397	27,703	15,223
Interbank loans receivable and securities purchased under resale agreements (Note 9)	21,715	10,076	44,024	21,715	10,076	44,024
Others (Note 23)	197,642	774,557	684,016	197,642	774,557	684,016
	3,129,771	3,343,928	3,139,886	3,081,314	3,343,928	3,139,886
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 20 and 33)	883,214	689,479	784,564	871,840	689,479	784,564
Bills payable, borrowings and others (Note 21)	300,315	936,699	850,316	299,919	936,699	850,316
	1,183,529	1,626,178	1,634,880	1,171,759	1,626,178	1,634,880
NET INTEREST INCOME						
	1,946,242	1,717,750	1,505,006	1,909,555	1,717,750	1,505,006
Service charges, fees and commissions	326,464	215,477	153,588	297,601	215,477	153,588
Rent income (Notes 30 and 33)	313,424	256,294	295,759	313,350	256,294	295,759
Fair value gain (loss) from investment properties (Note 16)	380,407	248,914	(4,492)	380,407	248,914	(4,492)
Trading and securities gain - net (Note 28)	61,699	1,540,600	754,080	61,699	1,540,600	754,080
Foreign exchange gain (loss) - net	31,805	(17,767)	24,299	31,805	(17,767)	24,299
Gain (loss) on assets exchange - net (Note 16)	(21,435)	23,385	-	(21,539)	23,385	-
Income from trust operations (Notes 27 and 29)	19,055	22,481	15,386	19,055	22,481	15,386
Profit from assets sold (Note 16)	9,019	10,703	123,281	8,865	10,703	123,281
Miscellaneous	22,289	3,795	10,871	19,631	2,533	10,373
TOTAL OPERATING EXPENSES	3,088,969	4,021,632	2,877,778	3,020,429	4,020,370	2,877,280

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	2014	2013	2012
(Amounts in Thousands)						
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 29 and 33)	₱1,365,949	₱1,080,179	₱707,756	₱1,345,892	₱1,080,179	₱707,756
Taxes and licenses (Note 32)	380,124	456,926	323,633	375,008	456,926	323,633
Occupancy and other equipment-related costs (Notes 30 and 33)	210,472	130,531	97,034	207,097	130,531	97,034
Depreciation and amortization (Note 15)	198,045	133,239	77,892	192,927	133,239	77,892
Reversal of credit and impairment losses - net (Note 19)	(194,853)	(402,675)	(1,265)	(198,541)	(402,675)	(1,265)
Insurance	102,877	38,594	61,903	100,913	38,594	61,903
Security, clerical, messengerial and janitorial services	96,430	60,220	53,354	94,712	60,220	53,354
Entertainment, amusement and recreation	81,825	67,665	22,867	81,756	67,665	22,867
Management and professional fees	80,827	172,824	105,078	78,266	172,824	105,078
Communications	67,379	45,268	36,945	66,612	45,268	36,945
Miscellaneous (Note 31)	285,495	208,931	117,640	269,929	208,931	117,640
TOTAL OPERATING EXPENSES	2,674,570	1,991,702	1,602,837	2,614,571	1,991,702	1,602,837
INCOME BEFORE INCOME TAX	414,399	2,029,930	1,274,941	405,858	2,028,668	1,274,443
PROVISION FOR INCOME TAX (Note 32)	302,887	397,046	290,159	288,949	397,046	290,159
NET INCOME	₱111,512	₱1,632,884	₱984,782	₱116,909	₱1,631,622	₱984,284
Attributable to:						
Equity holders of the Parent Company	₱111,930	₱1,632,884	₱984,782			
Non-controlling interests	(418)	-	-			
	₱111,512	₱1,632,884	₱984,782			
Basic Earnings Per Share Attributable to Equity						
Holders of the Parent Company (Note 34)	₱0.37	₱5.87	₱3.54			
Diluted Earnings Per Share Attributable to Equity						
Holders of the Parent Company (Note 34)	₱0.35	₱5.87	₱3.54			

See accompanying Notes to Financial Statements.

Statements of Comprehensive Income

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	2014	2013	2012
	(Amounts in Thousands)					
NET INCOME FOR THE YEAR	₱111,512	₱1,632,884	₱984,782	₱116,909	₱1,631,622	₱984,284
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR						
Items that may be reclassified to profit or loss in subsequent periods:						
Net movement in cumulative translation adjustment	(15,781)	(6,725)	17,767	(15,781)	(6,725)	17,767
Net unrealized gain (loss) on available-for-sale investments (Note 12)	-	(1,892,202)	(1,050,374)	-	(1,892,202)	(1,050,374)
	(15,781)	(1,898,927)	(1,032,607)	(15,781)	(1,898,927)	(1,032,607)
Items that may not be reclassified to profit or loss in subsequent periods:						
Change in remeasurement losses on defined benefit liability (Note 29)	(34,001)	(33,800)	(49,960)	(33,067)	(33,800)	(49,960)
Net movement in revaluation increment on land and condominium properties (Notes 15 and 16)	54,567	32,367	19,469	54,567	32,367	32,367
Income tax effect of revaluation increment on land and condominium properties (Notes 15 and 16)	(16,370)	(9,710)	(5,841)	(16,370)	(9,710)	(5,841)
Unrealized gain on equity securities carried at fair value through other comprehensive income (Note 11)	197	-	-	197	-	-
	4,393	(11,143)	(36,332)	5,327	(11,143)	(36,332)
	(11,388)	(1,910,070)	(1,068,939)	(10,454)	(1,910,070)	(1,068,939)
TOTAL COMPREHENSIVE INCOME (LOSS), NET OF TAX	₱100,124	(₱277,186)	(₱84,157)	₱106,455	(₱278,448)	(₱84,655)
Attributable to:						
Equity holders of the Parent Company	₱100,551	(₱277,186)	(₱84,157)			
Non-controlling interests	(427)	-	-			
TOTAL COMPREHENSIVE INCOME (LOSS)	₱100,124	(₱277,186)	(₱84,157)			

See accompanying Notes to Financial Statements.

Statements of Changes in Equity

Consolidated														
Years Ended December 31														
Equity Attributable to Equity Holders of the Parent Company														
	Preferred Stock	Common Stock (Note 25)	Subscribed Common Stock - net (Note 25)	Deposit for Future Subscription	Additional Paid-in Capital	Surplus Reserves (Note 25)	Deficit	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 13)	Unrealized Gain on Equity Securities at Fair Value Through Other Comprehensive Income (Note 11)	Revaluation Increment on Land and Condominium Properties (Note 16)	Cumulative Translation Adjustment	Remeasurement Losses on Defined Benefit Liability (Note 29)	Non-Controlling Interests	Total Equity
Balances at January 1, 2014	₱ –	₱ 7,489,114	₱ –	₱ –	₱ 813,601	₱ 105,772	(₱ 3,076,034)	(₱ 1,219,413)	₱ –	₱ 209,546	(₱ 11,611)	(₱ 237,360)	₱ –	₱ 4,073,615
Effect of early adoption of PFRS 9 (Note 2)	-	-	-	-	-	-	16,481	1,219,413	24,157	-	-	-	-	1,260,051
Effect of business combination	-	-	-	-	-	-	-	-	-	-	-	-	(5,049)	(5,049)
Subscription of common stock	-	-	1,792,698	-	-	-	-	-	-	-	-	-	-	1,792,698
Total comprehensive income (loss) for the year	-	-	-	-	-	-	111,930	-	197	38,197	(15,781)	(33,992)	(427)	100,124
Balances at December 31, 2014	₱ –	₱ 7,489,114	₱ 1,792,698	₱ –	₱ 813,601	₱ 105,772	(₱ 2,947,623)	₱ –	₱ 24,354	₱ 247,743	(₱ 27,392)	(₱ 271,352)	(₱ 5,476)	₱ 7,221,439
Balances at January 1, 2013	₱ 3,000,000	₱ 5,259,897	₱ –	₱ 3,552,598	₱ 476,012	₱ 105,772	(₱ 8,653,840)	₱ 672,789	₱ –	₱ 186,889	(₱ 4,886)	(₱ 203,560)	₱ –	₱ 4,391,671
Conversion of preferred stock to common stock	(3,000,000)	3,000,000	-	-	-	-	-	-	-	-	-	-	-	-
Reduction of par value of common stock	-	(3,944,922)	-	-	3,944,922	-	-	-	-	-	-	-	-	-
Issuance of additional common stock	-	3,174,139	-	(3,552,598)	337,589	-	-	-	-	-	-	-	-	(40,870)
Application of additional paid-in capital against deficit	-	-	-	-	(3,944,922)	-	3,944,922	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	-	-	1,632,884	(1,892,202)	-	22,657	(6,725)	(33,800)	-	(277,186)
Balances at December 31, 2013	₱ –	₱ 7,489,114	₱ –	₱ –	₱ 813,601	₱ 105,772	(₱ 3,076,034)	(₱ 1,219,413)	₱ –	₱ 209,546	(₱ 11,611)	(₱ 237,360)	₱ –	₱ 4,073,615
Balances at January 1, 2012	₱ 3,000,000	₱ 5,259,897	₱ –	₱ 2,373,033	₱ 476,012	₱ 105,772	(₱ 9,638,622)	₱ 1,723,163	₱ –	₱ 172,316	(₱ 22,653)	(₱ 153,600)	₱ –	₱ 3,296,263
Proceeds from deposit for future stock subscription	-	-	-	1,179,565	-	-	-	-	-	-	-	-	-	1,179,565
Total comprehensive income (loss) for the year	-	-	-	-	-	-	984,782	(1,050,374)	-	13,628	17,767	(49,960)	-	(84,157)
Balances at December 31, 2012	₱ 3,000,000	₱ 5,259,897	₱ –	₱ 3,552,598	₱ 476,012	₱ 105,772	(₱ 8,653,840)	₱ 672,789	₱ –	₱ 186,889	(₱ 4,886)	(₱ 203,560)	₱ –	₱ 4,391,671

See accompanying Notes to Financial Statements.

Statements of Changes in Equity

	Parent Company											
	Years Ended December 31											
	Preferred Stock	Common Stock (Note 25)	Deposit for Future Subscription	Additional Paid-in Capital	Surplus Reserves (Note 25)	Deficit	Net Unrealized Gain (Loss) on Available-for-Sale Investments (Note 13)	Unrealized Gain on Equity Securities at Fair Value Through Other Comprehensive Income (Note 11)	Revaluation Increment on Land and Condominium Properties (Note 16)	Cumulative Translation Adjustment	Remeasurement Losses on Defined Benefit Liability (Note 29)	Total Equity
(Amount in Thousands)												
Balances at January 1, 2014	₱ -	₱ 7,489,114	₱ -	₱ 813,601	₱ 105,772	₱ (3,085,318)	₱ (1,219,413)	₱ -	₱ 209,546	₱ (11,611)	₱ (237,360)	₱ 4,064,331
Effect of early adoption of PFRS 9 (Note 2)	-	-	-	-	-	16,481	1,219,413	24,157	-	-	-	1,260,051
Subscription of common stock	-	-	1,792,698	-	-	-	-	-	-	-	-	1,792,698
Total comprehensive income (loss) for the year	-	-	-	-	-	116,909	-	197	38,197	(15,781)	(33,067)	106,455
Balances at December 31, 2014	₱ -	₱ 7,489,114	₱ 1,792,698	₱ 813,601	₱ 105,772	₱ (2,951,928)	₱ -	₱ 24,354	₱ 247,743	₱ (27,392)	₱ (270,427)	₱ 7,223,535
Balances at January 1, 2013	₱ 3,000,000	₱ 5,259,897	₱ 3,552,598	₱ 476,012	₱ 105,772	₱ (8,661,862)	₱ 672,789	₱ -	₱ 186,889	₱ (4,886)	₱ (203,560)	₱ 4,383,649
Conversion of preferred stock to common stock	(3,000,000)	3,000,000	-	-	-	-	-	-	-	-	-	-
Reduction of par value of common stock	-	(3,944,922)	-	3,944,922	-	-	-	-	-	-	-	-
Issuance of additional common stock	-	3,174,139	(3,552,598)	337,589	-	-	-	-	-	-	-	(40,870)
Application of additional paid-in capital against deficit	-	-	-	(3,944,922)	-	3,944,922	-	-	-	-	-	-
Total comprehensive income (loss) for the year	-	-	-	-	-	1,631,622	(1,892,202)	-	22,657	(6,725)	(33,800)	(278,448)
Balances at December 31, 2013	₱ -	₱ 7,489,114	₱ -	₱ 813,601	₱ 105,772	₱ (3,085,318)	₱ (1,219,413)	₱ -	₱ 209,546	₱ (11,611)	₱ (237,360)	₱ 4,064,331
Balances at January 1, 2012	₱ 3,000,000	₱ 5,259,897	2,373,032	₱ 476,012	₱ 105,772	₱ (9,646,146)	₱ 1,723,163	₱ -	₱ 173,261	₱ (22,653)	₱ (153,600)	₱ 3,288,738
Proceeds from deposit for future stock subscription	-	-	1,179,566	-	-	-	-	-	-	-	-	1,179,566
Total comprehensive income (loss) for the year	-	-	-	-	-	984,284	(1,050,374)	-	13,628	17,767	(49,960)	(84,655)
Balances at December 31, 2012	₱ 3,000,000	₱ 5,259,897	3,552,598	₱ 476,012	₱ 105,772	₱ (8,661,862)	₱ 672,789	₱ -	₱ 186,889	₱ (4,886)	₱ (203,560)	₱ 4,383,649

See accompanying Notes to Financial Statements.

Statements of Cash Flows

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	2014	2013	2012
	(Amounts in Thousands)					
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱414,399	₱2,029,930	₱1,274,941	₱405,858	₱2,028,668	₱1,274,443
Adjustments to reconcile income before income tax to net cash generated from (used in) operations:						
Gain from sale of available for sale investments (Notes 12 and 28)	-	(1,520,583)	(738,069)	-	(1,520,583)	(738,069)
Loss from sale of investment securities at amortized cost (Notes 13)	258	-	-	258	-	-
Accretion of interest on bills payable (Note 21)	210,893	802,373	706,659	210,893	802,373	706,659
Amortization of unearned income credited to interest income - others (Note 23)	(197,642)	(774,557)	(684,016)	(197,642)	(774,557)	(684,016)
Share in net income of associate (Note 8)	(361)	(1,262)	(498)	-	-	-
Accretion of interest on unquoted debt securities (Note 14)	(262,937)	(262,920)	(362,449)	(262,937)	(262,920)	(362,449)
Profits from assets sold or exchanged (Note 16)	(9,019)	(10,703)	(123,281)	(8,865)	(10,703)	(123,281)
Gain on assets exchanged (Note 16)	21,435	(23,385)	-	21,539	(23,385)	-
Depreciation and amortization (Note 15 and 17)	198,045	133,239	77,892	192,927	133,239	77,892
Fair value loss (gain) on investment properties (Note 16)	(380,407)	(248,913)	4,492	(380,407)	(248,913)	4,492
Provision for (reversal of) credit and impairment losses (Note 19)	(194,853)	(402,675)	(1,265)	(198,541)	(402,675)	(1,265)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at FVPL	1,428,430	(104,909)	-	1,428,430	(104,909)	-
Loans and receivables	(7,352,754)	(8,461,923)	(5,021,969)	(7,112,505)	(8,461,923)	(5,021,969)
Other assets	(226,571)	(169,105)	(58,839)	(224,642)	(169,105)	(58,839)
Increase (decrease) in the amounts of:						
Deposit liabilities	10,281,808	15,924,183	3,538,424	10,475,724	15,924,183	3,538,424
Manager's checks	37,629	106,451	33,250	37,629	106,451	33,250
Accrued interest, taxes and other expenses	(9,743)	63,356	(16,614)	(18,939)	63,356	(16,614)
Other liabilities	260,134	(2,217)	(55,008)	260,514	(2,217)	(55,008)
Net cash generated from (used in) operations	4,218,744	7,076,380	(1,426,350)	4,629,294	7,076,380	(1,426,350)
Income taxes paid (Note 32)	(196,222)	(302,412)	(291,498)	(198,772)	(302,412)	(291,498)
Net cash provided by (used in) operating activities	4,022,522	6,773,968	(1,717,848)	4,430,522	6,773,968	(1,717,848)
CASH FLOWS FROM INVESTING ACTIVITIES						
Decrease (increase) in interbank loans receivable (Note 9)	(44,769)	(3,422)	2,590	(44,769)	(3,422)	2,590
Acquisitions of:						
Available-for-sale investments (Note 12)	-	(63,878,979)	(31,507,479)	-	(63,878,979)	(31,507,479)
Subsidiaries (Notes 7 and 8)	(43,599)	-	-	(852,841)	-	-
Additions to equity investments	-	-	-	-	-	-
Property and equipment (Note 15)	(512,523)	(409,340)	(205,371)	(509,729)	(409,340)	(205,371)
Chattel mortgage	(19,978)	-	-	(19,978)	-	-
Software cost (Note 17)	(150,255)	(301,659)	(56,561)	(150,255)	(301,659)	(56,561)
Investment properties (Notes 15 and 16)	(1,133)	(20,479)	(6,421)	(1,133)	(20,479)	(6,421)
Investment Securities at amortized cost	(₱1,026,686)	₱-	₱-	(₱1,016,670)	₱-	₱-

(Forward)

Statements of Cash Flows (Cont'd)

	Consolidated			Parent Company		
	Years Ended December 31					
	2014	2013	2012	2014	2013	2012
(Amounts in Thousands)						
Proceeds from:						
Sale of available-for-sale investments	-	60,196,080	30,559,174	-	60,196,080	30,559,174
Proceeds of matured investment securities	6,562,880	-	-	6,562,880	-	-
Disposals of investment properties (Note 16)	172,157	62,379	177,000	171,507	62,379	177,000
Disposals of property and equipment (Note 15)	24,720	17,815	5,877	23,551	17,815	5,877
Disposal of chattel mortgage	900	-	5,000	900	-	5,000
Investment Securities at amortized cost	496,837	-	-	496,836	-	-
Net cash provided by (used in) investing activities	5,458,551	(4,337,605)	(1,026,191)	4,660,299	(4,337,605)	(1,026,191)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from shares subscription	1,792,698	-	1,179,566	1,792,698	-	1,179,566
Transaction cost on shares issuance		(40,869)			(40,869)	
Availments of:						
Bills payable	25,647,949	14,045,317	11,392,737	25,647,949	14,045,317	11,392,737
Outstanding acceptances	1,248,917	2,825,687	1,461,406	1,248,917	2,825,687	1,461,406
Marginal deposits	7,602	269,007	6,134	(7,602)	269,007	6,134
Settlements of:						
Bills payable	(31,936,967)	(13,212,961)	(11,631,731)	(31,895,431)	(13,212,961)	(11,631,731)
Outstanding acceptances	(1,266,485)	(2,814,821)	(1,486,089)	(1,266,485)	(2,814,821)	(1,486,089)
Marginal deposits	(7,602)	(270,252)	(4,890)	7,602	(270,252)	(4,890)
Net cash provided by (used in) financing activities	(4,513,888)	801,108	917,133	(4,472,352)	801,108	917,133
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENT						
	(15,781)	(6,726)	17,767	(15,781)	(6,726)	17,767
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	4,951,404	3,230,745	(1,809,139)	4,602,688	3,230,745	(1,809,139)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	740,012	551,097	369,164	740,012	551,097	369,164
Due from Bangko Sentral ng Pilipinas	9,573,407	5,511,067	6,040,783	9,573,408	5,511,067	6,040,783
Due from other banks	661,308	887,143	514,812	661,308	887,143	514,812
Interbank loans receivable and securities purchased under resale agreements (Note 35)	157,879	952,555	2,786,242	157,879	952,555	2,786,242
	11,132,606	7,901,862	9,711,001	11,132,607	7,901,862	9,711,001
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	1,181,592	740,012	551,097	1,153,418	740,012	551,097
Due from Bangko Sentral ng Pilipinas	12,522,613	9,573,408	5,511,067	12,463,067	9,573,408	5,511,067
Due from other banks	1,636,641	661,308	887,143	1,375,646	661,308	887,143
Interbank loans receivable and securities purchased under resale agreements (Note 35)	743,164	157,879	952,555	743,164	157,879	952,555
	₱16,084,010	₱11,132,607	₱7,901,862	₱15,735,295	₱11,132,607	₱7,901,862
OPERATIONAL CASH FLOWS FROM INTEREST						
Interest paid	₱986,131	₱809,982	₱927,303	₱979,207	₱809,982	₱927,303
Interest received	3,026,918	2,184,973	2,086,125	2,996,212	2,184,973	2,086,125

See accompanying Notes to Financial Statements.

Notes to Financial Statements





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